



FINANCIERA  
INDEPENDENCIA  
U.S.\$200,000,000

**Financiera Independencia, S.A.B. de C.V.,  
Sociedad Financiera de Objeto Multiple, Entidad No Regulada  
10.0% Senior Guaranteed Notes due 2015**

Financiera Independencia, S.A.B. de C.V., *Sociedad Financiera de Objeto Multiple, Entidad No Regulada* is offering U.S.\$200,000,000 aggregate principal amount of 10.0% senior guaranteed notes due 2015 (the “notes”). The notes will mature on March 30, 2015. Interest will accrue from March 30, 2010 and will be payable on March 30 and September 30 of each year, beginning on September 30, 2010.

We may redeem the notes, in whole or in part, by paying the principal amount of the notes plus the applicable “make whole” premium and accrued and unpaid interest. On or prior to March 30, 2013, we may also redeem up to 35% of the notes with the net proceeds of certain equity offerings. In addition, in the event of certain changes in the Mexican withholding tax treatment relating to payments on the notes, we may redeem all (but not less than all) of the notes at 100% of their principal amount, plus accrued and unpaid interest. There is no sinking fund for the notes. See “Description of Notes.”

The notes will be unconditionally and irrevocably guaranteed by: Financiera Finsol, S.A. de C.V., *Sociedad Financiera de Objeto Multiple, Entidad No Regulada*.

The notes will rank equally in right of payment with our existing and future senior unsecured indebtedness. The subsidiary guarantor set forth above, as well as any subsidiaries meeting certain criteria in the future, will fully and unconditionally guarantee the notes on a senior basis. The guarantee will be unsecured and rank equally with all existing and future senior unsecured indebtedness of the subsidiary guarantor. The notes will also be effectively subordinated to our and our subsidiary guarantor’s secured indebtedness to the extent of the value of the assets securing such indebtedness. The notes will be structurally subordinated to the liabilities of our non-guarantor subsidiaries. As of December 31, 2009, after giving pro forma effect to this offering, the acquisition of Finsol and the related capital increase to finance its acquisition, and the use of the net proceeds of this offering we would have had Ps.4,052.8 million (U.S.\$310.7 million) of consolidated senior unsecured indebtedness and Ps.1,832.2 million (U.S.\$140.5 million) of consolidated secured indebtedness.

For a more detailed description of the notes, see “Description of Notes” beginning on page 139.

Application is expected to be made to the Luxembourg Stock Exchange for the notes to be admitted to listing on the Official List and to be admitted to trading on the Euro MTF market. This offering memorandum constitutes a prospectus for the purposes of the Luxembourg law on prospectuses for securities, dated July 10, 2005.

**Investing in the notes involves risks. See “Risk Factors” beginning on page 20 of this offering memorandum.**

**PRICE 100.0% AND ACCRUED INTEREST, IF ANY, FROM MARCH 30, 2010.**

The notes have not been registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”), and are being offered only (1) to qualified institutional buyers under Rule 144A and (2) outside the United States in compliance with Regulation S. Prospective purchasers that are qualified institutional buyers are hereby notified that the sellers of the notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For more information about the restrictions on transfer of the notes, see “Transfer Restrictions” beginning on page 194.

The information contained in this offering memorandum is exclusively the responsibility of Financiera Independencia, S.A.B. de C.V., *Sociedad Financiera de Objeto Multiple, Entidad No Regulada* and has not been reviewed or authorized by the Mexican National Banking and Securities Commission (*Comision Nacional Bancaria y de Valores*, or “CNBV”). The notes have not been and will not be registered with the Mexican National Securities Registry (*Registro Nacional de Valores*) maintained by the CNBV. The notes may not be publicly offered, sold or traded or otherwise be subject to brokerage activities in Mexico except pursuant to a private placement exemption set forth in Article 8 of the Mexican Securities Market Law (*Ley del Mercado de Valores*) and the regulations issued thereunder, as amended. As required under the Mexican Securities Market Law, we will notify the CNBV of the offering of the notes outside of the United Mexican States, or Mexico. Such notice will be delivered to the CNBV to comply with a legal requirement and for statistical and information purposes only; therefore, the delivery to and the receipt by the CNBV of such notice does not and will not 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 included in this offering memorandum. In making an investment decision, all investors, including any Mexican investors who may acquire notes from time to time, must rely on their own review and examination of Financiera Independencia, S.A.B. de C.V., *Sociedad Financiera de Objeto Multiple, Entidad No Regulada*. The acquisition of the notes by an investor who is a resident of Mexico will be made under its own responsibility.

The notes will be ready for delivery in book-entry form only through The Depository Trust Company, the Euroclear Bank S.A./N.V., and Clearstream Banking, societe anonyme, Luxembourg, on or about March 30, 2010.

Joint Book-Running Managers

**BofA Merrill Lynch**

**Morgan Stanley**

The date of this Offering Memorandum is March 23, 2010

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In this offering memorandum, “Financiera Independencia,” “we,” “us,” “our,” “our company,” and “the Company” refer to Financiera Independencia, S.A.B. de C.V., *Sociedad Financiera de Objeto Multiple, Entidad No Regulada*, and its consolidated subsidiaries, unless the context otherwise requires or unless specified otherwise. References to “the Issuer” refer solely to Financiera Independencia, S.A.B. de C.V., *Sociedad Financiera de Objeto Multiple, Entidad No Regulada*. References to Financiera Independencia, its subsidiaries, operations or results prior to the acquisition of Financiera Finsol, S.A. de C.V., *Sociedad Financiera de Objeto Multiple, Entidad No Regulada*, and its related companies (collectively referred to as “Finsol”) do not include such entities, unless the context otherwise requires or except when indicated. References to “Financiera Finsol” refer to Financiera Finsol, S.A. de C.V., *Sociedad Financiera de Objeto Multiple, Entidad No Regulada* on a stand-alone basis. References to “subsidiary guarantor” refer to Financiera Finsol.

You should only rely on the information contained in this offering memorandum. We have not authorized anyone to provide you with different information. Neither we nor the initial purchasers are making an offer of the notes in any jurisdiction where the offer is not permitted.

We, having made all reasonable inquiries, confirm that the information contained in this offering memorandum with regard to our company is true and accurate in all material respects, that the opinions and intentions we express in this offering memorandum are honestly held, and that there are no other facts the omission of which would make this offering memorandum as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect. We accept responsibility accordingly.

The notes have not been and will not be registered with the Mexican National Securities Registry (*Registro Nacional de Valores*) maintained by the CNBV. As required under the Mexican Securities Market Law, Financiera Independencia, S.A.B. de C.V., *Sociedad Financiera de Objeto Multiple, Entidad No Regulada*, will notify the CNBV of the offering of the notes outside of Mexico. Such notice will be delivered to the CNBV to comply with a legal requirement and for statistical and information purposes only; therefore, the delivery to and the receipt by the CNBV of such notice does not and will not imply any certification as to the investment quality of the notes, the solvency, liquidity or credit quality of Financiera Independencia, S.A.B. de C.V., *Sociedad Financiera de Objeto Multiple, Entidad No Regulada* or the accuracy or completeness of the information included in this offering memorandum.

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**This offering memorandum does not constitute an offer to sell, or a solicitation of an offer to buy, any notes offered hereby by any person in any jurisdiction in which it is unlawful for such person to make an offer or solicitation. Neither the delivery of this offering memorandum nor any sale made hereunder shall under any circumstances imply that there has been no change in our affairs or the affairs of our subsidiaries or that the information set forth in this offering memorandum is correct as of any date subsequent to the date of this offering memorandum.**

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This offering memorandum has been prepared by us solely for use in connection with the proposed offering of the notes. We reserve the right to reject any offer to purchase, in whole or in part, for any reason, or to sell less than all of the notes offered by this offering memorandum. Morgan Stanley & Co. Incorporated and Banc of America Securities LLC will act as initial purchasers with respect to the offering of the notes. This offering memorandum is personal to you and does not constitute an offer to any other person or to the public in general to subscribe for or otherwise acquire the notes.

Distribution of this offering memorandum by you to any person other than those persons retained to advise you is unauthorized, and any disclosure of any of the contents of this offering memorandum without our prior written consent is prohibited. By accepting delivery of this offering memorandum, you agree to the foregoing and to make no photocopies of this offering memorandum, and, if you do not purchase the notes or the offering is terminated for any reason, to return this offering memorandum to: Morgan Stanley & Co. Incorporated, 1585 Broadway, New York, NY 10036, Attention: Global Capital Markets; Bank of America Merrill Lynch, One Bryant Park, New York, NY 10036.

You must (1) comply with all applicable laws and regulations in force in any jurisdiction in connection with the possession or distribution of this offering memorandum and the purchase, offer or sale of the notes, and (2) obtain any required consent, approval or permission for the purchase, offer or sale by you of the notes under the laws and regulations applicable to you in force in any jurisdiction to which you are subject or in which you make such purchases, offers or sales, and neither we nor the initial purchasers or their agents have any responsibility therefor. See “Plan of Distribution—Selling Restrictions” for information concerning some of the transfer restrictions applicable to the notes.

You acknowledge that:

- you have been afforded an opportunity to request from us, and to review, all additional information considered by you to be necessary to verify the accuracy of, or to supplement, the information contained in this offering memorandum;
- you have not relied on the initial purchasers or their agents or any person affiliated with the initial purchasers or their agents in connection with your investigation of the accuracy of such information or your investment decision; and

- no person has been authorized to give any information or to make any representation concerning us or the notes other than those as set forth in this offering memorandum. If given or made, any such other information or representation should not be relied upon as having been authorized by us, the initial purchasers or their agents.

**In making an investment decision, you must rely on your own examination of our business and the terms of this offering, including the merits and risks involved. The notes have not been recommended by the Securities and Exchange Commission, the CNBV or any state or foreign securities commission or regulatory authority. Furthermore, these authorities have not confirmed the accuracy or determined the adequacy of this offering memorandum. Any representation to the contrary is a criminal offense.**

**The notes may not be transferred or resold except as permitted under the Securities Act of 1933, as amended, which we refer to in this offering memorandum as the “Securities Act,” and related regulations and applicable state securities laws. In making your purchase, you will be deemed to have made certain acknowledgements, representations and agreements set forth in this offering memorandum under the caption “Transfer Restrictions.” You should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time.**

**This offering memorandum may only be used for the purpose for which it has been published. Neither the initial purchasers nor any of their agents is making any representation or warranty as to the accuracy or completeness of the information contained in this offering memorandum, and nothing contained in this offering memorandum is, or shall be relied upon as, a promise or representation, whether as to the past or the future. The initial purchasers and their agents assume no responsibility for the accuracy or completeness of the information contained in this offering memorandum.**

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See “Risk Factors,” following the “Summary,” for a description of certain factors relating to an investment in the notes, including information about our business. None of us, the initial purchasers or any of our or its representatives is making any representation to you regarding the legality of an investment by you under applicable legal investment or similar laws. You should consult with your own advisors as to legal, tax, business, financial and related aspects of a purchase of the notes.

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Notwithstanding anything in this offering memorandum to the contrary, each prospective investor (and each employee, representative or other agent of the prospective investor) may disclose to any and all persons, without limitation of any kind, the U.S. tax treatment and U.S. tax structure of any offering and all materials of any kind (including opinions or other tax analyses) that are provided to the prospective investor relating to such U.S. tax treatment and U.S. tax structure, other than any information for which nondisclosure is reasonably necessary in order to comply with applicable securities laws.

To ensure compliance with Treasury Department Circular 230, holders of the notes are hereby notified that: (a) any discussion of federal tax issues in this document is not intended or written to be relied upon, and cannot be relied upon, by holders of the notes for the purpose of avoiding penalties that may be imposed on holders of the notes under the Internal Revenue Code; (b) such discussion is included herein by *Financiera Independencia, S.A.B. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada*, in connection with the promotion or marketing (within the meaning of Circular 230) by the company of the transactions addressed herein; and (c) holders of the notes should seek advice based on their particular circumstances from an independent tax advisor.

## NOTICE TO NEW HAMPSHIRE RESIDENTS

**NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER RSA 421-B OF THE NEW HAMPSHIRE REVISED STATUTES (“RSA 421-B”) WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE OF NEW HAMPSHIRE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.**

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The notes will be available initially only in book-entry form. We expect that the notes will be issued in the form of one or more registered global notes. The global notes will be deposited with, or on behalf of, DTC and registered in its name or in the name of Cede & Co., its nominee. Beneficial interests in the global notes will be shown on, and transfers of beneficial interests in the global notes will be effected through, records maintained by DTC and its participants. We expect the Regulation S global notes, if any, to be deposited with the trustee as custodian for DTC, and beneficial interests in them may be held through the Euroclear System, Clearstream Banking S.A. or other participants. See “Description of Notes—Principal, Maturity and Interest” for further discussion of these matters.

## NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED KINGDOM

This document is only being distributed to and is only directed (i) to persons who are outside the United Kingdom or (ii) to investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (the “FSMA”) (Financial Promotion) Order 2005 (the “Order”) or (iii) to high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as “Relevant Persons”). The notes are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such notes will be engaged in only with, Relevant Persons. Any person who is not a Relevant Person should not act or rely on this document or any of its contents.

## NOTICE TO PROSPECTIVE INVESTORS IN EUROPEAN ECONOMIC AREA

To the extent that the offer of the notes is made in any European Economic Area (“EEA”) member state that has implemented Directive 2003/71/EC (together with any applicable implementing measures in any member state, the “Prospectus Directive”) before the date of publication of a prospectus in relation to the notes that has been approved by the competent authority in that member state in accordance with the Prospectus Directive (or, where appropriate, published in accordance with the Prospectus Directive and notified to the competent authority in that member state in accordance with the Prospectus Directive), the offer (including any offer pursuant to this document) is only addressed to qualified investors in that member state within the meaning of the Prospectus Directive or has been or will be made otherwise in circumstances that do not require the Issuer to publish a prospectus pursuant to the Prospectus Directive.

## AVAILABLE INFORMATION

To permit compliance with Rule 144A under the Securities Act in connection with resales of notes, we will be required under the Indenture under which the notes are issued (the “Indenture”), upon the request of a holder of Rule 144A notes or Regulation S notes (during the Distribution Compliance 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 if at the time of the

request we are neither a reporting company under Section 13 or Section 15(d) of the United States Securities Exchange Act of 1934, as amended (the “Exchange Act”), nor exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act (“Rule 12g3-2(b)”). As long as we maintain this exemption, we will not be required under the Indenture to deliver information otherwise required to be delivered under Rule 144A(d)(4) under the Securities Act. We have also furnished, and will be required periodically to furnish, certain information, including quarterly and annual reports, to the CNBV and to the Mexican Stock Exchange (*Bolsa Mexicana de Valores, S.A.B. de C.V.*). We publish our financial statements in Spanish on the website of the Mexican Stock Exchange at <http://www.bmv.com.mx>. We also publish our quarterly and annual reports in English on our company website at <http://www.independencia.com.mx>.

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 of our offering memorandum, including a review of our operations, and our audited annual consolidated financial statements (as defined in “Presentation of Financial and Other Information—Financial Information”) prepared in accordance with the accounting principles and regulations prescribed by the CNBV for credit institutions, as amended, or Mexican Banking GAAP. For so long as the notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Luxembourg Stock Exchange’s Euro MTF market, you can also obtain a copy of the Indenture at the office of the paying agent in Luxembourg. We will also make available at the office of the Trustee our unaudited quarterly condensed consolidated financial statements in English prepared in accordance with Mexican Banking GAAP.

### **SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES**

We and our subsidiary guarantor are corporations organized under the laws of Mexico. All of our directors and executive officers, and the directors and executive officers of our subsidiary guarantor, reside outside the United States. All of our assets and substantially all of the assets of our directors and officers who reside outside of the United States are located outside of the United States. As a result, it may not be possible for investors to effect service of process outside Mexico upon us or upon our subsidiary guarantor, directors or executive officers, or to enforce against such parties judgments of courts located outside Mexico predicated upon civil liabilities under the laws of jurisdictions other than Mexico, including judgments predicated upon the civil liability provisions of the U.S. federal securities laws or other laws of the United States.

We have been advised by White & Case, S.C., our special Mexican counsel, that no bilateral treaty exists between the United States and Mexico for the reciprocal enforcement of judgments issued in the other country. Generally, Mexican courts will enforce final judgments rendered in the United States if certain requirements are met, including the review in Mexico of the U.S. judgment to ascertain compliance with certain basic principles of due process and the non-violation of Mexican law or public policy, provided that U.S. courts would grant reciprocal treatment to Mexican judgments. Additionally, we have been advised by White & Case, S.C., our special Mexican counsel, that there is doubt as to the enforceability, in original actions in Mexican courts, of liabilities predicated in whole or in part on the laws of any jurisdiction outside Mexico, including any judgment 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 upon the civil liability provisions of the U.S. federal securities laws.

Although our obligations to pay in U.S. dollars outside Mexico are valid, pursuant to Article 8 of the Mexican Monetary Law (*Ley Monetaria*) in the event that proceedings are brought in Mexico seeking to enforce our obligations under our or our subsidiary guarantor’s outstanding debt, including the notes offered hereby, payment of obligations in foreign currency to be made in Mexico may be satisfied by delivering the equivalent in the currency of Mexico, or Mexican Judgment Currency. Pursuant to Mexican law, an obligation 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 payment is made. Such rate of exchange is currently determined by the Mexican Central Bank (*Banco de Mexico*) every business day in Mexico and published the following business banking day in the Federal Official Gazette (*Diario Oficial de la Federacion*), or the Official Gazette. It is unclear, however, whether the applicable rate of exchange applied by a Mexican court to determine the Mexican Judgment Currency will be the rate prevailing at the time when the judgment is rendered or when the judgment is paid. Provisions purporting to limit our liability to discharge our obligations as described above, or purporting to give any legitimate party an additional course of action seeking indemnity or compensation for possible deficiencies arising out of or resulting from variations in rates of exchange may not be enforceable in Mexico.

Upon declaration of a reorganization proceeding (*concurso mercantil*) or bankruptcy (*quiebra*) proceeding in a Mexican court, payment obligations under our and our subsidiary guarantor's outstanding debt, including the notes offered hereby, (i) would be converted to Pesos at the exchange rate prevailing at the time such declaration is deemed effective and, other than with respect to secured debt, would subsequently be converted into UDIs (*Unidades de Inversion*), (ii) would cease accruing interest to the extent such debt is not secured, (iii) would be paid at the time claims of creditors are satisfied, (iv) would be dependent upon the outcome of the relevant *concurso mercantil* or *quiebra* proceedings and (v) would not be adjusted to consider the depreciation of the Peso against the U.S. dollar occurring after such declaration of insolvency. UDIs are indexed units that automatically adjust the principal amount of an obligation in Pesos to the inflation rate officially recognized by the Mexican Central Bank. In addition, in the event of bankruptcy, Mexican law provides preferential treatment for certain claims, such as those relating to labor, taxes and secured creditors.

## DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This offering memorandum contains forward-looking statements. Words such as “believe,” “anticipate,” “plan,” “expect,” “intend,” “target,” “estimate,” “project,” “predict,” “forecast,” “guideline,” “should,” “aim,” “continue,” “could,” “guidance,” “may,” “potential,” “will,” similar expressions and the negative of such expressions are intended to identify forward-looking statements, but are not the exclusive means of identifying these statements. Examples of forward-looking statements include:

- projections of revenues, net income (loss), earnings per share, capital expenditures, dividends, capital structure, other financial items or ratios, taxes, and projections related to our business and results of operations;
- statements of our plans, strategy, objectives or goals, including those relating to anticipated trends, competition, regulation (including banking and microfinancing regulations and laws), financing, warranties, key management personnel, and subsidiaries;
- statements regarding the expected future performance of our clients;
- statements about anticipated changes to our accounting policies;
- statements about currency exchange controls, fluctuations in interest rates and regulations limiting interest and related fees and commissions;
- statements about the risks associated with the notes, such as the effects of our level of debt, the Indenture, payments of any judgments against us, and any bankruptcy of our company or our subsidiaries;
- statements about our future economic performance or that of Mexico (including any depreciation or appreciation of the Peso) or other countries;
- statements regarding our access to financing;
- statements regarding the regulations applicable to us and the possibility that we may become subject to regulation as a bank;
- statements about changes in Mexican or Brazilian federal governmental policies, legislation or regulation;
- statements of assumptions underlying these statements;
- prospective statements regarding the microfinance industry in Mexico and Brazil; and
- statements about risks associated with the acquisition of Finsol.

You should not place undue reliance on forward-looking statements, which are based on current expectations. Forward-looking statements are not guarantees of performance. They involve risks, uncertainties and assumptions. Our future results may differ materially from those expressed in forward-looking statements. Many of the factors that will determine these results and values are beyond our ability to control or predict. All forward-looking statements and risk factors included in this offering memorandum are made as of the date on the front cover of this offering memorandum, based on information available to us as of such date, and we assume no obligation to update any forward-looking statement or risk factor.



## PRESENTATION OF FINANCIAL AND OTHER INFORMATION

### Financial Statements

This offering memorandum includes our audited consolidated financial statements as of December 31, 2009 and 2008 and for the years ended December 31, 2009, 2008 and 2007, together with the notes thereto, which we refer to as the audited financial statements. Our audited financial statements are referred to herein as the financial statements.

This offering memorandum also includes the audited, combined financial statements of Financiera Finsol, S.A. de C.V., *Sociedad Financiera de Objeto Multiple, Entidad No Regulada* and its related companies, or Finsol, as of and for the year ended December 31, 2009, together with the notes thereto. We acquired Finsol on February 19, 2010, as further described under “Business—Recent Developments” in this offering memorandum.

Our financial statements and those of Finsol have been prepared in accordance with the accounting principles and regulations prescribed by the CNBV for credit institutions, as amended, or Mexican Banking GAAP. In September 2008, the CNBV issued a resolution amending the Sole Circular for Issuers (*Disposiciones de caracter general aplicables a las emisoras de valores y a otros participantes del mercado de valores*). This amendment required any non-regulated entity organized as a *sociedad financiera de objeto multiple, entidad no regulada*, or Sofom, E. N. R., that lists debt or equity on the Mexican Stock Exchange (which includes us), to prepare its financial statements in accordance with Mexican Banking GAAP, beginning January 1, 2009. We began preparing our financial statements in accordance with Mexican Banking GAAP in 2008, as early adoption was permitted. For comparison purposes, all of our financial statements presented in this offering memorandum, including our 2007 financial statements, have been prepared in accordance with Mexican Banking GAAP.

Also included in this offering memorandum is unaudited pro forma condensed combined financial information reflecting the combined accounts of Financiera Independencia and Finsol on a pro forma basis as of and for the year ended December 31, 2009. All such pro forma financial information is unaudited and may not be indicative of the results of operations that actually would have been achieved had we acquired Finsol at the beginning of the period presented and do not purport to be indicative of future results.

Certain figures included in this offering memorandum and our financial statements have been rounded for ease of presentation. 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, percentage amounts in this offering memorandum may vary from those obtained by performing the same calculations using the figures in our financial statements. Certain other amounts that appear in this offering memorandum may not sum due to rounding.

### Accounting Principles

Mexican Banking GAAP differs from Mexican Financial Reporting Standards (*Normas de Informacion Financiera*), referred to as MFRS or Mexican GAAP, as currently in effect and issued by the Mexican Board for Research and Development of Financial Reporting Standards (*Consejo Mexicano para la Investigacion y Desarrollo de Normas de Informacion Financiera*), or CINIF.

In addition, Mexican Banking GAAP differs in certain significant respects from accounting principles generally accepted in the United States of America, or U.S. GAAP. For a summary of the main differences between Mexican Banking GAAP and U.S. GAAP, as they relate to our financial statements, see “Summary of Significant Differences Between Mexican Banking GAAP Applicable to Financial Institutions and U.S. GAAP.” No reconciliation of any of the financial statements to U.S. GAAP has been prepared for the purposes of this offering memorandum. Any such reconciliation would likely result in material differences.

Effective January 1, 2008, the guidelines of the MFRS B-10 provide that the effects of inflation will no longer be recognized in financial statements in a non-inflationary environment. After that date, the recording of inflation effects will only be required in an environment where cumulative inflation over the three preceding years is equal to or

greater than 26%. Because of the relatively low level of Mexican inflation in recent years, the cumulative inflation rate in Mexico over the three-year period preceding December 31, 2008 and 2009 does not qualify as inflationary.

Consequently, beginning on January 1, 2008, we were no longer required by Mexican Banking GAAP to recognize the effects of inflation in our financial statements. Accordingly, our financial information through December 31, 2007 is stated in Pesos in purchasing power as of December 31, 2007. The financial information as of December 31, 2008 and 2009, and the financial information for the years ended December 31, 2008 and 2009, is not directly comparable to prior periods due to the recognition of inflation effects in financial information in prior periods. Our financial information as of December 31, 2008 and 2009 maintained the inflation adjustments recognized in prior years in our consolidated stockholders' equity, and the inflation-adjusted amounts for non-monetary assets and liabilities at December 31, 2007 became the accounting basis for those assets and liabilities beginning on January 1, 2008 and for subsequent periods.

## **Currencies**

The financial information appearing in this offering memorandum is presented in Mexican Pesos. In this offering memorandum references to "Pesos" or "Ps." are to Mexican Pesos, references to "U.S. dollars," "dollars," "U.S.\$" or "\$" are to United States dollars and references to "Rs." or "reals" are to Brazilian reals. This offering memorandum contains translations of certain Peso amounts into U.S. dollars at specified rates solely for the convenience of the reader. These 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 rate indicated. Unless otherwise indicated, U.S. dollar amounts that have been translated from Pesos have been so translated at an exchange rate of Ps.13.04370 per U.S. dollar, the rate published as of December 31, 2009 in the Official Gazette, by the Mexican Central Bank for the payment of obligations denominated in currencies other than Pesos and payable within Mexico on December 31, 2009, or the Mexican Central Bank Exchange Rate. As of the same date, the noon buying rate in New York for cable transfers in Pesos per U.S. dollar as certified for customs purposes by the Federal Reserve Bank of New York was Ps.13.0576 per U.S. dollar. See "Exchange Rates" for information regarding rates of exchange between the Peso and the U.S. dollar for the periods specified therein.

## **Terms Relating to Our Loan Portfolio**

As used in this offering memorandum, the following terms relating to our loan portfolio and other credit assets have the meanings set forth below, unless otherwise indicated.

"Total performing loans" and "total performing loan portfolio" refer to the aggregate of (i) the total principal amount of loans outstanding as of the date presented and (ii) amounts attributable to "accrued interest." Under Mexican Banking GAAP, we include as income for any reporting period interest accrued but unpaid during that period. Such "accrued interest" is reported as part of our total performing loan portfolio in the financial statements until it is paid or becomes part of the total non-performing loan portfolio in accordance with CNBV's rules.

Unless otherwise specified herein, the terms "total performing loans" and "total performing loan portfolio," as used in this offering memorandum, do not include "total non-performing loans," as defined below.

The terms "total non-performing loans" and "total non-performing loan portfolio" include past-due principal and past-due interest. For a description of our policies regarding the classification of loans as non-performing, see "Selected Statistical Information—Non-Performing Loan Portfolio." References in this offering memorandum to "non-performing loans" are to loans which are 60 days or more past due for our revolving line of credit product, CrediInmediato, and 90 days or more past due for all other products.

The terms "total loans," "total loan portfolio" and "loan portfolio" include total performing loans plus total non-performing loans, each as defined above.

The loan portfolio information provided under the heading "Selected Statistical Information" was determined in accordance with the manner in which we have presented the components of our loan portfolio in other

sections of this offering memorandum as described above. See “Selected Statistical Information—Loan Portfolio” and the footnotes to the tables included therein.

References in this offering memorandum to “provisions” are to additions to the allowance for loan losses or reserves. These provisions are recorded in a particular period and charged to results of operations.

## **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: (i) the CNBV, (ii) the Mexican National Commission for the Protection of Users of Financial Services (*Comision Nacional para la Proteccion y Defensa de los Usuarios de Servicios Financieros*), or Condusef, (iii) the Mexican Association of Specialized Financial Entities (*Asociacion Mexicana de Entidades Financieras Especializadas*), or AMFE, (iv) the Mexican National Institute of Statistics and Geography (*Instituto Nacional de Estadistica y Geografia*), or INEGI, (v) the Mexican Central Bank (*Banco de Mexico*), (vi) Mix Market, a web-based provider of information relating to the microfinance industry, (vii) FactSet, a provider of global financial and economic information, (viii) Consultative Group to Assist the Poor, or CGAP, a consortium of over 30 development agencies and private foundations that is part of the World Bank, (ix) the Mexican Association of Market Research and Public Opinion Agencies (*Asociacion Mexicana de Agencias de Investigacion de Mercado y Opinion Publica*), or AMAI, (x) the Mexican National Population Board (*Consejo Nacional de Poblacion*), or Conapo, and (xi) ACCION International, a Boston-based non-governmental organization leader in the area of microfinance technology and investment. Some data are also based on our estimates, which are derived from our review of internal surveys, as well as independent sources. Although we believe these sources are reliable, we have not independently verified the information and cannot guarantee its accuracy or completeness. You should not place undue reliance on estimates as they are inherently uncertain.

## **Other Terms**

Unless the context otherwise requires or except when indicated, all references to “we,” “us,” “our” “our company,” “the Company” or “Financiera Independencia” mean Financiera Independencia, S.A.B. de C.V., *Sociedad Financiera de Objeto Multiple, Entidad No Regulada*, and its consolidated subsidiaries. We acquired Financiera Finsol, S.A. de C.V., *Sociedad Financiera de Objeto Multiple, Entidad No Regulada* and a group of related companies on February 19, 2010; from this date forward, Finsol will be reflected in our consolidated results of operations and financial condition. Accordingly, references to Financiera Independencia, its subsidiaries, operations or results prior to the acquisition of Finsol and its related companies do not include such entities, unless the context otherwise requires or except when indicated. References to “subsidiary guarantor” are to Financiera Finsol, S.A. de C.V., *Sociedad Financiera de Objeto Multiple, Entidad No Regulada*. References to GDP refer to gross domestic product of Mexico.

## SUMMARY

This summary highlights selected information contained in this offering memorandum and may not include all of the information that is important to you. For a more complete understanding of us, our business and this offering, you should read this entire offering memorandum, including the sections entitled “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operation,” and “Selected Statistical Information” and the financial statements appearing elsewhere in this offering memorandum.

### Overview

We are in the business of providing microcredit loans to individuals in the low-income segment of the Mexican population, a market that we estimate to be a total of approximately 34.7 million people. We provide products and services to individuals who otherwise would have no, or limited, access to financial institutions. We aim to develop long-term relationships with our clients to establish their credit history, in furtherance of our core goals of creating economic value for our clients and shareholders and social value for our clients and the community at large. As of October 31, 2009 and December 31, 2008, we were the largest microfinance lender of personal loans to individuals in Mexico based on the number of loans outstanding, according to data published by AMFE and Mix Market, respectively. As of December 31, 2009, we operated 199 branch offices in 143 cities throughout 31 of the 32 Mexican federal entities (comprising the Mexican States and the Federal District).

We are an unregulated multiple purpose financial company (*sociedad financiera de objeto multiple, entidad no regulada*), or Sofom, incorporated under the laws of Mexico as a public corporation with limited liability and variable capital (*sociedad anonima bursatil de capital variable*). We are a publicly-traded company, listed on the Mexican Stock Exchange (*Bolsa Mexicana de Valores*) (ticker symbol: FINDEP), and our market capitalization as of March 19, 2010 was approximately U.S.\$696.2 million. We operate based on a specialized business model that relies on providing large volumes of small loans (our average loan size is approximately U.S.\$298) with high frequency of collections (93.8% of our loans are paid either weekly or bi-weekly).

We currently offer four major loan products to our clients. Our CrediInmediato product provides revolving credit lines to customers employed in the formal sector, as well as to certain qualifying clients in the informal sector. Our CrediPopular product provides term loans to customers employed in the informal sector that primarily use these funds as working capital loans. Our CrediConstruye loans are available for home improvements, and are generally disbursed in the form of vouchers for building materials. Our CrediMama product provides loans to mothers with at least one child under the age of 18.

Since our inception in 1993, we have experienced significant growth and earned a leading role in the personal loan sector of the Mexican microfinance market. We have achieved a compounded annual growth rate in our number of loans granted of 61.5% since our inception, and as of 2009, we had 1,236,092 loans outstanding and reported a return on average total assets of 8.8%. We believe that this success is attributable to a number of factors, including our geographic coverage and extensive distribution network; our understanding of the market we service and the know-how we have developed through our exclusive focus on one line of business; our risk management policies; our effective collection practices; the efficiencies afforded by our information technology systems; the loyalty fostered by the personalized client service that we provide; and the leadership of our experienced and skilled management team. We believe that we are strategically positioned to achieve additional growth and further strengthen our competitive position.

Maintaining the quality of our loan portfolio is one of our key priorities. Despite our rapid growth, our risk management and effective collection policies have allowed us to maintain a past-due rate of 12.0% in 2009, which compares favorably to our past-due rate of 12.5% in 2008. We have achieved loan growth with a concurrent reduction of our past due rate, a fact that we believe differentiates us from most Mexican banks. We believe that our policies for provisioning past due loans are conservative, having provisioned 31.5% and 38.6% of financial margin for 2008 and 2009, respectively. In addition, we believe that we are adequately capitalized, with a ratio of equity to assets of 31.3% as of December 31, 2009.

In addition, our outstanding aggregate loan balances have increased continuously. As of December 31, 2009, our loan portfolio amounted to Ps.4,812.3 million, compared to Ps.4,473.8 million as of December 31, 2008,

representing an increase of 7.6%. Although our loan growth rate decelerated relative to growth rates achieved between 2004 and 2008, it compares favorably to the negative growth of 20.1% experienced by consumer loans (our key product) in 2009 in the Mexican market, according to the Mexican Central Bank. In spite of a GDP contraction of the Mexican economy of 6.5% during 2009, and a rise in unemployment from 4.32% in December 2008 to 6.41% in September 2009 and 4.80% in December 2009, we were able to achieve a return on average shareholders' equity of 28.1% during 2009 and to slightly improve the level of non-performing loans in our portfolio (from 12.5% in 2008 to 12.0% in 2009). We believe this contrast demonstrates the resiliency of our business model against economic downturns.

In 2009, our financial margin after provision for loan losses was Ps.1,709.1 million, reflecting a 0.4% increase compared to 2008, and our net income was Ps.515.2 million, compared to Ps.565.4 million in 2008, representing an 8.9% decline. In 2009, our net interest margin after provisions, including commissions, and return on average stockholders' equity were 48.4% and 28.1%, respectively. We believe these metrics compare favorably to the net interest margin after provisions and return on average stockholders' equity of other Mexican Sofoms and Sofols (*sociedades financieras de objeto limitado*) as of December 31, 2009, according to data published by the CNBV.

In February 2010, we acquired Financiera Finsol, S.A. de C.V., SOFOM, E.N.R., the second largest group lending microfinance institution in Mexico, and several related companies, including Finsol Vida, S.A. de C.V. (an insurance broker), Finsol, S.A. de C.V. (a service company), and Instituto Finsol-IF Associação Civil Sem Fins Lucrativos OSCIP ("Finsol Brazil") (a group lending microfinance institution in Brazil). Subject to the authorization of the CNBV, we will also acquire Financiera Popular Finsol, S.A. de C.V., S.F.P. (SOFIPO – a specialized savings and loans regulated entity) subsequent to the initial acquisition of Financiera Finsol and its related companies. Prior to its acquisition by us, Finsol also operated in Argentina and Bolivia; we anticipate winding down all operations in these two countries. As of December 31, 2009, Financiera Finsol and its related companies, collectively referred to as Finsol, had a loan portfolio of Ps.742.4 million, 129,673 clients in Mexico and 149 branches in 29 of the 32 Mexican federal entities, located primarily in rural and suburban areas. In Brazil, Finsol had 29,145 clients and 17 branches located mainly in the northeast region, as of the same date. The acquisition of Finsol involved the purchase of 100% of the companies' stock for approximately Ps.530 million (approximately U.S.\$41 million) in cash. Following the acquisition, Financiera Finsol and its related companies became subsidiaries of Financiera Independencia. The acquisition of Finsol increased the size of our outstanding loan portfolio by 15.4%, our customer base by 12.8%, and our number of branches by 83.4%. See "Selected Statistical Information—Finsol Selected Statistical Information," "Business—Finsol," and "Business—Recent Developments."

We believe that our acquisition of Finsol will further strengthen our leading position in the Mexican microfinance market among customers within the lower income segment of the population by facilitating our expansion beyond our traditional urban customer base and into rural markets. We further believe that the acquisition will provide a strategic entry into group lending microfinance, which generally in Mexico has proven to be both profitable and less sensitive to economic downturns, which in turn would reduce our own earnings volatility. In contrast to individual lending, which focuses on one client and does not require other individuals to provide collateral or guarantee a loan, group lending involves loaning money to a group of individuals who provide collateral or guarantee a loan through a group repayment pledge. The incentive of the individuals in the group to repay the loan is based on peer pressure because if one person in the group defaults, the other group members must make up for the deficiency. The Finsol acquisition is also expected to increase our exposure to working capital loans, which are more stable and may reduce the volatility of our net income. We expect to achieve synergies and cost savings as a consequence of the acquisition, including the ability to cross-sell our individual lending services to Finsol's group lending clients and vice versa.

Lastly, the acquisition of Finsol Brazil marks our first international expansion outside of Mexico and provides us with an entry into Brazil, the largest economy in Latin America. The microfinance industry in Brazil is currently at an early stage of development and we believe it holds significant potential for growth. The acquisition of Finsol notwithstanding, we are currently one of the largest microfinance institutions in Latin America.

In January 2010, certain affiliates of Eton Park Capital Management, L.P., or Eton Park, became holders of 66.5 million shares, or approximately 9.3% of our shares following a rights offering of 85.0 million shares, which was undertaken to finance the acquisition of Financiera Finsol and its related companies. Eton Park also received

warrants to subscribe and pay for up to approximately 43.9 million additional shares of our capital stock under certain conditions and strike prices.

On February 24, 2010, we received board approval and announced our intention to apply for a license to operate as a bank under Mexican law. Registering to operate as a bank will allow us to accept deposits from our customers, as well as borrow on an interbank, overnight basis, which should diversify our funding sources and reduce our cost of funding. We currently anticipate making a formal application for a banking license in the second half of 2010, and, if we receive the requisite authorizations in a timely manner (including shareholder approval), we anticipate being able to convert into and operate as a bank and begin accepting deposits by the middle of 2011. Our conversion into a bank is dependent upon receiving approvals from the requisite Mexican government authorities, and we cannot grant you any assurance that such approvals will be received, or that the receipt of such approvals will not be conditioned upon our making significant changes in the way we carry out our business. See “Business—Recent Developments.”

### **Products and Services**

We currently offer four major loan products to our clients. All of our loans are offered at fixed interest rates and range in principal amount from Ps.1,800 to Ps.20,000 (approximately US\$138 to US\$1,533), repayable on a fixed weekly, bi-weekly or monthly installment basis. These loan products have short maturities of six to nine months, with the exception of CrediInmediato, which is a revolving line of credit, and CrediConstruye, which has an average term of up to 24 months. All of our loans are granted on an unsecured basis. As of December 31, 2009, our average outstanding balance per loan was Ps.3,893 (approximately US\$298). The following provides a description of each of our loan products:

- *CrediInmediato*. This product is a revolving line of credit ranging from Ps.3,000 to Ps.20,000 (approximately US\$230 to US\$1,533), and is available to individuals earning at least the Mexico City minimum monthly wage (Ps.1,724, or approximately US\$132 as of January 2010). The CrediInmediato loan product was first introduced in 2004 and, as of December 31, 2009, accounted for 64.3% of our total loan portfolio. This product is primarily targeted to the formal sector of the Mexican economy. However, borrowers under the CrediPopular and CrediMama loan products may be eligible to receive our CrediInmediato revolving line of credit after two loan cycles of positive performance.
- *CrediPopular*. These loans range from Ps.1,800 to Ps.4,800 (approximately US\$138 to US\$368), have an average term of six to nine months and may be renewable based on the credit behavior of the borrower. The CrediPopular loan was first introduced in 2004 and as of December 31, 2009, accounted for 26.5% of our total loan portfolio. This product is targeted to the informal sector of the Mexican economy.
- *CrediMama*. This product is available to mothers who have at least one child under the age of 18. These loans range from Ps.1,800 to Ps.2,400 (approximately US\$138 to US\$184), have an average term of six to nine months and may be renewable based on the credit behavior of the borrower. The CrediMama loan was launched in 2006 and as of December 31, 2009, accounted for 2.5% of our total loan portfolio. This product is targeted to the informal sector of the Mexican economy.
- *CrediConstruye*. This product is available to individuals earning at least the Mexico City minimum monthly wage and is intended to finance home improvements. These loans initially range from Ps.3,000 to Ps.20,000 (approximately US\$230 to US\$1,533) and are disbursed in the form of vouchers for home construction materials. This type of loan has an average term of two years and accounted for 6.7% of our total loan portfolio as of December 31, 2009. CrediConstruye loans are currently funded through a special line of credit with the Mexican Federal Mortgage Bank (*Sociedad Hipotecaria Federal, S.N.C., Institucion de Banca de Desarrollo*), or SHF. We launched this product in 2006.

Our business model is designed such that the vast majority of our customers make their loan payments directly at one of our branch offices. We believe that this personal interaction with our current customers provides

us additional opportunities to promote and sell other products and services to these customers, as well as to design bundling and pricing strategies to increase our share of customers' wallets and improve our operating margins and our returns to our shareholders.

We make available to all of our customers in the formal sector of the Mexican economy basic unemployment coverage, the fees for which are included as part of the annual loan commission payable to us by the borrower. We also currently offer our customers additional services through our branch offices that allow them to: 1) purchase life insurance products with a one-year maturity, with coverage amounts from Ps.30,000 to Ps.70,000, 2) pay their fixed-line telephone bills, 3) recharge prepaid cell phone cards for all major mobile telephone carriers in Mexico, and 4) receive remittances from the United States, among other services.

### **Our Target Market**

Although the availability of financial services in Mexico has generally expanded in recent years, there are significant segments of the Mexican population that do not yet have access to financial services. Our target market is primarily individuals earning between one and eight times the Mexico City minimum monthly wage (between Ps.1,724 and Ps.13,792 per month, or between approximately U.S.\$132 and U.S.\$1,057 per month as of January 2010). We estimate that this population segment represents approximately 34.7 million people in Mexico, or 32% of the Mexican population. We had penetrated approximately 3.6% of this entire target market as of December 2009. Relative to our competitors, we estimate our share of the existing client base in this segment to be approximately 5.6%, based upon our own data and available data from Finsol, Banco Azteca, Banco Compartamos, BanCoppel, Banco Ahorro Famsa, Banco Walmart, Credito Familiar, BNP Paribas, FinComun, Provident, FINCA Mexico, Financiera Alcanza and all the SOFIPOS and cooperatives providing consumer loans to our segment. We believe that the low financial services penetration rate, in combination with the strong expected growth of the Mexican economy, will support growth in the microfinance sector and create further demand for our products.

### **Our Competitive Strengths**

We believe that our main competitive strengths are the following:

#### ***Demonstrated Ability to Deliver Profitable Growth***

We have demonstrated our ability to deliver profitable growth. We are one of the fastest-growing microfinance lenders in Mexico based on the growth of our loan portfolio. As of December 31, 2009, we had 1,236,092 loans outstanding, representing a compounded annual growth rate of 27.3% over the three-year period ended December 31, 2009. This growth in our loan portfolio has generated income growth as well. Our financial margin after provision for loan losses has grown at a compounded annual growth rate of 11.6% over the two-year period ended December 31, 2009. We strive to pursue strong growth rates while maintaining the high quality of our portfolio.

In 2009, our net interest margin after provisions, including commissions, and return on average stockholders' equity were 48.4% and 28.1%, respectively, which we believe compare favorably to the net interest margin after provisions and return on average stockholders' equity of other Mexican and Latin American financial institutions, as illustrated below. Except as set forth below, the figures in the table below are derived from financial information for the fiscal year ended December 31, 2009.

Institution	Return on Average Stockholders' Equity(1)	Return on Average Total Assets(1)	Ratio of Equity to Total Assets	Net Interest Margin After Provisions(2)	Total Loan Portfolio Growth(3)
<b>Latin America Microfinance / Consumer Finance Institutions</b>					
Financiera Independencia (Mexico)	28.1%	8.8%	31.3%	48.4%	7.6%
Banco Compartamos (Mexico)	44.5%	18.0%	43.9%	50.0%	33.4%
Banco Ahorro Famsa (Mexico)	0.0%	0.0%	14.2%	-10.4%	404.4%
Banco Azteca (Mexico)	11.4%	0.8%	6.9%	25.0%	-15.9%
BanCoppel (Mexico)	-35.9%	-5.1%	11.8%	13.0%	17.8%
Banco Wal-Mart (Mexico)	-79.8%	-48.9%	62.5%	27.6%	10.9%
MiBanco (Peru)	33.6%	2.9%	8.7%	16.2%	19.9%
<b>Mexican Universal Banks</b>					
Banorte (Mexico)	13.9%	0.9%	7.5%	3.6%	0.1%
BBVA Bancomer (Mexico)	20.3%	1.5%	8.7%	4.6%	-0.2%
<b>Latin American Universal Banks</b>					
Banco de Chile (Chile)	19.0%	1.4%	8.0%	4.8%	-4.2%
Santander Chile (Chile)	27.2%	2.1%	8.1%	5.0%	-6.5%
Itau Unibanco (Brazil)	21.3%	1.6%	8.3%	14.4%	2.4%
Bradesco (Brazil)	21.1%	1.7%	8.2%	8.8%	6.8%
Bancolombia (Columbia)	15.5%	2.5%	17.0%	9.1%	-5.3%
InterBank (Peru)	36.4%	2.8%	8.8%	9.9%	8.6%

Notes:

Source: For Mexican banks (commercial banking operations only), CNBV except for Banco Ahorro Famsa. For Latin American banks and Banco Ahorro Famsa, company reports and publicly available financial information.

(1) For Financiera Independencia average shareholders' equity and average assets figures are calculated on the basis of daily averages for the period; for Mexican banks, figures are calculated using monthly averages as per CNBV, except for Banco Ahorro Famsa; for Banco Ahorro Famsa and the others, figures are calculated using the average of the beginning and end of the period.

(2) Net interest margin after provisions including commission and fees is calculated considering interest-earning asset balances at beginning and end of the twelve-month period ended December 31, 2009, except in the case of Financiera Independencia, which we have calculated on the basis of daily averages.

(3) From 2008 to 2009.

Our return on average shareholders' equity of 28.1% in 2009, was higher than the average return on average shareholders' equity for the same period among Mexican commercial banks, which was 12.8%, as reported by the CNBV.

### ***Unique Expertise in Microcredit Financing***

We have 16 years of experience focused on the microfinance sector in Mexico. We have significant expertise in making unsecured loans to individuals in the low-income segments of the Mexican population and a track record of profitable operations based on a specialized business model that relies on providing large volumes of small-sized loans with a high frequency of collection. Our cost structure, product offerings, technology, systems and branch network are all specifically designed to serve our target market while maintaining profitability. We believe that this represents a significant competitive advantage over banks and other institutions within the traditional financial sector in Mexico that have historically focused their lending practices on middle- and high-income clients and that engage in microcredit lending only as a secondary activity. We believe that our current position among the leading Sofoms and Sofols in the microfinance industry in Mexico reflects this competitive advantage.

### ***Product Innovation***

We are focused on remaining at the forefront of product innovation and continue to develop new ways to reach customers and new products tailored to the needs of individuals in the lower income segments of the Mexican population. Since our inception, we have built a track record of successfully developing and launching new products.

In 2004, we began granting loans to individuals in the informal sector of the Mexican economy, enabling us to increase the yield of our loan portfolio. As of December 31, 2009, 35.7% of our total loan portfolio was represented by loans to individuals in the informal sector of the Mexican economy. In 2004, we also launched our CrediInmediato product, a revolving line of credit that allows our clients increased financial flexibility. In addition, during 2006, we added two new loan products to our loan portfolio, CrediConstruye, for financing home improvements, and CrediMama, tailored to mothers who have at least one child under the age of 18.



In 2007, we implemented a program to install ATMs in our branches, which allows our customers to withdraw their loan proceeds with a debit card issued by us. As of December 31, 2009, we have 105 ATMs installed in our branch network. In August 2008, we started offering our customers life insurance products with medical assistance underwritten by third party insurance companies under our CrediSeguro product line. As of December 31, 2009, we have 92,040 active clients with an insurance policy. In addition, in recent years we have introduced products and services that allow clients to receive remittances from the United States, pay their fixed-line telephone bills, and recharge prepaid mobile telephone cards for all major service carriers in Mexico. New product development, together with organic expansion, has allowed us to serve approximately 1.2 million clients and has expanded our total loan portfolio to Ps.4.8 billion as of December 31, 2009.

### ***Strategic Network of Branches with Extensive Geographic Coverage***

We believe we have one of the most efficient and extensive microfinance distribution networks in Mexico. As of December 31, 2009, we had 199 branch offices providing loans in 143 cities in 31 of the 32 Mexican federal entities, including branch offices located in most of the major large and medium-size cities of Mexico with populations above 50,000 people. According to the CONAPO, there are 202 cities in Mexico with a population of at least 50,000 people, 143 of which we served through our distribution network as of December 31, 2009. Excluding Finsol, on average, more than 2.6 million client visits are made to our extensive network of branches each month, resulting in monthly average collections of approximately Ps.600 million. We expect to continue to expand our network by opening additional branch offices in cities with populations of at least 50,000 people, which we believe present significant growth opportunities. In addition, we plan to expand our operations into Mexico City and Monterrey, two of the three largest population centers in Mexico, in the coming years. As a result of the acquisition of Financiera Finsol and its related companies, we acquired an additional 149 branch offices in Mexico, significantly increasing our presence in rural and suburban areas throughout Mexico. We believe that our diversified service area mitigates the risk of regional economic slowdowns and other region-specific risks, including natural disasters. As of December 31, 2009, no Mexican federal entity represented more than 9.5% of our loan portfolio.

The convenience of our distribution network is enhanced by our specialized sales force, which is organized by geographic area and product. We have a sales force that specializes in, among other things, loan renewals, sales of certain of our products, client service, specified geographic areas and other specific aspects of our business. For each of our products, we have developed strategic business plans, including targeted marketing campaigns and a dedicated sales force, and have trained highly qualified individuals at our offices to sell our products and provide post-sale customer service. All of our loan products are available in each of our branch offices, which are capable of providing a full complement of services, but vary in size and staffing based on the needs of each market. We believe that our extensive distribution network, together with our product- and region-specific sales forces, make us more accessible to our customers and differentiate us from our competitors.

### ***Low Default Rate and Effective Risk Management***

We have historically experienced a relatively low total non-performing loan rate, despite the strong growth in our loan portfolio. The non-performing loan rate as of December 31, 2009 was 12.0% for our overall portfolio and 11.6% for our consumer loan portfolio, which excludes working capital loans. In addition, according to data published by the CNBV as of September 30, 2009, we had a consumer loan portfolio of similar quality as that of traditional banks in Mexico offering consumer loans to the middle and higher income segments of the Mexican population. We attribute our relatively low default rates to our risk management team and our standardized risk management policies, which focus on loss prevention, as well as to our collections practices. As part of these policies, we individually manage each loan and client based on the corresponding level of risk through our proprietary risk management system managed at our operations centers in the cities of Leon and Aguascalientes.

Furthermore, our standardized scoring system for assessing the risk of each loan application builds upon our extensive experience in the microfinance industry. Our scoring system was designed by Fair Isaac Corporation (FICO), and we believe that it leads the market in terms of efficiency. The scoring system can be adjusted by management to effectively manage risk. For instance, management imposed more stringent approval requirements on new loan applications in 2009 in response to the economic downturn, improving our non-performing loan ratio. We also verify the identity and residence of each borrower prior to loan approval to assist in future collection efforts and minimize the risk of default, and each borrower must live and work within 45 minutes of one of our branch

offices (by public transportation) to qualify for a loan. We believe that sound risk management is at the very forefront of our culture and we believe that it will continue to drive profitable growth.

We believe that our average interest lending rate and our ratio of non-performing consumer loan portfolio to total consumer loan portfolio compare favorably to those of other Mexican financial institutions engaged in consumer lending, as illustrated in the following table.

<u>Institution</u>	<u>Average Interest Lending Rate per annum</u> <sup>(1)</sup>	<u>Non-Performing Consumer Loan Portfolio/ Total Consumer Loan Portfolio</u> <sup>(2)</sup>
Financiera Independencia <sup>(3)</sup> .....	60.0%	11.6%
<b>Other Mexican Microfinance Institutions</b>		
Banco Azteca .....	76.2%	9.1%
Banco Ahorro Famsa .....	26.7%	10.0%
BanCoppel.....	19.9%	7.9%
Banco Wal-Mart.....	9.4%	12.7%
<b>Mexican Commercial Banks</b>		
Banamex.....	27.4%	6.1%
Santander.....	21.7%	7.3%
BBVA Bancomer.....	19.9%	7.9%
HSBC Mexico.....	19.4%	12.7%
<b>Mexican Banking System</b> <sup>(4)</sup> .....	21.1%	7.9%

Source: CNBV, except for Financiera Independencia.

(1) Except for Financiera Independencia, the average interest lending rate was calculated as of September 30, 2009, by dividing the interest income from loans by the average balance of the total loan portfolio for the period. The average balance of the total loan portfolio is the sum of the beginning balance and ending balance for the period divided by two. Our average interest lending rate was calculated as of September 30, 2009, by dividing the annualized interest income from loans by the daily average loan balance for the period.

(2) Policies with respect to non-performing loan recognition and write-off of loans vary by institution and therefore may not be directly comparable.

(3) Daily average for the twelve months ended December 31, 2009 (on an annualized basis) for consumer loans. Note that this statistic excludes working capital loans. See "Selected Statistical Information—Average Assets and Interest Rates."

(4) Includes BBVA Bancomer, Banamex, HSBC Mexico, Santander, Banco Azteca, BanCoppel, Banco Ahorro Famsa, Banco Wal-Mart, Banorte, Banco Inbursa, Scotiabank, Banco del Bajío, and Banco Ixe, as reported by CNBV.

### ***Effective Collection Process***

We have developed an advanced collection process that is comprised of both remote and in-person activities. Most of our remote collection activities are conducted at our operations and call centers in the cities of Leon and Aguascalientes, where we have 337 call stations and over 634 agents dedicated to telephone collections and to performing other collection-related activities. In addition, for our in-person collection activities we have 2,953 collection agents that operate through our branch network who engage clients on a face-to-face basis in order to facilitate payment of past-due loans. We are one of the few financial institutions in Mexico with an in-house collection team that is able to collect payments directly at our clients' homes. All payments are made to us through our branch offices or collection agents, without requiring the services of any other third-party financial institutions.

Our collection-related expenses are offset in part by the past-due fees that we charge. Late-payment fees represented 35.0% of the non-performing loan portfolio as of December 31, 2009. These fees contributed 5.2% to our total revenue as of December 31, 2009.

In addition, we have been able to generate additional income from the sale of our non-performing portfolio to third-party collection firms. In accordance with Mexican Banking GAAP, we recognize non-performing loans when they are 60 days past-due for revolving credit lines, and when they are 90 days past-due for our other loan products. After this period, if unpaid, the loan ceases to accrue interest. When a loan is 180 days past due, we write off the loan. Written-off loans become subject to consideration for further action, including a sale of any such loan at a discount to a third-party collection firm. From the date on which a loan becomes past-due until it is recovered

or sold at a discount, we attempt to collect the loan in the manner described above. During 2009, we sold 75,847 loans to third-party collection firms at an average price of Ps.0.12 per Peso.

### ***High-Quality, Personalized Client Service***

We seek to strengthen our relationships with existing clients and attract new clients by focusing on superior customer service. For instance, during 2009 our response time was such that 87% of loan applications we received were processed in less than 48 hours. We believe that superior customer service is critical to our growth. We actively manage client relationships through, among other things, a well-trained, motivated sales force committed to our core mission and focused on delivering high quality and highly personalized service. Our sales and collections teams are recruited and trained separately, and receive compensation under arrangements that we believe are aligned with our strategic goals. As part of our customer service efforts, we operate a toll-free centralized call center that is dedicated to client service. As of December 31, 2009, approximately 91.1 % of our labor force had duties that involved direct contact with clients. In addition, we believe that our presence close to our customers through our extensive distribution network enhances our ability to provide high-quality, personalized client service, fosters client loyalty and facilitates the expansion of our client base. We believe that our dedication to high-quality, personalized client service will serve as a significant competitive advantage in the introduction of new and complementary products.

### ***Access to Diverse Sources of Funding***

We currently have access to various sources of funding, including lines of credit from three different financial institutions, medium-term debt in the form of *certificados bursatiles*, and cash on hand. We have a term loan and a credit line with HSBC Mexico for Ps.1,250 million each. We also have a credit line with Nacional Financiera, S.N.C., Development Banking Institution (*Nacional Financiera, S.N.C., Institucion de Banca de Desarrollo*), or Nafinsa, for Ps.1,000 million, and with SHF for Ps.700 million. A total of Ps.1,134 million was available to us and undrawn under these credit lines as of December 31, 2009. We currently have *certificados bursatiles* outstanding in the Mexican debt capital markets in a principal amount of Ps.784 million. We have the option of issuing additional *certificados bursatiles* in the future, depending on our financial needs and existing market conditions. As of December 31, 2009, we had cash and cash equivalents on hand totaling Ps.499 million.

Our advantage in accessing diverse sources of funding was highlighted during the liquidity crisis of 2008 and 2009, when despite the economic environment we were able to increase our credit lines and extend their maturities. From December 31, 2007 to December 31, 2009, our total funding sources increased by Ps.2,804 million or 128.6%.

### ***Centralized Processes that Facilitate Efficient Loan Application Processing and Growth***

Our loans products are differentiated from our competitors' in part by the speed with which we are able to process loan applications, which is typically less than 48 hours. In order to streamline our operations, we have developed centralized and standardized processes for loan applications, verification and approvals, as well as for loan renewals and collections. These processes are structured and divided into different stages and performed in our operations centers located in the cities of Leon and Aguascalientes, each of which is capable of operating on a standalone basis. In addition, we have standardized our technology systems, information management systems and the layout of our offices. We perform centralized training of all office managers in our training department located in Mexico City, followed by additional training at a particular office. This level of centralization provides us with flexibility to rapidly open new branch offices and begin operations in a new city at a relatively low cost. This methodology has helped us to grow profitably and we expect that it will continue to do so in the future.

### ***Advanced Information Technology Systems***

We have developed advanced information technology systems and software to support our information management and risk management policies. These systems have helped us to better serve our clients, support our growth strategy, enhance the quality and development of our products and services and successfully reduce the cost and time associated with our loan approval, monitoring and collection practices. Because these proprietary systems

are designed to meet our specific needs, we believe that our information technology systems and practices are more specialized and effective than many systems currently used by traditional financial institutions, and that they have contributed substantially to increase our efficiency and differentiate us from our competitors. In addition, we have developed our own on-line, readily available Management Information Systems, or MIS, which provides us with the ability to access real-time data on-line, including digitalized images and files relating to our clients, collection processes and other loan statistics. Since the installation of our MIS, we have been able to improve our business model by more efficiently adjusting credit policies, analyzing credit behavior of clients resulting in the implementation of our behavioral scoring model, entering into new markets, developing new products, and optimizing the loan approval and collection processes. In addition, our verification teams and collection agents are equipped with Pocket PCs that allow them to upload information and updates obtained during their personal visits into our system. During 2009, we invested approximately Ps.76.9 million in technology improvements. We will continue to invest in new management information tools to allow us to better serve and understand our customers' needs.

### ***Experienced Management Team and Motivated Workforce***

We believe that we benefit from an experienced and talented management team. Our principal officers have been involved in the finance industry for an average of approximately 17 years and we believe that they have the know-how necessary to identify and offer products and services that meet our clients' needs. In addition, we have a culture that emphasizes teamwork and meritocracy. We focus on attracting highly qualified personnel and maintaining a motivated workforce in order to deliver high quality service. For example, our independent sales agents are eligible to receive bonus commissions for meeting individual performance targets relating to increasing our loan portfolio and maintaining our existing clients. We believe that these incentive programs have contributed to the development of a motivated workforce and sales force focused on building solid relationships with our clients by delivering personalized, high-quality client service, growing profitability and achieving operational efficiency.

### **Our Strategy**

Our strategic goal is to become the "one-stop-shop" for financial services for low-income individuals, maintaining our position as a leading provider of personal microfinance loans, and sustaining high levels of profitability and efficiency. We believe that there is significant potential for the growth of our business given that a significant percentage of the Mexican population has little or no access to formal financial services.

To this end, we intend to implement the following business strategies:

#### ***Diversify Our Funding Sources***

We believe that there is considerable growth potential in the Mexican market for companies engaged in providing financial services to low-income individuals. During the last two years, we have seen that access to financing from third parties on reasonable terms is subject to significant fluctuations in both pricing and availability. In order to ensure that we are positioned to take advantage of the growth potential we anticipate in financial services for low-income individuals, we believe it is strategically important to reduce our reliance on third-party financing from financial institutions. We believe that converting ourselves into a bank, which would allow us to accept deposits from customers, would increase our financial stability by giving us access to a pool of relatively stable and inexpensive funding. We also believe that there is significant demand among our existing customer base for readily available quality savings products. Our board of directors has approved the conversion, and we currently anticipate submitting an application to the CNBV in the latter part of 2010 to operate as a bank. If Mexican banking and regulatory authorities approve this application, we expect to begin operating as a bank and accepting deposits by the middle of 2011. This conversion would also allow us to borrow funds on the interbank, overnight window. Prior to obtaining this approval, our goal is to diversify our current funding sources such that no single institution represents more than 25% of our outstanding funding. This notes offering is a step in diversifying our current funding sources.

### ***Differentiate Our Products and Services***

When we began operating in 1993, we were the only company in Mexico operating within our specific market. Over the last several years, a considerable number of local and regional players have emerged as competitors, presenting our potential customers with several loan alternatives. We plan to differentiate ourselves from our competitors by offering a broader array of products and services that will meet all of our customers' financial needs. We view our decision to apply for a banking license, which would allow us to accept customer deposits throughout our extensive branch network, as an important strategic step in improving our relationship with our customers and increasing our share of our customers' wallet. Several studies have shown that clients are more likely to enter into financial transactions with the institution where their bank deposits are held, and for this reason our planned conversion into a bank is an important part of our strategy to be a "one-stop-shop" for financial services for low-income individuals in the Mexican market. We believe that continuing to expand our product line beyond loans and offering a broader array of financial products and services to our customers will differentiate us from our competitors.

### ***Expand Our Client Base***

We intend to expand our client base through both organic growth and strategic acquisitions. In terms of organic growth, we expect to continue penetrating those cities in which we already have a presence. We also are currently assessing an expansion into Mexico City and Monterrey, two of the largest cities in Mexico and the only major urban areas in Mexico in which we do not already have operations. We also hope to expand our client base through strategic acquisitions that consolidate our position as a leading provider of financial services for low-income individuals.

Economic and funding conditions in Mexico since 2008 have made available multiple opportunities for consolidation, such as our acquisition of Finsol. We continue to assess opportunities to acquire targets that are engaged in lending to the low-income segments of the population. In assessing such acquisitions, we frequently consider opportunities to acquire companies that operate differently than us, as well as companies that complement our geographic coverage and product offerings, such as Finsol. Following the acquisition of Finsol, we expect to expand our client base in rural and suburban areas throughout Mexico through organic growth of existing branches. We also expect to expand beyond our current individual lending methodology to include group lending given Finsol's traditional focus on group lending. We also anticipate expanding Finsol's existing client base in Brazil, a process that we believe will be facilitated by registering Finsol Brazil as a regulated microcredit financial institution.

### ***Offer More Payment Channels to Our Customers***

We are currently capable of accepting loan repayments from our customers in our branch offices and at our clients' homes, when necessary. To compete more effectively with our competitors, many of whom accept payments in various locations, such as convenience stores, and to increase customer satisfaction, we plan to increase the number of locations and channels through which we accept loan repayments from our customers. We launched a pilot program in November 2009 to accept loan payments in locations other than our branch offices, and the results and client feedback have been positive. We are currently exploring entering into commercial agreements with convenience stores and commercial banks that would allow customers to make loan repayments at these locations. As of December 31, 2009, we had successfully implemented operations in six locations pursuant to a commercial arrangement with Oxxo, a convenience store chain. Additionally, we are considering the feasibility of introducing online collections. We believe that this expansion will increase overall customer satisfaction and loyalty.

### ***Develop New Sales Channels***

Our business model relies heavily on door-to-door sales to potential clients, which is our primary sales method. We are currently exploring additional sales channels aimed at increasing our market penetration. Potential sales channels include those that rely on electronic communications, such as ATMs, mobile phones and the Internet. Our objective is to allow our customers to interact with us through additional channels that do not require them to visit our branch offices. We are also exploring the possibility of entering into joint ventures with local and regional

retailers that do not have a financing arm. These joint ventures would offer retail clients a convenient way of financing purchases made in those stores through our loan products.

***Invest in Our Brand***

We believe we have been successful in developing a large client base and loan portfolio without major investments in marketing, thanks in significant part to the strength of our customer referrals. We believe that investments in marketing and strengthening our brand recognition could increase the number of loans we originate and distinguish us from our competitors. During 2010, we anticipate launching a marketing campaign that will be tailored to various potential customers through various channels. The plan consists of developing brands and products that meet our customers’ needs, continuing to invest in market research to track consumers and the market, and improving our customer service to generate greater customer loyalty. We also hope to leverage our current customer base by increasing advertising, promotions and loyalty programs. Furthermore, we plan to explore new channels through which we can bring our products to market and improve the productivity of our call centers in terms of sales, telemarketing and customer service.

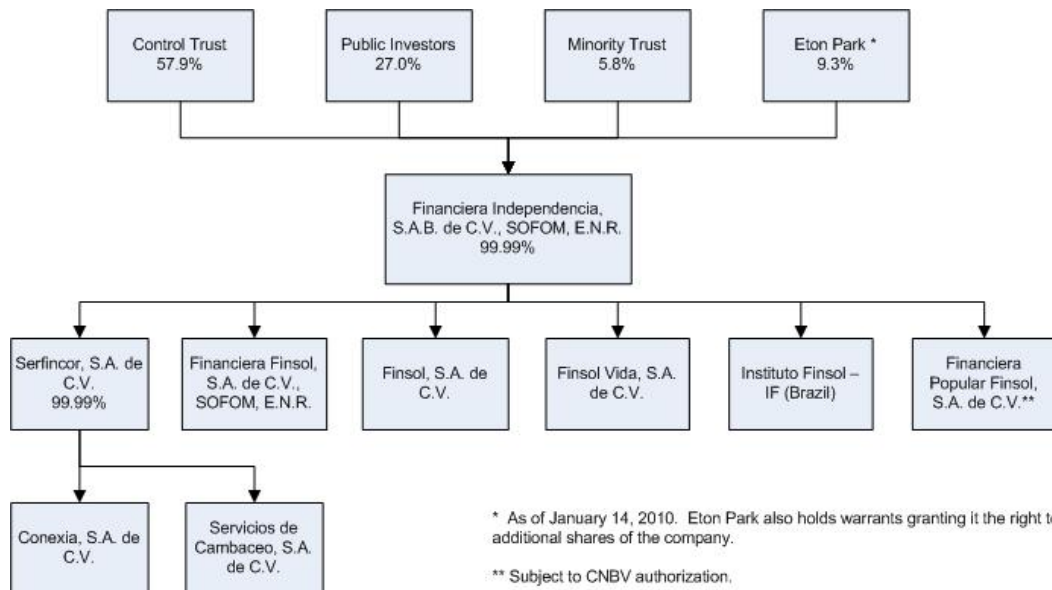
***Attract, Retain and Develop Human Capital***

Meeting our growth and productivity goals will require us to attract, develop and retain human capital. We are currently focused on reducing our employee turnover rate, which will reduce our costs associated with training new employees and increase productivity, as experienced employees tend to be more efficient than new hires. We are closely reviewing and assessing our training techniques and results, and the profile of our typical sales and collection agents. We expect that these efforts will help us attract, develop and retain personnel according to our business needs, while reducing our turnover ratio.

**Corporate Organization**

In February 2010, we acquired Financiera Finsol, S.A. de C.V., SOFOM, E.N.R., the second largest group lending microfinance institution in Mexico, and a group of related entities. The acquisition of Financiera Finsol and its related companies involved the purchase of 100% of the companies’ outstanding shares for approximately Ps.530 million (approximately U.S.\$41 million) in cash.

The following chart reflects our ownership and corporate structure following the acquisition of Financiera Finsol and its related companies as of the date of this offering memorandum. The chart also shows our approximate direct or indirect economic ownership interest in each company.



\* As of January 14, 2010. Eton Park also holds warrants granting it the right to obtain additional shares of the company.

\*\* Subject to CNBV authorization.

## **Corporate Information**

Financiera Independencia, S.A.B. de C.V., *Sociedad Financiera de Objeto Multiple, Entidad No Regulada*, is a publicly-traded, limited liability corporation with variable capital (*sociedad anonima bursatil de capital variable*) organized under the laws of Mexico. Our principal executive offices are located at Prolongacion Paseo de la Reforma 600-301, Col. Santa Fe Peña Blanca, Delegacion Alvaro Obregon, Distrito Federal, Mexico, C.P. 01210. Our telephone number is +52 (55) 5229-0200. Our website address is [www.independencia.com.mx](http://www.independencia.com.mx). None of the information available on our website or elsewhere will be deemed to be included or incorporated by reference into this offering memorandum.

## THE OFFERING

The following is a brief summary of certain terms of this offering. For a more complete description of the terms of the notes, see “Description of Notes” in this offering memorandum.

Issuer .....	Financiera Independencia, S.A.B. de C.V., SOFOM, E.N.R.
Notes Offered .....	U.S.\$200 million aggregate principal amount of 10.0% Senior Guaranteed Notes due 2015.
Maturity .....	March 30, 2015.
Interest Payment Dates .....	March 30 and September 30 of each year, beginning September 30, 2010.
Guarantees .....	The payment of principal, interest and premium on the notes will be fully and unconditionally guaranteed on a senior unsecured basis by our existing and future restricted subsidiaries that in each case are significant subsidiaries. On the issue date of the notes, Financiera Finsol, S.A. de C.V., SOFOM, E.N.R. will be the only subsidiary guarantor. See “Description of Notes—Note Guarantees.”
Ranking .....	<p>The notes and guarantees will rank:</p> <ul style="list-style-type: none"> <li>• equally in right of payment with all of our and the subsidiary guarantor’s existing and future senior unsecured indebtedness; and</li> <li>• senior to all of our and the subsidiary guarantor’s existing and future subordinated unsecured indebtedness.</li> </ul> <p>The notes and the guarantees will effectively rank junior to all of our and the subsidiary guarantor’s existing and future secured indebtedness with respect to and up to the value of the assets securing such indebtedness. The notes and the guarantees will be structurally subordinated to all liabilities (including trade payables) of our non-guarantor subsidiaries. Furthermore, the notes and the guarantees will rank junior to all obligations preferred by statute (such as tax or labor obligations).</p> <p>As of December 31, 2009, after giving pro forma effect to the issuance of the notes, the acquisition of Financiera Finsol and its related companies and our related capital increase to finance its acquisition, and the use of the net proceeds of this offering,</p> <ul style="list-style-type: none"> <li>• Financiera Independencia and the subsidiary guarantor would have had consolidated total indebtedness of U.S.\$446.9 million, of which U.S.\$140.5 million would have been secured; and</li> <li>• Financiera Independencia’s non-guarantor subsidiaries would have had U.S.\$18.6 million in total indebtedness and liabilities.</li> </ul>
Optional Redemption.....	We may, at our option, at any time prior to maturity, redeem the notes in whole or in part at a redemption price equal to the greater of (1) 100% of the principal amount of the notes and (2) the Make-Whole Amount plus, in each case accrued and unpaid interest up to, but not including, the date of redemption. The term “Make-Whole Amount” is defined under “Description of Notes—Optional Redemption.”
Optional Redemption upon Equity Offering.....	We may, at our option, at any time on or prior to March 30, 2013, use the net cash proceeds of certain equity offerings to redeem in the aggregate up to 35% of the aggregate principal amount of the notes, including any additional notes we may issue in the future under the Indenture, at a redemption price equal to 110.0% of the principal amount thereof, <i>provided</i> , that:



Certain Covenants.....	<ul style="list-style-type: none"> <li>• after giving effect to any such redemption, at least 65% of the aggregate principal amount of the notes (including any additional notes) originally issued under the Indenture remains outstanding after each such redemption; and</li> <li>• we make such redemption not more than 90 days after the consummation of such equity offering.</li> </ul> <p>The Indenture governing the notes limits what we and our restricted subsidiaries may do. The Indenture limits our and our restricted subsidiaries' ability to, among other things:</p> <ul style="list-style-type: none"> <li>• incur additional indebtedness;</li> <li>• pay dividends on our capital stock or redeem, repurchase or retire our capital stock or subordinated indebtedness;</li> <li>• make investments;</li> <li>• create liens;</li> <li>• create any consensual limitation on the ability of our Restricted Subsidiaries to pay dividends, make loans or transfer property to us;</li> <li>• engage in transactions with affiliates;</li> <li>• sell assets, including capital stock of our subsidiaries; and</li> <li>• consolidate, merge or transfer assets.</li> </ul> <p>If the notes obtain investment grade ratings from both (i) Fitch Ratings ("Fitch") and Standard &amp; Poor's Rating Group ("S&amp;P"), or (ii) if S&amp;P or Fitch or both shall not make a rating of the notes publicly available, a nationally recognized United States securities rating agency or agencies, as the case may be, selected by the Company, which shall be substituted for S&amp;P or Fitch or both, as the case may be, and no default has occurred and is continuing, the foregoing covenants will cease to be in effect with the exception of covenants that contain limitations on transactions with affiliates, on liens and on, among other things, certain consolidations, mergers and transfers of assets for so long as each of the foregoing rating agencies maintains its investment grade rating.</p> <p>These covenants are subject to a number of important qualifications and exceptions, including important changes to the limitations on indebtedness and limitations on restricted payments if we are granted and are operating pursuant to a banking license under Mexican law. See "Description of Notes—Certain Covenants."</p>
Events of Default.....	<p>For a discussion of certain events of default that will permit acceleration of the principal of the notes plus accrued and unpaid interest, and any other amounts due with respect to the notes, see "Description of Notes—Events of Default."</p>
Change of Control Triggering Event .....	<p>If we experience a Change of Control Triggering Event, subject to certain conditions, we must give holders of the notes the opportunity to sell to us their notes at 101% of the principal amount, plus accrued and unpaid interest. The term "Change of Control" is defined under "Description of Notes—Change of Control Triggering Event."</p>
Additional Amounts .....	<p>All payments by us or the subsidiary guarantor in respect of the notes, whether of principal or interest, will be made without withholding or deduction for or on account of any Mexican taxes, unless required by law, in which case, subject to specified exceptions and limitations, we and the</p>

subsidiary guarantor 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 that would have been received in the absence of any such withholding or deduction. See “Description of Notes—Additional Amounts.”

Redemption for Changes in Mexican  
Withholding Taxes.....

In the event that, as a result of certain changes in Mexican tax laws applicable to payments under the notes, we become obligated to pay additional amounts in respect of interest (or amounts deemed interest) payable under the notes, in excess of those attributable to a Mexican withholding tax rate of 10%, the notes will be redeemable, in whole but not in part, at our option, at any time upon notice, at 100% of their outstanding principal amount plus accrued and unpaid interest and any additional amounts due thereon. See “Description of Notes—Additional Amounts.”

Book Entry; Form and  
Denominations .....

The notes will be issued in the form of one or more global notes without coupons, registered in the name of a nominee of The Depository Trust Company (“DTC”), as depository, for the accounts of its participants including Euroclear Bank S.A./N.V. (“Euroclear”), and Clearstream Banking, *societe anonyme*, Luxembourg (“Clearstream”). The notes will be issued in minimum denominations of U.S.\$2,000 and integral multiples of U.S.\$1,000 in excess thereof. See “Description of Notes.”

Trading and Listing .....

Application is expected to be made to the Luxembourg Stock Exchange for the notes to be listed on the Official List of the Luxembourg Stock Exchange and traded on the Euro MTF.

Transfer Restrictions.....

We have not registered the notes under the Securities Act. 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. See “Transfer Restrictions.”

The notes will not be registered in the Mexican National Securities Registry (*Registro Nacional de Valores*) maintained by the CNBV and may not be offered or sold publicly or otherwise be subject to brokerage activities in Mexico, except pursuant to a private placement exemption set forth in Article 8 of the Mexican Securities Market Law.

As required under the Mexican Securities Market Law, we will notify the CNBV of the offering of the notes outside of Mexico. Such notice will be delivered to the CNBV to comply with a legal requirement and for information purposes only, and the delivery to and the receipt by the CNBV of such notice does not imply any certification as to the investment quality of the notes or our solvency, liquidity or credit quality or the accuracy or completeness of the information included in this offering memorandum.

Use of Proceeds .....

We expect the net proceeds from the sale of the notes will be approximately U.S.\$194.9 million. We expect to use such net proceeds to reduce the amounts outstanding under certain of our revolving credit lines with third party financial institutions, for potential strategic acquisitions and for general corporate purposes. We expect to use the net proceeds of the offering as follows:

- approximately U.S.\$59.0 million will be used to reduce the amounts outstanding under our existing revolving credit line with HSBC Mexico;
- approximately U.S.\$64.9 million will be used to reduce the amounts outstanding under our existing revolving credit line with Nafinsa;
- approximately U.S.\$15.6 million will be used to reduce the amounts outstanding under our existing revolving credit line with SHF; and
- approximately U.S.\$55.4 million will be used to repay a portion of the debt of Finsol and for general corporate purposes, including potential strategic acquisitions.

See “Use of Proceeds.”

Risk Factors .....	Investing in the notes involves certain risks. See “Risk Factors.”
Governing Law .....	State of New York
Trustee, Registrar, Paying Agent and Transfer Agent .....	The Bank of New York Mellon
Luxembourg Paying Agent, Transfer Agent and Listing Agent .....	The Bank of New York Mellon (Luxembourg) S.A.

## SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The following tables present certain summary financial information and operating data as of the dates and for each of the periods indicated. The results included below and elsewhere in this offering memorandum are not necessarily indicative of our future performance. This data is qualified in its entirety by reference to, and should be read together with, “Presentation of Financial and Other Information,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our financial statements included elsewhere in this offering memorandum. Certain amounts and percentages included in this offering memorandum have been subject to rounding adjustments. Accordingly, figures shown for the same category presented in different contexts may vary slightly and figures in certain other contexts may not be an exact arithmetic result of the figures shown herein.

The balance sheet data as of December 31, 2009 and 2008, and the income statement data for the years ended December 31, 2009, 2008 and 2007 are derived from our audited financial statements included elsewhere in this offering memorandum. Our financial statements are presented in thousands of Pesos, whereas all other figures presented in this offering memorandum are presented in millions of Pesos, unless otherwise indicated.

Effective January 1, 2008, we adopted MFRS B-10, *Effects of Inflation*. Based on this standard, we were no longer required by Mexican Banking GAAP to recognize the effects of inflation in our financial statements. Accordingly, our financial information through December 31, 2007 is stated in Pesos in purchasing power as of December 31, 2007. The financial information as of December 31, 2008 and 2009, and the financial information for the years ended December 31, 2008 and 2009, is not directly comparable to prior periods due to the recognition of inflation effects in financial information in prior periods. Our financial information as of December 31, 2008 and 2009 maintained the inflation adjustments recognized in prior years in our consolidated stockholders’ equity, and the inflation-adjusted amounts for non-monetary assets and liabilities at December 31, 2007 became the accounting basis for those assets and liabilities beginning on January 1, 2008 and for subsequent periods.

Our financial statements have been prepared in accordance with the accounting principles and regulations prescribed by the CNBV for credit institutions, as amended, or Mexican Banking GAAP. In September 2008, the CNBV issued a resolution amending the Sole Circular for Issuers (*Disposiciones de caracter general aplicables a las emisoras de valores y a otros participantes del mercado de valores*). This amendment required any entity organized as a non-regulated Sofom that lists debt or equity on the Mexican Stock Exchange (which includes us), to prepare its financial statements in accordance with Mexican Banking GAAP, beginning January 1, 2009. We began preparing our financial statements in accordance with Mexican Banking GAAP in 2008, as early adoption was permitted. For comparison purposes, all of our financial statements presented in this offering memorandum, including our 2007 financial statements, have been prepared in accordance with Mexican Banking GAAP. In addition, Mexican Banking GAAP differs in certain significant respects from U.S. GAAP. For a summary of certain differences between Mexican Banking GAAP and U.S. GAAP as they relate to our financial statements, see “Summary of Significant Differences Between Mexican Banking GAAP Applicable to Financial Institutions and U.S. GAAP.”

	<b>For the years ended December 31,</b>			
	<b>2009 <sup>(1)</sup></b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
	(in millions of U.S.\$)		(in millions of Pesos)	
<b>Statement of Income Data:</b>				
Interest income	238.5	3,110.6	2,715.8	2,061.7
Interest expense	(25.1)	(327.3)	(231.4)	(168.5)
Monetary loss-net	-	-	-	(37.6)
Financial margin	213.4	2,783.2	2,484.4	1,855.6
Provision for loan losses <sup>(2)</sup>	(82.4)	(1,074.2)	(782.0)	(484.4)
Financial margin after provision for loan losses	131.0	1,709.1	1,702.4	1,371.2
Commissions and fees income	57.7	752.6	751.4	574.4
Commissions and fees paid	(1.0)	(12.7)	(10.1)	(1.6)
Other income (expense) of the operation	2.2	29.2	9.1	19.0
Non-interest expense	(141.1)	(1,840.5)	(1,703.4)	(1,257.4)
Operating income	48.9	637.7	749.3	705.6
Other income-net	1.4	18.3	13.9	36.8
Income before income taxes	50.3	655.9	763.2	742.4
Current income tax	(30.1)	(392.8)	(361.0)	(278.4)
Deferred income tax	19.3	252.1	163.2	55.0
Net income	39.5	515.2	565.4	519.0

- (1) Income statement and balance sheet data expressed in dollars have been translated at the rate of Ps.13.04370 per U.S.\$1.00, based on the exchange rate of US dollars to Pesos published by the Mexican Central Bank on December 31, 2009, and have been made solely for the convenience of the reader.
- (2) Provision for loan losses is recorded in a separate account under allowance for loan losses on our balance sheet and all write-offs of uncollectible loans are charged against this balance sheet account.

	<b>As of December 31,</b>			
	<b>2009 <sup>(1)</sup></b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
	(in millions of U.S.\$)		(in millions of Pesos)	
<b>Balance Sheet Data:</b>				
Cash and cash equivalents	38.2	498.9	343.9	243.1
Derivative financial instruments	0.1	0.8	0.8	-
Total loan portfolio-net	336.5	4,389.3	4,123.2	3,137.0
Other accounts receivable-net	8.6	111.6	282.6	43.8
Property, furniture and equipment-net	23.2	303.3	256.0	172.1
Deferred tax and profit sharing-net	43.9	572.6	321.3	153.8
Other assets-net	5.6	74.0	59.6	39.6
<b>Total assets</b>	<b>456.2</b>	<b>5,950.5</b>	<b>5,387.4</b>	<b>3,789.4</b>
Commercial paper	60.3	787.0	787.7	-
Bank and other entities loans	236.1	3,079.3	2,826.4	1,336.0
Other accounts payable	16.9	220.9	370.5	232.5
<b>Total liabilities</b>	<b>313.3</b>	<b>4,087.1</b>	<b>3,984.6</b>	<b>1,568.5</b>
<b>Total stockholders' equity</b>	<b>142.9</b>	<b>1,863.3</b>	<b>1,402.8</b>	<b>2,220.9</b>
<b>Total liabilities and stockholders' equity</b>	<b>456.2</b>	<b>5,950.5</b>	<b>5,387.4</b>	<b>3,789.4</b>

**Other Financial Data and Ratios:**

**Profitability and Efficiency:**

Return on average stockholders' equity <sup>(2)</sup>	28.1%	28.1%	30.0%	39.7%
Return on average total assets <sup>(3)</sup>	8.8%	8.8%	12.0%	16.0%
Net interest margin after provisions <sup>(4)</sup>	48.4%	48.4%	58.1%	65.0%
Efficiency ratio <sup>(5)</sup>	75.2%	75.2%	69.7%	64.7%

**Capitalization:**

Stockholders' equity as a percentage of total assets	31.3%	31.3%	26.0%	58.6%
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**Credit Quality Data:**

Total performing loans	324.8	4,236.2	3,913.0	3,012.1
Total non-performing loans	44.2	576.1	560.8	338.8
Total loan portfolio	368.9	4,812.3	4,473.8	3,350.9
Allowance for loan losses	(32.4)	(423.0)	(350.6)	(213.9)

**Credit Quality Ratios:**

Allowance for loan losses as a percentage of total loan portfolio	8.8%	8.8%	7.8%	6.4%
Allowance for loan losses as a percentage of total non-performing loan portfolio	73.4%	73.4%	62.5%	63.1%
Total non-performing loan portfolio as a percentage of total loan portfolio	12.0%	12.0%	12.5%	10.1%

- (1) Income statement and balance sheet data expressed in dollars have been translated at the rate of Ps.13.04370 per U.S.\$1.00, based on the exchange rate of US dollars to Pesos published by the Mexican Central Bank on December 31, 2009, and have been made solely for the convenience of the reader.
- (2) Return on average stockholders' equity consists of net income for the period divided by the daily average of stockholders' equity for the period.
- (3) Return on average total assets consists of net income for the period divided by the daily average of total assets for the period.
- (4) Represents financial margin (including commissions) after provision for loan losses divided by average interest-earning assets. Average interest-earning assets are determined based on the daily average balance of the period.
- (5) Efficiency ratio consists of non-interest expense for the period divided by the sum of (i) financial margin after provision for loan losses for the period and (ii) the difference between (x) commissions and fees collected and (y) commissions and fees paid.

## **RISK FACTORS**

*An investment in our securities, including the notes offered hereunder, involves certain risks. You should carefully consider the following discussion of risks, as well as all the other information presented in this offering memorandum, before investing in the notes. In general, investing in the securities of issuers in emerging market countries such as Mexico involves certain risks not typically associated with investing in securities of U.S. companies. The risks and uncertainties described below are not the only risks and uncertainties that we face. Additional risks and uncertainties that we do not know about or that we currently think are immaterial also may impair our business operations or our ability to make payments on the notes and under other existing or future indebtedness.*

*This offering memorandum also contains forward-looking statements that involve risks. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including risks faced by us described in this offering memorandum.*

### **Risks Relating to Our Business**

#### ***Microfinance lending poses unique risks not generally associated with other forms of lending.***

We provide microcredit loans to individuals in the low-income segments of the Mexican population, which may pose risks not generally associated with other forms of lending. Our target market is primarily individuals earning between one and eight times the Mexico City minimum monthly wage (between Ps.1,724 and Ps.13,792 per month, or between approximately U.S.\$132 and U.S.\$1,057 per month as of January 2010), represented by the “Cm” through “D” socioeconomic levels as defined by the AMAI. Our customers typically have limited or no credit history, belong to Mexico’s informal economy or are self-employed and, as such, they represent a higher degree of risk than borrowers with fixed income and established credit histories. In addition, we do not require collateral or other forms of security in connection with our loan products, which results in a higher degree of risk than is associated with guaranteed or secured loans. As a result, in the future we may experience higher levels of non-performing loans and may be required to record higher provisions for loan losses. We can give no assurance that levels of non-performing loans and subsequent charge-offs will not be materially higher in the future, which could adversely affect our business, results of operations, prospects and financial condition.

***Competition from other microfinance lenders, banks and financial institutions, as well as state-sponsored social programs, may adversely affect our profitability and position in the Mexican microfinance lending industry.***

We face competition from lenders that target the low-income segments of the Mexican population, particularly savings institutions, cooperatives, credit unions, retailers, consumer loan and informal loan providers, Sofols, other Sofoms, savings and lending associations, banks and other financial institutions comprising the traditional financial sector in Mexico and non-governmental organizations, or NGOs. In addition, we face competition from the public sector, as the Mexican government currently engages in its own microfinance lending programs. We anticipate that we may encounter greater competition as we continue to expand our operations in Mexico. Institutions with which we may compete may have significantly greater assets and capital, name recognition, geographic penetration and other resources than we have. In addition, our competitors may be better able than we are to anticipate, and respond to market trends. Competition in our market may result in an adverse effect on our business, results of operations, prospects and financial condition.

#### ***The introduction by us of new products and services may not be successful.***

As part of our business strategy, we plan to continue developing and introducing products and services that complement our current microfinance lending activities, such as additional types of loans or insurance products through alliances with third party insurance companies, in each case tailored to the low-income segments of the Mexican population. However, we cannot guarantee that we will develop any such products or services or that these new products and services will be successful once they are offered to our target customers or in the future or that we would be able to enter into agreements on acceptable terms with third party insurance companies. We may not be

able to adequately anticipate our target customers' needs or desires, and these may also change over time, which could render certain of our products and services obsolete. We may face difficulties in achieving profitability from offering these products and services and incur significant costs in connection with such products. Moreover, the introduction of additional financial products or services could subject us to additional regulation or regulatory oversight by governmental authorities. All of these may result in an adverse effect on our business, results of operations, prospects and financial condition.

***We may not be able to obtain needed funding or borrowings on acceptable terms or at all.***

Our ability to obtain additional funding in the future on acceptable terms is subject to a variety of uncertainties, including credit ratings, our future financial position, results of operations and cash flows; any necessary government regulatory approvals; general market conditions for capital-raising activities by financial institutions; and macroeconomic, political and other conditions in Mexico. We may not be able to obtain needed additional funding in a timely manner or on acceptable terms or at all. Currently our funding is through lines of credit with HSBC Mexico, Nafinsa, SHF, and medium-term notes (*certificados bursatiles*) that are registered with the Mexican National Securities Registry and traded on the Mexican Stock Exchange. If we are not able to obtain needed funding or borrowings on acceptable terms from these institutions and investors or other sources, it may result in an adverse effect on our business, results of operations, prospects and financial condition.

***Reductions in our credit ratings would increase our cost of funding.***

Our credit ratings are based on the financial strength, credit quality and diversification in our loan portfolio; the level and volatility of our earnings; our capital adequacy; the quality of our management; the liquidity of our balance sheet and our ability to access a broad array of funding sources. Adverse changes in our credit ratings could increase our cost of funding, which may in turn have a negative effect on our business, results of operations, prospects and financial condition.

***We are subject to fluctuations in interest rates and other market risks.***

Our financial margin and the market value of certain of our assets and liabilities are subject to variations due to interest rate volatility. Changes in interest rates affect our interest income, the volume of loans we generate and our interest expense, as well as the market value of certain of our securities holdings. For example, when interest rates rise, we must pay higher interest on our borrowings while interest earned on our loans does not rise as quickly, causing our financial margin, which comprises the majority of our revenue, to decrease. In addition, prevailing market values of investment in securities may fluctuate, negatively affecting the value of these assets. Fluctuations in interest rates and prevailing market prices may have an adverse effect on our business, results of operations, prospects and financial condition.

***If we are unable to effectively control the level of non-performing loans in the future, or if our loan loss reserves are insufficient to cover future loan losses, our business, results of operations, prospects and financial condition may be adversely affected.***

Non-performing loans can negatively impact our results of operations. We cannot assure you that we will be able to effectively control the level of these loans in our loan portfolio. The amount of our non-performing loans may increase in the future. In addition, factors beyond our control, such as the impact of macroeconomic trends, political events affecting Mexico, changes to accounting principles or other laws or regulations applicable to us, adverse events affecting specific industries, or natural disasters, may result in increases in non-performing loans. Our loan loss reserves may not be adequate to cover an increase in the amount of non-performing loans or any future deterioration in the overall credit quality of our total loan portfolio. If the quality of our total loan portfolio deteriorates we may be required to increase our loan loss reserves, which would adversely affect our business, results of operations, prospects and financial condition. Moreover, there is no precise method for predicting loan losses, and we cannot assure you that our monitoring and risk management procedures will effectively predict such losses or that loan loss reserves will be sufficient to cover future losses. If we are unable to control the level of our non-performing loans, our business, results of operations, prospects and financial condition could be adversely affected.



***Even though we are not currently significantly regulated as a bank or financial institution in Mexico, changes to Mexican governmental regulations, including the imposition of ceilings on interest rates, fees and commissions, may adversely affect our business, results of operations, prospects and financial condition.***

There may be significant future changes in the regulatory system or in the enforcement of the laws and regulations that could adversely affect us. In particular, Mexican laws and regulations do not currently impose any limits on the interest rates, fees or commissions that we may charge in connection with credit transactions. However, Mexican authorities responsible for administering and promulgating such laws and regulations could, in the future, impose limitations or informational or other requirements in respect of such interest rates, fees or commissions that are charged by us.

In addition, we are a Mexican financial institution and a publicly traded company in Mexico; therefore we are subject to the specific rules set forth in the Mexican Law of Credit Institutions (*Ley de Instituciones de Credito*) and the Mexican Securities Market Law, including specific corporate governance provisions applicable to us. Investors should review and understand the differences applicable to us by law. See “Supervision and Regulation of Certain Lending Entities in the Mexican Market—Sofoms.” Our business, results of operations, prospects and financial condition could be adversely affected by changes in existing laws and regulations.

***Interruption or failure in our information technology systems may adversely affect our operations.***

Our success is heavily dependent on the efficient and uninterrupted operation of our computer and communications hardware systems, including systems relating to the operation of our operations centers in the cities of Leon and Aguascalientes. Our computer and communications systems and operations could be damaged or interrupted by fire, flood, power loss, telecommunications failure, computer viruses, physical or electronic break-ins or other similar events or disruptions. Any of these events could cause system interruptions, delays and losses of critical data and could prevent us from operating at optimal levels or at all. Furthermore, our disaster recovery planning may not be sufficient for 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 any of these events were to occur, we could incur in substantial expenses and our operations, as well as our business, results of operations, prospects and financial condition could be adversely affected.

***Our inability to maintain and upgrade our information technology infrastructure and credit risk management systems in a timely manner could adversely affect our competitiveness, thereby affecting our business, results of operations, prospects and financial condition..***

Our ability to operate and remain competitive depends on our ability to maintain and upgrade our information technology infrastructure in a timely and cost-effective manner. We must continually make investments and improvements in our information technology infrastructure in order to remain competitive. The information available to and received by our management through our existing information systems may not be timely and sufficient to manage risks or to plan for, and respond to, future changes in market conditions and other developments in our future operations. We may experience difficulties in upgrading, developing and expanding such systems quickly enough to accommodate our growing customer base and range of products and services. Any failure to effectively maintain, improve or upgrade our information technology infrastructure and management information systems in a timely manner could adversely affect our competitiveness, thereby affecting our business, results of operations, prospects and financial condition.

***We depend on key personnel.***

We depend on the services of our principal officers and key employees. The loss of any of our experienced principal officers, key employees or senior managers could negatively affect our ability to execute our business strategy. In 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 business, results of operations, prospects and financial condition could be adversely affected if we cannot attract and retain these necessary personnel.

***We may be exposed to additional labor-related expenses under certain circumstances***

Other than managerial and certain administrative employees, as of December 31, 2009, 84.0% of our labor force, employed through our subsidiaries, are affiliated with labor unions. Wages, salaries, benefits, staffing levels and other terms are negotiated pursuant to collective bargaining agreements and adjusted annually. Accordingly, the results of such negotiations could lead to increases in our labor costs and restrict our ability to maximize the efficiency of our operations. In addition, in the event of a labor disruption or strike in any of the outsourcing companies, our ability to conduct our operations could be impaired and, therefore, our business, results of operations, prospects and financial position could be adversely affected.

Because individuals employed by our subsidiaries, Serfincor, S.A. de C.V., or Serfincor, and Finsol, S.A. de C.V., are employees of those subsidiaries, the Company is not required to share any profits with those individuals, other than profits made at those subsidiaries. However, there can be no assurance that a Mexican labor court would support our determination that these individuals are not our employees. In such event, we could be required to share our profits with such individuals to the same extent as if they were employed directly by us. Serfincor and Finsol, S.A. de C.V. share profits with their employees as required by Mexican law.

In addition, as of December 31, 2009, approximately 1.3% of our sales force was comprised of independent sales agents whose compensation is based solely on commissions and other financial incentives for sales made by them. We do not consider such commission-based personnel as employees. However, there can be no assurance that the Mexican Social Security Institute (*Instituto Mexicano del Seguro Social*), a labor court or another competent Mexican authority, would support our determination that these individuals are not our employees. In such an event, we could be required to make social security contributions relating to such individuals to the same extent as if they were our employees.

In the event that we were compelled to make social security contributions, or to provide other benefits, including profit sharing, in respect of the commission-based personnel or the employees of our subsidiaries, our business, results of operations, prospects and financial condition could be adversely affected.

***We will become subject to increased regulatory burdens and expenses if we voluntarily convert ourselves into a bank, or if a certain amount of our capital stock is acquired by certain entities, each of which could adversely affect our operating results and financial position.***

We are a non-regulated Sofom and, other than the requirement that we report our financial results in Mexican Banking GAAP, we are not subject to the requirements and regulations applicable to regulated Sofoms, banks and other regulated financial institutions in Mexico. However, even though we are a non-regulated Sofom, we are subject to certain regulation by Mexican governmental authorities. In the event that we were to voluntarily apply for a banking license to operate as a bank, we would be subject to supervision by the CNBV, the Mexican Central Bank, and the Bank Savings Protection Institute (*Instituto para la Proteccion al Ahorro Bancario*), or IPAB, and, additional regulatory burdens and other requirements applicable to banks, including capital adequacy requirements, reporting requirements, limitations on related-party transactions and anti-money laundering rules. Similarly, if we were to become directly affiliated with a Mexican bank or holding company of a financial group that holds a bank, we would be treated as a regulated Sofom. Furthermore, in the event that a person controlled or held a majority interest in us as well as in a credit institution, we would also be treated as a regulated Sofom, and thus the rules applicable to regulated Sofoms would be applicable to us, thereby significantly increasing our regulatory burden. Regulated Sofoms are subject to the rules and supervision of the CNBV and to certain requirements applicable to banks, including capital adequacy requirements, reporting requirements, limitations on related-party transactions and anti-money laundering rules.

Pursuant to a set of amendments passed by the Mexican Congress to the Transparency Law (*Ley para la Transparencia y Ordenamiento de los Servicios Financieros*), on June 25, 2009, the Mexican Central Bank has the authority to issue regulations governing interest rates and other fees charged by banks to their clients. If we voluntarily convert ourselves into a bank, we may be subject to such regulations which could limit the interest rate or fees that we may charge to our clients. As of the date of this offering memorandum, the Mexican Central Bank has not exercised its authority to issue regulations that would restrict our ability to set interest rates or other fees if we were to operate as a bank. However, while we do not currently believe that our voluntary conversion into a bank

would subject us to regulations that would restrict our business, we can grant you no assurance that the Mexican Central Bank will not issue regulations that may restrict our business in the future and adversely affect our business, results of operation, prospects and financial condition.

Accordingly, our voluntary conversion into a bank, or the acquisition of certain amounts of our capital stock by a bank, a holding company of a financial group, or a person who has an interest in a credit institution may increase our regulatory burden and/or adversely affect our business, results of operations, prospects and financial condition. See “Supervision and Regulation of Certain Lending Entities in the Mexican Market.”

### **Risks Relating to the Acquisition of Finsol**

***We may fail to realize the anticipated benefits of our acquisition of Finsol, and the integration of Finsol with our operations may present significant challenges.***

In February 2010, we acquired Financiera Finsol and several related companies, which are now our subsidiaries. The successful integration of these companies will depend in part on our ability to realize the anticipated growth opportunities and cost savings from combining our business with Finsol’s business. We may face significant challenges in consolidating our operations, integrating our organizations, and streamlining procedures in a timely and efficient manner while retaining key Finsol personnel. The integration of Finsol will be costly, complex and time consuming and will require substantial management attention. These costs could be greater than we currently anticipate, which would reduce our profitability. The integration of these businesses could also disrupt the operation of our existing businesses, or result in additional administrative procedures or regulatory oversight. It could also adversely affect our ability to maintain relationships with customers, suppliers, employees and others with whom we have business dealings.

Some of the accounting, financial and commercial practices used by Finsol are different from those used by Financiera Independencia, and Finsol’s practices will have to be adapted to those used by us. The inability to successfully integrate Finsol’s operations with those of Financiera Independencia could curtail the growth of the combined entity and adversely affect the operations and results of the acquired entities. Following the integration, we may not achieve levels of profitability equivalent to those existing prior to the acquisition.

Additionally, as a result of this integration and as a result of the differences in the hiring terms and in the employees compensation scheme of Financiera Independencia and Finsol, certain labor, tax and social security contingencies may arise, which could have an adverse effect on the anticipated results of the acquisition.

***The loss of Finsol’s main executives could affect our operations.***

The integration of Finsol’s administration and operations in Financiera Independencia is highly dependent on the participation of Finsol’s principal executives. Because these individuals know Finsol’s administration and operation and have extensive experience in the microfinance industry in the areas where Finsol currently operates, we believe that the projected results of the transaction will depend on the efforts of these individuals and, therefore, the loss of services of any of them in the short term, for any cause, could have an adverse effect on our business, results of operations, prospects and financial condition.

***The acquisition of Finsol’s operations in Brazil exposes us to additional risks and challenges associated with operating internationally.***

Our acquisition of Finsol and its Brazilian subsidiary, Finsol Brazil, marks our first experience operating outside of the Mexican market. The operation of Finsol Brazil, which as of December 31, 2009 had an outstanding total loan portfolio of approximately U.S.\$16.1 million, or 3.8% of our total portfolio on a pro forma basis, exposes us to additional operational and market risk associated with operating internationally, and may require significant management attention and financial resources. Finsol Brazil is currently operated as a public interest civil society organization—a non-financial entity—though we plan to register to operate it as a regulated microcredit financial institution (*Sociedade de Credito ao Microempreendedor e a Empresa de Pequeno Porte*), or SCM, upon receiving the relevant authorizations from the Central Bank of Brazil. There can be no assurance that we will obtain such

authorizations, or that the receipt of such authorizations will not be conditioned upon our making significant changes in the way we carry out our business, which could limit or impair our growth prospects in Brazil. The operation of Finsol Brazil also exposes us to additional regulatory oversight in Brazil, as well as risk associated with economic or political volatility in the Brazilian market, and foreign exchange exposure related to fluctuations between the Mexican Peso and the Brazilian real. Exposure to each of these risks or others associated with operating in the Brazilian market could adversely affect our business, results of operations, prospects and financial condition.

***The acquisition of Financiera Popular Finsol, S.A. de C.V., S.F.P. is subject to discretionary approval from the CNBV, which we may not receive.***

In connection with the acquisition of Finsol, we acquired Financiera Popular Finsol, S.A. de C.V., S.F.P., a specialized savings and loans regulated subsidiary, which is subject to the approval of the CNBV. We expect to receive such approval during the second quarter of 2010. In the event that the CNBV does not approve the acquisition, Financiera Popular Finsol, S.A. de C.V., S.F.P. will be wound down in accordance with the stock purchase agreement entered into between us and Finsol's shareholders.

### **Risks Relating to Mexico**

***Adverse economic conditions in Mexico may result in a decrease in our sales and revenues.***

We are a Mexican company with substantially all of our assets located in Mexico and substantially all of our revenues derived from operations in Mexico. As such, our business may be significantly affected by the general conditions of the Mexican economy.

Mexico experienced a period of slow growth from 2001 through 2003 primarily as a result of the downturn in the U.S. economy. In 2006, GDP grew by 4.9% and inflation was 4.1%; in 2007, GDP grew by 3.3% and inflation decreased to 3.8%; in 2008, GDP grew by 1.5% and inflation increased to 6.5%; and in 2009, GDP decreased by 6.5% and inflation decreased to 3.6%.

Mexico also has, and is expected to continue to have, high real and nominal interest rates. The interest rates on 28-day Mexican government treasury securities (*Certificados de la Tesoreria de la Federacion*) averaged approximately 7.19%, 7.20%, 7.75% and 5.43% for 2006, 2007, 2008 and 2009, respectively. Accordingly, if we incur Peso-denominated debt in the future, it could be at high interest rates.

As a consequence of the global recession and economic slowdown during 2008, the Mexican economy entered into a recession. In 2009, Mexico's GDP experienced its worst drop in recent history. Employment was negatively impacted, with the unemployment rate reaching 4.80% in December 2009 from 4.32% in December 2008. Consumer confidence decreased to an eight-year low of 37 points in February 2009, with a corresponding impact on consumption. The current recession could affect our operations to the extent that we are unable to reduce our costs and expenses in response to falling demand. Similarly, our loan portfolio could deteriorate as a result of higher delinquency rates. These factors could result in a decrease in our loan portfolio, revenues and net income.

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

Because substantially all of our revenues are and will continue to be denominated in Pesos, if the value of the Peso decreases against the U.S. dollar, our cost of financing will increase. Severe depreciation of the Peso may also result in disruption of the international foreign exchange markets. This may limit our ability to transfer or convert Pesos into U.S. dollars and other currencies for the purpose of making timely payments of interest and principal on our non-Peso securities, including the notes, and any U.S. dollar-denominated debt that we may incur in the future. While the Mexican government has not restricted the right or ability of Mexican or foreign individuals to convert Pesos into U.S. dollars or to transfer other currencies out of Mexico since 1982, the Mexican government could institute restrictive exchange rate policies in the future.

***Political events in Mexico may result in disruptions to our business operations and decreases in our revenues.***

The Mexican government exercises significant influence over many aspects of the Mexican economy. The actions of the Mexican government concerning the economy and regulating certain industries could have a significant effect on Mexican private sector entities, including Financiera Independencia, and on market conditions, prices of and returns on Mexican securities.

President Calderón and the Mexican congress may implement significant changes in laws, public policy and/or regulations that could affect Mexico's political and economic situation, which could adversely affect our business. Social and political instability in Mexico or other adverse social or political developments in or affecting Mexico could affect us and our ability to obtain financing. It is also possible that political uncertainty may adversely affect Mexican financial markets.

We cannot provide any assurance that future political developments in Mexico, over which we have no control, will not have an unfavorable impact on our business, results of operations, prospects and financial condition.

***We face risks related to health epidemics and other outbreaks.***

Our business could be adversely affected by the effects of avian flu, severe acute respiratory syndrome, SARS, A/H1N1 flu or another epidemic or outbreak. In April 2009, an outbreak of A/H1N1 flu occurred in Mexico and the United States and there have been recent cases in Europe, China and elsewhere in Asia. Any prolonged occurrence or recurrence of avian flu, SARS, A/H1N1 flu or other adverse public health developments in Mexico may have a material adverse effect on our business operations. Our operations may be impacted by a number of health-related factors, including, among other things, quarantines or closures of our facilities, which could disrupt our operations, and a general slowdown in the Mexican economy. Any of the foregoing events or other unforeseen consequences of public health problems could adversely affect our business, results of operations, prospects and financial condition. We have not adopted any written preventive measures or contingency plans to combat any future outbreak of avian flu, SARS, A/H1N1 flu or any other epidemic.

***Developments in other countries may result in decreases in the price of our securities.***

The market value of securities of Mexican companies is, to varying degrees, affected by economic and market conditions in other emerging market countries. Although economic conditions in these countries may differ significantly from economic conditions in Mexico, investors' reactions to developments in any of these other countries may have an adverse effect on the market value of securities of Mexican issuers. In recent years, for example, prices of both Mexican debt securities and Mexican equity securities dropped substantially as a result of developments in Russia, Asia and Brazil.

In addition, the direct correlation between economic conditions in Mexico and the United States has sharpened in recent years as a result of the North American Free Trade Agreement, or NAFTA, and the increased economic activity between the two countries. We are exposed to changes or re-negotiations of NAFTA, which may affect the Mexican economy. As a result of the slowing economy in the United States and the uncertainty it could have on the general economic conditions in Mexico and the United States, our business, results of operations, prospects and financial condition could be adversely affected. In addition, due to recent developments in the international credit markets, capital availability and cost could be significantly affected and could restrict our ability to obtain financing or refinance our existing indebtedness on favorable terms, if at all.

***Summary of Certain Differences Between Mexican Banking GAAP and U.S. GAAP***

The financial information included herein is prepared and presented in accordance with Mexican Banking GAAP. Certain differences exist between Mexican Banking GAAP and U.S. GAAP which might be material to the financial information herein. We are responsible for preparing the summary of significant differences between Mexican Banking GAAP and U.S. GAAP below. We have not prepared a complete reconciliation of its consolidated financial statements and related footnote disclosures between Mexican Banking GAAP and U.S. GAAP and have not quantified such differences. Accordingly, we cannot assure that if such reconciliation were prepared, it would not result in material quantitative differences. In making an investment decision, investors must rely upon their own examination

of the Company, the terms of the offering and the financial information. Potential investors should consult their own professional advisors for an understanding of the differences between Mexican Banking GAAP and U.S. GAAP, and how those differences might affect the financial information herein. For a summary of the main differences between Mexican Banking GAAP and U.S. GAAP, see “Summary of Significant Differences Between Mexican Banking GAAP Applicable to Financial Institutions and U.S. GAAP.”

## **Risks Relating to the Notes**

### ***Our substantial level of debt could impair our financial condition.***

We currently have, and after this offering will have, a substantial amount of debt. As of December 31, 2009, after giving pro forma effect to the acquisition of Finsol and its related companies, our recent capital increase to finance the acquisition of Finsol, as well as the issuance of the notes and the use of the net proceeds of this offering, we would have had Ps.5,885.0 million (U.S.\$451.2 million) of outstanding debt, including Ps.1,832.2 million (U.S.\$140.5 million) of secured debt. We expect to use the proceeds of this offering to reduce certain amounts outstanding under our existing revolving credit lines with third party financial institutions, for strategic acquisitions and for general corporate purposes. Our significant level of debt could have important consequences to you, including:

- requiring a substantial portion of our cash flows from operations be used for the payment of interest on our debt, therefore reducing the funds available to us for the operations or other capital needs;
- limiting our flexibility in planning for, or reacting to changes in our business and the industries in which we operate because our available cash flow after paying principal and interest on our debt may not be sufficient to make the capital and other expenditures necessary to address these changes;
- increasing our vulnerability to general adverse economic and industry conditions because, during periods in which we experience lower earnings and cash flow, we will be required to devote a greater percentage of our cash flow to paying principal and interest on our debt;
- limiting our ability to obtain additional financing in the future to fund working capital, capital expenditures, acquisitions and general corporate requirements;
- making it difficult for us to refinance our indebtedness or to refinance such indebtedness on favorable terms;
- restricting our ability to take advantage of opportunities that would permit us to acquire other businesses;
- placing us at a competitive disadvantage to other relatively less leveraged competitors that have more cash flow available to fund working capital, capital expenditures and general corporate requirements; and
- any borrowings we make at variable interest rates, including our revolving credit facility, leave us vulnerable to increases in interest rates generally.

### ***The Indenture and the terms of our other indebtedness impose significant operating and financial restrictions, which may prevent us from capitalizing on business opportunities.***

The Indenture and the other instruments governing our consolidated indebtedness impose significant operating and financial restrictions on us and our Restricted Subsidiaries. These restrictions will limit our ability, among other things, to:

- incur additional indebtedness;
- make investments;

- sell assets;
- create liens;
- enter into agreements restricting our subsidiaries' ability to pay dividends;
- enter into transactions with affiliates; and
- consolidate, merge or sell substantially all of our assets.

These restrictions could limit our ability to seize attractive growth opportunities for our businesses that are currently unforeseeable, particularly if we are unable to incur financing or make investments to take advantage of these opportunities.

***We may not have the ability to raise the funds necessary to finance the change of control offer required by the Indenture.***

If we undergo a Change of Control (as defined in the Indenture), we may need to refinance large amounts of our debt, including the notes. Under the Indenture, if a Change of Control occurs, we must offer to buy back the notes for a price equal to 101% of the principal amount of the notes, plus any accrued and unpaid interest. For more information on the Change of Control covenant, see "Description of Notes—Change of Control." We may not have sufficient funds available to us to make any required repurchases of the notes upon a Change of Control. If we fail to repurchase the notes in those circumstances, we will be in default under the Indenture, which may, in turn, trigger cross default provisions in our other debt instruments.

***The notes may not be transferred freely.***

The notes have not been registered under the Securities Act or any state securities laws. The notes may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable U.S. state securities laws. See "Notice to Investors" for a full explanation of such restrictions.

The notes will not be registered with the Mexican National Securities Registry maintained by the CNBV and may not be offered or sold publicly or otherwise be subject to brokerage activities in Mexico, except pursuant to a private placement exemption set forth in Article 8 of the Mexican Securities Market Law.

***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 EuroMTF, the alternative market of the Luxembourg Stock Exchange and, even if the notes become listed on this exchange, we may delist the notes if the provisions of the European Transparency Obligations Directive (2003/2004/COD) become unduly onerous or burdensome or for other reasons. 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.

***If proceedings are brought in Mexico seeking to enforce our obligations under the outstanding debt, pursuant to Mexican Monetary Law, payment of the notes may be in Pesos if enforced through judgment.***

Although our obligations to pay in U.S. dollars outside Mexico are valid, pursuant to Article 8 of the Mexican Monetary Law in the event that proceedings are brought in Mexico seeking to enforce our obligations under the outstanding debt, payment of obligations in foreign currency to be made in Mexico may be satisfied by delivering the equivalent in the currency of Mexico, or Mexican Judgment Currency. Pursuant to Mexican law, an obligation 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 payment is made. Such rate of exchange is currently determined by the Mexican Central Bank every business day in Mexico and published the following business banking day in the Official Gazette. It is unclear, however, whether the applicable rate of exchange applied by the Mexican court to determine the Mexican Judgment Currency is the rate prevailing at the time when the judgment is rendered or when the judgment is paid. Provisions purporting to limit our liability to discharge our obligations as described above, or purporting to give any legitimate party an additional course of action seeking indemnity or compensation for possible deficiencies arising or resulting from variations in rates of exchange may not be enforceable in Mexico.

***If we, the subsidiary guarantor, or future guarantors were to be declared bankrupt, holders of notes may find it difficult to collect payment on the notes.***

Under Mexico's Law of Reorganization Proceedings (*Ley de Concursos Mercantiles*), upon declaration of a reorganization (*concurso mercantil*) or bankruptcy (*quiebra*) proceeding in a Mexican court, payment obligations under our and our subsidiary guarantor's outstanding debt, including the notes issued hereby (i) would be converted to Pesos at the exchange rate prevailing at the time such declaration is deemed effective and subsequently converted into UDIs (*Unidades de Inversion*) other than secured debt, (ii) would cease accruing interest to the extent such debt is not secured, (iii) would be paid at the time claims of creditors are satisfied, (iv) would be dependent upon the outcome of the relevant *concurso mercantil* or *quiebra* proceedings and (v) would not be adjusted to consider the depreciation of the Peso against the U.S. dollar occurring after such declaration of insolvency. UDIs are indexed units that automatically adjust the principal amount of an obligation in Pesos to the inflation rate officially recognized by the Mexican Central Bank. In addition, in the event of bankruptcy Mexican law provides preferential treatment for certain claims, such as those relating to labor, taxes and secured creditors.

***The notes and the guarantees will be effectively subordinated to our secured debt and to certain claims preferred by statute.***

Our obligations under the notes, and the obligations of the guarantor under the guarantees, are unsecured. As a result, the notes will be effectively subordinated to all of our and the guarantor's secured debt to the extent of the value of the collateral securing such debt. As of December 31, 2009, after giving pro forma effect to the acquisition of Financiera Finsol and its related companies, the related capital increase to finance its acquisition, as well as the issuance of the notes and the application of the net proceeds thereof, we and the guarantor would have had Ps.1,832.2 million (U.S.\$140.5 million) of secured debt outstanding. In the event that we or our subsidiary is not able to repay amounts due under such secured debt obligations, creditors could proceed against the collateral securing such indebtedness. In that event, 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. If there is a default, the value of this collateral may not be sufficient to repay both our secured creditors and the holders of the notes. Additionally, the claims of holders of the notes will rank effectively junior to certain obligations that are preferred by statute, including certain claims relating to taxes and labor.

***Certain of our subsidiaries are not guarantors and our obligations with respect to the notes will be effectively subordinated to all liabilities of these non-guarantor subsidiaries.***

Only one of our subsidiaries is a guarantor of the notes. However, our financial information (including our financial statements included herein) is presented on a consolidated basis. For the year ended December 31, 2009 our non-guarantor subsidiaries did not make a material contribution to our net margin or net income. As of December 31, 2009, after giving pro forma effect to the acquisition of Financiera Finsol and its related companies, the related capital increase to finance its acquisition, as well as the issuance of the notes and the application of the net proceeds thereof, our non-guarantor subsidiaries would have had total liabilities of U.S.\$18.6 million (including trade payables). Any right that we or the guarantor has 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.

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

The guarantees provide a basis for a direct claim against the subsidiary guarantor; however, it is possible that the guarantees may not be enforceable under Mexican law. While Mexican law does not prohibit the giving of



guarantees and, as a result, does not prevent the guarantees of the notes from being valid, binding and enforceable against the subsidiary guarantor, in the event that our subsidiary guarantor becomes subject to a reorganization (*concurso mercantil*) or bankruptcy (*quiebra*) proceeding, the relevant guarantee may be deemed to have been a fraudulent transfer and declared void based upon our subsidiary guarantor being deemed not to have received fair consideration in exchange for such guarantee.

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

We are organized under the laws of Mexico. All of our directors, executive officers and controlling persons and those of the subsidiary guarantor reside outside the U.S.; all or a significant portion of the assets of our directors, executive officers and controlling persons, and substantially all of our assets and those of our subsidiary guarantor, are located outside the U.S.; and certain of the experts named in this offering memorandum also reside outside the U.S. As a result, it may be difficult for you to effect service of process within the U.S. upon these persons or to enforce against them or us in U.S. courts judgments predicated upon the civil liability provisions of the federal securities laws of the U.S. We have been advised by our special Mexican counsel, White & Case S.C., that there is doubt as to the enforceability, in original actions in Mexican courts, of liabilities predicated solely on U.S. federal securities laws and as to the enforceability in Mexican courts of judgments of U.S. courts obtained in actions predicated upon the civil liability provisions of U.S. federal securities laws.

***The collection of interest on interest may not be enforceable in Mexico.***

An obligation to pay interest on interest is not permitted under the laws of Mexico and, therefore, the accrual of default interest on past due ordinary interest accrued with respect to the notes may be unenforceable in Mexico.

## USE OF PROCEEDS

We expect the net proceeds from the sale of the notes will be approximately U.S.\$194.9 million after deducting estimated initial purchasers' discounts, commissions and expenses. We expect to use such net proceeds to reduce the amounts outstanding under certain of our revolving credit lines with third party financial institutions and for general corporate purposes, including potential strategic acquisitions. We expect to make the debt repayments over the course of 2010. We expect that these credit lines will continue to be available to us after these payments are made. More specifically, we expect to use the net proceeds of the offering as follows:

- approximately U.S.\$59.0 million will be used to reduce the amounts outstanding under our existing revolving credit line with HSBC Mexico;
- approximately U.S.\$64.9 million will be used to reduce the amounts outstanding under our revolving existing credit line with Nafinsa;
- approximately U.S.\$15.6 million will be used to reduce the amounts outstanding under our revolving existing credit line with SHF; and
- approximately U.S.\$55.4 million will be used to repay a portion of the debt of Finsol and for general corporate purposes, including potential strategic acquisitions.

For a description of our outstanding indebtedness, see "Capitalization" and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources."

## EXCHANGE RATES

Prior to December 1994, the Mexican Central Bank kept the Peso-U.S. dollar exchange rate within a range prescribed by the government through intervention in the foreign exchange market. In December 1994, the government suspended intervention and allowed the Peso to float freely against the U.S. dollar. The Peso declined sharply in value in December 1994 and continued to fall under conditions of high volatility in 1995. In the past few years, however, the Peso has remained relatively stable although in October 2008, the Peso suffered a decline in value and has not yet fully recovered. We cannot assure you that the government will maintain its current policies with regard to the Peso or that the Peso will not further depreciate or appreciate significantly in the future. The following table sets forth, for the periods indicated, the exchange rate published by the Mexican Central Bank, expressed in Pesos per U.S. dollar.

	<b>Interbank Buy Rate at Day End <sup>(1)</sup></b>			
<b><u>Year Ended</u></b>	<b><u>High</u></b>	<b><u>Low</u></b>	<b><u>Average<sup>(2)</sup></u></b>	<b><u>Period End</u></b>
December 31, 2005.....	11.414	10.424	10.888	10.626
December 31, 2006.....	11.485	10.440	10.905	10.798
December 31, 2007.....	11.238	10.684	10.927	10.918
December 31, 2008.....	13.825	9.873	11.142	13.805
December 31, 2009.....	15.480	12.571	13.497	13.073
	<b><u>Month Ended</u></b>			
October 31, 2009.....	13.688	12.915	13.229	13.222
November 30, 2009.....	13.382	12.842	13.101	12.965
December 31, 2009.....	13.073	12.571	12.852	13.073
January 31, 2010.....	13.044	12.648	12.811	13.027
February 28, 2010.....	13.208	12.774	12.936	12.774
March 19, 2010.....	12.896	12.448	12.672	12.569

(1) Source: *Banco de Mexico*: Interbank Buy Rate at Day End

(2) Year or period average

The Interbank Buy Rate at Day End published by the Mexican Central Bank for March 19, 2010 was 12.569 Pesos per U.S. dollar. Fluctuations in the exchange rate between the Peso and the U.S. dollar will affect our ability to meet our U.S. dollar-denominated obligations, including our obligations under the notes.

## CAPITALIZATION

The following table sets forth our short-term and long-term debt and capitalization (total debt plus stockholders' equity) as of December 31, 2009, on an actual historical basis, on a pro forma basis to give effect to the acquisition of Finsol and the related capital increase to finance its acquisition as described under "Unaudited Pro Forma Condensed Combined Financial Information" and pro forma as adjusted to give effect to the issuance of the notes and the application of the net proceeds therefrom in the manner described under "Use of Proceeds."

	As of December 31, 2009					
	Actual	Pro Forma <sup>(1)</sup>	Pro Forma as Adjusted <sup>(2)</sup>	Actual	Pro Forma <sup>(1)</sup>	Pro Forma as Adjusted <sup>(2)</sup>
	(Ps. millions)			(US\$ millions) <sup>(3)</sup>		
<b>Cash and cash equivalents</b>	<b>498.9</b>	<b>845.2</b>	<b>1,568.4</b>	<b>38.2</b>	<b>64.8</b>	<b>120.2</b>
Commercial paper	787.0	787.0	787.0	60.3	60.3	60.3
Short-term debt	3,054.5	3,959.9	2,165.1	234.2	303.6	166.0
Long-term debt	24.8	349.0	2,933.0	1.9	26.8	224.9
<b>Total debt</b>	<b>3,866.2</b>	<b>5,095.9</b>	<b>5,885.0</b>	<b>296.4</b>	<b>390.7</b>	<b>451.2</b>
Stockholders' equity:						
<b>Total stockholders' equity</b>	<b>1,863.3</b>	<b>2,713.3</b>	<b>2,713.3</b>	<b>142.9</b>	<b>208.0</b>	<b>208.0</b>
Total capitalization	5,729.6	7,809.2	8,598.4	439.3	598.7	659.2

- (1) As adjusted to give pro forma effect to the completion of Finsol acquisition and capital increase for the purpose of funding Finsol acquisition. "Pro forma" financial information is unaudited.
- (2) Pro forma as adjusted to give effect to this offering and the application of the net proceeds therefrom as described under "Use of Proceeds". "Pro forma as adjusted" financial information is unaudited.
- (3) Peso amounts have been translated into U.S. dollars, solely for the convenience of the reader, at the rate of 13.04370 Pesos per U.S. dollar as of December 31, 2009.

## UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

In February 2010, we acquired Financiera Finsol, S.A. de C.V., SOFOM, E.N.R. (“Financiera Finsol”), the second largest group lending microfinance institution in Mexico, and several related companies (collectively, “Finsol”), including Finsol Vida, S.A. de C.V. (an insurance broker), Finsol, S.A. de C.V. (a service company), and Instituto Finsol IF Associação Civil Sem Fins Lucrativos OSCIP (“Finsol Brazil”) (a group lending microfinance institution in Brazil). Subject to the authorization of the CNBV, we will also acquire Financiera Popular Finsol, S.A. de C.V., S.F.P. (SOFIPO – a specialized savings and loans regulated entity) subsequent to the initial acquisition of Financiera Finsol and its related companies. As of December 31, 2009, Finsol had a total loan portfolio of Ps.742.4 million, 129,673 clients in Mexico and 149 branches in 29 of the 32 Mexican states and federal entities, located primarily in rural and suburban areas. In Brazil, Finsol had 29,145 clients and 17 branches located mainly in the northeast region, as of the same date. The acquisition of Finsol involved the purchase of 100% of the companies’ stock for Ps.530 million (U.S.\$41 million) in cash. The acquisition of Finsol increased the size of our outstanding loan portfolio by 15.4%, our customer base by 12.8%, and our number of branches by 83.4%.

The unaudited pro forma condensed combined financial statements presented below are derived from the audited consolidated financial statements of Financiera Independencia, S.A.B. de C. V., Sociedad Financiera de Objeto Multiple, Entidad no Regulada and its Subsidiary (Findep) and the audited combined financial statements of Finsol. The unaudited pro forma condensed combined income statement for the year ended December 31, 2009 gives effect to our acquisition of Finsol and the capital increase of 85 million shares consummated during January and February 2010, as if each of them had occurred on January 1, 2009 and the unaudited pro forma condensed combined balance sheet as of December 31, 2009 as if each of them had occurred on December 31, 2009. Management believes that the assumptions used to derive the unaudited pro forma condensed combined financial statements are reasonable given the information available; however, such assumptions are subject to change and the effect of any such change could be material. The unaudited pro forma condensed combined financial statements have been provided for information purposes only and are not necessarily indicative of the financial position or results of operations that would have been achieved had the acquisition actually been consummated on the dated indicated and do not purport to be indicative of results of operations as of any future date or for any future period. The unaudited pro forma condensed combined financial statements were prepared using the purchase method of accounting applied as of the dates specified above, as stated by Mexican Banking GAAP and by supplementary MFRS B-7 “Business Acquisitions”, based on available information and assumptions that we believe to be reasonable. The purchase method of accounting was prepared by Management based on information provided in preliminary study conducted by an independent third party.

## Unaudited Pro Forma Condensed Combined Balance Sheet as of December 31, 2009

(amounts in thousands of Mexican pesos)

	Financiera Independencia consolidated as of December 31, 2009	Financiera Finsol combined as of December 31, 2009	Adjustments	Pro forma as adjusted (Unaudited)
<b>Assets</b>				
Cash and cash equivalents	Ps. 498,891	Ps. 26,331	Ps. 320,000 (a)(b)	Ps. 845,222
Investment in securities				
Trading instruments	-	127,161	-	127,161
Derivative financial instruments:				
Trading instruments	793	29,568	-	30,361
Performing loans:				
Consumer	4,236,160	705,070	36,000 (a)	4,977,230
Non-performing loans:				
Consumer	576,132	37,374	-	613,506
Total loan portfolio	4,812,292	742,444	36,000	5,590,736
Loan loss allowance	(422,966)	(48,897)	-	(471,863)
Total loan portfolio - Net	4,389,326	693,547	36,000	5,118,873
Other accounts receivable - Net	111,584	119,143	-	230,727
Foreclosed assets	-	40	-	40
Property, furniture and equipment - Net	303,266	89,101	-	392,367
Deferred taxes and profit sharing - Net	572,628	121,521	(121,521) (a)	572,628
Customer base	-	-	101,000 (a)	101,000
Brands	-	-	50,000 (a)	50,000
Goodwill	-	-	584,677 (a)	584,677
Other assets - Net	73,990	16,698	-	90,688
<b>Total assets</b>	<b>5,950,478</b>	<b>1,223,110</b>	<b>970,156</b>	<b>8,143,744</b>
<b>Liabilities and stockholders' equity</b>				
<b>Liabilities:</b>				
Debt issuance	786,970	-	-	786,970
Deposits	-	2,149	-	2,149
Bank and other entities loans				
Short - term	3,054,492	905,410	-	3,959,902
Long - term	24,778	278,213	46,000 (a)	348,991
	3,079,270	1,183,623	46,000	4,308,893
Derivative financial instruments:				
Trading instruments	-	29,568	-	29,568
Other accounts payable:				
Income tax	37,427	-	-	37,427
Accrued liabilities and other accounts payable	132,959	76,348	-	209,307
	170,386	76,348	-	246,734
Deferred commissions and other deferred credits	50,508	5,578	-	56,086
<b>Total liabilities</b>	<b>4,087,134</b>	<b>1,297,266</b>	<b>46,000</b>	<b>5,430,400</b>
<b>Stockholders' equity:</b>				
Paid-in capital:				
Capital stock	148,603	99,996	(91,496) (b)(d)	157,103
Share premiums	726,428	14	841,486 (b)(d)	1,567,928
	875,031	100,010	749,990	1,725,031
Earned Capital:				
Legal reserves	12,600	5,406	(5,406) (d)	12,600
Retained earnings	460,490	(62,243)	62,243 (d)	460,490
Net income	515,223	(117,329)	117,329 (d)	515,223
	988,313	(174,166)	174,166	988,313
Total majority interest	1,863,344	(74,156)	924,156	2,713,344
Minority interest	-	-	-	-
<b>Total stockholders' equity</b>	<b>1,863,344</b>	<b>(74,156)</b>	<b>924,156</b>	<b>2,713,344</b>
Commitments and contingencies	-	-	-	-
Subsequent events	-	-	-	-
<b>Total liabilities and stockholders' equity</b>	<b>5,950,478</b>	<b>1,223,110</b>	<b>970,156</b>	<b>8,143,744</b>

## Unaudited Pro Forma Condensed Combined Income Statement for the year ended December 31, 2009

(amounts in thousands of Mexican pesos)

	Financiera Independencia consolidated for the year ended December 31, 2009	Financiera Finsol combined for the year ended December 31, 2009	Adjustments	Pro forma as adjusted (Unaudited)
Interest income	Ps. 3,110,555	Ps. 758,945	Ps. 32,652	Ps. 3,902,152
Interest expense	(327,310)	(138,219)	(6,258)	(471,787)
Monetary loss - Net	-	-	-	-
Financial margin	2,783,245	620,726	26,394	3,430,365
Provision for loan losses	(1,074,186)	(105,757)	-	(1,179,943)
Financial margin after provision for loan losses	1,709,059	514,969	26,394	2,250,422
Commissions and fees collected	752,563	62	-	752,625
Commissions and fees paid	(12,726)	(24,295)	-	(37,021)
Other operating income (expenses)	29,233	55,438	-	84,671
	769,070	31,205	-	800,275
Net operating revenue	2,478,129	546,174	26,394	3,050,697
Non-interest expense	(1,840,458)	(645,528)	-	(2,485,986)
Operating income (expense)	637,671	(99,354)	26,394	564,711
Other income	18,274	14,018	-	32,292
Other expenses	-	(63,166)	-	(63,166)
	18,274	(49,148)	-	(30,874)
Income (expense) before income taxes	655,945	(148,502)	26,394	533,837
Current and deferred income tax, net	(140,722)	31,173	(7,390)	(116,939)
Net income (expense) for the year	515,223	(117,329)	19,004	416,898

## Notes to the Unaudited Pro Forma Condensed Combined Financial Statements

(amounts in millions of Mexican pesos)

The historical balance sheets and statements of income of Findep and Finsol are prepared by applying the classification required by the CNBV, therefore no reclassifications were necessary to conform the historical Finsol presentation of assets, liabilities, income or expenses, to be consistent with our presentation of items.

(a) Reflects purchase accounting based on preliminary allocation of the purchase price to identifiable assets and liabilities acquired. The final allocation of the purchase price will be determined at a later date and is dependent on a number of factors, including the final evaluation of the separable tangible and identifiable intangible assets acquired and liabilities assumed and their fair value as of the closing date of the transaction. The identifiable intangible assets and estimated fair values we have included herein have been based on internal appraisals prepared by Findep's management and will be revised upon final calculations to be performed during the next several months. The purchase price allocation and identifiable intangible assets may change upon our receipt of more detailed information, and such changes may be significant.

The preliminary allocation is summarized below:

	<b>Amounts in millions of Mexican pesos</b>
<hr/>	
Acquisition Cost	
Purchase Price	Ps 530
Acquired assets, net	(74)
Excess of purchase price over net assets of Finsol	604
Allocated as follows:	
Loan portfolio (1)	36
Bank loans (1)	(46)
Deferred income tax	(122)
Customer base (2)	101
Brands (3)	50
Estimated goodwill	585
	604

- (1) Reflects Findep management's preliminary estimate of the fair value allocable to net monetary assets acquired.
- (2) Reflects Findep management's preliminary estimate of the fair value allocable to identifiable definite-lived intangible assets represented by customer base, with a preliminary straight-line asset life of 10 years (amortization of these intangible assets is reflected in the unaudited pro forma condensed combined statement of income).
- (3) Reflects Findep management's preliminary estimate of the fair value allocable to identifiable indefinite-lived intangible assets represented by brands.

An increase in cash and cash equivalents in the amount of Ps.320 million (after payment of Ps.530 million for purchase price of Finsol) relates to proceeds from the increase in capital stock (refer to note (b) below), which is intended to be used to strengthen Finsol's financial position in order to eliminate any going concern issues in respect of Finsol's operations.

(b) On February 5, 2010, we finalized a capital increase announced on November 3, 2009. A total of 85 million shares were issued at Ps 10 pesos per share, resulting in an increase of capital stock in the amount of Ps.8.5 million and share premium in the amount of Ps.841.5 million. Total proceeds in the amount of Ps.850 million were used to finance the acquisition of Finsol and remaining resources will be used to strengthen Finsol's financial position.



(c) In regards of the allowance for loan losses, Finsol applies the methodology described in article 191 of the general provisions applicable to credit institutions while we apply an internally developed methodology for this purpose. After the acquisition of Finsol, we will apply our internal methodology for the allowance for loan losses to the loan portfolio acquired from Finsol. This item has not been adjusted in the pro forma amounts since insufficient information is currently available to quantify the effect of the application of this methodology.

(d) Reflects the elimination of historical stockholders' equity.

(e) Represents the accretion of the purchase accounting adjustment. Reflects the amortization of intangible asset (customer base) of Ps.10 million for the year ended December 31, 2009. (Note this effect is offset by (f) below)

(f) During the year 2009, Findep incurred expenses in the amount of Ps.10 corresponding to acquisition costs of Finsol included in line item "Non-interest expenses" in the income statement. Such amount will be taken out of the pro forma income statement since it is not a recurring amount and it is directly attributable to the acquisition of Finsol. (Note this effect is offset by (e) below).

(g) Represents the accretion of the purchase accounting adjustment of the loan portfolio amounting to Ps.32.6 million for the year ended December 31, 2009.

(h) Represents the accretion of the purchase accounting adjustment on bank loans in the amount of Ps.6.3 million for the year ended December 31, 2009.

(i) Reflects the income tax effect on the pro forma adjustments using a statutory income tax rate of 28% for the year ended December 31, 2009. The impact was Ps.7.3 million. This rate is not necessarily indicative of our expected future effective tax rate.

## SELECTED CONSOLIDATED 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. The results included below and elsewhere in this offering memorandum are not necessarily indicative of our future performance. This data is qualified in its entirety by reference to, and should be read together with, “Presentation of Financial and Other Information,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our financial statements included elsewhere in this offering memorandum. Certain amounts and percentages included in this offering memorandum have been subject to rounding adjustments. Accordingly, figures shown for the same category presented in different contexts may vary slightly and figures in certain other contexts may not be an exact arithmetic result of the figures shown herein.

The balance sheet data as of December 31, 2009 and 2008, and the income statement data for the years ended December 31, 2009, 2008 and 2007, are derived from our audited financial statements included elsewhere in this offering memorandum. Our financial statements are presented in thousands of Pesos, whereas all other figures presented in this offering memorandum are presented in millions of Pesos, unless otherwise indicated.

Effective January 1, 2008, we adopted MFRS B-10, *Effects of Inflation*. Based on this standard, we were no longer required by Mexican Banking GAAP to recognize the effects of inflation in our financial statements. Accordingly, our financial information through December 31, 2007 is stated in Pesos in purchasing power as of December 31, 2007. The financial information as of December 31, 2008 and 2009, and the financial information for the years ended December 31, 2008 and 2009, is not directly comparable to prior periods due to the recognition of inflation effects in financial information in prior periods. Our financial information as of December 31, 2008 and 2009 maintained the inflation adjustments recognized in prior years in our consolidated stockholders’ equity, and the inflation-adjusted amounts for non-monetary assets and liabilities at December 31, 2007 became the accounting basis for those assets and liabilities beginning on January 1, 2008 and for subsequent periods.

Our financial statements have been prepared in accordance with the accounting principles and regulations prescribed by the CNBV for credit institutions, as amended, or Mexican Banking GAAP. In September 2008, the CNBV issued a resolution amending the Sole Circular for Issuers (*Disposiciones de caracter general aplicables a las emisoras de valores y a otros participantes del mercado de valores*). This amendment required any entity organized as a non-regulated Sofom that lists debt or equity on the Mexican Stock Exchange (which includes us), to prepare its financial statements in accordance with Mexican Banking GAAP, beginning January 1, 2009. We began preparing our financial statements in accordance with Mexican Banking GAAP in 2008, as early adoption was permitted. For comparison purposes, all of our financial statements presented in this offering memorandum, including our 2007 financial statements, have been prepared in accordance with Mexican Banking GAAP. In addition, Mexican Banking GAAP differs in certain significant respects from U.S. GAAP. For a summary of certain differences between Mexican Banking GAAP and U.S. GAAP as they relate to our financial statements, see “Summary of Significant Differences Between Mexican Banking GAAP Applicable to Financial Institutions and U.S. GAAP.”

	<b>For the years ended December 31,</b>			
	<b>2009 <sup>(1)</sup></b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
	(in millions of US\$)		(in millions of Pesos)	
<b>Statement of Income Data:</b>				
Interest income	238.5	3,110.6	2,715.8	2,061.7
Interest expense	(25.1)	(327.3)	(231.4)	(168.5)
Monetary loss-net	-	-	-	(37.6)
Financial margin	213.4	2,783.2	2,484.4	1,855.6
Provision for loan losses <sup>(2)</sup>	(82.4)	(1,074.2)	(782.0)	(484.4)
Financial margin after provision for loan losses	131.0	1,709.1	1,702.4	1,371.2
Commissions and fees income	57.7	752.6	751.4	574.4
Commissions and fees paid	(1.0)	(12.7)	(10.1)	(1.6)
Other income (expense) of the operation	2.2	29.2	9.1	19.0
Non-interest expense	(141.1)	(1,840.5)	(1,703.4)	(1,257.4)
Net Operating income	48.9	637.7	749.3	705.6
Other income (expenses)-net	1.4	18.3	13.9	36.8
Income before income taxes	50.3	655.9	763.2	742.4
Current income tax	(30.1)	(392.8)	(361.0)	(278.4)
Deferred income tax	19.3	252.1	163.2	55.0
Net income	39.5	515.2	565.4	519.0

- (1) Income statement and balance sheet data expressed in dollars have been translated at the rate of Ps. 13.04370 per U.S.\$1.00, based on the exchange rate of US dollars to Pesos published by the Mexican Central Bank on December 31, 2009, and have been made solely for the convenience of the reader.
- (2) Provision for loan losses is recorded in a separate account under allowance for loan losses on our balance sheet and all write-offs of uncollectible loans are charged against this balance sheet account.

	As of December 31,			
	2009 <sup>(1)</sup>	2009	2008	2007
	(in millions of US\$)	(in millions of Pesos)		
<b>Balance Sheet Data:</b>				
Cash and cash equivalents	38.2	498.9	343.9	243.1
Derivative financial instruments	0.1	0.8	0.8	-
Total loan portfolio-net	336.5	4,389.3	4,123.2	3,137.0
Other accounts receivable-net	8.6	111.6	282.6	43.8
Property, furniture and equipment-net	23.2	303.3	256.0	172.1
Deferred tax and profit sharing-net	43.9	572.6	321.3	153.8
Other assets-net	5.6	74.0	59.6	39.6
Total assets	<u>456.2</u>	<u>5,950.5</u>	<u>5,387.4</u>	<u>3,789.4</u>
Commercial paper	60.3	787.0	787.7	-
Bank and other entities loans	236.1	3,079.3	2,826.4	1,336.0
Other accounts payable	16.9	220.9	370.5	232.5
Total liabilities	313.3	4,087.1	3,984.6	1,568.5
Total stockholders' equity	<u>142.9</u>	<u>1,863.3</u>	<u>1,402.8</u>	<u>2,220.9</u>
Total liabilities and stockholders' equity	<u><u>456.2</u></u>	<u><u>5,950.5</u></u>	<u><u>5,387.4</u></u>	<u><u>3,789.4</u></u>

**Other Financial Data and Ratios:**

**Profitability and Efficiency:**

Return on average stockholders' equity <sup>(2)</sup>	28.1%	28.1%	30.0%	39.7%
Return on average total assets <sup>(3)</sup>	8.8%	8.8%	12.0%	16.0%
Net interest margin after provisions <sup>(4)</sup>	48.4%	48.4%	58.1%	65.0%
Efficiency ratio <sup>(5)</sup>	75.2%	75.2%	69.7%	64.7%

**Capitalization:**

Stockholders' equity as a percentage of total assets	31.3%	31.3%	26.0%	58.6%
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**Credit Quality Data:**

Total performing loans	324.8	4,236.2	3,913.0	3,012.1
Total non-performing loans	44.2	576.1	560.8	338.8
Total loan portfolio	368.9	4,812.3	4,473.8	3,350.9

Allowance for loan losses	(32.4)	(423.0)	(350.6)	(213.9)
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**Credit Quality Ratios:**

Allowance for loan losses as a percentage of total loan portfolio	8.8%	8.8%	7.8%	6.4%
Allowance for loan losses as a percentage of total non-performing loan portfolio	73.4%	73.4%	62.5%	63.1%
Total non-performing loan portfolio as a percentage of total loan portfolio	12.0%	12.0%	12.5%	10.1%

- (1) Income statement and balance sheet data expressed in dollars have been translated at the rate of Ps. 13.04370 per U.S.\$1.00, based on the exchange rate of US dollars to Pesos published by the Mexican Central Bank on December 31, 2009, and have been made solely for the convenience of the reader.
- (2) Return on average stockholders' equity consists of net income for the period divided by the daily average of stockholders equity for the period.
- (3) Return on average total assets consists of net income for the period divided by the daily average of total assets for the period.
- (4) Represents financial margin (including commissions) after provision for loan losses divided by average interest-earning assets. Average interest-earning assets are determined based on the daily average balance of the period.
- (5) Efficiency ratio consists of non-interest expense for the period divided by the sum of (i) financial margin after provision for loan losses for the period and (ii) the difference between (x) commissions and fees collected and (y) commissions and fees paid.

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

*The following discussion should be read in conjunction with our financial statements, together with the notes thereto, included elsewhere in this offering memorandum. Our financial statements have been prepared in accordance with Mexican Banking GAAP, which differ in certain significant respects from U.S. GAAP. See "Summary of Significant Differences Between Mexican Banking GAAP Applicable to Financial Institutions and U.S. GAAP" for a discussion of significant differences Mexican Banking GAAP and U.S. GAAP. No reconciliation of any of our financial statements to U.S. GAAP has been performed. Any such reconciliation would likely result in material quantitative differences. Certain amounts and percentages included in this offering memorandum have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different contexts may vary slightly and figures in certain other contexts may not be an exact arithmetic result of the figures shown herein. See "Presentation of Financial and Other Information."*

### Overview

We are an unregulated multiple purpose financial company (*sociedad financiera de objeto multiple, entidad no regulada*), incorporated under the laws of Mexico as a public corporation with limited liability and variable capital (*sociedad anonima bursatil de capital variable*). We are in the business of providing microcredit loans on an unsecured basis to individuals in the low-income segments of the Mexican population and we believe we are one of the leading microfinance lenders in Mexico. These loans have fixed interest rates and range in principal amount from Ps.1,800 to Ps.20,000, and are characterized by high frequency of payments (on a weekly, bi-weekly or monthly installment basis), and low balances (averaging approximately Ps.3,893 (approximately U.S.\$298)). For the year ended December 31, 2009, 79.5% of our revenues were derived from interest income and 20.5% from non-interest income, which includes revenues from commissions and collection expenses, as well as from intracompany services rendered by our subsidiaries.

Because we are currently not a deposit-taking institution, we do not have a related interest expense liability. Our interest expense consists of interest payments on our debt obligations. We fund the growth of our operations and loan portfolio through lines of credit received from domestic and foreign banks and debt issuances in addition to cash generated by operations. We borrow funds in Pesos, primarily on a floating interest rate basis, a large portion of which we lend to our customers at higher fixed interest rates. We have also issued floating-rate debt instruments (in the form of *certificados bursatiles*) in the Mexican capital markets. During the third quarter of 2009, we entered into an agreement to hedge against the risk of a significant increase in prevailing interest rates in Mexico. We are currently hedged through October 2010 against any increase in the *Tasa de Interes Interbancaria de Equilibrio*, or TIEE, beyond 7.0% on borrowings up to Ps.3,600 million, sufficient to cover all of our borrowings that are subject to variable interest rates. See "—Liquidity and Capital Resources."

Our results of operations depend, to a large extent, on our financial margin, which in turn depends on our ability to charge interest on interest-earning assets, consisting primarily of our loans to customers.

In February 2010, we acquired Financiera Finsol, S.A. de C.V., SOFOM, E.N.R., the second largest group lending microfinance institution in Mexico, and several related companies, including Finsol Vida, S.A. de C.V. (an insurance broker), Finsol, S.A. de C.V. (a service company), and Instituto Finsol-IF Associação Civil Sem Fins Lucrativos OSCIP (Finsol Brazil) (a group lending microfinance institution in Brazil). Subject to the authorization of the CNBV, we will also acquire Financiera Popular Finsol, S.A. de C.V., S.F.P. (SOFIPO – a specialized savings and loans regulated entity) as part of the acquisition of Financiera Finsol and its related companies. The acquisition of Financiera Finsol and its related companies involved the purchase of 100% of the companies' outstanding shares for Ps.530 million (approximately U.S.\$41 million) in cash. Following the acquisition, Financiera Finsol and its related companies became subsidiaries of Financiera Independencia.

The acquisition of Finsol has allowed us to expand into the group lending microfinance segment. In contrast to individual lending, which focuses on one client and does not require other individuals to provide collateral or guarantee a loan, group lending involves loaning money to a group of individuals who provide

collateral or guarantee a loan through a group repayment guarantee. The incentive of the individuals in the group to repay the loan is based on peer pressure because if one person in the group defaults, the other group members must make up for the deficiency. The group lending methodology is generally associated with lower non-performing loan rates.

The acquisition of Finsol has also provided us with an opportunity to expand into Brazil, the largest economy in Latin America. The microfinance industry in Brazil is currently at an early stage of development and we believe it holds significant potential for growth.

For the year ended December 31, 2009, Finsol had combined interest income of Ps.791.6 million and combined net loss of Ps.117.3 million. Finsol focuses on the low-income segment of the Mexican population. Therefore, we expect the acquisition of Finsol to further strengthen our position in this market. We believe Finsol's group lending methodology is complementary to our individual lending approach and allows us to acquire expertise in this field. The group lending methodology has proven to be very efficient in rural and suburban areas in Mexico, where social cohesion and a sense of interpersonal responsibility are generally stronger than in urban communities. We also believe Finsol's strong rural client base complements our urban focus, making this a geographically complementary acquisition. While we expect longer-term demographic trends to be more favorable in urban areas, we believe rural and suburban regions in Mexico still offer important growth opportunities.

The acquisition of Finsol allowed us to increase our loan portfolio by approximately 15.4% to Ps.5.6 billion from Ps.4.8 billion as of December 31, 2009. Following the acquisition, we now operate a total of 348 branches in Mexico and 17 branches in Brazil, bringing our total network to 365 branches. The acquisition expanded our client base to a total of roughly 1,394,910 clients, compared to our client base of 1,236,092 prior to the acquisition. We also estimate that Finsol's focus on working capital loans will lower our current non-performing loan levels. Our pro forma non-performing loan ratio stands at 10.9%, following the acquisition of Finsol, compared to 12.0% reported in fourth quarter of 2009.

Although we are a Sofom, E.N.R., our financial statements have been prepared in accordance with Mexican Banking GAAP. Mexican Banking GAAP differs in certain significant respects from Mexican GAAP. See "Presentation of Financial and Other Information," and note 2 to our audited financial statements included elsewhere in this offering memorandum. In addition, Mexican Banking GAAP differs in certain significant respects from U.S. GAAP. For a summary of the principal differences between accounting criteria for Mexican Banking GAAP and U.S. GAAP as they relate to our financial statements, see "Summary of Significant Differences Between Mexican Banking GAAP Applicable to Financial Institutions and U.S. GAAP."

### ***Mexican Economic Environment***

In recent years, although the Mexican economy has generally exhibited signs of improvement, economic growth in Mexico continues to be moderate. In July 2006, Felipe Calderón Hinojosa won the federal presidential elections; however, no political party, including Mr. Calderón's political party, the PAN, was able to secure a majority in either chamber of congress in the congressional elections that took place in 2009. The absence of a clear majority party in the legislature and the lack of alignment between the presidency and congress has resulted and could continue to result in deadlocks that prevent the timely implementation of initiatives, including structural political, fiscal or economic reforms.

The following table sets forth, for the periods indicated:

- the percentage that the Peso depreciated or appreciated against the U.S. dollar;
- the Mexican inflation rate;
- the U.S. inflation rate; and
- the percentage that Mexican GDP changed as compared to the prior period.

	<b>Year ended December 31,</b>		
	<b>2009</b>	<b>2008</b>	<b>2007</b>
Depreciation (appreciation) of the Peso as compared to the U.S. dollar <sup>(1)</sup>	(5.3)%	26.4%	1.1%
Mexican inflation rate <sup>(2)</sup>	3.6%	6.5%	3.8%
U.S. inflation rate <sup>(3)</sup>	2.7%	0.1%	4.1%
Increase in Mexican GDP <sup>(4)</sup>	(6.5)%	1.5%	3.3%

- (1) Based on changes in the Interbank Rates, as reported by Mexican Central Bank, at the end of each period, which were as follows: Ps.13.073 per U.S.\$1.00 as of December 31, 2009; Ps.13.805 per U.S.\$1.00 as of December 31, 2008; and Ps.10.918 per U.S.\$1.00 as of December 31, 2007.
- (2) Annual changes in the National Consumer Price Index (*Indice Nacional de Precios al Consumidor*) as reported by the Mexican Central Bank.
- (3) Based on changes in the urban consumer price index, or CPI-U, as reported by the United States Bureau of Labor Statistics, which were as follows: 215.949 in 2009, 210.228 in 2008, and 210.036 in 2007 and 201.800 in 2006.
- (4) From INEGI.

## **Effects of Changes in Interest Rates and Inflation**

### ***Effects of Changes in Interest Rates***

As of December 31, 2009, our loan portfolio represented 90.6% of our total interest-earning assets and all of the loans we grant have a fixed interest rate. However, we borrow funds in Pesos, primarily on a floating rate basis, and as a result we economically hedge our exposure to changes in interest rates. During the third quarter of 2009, we entered into an agreement to economically hedge against the risk of a significant increase in prevailing interest rates in Mexico. However, this agreement was not designated as a hedge for accounting purposes. We are currently hedged through October 2010 against any increase in TIIE beyond 7.0% on borrowings up to Ps.3,600 million, sufficient to cover all of our borrowings subject to variable interest rates. See “—Liquidity and Capital Resources.”

During the periods discussed below, we refer to certain benchmark interest rates in Mexico: (i) the annual interest rate paid in connection with CETES, which are Mexican government Peso-denominated treasury bills with 28-day maturities; and (ii) TIIE, a benchmark 28-day interbank lending rate. In December 2008, both of these benchmark rates began a downward trend that lasted over 12 months. The CETES rate and the TIIE reached 4.5% and 4.9%, respectively, during August 2009, the lowest levels reached in that year, and remained stable for the rest of the year. In 2009, the CETES and the TIIE rates averaged 5.4% and 5.9%, respectively, as compared to 7.7% and 8.3%, respectively, in 2008. During 2007, the CETES and the TIIE rates averaged 7.2% and 7.7%, respectively. Our interest expense has fluctuated from period to period, in part, as a result of these changes in Mexico’s benchmark market interest rates.

The following table sets forth the average CETES and the TIIE interest rates for the periods indicated.

Period	Average Interest Rates	
	CETES 28 days maturity <sup>(1)</sup>	TIIE 28 days maturity <sup>(2)</sup>
2005.....	9.2%	9.6%
2006.....	7.2%	7.5%
2007.....	7.2%	7.7%
2008.....	7.7%	8.3%
2009.....	5.4%	5.9%

Source: Mexican Central Bank.

(1) Annual averages are obtained from monthly averages. Monthly averages are obtained from weekly averages based on rates established at weekly auctions.

(2) Annual averages and monthly averages are based on rates established at daily auctions.

### ***Effects of Changes in Inflation***

Effective January 1, 2008, we adopted MFRS B-10, *Effects of Inflation*. Based on this standard, we were no longer required by Mexican Banking GAAP to recognize the effects of inflation in our financial statements. Accordingly, our financial information through December 31, 2007 is stated in Pesos in purchasing power as of December 31, 2007. The financial information as of December 31, 2008 and 2009, and the financial information for the years ended December 31, 2008 and 2009, is not directly comparable to prior periods due to the recognition of inflation effects in financial information in prior periods. Our financial information as of December 31, 2008 and 2009 maintained the inflation adjustments recognized in prior years in our consolidated stockholders' equity, and the inflation-adjusted amounts for non-monetary assets and liabilities at December 31, 2007 became the accounting basis for those assets and liabilities beginning on January 1, 2008 and for subsequent periods.

### **Critical Accounting Policies**

The preparation of financial statements requires our management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. We have identified the most critical accounting principles that involve a higher degree of judgment and complexity and that our management believes are important to obtaining a more complete understanding of our financial position and results of operations. These policies are outlined below. For a more detailed description of our significant accounting policies, see the notes to our audited consolidated financial statements, which are included elsewhere in this offering memorandum.

#### ***Non-Performing Loans***

In accordance with Mexican Banking GAAP, we recognize non-performing loans when they are 60 days past-due for revolving credit lines, and when they are 90 days past-due for our other loan products. If unpaid, the non-performing loan ceases to accrue interest. When a loan is 180 days past due, we write off the loan. Written-off loans become subject to consideration for further action, including a sale of any such loan at a discount to a third-party collection firm. If a loan is sold, the loan proceeds are recognized as other income. From the date on which a loan becomes past-due until it is recovered or sold at a discount, we attempt to collect the loan.

#### ***Allowance for Loan Losses***

Our allowance for loan losses represents our management's estimate of probable losses inherent in our lending activities. Increments to the allowance for loan losses are reported in our Consolidated Statement of Income in the provision for loan losses line item.



Our allowance for loan losses is determined by applying an internal methodology developed by us, which consists of applying the probability of default and the loss given default to the outstanding balance of our loan portfolio at the reporting date. For a more detailed description of our process for determining the allowance for loan losses, see the notes to our audited consolidated financial statements.

Due to the variability of the factors driving the assumptions made in this process, estimates of our loan portfolio's inherent risks and overall collection rate change as a result of changes in the domestic and global economy, individual industries, and individual borrowers' or counterparties' ability and willingness to repay their obligations. The degree to which any particular assumption affects the allowance for credit losses depends on the severity of the change and its relationship to the other assumptions.

The process used to determine the level of the allowance for credit losses requires a high degree of judgment. Actual events are likely to differ from the estimates and assumptions used in determining the allowance for loan losses.

### ***Property, Furniture and Equipment***

We depreciate our property, furniture and equipment over their respective estimated useful lives. Useful lives are based on our management's estimates of the period that the assets will remain in service and generate revenues. Estimates are based on independent appraisals and the experience of our technical personnel. To the extent that our estimates are incorrect, our periodic depreciation expense or the carrying value of our assets may be impacted.

We evaluate any event or change in circumstance that indicates that the book value of our property, furniture and equipment will not be recovered. When applicable, we perform impairment tests as follows:

- The fair value of our assets held for use is determined using the greater of the discounted net cash flow expected from the assets or the market price of the assets; an impairment loss is recorded to the extent that the net book value exceeds the fair value of the assets. Market price is determined using the market values of transactions involving similar assets, less the cost of selling the assets.
- The cash flow estimates take into consideration expectations of future macroeconomic conditions as well as our internal strategic plans. Therefore, there is a certain level of uncertainty inherent in the estimated future cash flows we consider in our valuation; thus, actual future results may differ.

### ***Financial Instruments***

We measure the fair value of our financial instruments based on market prices, provided by experts that are authorized and designated by the CNBV as "price vendors," when available. When quoted market prices are not available, we estimate the fair value of our financial instruments using valuation techniques, such as discounted cash flows, Black-Scholes and the binomial method for our derivative financial instruments. Whenever possible we use observable or market-corroborated inputs. Many of the factors used in measuring fair value are outside the control of management and these assumptions may change in future periods. Changes in assumptions or estimates may materially affect the fair value measurement of our financial instruments.

### ***Employee Retirement Obligations***

Our employee retirement obligations include seniority premium benefits and severance indemnities at the end of the work relationship. The determination of our obligations and expenses is dependent on our selection of certain assumptions used by actuaries in calculating such amounts. We evaluate our assumptions at least annually. Our assumptions depend on Mexico's economic circumstances.

In accordance with Mexican Banking GAAP, actual results that differ from our assumptions (actuarial gains or losses) are accumulated and amortized over future periods and, therefore, generally affect our recognized expenses and recorded obligations in these future periods. While we believe that our assumptions are appropriate,

significant differences in our actual experience or significant changes in our assumptions may materially affect our employee retirement obligations and our future expenses.

### *Deferred Income Tax and Flat Tax*

We record deferred income tax and flat tax using enacted tax rates to reflect the temporary differences between the book and tax basis of assets and liabilities. If enacted tax rates change, we adjust the deferred tax assets and liabilities through the provision for income tax and flat tax in the period of change to reflect the enacted tax rate expected to be in effect when the deferred tax items reverse. We also record a valuation allowance to reduce our deferred tax assets to the amount that we are more likely than not to realize. Although we consider our future taxable income and utilize prudent and feasible tax planning strategies in assessing the need for the valuation allowance, in the event we were to determine that we would be able to realize deferred tax assets in the future in excess of the net recorded amount, an adjustment to the deferred tax asset would increase income in the period such determination was made. Should we determine that we would not be able to realize all or part of our net deferred tax asset in the future, an adjustment to the deferred tax asset would be charged to income in the period such determination was made.

### **Results of Operations for the Year Ended December 31, 2009 Compared to the Year Ended December 31, 2008**

The following table sets forth certain of our income statement information relating to the years ended December 31, 2009 and 2008:

	<b>For the years ended December 31,</b>	
	<b>2009</b>	<b>2008</b>
	<b>(in millions of Ps.)</b>	
Interest income	3,110.6	2,715.8
Interest expense	(327.3)	(231.4)
Financial margin	2,783.2	2,484.4
Provision for loan losses	(1,074.2)	(782.0)
Financial margin after provision for loan losses	1,709.1	1,702.4
Commissions and fees collected	752.6	751.4
Commissions and fees paid	(12.7)	(10.1)
Other income (expense) of the operation	29.2	9.1
Non-interest expense	(1,840.5)	(1,703.4)
Operating income	637.7	749.3
Other income-net	18.3	13.9
Income before income taxes	655.9	763.2
Current income tax	(392.8)	(361.0)
Deferred income tax	252.1	163.2
Net income	515.2	565.4

## Financial Margin

The following table sets forth the components of our financial margin for the periods indicated.

	For the years ended December 31,	
	2009	2008
	(in millions of Ps.)	
<b>Interest income</b>		
Interest on loans	3,098.8	2,708.6
Interest from investments in securities	11.7	7.2
Total interest income	3,110.6	2,715.8
<b>Interest expense</b>		
Interest on funding	327.3	231.4
Total interest expense	327.3	231.4
<b>Financial margin</b>	<b>2,783.2</b>	<b>2,484.4</b>

Financial margin increased by 12.0% to Ps.2,783.2 million for 2009 compared to Ps.2,484.4 million for 2008. This increase was driven by an increase in our interest income of Ps.394.7, or 14.5%, which was driven by an increase in the amount of interest on loans of Ps.390.2 million, or 14.4%. The increase in our interest income reflected an increase in the size of our loan portfolio.

Our interest expense increased by 41.4% to Ps.327.3 million for 2009 compared to Ps.231.4 million for 2008. This increase was driven by an increase in the average balance on our interest-bearing liabilities.

### Interest Income

We recorded interest income of Ps.3,110.6 million for the year ended December 31, 2009, compared to Ps.2,715.8 million for the year ended December 31, 2008, representing an increase of Ps.394.7 million, or 14.5%.

This increase was primarily due to an increase in the amount of our interest on loans of Ps.390.2 million, or 14.4%, to Ps.3,098.8 million in 2009 from Ps.2,708.6 million in 2008, and an increase in the size of our total loan portfolio, which grew Ps.338.4 million, or 7.6%, to Ps.4,812.3 million as of December 31, 2009 from Ps.4,473.8 million as of December 31, 2008. In addition, the number of loans outstanding grew by 13.8% to 1,236,092 loans as of December 31, 2009 from 1,085,963 loans as of December 31, 2008. In the year ended December 31, 2009 our CrediPopular and CrediMama loan products, which accrue interest at higher rates than our other products, together represented 34.7% of our interest income, while for the year ended December 31, 2008 these products represented 28.0% of our interest income. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Composition of our Loan Portfolio and Interest-Earning Loans by Product” for a breakdown of our interest income by product.

Our average interest rate earned on total interest-earning assets for the year ended December 31, 2009 was 72.1% and the total average interest rate paid on interest-bearing liabilities was 9.1%, resulting in a yield spread on interest rates of 63.0%. Our total average interest rate earned on interest-earning assets for 2008 was 71.2% and the total average interest rate paid on interest-bearing liabilities was 10.6%, resulting in a yield spread on interest rates of 60.6%. This increase in the yield spread on interest rates reflected a decrease in the average interest rate paid on interest-bearing liabilities due to a decrease in the average interbank lending rate. Past-due installments more than offset the increased share of loans targeted to the informal sector, which carry higher interest rates.

Our interest income from investments in securities was Ps.11.7 million (or 0.4% of interest income) for 2009, compared to Ps.7.2 million (or 0.3% of interest income) for 2008, representing an increase of Ps.4.5 million,

or 62.9%. This increase was primarily due to an increase in the balance of investments in securities from Ps.209.5 million in 2008 to Ps.369.6 million in 2009.

#### *Interest Expense*

Our interest expense was Ps.327.3 million for 2009 compared to Ps.231.4 million for 2008, representing an increase of Ps.95.9 million, or 41.4%. This increase in our interest expense was primarily due to an increase in the average balance on interest-bearing liabilities, which increased by 66.0% to Ps.3,623.4 million for 2009 from Ps.2,183.2 million for 2008.

The increase in interest expense was offset somewhat by the decrease in the average interest rate paid on interest-bearing liabilities, reflecting a general decline in prevailing interest rates in Mexico during this period. The average 28-day CETES and TIIE rates decreased to 5.43% and 5.91%, respectively, in 2009 from 7.75% and 8.28%, respectively, in 2008.

As a result of the foregoing, our net financial margin after monetary loss increased by 12.0% to Ps.2,783.2 million for 2009, compared to Ps.2,484.4 million for 2008.

#### *Provision for Loan Losses*

We recorded provisions for loan losses of Ps.1,074.2 million in 2009 compared to Ps.782.0 million in 2008, representing an increase of Ps.292.2 million, or 37.4%. The increase in provisions for loan losses was driven by higher write-offs during the period as well as deterioration in the quality of our portfolio, as a result of the broader macroeconomic environment. Write-offs rose 55.3%, or by Ps.356.6 million, to Ps.1,001.9 million in 2009 from Ps.645.3 million in 2008. Total non-performing loans reached Ps.576.1 million, up 2.7% from Ps.560.8 million in 2008.

For 2009, the ratio of provisions for loan losses to total loan portfolio was 22.3%, compared to the ratio of 17.5% in 2008. The allowance for loan losses as a percentage of non-performing loans increased to 73.4% from 62.5% in 2008.

#### *Non-Interest Income*

The following table sets forth the composition of our non-interest income for the periods presented.

	<u>For the years ended December 31,</u>	
	<u>2009</u>	<u>2008</u>
	(in millions of Ps.)	
Commissions and fees collected	752.6	751.4
Commissions and fees paid	(12.7)	(10.1)
Other income (expense) of the operation	29.2	9.1
<b>Total non-interest income</b>	<b><u>769.1</u></b>	<b><u>750.4</u></b>

Total non-interest income increased to Ps.769.1 million for the year ended December 31, 2009, compared to Ps.750.4 million for the year ended December 31, 2008, representing an increase of Ps.18.7 million, or 2.5%. This increase was due to an increase in the sale of written-off loans of 103.2%, from Ps.9.1 million for 2008 to Ps.18.5 million for 2009, and an increase in income from restructured loans of Ps.10.7 million in 2009, from zero in 2008.

Commissions and fees collected, which principally consist of commissions charged for disbursements of loans, annual loan servicing fees and collection fees, increased by Ps.1.2 million, or 0.2%, to Ps.752.6 million for 2009 from Ps.751.4 million for 2008.

Commissions and fees paid, which principally consist of commissions paid by us to banks for checks cashed by our customers, and commissions paid for our credit lines that we have with our funding sources, increased by Ps.2.6 million, or 25.9%, to Ps.12.7 million for 2009 from Ps.10.1 million for 2008.

#### *Non-interest expense*

The following table sets forth the components of our non-interest expense for the periods indicated.

	<b>For the years ended December 31,</b>	
	<b>2009</b>	<b>2008</b>
<b>(in millions of Ps.)</b>		
Salaries and employee benefits	1,308.0	1,194.2
Other administrative and operational expenses	532.5	509.3
Leases	77.1	53.9
Promotional expenses	29.0	27.7
Repair and maintenance	36.6	26.2
Depreciation and amortization	82.0	62.2
Telecommunications	71.5	99.8
Relocation of cash and securities	49.9	39.2
Miscellaneous	186.4	200.3
<b>Total non-interest expense</b>	<b>1,840.5</b>	<b>1,703.4</b>

We recorded non-interest expense of Ps.1,840.5 million for 2009, compared to Ps.1,703.4 million for 2008, representing an increase of 8.0%. This increase was primarily the result of an increase in salaries and employee benefits as described more fully below.

Salaries and employee benefits, the largest component of non-interest expense, were Ps.1,308.0 million (or 71.1% of non-interest expense) for the year ended December 31, 2009 compared to Ps.1,194.2 million (or 70.1% of non-interest expense) for the year ended December 31, 2008, representing an increase of Ps.113.8 million, or 9.5%. This increase was primarily due to a 12.4% increase in our average labor force during the year. Although we closed 2009 with 481 fewer employees than we had at the end of 2008 (we had 9,643 employees as of December 31, 2009 versus 10,124 employees as of December 31, 2008) as part of a rationalization process, our average labor force for 2009 was still higher than it was for 2008. We do not pay salary or benefits to independent sales agents (who comprise 1.3% of our total sales force); the commissions they earn are recorded as part of salaries and employee benefits.

Lease expenses were Ps.77.1 million in 2009 compared to Ps.53.9 million in 2008, an increase of 43.0%. This increase was primarily a result of the opening of seven new branch offices during the year as well as the expansion of our corporate offices in Mexico City.

Telecommunication expenses were Ps.71.5 million in 2009 compared to Ps.99.8 million in 2008, a decrease of 28.4%. This decrease is the result of a change in our accounting methodology; whereas in 2008 we accounted for expenses related to personnel in our operation centers as a communications expense, in 2009 we accounted for these expenses as a personnel expense.

Relocation of cash and securities amounted to Ps.49.9 million in 2009 compared to Ps.39.2 million in 2008, or an increase of 27.3%. This increase was the result of an increase in the number of security agents in our branches driven by a higher number of branches, as well as an increase in the volume of transactions made by our clients.

Miscellaneous expenses were Ps.186.4 million for the year ended December 31, 2009 compared to Ps.200.3 million for the year ended December 31, 2008, representing a decrease of Ps.13.9 million, or 6.9%. This decrease was primarily due to reduced expenses relating to travel, employee events and administrative services.

Promotional expenses, repair and maintenance, and depreciation and amortization increased as a result of the growth in our overall loan portfolio and the opening of seven additional branch offices in 2009.

#### *Other Income—Net*

We recorded other income, net of Ps.18.3 million in 2009 representing an increase of Ps.4.4 million, or 31.9%, as compared to Ps.13.9 million in 2008. This increase is due to the inclusion of other income generated by certain subsidiaries, as well as insurance income, among other things.

#### *Income Tax*

Income tax increased by Ps.31.8 million, or 8.8%, to Ps.392.8 million for 2009 from Ps.361.0 million for 2008. This increase is due to the growth of provision for loan losses during the period, which for tax purposes is a non-deductible item.

Deferred income tax increased by Ps.88.9 million, or 54.4%, to Ps.252.1 million for 2009 from Ps.163.2 million for 2008. This increase was due to an increase in the rate of tax from 28% to 30% in 2010. Our effective income tax rate was 21.5% for 2009 and 25.9% for 2008.

#### *Net Income*

As a result of the factors discussed above, our net income decreased by Ps.50.2 million, or 8.9%, to Ps.515.2 million for 2009 from Ps.565.4 million for 2008. Earnings per share (EPS) for 2009 were Ps.0.8495 compared with Ps.0.8622 for the same period of the prior year.

### **Results of Operations for the Year Ended December 31, 2008 Compared to the Year Ended December 31, 2007**

The following table sets forth certain of our income statement data for the years ended December 31, 2008 and 2007.

	<b>For the years ended December 31,</b>	
	<b>2008</b>	<b>2007</b>
	<b>(in millions of Ps.)</b>	
Interest income	2,715.8	2,061.7
Interest expense	(231.4)	(168.5)
Monetary loss-net	0.0	(37.6)
Financial margin	2,484.4	1,855.6
Provision for loan losses	(782.0)	(484.4)
Financial margin after provision for loan losses	1,702.4	1,371.2

	<b>For the years ended December 31,</b>	
	<b>2008</b>	<b>2007</b>
	(in millions of Ps.)	
Commissions and fees collected	751.4	574.4
Commissions and fees paid	(10.1)	(1.6)
Other income (expense) of the operation	9.1	19.0
Non-interest expense	(1,703.4)	(1,257.4)
Operating income	749.3	705.6
Other income-net	13.9	36.8
Income before income taxes	763.2	742.4
Current income tax	(361.0)	(278.4)
Deferred income tax	163.2	55.0
Net income	565.4	519.0

### *Financial Margin*

The following table sets forth the components of our financial margin for the periods indicated.

	<b>For the years ended December 31,</b>	
	<b>2008</b>	<b>2007</b>
	(in millions of Ps.)	
<b>Interest income</b>		
Interest on loans	2,708.6	2,058.6
Interest from investments in securities	7.2	3.1
Total interest income	2,715.8	2,061.7
<b>Interest expense</b>		
Interest on funding	231.4	168.5
Total interest expense	231.4	168.5
Monetary loss (net)	0.0	(37.6)
<b>Financial margin</b>	<b>2,484.4</b>	<b>1,855.6</b>

Financial margin increased by 628.8 million, or 33.9%, to Ps.2,484.4 million for 2008 compared to Ps.1,855.6 million for 2007. This increase was driven by an increase in our interest income of Ps.654.1 million, or 31.7%, which was driven by an increase of interest on loans of Ps.650.1 million, or 31.6%, which reflected an increase in the size of our loan portfolio.

Our interest expense increased by 37.3% to Ps.231.4 million for 2008 compared to Ps.168.5 million for 2007. This increase was driven by an increase in the average balance on our interest-bearing liabilities.

Through December 31, 2007, Mexican GAAP required that we recognize as part of financial margin the effects of inflation on monetary assets and liabilities that generate interest income or expense. Accordingly, we recorded a net monetary loss of Ps.37.6 million for the year ended December 31, 2007. As a result of the

elimination of inflation accounting, we were not required to report a loss or gain due to the effects of inflation on monetary assets and liabilities for the year ended December 31, 2008.

#### *Interest Income*

We recorded interest income of Ps.2,715.8 million for the year ended December 31, 2008, compared to Ps.2,061.7 million for the year ended December 31, 2007, representing an increase of Ps.654.1 million, or 31.7%.

This increase was primarily due to an increase in our interest on loans of Ps.650.1 million, or 31.6%, to Ps.2,708.6 million in 2008 from Ps.2,058.6 million in 2007, and an increase in the size of our total loan portfolio, which grew Ps.1,123.0 million, or 33.5%, to Ps.4,473.8 million in 2008 from Ps.3,350.9 million in 2007. In addition, the number of loans outstanding grew by 30.2% to 1,085,963 loans as of December 31, 2008 from 833,902 loans as of December 31, 2007. In the year ended December 31, 2008, our CrediPopular and CrediMama loan products, which accrue interest at higher rates than our other products, together represented 28.0% of our interest income, while for the year ended December 31, 2007 these products represented 26.8% of our interest income.

Our average interest rate earned on interest-earning assets for 2008 was 71.2% and the average interest rate paid on interest-bearing liabilities was 10.6%, resulting in a yield spread on interest rates of 60.6%. Our average interest rate earned on interest-earning assets for 2007 was 72.5% and the average interest rate paid on interest-bearing liabilities was 10.5%, resulting in a yield spread on interest rates of 62.0%. This decrease in the difference in interest rates reflected a decrease in 2008 in the average interest rates on our total interest-earning assets, together with a decrease in the same period on our total interest-bearing liabilities, in each case as compared to 2007.

Our interest income from investments in securities was Ps.7.2 million (or 0.3% of interest income) for 2008, compared to Ps.3.1 million (or 0.2% of interest income) for 2007, an increase of Ps.4.1 million, or 129.8%. This increase was primarily due to an increase in the balance of investments in securities from Ps.143.3 million for 2007 to Ps.209.5 million for 2008, or 46.3%.

#### *Interest Expense*

Our interest expense was Ps.231.4 million for 2008 compared to Ps.168.5 million for 2007, an increase of 37.3% or Ps.62.9 million. Total interest-bearing liabilities increased to Ps.3,614.1 million in 2008 from Ps.1,336.0 million in 2007. This increase principally reflects the Ps.617.5 million increase in debt incurred to fund a capital reduction as announced on September 18, 2008 and the 33.5% loan growth during the period.

As a result of the foregoing, our net financial margin increased by 33.9% to Ps.2,484.4 million for 2008 compared to Ps.1,855.6 million for 2007.

#### *Provisions for Loan Losses*

We recorded provisions for loan losses of Ps.782.0 million in 2008 compared to Ps.484.4 million in 2007, an increase of Ps.297.6 million, or 61.4%. The increase in our provision for loan losses was due to the growth of our non-performing loan portfolio and higher write-offs. Total non-performing loans reached Ps.560.8 million in 2008, up 65.5% from Ps.338.8 million in 2007. Write-offs rose 89.6%, or by Ps.305.0 million, to Ps.645.3 million in 2008 from Ps.340.2 million in 2007.

For 2008, the ratio of provisions for loan losses to total loan portfolio was 17.5%, representing an increase of 302 basis points compared to the ratio of 14.5% in 2007.

The allowance for loan losses as a percentage of non-performing loans decreased to 62.5% for 2008 from 63.1% in 2007.

#### *Non-Interest Income*

The following table shows our composition of the non-interest income for the periods presented.



	For the years ended December 31,	
	2008	2007
	(in millions of Ps.)	
Commissions and fees collected	751.4	574.4
Commissions and fees paid	(10.1)	(1.6)
Other income (expense) of the operation	9.1	19.0
<b>Total non-interest income</b>	<b>750.4</b>	<b>591.8</b>

Total non-interest income increased to Ps.750.4 million for the year ended December 31, 2008 compared to Ps.591.8 million for the year ended December 31, 2007, an increase of Ps.158.6 million, or 26.8%. This increase was due to the growth in our total loan portfolio between 2008 and 2007.

Commissions and fees collected increased by Ps.177.0 million, or 30.8%, to Ps.751.4 million for 2008, from Ps.574.4 million for 2007. This increase was primarily the result of the growth in our total loan portfolio and an increase in collection fees, as well as an increase in loan origination of 27.3% from Ps.3,764.0 million for 2007 to Ps. 4,793.0 million for 2008.

Commissions and fees paid increased by Ps.8.5 million to Ps.10.1 million for the year ended December 31, 2008, from Ps.1.6 million for the year ended December 31, 2007. This increase in commissions and fees paid was the result of an increase in our lines of credit as well as the payment of commissions for the issuance of our *certificados bursatiles* in June 2008.

Other income of the operation decreased to Ps.9.1 million for the year ended December 31, 2008 from Ps.19.0 million for the year ended December 31, 2007. This decrease was the result of a decrease in the sale of written-off loans.

#### *Non-interest expense*

The following table sets forth the components of our non-interest expense for the periods indicated.

	For the years ended December 31,	
	2008	2007
	(in millions of Ps.)	
Salaries and employee benefits	1,194.2	890.8
Other administrative and operational expenses	509.3	366.6
Leases	53.9	39.5
Promotional expenses	27.7	15.5
Repair and maintenance	26.2	20.0
Depreciation and amortization	62.2	49.6
Telecommunications	99.8	72.8
Relocation of cash and securities	39.2	24.1
Miscellaneous	200.3	145.0
<b>Total non-interest expense</b>	<b>1,703.4</b>	<b>1,257.4</b>

We recorded non-interest expense of Ps.1,703.4 million for 2008, compared to Ps.1,257.4 million in 2007, representing an increase of 35.5%. This increase was primarily the result of an increase in salaries and employee

benefits as a result of hiring additional personnel in line with the growth of our business, as well as collection expenses and miscellaneous expenses, as discussed more fully below.

Salaries and employee benefits, the largest component of non-interest expense, were Ps.1,194.2 million (or 70.1% of non-interest expense) for the year ended December 31, 2008 compared to Ps.890.8 million (or 70.8% of non-interest expense) for the year ended December 31, 2007, an increase of Ps.303.4 million, or 34.1%. This increase was primarily due to the 35.7% increase in the number of our labor force from 7,463 employees as of December 31, 2007 to 10,124 employees as of December 31, 2008.

Telecommunications expenses include expenses related to our operations center for telephone calls, personal visits and correspondence to customers. Telecommunications expenses increased 37.1% from Ps.72.8 million in 2007 to Ps.99.8 million in 2008. This increase reflects the growth of our loan portfolio during the period and the related increase in the amount of hours during which our operations center was in operation.

Miscellaneous expenses were Ps.200.3 million in 2008, compared to Ps.145.0 million in 2007, representing an increase of Ps.55.3 million, or 38.1%. This increase was primarily due to the opening of 40 new branch offices, as well as expenses related to the recruiting and training of personnel, travel expenses, office supplies and messenger services.

In addition, we recorded an increase of 36.5% in expenses related to leases as a result of the opening of 40 new branch offices, increasing our number of branch offices from 152 as of December 31, 2007 to 192 as of December 31, 2008.

Promotional expenses, repair and maintenance, and depreciation and amortization increased as a result of the growth in our overall loan portfolio and the opening of 40 new branch offices during the period.

#### *Other Income—Net*

We recorded other income—net of Ps.13.9 million in 2008 representing a decrease of Ps.22.9 million, or 62.4%, from Ps.36.8 million in 2007. This decrease was primarily attributable to a decrease in income derived from administrative services rendered to third parties.

#### *Income Tax*

Current income tax increased by Ps.82.5 million, or 29.6%, to Ps.361.0 million for 2008 from Ps.278.4 million for 2007. Deferred income tax increased by Ps.108.3 million, or 197.0%, to Ps.163.2 million for 2008 from Ps.55.0 million for 2007. These increases are due to the growth of provision for loan losses during the period, which for tax purposes is a non-deductible item. Our effective income tax rates for each of these periods was 25.9% for 2008 and 30.1% for 2007.

#### *Net Income*

As a result of the factors discussed above, our net income increased by Ps.46.5 million, or 9.0%, to Ps.565.4 million for 2008 from Ps.519.0 million for 2007. Earnings per share (EPS) for 2008 were Ps.0.8622 compared to Ps.0.8079 for 2007.

## Composition of our Loan Portfolio and Interest on Loans by Product

The following table shows our interest-earning loans and interest on loans by product as of and for the years ended December 31, 2009, 2008 and 2007:

<b>As of December 31, 2009</b>				
	<b>Number of Loans</b>	<b>% of Total</b>	<b>Interest on Loans</b>	<b>% of Total</b>
(in millions of Ps.)				
CrediInmediato	750,374	60.7%	1,850.3	59.7%
CrediPopular	347,383	28.1%	971.6	31.4%
CrediMama	49,876	4.0%	106.6	3.4%
CrediConstruye	88,459	7.2%	170.3	5.5%
<b>Total</b>	<b>1,236,092</b>	<b>100%</b>	<b>3,098.8</b>	<b>100.0%</b>

<b>As of December 31, 2008</b>				
	<b>Number of Loans</b>	<b>% of Total</b>	<b>Interest on Loans</b>	<b>% of Total</b>
(in millions of Ps.)				
CrediInmediato	687,464	63.3%	1,762.3	65.1%
CrediPopular	243,574	22.4%	633.1	23.4%
CrediMama	56,469	5.2%	126.2	4.7%
CrediConstruye	98,456	9.1%	187.0	6.9%
<b>Total</b>	<b>1,085,963</b>	<b>100.0%</b>	<b>2,708.6</b>	<b>100.0%</b>

<b>As of December 31, 2007</b>				
	<b>Number of Loans</b>	<b>% of Total</b>	<b>Interest on Loans</b>	<b>% of Total</b>
(in millions of Ps.)				
CrediInmediato	557,907	66.9%	1,466.4	71.2%
CrediPopular	174,440	20.9%	441.6	21.5%
CrediMama	62,084	7.4%	110.3	5.4%
CrediConstruye	39,471	4.7%	40.2	2.0%
<b>Total</b>	<b>833,902</b>	<b>100.0%</b>	<b>2,058.6</b>	<b>100.0%</b>

## Financial Position

The following discussion compares our consolidated financial position as of December 31, 2009, 2008, and 2007.

## ***Assets***

We had total assets of Ps.5,950.5 million as of December 31, 2009, compared to Ps.5,387.4 million as of December 31, 2008, representing an increase of Ps.563.1 million, or 10.5%. This increase was primarily due to the increase in our loan portfolio.

We had total assets of Ps.5,387.4 million as of December 31, 2008, compared to Ps.3,789.4 million as of December 31, 2007, representing an increase of Ps.1,598.0 million, or 42.2%. This increase was primarily due to the increase in our loan portfolio.

## ***Loan Portfolio***

As of December 31, 2009, our total loan portfolio represented Ps.4,812.3 million compared to Ps.4,473.8 million as of December 31, 2008, representing an increase of Ps.338.4 million, or 7.6%. Our total loan portfolio represented 80.9% of total assets as of December 31, 2009, compared to 83.0% of total assets as of December 31, 2008.

As of December 31, 2008, our total loan portfolio was Ps.4,473.8 million compared to Ps.3,350.9 million as of December 31, 2007, representing an increase of Ps.1,123.0 million, or 33.5%. Our total loan portfolio represented 83.0% of total assets as of December 31, 2008, compared to 88.4% of total assets as of December 31, 2007.

The following table shows the loan portfolio by product as of December 31, 2009, 2008 and 2007.

	As of December 31,					
	2009		2008		2007	
	Amount <sup>(1)</sup>	% of Total	Amount	% of Total	Amount	% of Total
	(in millions of Pesos, except percentages)					
CrediInmediato	3,095.5	64.3%	3,067.8	68.6%	2,481.4	74.1%
CrediPopular	1,277.1	26.5%	801.9	17.9%	524.3	15.6%
CrediMama	119.1	2.5%	131.9	2.9%	133.2	4.0%
CrediConstruye	320.6	6.7%	472.2	10.6%	212.0	6.3%
Total loan portfolio	<u>4,812.3</u>	<u>100.0%</u>	<u>4,473.8</u>	<u>100.0%</u>	<u>3,350.9</u>	<u>100.0%</u>
Less allowance for loan losses	<u>423.0</u>		<u>350.6</u>		<u>213.9</u>	
Total loan portfolio, net	<u>4,389.3</u>		<u>4,123.2</u>		<u>3,137.0</u>	

<sup>(1)</sup> Includes principal and interest. Does not include default interest and fees.

## ***Performing Loan Portfolio***

As of December 31, 2009, our total performing loan portfolio represented Ps.4,236.2 million compared to Ps.3,913.0 million as of December 31, 2008, representing an increase of Ps.323.1 million, or 8.3%. Total performing loan portfolio represented 71.2% of total assets as of December 31, 2009, compared to 72.6% of total assets as of December 31, 2008.

As of December 31, 2008, our total performing loan portfolio was Ps.3,913.0 million compared to Ps.3,012.1 million as of December 31, 2007, representing an increase of Ps.900.9 million, or 29.9%. Total performing loan portfolio represented 72.6% of total assets as of December 31, 2008, compared to 79.5% of total assets as of December 31, 2007.

### *Non-Performing Loan Portfolio*

Our total non-performing loan portfolio totaled Ps.576.1 million as of December 31, 2009 compared to Ps.560.8 million as of December 31, 2008, representing an increase of Ps.15.3 million, or 2.7%. This increase was caused by the growth of our total loan portfolio. Our total non-performing loan portfolio represented 12.0% of our total loan portfolio as of December 31, 2009, compared to 12.5% of total loan portfolio as of December 31, 2008.

Our total non-performing loan portfolio totaled Ps.560.8 million as of December 31, 2008 compared to Ps.338.8 million as of December 31, 2007, representing an increase of Ps.222.1 million, or 65.5%. This increase was caused by the growth of our total loan portfolio and a deterioration in the quality of portfolio. Our total non-performing loan portfolio represented 12.5% of total our total loan portfolio as of December 31, 2008, compared to 10.1% of our total loan portfolio as of December 31, 2007.

The following table shows the non-performing loan ratio by product as of December 31, 2009, 2008 and 2007.

	<b>For the years ended December 31,</b>		
	<b>2009</b>	<b>2008</b>	<b>2007</b>
CrediInmediato	11.6%	14.4%	10.7%
CrediPopular	14.7%	11.5%	10.7%
CrediMama	11.5%	13.0%	8.8%
CrediConstruye	5.1%	2.3%	3.0%
<b>Non-performing loan ratio</b>	<b>12.0%</b>	<b>12.5%</b>	<b>10.1%</b>

The allowance for loan losses as a percentage of our non-performing loan portfolio for 2009 was 73.4% compared with 62.5% in 2008 and 63.1% in 2007.

### *Deferred Income Tax*

Our deferred income taxes are a net asset mainly comprised of temporary differences to be used as income tax deductions in future fiscal periods.

Our deferred income taxes increased to Ps.572.6 million as of December 31, 2009, compared to Ps.321.3 million as of December 31, 2008, representing an increase of Ps.251.3 million, or 78.2%. This increase was primarily due to an increase in the rate of tax from 28% to 30% in 2010. Our deferred income taxes increased to Ps.321.3 million as of December 31, 2008, compared to Ps.153.8 million as of December 31, 2007, representing an increase of Ps.167.4 million, or 108.8%. This increase was primarily due to the growth of provision for loan losses during the period, which for tax purposes is a non-deductible item.

### *Liabilities*

We had total liabilities of Ps.4,087.1 million as of December 31, 2009, compared to Ps.3,984.6 million as of December 31, 2008, an increase of Ps.102.6 million, or 2.6%. This increase is primarily due to an increase in funding requirements to address the growth of our total loan portfolio.

We had total liabilities of Ps.3,984.6 million as of December 31, 2008, compared to Ps.1,568.5 million as of December 31, 2007, an increase of Ps.2,416.1 million, or 154.0%. This increase was primarily due to an increase in funding requirements to address the growth of 33.5% of our total loan portfolio, and to fund the Ps.617.5 million capital reduction announced on September 18, 2008 as well as working capital, dividend payments and the repurchase of our shares.

### ***Stockholders' Equity***

As of December 31, 2009, our stockholders' equity was Ps.1,863.3 million, compared to Ps.1,402.8 million as of December 31, 2008, representing an increase of Ps.460.6 million or 32.8%, which was attributable to net income generated during 2009 partially offset by the share buyback program.

As of December 31, 2008, our stockholders' equity was Ps.1,402.8 million, compared to Ps.2,220.9 million as of December 31, 2007, representing a decrease of 36.8%, which was attributable to the capital reduction announced on September 18, 2008, as well as net income generated during 2008 minus dividends paid, which amounted to Ps.510.0 million.

Stockholders' equity represented 31.3%, 26.0% and 58.6% of our total assets as of December 31, 2009, 2008 and 2007, respectively.

### **Liquidity and Capital Resources**

The purpose of the liquidity management function is to ensure that we have funds available to meet our financial obligations. These obligations arise from disbursements of loans, repayments of interest and/or principal from bank and other entities loans, and repayments of debt instruments known as *certificados bursatiles*, among other working capital needs.

We currently fund the growth of our operations and loan portfolio through term loans, lines of credit received from domestic banks and debt issuances, which, together with cash and equivalents, amounted to Ps.4,365.2 million as of December 31, 2009, in addition to our net income. Net income includes interest income on loans and interest from investments in securities, which consist of investments in the form of repurchase agreements in Mexican government securities (*Bon-des* and CETES). Interest from investments in securities represented 2.3% of net income as of December 31, 2009, and 1.3% as of December 31, 2008. We are currently considering applying for the necessary approvals and license to operate as a bank to expand our possible sources of funding.

Our management expects that cash flow from operations and other sources of liquidity will be sufficient to meet our liquidity requirements over the next 12 months.

#### ***Bank loans and medium-term notes***

As of December 31, 2009, we had loans from commercial and sovereign Mexican banks totaling Ps.3,079.3 million, compared to Ps.2,826.4 million as of December 31, 2008, representing an increase of Ps.252.9 million, or 8.9%. Loans from commercial and sovereign Mexican banks represented 75.3% of our total liabilities as of December 31, 2009 compared to 70.9% and 85.2% as of December 31, 2008 and 2007, respectively.

As of 2009, our debt consisted of Ps.787.0 million in medium-term notes, or *certificados bursatiles* (due June 2011) as well as the aforementioned Ps.3,079.3 million of loans from commercial and sovereign Mexican banks. We have credit lines for a total committed amount of Ps.4,200 million. Of the total lines of credit, Ps.700 million are due in March 2011, Ps.1,250 million are due in December 2012, Ps.1,250 million are due in December 2013 and the remaining Ps.1,000 million have an evergreen feature. As of December 31, 2009, we have withdrawn Ps.3,066 million and therefore have a total of Ps.1,134 million of available funds under our committed credit facilities. All of the Company's debt is denominated in Mexican Pesos.

On December 11, 2009, we entered into an amendment to our agreement with HSBC Mexico to modify the terms and conditions of our existing line of credit. Although the total commitment remains unchanged, the structure has been modified from a Ps.2,500 million revolving line of credit maturing in 2011 to a Ps.1,250 million term loan plus a Ps.1,250 million revolving line of credit. The term loan matures in December 2012 and the revolving line of credit matures in December 2013. As a result, the commitment has been extended by one and two years, respectively. Under the revised terms of the agreement, the coupon is set at a rate of TIE plus a credit spread, which will be driven by our credit rating, initially set at 3.85%. The line of credit with HSBC Mexico is secured by certain of Financiera Independencia's present and future microcredit loans. In addition, we are subject to covenants under

this line of credit with respect to our operating efficiency, interest coverage, non-performing assets, past due coverage, first payment default ratio, capitalization, liquidity, risk adjusted financial margin, and the maintenance of a specific credit rating. We are currently in compliance with each of these covenants.

In line with our strategy of diversifying our funding sources so that no source represents more than 25% of our debt, during the third quarter of 2009, SHF increased its line of credit to us from Ps.600 million to Ps.700 million. The coupon is set at a rate of TIIE plus a credit spread of 200 basis points. The line now matures in March 2011 and represents the earliest maturity in our funding. The line of credit with SHF is secured by certain promissory notes for loans granted under our CrediConstruye product line. In addition, we are subject to covenants under this line of credit with respect to our non-performing assets and the percentage of overdue loans in our CrediConstruye portfolio.

On June 12, 2009, we entered into an amendment to our agreement with Nafinsa to modify the terms and conditions of our existing line of credit. Under this amended agreement, Nafinsa increased its line of credit to us from Ps.140 million to Ps.1,000 million. The initial line of credit was granted in February 2009. The line of credit carries an interest rate of TIIE plus 300 basis points and has an evergreen feature. Any borrowings must be repaid within six months of drawdown. The line of credit with Nafinsa is unsecured. We are not subject to covenants under this line of credit.

As of December 31, 2008, we had loans outstanding from commercial and sovereign Mexican banks of Ps.2,826.4 million, compared to Ps.1,336.0 million as of December 31, 2007, representing an increase of Ps.1,490.4 million, or 111.6%. This increase was the result of increased financing needs to fund the capital reduction resulting from HSBC's divestment in our company as announced on September 18, 2008, the 33.5% growth in the Company's loan portfolio during the period, the repurchase of our shares, dividend payments which amounted to Ps.510.0 million and overall working capital.

The following table sets forth balances on our outstanding loans from commercial and Mexican development banks as of December 31, 2009.

	<b>December 31, 2009</b>		
	<b>Amount of Debt</b>	<b>Currency</b>	<b>Maturity</b>
	<b>(in millions of Ps.)</b>		
Sociedad Hipotecaria Federal, S.N.C., Institucion de Banca de Desarrollo	203.5	Pesos	March 2011
Nacional Financiera, S.N.C., Institucion de Banca de Desarrollo	842.5	Pesos	Undefined
HSBC Mexico, S.A., Institucion de Banca Multiple	2,020.0	Pesos	December 2012/2013
Accrued Interest	13.2		
<b>Total</b>	<b>3,079.3</b>		

### ***Certificados Bursatiles***

On June 27, 2008, we issued Ps.784 million aggregate principal amount of *certificados bursatiles*. The *certificados bursatiles* are unsecured, have a 3-year maturity and pay an interest rate equivalent to TIIE 28 days plus 190 basis points. The *certificados bursatiles* were rated on the local scale mxA and A+(mex) by Standard & Poor's and Fitch Ratings, respectively. Net proceeds were used to increase our loan portfolio, make capital expenditures related to expanding our distribution network and pay down debt. The *certificados bursatiles* were the first tranche of a Ps.1,500 million *certificados bursatiles* program with a 5-year maturity filed with the CNBV in Mexico.

We had *certificados bursatiles* in an amount of Ps.787.0 million outstanding as of December 31, 2009 compared to Ps.787.7 million as of December 31, 2008. This represents a decrease of Ps.0.7 million, or 0.1%. These *certificados bursatiles* represented 19.3% of total liabilities in 2009 and 19.8% in 2008.

As of December 31, 2009, our S&P and Fitch corporate ratings on the local scale were “mxA-” and “A(mex),” respectively. Both ratings currently have negative outlooks. There can be no assurance that such ratings or our outlook will be maintained or improved. A rating or outlook may be changed or withdrawn at any time by the assigning rating agency.

During the term of these issuances, we complied with the information disclosure requirements set forth in the Mexican Securities Market Law.

For a description of Finsol’s combined indebtedness, see note 14 to Finsol’s combined financial statements included elsewhere in this offering memorandum.

### Capital Expenditures

In 2009 and 2008, we invested Ps.154.5 million and Ps.163.4 million, respectively, in capital expenditures (including information and data processing equipment). Our current budget anticipates capital expenditures of approximately Ps.264.6 million during 2010, including investments relating to the expansion and equipping of our offices, the purchase of information and data processing equipment and software, building renovations and the purchase of transportation equipment. Our management expects that cash flow from operations and other sources of liquidity will be sufficient to meet our liquidity requirements over the next twelve months.

The following table sets forth our capital expenditures for the years ended December 31, 2009, 2008 and 2007.

	For the year ended December 31,		
	2009	2008	2007
	(in millions of Ps.)		
Information systems and data processing equipment	37.7	40.2	25.0
Office furniture and equipment	13.0	21.9	9.3
Transportation equipment	5.9	8.6	7.0
Building renovations	58.7	50.1	14.0
Software development	15.2	14.1	15.2
Licenses and software	23.9	16.8	4.8
Property	0.0	11.5	31.4
<b>Total capital expenditures</b>	<b>154.5</b>	<b>163.4</b>	<b>106.7</b>

### Contractual Obligations and Commercial Commitments

The table below sets forth information related to our contractual obligations and commercial commitments as of December 31, 2009.

	Payments Due By Period			Total
	January 2010 through December 2010	January 2011 through December 2011	After December 2011	
	(in millions of Ps.)			
Bank and other entities loans-short term	1,791.3	649.8	625.0	3,066.0
Interest	13.2	0.0	0.0	13.2
Leases	63.4	57.9	90.7	211.9
<b>Total contractual obligations</b>	<b>1,867.9</b>	<b>707.6</b>	<b>715.7</b>	<b>3,291.2</b>



Contractual obligations increased by 10.9% from Ps.2,968.8 million as of December 2008 to Ps.3,291.2 million as of December 31, 2009. This change was principally due to the addition of new credit lines and the increase in the amounts outstanding under existing ones due to the funding needs created by the growth of our loan portfolio as well as the creation of new leases due to the opening of new branch offices.

## Investment Portfolio

The table below sets forth the composition of our investment portfolio as of the dates indicated.

	As of December 31,			
	2009		2008	
	Amount	% of Total	Amount	% of Total
	(in millions of Pesos, except percentages)			
Investments in securities .....	369.6	100.0%	209.5	100.0%

(1) Include securities purchased under agreements to resell.

Our total investments as of December 31, 2009 totaled Ps.369.6 million, and consisted of investments in securities in the form of repurchase agreements in Mexican government securities (such as *Bondes* and CETES).

## Off Balance Sheet Arrangements

Unused portions of lines of credit granted to our customers are recorded in a memorandum account. See note 6 to our audited financial statements included elsewhere in this offering memorandum. We do not have any additional off balance sheet arrangements.

## Internal Control Policies

Our internal control processes are primarily focused on cash management, bank account reconciliations and loan collection activities.

Our treasury department has the responsibility to provide the cash required for our daily operations, pay our suppliers, centralize our collections and invest our cash. In addition, we have a centralized internal control responsible for planning the resources required for our daily operations. All of these processes are effected through a sophisticated electronic system through which all of our branches and offices are connected. The system is intended to minimize the risk of fraud or inadequate or inefficient use of our cash as well as standardize control.

Among other control policies, we have only three bank accounts: one for disbursement of our loans, one for the payment of suppliers and management expenses and one for the concentration of our collections. No checks for the disbursement of loans are issued if the proper internal loan approval process is not followed.

The collections received by each of our branches and offices are monitored and reconciled on a daily basis. This allows us to detect promptly any potential mistakes concerning recording and control of cash.

The treasury department generates a daily report (*Reporte de Tesoreria Diaria*), which is shared with our accounting department for the latter to review and validate all daily operations of our core business. Our internal audit department has the responsibility of auditing all of our processes and systems and is also responsible for sharing all of its material findings and conclusions with our audit and corporate practices committee, our chief executive officer and any other affected areas for their immediate attention. Our internal auditing officer also serves as the audit and corporate practices committee's technical and professional permanent support in addition to providing assistance to other areas and departments from which the audit and corporate practices committee may

request advice or reports. The internal auditing officer not only reviews our internal processes for our core business, but is generally responsible for auditing compliance with our internal procedures, policies and applicable regulations. Our comptroller is the direct liaison with our audit and corporate practices committee and our external auditor.

Our integral risk operating committee, which is responsible for monitoring the level of risk to which we are exposed, also reviews our internal control policies for exposure to operational or legal risk. The committee supervises procedures related to these risks, as well as those related to our credit portfolio, and establishes policies, metrics, and controls to analyze our overall risk and limit our risk exposure.

## SELECTED STATISTICAL INFORMATION

### **Financiera Independencia Selected Statistical Information**

The following tables present certain of our selected statistical information and ratios for the periods indicated. The following information should be read in conjunction with our financial statements and the notes thereto included elsewhere in this offering memorandum, as well as “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Presentation of Financial and Other Information.” The statistical information and discussion and analysis presented below for the fiscal years ended December 31, 2009, 2008 and 2007 is presented solely for the convenience of the reader for analytical purposes and, for certain items, differs from and is not comparable to the presentation in our financial statements and the notes thereto, as the basis for calculating such information differs from that used in our financial statements.

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

### **Average Balance Sheet and Interest Rate Data**

#### *Peso-Denominated Average Balances and Interest Income*

Average balances for Peso-denominated assets and liabilities have been calculated in accordance with the following procedure: Our nominal average balances are daily averages. Interest income (expense) for each category has been calculated in the following manner: Aggregate interest income (expense) for each month prior to and ending December 31, 2007 has been restated in constant Pesos as of December 31, 2007. Aggregate interest income for the years ended December 31, 2009 and 2008 are nominal amounts. Interest income (expense) for the year is the total income (expense) for the twelve months so determined.

#### *Average Interest Rate*

The average annual rates earned on interest-earning assets and the average annual rate paid on interest-bearing liabilities are real rates for 2007 and nominal rates for 2008 and 2009.

## Average Assets and Interest Rates

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

	For the year ended December 31,								
	2009			2008			2007		
	Average Balance	Interest Income	Average Interest Rate	Average Balance	Interest Income	Average Interest Rate	Average Balance	Interest Income	Average Interest Rate
	(in millions of Pesos, except percentages)								
<b>Investment in securities:</b>									
Pesos	270	12	4.4%	107	7	6.5%	134	3	1.5%
Sub-total	270	12	4.4%	107	7	6.5%	134	3	1.5%
<b>Loans:</b>									
Pesos	3,981	3,099	77.8%	3,568	2,709	75.9%	2,530	1,960	77.5%
Sub-total	3,981	3,099	77.8%	3,568	2,709	75.9%	2,530	1,960	77.5%
<b>Cash and cash equivalents:</b>									
Pesos	63	-	0.0%	139	-	0.0%	41	-	0.0%
Sub-total	63	-	0.0%	139	-	0.0%	41	-	0.0%
<b>Total interest earning assets:</b>									
Pesos	4,314	3,111	72.1%	3,814	2,716	71.2%	2,705	1,963	72.5%
Sub-total	4,314	3,111	72.1%	3,814	2,716	71.2%	2,705	1,963	72.5%
<b>Allowances for loan losses:</b>									
Pesos	(373)	-	0.0%	(336)	-	0.0%	(203)	-	0.0%
Sub-total	(373)	-	0.0%	(336)	-	0.0%	(203)	-	0.0%
<b>Furniture and equipment, net:</b>									
Pesos	286			208			121		
Sub-total	286			208			121		
<b>Other non-interest earning assets, net:</b>									
Pesos	1,607			1,033			613		
Sub-total	1,607			1,033			613		
<b>Total assets:</b>									
Pesos	5,834	3,111	53.3%	4,719	2,716	57.6%	3,236	1,963	60.6%
<b>Total</b>	<u>5,834</u>	<u>3,111</u>	<u>53.3%</u>	<u>4,719</u>	<u>2,716</u>	<u>57.6%</u>	<u>3,236</u>	<u>1,963</u>	<u>60.6%</u>

## Average Liabilities, Stockholders' Equity and Interest Rates

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

	For the year ended December 31,								
	2009			2008			2007		
	Average Balance	Interest Expense	Average Interest Rate	Average Balance	Interest Expense	Average Interest Rate	Average Balance	Interest Expense	Average Interest Rate
	(in millions of Pesos, except percentages)								
<b>Bank loans and loans with other entities (short-term):</b>									
Pesos	2,839	264	9.3%	1,782	189	10.6%	1,616	169	10.5%
Sub-total	2,839	264	9.3%	1,782	189	10.6%	1,616	169	10.5%
<b>Commercial paper:</b>									
Pesos	784	64	8.2%	401	43	10.7%	-	-	0.0%
Sub-total	784	64	8.2%	401	43	10.7%	-	-	0.0%
<b>Total interest-bearing liabilities:</b>									
Pesos	3,623	328	9.1%	2,183	232	10.6%	1,616	169	10.5%
Sub-total	3,623	328	9.1%	2,183	232	10.6%	1,616	169	10.5%
<b>Non-interest-bearing liabilities:</b>									
Pesos	378			650			312		
Sub-total	378			650			312		
<b>Stockholder' equity:</b>									
Pesos	1,833			1,886			1,308		
Sub-total	1,833			1,886			1,308		
<b>Total liabilities and stockholders' equity:</b>									
Pesos	5,834	328	5.6%	4,719	232	4.9%	3,236	169	5.2%
<b>Total</b>	<u>5,834</u>	<u>328</u>	<u>5.6%</u>	<u>4,719</u>	<u>232</u>	<u>4.9%</u>	<u>3,236</u>	<u>169</u>	<u>5.2%</u>

## Changes in Financial Margin and Expense—Volume and Rate Analysis

The following tables allocate changes in interest income and interest expense between changes in volume and changes in rates for the year ended December 31, 2009 compared to 2008, and for the year ended December 31, 2008 compared to 2007. Volume and rate variances have been calculated based on movements in daily average balances over the period and changes in interest rates on average interest-earning assets and average interest-bearing liabilities. The net change attributable to changes in both volume and rate has been allocated proportionately to the change due to volume and the change due to rate.

### Interest-Earning Assets

	2009/2008			2008/2007		
	Increase (decrease) due to changes in Interest			Increase (decrease) due to changes in Interest		
	Volume	Interest Rate	Net Change	Volume	Interest Rate	Net Change
	(in millions of Pesos)					
<b>Investment in securities:</b>						
Pesos	11	(6)	5	-	5	5
Sub-total	11	(6)	5	-	5	5
<b>Loans:</b>						
Pesos	314	76	390	804	(55)	749
Sub-total	314	76	390	804	(55)	749
<b>Cash and cash equivalents:</b>						
Pesos	-	-	-	-	-	-
Sub-total	-	-	-	-	-	-
<b>Total interest-earning assets:</b>						
Pesos	325	70	395	804	(50)	754
<b>Total</b>	<u>325</u>	<u>70</u>	<u>395</u>	<u>804</u>	<u>(50)</u>	<u>754</u>

### Interest-Bearing Liabilities

	2009/2008			2008/2007		
	Increase (decrease) due to changes in Interest			Increase (decrease) due to changes in Interest		
	Volume	Interest Rate	Net Change	Volume	Interest Rate	Net Change
	(in millions of Pesos)					
<b>Commercial Paper:</b>						
Pesos	41	(20)	21	-	43	43
Sub-total	41	(20)	21	-	43	43
<b>Interbank and other loans:</b>						
Pesos	112	(37)	75	17	3	20
Sub-total	112	(37)	75	17	3	20
<b>Total interest-bearing liabilities:</b>						
Pesos	153	(57)	96	17	46	63
<b>Total</b>	<u>153</u>	<u>(57)</u>	<u>96</u>	<u>17</u>	<u>46</u>	<u>63</u>

## Interest-Earning Assets—Yield and Yield Spread

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

	<u>For the year ended December 31,</u>		
	<u>2009</u>	<u>2008</u>	<u>2007</u>
	(in millions of Pesos, except percentages)		
<b>Total average earning assets:</b>			
Pesos	4,314	3,814	2,705
Total	4,314	3,814	2,705
<b>Historical:</b>			
<b>Financial margin:</b>			
Pesos	2,783	2,484	1,856
Total	2,783	2,484	1,856
<b>Gross yield:</b>			
Pesos	72.1%	71.2%	72.5%
Weighted-average rate	72.1%	71.2%	72.5%
<b>Net yield:</b>			
Pesos	64.5%	65.1%	68.6%
Weighted-average rate	64.5%	65.1%	68.6%
<b>Yield spread:</b>			
Pesos	63.0%	60.6%	62.0%
Weighted-average rate	63.0%	60.6%	62.0%

## Return on Average Total Assets and Average Stockholders' Equity

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

	<u>For the year ended December 31,</u>		
	<u>2009</u>	<u>2008</u>	<u>2007</u>
	(in millions of Pesos, except percentages)		
Net income	515	565	519
Average total assets	5,834	4,719	3,236
Average stockholders' equity	1,833	1,886	1,308
Net income as a percentage of:			
Average total assets	8.8%	12.0%	16.0%
Average stockholders' equity	28.1%	30.0%	39.7%
Average stockholders' equity as a percentage of average total assets	31.4%	40.0%	40.4%
Dividend payout ratio	0.0%	90.3%	34.4%

## Interest Rate Sensitivity of Assets and Liabilities

### Interest Rates

Our operations do not currently involve the granting of loans with floating interest rates. Additionally, our loans are denominated exclusively in Pesos. Bank loans and loans with other entities are contracted at both fixed and floating rates and are denominated in Pesos.

### Interest Rate Sensitivity

The following table reflects our interest-earning assets and interest-bearing liabilities as of December 31, 2009. Fixed-rate instruments were classified in this table according to their contractual maturity.

As of December 31, 2009							
	0 - 30 Days	31 - 89 Days	90 - 179 Days	180 - 365 Days	Over 366 Days	Non- Rate Sensitive or Over One Year	Total
<b>Assets:</b>							
Cash and cash equivalents	129	-	-	-	-	-	129
Fixed-rate performing loans	568	488	646	1,063	1,471	-	4,236
Securities and investments	370	-	-	-	-	-	370
Total interest-earning assets	1,067	488	646	1,063	1,471	-	4,735
Other non-interest-earning assets	-	-	-	-	-	1,062	1,062
Non-performing loans	-	-	-	-	-	576	576
Less: Allowance for loan losses	-	-	-	-	-	(423)	(423)
Total assets	<u>1,067</u>	<u>488</u>	<u>646</u>	<u>1,063</u>	<u>1,471</u>	<u>1,215</u>	<u>5,950</u>
<b>Liabilities and stockholders' equity:</b>							
Commercial paper	3	-	-	-	784	-	787
Bank and other entities loans	556	935	950	613	25	-	3,079
Other non-interest bearing liabilities	-	-	-	-	-	221	221
Stockholders' equity	-	-	-	-	-	1,863	1,863
Total liabilities and stockholders' equity	<u>559</u>	<u>935</u>	<u>950</u>	<u>613</u>	<u>809</u>	<u>2,084</u>	<u>5,950</u>
Interest rate sensitivity gap	508	(447)	(304)	450	662	(869)	
Cumulative interest rate sensitivity gap	508	61	(243)	207	869		
Cumulative gap as percentage of total interest-earning assets	10.7%	1.3%	(5.1%)	4.4%	18.4%		

As of December 31, 2009, interest-earning assets totaled Ps.4,735 million. Of these assets, 22.5% amortize periodically every 30 days or less. Such assets included 89.5% of our performing loan portfolio and 10.5% of cash and cash equivalents. Of our total loans, 100% are fixed-rate loans.



Of our interest-bearing liabilities as of December 31, 2009, 100% consisted of loans from banks and other entities and totaled Ps.3,079 million. Of our total interest bearing liabilities, 18.1% amortize every 30 days or less.

### Cash and Cash Equivalents

We held investments in securities in the amount of Ps.499 million as of December 31, 2009, representing 8.4% of our total assets. All of our investments consist of highly liquid assets in the form of repurchase agreements for Mexican government securities, such as Bondes and CETES, with average maturities from one to three days. The weighted-average yield of such investments was 4.4%.

### Short-Term Borrowings

The following table sets forth our short-term borrowings for the periods indicated.

	As of and for the year ended December 31,					
	2009		2008		2007	
	Amount	Rate	Amount	Rate	Amount	Rate
	(in millions of Pesos, except percentages)					
<b>Bank loans and commercial paper (short-term)</b>						
At end of period <sup>(1)</sup>	3,866	8.2%	3,614	10.6%	1,336	10.2%
Monthly average indebtedness during period	3,623	9.1%	2,183	10.6%	1,616	10.5%
Maximum month-end balance	3,866	8.2%	3,614	10.6%	2,061	10.3%

(1) The interest rate at the end of the period is calculated based on the interest rate of the most recent loan facility drawn by us under the different available lines of credit at the end of each period reported.

### Loan Portfolio

Total loan portfolio amounts set forth in this section include the total principal amount of performing and non-performing loans outstanding as of the date presented. The terms “total loans,” “loan portfolio,” and “total loan portfolio” include total performing loans plus total non-performing loans. See “Presentation of Financial and Other Information—Terms Relating to Our Loan Portfolio.”

Our total loan portfolio as of December 31, 2009, 2008 and 2007 amounted to Ps.4,812 million, Ps.4,474 million and Ps.3,351 million, respectively. These changes represent an increase of 7.6% in our total loan portfolio from 2008 to 2009 and an increase of 33.5% from 2007 to 2008. These increases were mainly due to an increase in the total number of active clients.

#### *Classification of our Loan Portfolio*

The following table sets forth the classification of our total loan portfolio in terms of performing and non-performing loan portfolios, as of December 31, 2009, 2008 and 2007.

	As of December 31,					
	2009		2008		2007	
	Amount	% of Portfolio	Amount	% of Portfolio	Amount	% of Portfolio
	(in millions of Pesos, except percentages)					
Performing loan portfolio	4,236	88.00%	3,913	87.50%	3,012	89.90%
Non-performing loan portfolio	576	12.00%	561	12.50%	339	10.10%
Total loan portfolio <sup>(1)</sup>	4,812	100.00%	4,474	100.00%	3,351	100.00%

<sup>(1)</sup> Loan amounts include accrued interest.

### ***Performing Loan Portfolio***

Our total performing loan portfolio increased 8.3% in the year ended December 31, 2009, and 29.9% in the year ended December 31, 2008. See “Business—Products and Services.”

As of December 31, 2009, our performing CrediInmediato loan portfolio totaled Ps.2,737 million, reflecting an increase of Ps.109.7 million, or 4.2%, compared to December 31, 2008. This increase was primarily due to an increase of 62,910 in our number of clients. Our performing CrediInmediato loan portfolio totaled Ps.2,627 million as of December 31, 2008, reflecting an increase of Ps.410.6 million, or 18.5%, compared to December 31, 2007. This increase was primarily due to an increase of 129,557 in our number of clients. Our performing CrediInmediato loan portfolio as a percentage of our total performing loan portfolio was 64.6% as of December 31, 2009, and 67.1% as of December 31, 2008.

As of December 31, 2009, our performing CrediPopular loan portfolio totaled Ps.1,090 million, reflecting an increase of Ps.380.0 million, or 53.6%, compared to December 31, 2008. This increase was primarily due to an increase of 103,809 in our number of clients. Our performing CrediPopular loan portfolio totaled Ps.710 million as of December 31, 2008, reflecting an increase of Ps.241.5 million, or 51.6%, compared to December 31, 2007. This increase was primarily due to an increase of 69,134 in our number of clients. Our performing CrediPopular loan portfolio as a percentage of our total performing loan portfolio was 25.7% as of December 31, 2009, and 18.1% as of December 31, 2008.

As of December 31, 2009, our performing CrediMama loan portfolio totaled Ps.105 million, reflecting a decrease of Ps.9.2 million, or 8.1%, compared to December 31, 2008. This decrease was primarily due to a decrease of 6,593 in our number of clients, reflecting a decline in demand for this product line. Our performing CrediMama loan portfolio totaled Ps.115 million as of December 31, 2008, reflecting a decrease of Ps.6.9 million, or 5.7%, compared to December 31, 2007. This decrease was primarily due to a decrease of 5,615 in our number of clients. Our performing CrediMama loan portfolio as a percentage of our total performing loan portfolio was 2.5% as of December 31, 2009, and 2.9% as of December 31, 2008.

As of December 31, 2009, our performing CrediConstruye loan portfolio totaled Ps.304 million, reflecting a decrease of Ps.157.4 million, or 34.1%, compared to December 31, 2008. This decrease was primarily due to a decrease of 9,997 in our number of clients, in response to the discontinuation of governmental subsidies for this product line. Our performing CrediConstruye loan portfolio totaled Ps.461 million as of December 2008, reflecting an increase of Ps.255.8 million, or 124.4%, compared to December 31, 2007. This increase was primarily due to an increase of 58,985 in our number of clients. Our performing CrediConstruye loan portfolio as a percentage of our total performing loan portfolio was 7.2% as of December 31, 2009, and 11.8% as of December 31, 2008.

The following table sets forth our performing loan portfolio (including performing interest) by product for the periods indicated.

**Performing loan portfolio by product**

	<b>For the year ended December 31,</b>		
	<b>2009</b>	<b>2008</b>	<b>2007</b>
	(in millions of Pesos, except percentages)		
<b>Performing loan portfolio by product:</b> <sup>(1)</sup>			
CrediInmediato	2,737	2,627	2,217
CrediPopular	1,090	710	468
CrediConstruye	304	461	206
CrediMama	105	115	122
Total performing loan portfolio	<b>4,236</b>	<b>3,913</b>	<b>3,012</b>

(1) Loan amounts include accrued interest.

***Loans by Geographic Concentration***

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

**As of December 31,**

	2009		2008		2007	
	Loan Amount <sup>(1)</sup>	% of Portfolio <sup>(2)</sup>	Loan Amount <sup>(1)</sup>	% of Portfolio <sup>(2)</sup>	Loan Amount <sup>(1)</sup>	% of Portfolio <sup>(2)</sup>
(in millions of Pesos)						
<b>Mexican federal entities:</b>						
Aguascalientes	101	2.1%	104	2.3%	79	2.4%
Baja California	257	5.3%	220	4.9%	94	2.8%
Baja California Sur	69	1.4%	55	1.2%	38	1.1%
Campeche	74	1.5%	77	1.7%	46	1.4%
Chiapas	150	3.1%	142	3.2%	113	3.4%
Chihuahua	86	1.8%	103	2.3%	94	2.8%
Coahuila	308	6.4%	318	7.1%	275	8.2%
Colima	51	1.1%	49	1.1%	38	1.1%
Durango	29	0.6%	58	1.3%	58	1.7%
Estado de Mexico	82	1.7%	77	1.7%	61	1.8%
Guanajuato	251	5.2%	232	5.2%	184	5.5%
Guerrero	159	3.3%	145	3.2%	98	2.9%
Hidalgo	64	1.3%	46	1.0%	31	0.9%
Jalisco	388	8.1%	300	6.7%	170	5.1%
Michoacan	151	3.1%	134	3.0%	98	2.9%
Morelos	128	2.7%	119	2.7%	95	2.8%
Nayarit	42	0.9%	38	0.8%	31	0.9%
Nuevo Leon	11	0.2%	5	0.1%	-	0.0%
Oaxaca	76	1.6%	80	1.8%	70	2.1%
Puebla	155	3.2%	154	3.4%	121	3.6%
Queretaro	119	2.5%	110	2.5%	91	2.7%
Quintana Roo	180	3.7%	127	2.8%	93	2.8%
San Luis Potosi	166	3.5%	154	3.4%	119	3.6%
Sinaloa	175	3.6%	179	4.0%	146	4.4%
Sonora	274	5.7%	226	5.0%	144	4.3%
Tabasco	62	1.3%	56	1.3%	70	2.1%
Tamaulipas	452	9.4%	450	10.1%	360	10.7%
Tlaxcala	103	2.1%	92	2.0%	58	1.7%
Veracruz	455	9.5%	432	9.7%	356	10.6%
Yucatan	106	2.2%	97	2.2%	74	2.2%
Zacatecas	59	1.2%	60	1.3%	39	1.2%
Federal District (Mexico City Headquarters) <sup>(3)</sup>	28	0.6%	36	0.8%	10	0.3%
Total loan portfolio	<u>4,812</u>		<u>4,474</u>		<u>3,351</u>	

<sup>(1)</sup> The loan amounts set out in the above table include accrued interest and non-performing loans.

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

<sup>(3)</sup> Loans to employees.

### Total Loan Portfolio by Loan Balance

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

	As of December 31,					
	2009		2008		2007	
	Loan Amount	% of Portfolio	Loan Amount	% of Portfolio	Loan Amount	% of Portfolio
(in millions of Pesos, except percentages)						
<b>Original Principal Amount Borrowed</b>						
Less than Ps. 3,000	494	10.3%	612	13.7%	384	11.4%
Between Ps. 3,001 and Ps. 5,000	1,159	24.1%	1,772	39.6%	1,425	42.5%
Between Ps. 5,001 and Ps. 10,000	2,198	45.7%	1,118	25.0%	746	22.3%
Between Ps. 10,001 and Ps. 15,000	476	9.9%	497	11.0%	410	12.2%
Between Ps. 15,001 and Ps. 20,000	344	7.2%	434	9.7%	367	10.9%
Over Ps. 20,001	141	2.9%	40	0.9%	20	0.6%
Total loan portfolio	4,812	100.0%	4,474	100.0%	3,351	100.0%

### Non-Performing Loan Portfolio

Our loan portfolio is classified as non-performing when loans are 90 days or more past due, and is recognized as non-performing up to the amount of the capital and interest due at that date. Our loan portfolio with a revolving line of credit is classified as past-due when it is 60 or more calendar days overdue, and is recognized as non-performing up to the amount of the capital and interest due at that date. We rate our loan portfolio using an internal methodology based on the likelihood of a borrower's default and on the expected loss given default, as per the provisions of Article 93 of the Sole Circular for Banks.

As of December 31, 2009, our total non-performing loan portfolio was Ps.576 million, or 12.0% of our total loan portfolio. Of this amount, Ps.91.6 million, or 15.9%, represented non-performing interest. Our total non-performing loan portfolio increased by Ps.15.3 million, or 2.7%, during 2009. This increase was mainly the result of a deterioration in the quality of the portfolio.

As of December 31, 2008, our total non-performing loan portfolio was Ps.561 million, or 12.5% of our total loan portfolio. Of this amount, Ps.98.8 million, or 17.6%, represented non-performing interest. Our total non-performing loan portfolio increased by Ps.222.1 million, or 65.5%, during 2008. This increase was mainly the result of an increase in the size of our loan portfolio and a deterioration in the quality of the portfolio.

As of December 31, 2007, our total non-performing loan portfolio was Ps.339 million, or 10.1% of our total loan portfolio.

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

	<b>As of December 31,</b>		
	<b>2009</b>	<b>2008</b>	<b>2007</b>
	(in millions of Pesos)		
<b>Non-performing loan portfolio by product:</b> <sup>(1)</sup>			
CrediInmediato	359	441	265
CrediPopular	187	92	56
CrediConstruye	16	11	6
CrediMama	14	17	12
Total non-performing loan portfolio	<b>576</b>	<b>561</b>	<b>339</b>

<sup>(1)</sup> Loan amounts include accrued interest.

### Allowance for Loan Losses

The methodology used to record our allowance for loan losses is based on an internal methodology based on the probability of a borrower's default and on the expected loss given default applied to the loan portfolio outstanding balance.

	<b>As of December 31,</b>					
	<b>2009</b>		<b>2008</b>		<b>2007</b>	
	(in millions of Pesos)					
	Loans by product	Allowances for loan losses	Loans by product	Allowances for loan losses	Loans by product	Allowances for loan losses
<b>Non-Performing Loans by Product:</b> <sup>(1)</sup>						
CrediInmediato	359	(207)	441	(240)	265	(138)
CrediPopular	187	(182)	92	(83)	56	(56)
CrediConstruye	16	(23)	11	(16)	6	(9)
CrediMama	14	(11)	17	(12)	12	(12)
Total non-performing loans plus allowances	<b>576</b>	<b>(423)</b>	<b>561</b>	<b>(351)</b>	<b>339</b>	<b>(214)</b>

<sup>(1)</sup> Loan amounts include accrued interest.

For the years ended December 31, 2009, 2008 and 2007 we recorded provisions charged against income totaling Ps.1,074 million, Ps.782 million and Ps.484 million, respectively.

## Analysis of Allowance for Loan Losses

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

	<b>For the year ended December 31,</b>		
	<b>2009</b>	<b>2008</b>	<b>2007</b>
	(in millions of Pesos)		
Balance at beginning of year	351	214	84
Less:			
Effect of inflation at the beginning of the period	-	-	6
Nominal balance at the beginning of the period	351	214	78
Plus:			
Increase to the allowance for loan losses	1,074	782	484
Sub-total	1,425	996	562
Less:			
Effect of inflation / adjustment	-	-	8
Loan write-offs	1,002	645	340
Balance at the end of the year	423	351	214

## Workout and Credit Recovery

Our credit recovery unit handles debt recovery from borrowers whose loans have been classified as non-performing. See “Business—Monitoring and Collection” for additional information on recovery and collection of our loans. One hundred eighty days after the date a loan is due, we “write off” the loan. Written-off loans become subject to consideration for further action, including the sale of any such loan at a discount. The amounts recovered as a result of the sale of written-off loans are recorded in our income under the item “other income (expense) of the operation.”

## **FINSOL SELECTED STATISTICAL INFORMATION**

The following tables present certain of Finsol's selected statistical information and ratios for December 31, 2009. The following information should be read in conjunction with the combined financial statements of Finsol and the notes thereto included elsewhere in this offering memorandum. The statistical information and analysis presented below for the fiscal year ended December 31, 2009 is presented solely for the convenience of the reader for analytical purposes and, for certain items, differs from and is not comparable to the presentation in the combined financial statements of Finsol and the notes thereto, as the basis for calculating such information differs from that used in Finsol's financial statements.

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

### **Average Balance Sheet and Interest Rate Data**

#### *Peso-Denominated Average Balances and Interest Income*

Average balances for assets and liabilities are daily averages. Interest income (expense) for each category for the year is the total income (expense) for the twelve months so determined.

#### *Average Interest Rate*

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

### **Average Assets and Interest Rates**

The table below presents the average daily balance of assets, interest income and average annual interest rate for the year ended December 31, 2009.



**For the year ended December 31, 2009**

	<b>Average Balance</b>	<b>Interest Income</b>	<b>Average Interest Rate</b>
(in millions of Pesos)			
<b>Investment in securities:</b>			
Pesos	145	8	5.5%
Sub-total	145	8	5.5%
<b>Loans:</b>			
Pesos	830	751	90.5%
Sub-total	830	751	90.5%
<b>Cash and cash equivalents:</b>			
Pesos	27	-	0.0%
Sub-total	27	-	0.0%
<b>Total interest earning assets:</b>			
Pesos	1,002	759	75.8%
Sub-total	1,002	759	75.8%
<b>Allowances for loan losses:</b>			
Pesos	(55)	-	0.0%
Sub-total	(55)	-	0.0%
<b>Furniture and equipment, net:</b>			
Pesos	100		
Sub-total	100		
<b>Other non-interest earning assets, net:</b>			
Pesos	525		
Sub-total	525		
<b>Total assets:</b>			
Pesos	1,572	759	48.3%
<b>Total</b>	<u>1,572</u>	<u>759</u>	<u>48.3%</u>

## Average Liabilities, Stockholders' Equity and Interest Rates

The table below presents the average daily balances of liabilities and stockholders' equity, interest expense and average annual interest rate for the year ended December 31, 2009.

<b>For the year ended December 31, 2009</b>			
	<b>Average Balance</b>	<b>Interest Expense</b>	<b>Average Interest Rate</b>
(in millions of Pesos)			
<b>Bank loans and loans with other entities (short-term):</b>			
Pesos	824	75	9.1%
Sub-total	824	75	9.1%
<b>Bank loans and loans with other entities (long-term):</b>			
Pesos	446	63	14.2%
Sub-total	446	63	14.2%
<b>Total interest-bearing liabilities:</b>			
Pesos	1,270	138	10.9%
Sub-total	1,270	138	10.9%
<b>Non-interest-bearing liabilities:</b>			
Pesos	249		
Sub-total	249		
<b>Stockholder' equity:</b>			
Pesos	54		
Sub-total	54		
<b>Total liabilities and stockholders' equity:</b>			
Pesos	1,572	138	8.8%
<b>Total</b>	<b>1,572</b>	<b>138</b>	<b>8.8%</b>

## Changes in Financial Margin and Expense—Volume and Rate Analysis

The following tables allocate changes in interest income and interest expense between changes in volume and changes in rates for the year ended December 31, 2009 compared to 2008. Volume and rate variances have been calculated based on movements in daily average balances over the period and changes in interest rates on average interest-earning assets and average interest-bearing liabilities. The net change attributable to changes in both volume and rate has been allocated proportionately to the change due to volume and the change due to rate.

*Interest-Earning Assets*

	<b>2009/2008</b>		
	<b>Increase (decrease) due to changes in Interest</b>		
	<b>Volume</b>	<b>Interest Rate</b>	<b>Net Change</b>
	(in millions of Pesos)		
<b>Investment in securities:</b>			
Pesos	(6)	(2)	(8)
Sub-total	(6)	(2)	(8)
<b>Loans:</b>			
Pesos	(278)	73	(205)
Sub-total	(278)	73	(205)
<b>Cash and cash equivalents:</b>			
Pesos	-	-	-
Sub-total	-	-	-
<b>Total interest-earning assets:</b>			
Pesos	(284)	71	(213)
<b>Total</b>	<u>(284)</u>	<u>71</u>	<u>(213)</u>

*Interest-Bearing Liabilities*

	<b>2009/2008</b>		
	<b>Increase (decrease) due to changes in Interest</b>		
	<b>Volume</b>	<b>Interest Rate</b>	<b>Net Change</b>
	(in millions of Pesos)		
<b>Bank and other loans (short-term):</b>			
Pesos	14	(22)	(8)
Sub-total	14	(22)	(8)
<b>Bank and other loans (long-term):</b>			
Pesos	17	(21)	(4)
Sub-total	17	(21)	(4)
<b>Total interest-bearing liabilities:</b>			
Pesos	31	(43)	(12)
<b>Total</b>	<u>31</u>	<u>(43)</u>	<u>(12)</u>

## Interest-Earning Assets—Yield and Yield Spread

The following table sets forth the levels of Finsol's average interest-earning assets and Finsol's financial margin, interest rate, net yield and yield spread for the year ended December 31, 2009.

	<b>For the year ended December 31</b>
	<b>2009</b>
	(in millions of Pesos, except percentages )
<b>Total average interest earning assets:</b>	
Pesos	1,002
Total	1,002
<b>Historical:</b>	
<b>Financial margin:</b>	
Pesos	621
Total	621
<b>Gross yield: <sup>(1)</sup></b>	
Pesos	75.7%
Weighted-average rate	75.7%
<b>Net yield: <sup>(2)</sup></b>	
Pesos	61.9%
Weighted-average rate	61.9%
<b>Yield spread: <sup>(3)</sup></b>	
Pesos	39.5%
Weighted-average rate	39.5%

(1) Gross yield represents interest income divided by average interest-earning assets.

(2) Net yield represents financial margin divided by average interest-earning assets.

(3) Yield spread represents the difference between the interest rate on average interest-earning assets and the average cost of interest-bearing liabilities.

## Return on Average Total Assets and Average Stockholders' Equity

The following table presents selected financial data and ratios for the year ended December 31, 2009.

	<b>For the year ended December 31, 2009</b>
	(in millions of Pesos, except percentages.)
Net loss	(117)
Average total assets	1,572
Average stockholders' equity	54
Net loss as a percentage of:	
Average total assets <sup>(1)</sup>	(7.5%)
Average stockholders' equity <sup>(1)</sup>	(217.3%)
Average stockholders' equity as a percentage of average total assets	3.4%
Dividend payout ratio	0.0%

<sup>(1)</sup> Based on daily average balances for the year.

## Interest Rate Sensitivity of Assets and Liabilities

### Interest Rates

Finsol's lending transactions do not currently involve the granting of loans with floating interest rates. Additionally, Finsol's loans are denominated exclusively in Mexican Pesos and Brazilian reals. Bank loans and loans with other entities are contracted at fixed and floating rates and are denominated in Mexican Pesos.

### Interest Rate Sensitivity

The following table reflects Finsol's interest-earning assets and interest-bearing liabilities as of December 31, 2009. Fixed-rate instruments were classified in this table according to their contractual maturity.

As of December 31, 2009							
0 - 30 Days	31 - 89 Days	90 - 179 Days	180 - 365 Days	Over 366 Days	Non-Rate Sensitive or Over One Year	Total	
<b>Assets:</b>							
Cash and cash equivalents	26	-	-	-	-	26	
Fixed-rate performing loans	334	264	98	8	1	705	
Securities and investments	17	-	-	111	-	127	
Total interest-earning assets	377	264	98	119	1	858	
Other non-interest-earning assets	-	-	-	-	377	377	
Non-performing loans	-	-	-	-	37	37	
Less: Allowance for loan losses	-	-	-	-	(49)	(49)	
Total assets	377	264	98	119	1	1,223	
<b>Liabilities and stockholders' equity:</b>							
Deposits	2	-	-	-	-	2	
Bank and other entities loans	55	170	551	191	217	1,184	
Other non-interest bearing liabilities	-	-	-	-	111	111	
Stockholders' equity	-	-	-	-	(74)	(74)	
Total liabilities and stockholders' equity	57	170	551	191	37	1,223	
Interest rate sensitivity gap	320	94	(453)	(72)	(216)	328	
Cumulative interest rate sensitivity gap	320	414	(40)	(112)	(328)		
Cumulative gap as percentage of total interest-earning assets	37.2%	48.2%	(4.6%)	(13.0%)	(38.2%)		

As of December 31, 2009, interest-earning assets totaled Ps.858 million. Of these assets, 43.9% amortize periodically every 30 days or less. Such assets included 82.1% of Finsol's performing loan portfolio and 3.0% of cash and cash equivalents. 100% of Finsol's total loans are fixed-rate loans.

Of Finsol's interest-bearing liabilities as of December 31, 2009, 99.8% consisted of loans from banks and other entities and totaled Ps.1,184 million. Of Finsol's total interest bearing liabilities, 4.8% amortize every 30 days or less.

### Cash

Finsol held cash in the amount of Ps.26 million as of December 31, 2009, representing 2.2% of Finsol's total assets.

## Short-Term Borrowings

The following table sets forth Finsol's short-term borrowings for December 31, 2009.

<b>As of and for the year ended December 31, 2009</b>		
<b>Amount</b>	<b>Rate</b>	
(in millions of Pesos)		
<b>Bank loans (short-term) and deposits</b>		
At end of period <sup>(1)</sup>	908	8.5%
Monthly average indebtedness during period	824	9.1%
Maximum month-end balance	912	11.4%

<sup>(1)</sup> The interest rate at the end of the period is calculated based on the interest rate of the most recent loan facility drawn by Finsol under the different available lines of credit at the end of each period reported.

## Loan Portfolio

Total loan portfolio amounts set forth in this section include the total principal amount of performing and non-performing loans outstanding as of December 31, 2009. The terms "total loans," "loan portfolio," and "total loan portfolio" include total performing loans plus total non-performing loans. See "Presentation of Financial and Other Information—Terms Relating to Our Loan Portfolio."

### *Classification of Finsol's Loan Portfolio*

The following table sets forth the classification of Finsol's total loan portfolio in terms of performing and non-performing loan portfolios, as of December 31, 2009.

<b>As of December 31, 2009</b>		
<b>Amount</b>	<b>% of Portfolio</b>	
(in millions of Pesos)		
Performing loan portfolio	705	95.0%
Non-performing loan portfolio	37	5.0%
Total loan portfolio <sup>(1)</sup>	742	100.0%

<sup>(1)</sup> Loan amounts include accrued interest.

### *Performing Loan Portfolio*

The following table sets forth Finsol's performing loan portfolio (including performing interest) by type of product for December 31, 2009.

<b>For the year ended December 31, 2009</b>		
	(in millions of Pesos)	%
<b>Performing loan portfolio by type of product:</b>		
Microcredito Comunal	563.0	79.9%
Microcredito Solidario	141.0	20.0%
Microcredito Individual	1.0	0.1%
Total performing loan portfolio <sup>(1)</sup>	<b>705.0</b>	100.0%

<sup>(1)</sup> Loan amounts include accrued interest.

Finsol is mainly engaged in group lending microfinance. As of December 31, 2009, Finsol's performing loan portfolio totaled Ps.705.0 million, comprised of Ps.563.0 million in Microcredito Comunal loans (or 79.9% of Finsol's total performing loan portfolio), Ps.141.0 million in Microcredito Solidario loans (or 20% of Finsol's total performing loan portfolio) and Ps.1.0 million of Microcredito Individual loans.

Finsol's main loan products are described below:

#### *Microcredito Comunal*

This product is granted to groups of at least 10 individuals and at most 20 individuals, who live in the same community and self-select into their own groups. The loans are intended to address the working capital needs of each borrower's business. Eligible group members can be men or women from 18 to 65 years of age. Loans granted under this program range from Ps.0.5 thousand to Ps.50.0 thousand per borrower. No collateral is required for this type of loan. Repayment obligations under these loans extend to all members of the group and rely on solidarity and mutual support. Loans are granted for terms ranging from 8 weeks to one year.

#### *Microcredito Solidario*

This product consists of working capital loans granted to groups of at least 6 and at most 8 individuals, who are owners of businesses involved in production, marketing or services. The loans are intended to address the working capital needs of each borrower's business. In order to qualify for a loan, the location where each borrower's business is conducted must be fixed or semi-fixed, or otherwise the borrower must own their own house. Eligible group members can be men or women from 18 to 65 years of age. Loans granted under this program range from Ps.1.5 thousand to Ps.50.0 thousand per borrower, depending on their credit history and credit cycles. No collateral is required for this type of loan. Repayment obligations under these loans extend to all members of the group. Loans are granted for terms ranging from 8 weeks to one year.

#### *Microcredito Individual*

This product is granted to customers from 18 to 65 years of age. The loans are intended to address the working capital needs of each borrower's business, as well as asset acquisition, remodeling and business expansion. Loans granted under this program range from Ps.2,000 to Ps.150,000 per borrower. Loans are granted for terms ranging from 2 to 18 months. Finsol began providing this loan product in September 2006. Beginning in October 2008, Finsol ceased to provide this product.

#### *Microcredito Oportunidad*

This product is granted to current customers of Finsol with excellent credit histories. In order to be eligible for these loans, at least two borrowers and at most 50% of the members of a *Microcredito Comunal* or *Microcredito Solidario* loan group must apply. These loans are intended to address the working capital needs of each borrower's business and are granted in addition to the *Microcredito Comunal* or *Microcredito Solidario* loan held by each borrower. Loan amounts cannot exceed 30% of the outstanding loan of the borrower. These loans are granted for terms not exceeding the terms of the outstanding *Microcredito Comunal* or *Microcredito Solidario* loans.

#### *Loans by Geographic Concentration*

The following table sets forth Finsol's loan portfolio as of December 31, 2009 based on geographic concentration. Finsol's management has not observed any significant correlation between the incidence of delinquency and default on non-performing loans and geographic location for Finsol's loan portfolio.

**As of December 31, 2009**

	<b>Loan Amount<sup>(1)</sup></b>	<b>% of Portfolio<sup>(2)</sup></b>
	(in millions of Pesos)	
<b>Mexican federal entities:</b>		
Aguascalientes*	0	0.0%
Campeche	17	2.3%
Chiapas	23	3.2%
Chihuahua	3	0.3%
Coahuila	19	2.6%
Colima	4	0.5%
Durango	8	1.1%
Estado de Mexico	52	7.0%
Guanajuato*	0	0.0%
Guerrero	62	8.4%
Hidalgo	12	1.6%
Michoacan	30	4.0%
Morelos	1	0.2%
Nayarit	5	0.7%
Nuevo Leon	11	1.5%
Oaxaca	29	4.0%
Puebla	41	5.5%
Queretaro	1	0.1%
Quintana Roo	11	1.5%
San Luis Potosi	7	1.0%
Sinaloa	8	1.1%
Sonora	6	0.8%
Tabasco	20	2.7%
Tamaulipas	14	1.9%
Tlaxcala	7	1.0%
Veracruz	108	14.5%
Yucatan	20	2.7%
Zacatecas	2	0.2%
Federal District	7	0.9%
SOFIPO (Estado de Mexico)	1	0.1%
Brazil <sup>(3)</sup>	213	28.7%
Total loan portfolio	<u>742</u>	<u>100.0%</u>

\* Loans amounts in these Mexican federal entities are less than Ps.150 thousand.

(1) The loan amounts set out in the above table include accrued interest and non-performing loans.

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

(3) Total loan portfolio of Finsol Brazil.



### Total Loan Portfolio by Loan Balance

The following table sets forth an analysis of Finsol's loan portfolio's composition as of December 31, 2009 according to the original amount borrowed.

<b>As of December 31, 2009</b>		
<b>Loan Amount <sup>(1)</sup></b>	<b>% of Portfolio</b>	
(in millions of Pesos, except percentages)		
<b>Original Principal Amount Borrowed</b>		
Less than Ps. 5,000	30	4.0%
Between Ps. 5,001 and Ps. 10,000	62	8.4%
Between Ps. 10,001 and Ps. 15,000	42	5.7%
Between Ps. 15,001 and Ps. 25,000	52	7.0%
Between Ps. 25,001 and Ps. 40,000	86	11.6%
Between Ps. 40,001 and Ps. 60,000	133	17.9%
Between Ps. 60,001 and Ps. 90,000	144	19.4%
Between Ps. 90,001 and Ps. 150,000	134	18.1%
Between Ps. 150,001 and Ps. 250,000	47	6.3%
Over Ps. 250,001	12	1.6%
Total loan portfolio	<u>742</u>	<u>100.0%</u>

<sup>(1)</sup> The loan balances set out in the table include accrued interest and non-performing loans.

### Non-Performing Loan Portfolio

Finsol's loan portfolio is classified as non-performing when loans are 90 days or more past due, and is recognized as non-performing up to the amount of the capital and interest due at that date. See Finsol's methodology for determining its loan loss allowance in Finsol's audited combined financial statements included elsewhere in this offering memorandum.

As of December 31, 2009, Finsol's total non-performing loan portfolio was Ps.37 million, or 5.0% of Finsol's total loan portfolio. Of this amount Ps.0.9 million, or 0.12%, represented non-performing interest. Finsol's total non-performing loan portfolio increased by Ps.18.9 million, or 102.8%, during 2009 compared with December 31, 2008. This increase was mainly the result of deterioration in the quality of the portfolio.

The following table sets forth an analysis of Finsol's non-performing loan portfolio (including non-performing interest) by product as of December 31, 2009:

<b>As of December 31, 2009</b>		
<b>Amount</b>	<b>% of Portfolio</b>	
(in millions of Pesos, except percentages)		
<b>Non-performing loan portfolio by product:</b>		
Microcredito Communal	31.2	83.5%
Microcredito Solidario	6.2	16.5%
Total non-performing loan portfolio	<u>37.4</u>	<u>100.0%</u>

## Allowance for Loan Losses

The methodology used to determine Finsol's allowance for loan losses (which differs from our methodology) is described in Finsol's audited combined financial statements included elsewhere in this offering memorandum.

	<b>For the year ended December 31</b>	
	<b>2009</b>	
	(in millions of Pesos)	
	Loan portfolio	Allowance for loan losses
<b>Non-Performing Loans by Product:</b>		
Microcredito Communal	31.2	(39.2)
Microcredito Solidario	6.2	(9.2)
Total	37.4	(48.4)

For the year ended December 31, 2009, Finsol recorded provisions charged against income totaling Ps.106 million.

## Analysis of Allowance for Loan Losses

The following table analyzes Finsol's allowance for loan losses, movements in loans written-off and recoveries for the year ended December 31, 2009, as well as changes to income and period-end allowances for loan losses, net of recoveries, as a result of the sale of non-performing loans at the end of the period indicated.

	<b>For the year ended December 31</b>
	<b>2009</b>
	(in millions of Pesos)
Balance at beginning of year	40
Plus:	
Increase to the allowance for loan losses <sup>(1)</sup>	106
Sub-total	146
Less:	
Loan write-offs	98
Balance at the end of the year	48

<sup>(1)</sup> Net of recoveries of loan portfolio previously written-off.

## Workout and Credit Recovery

Finsol's credit recovery unit handles debt recovery from borrowers whose loans have been classified as non-performing. One hundred eighty days after the date a loan is due, Finsol "writes off" the loan. Written-off loans become subject to consideration for further action, including the sale of any such loan at a discount. The amounts recovered as a result of the sale of written-off loans are recorded in Finsol's income under the item "Other Income."

## **THE MICROFINANCE INDUSTRY**

### **Overview**

Microfinance is the provision of small-scale financial services, such as microcredit, microsavings and microinsurance, to individuals in low-income segments of the population.

Historically, these individuals have had very limited or no access to financial services, such as capital to finance home improvements, capital for personal use and protection against risks, among others, through the traditional financial sector. Other alternatives that may be available are savings clubs, rotating savings and credit associations. The ultimate goal of microfinance is to enable lower income individuals to build their assets, increase their incomes and reduce their vulnerability to economic shocks.

### **Microfinance Institutions**

A microfinance institution can be defined as any organization that provides financial services primarily for individuals in the low-income segments of the population and includes donor-supported non-governmental organizations or NGOs, cooperatives and community-based development institutions, as well as commercial, for-profit financial institutions and banks. Microfinance is intended to address the need of such individuals to have access to a diverse range of financial services, such as consumer loans, capital for funding a business, protection against risks, interest-bearing savings accounts and money transfers.

Microfinance institutions grew out of NGO lenders and microcredit institutions, which, beginning in the 1950s and through the 1970s, focused on providing subsidized agricultural credit to small farmers with the goal of raising productivity and incomes. Beginning in the 1970s, microcredit lenders, with great success, concentrated on providing financing to women in the lower income segment of the Mexican population to invest in small businesses, which enabled them to accumulate assets and raise household income. The success of microcredit lending led certain public and private entities to expand beyond microcredit and offer a broader range of financial services to individuals in the low-income segments of the population. In the 1990s, many of these entities transformed themselves into formal financial institutions in order to attract and use clients' savings for lending purposes, thus expanding their outreach.

### **Microfinance Clients and Services**

Currently, the microfinance market in Mexico consists predominantly of individuals in the low-income segments of the Mexican population that have no credit history and therefore have no access to traditional banking institutions in Mexico.

The microfinance target market is primarily individuals earning between one and eight times the minimum monthly wage in Mexico City, currently between Ps.1,724 and Ps.13,792 per month, represented by the "Cm" through "D" socioeconomic levels as defined by the AMAI. Based on data published by the AMAI, individuals living at this socioeconomic level have limited access to at least one banking product. We estimate that this population represents approximately 34.7 million people in Mexico, or 32% of the Mexican population.

Of these 34.7 million individuals, we estimate that 75% have no access to traditional banking institutions in Mexico that are regulated by the CNBV and other Mexican governmental authorities.

### **Impact of Microfinance on Its Clients**

Individuals in the low-income segments of the population with access to savings, credit, insurance and other financial services are better able to cope with the everyday financial needs they face. Econometric studies have suggested that microfinance can smooth consumption levels and significantly reduce the need to sell assets to meet basic needs. Access to microfinance services allows low-income individuals not only to cope with expected or

unexpected liquidity problems but to take advantage of economic opportunities, and industry research indicates that over a long period of time many microfinance clients actually emerge from poverty.

Despite the relatively high interest rates typically charged in connection with microcredit loans, microfinance is generally seen as beneficial for the low-income segments, and a reduction in interest rates may be more effectively achieved through increased competition in the industry rather than through the imposition of interest rate caps by way of government regulation.

Microfinancial services allow lower income households to shift their focus from day-to-day survival to longer-term economic planning by reducing vulnerability to economic shocks while increasing earnings and savings. By taking advantage of microfinancial services, lower income households are able to send more children to school and to make greater investments in their children's education. According to industry research, increased earnings from financial credit services lead to better nutrition and better living conditions, which translates into a lower incidence of illness.

### **Funding Sources for Microfinance Institutions**

Originally, microfinance institutional funding was mainly drawn from donations and low-cost loans from philanthropic sources and from government or multilateral aid agencies. In time, as the microfinance industry grew, bank loans, debt instruments offerings in the capital markets and loans from specialized microfinance investment vehicles such as mutual funds and collateralized loan obligations have become additional sources of funding.

We have never funded our operations with donations nor with low-cost loans granted by non-profit organizations or multilateral agencies.

### **Microfinance Risk Management Techniques**

Microlending methodologies and practices differ widely among microfinance institutions. However, some risk management techniques frequently employed by microfinance institutions include the following:

- **Small amounts.** A micro-entrepreneur below the poverty level is generally more capable of repaying a smaller loan than a larger one.
- **Large client pools.** Microfinance institutions typically lend to a large client base, minimizing the impact of each individual default.
- **Frequent repayments.** In many cases, micro-loans are amortized at least partially on a bi-weekly or weekly basis.
- **Short maturity.** Typically, micro-loans mature in under 12 months.
- **Cleanup.** Micro-loans often are not renewed prior to their repayment in full.
- **Participation in credit bureaus.** Many microfinance institutions participate in local credit bureaus set up to enable microfinance companies/entities to track borrowers' and potential borrowers' credit histories and status.
- **Use of management information systems.** Many microfinance institutions use computerized record keeping in order to track repayments or delays in payment and to keep transaction costs at a minimum.
- **Internal audit.** Often, microfinance institutions use an internal audit function to oversee the financial side of their operations and to limit the prospect of error or fraud.
- **Tracking portfolio at risk.** Many microfinance institutions track the ratio of loans with payment delays plus any refinanced loans as a percentage of their total loan base.

- **Maintenance of a relatively large loan loss reserve.** Relatively large loan loss reserves are generally maintained to cover for the high degree of risk associated with microfinance.
- **Increasing loan amounts.** Borrowers have an incentive to repay their loans on a timely basis to access a higher loan amount in the following cycle or to receive a revolving credit line.

### The Microfinance Industry in Mexico

In Mexico, the microfinance industry is relatively new with numerous organizations rapidly emerging, including for-profit entities. Microfinance institutions began offering their services in the mid 1990s through entities such as Finca Mexico (1989), Compartamos (1990), Came (1991), Fincomun (1994) and us (1993) with an increase after 2000 of such organizations, including ProMujer (2001), Prosperidad (2002), Solfi (2002) and Finsol (2003). The following chart sets forth the main organizations that comprise the microfinance industry in Mexico including information regarding their core products, number of clients, average amount of loans in U.S. dollars, size of their portfolio, and percentage of non-performing loans, or NPLs:

#### Selected Financial Services Institutions in the Mexican Microfinance Industry

	<b>Institution</b>	<b>Core Product</b>	<b>Number of Clients</b>	<b>Average Loan Size (US dollars)<sup>(4)</sup></b>	<b>Total Loan Portfolio (in millions of US dollars)<sup>(4)</sup></b>	<b>NPLs / Total<sup>(5)</sup> Loans</b>
<b>Sofoms</b> <sup>(6)</sup>	Independencia	Consumer <sup>(1)</sup>	1,236,092	298	369	12.0%
	Finsol <sup>(7)</sup>	Working Capital <sup>(1)</sup>	129,673	424	55	2.9%
<b>Sofols</b> <sup>(6)</sup>	Credito Familiar	Consumer <sup>(3)</sup>	337,609	948	320	3.2%
	BNP Paribas	Consumer <sup>(3)</sup>	301,525	2,198	663	4.7%
	F. Alcanza	Consumer <sup>(3)</sup>	60,052	788	47	5.8%
<b>Banks</b>	Azteca	Consumer <sup>(2)</sup>	9,600,000	154	1,483	9.1%
	Compartamos	Working Capital <sup>(2)</sup>	1,423,239	456	648	2.3%
	BanCoppel	Consumer <sup>(2)</sup>	*	*	173	18.9%
	Ahorro Famsa	Consumer <sup>(2)</sup>	*	*	702	10.0%
	Banco Wal-Mart	Consumer <sup>(2)</sup>	*	*	18	23.0%
<b>Cooperatives</b>	Caja Popular	Consumer <sup>(2)</sup>	1,530,625	848	1,298	9.67%
	Caja Libertad	Consumer <sup>(2)</sup>	1,015,437	1,708	594	9.35%

\* Data not available.

(1) Company financials as of December 31, 2009.

(2) CNBV as of September 30, 2009.

(3) AMFE as of September 30, 2009.

(4) Based on the exchange rate of 13.0437 Pesos per US dollar published by the Mexican Central Bank on December 31, 2009.

(5) NPL recognition and write-off policies may vary by institution and therefore NPL rates may not be comparable.

(6) Financial entities that are unregulated.

(7) Figures do not include Finsol Brazil.

## BUSINESS

### Overview

We are in the business of providing microcredit loans to individuals in the low-income segment of the Mexican population, a market that we estimate to be a total of approximately 34.7 million people. We provide products and services to individuals who otherwise would have no, or limited, access to financial institutions. We aim to develop long-term relationships with our clients to establish their credit history, in furtherance of our core goals of creating economic value for our clients and shareholders and social value for our clients and the community at large. As of October 31, 2009 and December 31, 2008, we were the largest microfinance lender of personal loans to individuals in Mexico based on the number of loans outstanding, according to data published by AMFE and Mix Market, respectively. As of December 31, 2009, we operated 199 branch offices in 143 cities throughout 31 of the 32 Mexican federal entities (comprising the Mexican States and the Federal District).

We are an unregulated multiple purpose financial company (*sociedad financiera de objeto multiple, entidad no regulada*), or Sofom, incorporated under the laws of Mexico as a public corporation with limited liability and variable capital (*sociedad anonima bursatil de capital variable*). We are a publicly-traded company, listed on the Mexican Stock Exchange (*Bolsa Mexicana de Valores*) (ticker symbol: FINDEP), and our market capitalization as of March 19, 2010 was approximately U.S.\$696.2 million. We operate based on a specialized business model that relies on providing large volumes of small loans (our average loan size is approximately U.S.\$298) with high frequency of collections (93.8% of our loans are paid either weekly or bi-weekly).

We currently offer four major loan products to our clients. Our CrediInmediato product provides revolving credit lines to customers employed in the formal sector, as well as to certain qualifying clients in the informal sector. Our CrediPopular product provides term loans to customers employed in the informal sector that primarily use these funds as working capital loans. Our CrediConstruye loans are available for home improvements, and are generally disbursed in the form of vouchers for building materials. Our CrediMama product provides loans to mothers with at least one child under the age of 18.

Since our inception in 1993, we have experienced significant growth and earned a leading role in the personal loan sector of the Mexican microfinance market. We have achieved a compounded annual growth rate in our number of loans granted of 61.5% since our inception, and as of 2009, we had 1,236,092 loans outstanding and reported a return on average total assets of 8.8%. We believe that this success is attributable to a number of factors, including our geographic coverage and extensive distribution network; our understanding of the market we service and the know-how we have developed through our exclusive focus on one line of business; our risk management policies; our effective collection practices; the efficiencies afforded by our information technology systems; the loyalty fostered by the personalized client service that we provide; and the leadership of our experienced and skilled management team. We believe that we are strategically positioned to achieve additional growth and further strengthen our competitive position.

Maintaining the quality of our loan portfolio is one of our key priorities. Despite our rapid growth, our risk management and effective collection policies have allowed us to maintain a past-due rate of 12.0% in 2009, which compares favorably to our past-due rate of 12.5% in 2008. We have achieved loan growth with a concurrent reduction of our past due rate, a fact that we believe differentiates us from most Mexican banks. We believe that our policies for provisioning past due loans are conservative, having provisioned 31.5% and 38.6% of financial margin for 2008 and 2009, respectively. In addition, we believe that we are strongly capitalized, with a ratio of equity to assets of 31.3% as of December 31, 2009.

In addition, our outstanding aggregate loan balances have increased continuously. As of December 31, 2009, our loan portfolio amounted to Ps.4,812.3 million, compared to Ps.4,473.8 million as of December 31, 2008, representing an increase of 7.6%. Although our loan growth rate decelerated relative to growth rates achieved between 2004 and 2008, it compares favorably to the negative growth of 20.1% experienced by consumer loans (our key product) in 2009 in the Mexican market, according to the Mexican Central Bank. In spite of a GDP contraction of the Mexican economy of 6.5% during 2009, and a rise in unemployment from 4.32% in December 2008 to 6.41%

in September 2009 and 4.80% in December 2009, we were able to achieve a return on average shareholders' equity of 28.1% during 2009 and to slightly improve the level of non-performing loans in our portfolio (from 12.5% in 2008 to 12.0% in 2009). We believe this contrast demonstrates the resiliency of our business model against economic downturns.

In February 2010, we acquired Financiera Finsol, S.A. de C.V., SOFOM, E.N.R., the second largest group lending microfinance institution in Mexico, and several related companies, including Finsol Vida, S.A. de C.V. (an insurance broker), Finsol, S.A. de C.V. (a service company), and Instituto Finsol-IF Associação Civil Sem Fins Lucrativos OSCIP (Finsol Brazil) (a group lending microfinance institution in Brazil). Subject to the authorization of the CNBV, we will also acquire Financiera Popular Finsol, S.A. de C.V., S.F.P. (SOFIPO – a specialized savings and loans regulated entity) subsequent to the initial acquisition of Financiera Finsol and its related companies. Prior to its acquisition by us, Finsol also operated in Argentina and Bolivia; we anticipate winding down all operations in these two countries. As of December 31, 2009, Financiera Finsol and its related companies had a loan portfolio of Ps.742.4 million, 129,673 clients in Mexico and 149 branches in 29 of the 32 Mexican federal entities, located primarily in rural and suburban areas. In Brazil, Finsol had 29,145 clients and 17 branches located mainly in the northeast region, as of the same date. The aggregate purchase price for Finsol was Ps.530 million (approximately U.S.\$41 million). The acquisition of Finsol increased the size of our outstanding net loan portfolio by 15.4%, our customer base by 12.8%, and our number of branches by 83.4%. See “Selected Statistical Information—Finsol Selected Statistical Information,” “Business—Finsol,” and “Business—Recent Developments.”

We believe that our acquisition of Finsol will further strengthen our leading position in the Mexican microfinance market among customers within the lower income segment of the population by facilitating our expansion beyond our traditional urban customer base and into rural markets. We further believe that the acquisition will provide a strategic entry into group lending microfinance, which generally in Mexico has proven to be both profitable and less sensitive to economic downturns, which in turn would reduce our own earnings volatility. Lastly, the acquisition of Finsol Brazil marks our first international expansion outside of Mexico and provides us with an entry into Brazil, the largest economy in Latin America. The acquisition of Finsol notwithstanding, we are currently one of the largest microfinance institutions in Latin America.

In 2009, our financial margin after provision for loan losses was Ps.1,709.1 million, reflecting a 0.4% increase compared to 2008, and our net income was Ps.515.2 million, compared to Ps.565.4 million in 2008, representing an 8.9% decline. In 2009, our net interest margin after provisions, including commissions, and return on average stockholders' equity were 48.4% and 28.1%, respectively. We believe these metrics compare favorably to the net interest margin after provisions and return on average stockholders' equity of other Mexican Sofoms and Sofols as of December 31, 2009, according to data published by the CNBV. Our return on average total assets was 8.8% in 2009.

## **History and Development**

We were incorporated in 1993 as a limited purpose financial company (*sociedad financiera de objeto limitado*), or Sofol. We were the first Sofol to be incorporated in Mexico and the first Sofol to make personal microcredit loans available to the low-income segment of the adult working population in Mexico, which has been our target market since our inception. We opened our first branch office in Toluca, Mexico, in October 1993, and five additional branch offices during the first seven months of 1994. Following the 1994-1995 economic crisis in Mexico, we rapidly expanded our operations reaching approximately 100,000 clients and Ps.442.2 million total loan portfolio in 21 federal entities by the end of 2001. At that time, we had 32 branch offices. We achieved operational efficiency in 2000, when our income from interest on our loan portfolio completely offset our operating costs.

In January 2002, we received funding from GE Capital Corporation through a revolving line of credit in an aggregate amount of U.S.\$50 million, which was increased to U.S.\$100 million in 2004, enhancing our ability to fund personal loans to our customers, as well as to grow our business and invest in managerial and information technology. We fully paid this line of credit in October 2005.

For our first several years of operation, we solely offered term loans to low-income individuals employed in the formal sector. In 2004, we began granting loans to individuals in the informal sector of the Mexican economy, which allowed us to earn more attractive returns on our loan portfolio compared to loans to individuals in

the formal sector of the economy because we are able to charge higher interest rates on these loans, which are typically working capital loans. As of December 31, 2009, our total loan portfolio in the informal sector was Ps. 1,716.8 million and included 485,718 loans outstanding, representing 35.7% of our total loan portfolio. These figures compare favorably to those in 2008, during which our exposure to the informal sector was of Ps.1,406.0 million and included 398,499 loans outstanding, representing 31.4% of our total outstanding balance. Our loans to the informal sector grew at a much faster rate in 2009 than loans to the formal sector.

During 2004, we also launched CrediInmediato, a new revolving credit product to allow our clients the flexibility to manage their loan balances. In 2005, we began offering customers of our short-term loan program the option to convert their short-term loans to the CrediInmediato revolving credit line.

In 2005, we received funding from HSBC Mexico, which became our main funding partner, through a revolving line of credit in an aggregate amount of Ps.1,500 million, which was increased up to Ps.2,000 million in April 2007, and subsequently increased up to Ps.2,500 million in September 2008. In June 2006, HSBC Overseas became our shareholder through the acquisition of a 19.99% equity interest in us, which was subsequently fully divested on November 25, 2008.

On August 1, 2005 and May 4, 2007 we entered into two lines of credit with SHF for an aggregate amount of Ps.30 million and Ps.180 million, respectively. In February 2008, we amended and restated these prior agreements with SHF and entered into a revolving line of credit with SHF for Ps.600 million, which was subsequently increased in September 2009 to Ps.700 million.

During 2006 we added two new loan products to our loan portfolio, CrediConstruye, which is intended to finance home improvements, and CrediMama, which is tailored to mothers who have at least one child under the age of 18.

On February 1, 2007, we converted from a Sofol, which is a type of financial entity regulated by the CNBV and the Mexican Ministry of Finance, to an unregulated *sociedad financiera de objeto multiple*, or a Sofom. The Mexican government introduced Sofoms in an effort to promote lending activity and to partially deregulate the finance sector. As an unregulated Sofom, we are permitted under Mexican law to (i) grant loans and engage in other types of financial transactions such as factoring and financial leasing activities for various purposes; (ii) place securities in the capital markets and obtain financing from financial institutions, such as insurance and bonding companies; and (iii) grant loans that are not required to be targeted to a specific sector of the Mexican economy. There are no specific limitations to foreign investment in Sofoms. Although Sofoms are not regulated by the CNBV, they are subject to the jurisdiction of Condusef. See “Supervision and Regulation of Certain Lending Entities in the Mexican Market—Sofoms.” We operate certain of our complementary activities, including collections, customer operations center service, human resource management, sales agent management and courier services through our wholly-owned subsidiary Serfincor. See “—Corporate Organization” below.

On November 1, 2007, we became the first Sofom to register its shares with the Mexican National Securities Registry (*Registro Nacional de Valores*) and to list its shares on the Mexican Stock Exchange in a global offering. This offering included primary and secondary offerings of our shares in Mexico through the Mexican Stock Exchange, and in the United States through initial purchasers to qualified institutional buyers as defined under Rule 144A under the Securities Act, in transactions exempt from registration thereunder and in other countries outside Mexico and the United States to non-U.S. persons in reliance on Regulation S under the Securities Act. As a result of the November 2007 equity offering, we converted into a *sociedad anonima bursatil*, which subjects us to certain provisions of the Mexican Securities Market Law and the CNBV’s Sole Circular for Issuers.

In May 2008, we opened our second operations center in the city of Aguascalientes. This state-of-the-art, U.S.\$6 million facility supplements our original operations center in Leon, and doubled our capacity in processing transactions, reviewing applications, verifying information, carrying out collection activities, and operating our call center. The new operations center also provides an important back up for our information systems, allowing us to carry out our operations from either site, and we believe it is capable of accommodating the expected expansion in our business over the next four to five years.

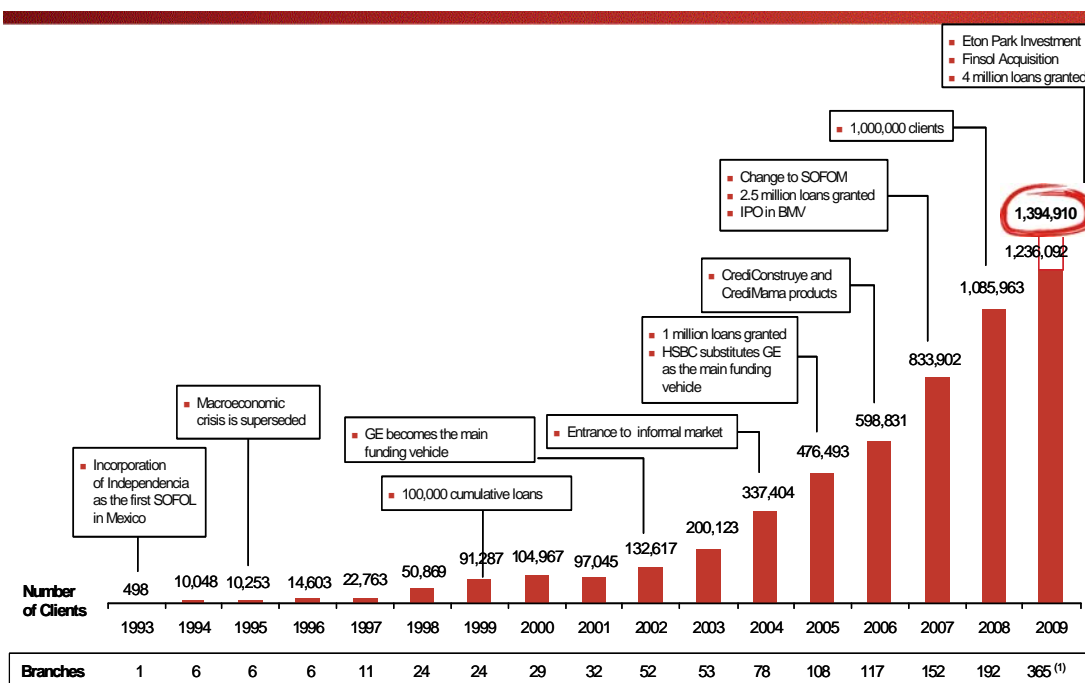


On February 18, 2009, we entered into a line of credit with Nafinsa for an aggregate amount of Ps.140 million. On June 12, 2009, this agreement was amended in order to, among other things, increase the credit line to Ps.1,000 million.

In January 2010, certain affiliates of Eton Park Capital Management, L.P., or Eton Park, became holders of 66.5 million shares, or approximately 9.3% of our shares following a rights offering of 85.0 million shares, which was undertaken to finance the acquisition of Financiera Finsol and its related companies. Eton Park also received warrants to subscribe and pay for up to approximately 43.9 million additional shares of our capital stock under certain conditions and strike prices. Eton Park is a multi-disciplinary, team-oriented investment firm that invests globally across both public and private markets. The firm manages over U.S.\$12 billion in assets and has offices in New York, London, and Hong Kong. See “—Corporate Organization” below.

On February 24, 2010, we received board approval and announced our intention to apply for a license to operate as a bank under Mexican law. Registering to operate as a bank will allow us to accept deposits from our customers, as well as borrow on an interbank, overnight basis, which should diversify our funding sources and reduce our cost of funding. We currently anticipate making a formal application for a banking license in the second half of 2010, and, if we receive the requisite authorizations in a timely manner (including shareholder approval), we anticipate being able to convert into and operate as a bank and begin accepting deposits by the middle of 2011. Our conversion into a bank is dependent upon receiving approvals from the requisite Mexican government authorities, and we cannot grant you any assurance that such approvals will be received, or that the receipt of such approvals will not be conditioned upon our making significant changes in the way we carry out our business. See “Business—Recent Developments.”

The following chart reflects key milestones in our development since our incorporation.



<sup>(1)</sup> Includes 199 of our branches and 166 branches of Finsol.

## Corporate Organization

Our shareholders and ownership structure as of February 5, 2010, are as follows:

Control Trust	57.9%
Public Investors	27.0%
Minority Trust	5.8%
Eton Park	9.3%

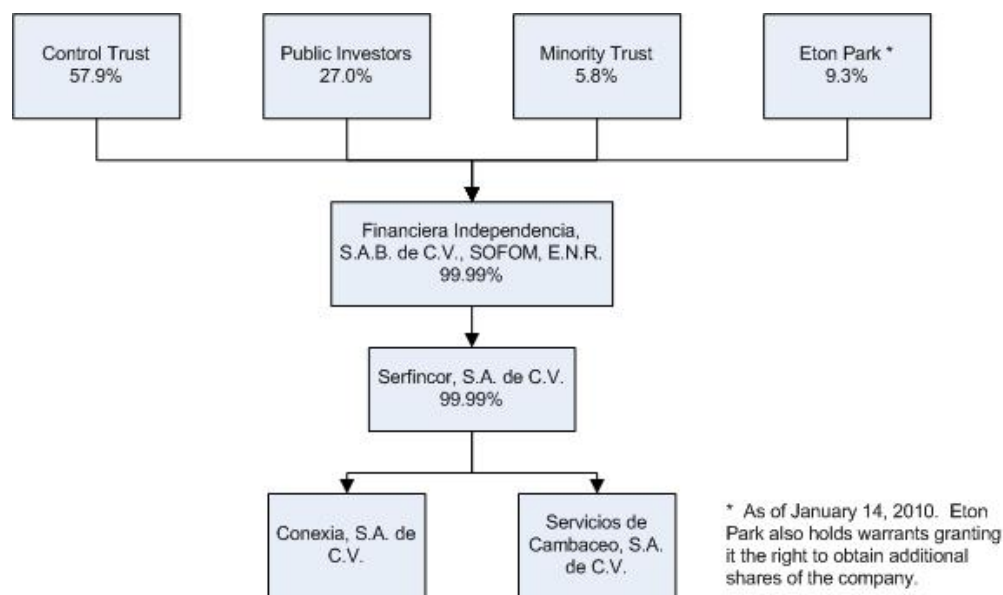
We own all but one of the 65,635,000 shares that represent the stated capital of our subsidiary, Serfincor, S.A. de C.V. Serfincor is a service company that provides us with labor and other administrative services. The remaining share of Serfincor is owned by Mr. José Luís Rión Santisteban.

Serfincor owns all but one of the 43,550,000 shares that represent the stated capital of its subsidiary, Conexia, S.A. de C.V., a company that owns buildings located in the cities of Aguascalientes and Leon, where our operation centers are located. The remaining share of Conexia is owned by Mr. José Luís Rión Santisteban.

In addition, Serfincor owns all but one share of the 50,000 shares that represent the stated capital of its subsidiary, Servicios de Cambaceo, S.A. de C.V., a company that employs our independent sales agents. The remaining share of Servicios de Cambaceo is owned by Mr. José Luís Rión Santisteban.

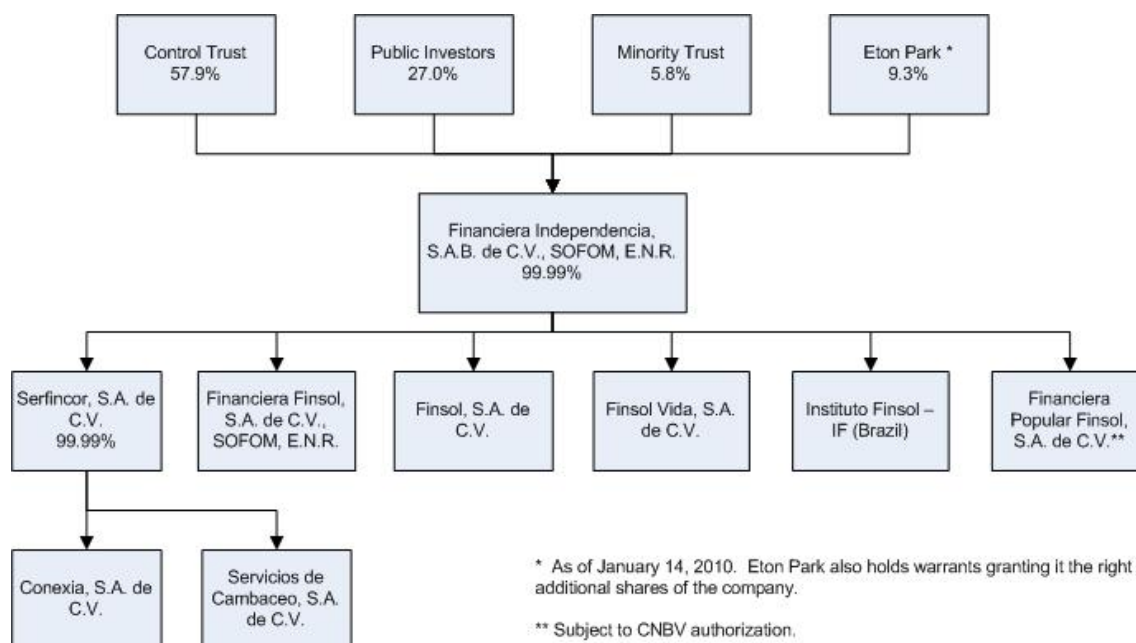
Serfincor also owns one share of each of the Finsol entities.

The following chart sets forth our ownership and corporate structure prior to the acquisition of Finsol.



In February 2010, we acquired Financiera Finsol, S.A. de C.V., SOFOM, E.N.R., the second largest group lending microfinance institution in Mexico, and a group of related entities including Finsol Vida, S.A. de C.V. (an insurance broker), Finsol, S.A. de C.V. (a service company), and Instituto Finsol-IF Associação Civil Sem Fins Lucrativos OSCIP (Finsol Brazil) (a group lending microfinance institution in Brazil). Subject to the authorization of the CNBV, we will also acquire Financiera Popular Finsol, S.A. de C.V., S.F.P. (SOFIPO – a specialized savings and loans regulated entity) as part of the acquisition of Financiera Finsol and its related companies. The acquisition of Finsol involved the purchase of 100% of these companies' outstanding shares for approximately Ps.530 million (approximately U.S.\$41 million) in cash.

The following chart sets forth our ownership and corporate structure following the acquisition of Finsol.



## Our Competitive Strengths

We believe that our main competitive strengths are the following:

### ***Demonstrated Ability to Deliver Profitable Growth***

We have demonstrated our ability to deliver profitable growth. We are one of the fastest-growing microfinance lenders in Mexico based on the growth of our loan portfolio. As of December 31, 2009, we had 1,236,092 loans outstanding, representing a compounded annual growth rate of 27.3% over the three-year period ended December 31, 2009. This growth in our loan portfolio has generated income growth as well. Our financial margin after provision for loan losses has grown at a compounded annual growth rate of 11.6% over the two-year period ended December 31, 2009. We strive to pursue strong growth rates while maintaining the high quality of our portfolio.

In 2009, our net interest margin after provisions, including commissions, and return on average stockholders' equity were 48.4% and 28.1%, respectively, which we believe compare favorably to the net interest margin after provisions and return on average stockholders' equity of other Mexican and Latin American financial institutions, as illustrated below. Except as set forth below, the figures in the table below are derived from financial information for the fiscal year ended December 31, 2009.

Institution	Return on Average Stockholders' Equity(1)	Return on Average Total Assets(1)	Ratio of Equity to Total Assets	Net Interest Margin After Provisions(2)	Total Loan Portfolio Growth(3)
<b>Latin America Microfinance / Consumer Finance Institutions</b>					
Financiera Independencia (Mexico)	28.1%	8.8%	31.3%	48.4%	7.6%
Banco Compartamos (Mexico)	44.5%	18.0%	43.9%	50.0%	33.4%
Banco Ahorro Famsa (Mexico)	0.0%	0.0%	14.2%	-10.4%	404.4%
Banco Azteca (Mexico)	11.4%	0.8%	6.9%	25.0%	-15.9%
BanCoppel (Mexico)	-35.9%	-5.1%	11.8%	13.0%	17.8%
Banco Wal-Mart (Mexico)	-79.8%	-48.9%	62.5%	27.6%	10.9%
MiBanco (Peru)	33.6%	2.9%	8.7%	16.2%	19.9%
<b>Mexican Universal Banks</b>					
Banorte (Mexico)	13.9%	0.9%	7.5%	3.6%	0.1%
BBVA Bancomer (Mexico)	20.3%	1.5%	8.7%	4.6%	-0.2%
<b>Latin American Universal Banks</b>					
Banco de Chile (Chile)	19.0%	1.4%	8.0%	4.8%	-4.2%
Santander Chile (Chile)	27.2%	2.1%	8.1%	5.0%	-6.5%
Itau Unibanco (Brazil)	21.3%	1.6%	8.3%	14.4%	2.4%
Bradesco (Brazil)	21.1%	1.7%	8.2%	8.8%	6.8%
Bancolombia (Columbia)	15.5%	2.5%	17.0%	9.1%	-5.3%
InterBank (Peru)	36.4%	2.8%	8.8%	9.9%	8.6%

Notes:

Source: For Mexican banks (commercial banking operations only), CNBV except for Banco Ahorro Famsa. For Latin American banks and Banco Ahorro Famsa, company reports and publicly available financial information.

(1) For Financiera Independencia average shareholders' equity and average assets figures are calculated on the basis of daily averages for the period; for Mexican banks, figures are calculated using monthly averages as per CNBV, except for Banco Ahorro Famsa; for Banco Ahorro Famsa and the others, figures are calculated using the average of the beginning and end of the period.

(2) Net interest margin after provisions including commission and fees is calculated considering interest-earning asset balances at beginning and end of the twelve-month period ended December 31, 2009, except in the case of Financiera Independencia, which we have calculated on the basis of daily averages.

(3) From 2008 to 2009.

Our return on average shareholders' equity of 28.1% in 2009 was higher than the average return on average shareholders' equity for the same period among Mexican commercial banks, which was 12.8%, as reported by the CNBV.

### ***Unique Expertise in Microcredit Financing***

We have 16 years of experience focused on the microfinance sector in Mexico. We have significant expertise in making unsecured loans to individuals in the low-income segments of the Mexican population and a track record of profitable operations based on a specialized business model that relies on providing large volumes of small-sized loans with a high frequency of collection. Our cost structure, product offerings, technology, systems and branch network are all specifically designed to serve our target market while maintaining profitability. We believe that this represents a significant competitive advantage over banks and other institutions within the traditional financial sector in Mexico that have historically focused their lending practices on middle- and high-income clients and that engage in microcredit lending only as a secondary activity. We believe that our current position among the leading Sofoms and Sofols in the microfinance industry in Mexico reflects this competitive advantage.

### ***Product Innovation***

We are focused on remaining at the forefront of product innovation and continue to develop new ways to reach customers and new products tailored to the needs of individuals in the lower income segments of the Mexican population. Since our inception, we have built a track record of successfully developing and launching new products.

In 2004, we began granting loans to individuals in the informal sector of the Mexican economy, enabling us to increase the yield of our loan portfolio. As of December 31, 2009, 35.7% of our total loan portfolio was represented by loans to individuals in the informal sector of the Mexican economy. In 2004, we also launched our CrediInmediato product, a revolving line of credit that allows our clients increased financial flexibility. In addition, during 2006, we added two new loan products to our loan portfolio, CrediConstruye, for financing home improvements, and CrediMama, tailored to mothers who have at least one child under the age of 18.

In 2007, we implemented a program to install ATMs in our branches, which allows our customers to withdraw their loan proceeds with a debit card issued by us. As of December 31, 2009, we have 105 ATMs installed in our branch network. In August 2008, we started offering our customers life insurance products with medical assistance underwritten by third party insurance companies under our CrediSeguro product line. As of December 31, 2009, we have 92,040 active clients with an insurance policy. In addition, in recent years we have introduced products and services that allow clients to receive remittances from the United States, pay their fixed-line telephone bills, and recharge prepaid mobile telephone cards for all major service carriers in Mexico. New product development, together with organic expansion, has allowed us to serve approximately 1.2 million clients and has expanded our total loan portfolio to Ps.4.8 billion as of December 31, 2009.

### ***Strategic Network of Branches with Extensive Geographic Coverage***

We believe we have one of the most efficient and extensive microfinance distribution networks in Mexico. As of December 31, 2009, we had 199 branch offices providing loans in 143 cities in 31 of the 32 Mexican federal entities, including branch offices located in most of the major large and medium-size cities of Mexico with populations above 50,000 people. According to the CONAPO, there are 202 cities in Mexico with a population of at least 50,000 people, 143 of which we served through our distribution network as of December 31, 2009. Excluding Finsol, on average, more than 2.6 million client visits are made to our extensive network of branches each month, resulting in monthly average collections of approximately Ps.600 million. We expect to continue to expand our network by opening additional branch offices in cities with populations of at least 50,000 people, which we believe present significant growth opportunities. In addition, we plan to expand our operations into Mexico City and Monterrey, two of the three largest population centers in Mexico, in the coming years. As a result of the acquisition of Finsol, we acquired an additional 149 branch offices in Mexico, significantly increasing our presence in rural and suburban areas throughout Mexico. We believe that our diversified service area mitigates the risk of regional economic slowdowns and other region-specific risks, including natural disasters. As of December 31, 2009, no Mexican federal entity represented more than 9.5% of our loan portfolio.

The convenience of our distribution network is enhanced by our specialized sales force, which is organized by geographic area and product. We have a sales force that specializes in, among other things, loan renewals, sales of certain of our products, client service, specified geographic areas and other specific aspects of our business. For each of our products, we have developed strategic business plans, including targeted marketing campaigns and a dedicated sales force, and have trained highly qualified individuals at our offices to sell our products and provide post-sale customer service. All of our loan products are available in each of our branch offices, which are capable of providing a full complement of services, but vary in size and staffing based on the needs of each market. We believe that our extensive distribution network, together with our product- and region-specific sales forces, make us more accessible to our customers and differentiate us from our competitors.

### ***Low Default Rate and Effective Risk Management***

We have historically experienced a relatively low total non-performing loan rate, despite the strong growth in our loan portfolio. The non-performing loan rate as of December 31, 2009 was 12.0% for our overall portfolio and 11.6% for our consumer loan portfolio, which excludes working capital loans. In addition, according to data published by the CNBV as of September 30, 2009, we had a consumer loan portfolio of similar quality as that of traditional banks in Mexico offering consumer loans to the middle and higher income segments of the Mexican population. We attribute our relatively low default rates to our risk management team and our standardized risk management policies, which focus on loss prevention, as well as to our collections practices. As part of these policies, we individually manage each loan and client based on the corresponding level of risk through our proprietary risk management system managed at our operations centers in the cities of Leon and Aguascalientes.

Furthermore, our standardized scoring system for assessing the risk of each loan application builds upon our extensive experience in the microfinance industry. We believe that our scoring system leads the market in terms of efficiency, and can be adjusted by management to effectively manage risk. For instance, management imposed more stringent approval requirements on new loan applications in 2009 in response to the economic downturn, improving our non-performing loans ratio. We also verify the identity and residence of each borrower prior to loan approval to assist in future collection efforts and minimize the risk of default, and each borrower must live and work within 45 minutes of one of our branch offices (by public transportation) to qualify for a loan. We believe that

sound risk management is at the very forefront of our culture and we believe that it will continue to drive profitable growth.

We believe that our average interest lending rate and our ratio of non-performing consumer loan portfolio to total consumer loan portfolio compare favorably to those of other Mexican financial institutions engaged in consumer lending, as illustrated in the following table.

Institution	Average Interest Lending Rate per annum <sup>(1)</sup>	Non-Performing Consumer Loan Portfolio/ Total Consumer Loan Portfolio <sup>(2)</sup>
Financiera Independencia <sup>(3)</sup> .....	60.0%	11.6%
Banco Azteca.....	76.2%	9.1%
Banamex.....	27.4%	6.1%
Santander.....	21.7%	7.3%
Mexican Banking System <sup>(4)</sup> .....	21.1%	7.9%
BBVA Bancomer.....	19.9%	7.9%
HSBC Mexico.....	19.4%	12.7%
Banco Ahorro Famsa.....	26.7%	10.0%
BanCoppel.....	19.9%	7.9%
Banco Wal-Mart.....	9.4%	12.7%

Source: CNBV, except for Financiera.

(1) Except for Financiera, the average interest lending rate was calculated as of September 30, 2009, dividing the interest income from loans by the average balance of the total loan portfolio for the period. The average balance of the total loan portfolio is the sum of the beginning balance and ending balance for the period divided by two. Our average interest lending rate was calculated as of December 31, 2009.

(2) Policies with respect to non-performing loan recognition and write-off of loans vary by institution and therefore may not be directly comparable.

(3) Average for the twelve months ended December 31, 2009 for consumer loans. Note that this statistic excludes working capital loans. See "Selected Statistical Information—Average Assets and Interest Rates."

(4) Includes BBVA Bancomer, Banamex, HSBC Mexico, Santander, Banco Azteca, BanCoppel, Banco Ahorro Famsa, Banco Wal-Mart, Banorte, Banco Inbursa, Scotiabank, Banco del Bajío, and Banco Ixe, as reported by CNBV.

### ***Effective Collection Process***

We have developed an advanced collection process that is comprised of both remote and in-person activities. Most of our remote collection activities are conducted at our operations and call centers in the cities of Leon and Aguascalientes, where we have 337 call stations and over 634 agents dedicated to telephone collections and to performing other collection-related activities. In addition, for our in-person collection activities we have 2,953 collection agents that operate through our branch network who engage clients on a face-to-face basis in order to facilitate payment of past-due loans. We are one of the few financial institutions in Mexico with an in-house collection team that is able to collect payments directly at our clients' homes. All payments are made to us through our branch offices or collection agents, without requiring the services of any other third-party financial institutions.

Our collection-related expenses are offset in part by the past-due fees that we charge. Late-payment fees represented 35.0% of the non-performing loan portfolio as of December 31, 2009. These fees contributed 5.2% to our total revenue as of December 31, 2009.

In addition, we have been able to generate additional income from the sale of our non-performing portfolio to third-party collection firms. In accordance with Mexican Banking GAAP, we recognize non-performing loans when they are 60 days past-due for revolving credit lines, and when they are 90 days past-due for our other loan products. After this period, such loan is classified as "non-performing" if unpaid, it ceases to accrue interest. When a loan is 180 days past due, we write off the loan. Written-off loans become subject to consideration for further action, including a sale of any such loan at a discount to a third-party collection firm. From the date on which a loan becomes past-due until it is recovered or sold at a discount, we attempt to collect the loan in the manner described above. During 2009, we sold 75,847 loans to third-party collection firms at an average price of Ps.0.12 per Peso.

### ***High-Quality, Personalized Client Service***

We seek to strengthen our relationships with existing clients and attract new clients by focusing on superior customer service. For instance, during 2009 our response time was such that 87% of loan applications we received were processed in less than 48 hours. We believe that superior customer service is critical to our growth. We actively manage client relationships through, among other things, a well-trained, motivated sales force committed to our core mission and focused on delivering high quality and highly personalized service. Our sales and collections teams are recruited and trained separately, and receive compensation under arrangements that we believe are aligned with our strategic goals. As part of our customer service efforts, we operate a toll-free centralized call center that is dedicated to client service. As of December 31, 2009, approximately 91.1 % of our labor force had duties that involved direct contact with clients. In addition, we believe that our presence close to our customers through our extensive distribution network enhances our ability to provide high-quality, personalized client service, fosters client loyalty and facilitates the expansion of our client base. We believe that our dedication to high-quality, personalized client service will serve as a significant competitive advantage in the introduction of new and complementary products.

### ***Access to Diverse Sources of Funding***

We currently have access to various sources of funding, including lines of credit from three different financial institutions, medium-term debt in the form of *certificados bursatiles*, and cash on hand. We have a term loan and a credit line with HSBC Mexico for Ps.1,250 million each. We also have a credit line with Nafinsa for Ps.1,000 million, and with SHF for Ps.700 million. A total of Ps.1,134 million was available to us and undrawn under these credit lines as of December 31, 2009. We currently have *certificados bursatiles* outstanding in the Mexican debt capital markets in a principal amount of Ps.784 million. We have the option of issuing additional *certificados bursatiles* in the future, depending on our financial needs and existing market conditions. As of December 31, 2009, we had cash and cash equivalents on hand totaling Ps.499 million.

Our advantage in accessing diverse sources of funding was highlighted during the liquidity crisis of 2008 and 2009, when despite the economic environment we were able to increase our credit lines and extend their maturities. From December 31, 2007 to December 31, 2009, our total funding sources increased by Ps.2,804 million or 128.6%.

### ***Centralized Processes that Facilitate Efficient Loan Application Processing and Growth***

Our loans products are differentiated from our competitors' in part by the speed with which we are able to process loan applications, which is typically less than 48 hours. In order to streamline our operations, we have developed centralized and standardized processes for loan applications, verification and approvals, as well as for loan renewals and collections. These processes are structured and divided into different stages and performed in our operations centers located in the cities of Leon and Aguascalientes, each of which is capable of operating on a standalone basis. In addition, we have standardized our technology systems, information management systems and the layout of our offices. We perform centralized training of all office managers in our training department located in Mexico City, followed by additional training at a particular office. This level of centralization provides us with flexibility to rapidly open new branch offices and begin operations in a new city at a relatively low cost. This methodology has helped us to grow profitably and we expect that it will continue to do so in the future.

### ***Advanced Information Technology Systems***

We have developed advanced information technology systems and software to support our information management and risk management policies. These systems have helped us to better serve our clients, support our growth strategy, enhance the quality and development of our products and services and successfully reduce the cost and time associated with our loan approval, monitoring and collection practices. Because these proprietary systems are designed to meet our specific needs, we believe that our information technology systems and practices are more specialized and effective than many systems currently used by traditional financial institutions, and that they have contributed substantially to increase our efficiency and differentiate us from our competitors. In addition, we have developed our own on-line, readily available Management Information Systems, or MIS, which provides us with the ability to access real-time data on-line, including digitalized images and files relating to our clients, collection

processes and other loan statistics. Since the installation of our MIS, we have been able to improve our business model by more efficiently adjusting credit policies, analyzing credit behavior of clients resulting in the implementation of our behavioral scoring model, entering into new markets, developing new products, and optimizing the loan approval and collection processes. In addition, our verification teams and collection agents are equipped with Pocket PCs that allow them to upload information and updates obtained during their personal visits into our system. During 2009, we invested approximately Ps.76.9 million in technology improvements. We will continue to invest in new management information tools to allow us to better serve and understand our customers' needs.

### ***Experienced Management Team and Motivated Workforce***

We believe that we benefit from an experienced and talented management team. Our principal officers have been involved in the finance industry for an average of approximately 17 years and we believe that they have the know-how necessary to identify and offer products and services that meet our clients' needs. In addition, we have a culture that emphasizes teamwork and meritocracy. We focus on attracting highly qualified personnel and maintaining a motivated workforce in order to deliver high quality service. For example, our independent sales agents are eligible to receive bonus commissions for meeting individual performance targets relating to increasing our loan portfolio and maintaining our existing clients. We believe that these incentive programs have contributed to the development of a motivated workforce and sales force focused on building solid relationships with our clients by delivering personalized, high-quality client service, growing profitability and achieving operational efficiency.

### **Our Strategy**

Our strategic goal is to become the "one-stop-shop" for financial services for low-income individuals, maintaining our position as a leading provider of personal microfinance loans, and sustaining high levels of profitability and efficiency. We believe that there is significant potential for the growth of our business given that a significant percentage of the Mexican population has little or no access to formal financial services.

To this end, we intend to implement the following business strategies:

#### ***Diversify Our Funding Sources***

We believe that there is considerable growth potential in the Mexican market for companies engaged in providing financial services to low-income individuals. During the last two years, we have seen that access to financing from third parties on reasonable terms is subject to significant fluctuations in both pricing and availability. In order to ensure that we are positioned to take advantage of the growth potential we anticipate in financial services for low-income individuals, we believe it is strategically important to reduce our reliance on third-party financing from financial institutions. We believe that converting ourselves into a bank, which would allow us to accept deposits from customers, would increase our financial stability by giving us access to a pool of relatively stable and inexpensive funding. We also believe that there is significant demand among our existing customer base for readily available quality savings products. Our board of directors has approved the conversion, and we currently anticipate submitting an application in the latter part of 2010 to the CNBV to operate as a bank. If Mexican banking and regulatory authorities approve this application, we expect to begin operating as a bank and accepting deposits by the middle of 2011. This conversion would also allow us to borrow funds on the interbank, overnight window. Prior to obtaining this approval, our goal is to diversify our current funding sources such that no single institution represents more than 25% of our outstanding funding. This notes offering is a step in diversifying our current funding sources.

#### ***Differentiate Our Products and Services***

When we began operating in 1993, we were the only company in Mexico operating within our specific market. Over the last several years, a considerable number of local and regional players have emerged as competitors, presenting our potential customers with several loan alternatives. We plan to differentiate ourselves from our competitors by offering a broader array of products and services that will meet all of our customers' financial needs. We view our decision to apply for a banking license, which would allow us to accept customer deposits throughout our extensive branch network, as an important strategic step in improving our relationship with



our customers and increasing our share of our customers' wallet. Several studies have shown that clients are more likely to enter into financial transactions with the institution where their bank deposits are held, and for this reason our planned conversion into a bank is an important part of our strategy to be a "one-stop-shop" for financial services for low-income individuals in the Mexican market. We believe that continuing to expand our product line beyond loans and offering a broader array of financial products and services to our customers will differentiate us from our competitors.

### ***Expand Our Client Base***

We intend to expand our client base through both organic growth and strategic acquisitions. In terms of organic growth, we expect to continue penetrating those cities in which we already have a presence. We also are currently assessing an expansion into Mexico City and Monterrey, two of the largest cities in Mexico and the only major urban areas in Mexico in which we do not already have operations. We also hope to expand our client base through strategic acquisitions that consolidate our position as a leading provider of financial services for low-income individuals.

Economic and funding conditions in Mexico since 2008 have made available multiple opportunities for consolidation, such as our acquisition of Finsol. We continue to assess opportunities to acquire targets that are engaged in lending to the low-income segments of the population. In assessing such acquisitions, we frequently consider opportunities to acquire companies that operate differently than us, as well as companies that complement our geographic coverage and product offerings, such as Finsol. Following the acquisition of Finsol, we expect to expand our client base in rural and suburban areas throughout Mexico through organic growth of existing branches. We also expect to expand beyond our current individual lending methodology to include group lending given Finsol's traditional focus on group lending. We also anticipate expanding Finsol's existing client base in Brazil, a process that we believe will be facilitated by registering Finsol Brazil as a regulated microcredit financial institution.

### ***Offer More Payment Channels to Our Customers***

We are currently capable of accepting loan repayments from our customers in our branch offices and at our clients' homes, when necessary. To compete more effectively with our competitors, many of whom accept payments in various locations, such as convenience stores, and to increase customer satisfaction, we plan to increase the number of locations and channels through which we accept loan repayments from our customers. We launched a pilot program in November 2009 to accept loan payments in locations other than our branch offices, and the results and client feedback have been positive. We are currently exploring entering into commercial agreements with convenience stores and commercial banks that would allow customers to make loan repayments at these locations. As of December 31, 2009, we had successfully implemented operations in six locations pursuant to a commercial arrangement with Oxxo, a convenience store chain. Additionally, we are considering the feasibility of introducing online collections. We believe that this expansion will increase overall customer satisfaction and loyalty.

### ***Develop New Sales Channels***

Our business model relies heavily on door-to-door sales to potential clients, which is our primary sales method. We are currently exploring additional sales channels aimed at increasing our market penetration. Potential sales channels include those that rely on electronic communications, such as ATMs, mobile phones and the Internet. Our objective is to allow our customers to interact with us through additional channels that do not require them to visit our branch offices. We are also exploring the possibility of entering into joint ventures with local and regional retailers that do not have a financing arm. These joint ventures would offer retail clients a convenient way of financing purchases made in those stores through our loan products.

### ***Invest in Our Brand***

We believe we have been successful in developing a large client base and loan portfolio without major investments in marketing, thanks in significant part to the strength of our customer referrals. We believe that investments in marketing and strengthening our brand recognition could increase the number of loans we originate

and distinguish us from our competitors. During 2010, we anticipate launching a marketing campaign that will be tailored to various potential customers through various channels. The plan consists of developing brands and products that meet our customers' needs, continuing to invest in market research to track consumers and the market, and improving our customer service to generate greater customer loyalty. We also hope to leverage our current customer base by increasing advertising, promotions and loyalty programs. Furthermore, we plan to explore new channels through which we can bring our products to market and improve the productivity of our call centers in terms of sales, telemarketing and customer service.

### ***Attract, Retain and Develop Human Capital***

Meeting our growth and productivity goals will require us to attract, develop and retain human capital. We are currently focused on reducing our employee turnover rate, which will reduce our costs associated with training new employees and increase productivity, as experienced employees tend to be more efficient than new hires. We are closely reviewing and assessing our training techniques and results, and the profile of our typical sales and collection agents. We expect that these efforts will help us attract, develop and retain personnel according to our business needs, while reducing our turnover ratio.

### **Products and Services**

We currently offer four personal loan products to our clients: CrediInmediato, CrediPopular, CrediMama and CrediConstruye. All of our individual loan products are denominated in Pesos, range in principal amount from Ps.1,800 to Ps.20,000, offer fixed interest rates and have short maturities of six to nine months, with the exception of CrediInmediato, which is a revolving line of credit, and CrediConstruye, which has an average term of up to 24 months. Principal and interest payments are due on a weekly, bi-weekly or monthly installment basis. We are currently considering applying different interest rates on our loan products to our borrowers, as a function of their level of risk, rather than a uniform fixed rate for each loan product.

The following table provides a general description of our major loan products, including loans products offered by Finsol.

	<b><u>CrediInmediato</u></b>	<b><u>CrediPopular</u></b>	<b><u>CrediMama</u></b>	<b><u>CrediConstruye</u></b>	<b><u>Finsol<sup>(1)</sup></u></b>
Target Market	Formal Employees	Informal Workers	Mothers	Home Improvement	Group Loans
Type	Revolving Line of Credit	Working Capital Loan	Individual Consumer Finance Loan	Home Improvement Loan	Working Capital (6-20 individuals)
Loan Size	Ps.3,000 – Ps.20,000	Ps.1,800 – Ps.4,800	Ps.1,800 – Ps.2,400	Ps.3,000 – Ps.20,000	Ps.500 – Ps.50,000
Maturity	Revolving	6 or 9 months	6 or 9 months	2 years	16 weeks
Fees	Annual and withdrawal	Origination	Origination	Origination	None
NPL / Total Loans	11.6%	14.7%	11.5%	5.1%	2.9%

(1) Only includes Finsol Mexico.

The following table shows the composition of our total loan portfolio by loan product and by number of loans outstanding as of December 31, 2009.

	Outstanding Loan Portfolio		Number of Loans Outstanding	
	(in millions of Pesos, except percentages)			
	Amount	%	Number	%
CrediInmediato .....	3,095.5	64.3%	750,374	60.7%
CrediPopular .....	1,277.1	26.5%	347,383	28.1%
CrediMama .....	119.1	2.5%	49, 876	4.0%
CrediConstruye .....	320.6	6.7%	88,459	7.2%
<b>Total</b> .....	<b>4,812.3</b>	<b>100.0%</b>	<b>1,236,092</b>	<b>100.0%</b>

We grant loans to each borrower on an individual basis (with the exception of Finsol, which lends on a group basis) only if his or her loan application is approved. See “—Credit Application and Approval Process.” Some important elements of our eligibility criteria are that a borrower must generally live and work within 45 minutes by public transportation of one of our branches to qualify for a loan, and that the borrower may not possess a negative credit history with the credit bureau. Since many of our clients are recurrent customers, we consider their actual performance as an important credit metric, and failure by a borrower to make timely payment may negatively impact his or her ability to borrow from us in the future or to renew his or her existing loan.

We offer all customers of our CrediInmediato loan product coverage in the event of unemployment. In case of unemployment of any of our customers of our CrediInmediato loan product, payments of principal and interest are suspended and interest ceases to accrue for a maximum period of six months. In addition, upon the death of any of our customers, payments under such customer’s loans are cancelled and written off against provisions. For our CrediInmediato clients we also offer our CrediSeguro life insurance products with a one-year maturity and coverage amounts from Ps.30,000, up to Ps.70,000. For this insurance policy we charge an additional fee from Ps.200 to Ps.400, which includes a medical assistance service. We outsource the underwriting of the insurance products we offer, in order to avoid the associated risks.

The composition of our loan portfolio in terms of product mix varies as we either introduce new products or our existing products grow at different rates, since the profile of interest rate and credit risk varies per product. For example, our CrediPopular and CrediMama loan products have higher interest rates than our other loan products as they are offered to individuals in the informal sector of the Mexican economy and thus represent a higher risk profile than our other products.

Additional services that we offer to our customers through our branch offices include: 1) payment of their fixed-line telephone bills, 2) recharge of prepaid cell phone cards for all major mobile telephone carriers in Mexico (*e.g.*, Telcel, Movistar, Iusacell and Unefon) and 3) receipt of remittances from the United States.

Each of the four types of personal loans that we grant is described in more detail below.

### ***CrediInmediato***

CrediInmediato is our main loan product. It is a personal revolving line of credit available to individuals earning at least the Mexico City minimum monthly wage. This product is primarily targeted to individuals in the formal sector of the Mexican economy. However, borrowers under the CrediPopular and CrediMama loan products (which mostly cater to the informal sector of the economy) may be eligible to receive our CrediInmediato revolving line of credit after two loan cycles of positive performance. CrediInmediato loans range from Ps.3,000 to Ps.20,000 (approximately US\$230 to US\$1,533). Currently, the monthly interest rate over outstanding balances is 5.9%. CrediInmediato is a revolving line of credit and therefore has no average term of maturity. Payments of principal and interest are calculated on the basis of a 22-month maturity schedule and are due on a fixed bi-weekly or monthly basis depending on the frequency of the income received by our customers. We have been offering this loan product since 2004. Prior to the introduction of our CrediInmediato loan product in 2004, we offered our customers a short-

term loan program. In 2005, we began offering customers of our short-term loan program the option to convert their short-term loans to the CrediInmediato revolving credit line.

In 2006, we eliminated the origination fee payable by our customers, and we instituted an annual commission or servicing fee of Ps.350 payable by our customers to us on each anniversary of the origination of their loan. In addition, we charge a fee of 10% on disbursements under CrediInmediato loans. For the fiscal year ended December 31, 2009, our interest income for this product was Ps. 1,850.3 million as compared to Ps.1,762.3 million for the fiscal year ended December 31, 2008.

CrediInmediato accounted for 64.3% of our total loan portfolio as of December 31, 2009. As of December 31, 2009, we had 750,374 CrediInmediato loans outstanding, representing an aggregate outstanding balance of Ps. 3,095.5 million.

### ***CrediPopular***

CrediPopular is our second most important product in terms of sales. It is targeted to the working capital needs of self-employed individuals in the informal sector of the Mexican economy. CrediPopular loans range from Ps.1,800 to Ps.4,800 (approximately US\$138 to US\$368) and are available to adults with a source of income. Currently, the monthly interest rate on outstanding balances is 12.7%. The CrediPopular loans have a term of six or nine months and may be renewed for a higher principal amount following maturity depending on the performance of the borrower in terms of payment of principal and interest as well as their credit history with us. CrediPopular customers become eligible to receive our CrediInmediato revolving line of credit after two loan cycles of positive performance. Principal and interest payments are initially due on a fixed weekly basis, and may be subsequently made on a bi-weekly basis, depending on the credit behavior of the borrower. We have been offering this loan product since 2004.

We charge an origination fee ranging from Ps. 200 to Ps.500 for this product based on the size of the loan. For 2009, our interest income for this product was Ps.971.6 million as compared to Ps.633.1 million for 2008.

CrediPopular accounted for 26.5% of our total loan portfolio as of December 31, 2009. As of December 31, 2009, we had a total 347,383 CrediPopular loans outstanding, representing an aggregate outstanding balance of Ps.1,277.1 million.

### ***CrediMama***

This product is mainly targeted to the informal sector of the Mexican economy and is tailored to address the needs of mothers who have at least one child under the age of 18. Recipients of this loan product are not required to provide evidence of income. These loans are initially granted in an amount of Ps.1,800 (approximately US\$138) with a current monthly interest rate on outstanding balances of 12.7%. We have been offering this loan product since 2006. The CrediMama loans have an average term of six or nine months weeks and may be renewed following maturity depending on the performance of the borrower in terms of payment of principal and interest and for a higher principal amount than the original loan based on their credit history with us. CrediMama customers become eligible to receive our CrediInmediato revolving line of credit after two loan cycles of positive performance. Payments of principal and interest are initially due in equal installments on a fixed weekly basis, and may be subsequently made on a bi-weekly basis after two loan cycles.

We charge an origination fee ranging from Ps.200 to Ps.500 for this product, based on the size of the loan. For 2009, our interest income for this product was Ps.106.6 million as compared to Ps.126.2 million for 2008.

CrediMama accounted for 2.5% of our total loan portfolio as of December 31, 2009. As of December 31, 2009, we had a total 49,876 CrediMama loans outstanding, representing an aggregate outstanding balance of Ps.119.1 million.

## CrediConstruye

This product is available to individuals earning at least the Mexico City minimum monthly wage and is intended to finance home improvements. We have been offering this loan product since 2006. These loans range from Ps.3,000 to Ps.20,000 (approximately US\$230 to US\$1,533) and are generally disbursed in the form of vouchers for home construction materials redeemable at certain home construction materials retailers throughout Mexico. A related loan product, CrediConstruye Plus, allows qualifying borrowers to receive 80% of their loan balance in the form of vouchers and 20% in the form of cash. The current monthly interest rate on CrediConstruye outstanding loan balances is 3.6%. This type of loan offers a term of 24 months. Principal and interest payments are due on a fixed weekly, bi-weekly or monthly basis, depending on how often they receive income payments. We currently fund this loan product with our revolving line of credit with the SHF. In prior years, the Mexican government, through SHF, subsidized CrediConstruye loans by granting an additional amount to the borrower based upon the loan principal. However, funding for this program was terminated in August 2008 and the removal of this customer subsidy has resulted in a decline in the number of loans originated under the CrediConstruye product line.

We charge a 10% fee for CrediConstruye loan disbursements. For 2009, our interest income for this product was Ps.170.3 million as compared to Ps. 187.0 million for 2008.

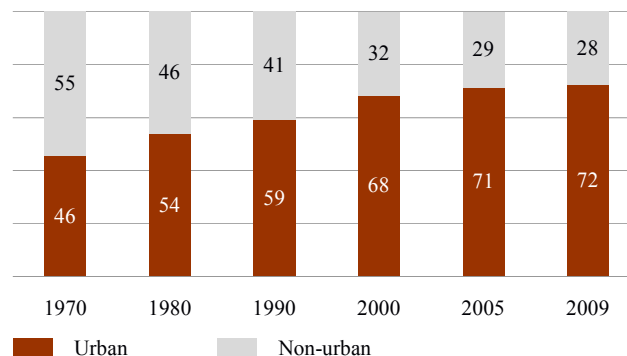
CrediConstruye accounted for 6.7% of our total loan portfolio as of December 31, 2009. As of December 31, 2009, we had a total 88,459 CrediConstruye loans outstanding, representing an aggregate outstanding balance of Ps. 320.6 million.

## Geographic Coverage

We believe that we have one of the most extensive microfinance distribution networks in Mexico. As of December 31, 2009 we had 199 branch offices located in 143 cities and 31 of the 32 Mexican federal entities throughout Mexico. Most of our operations are in urban areas. Upon the acquisition of Finsol, we acquired an additional 149 branch offices in Mexico, located mostly in rural and suburban areas. The vast majority of our branch offices are located in medium-sized cities across Mexico with populations of over 50,000, and the key rationale for this has been the ability for our borrowers to go from their home or place of work to our branch offices in generally no more than 45 minutes (by public transportation). This is important as the vast majority of the payments we receive are made by the borrower directly in our branch offices. The largest city in which we operate is Guadalajara, and we are evaluating the possibilities for entry into Mexico City and Monterrey.

Targeting urban areas has provided several advantages to our business model, including a large target market. It is estimated that approximately 72% of the Mexican population lived in urban areas in 2009. As it is set forth in the chart below, urban concentration has consistently increased over the past years.

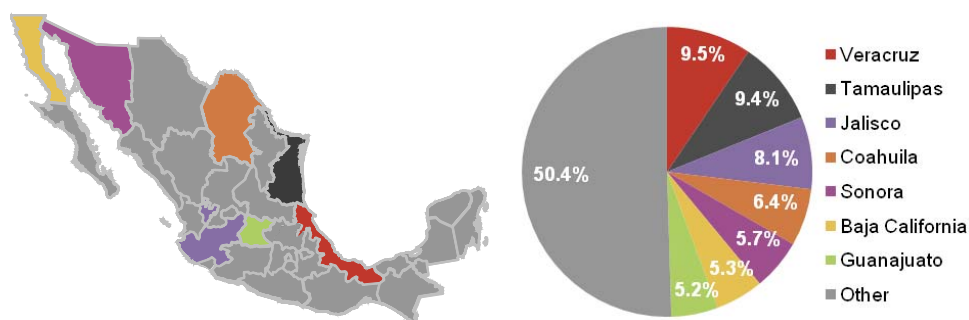
**Urban and Non-Urban Population Distribution in Mexico  
(% of Total Population)**



Note: Towns with more than 15,000 inhabitants are considered urban population

Source: Consejo Nacional de Poblacion (CONAPO)

Our nationwide distribution network contributes to the diversification of our loan portfolio. As of December 31, 2009, no Mexican federal entity represented more than 9.5% of our loan portfolio. We believe that our diversified service area mitigates the risk of regional economic slowdowns and other region-specific risks, including natural disasters. The following map illustrates the geographic distribution of our branch offices by federal entity as of December 31, 2009. Throughout this distribution network we handle more than two million client visits monthly.

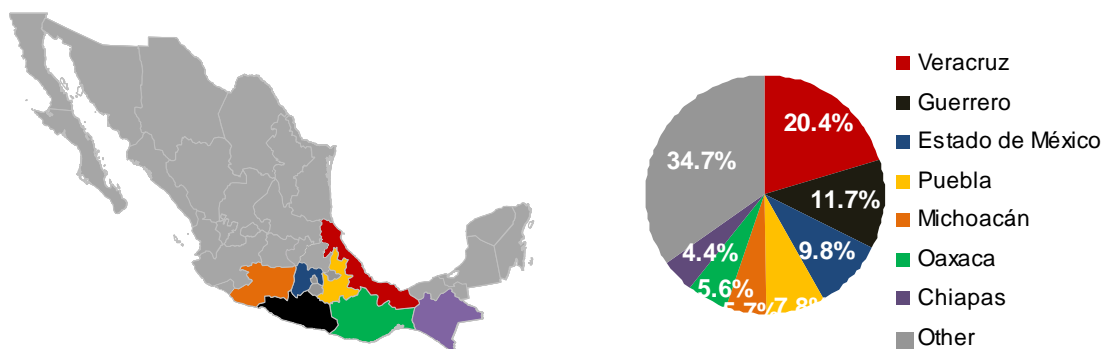


We expect to continue expanding our network by opening additional branch offices in cities in Mexico with populations of at least 50,000 people. In 2009, we opened seven new branch offices in different parts of Mexico, serving 1,236,092 clients.

We believe that our extensive geographic coverage makes us more accessible to our customers and differentiates us from our competitors. For additional information regarding the distribution of our loan portfolio by geographic region as of December 31, 2009, see “Selected Statistical Information—Loan Portfolio—Loans by Geographic Concentration.” We have not observed any significant correlations between the incidence of delinquency and default on non-performing loans and geographic location.

In order to provide customers with better access to our loan products and services, we operate a network of 105 ATMs for our clients to make payments or withdrawals in or outside normal office hours. We provide customers a magnetic card that allows them to obtain funds available under their loans and make payments 24 hours a day, seven days a week.

We expect Finsol’s distribution network in Mexico to contribute to the diversification of our loan portfolio. As of December 31, 2009, no Mexican federal entity represented more than 18.0% of Finsol’s loan portfolio. We believe that Finsol’s diversified service area complements and expands our nationwide footprint given that its branch offices are concentrated in several federal entities where we did not previously have a major presence. The following map illustrates the geographic distribution of Finsol’s branch offices by federal entity as of December 31, 2009.



### *Client Demographics*

The microfinance target market is primarily individuals earning between one and eight times the Mexico City minimum monthly wage, represented by the “Cm” through “D” socioeconomic levels as defined by the AMAI. Based on data published by the AMAI, individuals living at this socioeconomic level have limited access, if any, to banking products. We estimate that this population represents approximately 34.7 million people in Mexico, or 32% of the Mexican population. Of these 34.7 million individuals, we estimate that 75% have no access to traditional banking institutions in Mexico that are regulated by the CNBV and other Mexican governmental authorities. We further estimate our current market penetration of this market at approximately 3.6%, and we estimate that our share of the existing market is approximately 5.6%, based upon our own data and available data from our competitors.

We believe that our clients’ age distribution constitutes an advantage for us since as of December 31, 2009, over 40.0% of our clients are in the age range of 18-35 years and are likely to remain economically active for the long term.

<b>Age</b>	<b>Number of clients</b>	<b>Percentage of clients in age category</b>	<b>Percentage of loan portfolio held by clients in age category</b>
18-21	49,786	4.0%	3.6%
22-25	111,305	9.0%	7.9%
26-30	160,954	13.0%	11.9%
31-35	173,073	14.0%	13.3%
36-40	183,026	14.8%	14.6%
41-45	167,234	13.5%	13.8%
46-50	143,552	11.6%	12.3%
51-55	105,918	8.6%	9.6%
56-60	70,013	5.7%	6.5%
61-65	44,954	3.6%	4.3%
66-70	24,305	2.0%	2.1%
70+	1,972	0.2%	0.1%
	<u>1,236,092</u>	<u>100.0%</u>	<u>100.0%</u>

Based on information disclosed by our customers, as of December 31, 2009 over 51.4% of our clients receive a monthly income between Ps.2,001 and Ps.5,000.

<b>Monthly income</b>	<b>Number of clients</b>	<b>Percentage of our clients in income category</b>
Ps.1,000 or under	49,639	4.0%
Ps.1,001 - Ps.2,000	56,626	4.6%
Ps.2,001 - Ps.3,500	250,353	20.3%
Ps.3,501 - Ps.5,000	383,840	31.1%
Ps.5,001 - Ps.7,000	261,182	21.1%
Ps.7,001 and over	234,452	19.0%
	<u>1,236,092</u>	<u>100.0%</u>

### **Sales and Marketing**

#### *Sales*

We conduct sales through our extensive sales force comprised of sales agents, branch officers, loan officers and independent sales agents working in a number of geographic and product-based divisions. Our sales model varies significantly from that of traditional commercial banks, as our sales agents and independent sales agents conduct sales of our loan products door-to-door in local communities and are supervised by a sales manager in each of our branch offices throughout Mexico. As of December 31, 2009, we had 2,270 sales agents, 128 independent sales agents, 411 branch officers, 262 sales and loan managers, and 80 office managers. Our sales agents are generally specialized and dedicated to a specific loan product.

**Sales agents.** Sales agents are primarily responsible for selling new CrediInmediato loan products and are evaluated quarterly based on operational goals (in terms of number of loans originated), and, based on their operational results, may receive a performance bonus at the beginning of the following quarter. Our evaluation of sales agents emphasizes customer service and meeting our operational goals. As of December 31, 2009, 327 of our 2,270 sales agents are principally dedicated to selling our CrediConstruye loan product, 1,366 sales agents are dedicated to selling our CrediInmediato loan product, and 577 agents are dedicated to selling our CrediPopular and CrediMama loan products. For the year ended December 31, 2009, our sales agents received a total compensation comprised of a base salary representing 26.6% of their total income and commissions representing 73.4% of their total income. For the year ended December 31, 2009, CrediConstruye sales agents received a base salary representing 29.6% of their total average compensation, as well as commissions which represent the remaining 70.4% of their total average compensation.

In addition to sales agents, we have independent sales agents who are primarily responsible for conducting sales of both of our CrediPopular and CrediMama loan products door-to-door in local communities. Independent sales agents sell loan products primarily to the informal sector of the Mexican economy. Independent sales agents are not our employees, do not earn a salary or other benefits and their compensation is based solely on commissions calculated based on the number of loans originated. As of December 31, 2009, we had 128 independent sales agents accounting for about 4.0% of our total sales force.

**Branch officers.** Branch officers are responsible for the renewal and sale of all of our products in our offices and provide client service to all our customers. Depending on the number of branch officers at a particular office, they are supervised by either a loan manager or an office manager. As of December 31, 2009, branch officers received a base salary representing 16.6% of their total average compensation, as well as commissions, which represent the remaining 83.4% of their total average compensation.

**Office managers, sales managers and loan managers.** Our office managers are responsible for the operation of each of our offices, including the supervision of sales managers and loan officers. In turn, our sales managers are responsible for supervising our sales agents and independent sales agents.

As of December 31, 2009, our sales force (sales agents, branch officers and independent sales agents) comprised 87.9% of our total sales department. Depending on the size of the local customer base in a particular location, an average of 14 sales personnel are assigned to each of our offices.

Our sales agents are supported by administrative officers as well as administrative support staff in each of our offices. Administrative officers, loan managers and office managers are responsible for supervising our sales agents and branch officers, which may involve visits to customers, supervision of the loan disbursement and recovery process, review of loan records and the development of sales strategies specific to their office. As of December 31, 2009, we also had eight regional managers, each of whom is responsible for overseeing operations in our offices.

We believe the financial incentives for our sales force represent a significant competitive advantage as a result of their significant impact on the sale of our products as well as on our customer service and loan portfolio quality.

The following table shows information relating to the compensation of our sales personnel (excluding independent sales agents, who are not our employees and do not receive a base salary) for the year ended December 31, 2009.

	<u>Base Salary</u>		<u>Commission</u>	
	(in Pesos)	% of total average compensation	(in Pesos)	%of total average compensation
Sales agents .....	1,815	26.6%	5,001	73.4%
CrediConstruye sales agents .....	1,739	29.6%	4,125	70.4%
Loan officers .....	1,747	16.6%	8,762	83.4%



As of December 31, 2009, the average commission paid to our independent sales agents amounted to Ps1,187.6.

The following table shows the composition our sales force as of December 31, 2009.

<u>Categories</u>	<u>Number of Personnel</u>
Sales agents .....	2,270
Branch officers .....	411
Office & Sales managers .....	342
Independent sales agents .....	128
Total .....	<u>3,151</u>

### ***Marketing***

We believe that our marketing strategy makes us unique within the financial community in Mexico. We currently benefit from the fact that most of our new customers are referred to us by existing customers, which has historically reduced our need to dedicate significant resources to marketing, publicity and advertising efforts. We advertise our products using specialized methods and marketing channels which we believe maximize our ability to attract new customers among our specific target markets in efficient and effective ways. These methods include:

- door-to-door sales, whereby our agents make direct contact with clients at their homes;
- kiosks, with agents operating within companies and at specially chosen locations;
- branches, where sales executives provide information and loan applications to visitors at our offices;
- distribution of pamphlets in areas with significant foot traffic, such as shopping centers and open public markets;
- advertising via *perifoneo* in certain communities, which involves using a car equipped with loudspeakers to broadcast a message recorded by our local sales personnel as the car drives through the local streets; and
- recommendations, whereby our clients give us two or three referrals that we contact.

Our marketing budget is controlled and defined by our commercial department in our corporate headquarters. A portion of the marketing budget is allocated to each one of our offices based on the weighted average of their total loans as well as national and local market strategies. Local strategies usually depend on individual office results as well as the presence and strength of local competitors. In 2009, we spent Ps.29.0 million on marketing and advertising, which represented 5.6% of our total operating expenses and 0.9% of our total interest income in 2009. We anticipate increasing our expenditures on marketing during 2010 to promote awareness of our brand through various channels.

### ***Operational Facilities***

Our operations centers in the cities of Leon and Aguascalientes contain our national center for processing information (*Centro Nacional de Captura*), or CENCA, our call center, our integral credit analysis system (*Sistema Integral de Analisis de Credito*), or SIAC, and our national center for technical support (*Centro Nacional de Soporte Tecnico*). Both centers can link over 661 workstations and can handle over 2 million calls per month.

In May 2008, we opened our second operations center in the city of Aguascalientes. This state-of-the-art U.S.\$6 million facility complements our original operations center in Leon, and will allow us to more than double our current capacity in processing transactions, reviewing applications, verifying information, carrying out collection activities, and operating our call center. Its system can link 204 workstations and can handle over 1 million telephone calls a month. The new operations center also provides an important back up for our information systems, allowing us to carry out our operations from either site, and we believe it is capable of accommodating the expected expansion in our business over the next four to five years.

Our Aguascalientes and Leon operations centers are responsible for conducting the telephone verification of loan applications through a call center. These call centers are also responsible for contacting our customers upon approval of a loan application and for certain collection activities. Due to our efficient technology systems, during December 2009, 87% of the loan applications we received were processed within 48 hours of receipt. We currently have 337 work stations in charge of collections at our operations centers, working three shifts a day with 634 agents. In addition, we have 324 work stations dedicated to verification, CENCA, SIAC, telemarketing, customer service and technical support.

The CENCA is a national centralized document input center. A digitalized copy of each application presented at any of our offices is created and the information is entered into the system. The information received is divided into data and images to facilitate the input and review of each application.

The SIAC is a centralized document analysis center responsible for reviewing loan applications together with their support documentation, as well as for verifying the applicant's ability to pay. The application is then analyzed through a credit scoring system pursuant to which each loan application is assigned to one of four risk categories. See "—Credit Application and Approval Process."

### **Credit Application and Approval Process**

Our credit application and approval process has been designed to minimize operating costs as well as to effectively manage risk. Both processes leverage an advanced technology platform in which we have invested heavily over the past ten years.

Our process for the approval and disbursement of loans is separate from the process used for collection of our loans. During the application phase, we employ a scoring system for loan applications, which is evaluated periodically against our credit policies and business objectives. The scoring methodology assigns specific weights to key variables such as our customers' socio-demographic characteristics and behavior in the credit bureau, and converts these variables into a rating, which allows us to approve or reject loan applications more accurately. This process includes verifying information through external and internal databases.

The approval process for each of our loan products involves several stages, as described below.

## Efficient Origination and Monitoring Processes Based on State-of-the-Art Technology

Acquisition of New Clients	Loan Approval	Monitoring of Existing Clients	Loan Recovery
<p>Expeditious loan approval and disbursement</p> <ul style="list-style-type: none"> <li>• Offices equipped with personal digital assistants, or PDAs, scanners and Internet-based credit application to quickly transfer client information for loan approval</li> </ul>	<p>Higher quality portfolio at a lower cost</p> <ul style="list-style-type: none"> <li>• Solid back office to input client information in the system – 122,000 loans analyzed per month</li> <li>• Sophisticated credit scoring system — 46% of applications are rejected</li> <li>• Call center for verification of employment and household information — Over 190,000 calls monthly</li> <li>• Physical verification team equipped with digital cameras and GPS devices to verify addresses</li> <li>• 87% of the applications are resolved in less than 48 hours</li> </ul>	<p>Lower amount of write-offs, increase in loans renewed and larger recoveries by taking early action on bad loans</p> <ul style="list-style-type: none"> <li>• Sophisticated software monitors repayments and allows us to act quickly on past due payments</li> </ul>	<p>Higher recovery rates</p> <ul style="list-style-type: none"> <li>• Highly automated call center with highly skilled operators to collect troubled loans</li> <li>• Over 1.3 million calls per month</li> </ul>

**Information collection.** Once the customer has applied for a loan from us, our sales force collects basic quantitative application information on the customer with a view to determining his or her ability to make loan payments. Personnel responsible for verifying information then collect additional information such as a copy of the applicant’s official Mexican government-issued identification card, photo and global positioning system, or GPS, coordinates of the applicant’s home. Subsequently, additional qualitative information is collected in order to evaluate the customer’s ability to pay, such as the reputation of the applicant in his or her community and his or her employment status. Also, to be eligible for a loan, the applicant must reside or work within an authorized zone, which is based on proximity to one of our offices.

For most of our potential clients, no relevant quantitative data, such as financial information and credit bureau reports, is available. However, we are generally able to ascertain the applicant’s income to a significant degree with the information available.

**Information transfer and processing.** All documentation received from an applicant is digitalized through devices located at the offices and sent to our operations center for uploading into our CENCA system. This process allows our sales force to focus on their core objective, which is to attract new clients, reduces the time to process loan applications and minimizes errors in data inputting. As of December 31, 2009, there were 43 individuals, working in three shifts from 9 am to 8 pm, six days a week, responsible for inputting all loan application information into our CENCA system. We process approximately 90,442 applications per month through our CENCA system.

**Information analysis and credit approval.** Once the information is digitalized and available through CENCA, it is analyzed at the SIAC by our document analysts. The application is then analyzed through a credit scoring system pursuant to which each application is assigned to one of four risk categories. The following are the four possible outcomes of our credit analysis and approval process based on the credit scoring system:

- Low risk;
- Low to medium risk;
- Medium to high risk; and
- High risk.

If an application is categorized as low risk, the application is automatically approved. If an application is categorized as high risk, the application is automatically rejected. If the outcome of the credit scoring places the application under one of the other categories of risk, a telephone verification as well as an in-person visit follow.

Upon approval of a loan application, the applicant is contacted by one of our operations centers. In the event an application is rejected, this information is personally communicated to the applicant by our sales agents. As of December 31, 2009, we had 47 credit analysts working in four shifts from 9 am to 9 pm six days a week. With the assistance of our SIAC system, we process approximately 90,442 applications per month, of which an average of 46% are rejected.

***Loan disbursement.*** Loans, other than CrediConstruye loans, are issued to borrowers in cash (for loans under Ps.3,000) or in the form of a check (for loans greater than Ps.3,000) that may be cashed at commercial banks with whom we have a commercial relationship. All borrowers are required to sign a loan contract with us, together with a promissory note. CrediConstruye loans are generally disbursed in the form of vouchers for home construction materials redeemable by certain retailers. Additionally, loans can be disbursed via debit cards that work at ATMs at our branches.

## **Customer Service and Support**

We consider our customer support capabilities and the level of service that we offer our customers to be a key element of our sales strategy. As of December 31, 2009, our operations centers had approximately 133 agents working three shifts, assigned to speak with potential customers and review their applications with them. In addition, 164 agents are dedicated exclusively to customer service. For the year ended December 31, 2009, the total monthly average call volume at our operations centers was approximately 2.0 million.

In addition, each of our offices has a direct telephone line providing customers access to our operations center, which provides added convenience to customers visiting an office.

## **Monitoring and Collection**

### ***Monitoring***

We individually monitor each of the loans we grant, which are classified depending on the level of risk they represent. This methodology is based on a periodic review and analysis of our loan portfolio and classification of our borrowers in one of three risk categories (low, medium or high) based primarily on our estimate of the risk of non-payment for each loan. Such classifications are based on how long payments with respect to such loans are overdue. Each product is managed, monitored and collected individually.

### ***Collections***

Loan payments by our customers are made directly at our branch offices in the vast majority of cases. We launched a pilot program in November 2009 to accept loan payments in locations other than our branch offices, and the results and client feedback have been positive. We are currently exploring entering into commercial agreements with convenience stores and commercial banks that would allow customers to make loan repayments at their locations. We have already established a commercial agreement with Oxxo, a convenience store. We have a sophisticated web-based IT platform that allows us to constantly monitor the performance of the loan portfolio both on an aggregate and individual level and on a product basis. We actively monitor performance trends to manage risk and endeavor to take preemptive actions when required. See “—Information Technology.”

We have developed an advanced collection process, comprised of three stages. The first stage consists of the classification of the risk rating of the loan, as soon as the authorization occurs. Depending on the rating assigned to a particular account, we determine the level of follow up that will be necessary. Clients who are considered to have a higher level of risk are subject to preemptive collection processes, such as calls to remind them to make payments.

In the event of a late payment we enter the second stage of our collection process, where we contact our customers, depending on the risk rating assigned to the account, through correspondence, telegrams, telephone calls through our operations center and occasionally by in-person visits to the customer’s home or place of employment,

to inform them of a late or missed loan payment, at which point we also attempt to collect all past due payments under the loan.

The third stage of our collection process consists of in-person visits to the customer’s home or place of employment. This stage involves further actions focused on persuading our customers to pay their loans before it becomes non-performing. Collection efforts are intensified as time passes without payment. If the delinquent payment is not made, our collection agents are authorized to undertake direct negotiations with the delinquent borrower including the waiver of default interest payments and collection fees. In accordance with Mexican Banking GAAP, we recognize non-performing loans when they are 60 days past-due for revolving credit lines, and when they are 90 days past-due for our other loan products. After this period, such loan is classified as “non-performing” if unpaid, it ceases to accrue interest. When a loan is 180 days past due, we write off the loan. Written-off loans become subject to consideration for further action, including a sale of any such loan at a discount to a third-party collection firm. From the date on which a loan becomes past-due until it is recovered or sold at a discount, we attempt to collect the loan in the manner described above. We do not take legal actions to recover past-due loans.

We use an internally-developed methodology to record provisions for loan losses that is consistent with Basel recommendations and is based on the probability of default and severity of losses of the loan portfolio.

We charge a monthly default interest rate that is 1.5 times the applicable interest rate on the loan. In addition, we charge fees ranging from Ps.15 to Ps.135 for collection costs and expenses beginning on the fourth day after the date of payment of a loan is missed. Collection fees, which include default interest, represented 35.0% of our non-performing loan portfolio as of December 31, 2009. In addition, collection fees contributed to approximately 8.2% of our net operating revenue for year ended December 31, 2009.

The actions that we take to collect loan payments vary depending on the risk category assigned to the loan and how many days the loan is past-due. The following chart sets forth the basic steps that we undertake in order to collect payment on our loans.

Segmentation by Risk	Preventive Stage	Corrective Stage	Recovery Stage	Terminal Stage
The classification of the risk rating is assigned to the account as soon as the authorization occurs, through credit scoring	Reminders before maturity of the loan	Letters, telegrams and telephone calls to persuade the borrower to pay and to assist in collecting late payment	In-person visits to the customer’s home or place of employment; actions directed to demand immediate payment	· Sale of the uncollected loans · Write-offs
		634 telephone agents and 337 work stations	2,953 collecting agents	

### Information Technology

Our information technology department’s responsibilities include the development and maintenance of our proprietary information systems and infrastructure, administration and control of our databases and providing technical support to our labor force in connection with our systems.

**Business Intelligence.** We have a unique business intelligence system pursuant to which we have on-line access to a wide range of financial and operational information relating to our loans and our borrowers, including but not limited to digitized pictures of our clients’ homes and their credit record. This information allows us to efficiently manage and monitor client contact, payment information, the status of collection processes and a variety of other key metrics and statistics about borrowers’ credit history with us. Under this system, which we developed

in-house, users connect through 3,807 computers and, in addition, 3,455 users can access the system through pocket PCs.

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, and (iv) optimize loan approval and collection processes.

**Back Office.** Our offices are equipped with computers, pocket PCs, scanners, modems and internet connection to quickly transfer to our operations center clients' information in connection with the loan approval process. We also have a solid back office to input client information in the system, as well as a sophisticated credit scoring system. Our operations centers for verification of employment information, collection and tele-marketing activities made an average of approximately 2.0 million calls monthly during the year ended December 31, 2009. In addition, our physical verification team is equipped with digital cameras and Pocket PCs with GPS capability to verify addresses and other information. In addition, we have sophisticated software that allows us to monitor payments by existing clients and take appropriate actions in connection with late or missed loan payments. We also have well-trained operators that assist with the collection of past-due loans in our operations center.

All of our systems have been developed in-house and are designed to respond to our needs and specific goals, which differentiates us from most of our competitors. We maintain an electronic record of all of our loans in our information management system. These records are updated each time a borrower makes a payment and are saved daily. We have an on-site information management center, as well as an off-site data center. Our on-site information management center processes every day operations and our off-site data center works as a backup 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.

We create back-up files and software applications, among other items, on a daily, weekly and monthly basis and send them to a secure off-site location maintained by a third-party service provider. We have also devised a business contingency plan which would allow us to continue normal business operations in the event of an emergency such as a fire, earthquake or riot. As of the date of this offering memorandum, we have not encountered any contingency requiring us to use this plan.

We have developed advanced information technology systems and software relating to our information and risk management policies. These systems have helped us to better serve our customers, support our growth strategy, enhance the quality and development of our products and services and successfully reduce the cost and time associated with loan approvals, monitoring and collection practices. 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.

During 2009, we invested approximately Ps.76.9 million (approximately U.S.\$5.9 million) in technology improvements. In addition, we have a system to monitor cash management at each of the offices and cash in excess of Ps.12,000 is deposited in a safe deposit box and collected three times a week.

## **Competition**

We face competition from lenders that target the low-income segments of the Mexican population, particularly savings institutions, credit unions, cooperatives, retailers, consumer loan and informal loan providers, Sofols, other Sofoms, savings and lending associations, banks and other financial institutions comprising the traditional financial sector in Mexico. In addition, we face competition from the public sector, as the Mexican government currently engages in its own microfinance lending programs which are bundled with or supported by government subsidies. Most of our competitors focus their operations on rural areas and primarily target micro-entrepreneurs with working capital needs, while historically we have focused on urban areas and personal loans. After the acquisition of Finsol, we will also compete in rural areas and in group lending. See "Risk Factors—Competition from other microfinance lenders, banks and financial institutions, as well as state-sponsored social programs, may adversely affect our profitability and position in the Mexican microfinance lending industry."

### ***Cooperatives***

This segment includes local and regional cooperatives, credit unions and savings and loans institutions. There are approximately 42 cooperatives throughout Mexico, but the segment is highly heterogeneous and fragmented. The two largest institutions in this sector are Caja Popular Mexicana, Sociedad de Ahorro y Prestamo, and Caja Libertad, Sociedad Cooperativa de Ahorro y Prestamo. Caja Popular Mexicana consists of more than 386 branches and provides basic savings accounts to its members. Caja Libertad's presence is limited to central Mexico. Both institutions offer consumer loans to their clients and had 1,530,625 and 1,015,437 clients, respectively, as of September 30, 2009.

### ***Microfinance Institutions***

Microfinance institutions provide financial services to the low-income segments of the population. These institutions focus their products and services on making lines of credit available to their target market since, by law, they are not allowed to offer savings products. The segment is dominated by NGOs such as Asociacion ProMujer de Mexico, Asociacion Civil, and FINCA Mexico, as well as SOFIPOs such as Centro de Apoyo al Microempresario, Institucion de Asistencia Privada (CAME).

### ***Financial Institutions***

Non-banking financial institutions such as other Sofols and Sofoms, focus primarily on offering consumer and mortgage loans to middle- and low-income individuals. Based on data published by the CNBV and the SHCP (*Secretaria de Hacienda y Credito Publico*), currently, approximately 22 regulated Sofoms and 22 Sofols operate in Mexico. In addition, according to Condusef, 1,375 non-regulated Sofoms conduct operations in Mexico. Mexican non-banking institutions may engage in certain specific lending activities and regulated Sofoms and Sofols are supervised by the same regulatory authorities as commercial banks, but are prohibited from engaging in many banking operations, including foreign trade financing, offering checking accounts and engaging in foreign currency operations. Non-regulated Sofoms, such as, are supervised only by the Condusef. Credito Familiar, S.A. de C.V., *Sociedad Financiera de Objeto Limitado*, and Banco Azteca, S.A., which we consider to be our principal competitors, offer personal loans to middle- and low-income individuals.

We also consider traditional banks that market microcredit loan products to low-income individuals to be among our competitors. In most cases, the loans offered by these institutions are loans that are made to finance their retail operations. Banks offering these types of loans include Banco Azteca, Banco Ahorro Famsa, BanCoppel and Banco Walmart. As of December 31, 2009, Banco Azteca has 1,223 branches and Ps.15,997.7 million in total consumer loans, Banco Ahorro Famsa operates more than 276 branches and has Ps.8,178.0 million in total consumer loans, BanCoppel operates 681 branches and has Ps.2,073.0 million in total consumer loans and Banco Walmart operates more than 156 branches and has Ps.145.0 million in total consumer loans. Banco Compartamos offers microcredit loans through the group lending methodology principally to microbusiness owners and mainly in rural or suburban areas of Mexico, and as of December 31, 2009, operates a total of 325 branches and has a total loan portfolio of Ps.7,645.1. By comparison, following the acquisition of Finsol, we will have 365 branches and a loan portfolio of Ps.5,547.7 million. These traditional banking institutions, which are regulated by the CNBV, are also allowed to offer savings products.

### **Employees and Labor Relations**

Approximately 98.7% of our total labor force is employed by one of our subsidiaries, Serfincor. See "Risk Factors—We may be exposed to additional labor-related expenses under certain circumstances."

Other than managerial and certain administrative employees, as of December 31, 2009, 84.0% of our total labor force was affiliated with labor unions with which we had collective bargaining agreements. Wages, salaries, benefits, staffing levels and other terms are negotiated pursuant to these agreements and adjusted annually. Under Mexican law, collective bargaining agreements are renegotiated on a yearly basis with respect to wages and every two years with respect to benefits. We believe we have good labor relations with our labor force and have not experienced any strikes.

The following table sets forth the number of full-time personnel and the breakdown by primary activity for the periods indicated.

	As of December 31,		
	2009	2008	2007
Operations <sup>(1)</sup> .....	2,097	1,892	1,703
Sales .....	3,151	3,841	3,332
Collection .....	4,060	4,036	2,129
Corporate headquarters .....	335	355	299
Total .....	9,643	10,124	7,463

(1) All the employees of the operations center are considered to be included in the operations area.

In addition, as of December 31, 2009, approximately 4.1% of our sales force was comprised of independent sales agents whose compensation is based solely on commissions and other financial incentives in connection with their productivity.

Executive-level employees receive a fixed salary and variable compensation, including an annual bonus. Regional managers, office managers, loan managers, sales managers, branch officers and sales agents are compensated with a combination of fixed salary and performance bonus. Independent sales agents do not earn a fixed salary or other benefits and their commissions are calculated based solely on the number of loans originated. See “—Our Competitive Strengths—Experienced Management Team and Motivated Workforce” and “—Sales and Marketing.”

Our sales agents are evaluated on a quarterly basis based on operational goals (primarily related to the number of loans originated) and emphasizing customer service, and, based on their operational results, may receive a performance bonus at the beginning of the following quarter. On average, the performance bonus for sales personnel can represent the equivalent of 73.0% to 100% of an employee’s total compensation. Commissions paid to our sales agents and independent sales agents are based on the number of loans originated. Commissions paid to collections personnel are based on the number of loans and amounts recovered. We believe our compensation program and system of promotion have contributed to the successful implementation of our business strategies.

### ***Stock Option Plan***

We have a stock option plan (SOP) for certain employees and members of management. The SOP is implemented through a stock option plan trust, or the SOP Trust, managed as trustee by a Mexican bank pursuant to Mexican law. This plan enables eligible employees to acquire, through the SOP Trust, shares of our capital stock. We fund a portion of the purchase price through contributions that we make to the SOP Trust, and in turn the SOP Trust acquires shares of our capital stock in open market purchases through the Mexican Stock Exchange. Stock options granted under the plan generally vest in equal installments over a five-year period. The SOP Trust purchases sufficient shares in the open market to satisfy all grants when the options are granted, as opposed to when they vest. If an employee forfeits any stock options prior to vesting, the shares representing such options remain with the SOP Trust and are eligible for assignment to another grantee. The SOP Trust currently holds 9,440,690 shares of our common stock. We historically have not made contributions of shares to the SOP Trust through the issuance of new shares, and we currently do not have any plans to do so.

The plan is available to officers in the first three corporate levels of our organization, which include principal officers, assistant principal officers and managers (*directores, subdirectores, gerentes*), and officers in the same corporate level receive equal treatment. Members of our board of directors are not eligible to participate in this plan. In general, for as long as the shares of our common stock are being held by the SOP Trust, the trustee will vote the shares in the SOP Trust in the same manner that the majority of the shareholders vote their shares.



In addition to these general guidelines, the definitive guidelines relating to (i) the eligibility of the employees that will be able to participate in this plan, (ii) procedural matters related to the exercise of rights under the plan, (iii) allocation of the benefits under the plan, (iv) funding of the plan, and (v) other terms and conditions of the plan, are determined and communicated to the trustee by a representative of our board of directors, with the prior approval of our audit and corporate practices committee. The SOP Trust acts in accordance with the guidelines and restrictions set forth by the Mexican Securities Market Law when purchasing or disposing of shares of our capital stock through the Mexican Stock Exchange.

### ***Training of Personnel***

We recognize that the success of our operations ultimately depends in large measure on the level of service provided by our personnel. Therefore, we consider training programs a high priority to ensure high levels of customer service. All of our office managers are trained in our centralized training center in Mexico City and receive additional training at their respective branch office. Our sales personnel are trained at their respective branch office. Every member of our sales force receives ongoing training and continual feedback to help them develop the professional and personal characteristics necessary to provide our customers with the highest level of service. To this end, we have a multidisciplinary team of psychologists, engineers, designers and managers involved with the training and development of our labor force.

All new personnel are required to take part in a training program during which our core mission, strategic objectives and operations are explained in detail. In addition, all personnel are regularly evaluated.

New sales personnel receive an average of three or four days of classroom training and approximately ten days of field training prior to assuming responsibilities. During their first two to four weeks on the job, new sales agents are monitored by a supervisor and are provided with regular feedback regarding their performance. We certify our staff three months after they begin their employment with us, after testing on basic concepts presented during their training. When an individual is promoted, we provide additional training specific to their new position. Moreover, all members of our staff receive training geared toward personal development at least once a month. We constantly seek to improve our training programs and are currently in the process of implementing measures that will make them more effective and cost-efficient.

Our personnel and independent sales agents are continuously updated regarding our initiatives, products and services through internal e-mails, publications, bulletins, messages from management and monthly messages from our chief executive officer.

### **Properties and Leases**

In 2006, we purchased, through Conexia, S.A. de C.V., the property and building housing our 2,381 square meter operations center in Aguascalientes. Our headquarters in Mexico City as well as our operation centers in the city of Leon are located on leased premises. We also have service offices located throughout Mexico comprising an aggregate of 52,936 square meters as of December 31, 2009, all of which we occupy under lease contracts. Our service offices range in size from 38 square meters to 1,796 square meters. The average size of our service offices is approximately 266 square meters.

### **Intellectual Property**

In addition to other intellectual property such as copyrights and licenses as of December 31, 2009, we had thirteen significant commercial names and trademarks, including CrediInmediato, CrediEstudio, CrediProyecto, CrediPopular, Club CrediInmediato, Financiera Independencia, CrediMama, Linea de Credito CrediInmediato, Tu Pago, Centropago, Concta-T, Dinero sin fronteras y diseño and 'Constru Crea y Diseño, all of which are registered with the Mexican Institute of Intellectual Property.

### **Insurance**

We maintain insurance policies that are usual and customary for companies operating in our industry,

including insurance designed specifically for financial institutions. In addition to professional liability insurance, we maintain insurance policies covering our fixed assets, equipment and leased properties and that protect us in the event of natural disasters or third-party injury. We believe our insurance policies are adequate to meet our needs.

### **Legal Proceedings**

From time to time, we are involved in certain legal proceedings not described herein that are incidental to the normal conduct of our business. We do not believe that the outcome of any such proceedings, if decided adversely to our interests, would have a material adverse effect on our financial condition, cash flows or results of operation.

### **Material Contracts**

Set forth below is a description of contracts that our management believes are material to us. For more information on each of our lines of credit, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources.”

#### ***Lines of Credit with HSBC Mexico***

On October 28, 2005, we entered into a line of credit with HSBC Mexico for an aggregate amount of Ps.1,500 million. On January 10, 2006 and April 26, 2007, such agreement was amended in order to, among other things, increase the credit line to Ps.2,000 million. On September 18, 2008, the agreement was further amended to, among other things, increase the line of credit to Ps. 2,500 million. On December 11, 2009, we entered into an amendment to the agreement with HSBC Mexico to modify the terms and conditions of the existing line of credit. Although the total commitment remains unchanged, the structure has been modified from a Ps.2,500 million revolving line of credit to a Ps.1,250 million term loan and a Ps.1,250 million revolving line of credit. The term loan matures in December 2012 and the revolving line of credit matures in December 2013. As a result, the commitment has been extended by one and two years, respectively. Under the revised terms of the agreement, the coupon is set at a rate of TIIE plus a credit spread which will be driven by our credit rating, initially set at 3.85%. As of the date of this offering memorandum, we were not in default with respect to payments of principal and interest under this agreement.

The line of credit with HSBC Mexico is secured by certain of Financiera Independencia’s present and future microcredit loans. In addition, we are subject to covenants under this line of credit with respect to our operating efficiency, interest coverage, leverage, non-performing loans ratio, past due coverage, first payment default ratio, capitalization, liquidity, risk adjusted financial margin, and the maintenance of a specific credit rating.

#### ***Line of Credit with SHF***

On August 1, 2005 and May 4, 2007 we entered into two lines of credit with SHF for an aggregate amount of Ps.30 million and Ps.180 million, respectively. In February 2008, we amended and restated our prior agreements with SHF and entered into a revolving line of credit with SHF for Ps. 600 million, which was subsequently increased in September 2009 to Ps.700 million, and matures in March 2011. As of the date of this offering memorandum, we were not in default with respect to payments of principal and interest under this agreement.

The line of credit with SHF is secured by certain promissory notes for loans granted under our CrediConstruye product line. In addition, we are subject to covenants under this line of credit with respect to our non-performing assets and the percentage of overdue loans in our CrediConstruye portfolio.

#### ***Line of Credit with Nafinsa***

On February 18, 2009, we entered into a line of credit with Nafinsa, for an aggregate amount of Ps.140 million. On June 12, 2009, this agreement was amended in order to, among other things, increase the credit line to Ps.1,000 million. The line of credit has an evergreen feature, and any borrowings must be repaid within six months of drawdown. As of the date of this offering memorandum, we were not in default with respect to payments of

principal and interest under this agreement. The line of credit with Nafinsa is unsecured. We are not subject to covenants under this line of credit.

## **Finsol**

In February 2010, we acquired Finsol and several related companies. Subject to the authorization of the CNBV, we will also acquire Financiera Popular Finsol subsequent to, and as part of, the initial acquisition of these entities. For more information on how Finsol will be integrated into our business and the acquisition of Finsol, see “—Corporate Organization,” and “—Recent Developments.”

Financiera Finsol is an unregulated Sofom incorporated under the laws of Mexico, and prior to our acquisition was the second largest group lending microfinance institution in Mexico. Finsol provides microcredit group loans on an unsecured basis to groups of individuals in the low-income segments of the Mexican and Brazilian populations, mostly in rural and suburban areas. Group lending involves loaning money to a group of individuals who provide collateral or guarantee a loan through a group repayment pledge. Group lending microfinance in Mexico has generally proven to be both profitable and less sensitive to economic downturns than individual lending.

Since its inception in 2003, Finsol has become a major player in the Mexican microfinance industry. As of December 31, 2009, Finsol’s Mexican operations had Ps.599.5 million (approximately U.S.\$46.0 million) in loans outstanding and roughly 129,673 clients. In Mexico, Finsol has approximately 1,442 employees and operates 149 branches in 29 of the 32 federal entities in Mexico. Finsol targets customers with no prior bank accounts and often provides working capital loans with a term of 16 weeks to small business owners, mainly through its group lending methodology. It typically provides personal credit to groups of between 6 and 20 people, with loans being guaranteed by the entire group. Finsol’s loans have an average balance of Ps.4,623.

Instituto Finsol—IF, or Finsol Brazil, began operations in April 2007, and prior to our acquisition, as of December 31, 2009, had approximately U.S.\$16.1 million in loans outstanding and roughly 29,145 clients. Finsol Brazil had 236 employees and operated 17 branches in five Brazilian states, primarily in northeastern Brazil. Nearly all of the loans issued by Finsol Brazil are for working capital, and the average loan balance prior to our acquisition was approximately U.S.\$553. Finsol Brazil is currently operated as a public interest civil society organization—a non-profit entity—though we plan to register to operate it as a regulated microcredit financial institution (*Sociedade de Credito ao Microempreendedor e a Empresa de Pequeno Porte*), or SCM, upon receiving the relevant authorizations from the Central Bank of Brazil. There can be no assurance that we will obtain such authorizations, or that the receipt of such authorizations will not be conditioned upon our making significant changes in the way Finsol Brazil carries out its business in Brazil.

### ***Finsol’s Competitive Strengths***

We believe that Finsol possesses several competitive strengths. Finsol has historically experienced a relatively low default rate, and its percentage of non-performing loans as of December 31, 2009 was 2.9% for its Mexican operations and 5.0% for the overall portfolio (including Brazil). This low non-performing loan rate can largely be attributed to the fact that most of Finsol’s loans are made to groups who use the loans for working capital. We believe that increasing our portfolio’s exposure to group working capital loans will reduce our income volatility in the future.

Finsol’s expertise in making unsecured loans to low-income groups in rural and suburban areas provides a strategic complement to our expertise in lending to individuals in urban settings. Furthermore, we believe Finsol’s expertise in these areas has the potential to increase our competitive advantage over banks and other institutions within the traditional financial sector in Mexico that have historically focused their lending practices on middle- and high-income clients and that engage in microcredit lending only as a secondary activity. We believe that there is considerable potential for the growth of Finsol’s business because a significant percentage of both the Mexican and Brazilian populations have little or no access to formal financial services.

### *Finsol's Products and Services*

Finsol primarily offers working capital loan products to its clients, who consist of groups ranging from 6 to 20 people. Finsol's Mexican loan products are denominated in Pesos, and range in principal amount from Ps.500 to Ps.50,000. Finsol Brazil's loan products are denominated in Brazilian reals, and range in principal amount from R\$300 to R\$12,000. Finsol's loan products have fixed interest rates and short maturities of 16 weeks on average, with principal and interest payments due on a weekly or bi-weekly installment basis.

Group lending is different in a few respects from lending to individuals. Failure by any borrower to make timely payment forces other group members to make up for the deficiency, and failure by the group to repay the loans may negatively impact their ability to borrow in the future. The incentive of the individuals in the group to repay the loan is based on peer pressure because if one person in the group defaults, the other group members must make up for the deficiency. To further align incentives among members of the group, the loan amount that each individual borrower is allocated under Finsol's loans can be no more than twice the amount allocated to the group member with the smallest loan.

The following table shows the composition of Finsol's total loan portfolio by loan product and by number of loans outstanding as of December 31, 2009.

	<b>Outstanding Loan Portfolio</b>		<b>Number of Loans Outstanding</b>	
	<b>(in millions of Pesos, except percentages)</b>		<b>Number</b>	<b>%</b>
	<b>Amount</b>	<b>%</b>		
Microcredito Comunal	594.2	80.0%	123,714	77.9%
Microcredito Solidario	147.2	19.8%	34,991	22.0%
Microcredito Individual	1.0	0.2%	107	0.1%
<b>Total</b> .....	<b>742.4</b>	<b>100.0%</b>	<b>158,812</b>	<b>100.0%</b>

### *Finsol's Geographic Coverage*

Finsol's 149 branches in Mexico and 17 branches in Brazil are located primarily in rural and suburban areas. As of December 31, 2009, no Mexican state represented more than 18.0% of Finsol's Mexican loan portfolio. We believe that Finsol's diversified service area complements and expands our nationwide footprint given that its branch offices are concentrated in several states where we did not previously have a major presence. Although urban concentration has consistently increased in Mexico and Brazil over the past 50 years, rural and suburban communities still represent a significant portion of the Mexican and Brazilian populations, and many individuals living in these areas have little, if any, access to banking services. We believe these markets present significant opportunities for growth.

Prior to its acquisition by us, Finsol also operated in Argentina and Bolivia. We anticipate winding down all operations in these countries.

### *Integration of Finsol with Our Operations*

After analyzing the processes of Finsol, we expect that we will be able to realize considerable synergies, especially with regard to operational support processes. Although the operations of Financiera Independencia and Finsol will remain independent, we anticipate being able to integrate our corporate processes and systems. We plan to begin with the integration of our information databases in order to have one single repository of numbers related to the operations of Financiera Independencia, Finsol Mexico and Finsol Brazil. Next, we expect to develop software platforms that will allow each companies' systems to communicate with each other. In our third phase of integration, we plan to reorganize our placement and collection systems so that they can operate the business processes of both companies. We will also focus on standardizing the administrative operations of our branches, including collaboration processes, sales processes, the consolidation of our cash systems, and the establishment of common channels for receiving payments.

Throughout each of these steps and in the future, we believe that the integration of Finsol and Financiera Independencia may also allow us to secure more advantageous contractual terms for Finsol's purchases of products and services, based upon our economies of scale and existing relationships with suppliers. Lastly, we expect to be able to implement a number of automated processes into Finsol's operations and to make corresponding reductions in headcounts.

### ***Additional Information***

Immediately prior to its acquisition by us, Finsol held leases on 166 offices throughout Brazil and Mexico. The average branch office for Finsol is approximately 159 square meters in size and these branch offices range in size from 48 square meters to 506 square meters.

In addition to other intellectual property such as copyrights and licenses, Finsol had 17 significant commercial names and trademarks as of December 31, 2009, including 15 that are registered with the Mexican Institute of Intellectual Property. Finsol's two additional registered trademarks are registered in Ecuador and Peru.

### **Recent Developments**

#### ***Acquisition of Financiera Finsol, S.A. de C.V., SOFOM, E.N.R.***

In February 2010, we acquired Finsol, the second largest group lending microfinance institution in Mexico, and a group of related entities including Finsol Vida, S.A. de C.V. (an insurance broker), Finsol, S.A. de C.V. (a service company), and Instituto Finsol-IF Associação Civil Sem Fins Lucrativos OSCIP (Finsol Brazil) (a group lending microfinance institution in Brazil). Subject to the authorization of the CNBV, we will also acquire Financiera Popular Finsol, S.A. de C.V., S.F.P. (SOFIPO – a specialized savings and loans regulated entity) subsequent to, and as a part of, the initial acquisition of Financiera Finsol and its related companies. The acquisition of Finsol involved the purchase of 100% of the companies' stock for approximately Ps.530 million (approximately U.S.\$41 million) that was paid in cash. Following the acquisition, Financiera Finsol and its related companies became subsidiaries of Financiera Independencia.

On a pro forma basis, after giving effect to the acquisition of Finsol and its related entities, our loan portfolio would have increased by Ps.742.4 million and our client base would have increased by 158,818 new clients as of December 31, 2009.

The acquisition of Finsol has established us as a leading consolidator in the Mexican microfinance market and has further strengthened our position in the low-income segment of the population. It has also allowed us to expand into the group lending microfinance segment. In addition, the acquisition of Finsol has provided us with an opportunity to expand into Brazil, the largest economy in Latin America. The microfinance industry in Brazil is currently at an early stage of development and we believe it holds significant potential for growth.

As discussed elsewhere in this offering memorandum, we believe that Finsol's group lending platform complements our core lending operations to individuals in urban areas, and extends our reach into rural and suburban markets. The acquisition is also expected to increase our exposure to working capital loans, which are more stable and may reduce net income volatility. We expect to achieve synergies and cost savings as a consequence of the acquisition, including the ability to cross-sell our individual lending services to Finsol's group lending clients and vice versa.

#### ***Expected Conversion into a Mexican Bank***

On February 24, 2010, we received board approval and announced our intention to apply for a license to operate as a bank under Mexican law. Registering to operate as a bank will allow us to accept deposits from our customers, as well as borrow on an interbank, overnight basis, which should diversify our funding sources and reduce our cost of funding. We currently anticipate making a formal application for a banking license in the second half of 2010, and, if we receive the requisite authorizations in a timely manner (including shareholder approval), we anticipate being able to convert into and operate as a bank and begin accepting deposits by the middle of 2011. Our

conversion into a bank is dependent upon receiving approvals from the requisite Mexican government authorities, and we cannot grant you any assurance that such approvals will be received, or that the receipt of such approvals will not be conditioned upon our making significant changes in the way we carry out our business.

## **SUPERVISION AND REGULATION OF CERTAIN LENDING ENTITIES IN THE MEXICAN MARKET**

### **Sofols**

In 1993, fueled by the shortage of available financing and an increase in interest rates, the Mexican Congress enacted reforms to the Law of Credit Institutions (*Ley de Instituciones de Credito*), authorizing the formation of Sofols. The new regulations were published in the Official Gazette on December 23, 1993.

Sofols conduct only lending activities with funds derived from various sources including securities offerings in the Mexican capital markets, private investments and loans from national or foreign development banks. Unlike a bank, a Sofol is not authorized to accept deposits from the public and can provide financial services only to a particular industrial or commercial sector such as personal loans, mortgages for affordable housing, financing for the construction and automotive industries, corporate financing, transportation assets, small and medium industries, and agricultural sector. The majority of Sofols target the middle to low income sectors of the population and they mainly provide financing for the housing industry.

Sofols are regulated and supervised by the SHCP, the CNBV and the Mexican Central Bank. Furthermore, they are overseen by Condusef with respect of consumer protection issues. Currently, there are approximately 22 Sofols operating in the Mexican financial market. Foreign participation in the capital structure of Sofols was limited to 49% until July 18, 2006.

### **Sofoms**

In 2006, in an effort to (i) expand the Sofols' lending activities and partially deregulate the sector, the Mexican Congress enacted further reforms, which led to the creation of the Sofom. These amendments, published in the Official Gazette on July 18, 2006, also modified different provisions of a number of laws including the Law of Credit Institutions, the General Law of Auxiliary Credit Activities and Organizations (*Ley General de Organizaciones y Actividades Auxiliares del Credito*), the Foreign Investment Law (*Ley de Inversion Extranjera*), the Financial Groups Law (*Ley para Regular Agrupaciones Financieras*), and the Income Tax Law (*Codigo Fiscal de la Federacion*), among others.

Sofoms are financial entities that regularly provide financing to the public across all economic sectors as well as conduct leasing and/or factoring activities. A Sofom may not accept deposits and does not provide saving services. Sofoms do not require an authorization of the federal government to operate.

In addition, there are no limitations on foreign equity participation in the capital structure of Sofoms, which is expected to result in increased competition from and participation of foreign financial institutions.

Any Sofoms that are affiliates of Mexican private or public banks or controlling companies of financial groups that include a bank, are required to include in their name the denomination "entidad regulada," regulated entity, or the abbreviation "E.R." A Sofom is considered an affiliate of a credit institution or controlling company of a financial group that include a bank if: (i) the controlling company of a financial group that includes a credit institution has equity participation in the Sofom, (ii) any credit institution owns more than 20% of the outstanding shares of the Sofom or (iii) such credit institution controls the shareholders meeting, or is entitled to appoint the majority of the members of the board of directors of the Sofom. In addition, if any person controls or holds the majority of the shares of both a credit institution and a Sofom, then, such Sofom will be subject to governmental regulation as a regulated Sofom. Regulated Sofoms are regulated and supervised by the CNBV and thus are subject to some of the same requirements that apply to banks including capital adequacy requirements, reporting, related-party transaction and anti-money laundering rules, among others. Should the participation of any entity that meets the criteria set forth herein in our capital stock or our shareholders meetings fall within these criteria, the regulations that govern regulated Sofoms would be applicable to us. See—"Risk Factors – We may become subject to increased regulatory burdens and expenses if we voluntarily convert ourselves into a bank, or if a certain amount of our capital

stock is acquired by certain entities, each of which could adversely affect our operating results and financial position.”

All other entities that do not qualify as regulated Sofoms and regularly and professionally engage in lending, financial leasing or factoring activities must add the denomination “entidad no regulada,” non-regulated entity or E.N.R. to their legal name. Non-regulated Sofoms are not subject to the regulation or supervision of the CNBV; however, in September 2008 a resolution by the CNBV amended the Sole Circular for Issuers such that non-regulated Sofoms that list debt or equity on the Mexican Stock Exchange, including us, are now required to prepare their financial statements in accordance with Mexican Banking GAAP.

### **Condusef and the Transparency Law**

Condusef is the government agency primarily responsible for the protection and defense of consumers of credit, leasing and other services offered by Sofoms, pursuant to the terms of the Law for the Protection and Defense of the User of Financial Services (*Ley de Proteccion y Defensa al Usuario de Servicios Financieros*). Condusef is also entitled to make recommendations to Sofoms regarding the manner in which interest rates, commissions and other ancillary fees associated with a loan are disclosed to its clients, and to verify compliance with the provisions set forth in the Transparency Law with respect to secured loans.

The Transparency Law was adopted on June 15, 2007. This law regulates, among other things, the fees (*comisiones*) charged by some financial entities, including non-regulated Sofoms, to their customers. The law’s objective is to guarantee transparency and effectiveness of the systems used by financial entities, including non-regulated Sofoms, and consumer protection.

Condusef has jurisdiction over Sofoms and is responsible for ensuring that non-regulated Sofoms comply with their obligations under the Transparency Law and the Law for the Protection and Defense of the User of Financial Services, as well as other laws governing the financial activities performed by Sofoms. These obligations include:

- filing with Condusef the list of fees (and any of their reductions), a Sofom intends to charge its customers and concurrently providing clients with information regarding the amounts and payment schedule of such fees through brochures, lists or posters displayed at the Sofom’s branches and in an electronic format, if the Sofom has an Internet website;
- notifying clients of any new fees or increase in fees at least 30 days prior to the date that such changes become effective. If clients object to any new fees, they have the right to terminate their contract;
- delivering to Condusef the standard form of contract (*contratos de adhesion*) to be entered into with the Sofom’s customers (written in accordance with the guidelines provided by Condusef; and
- delivering to customers an account statement for any loans and/or financings or transactions that include withdrawals (*i.e.* debit cards, credit cards, checks, etc.). Customers may determine whether they want to receive or have access to the information by any other means, including the Internet. Account statements are required to be prepared in accordance with the guidelines provided by Condusef.

The Transparency Law further provides that non-regulated Sofoms may have to calculate and disclose to their clients the applicable total annual cost (*Costo Anual Total*) or CAT, which is the annual financing cost of loans and financings expressed as a percentage and represents the total amount of implied costs and expenses for the transaction. The Mexican Central Bank is responsible for establishing, through general guidelines, the methodology to calculate the CAT, the type of loans and financings as well as the amount of loans to which this requirement applies.

Finally, Condusef is responsible for issuing general advertising guidelines applicable to non-regulated Sofoms when promoting loans and/or financings that include withdrawals. Additionally, Condusef may suspend any advertisements in its discretion, if the advertisement is inaccurate or involves unfair competition.



Through a set of amendments published on June 25, 2009 in the Official Gazette, the Transparency Law (*Ley de Transparencia*) was modified to expand the supervisory authority of Condusef over, and the requirements applicable to, standard form contracts (*contratos de adhesión*), account statements and advertising materials used by non-regulated Sofoms. The amendments to the Transparency Law also granted debtors the right to terminate consumer loans (which include our products) at any time, in which case, the borrower will remain liable solely for repayment of the disposed principal and accrued interest. These amendments also granted Condusef the authority to impose administrative sanctions for violations of the Transparency Law. Condusef may issue additional regulations in the future pursuant to the Transparency Law.

### **Additional Regulations**

In the event that the rules contemplated in article 95Bis of the General Law of Auxiliary Credit Activities and Organizations are enacted, Sofoms would be required to: (i) establish measures and procedures for the prevention and detection of acts, omissions or operations that in some way could assist in the commission of a crime, (ii) file with SHCP reports regarding, among other things, acts or operations with customers or officers, members of the board, managers, employees and those with powers of attorney for the company in connection with possible commission of crimes, and (iii) establish and implement “know-your-client” procedures for information and documentation gathered when opening accounts, safekeeping client’s information and the Sofoms’ internal training guidelines. Sofoms must retain clients’ information and documentation for at least ten years. As of the date of this offering memorandum, anti-money laundering rules for non regulated Sofoms have not been issued in Mexico.

Sofoms are also prohibited from disclosing any kind of client information to any individuals or government authorities, except where expressly authorized by the applicable law.

SHCP ceased issuing authorizations for the incorporation of new Sofols from the date of publication of the Sofom amendments (except for those that were already in progress). All existing Sofol authorizations will automatically terminate on July 19, 2013. Therefore, on or prior to this date, and to prevent Sofols from being dissolved or liquidated, Sofols have the option of eliminating the regime applicable to Sofols by amending their by-laws and eliminating any references that implicitly or expressly identify them as Sofols and filing these amendments with the SCHP.

### **Mexican Credit Bureaus**

Mexican credit bureaus are institutions authorized by SHCP, with the prior review of the Mexican Central Bank and the CNBV, that collect, manage, deliver or disclose information with respect to the credit history of individuals and corporations. Officially known as credit information corporations (*sociedades de información crediticia*), the purpose of the Mexican credit bureaus is to provide services aimed at minimizing credit risk and to provide information about the payment history of individuals and companies in order to promote better credit compliance. The rules and regulations applicable to credit bureaus are set forth under the Law for the Regulation of Credit Information Corporations. Credit bureaus are overseen by the SHCP, CNBV, Condusef and the Mexican Central Bank.

Currently, credit bureaus in Mexico provide three kinds of services: (i) credit information for individuals, (ii) credit information for corporations and individuals engaged in business activities, and (iii) information about the credit behavior of the non-banking sector in Mexico. Each credit bureau maintains a database that includes current and historical information about consumers’ credit behavior. Credit bureaus are required to maintain this information for 84 months in the case of individuals, and indefinitely in the case of corporations. Individuals or corporations are reported to the bureau when they receive credit from any financial or commercial entity and this generates a credit history that can have a positive or negative rating depending on compliance with credit obligations.

Credit bureaus can offer reports on individuals or corporations, which may be general (*i.e.* without the name of the creditors), or “special” (*i.e.*, with a detailed listing of the financial or commercial creditors). Consumers have the right to receive a free copy of their credit reports once a year, which may be requested online at the bureaus, websites or in person at the bureaus’ locations. The reports are required to include a summary of the

client's rights and procedures to access the reported information and if necessary, correct any errors in the reporting. Credit bureaus are obligated to maintain the contents of this summary of rights available to the general public.

### **Foreign Investment Legislation**

Currently, there are no specific legal or regulatory limitations in Mexico on foreign investment for Mexican unregulated multiple purpose financial companies or Sofoms, such as us.

## **SUPERVISION AND REGULATION OF CERTAIN LENDING ENTITIES IN THE BRAZILIAN MARKET**

Our Brazilian subsidiary, Instituto Finsol—IF, was incorporated in Brazil as a public interest civil society organization—a non-financial entity—but is expected to become a regulated microcredit financial institution (*Sociedade de Credito ao Microempreendedor e à Empresa de Pequeno Porte*), or SCM, upon receiving the relevant authorizations from the Central Bank of Brazil.

SCMs are considered financial institutions for the purposes of Brazilian banking laws and regulations and their organization and operations are subject to the applicable rules enacted by the Brazilian National Monetary Council, or CMN, as well as being subject to the supervision of the Central Bank of Brazil. SCMs are specifically regulated by Federal Law No. 10.194/01 and CMN's Resolution No. 3567/08. To carry out their activities under Brazilian law, SCMs must observe certain requirements, among others, with respect to minimum paid-in capital and net equity, as well as maximum indebtedness and exposure by client.

Among their permitted activities, SCMs are entitled to grant credit to individuals, small companies (considered those with annual gross revenues lower than R\$240,000) and mid-sized companies (considered those with annual gross revenues between R\$240,000 and R\$2,400,000), with a view to the implementation of small professional, commercial or industrial undertakings. SCMs are not allowed to accept deposits nor to provide savings services. SCMs are not permitted to issue securities in the local market by means of public offerings. Their funding is mainly provided by credit from other financial institutions (for the purposes of on-lending transactions), and interbank deposits from other financial institutions.

SCMs are required to provide information, subject to the provisions of local laws and regulations, to the Credit Information System of the Central Bank of Brazil, or the SCR. The SCR is a database maintained by the Central Bank of Brazil with information on credit transactions performed by local financial institutions. The SCR is a mechanism created by the Central Bank of Brazil to periodically evaluate the risks involved in local credit market.

As a financial institution, a SCM must comply with and is subject to local banking rules and requirements. In general, such limitations and restrictions refer to the offering of credit, risk concentration, investments, conditional operations, foreign currency loans and negotiations, the administration of third party funds and microcredit. The principal restrictions on banking activities established by local banking laws are as follows:

- (i) no financial, banking or credit institution may operate in Brazil without the prior approval of the Central Bank of Brazil. In addition, subject to certain exceptions, in order for foreign entities to acquire an equity interest in a local financial institution (or to organize a financial institution), it must previously obtain authorization from the Central Bank of Brazil (which is subject to the issuance of a presidential decree);
- (ii) a financial, banking or credit institution may not invest in the equity of any other company except where such investment receives Central Bank of Brazil's approval based upon certain standards established by the CMN (except for investments made by investment banks);
- (iii) a financial, banking or credit institution may not own real estate, except where it occupies such property and subject to certain limitations imposed by the CMN;
- (iv) financial institutions are prohibited from carrying out transactions that fail to comply with the principles of selectivity, guarantee, liquidity and risk diversification;
- (v) the registered capital and total net assets of financial institutions should always be compatible with the rules governing share capital and minimum capitalization imposed by the Central Bank of Brazil for each type of financial institution; and
- (vi) local financial institutions are subject to strict bank confidentiality regulations and must maintain the secrecy of their banking operations and services provided to their customers.

SCMs are subject to local anti-money laundering laws and regulations, and must observe and comply with requirements related to (i) keeping up-to-date records regarding their customers; (ii) the adoption of preventive policies and internal proceedings; (iii) recording transactions involving Brazilian and foreign currency, securities or any other asset which may be converted into money, including specific registries of issuance or recharging of prepaid cards; (iv) keeping records of transactions or groups of turnover of funds carried out by individuals or entities belonging to the same group of companies exceeding certain threshold amounts; and (v) notification to the relevant authorities of any transaction that is considered suspect by the financial institution, among others.

## MANAGEMENT

### Board of Directors

Our board of directors is currently composed of 13 members elected for one-year terms at our annual ordinary general meeting of shareholders. All of our current directors were elected or ratified at our general shareholders' meeting on April 22, 2009. Our board of directors meets throughout the year on at least four occasions. Pursuant to the Mexican Securities Market Law, at least 25% of the members of the board of directors must be independent.

Set forth below are the names of the members of our board of directors, their age, their principal occupation and their business experience.

Name	Position	Age	Independent	Years as a Board Member of Financiera Independencia as of December 31, 2009
José Luis Rión Santisteban	Chairman	58	No	16
Roberto Alfredo Cantú López	Director	80	No	16
Horacio Altamirano González	Director	60	No	19
Carlos Morodo Santisteban	Director	55	No	15
Guillermo Barroso Montull	Director	56	No	14
Noel González Cawley	Director	54	No	16
Héctor Angel Rodríguez Acosta	Director	58	Yes	14
Rafael Arana de la Garza *	Director	58	No	3
Roberto Servitje Achútegui	Director	56	Yes	2
Ana Paula Rión Cantú	Director	28	No	3
José Ramón Elizondo Anaya	Director	55	Yes	9
Carlos Javier de la Paz Mena	Director	70	Yes	15
<u>José Rión Cantú</u>	Director	26	No	-

\* Alternate: Leonardo Arana de la Garza.

**José Luis Rión Santisteban** was born in 1952. He has a Bachelor's degree in Industrial Engineering from Universidad Iberoamericana and attended a Senior Management Seminar (*Curso de Alta Direccion AD-2*) at Instituto Panamericano de Alta Direccion de Empresas—IPADE. Mr. Rión served as chief executive officer of InverMéxico, S.A. de C.V., Casa de Bolsa, executive president of Grupo Mexival/Banpais, S.A. de C.V. and chief executive officer and chairman of Multivalores, S.A. de C.V, Casa de Bolsa. In addition to being our founder and chairman of the board, he also serves as chairman of the board of Grupo Jorisa, S.A. de C.V. as a member of the

board of directors of HSBC Mexico, Corporacion Zapata, S.A. de C.V., Union de Crédito Empresarial, S.A. de C.V. and U-Storage, S.A. de C.V., and as member of the valuation committee of AGROS, S.A. de C.V. and Agrosid, S.A. de C.V.

**Roberto Alfredo Cantú López** was born in 1929. He holds a Bachelor's degree in Mechanical Engineering from Instituto Tecnológico y de Estudios Superiores de Monterrey and a Master's degree in Mechanical Engineering from Purdue University. Mr. Cantú has extensive experience with construction, heavy machinery and real estate. He currently serves as a our director and as a director of El Camaron Dorado, S.A. de C.V. and Ensamblados de Madera, S.A. de C.V. Mr. Cantú is the father-in-law of Mr. Rión.

**Horacio Altamirano González** was born in 1949. He has a Bachelor's degree in Economics from University of San Francisco. Mr. Altamirano currently serves as chief executive officer of Grupo Videomax, S.A. and as a member of our board.

**Carlos Morodo Santisteban** was born in 1954. He has a Bachelor's degree in Industrial Engineering from Universidad Iberoamericana and a masters in business administration (M.B.A.) from Instituto Tecnológico y de Estudios Superiores de Monterrey. He currently serves as the chief executive officer of Morysan, S.A. de C.V. and Papelera Veracruzana, S.A. de C.V. and as a director of Morodo Santisteban, S.A. de C.V., Almacenadora del Valle de Mexico, S.A. de C.V., Camaras Industriales y Asociaciones and Financiera Independencia. Mr. Morodo also serves as president of Camaras Industriales y Asociaciones and vice president of the Confederacion de Camaras Industriales. Mr. Morodo is a cousin of Mr. Rión.

**Guillermo Barroso Montull** was born in 1954. Mr. Barroso has a Bachelor's degree in Industrial Engineering from Universidad Anahuac and also holds a masters in business administration (M.B.A.) degree from Instituto Panamericano de Alta Direccion de Empresas—IPADE. Mr. Barroso has served as President of the Camara Nacional de la Industria Cerillera and director of the Camara Nacional de la Industria del Papel, as well as the Camara Nacional de la Industria de la Transformacion (Canacindra). He has served as treasurer and vice president of Concamin, president of COECE and member of the board of Comision de Cooperacion Ambiental de Norteamerica.

**Noel González Cawley** was born in 1955. He has a Bachelor's degree in Electronic Engineering from Universidad Iberoamericana and received a Master of Science and Engineer degree from Stanford University. Mr. González was a shareholder and a member of the board of directors of InverMexico, S.A. de C.V., Casa de Bolsa and co-head of the Information Technology division of BanPais, S.A. Mr. González has been our chief executive officer since our incorporation.

**Héctor Angel Rodríguez Acosta** was born in 1951. He holds a Bachelor's degree from Instituto Politecnico Nacional and a Master's degree from Instituto Panamericano de Alta Direccion de Empresa—IPADE. In addition to being a member of our board, Mr. Rodríguez serves on the board of Union de Credito Altamira, Envases Laminados, S.A. de C.V., Zeus Digital, S.A. de C.V. and Mexicana de Transferencias, S.A. de C.V. Mr. Rodríguez currently serves as chairman and chief executive officer of Mexicana de Transferencias, S.A. de C.V.

**Rafael Arana de la Garza** was born in 1951. He has a Bachelor's degree in Electrical Engineering from Universidad Iberoamericana, a Master's degree in Operations Research from the University of Michigan, a Master's degree in Industrial Engineering from the University of Michigan and attended Massachusetts Institute of Technology for a specialty course in Finance. Mr. Arana de la Garza has worked for over ten years with HSBC Mexico, where he currently serves as financial advisor to persons in Latin America and the Caribbean. In addition to serving on our board, Mr. Arana de la Garza has served on the board of HSBC Mexico S.A., HSBC Peru and Promocion y Operacion, S.A. de C.V.

**Roberto Servitje Achútegui** was born in 1953. Mr. Servitje has a Bachelor's degree in Business Administration from Universidad Iberoamericana and a masters in business administration (M.B.A.) from Northwestern University. Mr. Servitje worked for over sixteen years in Grupo Bimbo, S.A. de C.V. in several positions including executive vice-president. In addition to serving on our board, he also serves as a director of Banco Azteca, S.A. and chairman of the board of directors of Financiera de Occidente, S.A. Mr. Servitje currently serves as chief executive officer and chairman of the board of directors of Grupo Altex, S.A. de C.V.

**Ana Paula Ri3n Cant3** was born in 1981. She holds a Bachelor's degree in Industrial Engineering from Universidad Iberoamericana. In addition to serving on our board, Ms. Ri3n Cant3 has worked for our company since January 2005 and was promoted in January 2010 to manage the recently created project evaluation group. Ms. Ri3n Cant3 is the daughter of Jos3 Luis Ri3n Santisteban.

**Jos3 Ram3n Elizondo Anaya** was born in 1954. He holds a C.P.A. from Universidad La Salle and a masters in business administration (M.B.A.) from Instituto Tecnol3gico y de Estudios Superiores de Monterrey. In addition to serving on our board, he also serves as a director of Ekco, S.A.B. de C.V., Industrias Voit, S.A. de C.V., Editorial Premiere, S.A. de C.V., Grupo Embotelladoras Unidas, S.A.B. de C.V., Grupo Azucarero Mexico, S.A.B. de C.V. Grupo Marti, S.A.B. de C.V., Q.B. Industrias, S.A.B. de C.V. and Unefon, S.A. de C.V. Mr. Elizondo is also a member of Unefon, S.A. de C.V.'s audit committee. Mr. Elizondo currently serves as chairman of Fomento de Capital, S.A. de C.V.

**Carlos Javier de la Paz Mena** was born in 1939. He holds a C.P.A. from IPADE. In addition to serving on our board, Mr. De la Paz serves on the board of Estafeta Mexicana, S.A. de C.V., Multivalores, S.A. de C.V., Grupo Financiero, and Mexplus, S.A. Sinca.

**Jos3 Ri3n Cant3** was born in 1984. He holds a Bachelor's degree in Industrial Engineering from Universidad Iberoamericana. Mr. Ri3n Cant3 is currently pursuing a masters in business administration (M.B.A.) degree at Stanford University. Mr. Ri3n Cant3 is the son of Jos3 Luis Ri3n Santisteban.

#### ***Alternate Directors***

Alternate directors may be appointed at a shareholders' meeting to substitute for the directors for which they were respectively appointed, in their permanent or temporary absences. An alternate director attends meetings of our board of directors when called to substitute for the respective director. Set forth below is biographical information for the only alternate director appointed as of the date of this offering memorandum.

**Leonardo Arana de la Garza** was born in 1957. He has served as Co-Director of Distribution of HSBC Mexico since 2006. He holds a Bachelor's degree in Industrial Engineering from Universidad Iberoamericana and a masters in business administration (M.B.A.) degree with a major in Finance from the Catholic University of Leuven—Belgium. Mr. Arana de la Garza is an alternate director for Director Rafael Arana de la Garza.

#### ***Secretary of the Board of Directors***

Our non-member secretary of the board of directors is Mr. Iker Arriola Peñalosa and our non-member alternate secretary of the board of directors is Ms. Laura Mariscal Higareda. They were designated at our general shareholders' meeting on April 22, 2009. Mr. Arriola is a partner at White & Case, S.C., Mexico. White & Case, S.C., Mexico, is our special Mexican counsel for this offering. Laura Mariscal Higareda is our chief internal legal counsel.

#### **Committee**

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

Our audit and corporate practices committee, the existence of which is required under the Mexican Securities Market Law, is currently composed of four members elected for one-year terms at our ordinary general meeting of shareholders. All of our current audit and corporate practices committee members were elected at our shareholders' meeting on April 22, 2009. Pursuant to the Mexican Securities Market Law, all of the members of our audit and corporate practices committee must be independent. All of the members of our audit and corporate practices committee have the requisite financial experience and qualifications required under the Mexican Securities Market Law.

Set forth below are the names of the members of our audit committee.

<u>Name</u>	<u>Position</u>	<u>Independent</u>
Carlos Javier de la Paz Mena	Chairman	Yes
José Ramón Elizondo Anaya	Director	Yes
Roberto Servitje Achútegui	Director	Yes
Héctor Angel Rodríguez Acosta	Director	Yes

***Integral Risk Operating Committee***

Our integral risk operating committee is responsible for monitoring the level of risk to which we are exposed. The committee supervises procedures related to our credit portfolio, operating and legal risk, and establishes policies, metrics, and controls to analyze our overall risk and limit our risk exposure. The committee is currently composed of five members appointed by our board of directors on January 21, 2009.

Set forth below are the names of the members of our integral risk operating committee.

<u>Name</u>	<u>Position</u>	<u>Independent</u>
Noel González Cawley	Chief Executive Officer	No
Didier Mena Campos	Chief Financial Officer	No
Héctor Eguiarte Sakár	Credit and Collection Officer	No
Benito Eduardo Pacheco Zavala	Internal Auditing Officer	No
Fabián Arturo Camaras	Chief Information Officer	No

***Other Committees***

Although no formal operating committees exist, members of our management and staff meet regularly to discuss and follow-up on matters that are important for our daily operations including our loan policies and our computer and information technology systems.



## Principal officers

Set forth below is the name and position of each of our principal officers. The terms of office of the principal officers are indefinite.

<u>Name</u>	<u>Position</u>	<u>Years with Financiera Independencia as of December 31, 2009</u>	<u>Age</u>	<u>Years of experience in the financial services industry</u>
Noel González Cawley	Chief Executive Officer	16	54	27
Didier Mena Campos	Chief Financial Officer	2	39	16
Benito E. Pacheco Zavala	Internal Auditing Officer	3	61	23
Mónica Patricia Aznar Pérez	Human Resources Officer	12	50	12
Jorge González Estrada	Commercial Officer	3	54	3
Héctor Eguiarte Sakar	Credit and Collection Officer	15	54	15
Fabián Arturo Camaras	Chief Information Officer	8	39	15
Luis Miguel Fernández Guevara	Operations Centers Officer	6	58	30

On average, our principal officers have 17 years of experience in the Mexican financial services industry. Set forth below is biographical information for each of our principal officers.

**Noel González Cawley.** See “Board of Directors.”

**Didier Mena Campos** was born in 1970. He holds a Bachelor’s degree in Economics from Instituto Tecnológico Autonomo de Mexico (ITAM) as well as a masters in business administration (M.B.A.) from Boston University. Prior to working at Financiera Independencia, Mr. Mena served as Managing Director of Credit Suisse where he was Co-Manager of Investment Banking for Central America and was also responsible for certain financial institutions in Mexico. Mr. Mena began working at Credit Suisse in 2001 and participated in various transactions in Mexico and Latin America, including: the initial public offering of Financiera Independencia, the initial public offering of Banco Compartamos, the issuance of subordinated notes by Banorte, the sale of Bitall to HSBC, the strategic alliance of Colpatria with GE Money, the merger of Bancolombia with Conavi and Corfinsura, and the strategic alliance of BAC Credomatic with GE Money. Prior to working at Credit Suisse, Mr. Mena worked at BBVA Bancomer for six years where he served as Assistant Director of the Assets and Liabilities Committee and Assistant Director of Financial Planning. He also participated in transactions such as the sale of Bancomer to BBVA. Mr. Mena currently serves as our Chief Financial Officer.

**Benito E. Pacheco Zavala** was born in 1948. Mr. Pacheco has a public accounting degree from Escuela Bancaria y Comercial. Mr. Pacheco has extensive internal audit experience with financial institutions, including his prior membership and work with the Accounting Principles Committee of the Instituto Mexicano de Contadores Públicos. Mr. Pacheco currently serves as our Internal Auditing Officer.

**Mónica Patricia Aznar Pérez** was born in 1959. She has a degree in Psychology from Universidad de las Americas, Puebla and an AD-1 degree from Instituto Panamericano de Alta Direccion de Empresa—IPADE. Ms. Aznar has devoted more than twenty years in the area of human resources and ten years in the financial sector. She has served for more than five years as President of the Human Resources Committee of the Asociacion Mexicana de Entidades Financieras Especializadas and currently serves as our Human Resources Officer.

**Jorge González Estrada** was born in 1955. He has a degree in Business and Administration from Universidad Iberoamericana. Mr. González has served as Senior Vice President of Latin America Media Relations and Client Development for Active International, a world-wide company headquartered in New York, where he managed the Company's Mexican operations from their inception. Mr. González also has seven years of experience working for General Motors Mexico, where he served as Advertising and Sales Promotions Manager. Mr. González currently serves as our Commercial Officer.

**Héctor Eguiarte Sakar** was born in 1955. He has a Bachelor's degree in Industrial Engineering from Universidad Iberoamericana. He worked as our regional manager since 1994 and became our Credit and Collection Officer in 1999. Mr. Eguiarte has participated as a speaker in various seminars on finance and credit.

**Fabián Arturo Camaras** was born in 1971. He has a Bachelor's degree in Computer Science from La Salle University and also holds a masters in business administration (M.B.A.) degree from Instituto Tecnológico y de Estudios Superiores de Monterrey (ITESM). He has over fifteen years of experience working with information systems at various institutions, including Banco Santander Mexicano (BSCH), and he has worked at Financiera Independencia since 2002. Mr. Camaras currently serves as our Chief Information Officer.

**Luis Miguel Fernández Guevara** was born in 1957. He has a Bachelor's degree in Business Administration from Universidad Iberoamericana. Mr. Fernández has twenty-five years of experience in the financial sector and currently serves as our Operations Centers Officer.

#### **Compensation of Directors, Principal Officers and their Related Persons**

For 2009, the aggregate amount of compensation paid to our directors, principal officers and their related persons was approximately Ps.91.1 million, including both fixed (wages and salaries) and variable (performance and legal year-end bonuses) compensation.

Members of our board of directors, including the chairman, receive compensation in cash per meeting attended in the average amount of Ps.20,000.

#### **Stock Option Plan**

Our company has a stock option plan (SOP) for our employees and management, which is implemented through a stock option plan trust, or the SOP Trust. The SOP Trust is a trust created with a Mexican banking institution pursuant to Mexican law. The identity and number of officers and other employees included as beneficiaries under our stock option plan vary on an annual basis. Our board of directors determines on an annual basis, with the prior approval of our audit and corporate practices committee, the beneficiaries under our stock option plan as well as the number of shares that each beneficiary will be entitled to purchase. See "Employees and Labor Relations—Stock Option Plan."

#### **Share Ownership**

Messrs. José Luis Rión Santisteban, Roberto Alfredo Cantú López, Horacio Altamirano González, Noel González Cawley, Carlos Morodo Santisteban and Guillermo Daniel Barroso Montull are the only members of our management that are beneficial indirect holders of more than 1% of our capital stock and, as of December 31, 2009, they are collectively the beneficial indirect holders of approximately 52.4% of our capital stock.

## PRINCIPAL SHAREHOLDERS

### Share Ownership

As of February 5, 2010, our issued and outstanding share capital was comprised of 715,000,000 common shares of our “Serie Unica” shares with no par value, of which 200,000,000 Class I shares represent the fixed portion of our capital stock, and 515,000,000 Class II shares represent the variable portion of our capital stock. Three members of the Board of Directors each hold more than 1% of the company’s shares. The only individuals that indirectly hold more than 5% of our capital stock are Mr. José Luis Rión Santisteban and Ms. Ángeles Cantú Quintanal through the Control Trust, and Mr. Noel González Cawley through the Minority Trust. The following table sets forth certain information about the ownership of our shares as of February 5, 2010.

Board of Directors and Officers .....	454,949,902	63.6%
Public Investors* .....	260,050,098	36.4%
TOTAL .....	715,000,000	100.0%

\*Includes Eton Park.

As of February 5, 2010, our authorized common stock consisted of 715,000,000 shares, at no par value. As of February 5, 2010, we had 715,000,000 shares outstanding and no shares held in treasury.

### Control Trust

The Control Trust was created with Banco J.P. Morgan, S.A. Institucion de Banca Multiple, J.P. Morgan Grupo Financiero, Division Fiduciaria, a Mexican banking institution, acting as trustee. Pursuant to the terms of the Control Trust, Mr. José Luis Rión Santisteban is vested with the right to direct to the trustee with instructions to exercise its voting rights as our shareholder. Mr. José Luis Rión Santisteban also has preemptive rights to acquire the beneficiary rights of the other beneficiary of the Control Trust. Pursuant to the terms of the Control Trust, the trustee is obligated to comply with all rights and obligations of the Original Shareholders under the Subscription Agreement (as amended by the Letter Agreement).

In November 2008, the Control Trust was transferred to The Bank of New York Mellon, S.A., Institucion de Banca Multiple as successor to Banco J.P. Morgan, S.A. Institucion de Banca Multiple, J.P. Morgan Grupo Financiero. On March 2, 2010 the Control Trust was transferred to HSBC Mexico, S.A. Institucion de Banca Multiple, Grupo Financiero HSBC, Division Fiduciaria, which is currently the trustee of the control trust.

### Minority Trust

The Minority Trust was created with Banco J.P. Morgan, S.A. Institucion de Banca Multiple, J.P. Morgan Grupo Financiero, Division Fiduciaria, a Mexican banking institution, acting as trustee. Pursuant to the terms of the Minority Trust, Mr. Noel González Cawley is vested with the right to direct to the trustee with instructions to exercise its voting rights as our shareholder. Even though Mr. José Luis Rión Santisteban is not a party to the trust agreement creating the Minority Trust, under the provisions of the trust agreement, he has preemptive rights to acquire the beneficiary rights of the beneficiaries of the Minority Trust. Pursuant to the terms of the Minority Trust, the trustee is obligated to comply with all rights and obligations of the Original Shareholders under the Subscription Agreement (as amended by the Letter Agreement).

In November 2008, the Minority Trust was transferred to The Bank of New York Mellon, S.A., Institucion de Banca Multiple as successor to Banca J.P. Morgan, S.A. Institucion de Banca Multiple, J.P. Morgan Grupo Financiero. On February 8, 2010 the Minority Trust was transferred to HSBC Mexico, S.A. Institucion de Banca Multiple, Grupo Financiero HSBC, Division Fiduciaria, who is currently the trustee of the control trust.

### Investment by Eton Park

In January 2010, certain affiliates of Eton Park Capital Management, L.P., or Eton Park, became holders of 66.5 million shares, or approximately 9.3% of our shares, for a price of Ps.10.0 per share following a rights offering

of 85.0 million shares, which was undertaken to finance the acquisition of Financiera Finsol and its related companies. Eton Park also received warrants to subscribe and pay for up to approximately 43.9 million additional shares of our capital stock under certain conditions and strike prices. Eton Park is a multi-disciplinary, team-oriented investment firm that invests globally across both public and private markets. The firm manages over U.S.\$12 billion in assets and has offices in New York, London, and Hong Kong.

## RELATED PARTY TRANSACTIONS

In the ordinary course of business we engage in a variety of transactions with certain of our affiliates and related parties. All material transactions between us or any of our affiliates or related parties are evaluated by our board of directors, with prior evaluation by our audit and corporate practices committee, in accordance with and subject to the exceptions set forth in the LMV and our by-laws. These transactions are subject to prevailing market conditions and transfer pricing regulations under Mexican tax law.

Set forth below is a description of related party transactions that our management believes are material to us and that are ongoing or have been entered into by us during the past fiscal year.

For additional information about transactions with related parties and affiliates, see note 14 to our audited financial statements.

### Other Transactions with Related Parties

On February 4, 2004, our subsidiary Prosefindep (which merged into Serfincor in December 2009) entered into a service agreement with Mr. José Luis Rión Santisteban, one of our shareholders. Pursuant to this agreement, Mr. Rión provides strategic financial planning services, administrative services, and consulting services to Prosefindep. This agreement was subsequently amended and restated on February 3, 2006, January 1, 2007, January 1, 2008, and, most recently, on January 1, 2009. These services were paid for on a monthly basis in an amount equal to Ps.675,000 plus VAT in 2007, Ps.775,000 plus VAT in 2008, and Ps.806,000 plus VAT in 2009. The term of this agreement is indefinite. This service agreement was assumed by Serfincor on December 2, 2009, after the merger of Prosefindep into Serfincor.

On January 1, 2008, our subsidiary Prosefindep (which merged into Serfincor in December 2009), entered into a service agreement with Mr. José Luis Rión Santisteban. Pursuant to this agreement Mr. Rión provides strategic financial planning services, administrative services, and consulting services to Prosefindep. Services were paid for on an annual basis in an amount equal to Ps.9,300,000 plus VAT. This agreement was amended and restated on January 1, 2009, when we entered into a similar service agreement with Mr. Rión. Services were paid for on an annual basis in an amount equal to Ps.9,672,000 plus VAT. This agreement was assumed by Serfincor after the merger of Prosefindep into Serfincor.

On July 1, 2007, we entered into a sublease agreement with Jorisa, a company controlled by Mr. José Luis Rión Santisteban. Pursuant to this agreement, Jorisa (as sub-lessor) leased office space to us for our corporate headquarters. We paid monthly rent under the lease equal to U.S.\$63,435 plus VAT. On March 1, 2009, we entered into a new lease agreement with Jorisa for a term of five years. Pursuant to this agreement, Jorisa (as lessor) leases office space to us for our corporate headquarters. We pay monthly rent equal to U.S.\$107,225 plus VAT. This agreement was subsequently amended on July 1, 2009, to incorporate 63 parking spots and 4 warehouses, for which we pay monthly rent equal to U.S.\$7,449 plus VAT.

On August 1, 2007, our subsidiary Ejecutivos Santa Fe (which merged into Serfincor in December 2009), entered into a service agreement with Mr. José Luis Rión Santisteban. Pursuant to this agreement Mr. Rión provided strategic financial planning services, administrative services, and consulting services to Ejecutivos Santa Fe. Services were paid for on an annual basis in an amount equal to Ps.12,050,000 plus VAT. This agreement was subsequently amended and restated on January 1, 2008, pursuant to which Ejecutivos Santa Fe paid Mr. Rión Ps.321,600 plus VAT on January 22, 2008, Ps.7,400,000 plus VAT on April 4, 2008, Ps.600,000 plus VAT on July 7, 2008, Ps.5,100,000 plus VAT on July 8, 2008 and Ps.7,970,000 plus VAT on October 15, 2008. This agreement was subsequently amended and restated on January 1, 2009, pursuant to which Ejecutivos Santa Fe paid Mr. Rión Ps.6,615,993 plus VAT on February 25, 2009, Ps.4,808,713 plus VAT on May 8, 2009, Ps.5,352,026 plus VAT on August 4, 2009, Ps.4,036,457 plus VAT on October 9, 2009 and Ps.4,719,152 on December 14, 2009. This service agreement was assumed by Serfincor on December 2, 2009, after the merger of Ejecutivos Santa Fe into Serfincor.

## DESCRIPTION OF NOTES

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

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

- the “Company” in this section, we mean Financiera Independencia, S.A.B. de C.V., *Sociedad Financiera de Objeto Multiple, Entidad No Regulada*, and not any of its subsidiaries; and
- notes in this section, we mean the notes originally issued on the Issue Date and Additional Notes (as defined herein).

### General

The notes will:

- be general unsecured obligations of the Company and each Subsidiary Guarantor;
- rank equal in right of payment with all other existing and future Senior Indebtedness of the Company (except for certain obligations, such as certain tax and labor claims, that are given preference under applicable law);
- rank senior in right of payment to all existing and future Subordinated Indebtedness of the Company, if any;
- be effectively subordinated to all existing and future secured Indebtedness of the Company and each Subsidiary Guarantor to the extent of the value of the collateral securing such Indebtedness;
- be unconditionally guaranteed on a general unsecured senior basis by all of the Company’s existing Restricted Subsidiaries and any future Restricted Subsidiaries that in each case are Significant Subsidiaries; and
- be structurally subordinated to all existing and future liabilities, including Indebtedness and trade payables, of the Company’s Subsidiaries that do not Guarantee the notes.

As of December 31, 2009, on a pro forma basis after giving effect to this offering, the acquisition of Financiera Finsol and its related companies and the related capital increase, and the use of the net proceeds as described under “Use of Proceeds”:

- the Company and each Subsidiary Guarantor would have had consolidated total indebtedness of U.S.\$446.9 million, of which U.S.\$140.5 million would have been secured;
- the Company’s Subsidiaries that are not Subsidiary Guarantors would have had consolidated total indebtedness and liabilities of U.S.\$18.6 million.

## **Additional Notes**

Subject to the limitations set forth under “Certain Covenants—Limitation on Incurrence of Additional Indebtedness,” the Company and its Subsidiaries may incur additional Indebtedness. At the Company’s option, this additional Indebtedness may consist of additional notes (“Additional Notes”) issued by the Company in one or more transactions, which shall have identical terms (other than issue date and issue price) as the notes issued on the Issue Date. 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 U.S.\$2,000 and integral multiples of U.S.\$1,000 in excess thereof. The notes will mature on March 30, 2015. The notes will not be entitled to the benefit of any mandatory sinking fund.

Interest on the notes will accrue at the rate of 10.0% per annum and will be payable semi-annually in arrears on each March 30 and September 30, commencing on September 30, 2010. Payments will be made to the persons who are registered holders at the close of business on March 15 and September 15, respectively, immediately preceding the applicable interest payment date.

Interest on the notes will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from and including the Issue Date. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months. The redemption of notes with unpaid and accrued interest to the date of redemption will not affect the right of holders of record on a record date to receive interest due on an interest payment date. If any interest payment or redemption date falls on a day which is not a business day, payment of interest, principal and premium, if any, with respect to the notes will be made on the next succeeding business day with the same force and effect as if made on the due date, and no interest on such payment will accrue from and after such due date.

Initially, the Trustee will act as paying agent (“Paying Agent”) and registrar (“Registrar”) for the notes. The Company may change the Paying Agent and Registrar without notice to holders. If a holder of U.S.\$10.0 million or more in aggregate principal amount of notes has given wire transfer instructions to the Company at least 10 business days prior to the applicable payment date, the Company will make all principal, premium and interest payments on those notes in accordance with those instructions. All other payments on the notes will be made at the office or agency of the Paying Agent and Registrar in New York City unless the Company elects to make interest payments by check mailed to the registered holders at their registered addresses. 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. As long as the notes are listed on this market and as long as the rules of the Luxembourg Stock Exchange so require, the Company will also maintain a paying agent and a transfer agent in Luxembourg.

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

## **Additional Amounts**

We are required by Mexican law to deduct Mexican withholding taxes, and pay such taxes to the Mexican tax authorities, from payments of interest on the notes 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 each Subsidiary Guarantor will pay to holders of the notes all additional amounts (“Additional Amounts”) that may be necessary so that every net payment of interest (including 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.

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

- any taxes, duties, assessments or other governmental charges imposed solely because at any time there is or was a connection between the holder or beneficial owner of the note and Mexico (or any political subdivision thereof), including such holder or beneficial owner (i) being or having been a citizen or resident thereof for tax purposes, (ii) maintaining or having maintained an office, permanent establishment, or branch subject to taxation therein, or (iii) being or having been present or engaged in a trade or business therein (other than the receipt of payments or the ownership or holding of a note),
- any estate, inheritance, gift, transfer or similar tax, assessment or other governmental charge imposed with respect to the notes,
- any taxes, duties, assessments or other governmental charges imposed solely because the holder or any other person having a beneficial interest on the notes fails to comply with any certification, identification, information, documentation or other reporting requirement concerning the nationality, residence, identity or connection with Mexico (or any political subdivision thereof) of the holder or any beneficial owner of the note, if compliance is required by statute, rule, regulation, officially published administrative practice of the taxing jurisdiction or by an applicable income tax treaty, which is in effect to which Mexico is a party, as a precondition to exemption from, or reduction in the rate of, the tax, assessment or other governmental charge and we have given the holders at least 30 days' notice that holders will be required to provide such information and identification,
- any tax, duty, assessment or other governmental charge payable otherwise than by deduction or withholding from payments on the notes,
- any taxes, duties, assessments or other governmental charges 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, and
- 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.

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

Applicable Mexican regulations currently allow us to withhold at a reduced rate, provided we comply with certain information reporting requirements. Accordingly, the limitations on our obligations to pay additional amounts stated in the third bullet point above also will not apply and will not entitle us to require the information therein specified unless (a) the provision of the information, documentation or other evidence described in the applicable bullet point becomes expressly required by the applicable Mexican statutes, regulations and



administrative practices, and (b) we otherwise would meet the requirements for application of the reduced Mexican tax rate.

In addition, such third bullet point does not require, and should not be construed as requiring, that any person, including any non-Mexican pension fund, retirement fund or financial institution, register with the Ministry of Finance and Public Credit to establish eligibility for an exemption from, or a reduction of, Mexican withholding tax.

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

Any reference in this offering memorandum, 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.

In the event of any merger or other transaction described and permitted under “—Limitation on Merger, Consolidation and Sale of Assets,” then all references to Mexico, Mexican law or regulations, and Mexican taxing authorities under this section “Additional Amounts” (other than the fourth, fifth and sixth 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.

### **Note Guarantees**

Each Subsidiary Guarantor will unconditionally guarantee the performance of all obligations of the Company under the Indenture and the notes. The Obligations of each Subsidiary Guarantor in respect of its Note Guarantee will be limited to the maximum amount as will result in the Obligations not constituting a fraudulent conveyance, fraudulent transfer or similar illegal transfer under applicable law. See “Risk Factors—Risks Related to the Notes—The guarantees may not be enforceable.”

Each Subsidiary Guarantor will be released and relieved of its obligations under its Note Guarantee in the event:

- (1) there is a Legal Defeasance or a Covenant Defeasance of the notes as described under “Legal Defeasance and Covenant Defeasance”;
- (2) there is a sale or other disposition of Capital Stock of such Subsidiary Guarantor following which such Subsidiary Guarantor is no longer a direct or indirect Subsidiary of the Company; or
- (3) such Subsidiary Guarantor is designated as an Unrestricted Subsidiary in accordance with “Certain Covenants—Limitation on Designation of Unrestricted Subsidiaries”;

*provided* that, in each case, the transaction is carried out pursuant to and in accordance with all other applicable provisions of the Indenture.

If any Person that is a Restricted Subsidiary becomes a Significant Subsidiary (including upon a Revocation of the Designation of a Subsidiary as an Unrestricted Subsidiary), the Company will cause that Restricted Subsidiary (promptly following the determination in accordance with the terms of the Indenture that such Restricted Subsidiary is a Significant Subsidiary) concurrently to become a Subsidiary Guarantor on a senior basis by executing a supplemental indenture and providing the Trustee with an Officers' Certificate and Opinion of Counsel.

On the Issue Date, Financiera Finsol, S.A. de C.V., *Sociedad Financiera de Objeto Multiple, Entidad No Regulada*, will be the only Subsidiary Guarantor.

As of the Issue Date, there are no Unrestricted Subsidiaries. Our Restricted Subsidiaries that are not Significant Subsidiaries will not Guarantee the notes. In the event of a *concurso mercantil*, bankruptcy, liquidation or reorganization of these non-Guarantor Subsidiaries, these non-Guarantor Subsidiaries will pay the holders of their liabilities, including their trade creditors, before they will be able to distribute any of their assets to us. In addition, holders of minority equity interests in Subsidiaries may receive distributions prior to or pro rata with the Company depending on the terms of the equity interests. See "Risk Factors—Risks Related to the Notes—Certain of our subsidiaries are not guarantors and our obligations with respect to the notes will be effectively subordinated to all liabilities of these non-guarantor subsidiaries."

### **Optional Redemption**

*Optional Redemption.* Except as stated below, the Company may not redeem the notes prior to their maturity. The Company will have the right, at its option, to redeem any of the notes, in whole at any time or in part from time to time prior to their maturity, on at least 30 days' but not more than 60 days' notice, at a redemption price equal to the greater of (1) 100% of the principal amount of such notes and (2) the sum of the present value of each remaining scheduled payment of principal and interest thereon (exclusive of interest accrued to the date of redemption) discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 50 basis points (the "Make-Whole Amount"), plus in each case accrued interest on the principal amount of the notes up to, but not including, the date of redemption (subject to the right of holder of record on the relevant record date to receive interest due on the relevant interest payment date).

"Treasury Rate" means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity or interpolated maturity (on a day count basis) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

"Comparable Treasury Issue" means the United States Treasury security or securities selected by an Independent Investment Banker as having an actual or interpolated maturity comparable to the remaining term of the notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a comparable maturity to the remaining term of such notes.

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

"Quotation Agent" means an internationally recognized investment bank, other than the Reference Treasury Dealers.

"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 Quotation Agent obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

"Reference Treasury Dealer" means Banc of America Securities LLC and Morgan Stanley & Co. Incorporated or their respective affiliates which 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 Quotation Agent, 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 Quotation Agent 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 March 30, 2013 the Company may, at its option, use the net cash proceeds of one or more Equity Sales to redeem in the aggregate up to 35% of the aggregate principal amount of the notes (including any Additional Notes) originally issued under the Indenture at a redemption price equal to 110.0% of the principal amount thereof, plus accrued and unpaid interest up to, but not including, the date of redemption (subject to the right of holder of record on the relevant record date to receive interest due on the relevant interest payment date); *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) originally issued under the Indenture remains outstanding after each such redemption; and
- (2) the Company shall make such redemption not more than 90 days after the consummation of such Equity Sale.

“Equity Sale” means (i) a rights offering of Qualified Capital Stock of the Company made generally to the holders of such Qualified Capital Stock, (ii) any primary public or private offering of Qualified Capital Stock of the Company or (iii) any capital contribution received by the Company from any holder of Capital Stock that is accounted for as Qualified Capital Stock, in each case other than issuances upon exercise of (x) options by employees of the Company or any of its Subsidiaries or (y) any Outstanding Options.

“Outstanding Options” means any options for the purchase of the Company’s Capital Stock outstanding as of the Issue Date.

*Optional Redemption for Changes in Withholding Taxes.* If, as a result of any amendment to, or change in, the laws (or any rules or regulations thereunder) of Mexico 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 of this offering memorandum (which, in the case of a merger, consolidation or other transaction permitted and described under “—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 10% with respect to the notes (see “—Additional Amounts” and “Taxation—Mexican Taxation”), then, at our option, all, but not less than all, of the notes may be redeemed at any time on giving not less than 30 nor more than 60 days’ notice, at a redemption price equal to 100% of the outstanding principal amount, plus accrued and unpaid interest and any Additional Amounts due thereon up to, but not including, the date of redemption; *provided, however*, that (1) no notice of redemption for tax reasons may be given earlier than 90 days prior to the earliest date on which we would be obligated to pay these Additional Amounts if a payment on the notes were then due and (2) at the time such notice of redemption is given such obligation to pay such Additional Amounts remains in effect.

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

- an Officers' Certificate stating that we are entitled to effect the redemption and setting forth a statement of facts showing that the conditions precedent to our right to redeem have occurred, and
- an Opinion of Counsel from Mexican legal counsel (which may be our counsel) of recognized standing to the effect that we have or will become obligated to pay such Additional Amounts as a result of such change or amendment.

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

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

*Optional Redemption Procedures.* In the event that less than all of the notes are to be redeemed at any time, selection of notes for redemption will be made by the Trustee in compliance with the requirements of the principal securities exchange or market, if any, on which notes are listed or, if the notes are not then listed on a securities exchange or market, on a *pro rata* basis, by lot or by any other method as the Trustee shall deem fair and appropriate (subject to the procedures of the depository for the notes). If a partial redemption is made with the proceeds of an Equity Sale, selection of the notes or portions thereof for redemption will, subject to the preceding sentence, be made by the Trustee only on a *pro rata* basis or on as nearly a *pro rata* basis as is practicable (subject to the procedures of the depository for the notes), unless the method is otherwise prohibited. No notes of a principal amount of U.S.\$2,000 or less may be redeemed in part and notes of a principal amount in excess of U.S.\$2,000 may be redeemed in multiples of U.S.\$1,000 only.

Notice of any redemption will be mailed by first-class mail, postage prepaid, at least 30 but not more than 60 days before the redemption date to each holder of notes to be redeemed at its registered address. If notes are to be redeemed in part only, the notice of redemption will state the portion of the principal amount thereof to be redeemed. For so long as the notes are admitted to listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF, 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, but not less than U.S.\$2,000) 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 pay the redemption price for any note together with accrued and unpaid interest thereon up to, but not including, 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.

Any redemption and notice thereof pursuant to the Indenture may, in the Company's discretion, be subject to the satisfaction of a financing or change of control condition precedent. Notwithstanding the foregoing provisions of this “Optional Redemption” section, the Company and its Subsidiaries are not prohibited from acquiring the notes by means other than a redemption, whether pursuant to a tender offer, open market purchase or otherwise.

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

Upon the occurrence of a Change of Control (a “Change of Control Triggering Event”), each holder will have the right to require that the Company purchase all or a portion (in multiples of U.S.\$1,000) of the holder's notes at a purchase price equal to 101% of the principal amount thereof, plus accrued and unpaid interest thereon through the date of purchase (the “Change of Control Triggering Event Payment”).

Within 30 days following the date upon which the Change of Control Triggering Event occurred, the Company must send, by first-class mail, a notice to each holder, with a copy to the Trustee, offering to purchase the notes as described above (a “Change of Control Triggering Event Offer”) and publish the Change of Control Triggering Event Offer in a newspaper having a general circulation in Luxembourg (which is expected to be the

*Luxemburger Wort*). The Change of Control Triggering Event Offer shall state, among other things, the purchase date, which must be no earlier than 30 days nor later than 60 days from the date the notice is mailed, other than as may be required by law (the “Change of Control Triggering Event Payment Date”).

On the business day immediately preceding the Change of Control Triggering Event Payment Date, the Company will, to the extent lawful, deposit with the Paying Agent funds in an amount equal to the Change of Control Triggering Event Payment in respect of all notes or portions thereof so tendered.

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 Issuer pursuant to a Change of Control Triggering Event Offer will have the status of notes issued but not outstanding or will be retired and cancelled, at the option of the Issuer. Notes purchased by a third party pursuant to the preceding paragraph will have the status of notes issued and outstanding.

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

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

If a Change of Control Triggering Event Offer occurs, there can be no assurance that the Company will have available funds sufficient to make the Change of Control Triggering Event Payment for all the notes that might

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

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

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

## **Certain Covenants**

### ***Suspension of Covenants***

During any period of time that (i) the Company is Operating as a Bank and (ii) no Default or Event of Default has occurred and is continuing, the Company will not be subject to the provisions of the Total Unencumbered Assets to Unsecured Indebtedness ratio covenant described below under clause (1)(B) of “—Limitation on Incurrence of Additional Indebtedness” and under clause (b)(2)(ii) of “—Limitation on Merger, Consolidation and Sale of Assets”.

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

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

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

On the Reversion Date, all Indebtedness incurred during the Suspension Period will be classified as having been incurred pursuant to clause (1) of “—Limitation on Incurrence of Additional Indebtedness” below or one of the clauses set forth in clause (2) of “—Limitation on Incurrence of Additional Indebtedness” below (to the extent such Indebtedness would be permitted to be incurred thereunder as of the Reversion Date and after giving effect to Indebtedness incurred prior to the Suspension Period and outstanding on the Reversion Date). To the extent such Indebtedness would not be so permitted to be incurred pursuant to the first or second clauses of “—Limitation on Incurrence of Additional Indebtedness,” such Indebtedness will be deemed to have been outstanding on the Issue Date, so that it is classified as permitted under clause 2(c) of “—Limitation on Incurrence of Additional Indebtedness.” Calculations made after the Reversion Date of the amount available to be made as Restricted Payments under “—Limitation on Restricted Payments” will be made as though the covenant described under “—Limitation on Restricted Payments” had been in effect since the Issue Date and throughout the Suspension Period.

***Limitation on Incurrence of Additional Indebtedness***

- (1) The Company will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, Incur any Indebtedness, including Acquired Indebtedness, except that the Company may Incur Indebtedness, including Acquired Indebtedness, if, at the time of and immediately after giving pro forma effect to the Incurrence thereof and the application of the proceeds therefrom:
  - (A) the Capitalization Ratio of the Company is greater than 20% or, at any time that the Company is Operating as a Bank, greater than 15%; and
  - (B) the Total Unencumbered Assets of the Company and its Restricted Subsidiaries (on a consolidated basis) is at least 110% of the aggregate principal amount of the Unsecured Indebtedness of the Company and its Restricted Subsidiaries (on a consolidated basis), *provided* that this calculation shall be done on a pro forma basis after giving effect to the use of the proceeds from the notes offered in this offering as described under “Use of Proceeds”.
- (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;
  - (c) other Indebtedness of the Company and its Restricted Subsidiaries outstanding on the Issue Date, other than Indebtedness otherwise specified under any of the other clauses of this definition of Permitted Indebtedness;
  - (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:
  - (1) if the Company is the obligor on such Indebtedness and the payee is not the Company, such Indebtedness must be expressly subordinated to the prior payment in full of all obligations under the notes and the Indenture, and
  - (2) in the event that at any time any such Indebtedness ceases to be held by the Company or a Restricted Subsidiary, such Indebtedness shall be deemed to be Incurred and not permitted by this clause (e) at the time such event occurs;
- (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 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 or surety bonds 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 supporting such bid, performance or surety obligations (in each case other than for the payment of borrowed money);
- (i) Refinancing Indebtedness in respect of:
  - (1) Indebtedness (other than Indebtedness owed to the Company or any Subsidiary of the Company) Incurred pursuant to clause (1) of this covenant (it being understood that no Indebtedness outstanding on the Issue Date is Incurred pursuant to such clause (1)), or
  - (2) Indebtedness Incurred pursuant to clause (2)(a) and (2)(c) of this covenant,
- (j) Permitted Acquisition Indebtedness;
- (k) Capital Securities;
- (l) additional Indebtedness of the Company or any Restricted Subsidiary in an aggregate principal amount not to exceed the greater of (x) U.S.\$20.0 million and (y) 10% of Consolidated Net Worth of the Company and its Restricted Subsidiaries at any time outstanding;
- (m) deposits from bank customers during any period of time that the Company is Operating as a Bank; and
- (n) advances received for the purpose of subsidizing any loans made by the Company to its customers from any governmental agency, including CONAVI, that are subject to or are required to be returned to such agency, or any interest accrued thereon, but solely to the extent that any such advances or any interest thereon are without recourse to the



Company in the event any such amounts are not paid to the Company by any such customers.

- (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, 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 Mexican Banking GAAP. 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, dividends, including the payment of regularly scheduled dividends on Disqualified Capital Stock in the form of additional Disqualified Capital Stock with the same terms, distributions or other returns of capital will not be deemed to be an Incurrence of Indebtedness for purposes of this covenant; *provided* that any such outstanding additional Indebtedness or Disqualified Capital Stock paid in respect of Indebtedness Incurred pursuant to any provision of clause (2) of this covenant will be counted as Indebtedness outstanding thereunder for purposes of any future Incurrence under such provision. For purposes of determining compliance with this “Limitation on Incurrence of Additional Indebtedness” covenant, in the event that an item of proposed Indebtedness meets the criteria of more than one of the categories of Permitted Indebtedness described in clauses (2)(a) through (2)(n) above, or is entitled to be incurred pursuant to clause (1) of this covenant, the Company will be permitted to classify such item of Indebtedness on the date of its incurrence and will only be required to include the amount and type of such Indebtedness in one of the above clauses, although the Company may divide and classify an item of Indebtedness in one or more of the types of Indebtedness and may later re-divide or reclassify all or a portion of such item of Indebtedness in any manner that complies with this covenant. Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Company or any Restricted Subsidiary may incur pursuant to this covenant shall not be deemed to be exceeded as a result solely of fluctuations in exchange rates or currency values.
- (4) During any period of time that (i) the Company is Operating as a Bank and (ii) no Default or Event of Default has occurred and is continuing, the Company will not be subject to the provisions of the Total Unencumbered Assets to Unsecured Indebtedness ratio covenant described under clause (1)(B) above.

#### ***Limitation on Guarantees***

The Company will not permit any Restricted Subsidiary of the Company that is not a Subsidiary Guarantor to Guarantee any Indebtedness of the Company or to secure any Indebtedness of the Company with a Lien on the assets of such Restricted Subsidiary, unless contemporaneously therewith (or prior thereto) effective provision is made to Guarantee or secure the notes on an equal and ratable basis with such Guarantee or Lien for so long as such Guarantee or Lien remains effective. Any Guarantee by any such Restricted Subsidiary of Subordinated Indebtedness of the Company will be subordinated and junior in right of payment to the contemporaneous Guarantee of the notes by such Restricted Subsidiary.

#### ***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, distributions or other returns of capital payable in Qualified Capital Stock of the Company,

- dividends, distributions or other returns of capital payable to the Company and/or a Restricted Subsidiary, or
  - dividends, distributions or other 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 between or among the Company and/or any Restricted Subsidiaries or (y) the purchase, repurchase or other acquisition of Indebtedness that is contractually subordinate or otherwise junior in right of payment to the notes or any Note Guarantee, as the case may be, 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 U.S.\$1.00 of additional Indebtedness pursuant to clause (1) of “—Limitation on Incurrence of Additional Indebtedness”; or
- (3) at any time that the Company is not Operating as a Bank, 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% of cumulative Consolidated Net Income of the Company or, if such cumulative Consolidated Net Income of the Company is a loss, minus 100% of the loss, accrued during the period, treated as one accounting period, beginning on the first day of the fiscal quarter during which the Issue Date occurs to the end of the most recent fiscal quarter for which consolidated financial information of the Company is available; *plus*.
  - (B) 100% of the aggregate net proceeds, including cash and the Fair Market Value of property used in a Permitted Business (other than cash and securities), received by the Company from any Person from any:

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

excluding, in each case, any net proceeds:

- (x) received from a Restricted Subsidiary of the Company;
  - (y) used to redeem notes under “—Redemption—Optional Redemption Upon Equity Sales”; or
  - (z) applied in accordance with clause (2) or (3) of the second paragraph of this covenant below; *plus*
- (C) any Investment Return;

OR

at any time that the Company is Operating as a Bank (and in lieu of the preceding provisions of this clause (3)), the Capitalization Ratio of the Company would be less than 25%.

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 exchange for Qualified Capital Stock of the Company, or
  - (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;

*provided*, that the value of any such Qualified Capital Stock 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 U.S.\$5.0 million in any calendar year (with unused amounts in any calendar year being permitted to be carried over into succeeding calendar years up to a maximum of U.S.\$5.0 million) plus the cash proceeds of key man life insurance policies received by the Company and its Restricted Subsidiaries;

- (5) the repurchase of Capital Stock deemed to occur upon the exercise of stock options or warrants to the extent such Capital Stock represents a portion of the exercise price of those stock options or warrants;
- (6) the repurchase of Capital Stock of the Company on the open market, as permitted by Mexican law and approved by the Company's shareholders, in an amount not to exceed U.S.\$5.0 million in any year;
- (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 U.S.\$10.0 million since the Issue Date.

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), (7), (9) and (10) above shall be included in such calculation and amounts expended pursuant to clauses (2), (3), (5), (6) and (8) 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 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 150 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 Mexican Banking GAAP or Capital Stock) to be used by the Company or any Restricted Subsidiary in a Permitted Business; and
- (4) any Designated Non-cash Consideration received by the Company or any of its Restricted Subsidiaries in such Asset Sale; provided that the aggregate Fair Market Value of such Designated Non-cash Consideration, taken together with the Fair Market Value at the time of receipt of all other Designated Non-cash Consideration received pursuant to this clause (4) less the amount of Net Cash Proceeds previously realized in cash or Cash Equivalents from the sale of prior Designated Non-cash Consideration is less than the greater of (x) 5% of Consolidated Tangible Assets at the time of the receipt of such Designated Non-cash Consideration and (y) U.S.\$25.0 million, in each case with the Fair Market Value of each item of Designated Non-cash Consideration being measured at the time received and without giving effect to subsequent changes in value;

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

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

- (a) repay any Senior Indebtedness of the Company or a Subsidiary Guarantor, any Indebtedness secured by the assets subject to such Asset Sale or Indebtedness of any Restricted Subsidiary that is not a Subsidiary Guarantor (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 Mexican Banking GAAP or Capital Stock) to be used by the Company or any Restricted Subsidiary 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 Restricted Subsidiary, 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% of the principal amount of the notes to be purchased, plus accrued and unpaid interest thereon, to the date of purchase (the "Asset Sale Offer Amount"). The Company will purchase pursuant to an Asset Sale Offer from all tendering holders on a *pro rata* basis, and, at the Company's option, on a *pro rata* basis with the holders of any other Senior Indebtedness with similar provisions requiring the Company to offer to purchase the other Senior Indebtedness with the proceeds of Asset Sales, that principal amount (or accreted value in the case of Indebtedness issued with original issue discount) of notes and the other Senior Indebtedness to be purchased equal to such unapplied Net Cash Proceeds. The Company may satisfy its obligations under this covenant with respect to the Net Cash Proceeds of an Asset Sale by making an Asset Sale Offer prior to the expiration of the relevant 365-day period.

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

Each notice of an Asset Sale Offer will be mailed first class, postage prepaid, to the record holders as shown on the register of holders within 20 days following such 365th day, with a copy to the Trustee offering to purchase the notes as described above. Each notice of an Asset Sale Offer will state, among other things, the purchase date, which must be no earlier than 30 days nor later than 60 days from the date the notice is mailed, other than as may be required by law (the "Asset Sale Offer Payment Date"). Upon receiving notice of an Asset Sale Offer, holders may elect to tender their notes in whole or in part in multiples of U.S.\$1,000 in exchange for cash; *provided* that in the case of a partial tender, the minimum denomination of the notes of U.S.\$2,000 remains satisfied.

On the business day immediately preceding the Asset Sale Offer Payment Date, the Company will, to the extent lawful, deposit with the Paying Agent funds in an amount equal to the Asset Sale Offer Amount in respect of all notes or portions thereof so tendered.

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

- (1) accept for payment all notes or portions thereof properly tendered pursuant to the Asset Sale Offer; and
- (2) deliver or cause to be delivered to the Trustee the notes so accepted together with an Officers' Certificate stating the aggregate principal amount of notes or portions thereof being purchased by the Company.

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

The Company will comply with the requirements of Rule 14e-1 under the Exchange Act and any other applicable securities laws in connection with the purchase of notes pursuant to an Asset Sale Offer. To the extent that the provisions of any applicable securities laws or regulations conflict with the “Asset Sale” provisions of the Indenture, the Company will comply with these laws and regulations and will not be deemed to have breached its obligations under the “Asset Sale” provisions of the Indenture by doing so.

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

***Limitation on Designation of Unrestricted Subsidiaries***

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

- (1) no Default or Event of Default shall have occurred and be continuing at the time of or immediately after giving effect to such Designation and any transactions between the Company or any of its Restricted Subsidiaries and such Unrestricted Subsidiary are in compliance with “—Limitation on Transactions with Affiliates”;
- (2) at the time of and after giving effect to such Designation, the Company could Incur U.S.\$1.00 of additional Indebtedness pursuant to clause (1) of “—Limitation on Incurrence of Additional Indebtedness”;
- (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
- (4) at the time of such Designation, neither the Company nor any Restricted Subsidiary will:
  - (a) provide credit support for, subject any of its property or assets (other than the Capital Stock of any Unrestricted Subsidiary) to the satisfaction of, or Guarantee, any Indebtedness of such Subsidiary (including any undertaking, agreement or instrument evidencing such Indebtedness);
  - (b) be directly or indirectly liable for any Indebtedness of such Subsidiary; or
  - (c) be directly or indirectly liable for any Indebtedness which provides that the holder thereof may (upon notice, lapse of time or both) declare a default thereon or cause the payment thereof to be accelerated or payable prior to its final scheduled maturity upon the occurrence of a default with respect to any Indebtedness of such Subsidiary, except for any non-recourse Guarantee given solely to support the pledge by the Company or any Restricted Subsidiary of the Capital Stock of such Subsidiary.

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

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

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

The Designation of a Subsidiary of the Company as an Unrestricted Subsidiary shall be deemed to include the Designation of all of the Subsidiaries of such Subsidiary. All Designations and Revocations must be evidenced by a certificate of the Chief Financial Officer of the Company, delivered to the Trustee certifying compliance with the preceding provisions.

***Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries***

- (a) Except as provided in paragraph (b) below, the Company will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, create or otherwise cause or permit to exist or become effective any encumbrance or restriction on the ability of any Restricted Subsidiary to:
  - (1) pay dividends or make any other distributions on or in respect of its Capital Stock to the Company or any other Restricted Subsidiary or pay any Indebtedness owed to the Company or any other Restricted Subsidiary;
  - (2) make loans or advances to, or Guarantee any Indebtedness or other obligations of, or make any Investment in, the Company or any other Restricted Subsidiary; or
  - (3) transfer any of its property or assets to the Company or any other Restricted Subsidiary.
- (b) Paragraph (a) above will not apply to encumbrances or restrictions existing under or by reason of:
  - (1) applicable law rule, regulation or order;
  - (2) the Indenture, the notes and the Note Guarantees;
  - (3) the terms of any Indebtedness outstanding on the Issue Date, and any amendment, modification, restatement, renewal, restructuring, replacement or refinancing thereof; *provided* that any amendment, modification, restatement, renewal, restructuring, replacement or refinancing is not materially more restrictive, taken as a whole, with respect to such encumbrances or restrictions than those in existence on the Issue Date;
  - (4) customary non-assignment provisions of any contract and customary provisions restricting assignment or subletting in any lease governing a leasehold interest of any Restricted Subsidiary, or any customary restriction on the ability of a Restricted Subsidiary to dividend, distribute or otherwise transfer any asset which secures Indebtedness secured by a Lien, in each case permitted to be Incurred under the Indenture;
  - (5) any instrument governing Acquired Indebtedness not Incurred in connection with, or in anticipation or contemplation of, the relevant acquisition, merger or consolidation, which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person or the properties or assets of the Person so acquired;
  - (6) customary restrictions with respect to a Restricted Subsidiary of the Company imposed pursuant to a binding agreement which has been entered into for the sale or disposition of Capital Stock or assets of such Restricted Subsidiary; *provided* that such restrictions apply solely to the Capital Stock or assets of such Restricted Subsidiary being sold;
  - (7) customary restrictions imposed on the transfer of copyrighted or patented materials;



- (8) an agreement governing Indebtedness of the Company or any Restricted Subsidiaries permitted to be Incurred subsequent to the date of the Indenture in accordance with the covenant described above under the caption “—Limitation on Incurrence of Additional Indebtedness”; *provided* that the provisions relating to such encumbrance or restriction contained in such agreement are no more restrictive, taken as a whole, than those contained in the agreement referred to in clause (3) of this paragraph;
- (9) purchase money obligations for property (including Capital Stock) acquired in the ordinary course of business and Capitalized Lease Obligations that impose restrictions on the property purchased or leased of the nature described in paragraph (a)(3) of this covenant;
- (10) Liens permitted to be incurred under the provisions of the covenant described below under the caption “—Limitation on Liens” that limits the right of the debtor to dispose of the assets securing such Indebtedness;
- (11) provisions limiting the payment of dividends or the disposition or distribution of assets or property or transfer of Capital Stock in joint venture agreements, sale-leaseback agreements, limited liability company organizational documents and other similar agreements entered into in accordance with the terms of the Indenture and (a) in the ordinary course of business consistent with past practice or (b) with the approval of the Company’s Board of Directors, which limitation is applicable only to the assets, property or Capital Stock that are the subject of such agreements;
- (12) restrictions on cash, Cash Equivalents, Marketable Securities or other deposits or net worth imposed by customers or lessors under contracts or leases entered into in the ordinary course of business consistent with past practice to secure trade payable obligations; and
- (13) restrictions customarily granted in connection with Loan-Related Securitizations.

***Limitation on Layered Indebtedness***

The Company will not, and will not permit any Subsidiary 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, in the case of the Company, the notes or, in the case of a Subsidiary Guarantor, its Note Guarantee, to the same extent and on the same terms as such Indebtedness is subordinate to such other 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 (including without limitation capital stock of any Restricted Subsidiaries), 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:

- (1) in the case of the Company or any Restricted Subsidiary other than a Subsidiary Guarantor, to secure the notes and all other amounts due under the Indenture; and
- (2) in the case of a Subsidiary Guarantor, to secure such Subsidiary Guarantor’s Note Guarantee and all other amounts due under the Indenture;

in each case, 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 or such Note Guarantee, as the case may be, prior to such Indebtedness or

other obligation) with a Lien on the same properties and assets securing such Indebtedness or other obligation for so long as such Indebtedness or other obligation is secured by such Lien.

***Limitation on Merger, Consolidation and Sale of Assets***

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

- (a) either:
  - (1) the Company shall be the surviving or continuing Person, or
  - (2) the Person (if other than the Company) formed by such consolidation or into which the Company is merged or the Person which acquires by sale, assignment, transfer, lease, conveyance or other disposition the properties and assets of the Company and of the Company's Restricted Subsidiaries substantially as an entirety (the "Surviving Entity"):
    - (A) shall be a Person organized or formed and validly existing under the laws of Mexico or a Qualified Merger Jurisdiction, and
    - (B) shall expressly assume, by supplemental indenture (in form and substance satisfactory to the Trustee), executed and delivered to the Trustee, the due and punctual payment of the principal of, and premium, if any, and interest on all of the notes and the performance and observance of every covenant of the notes and the Indenture on the part of the Company to be performed or observed;
- (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 U.S.\$1.00 of additional Indebtedness pursuant to clause (1) of "—Limitation on Incurrence of Additional Indebtedness," or
  - (2) will have (i) a Capitalization Ratio of not less than the Capitalization Ratio of the Company and its Restricted Subsidiaries immediately prior to such transaction and (ii) if the Company is not Operating as a Bank at the time of such transaction, a ratio of Total Unencumbered Assets to Unsecured Indebtedness of not less than the ratio of Total Unencumbered Assets to Unsecured Indebtedness 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) each Subsidiary Guarantor (including Persons that become Subsidiary Guarantors as a result of the transaction) has confirmed by supplemental indenture that its Note Guarantee will apply for the Obligations of the Surviving Entity in respect of the Indenture and the notes;
- (e) 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 or any Note Guarantee 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
- (f) 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 or a Subsidiary Guarantor;
- (2) any merger of a Restricted Subsidiary into the Company or a Subsidiary Guarantor; 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;

so long as, in each case the Indebtedness of the Company and its Restricted Subsidiaries taken as a whole is not increased thereby.

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 Subsidiary Guarantor will not, and the Company will not cause or permit any Subsidiary 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 Subsidiary Guarantor unless:

- (1) such Person (if such Person is the surviving entity) assumes all of the obligations of such Subsidiary Guarantor in respect of its Note Guarantee by executing a supplemental indenture and providing the Trustee with an Officers’ Certificate and Opinion of Counsel to the effect that such transaction is in compliance with the Indenture;
- (2) such Note Guarantee is to be released as provided under “Note Guarantees”; or
- (3) such sale or other disposition of substantially all of such Subsidiary 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 U.S.\$10.0 million, the terms of such Affiliate Transaction will be approved by a majority of the members of the Board of Directors of the Company (including a majority of the disinterested members thereof), the approval to be evidenced by a Board Resolution stating that the Board of Directors has determined that such transaction complies with the preceding provisions; and
  - (c) in the event that such Affiliate Transaction involves aggregate payments, or transfers of property or services with a Fair Market Value, in excess of U.S.\$20.0 million, the Company will, prior to the consummation thereof, obtain a favorable opinion as to the fairness of such Affiliate Transaction to the Company and the relevant Restricted Subsidiary (if any) from a financial point of view from an Independent Financial Advisor and file the same with the Trustee.
- (2) Paragraph (1) above will not apply to:
  - (a) Affiliate Transactions with or among the Company and any Restricted Subsidiary or between or among Restricted Subsidiaries;
  - (b) reasonable fees and compensation paid to, and any indemnity provided on behalf of, officers, directors, employees, consultants or agents of the Company or any Restricted Subsidiary as determined in good faith by the Company’s Board of Directors or senior management of the Company;
  - (c) Affiliate Transactions undertaken pursuant to any contractual obligations or rights in existence on the Issue Date and any amendment, modification or replacement of such agreement (so long as such amendment, modification or replacement is not materially

more disadvantageous to the Company and its Restricted Subsidiaries or the holders of the notes, taken as a whole, than the original agreement as in effect on the Issue Date);

- (d) any Restricted Payments made in compliance with “—Limitation on Restricted Payments” or any Permitted Investments;
- (e) loans and advances to officers, directors and employees of the Company or any Restricted Subsidiary for travel, entertainment, moving and other relocation expenses, in each case made in the ordinary course of business and not exceeding U.S.\$5.0 million outstanding at any one time;
- (f) any employment agreement, employee benefit plan, officer or director indemnification agreement or any similar arrangement entered into by the Company or any of its Restricted Subsidiaries in the ordinary course of business or consistent with past practice and payments pursuant thereto;
- (g) any issuance of Capital Stock (other than Disqualified Stock) of the Company to Affiliates of the Company or to any director, officer, employee or consultant of the Company, and the granting and performance of registration rights;
- (h) transactions between the Company or any of its Restricted Subsidiaries and any Securitization Vehicle in the ordinary course of business in connection with Loan-Related Securitizations; and
- (i) transactions with customers, clients, suppliers or purchasers or sellers of goods or services, in each case in the ordinary course of business and otherwise in compliance with the terms of the Indenture, which are fair to the Company or its Restricted Subsidiaries (as applicable), or are on terms at least as favorable as might reasonably have been obtained at such time from an unaffiliated party.

### ***Conduct of Business***

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

### ***Reports to Holders***

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

- (a) Within 120 days following the end of each of the Company’s fiscal years, information (presented in the English language) including “Selected Consolidated Financial Information and Other Information”, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Business” sections with scope and content substantially similar to the corresponding sections of 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, statements of shareholders equity and cash flow statements and the related notes thereto for the Company for the two most recent fiscal years in accordance with Mexican Banking GAAP, which need not, however, contain any reconciliation to U.S. generally accepted accounting principles 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 the fiscal quarter ended March 31, 2010 and of the first three fiscal quarters in each of the Company’s fiscal years thereafter (including 2010), quarterly reports containing unaudited balance sheets, statements of income 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 Mexican Banking GAAP, which need not, however, contain any reconciliation to U.S. generally accepted accounting principles or otherwise comply with Regulation S-X of the U.S. Securities and Exchange Commission, together with other financial information and a discussion of results, in each case with a substantially similar level of information in all material respects as provided by the Company in its quarterly results as filed with the CNBV and the Mexican Stock Exchange (in each case, presented in the English language).

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

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

### ***Listing***

In the event that the notes are admitted to listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF, the Company will use its reasonable best efforts to maintain such admission to listing and trading; *provided* that if, as a result of the European Union regulated market amended Directive 2001/34/EC (the “Transparency Directive”) or any legislation implementing the Transparency Directive the Company could be required to publish financial information either more regularly than it otherwise would be required to or according to accounting principles which are materially different from the accounting principles which the Company would otherwise use to prepare its published financial information, the Company may delist the notes therefrom in accordance with the rules of the Luxembourg Stock Exchange and seek an alternative admission to listing, trading and/or quotation for the notes on a different section of the Luxembourg Stock Exchange or by such other listing authority, stock exchange and/or quotation system inside or outside the European Union and recognized by the U.S. Securities and Exchange Commission as the Company may decide.

### ***Notices***

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 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, at [www.bourse.lu](http://www.bourse.lu).

Notices shall be deemed to have been given on the date of publication as aforesaid or, if published on different dates, on the date of the first such publication. In addition, notices will be mailed to holders of notes at their registered addresses.

## Events of Default

The following are “Events of Default”:

- (1) default in the payment when due of the principal of or premium, if any, on any notes, including the failure to make a required payment to purchase notes tendered pursuant to an optional redemption, Change of Control Triggering Event Offer or an Asset Sale Offer;
- (2) default for 30 days or more in the payment when due of interest or Additional Amounts, if any, on any notes;
- (3) the failure to perform or comply with any of the provisions described under “Certain Covenants—Merger, Consolidation and Sale of Assets”;
- (4) the failure by the Company or any Restricted Subsidiary to comply with any other covenant or agreement contained in the Indenture or in the notes for 60 days or more after written notice to the Company from the Trustee or the holders of at least 25% in aggregate principal amount of the outstanding notes;
- (5) default by the Company or any Restricted Subsidiary that is a Significant Subsidiary under any Indebtedness which:
  - (a) is caused by a failure to pay principal of 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 either case, the principal or accreted amount of Indebtedness covered by (a) or (b) at the relevant time, aggregates U.S.\$15.0 million or more;
- (6) failure by the Company or any Restricted Subsidiary that is a Significant Subsidiary to pay one or more final judgments against any of them, aggregating U.S.\$15.0 million or more, which judgment(s) are not paid, discharged or stayed for a period of 60 days or more;
- (7) certain events under *concurso mercantil*, bankruptcy or other similar laws now or hereinafter in effect affecting the Company or any of its Restricted Subsidiaries that are Significant Subsidiaries; or
- (8) except as permitted by the Indenture, any Note Guarantee is held to be unenforceable or invalid in a judicial proceeding or ceases for any reason to be in full force and effect or any Subsidiary Guarantor, or any Person acting on behalf of any Subsidiary Guarantor, denies or disaffirms such Subsidiary Guarantor’s obligations under its Note Guarantee.

If an Event of Default (other than an Event of Default specified in clause (7) above with respect to the Company) shall occur and be continuing, the Trustee or the holders of at least 25% in principal amount of outstanding notes may declare the unpaid principal of (and premium, if any) and accrued and unpaid interest on all the notes to be immediately due and payable by notice in writing to the Company and the Trustee specifying the Event of Default and that it is a “notice of acceleration.” If an Event of Default specified in clause (7) above occurs with respect to the Company, then the unpaid principal of (and premium, if any) and accrued and unpaid interest on all the notes will become immediately due and payable without any declaration or other act on the part of the Trustee or any holder.

At any time after a declaration of acceleration with respect to the notes as described in the preceding paragraph, the holders of a majority in principal amount of the notes may rescind and cancel such declaration and its consequences:

- (1) if the rescission would not conflict with any judgment or decree;
- (2) if all existing Events of Default have been cured or waived, except nonpayment of principal or interest that has become due solely because of the acceleration;
- (3) to the extent the payment of such interest is lawful, interest on overdue installments of interest and overdue principal, which has become due otherwise than by such declaration of acceleration, has been paid; and
- (4) if the Company has paid the Trustee its reasonable compensation and reimbursed the Trustee for its reasonable expenses (including the fees and expenses of its counsel), disbursements and advances.

No rescission will affect any subsequent Default or impair any rights relating thereto.

The holders of a majority in principal amount of the notes may waive any existing Default or Event of Default under the Indenture, and its consequences, except a default in the payment of the principal of, premium, if any, or interest on any notes.

In the event of any Event of Default specified in clause (5) of the first paragraph above, such Event of Default and all consequences thereof (excluding, however, any resulting payment default) will be annulled, waived and rescinded, automatically and without any action by the Trustee or the holders, if within 30 days after such Event of Default arose the Company delivers an Officers' Certificate to the Trustee stating that (x) the Indebtedness or Guarantee that is the basis for such Event of Default has been discharged or (y) the holders thereof have rescinded or waived the acceleration, notice or action (as the case may be) giving rise to such Event of Default or (z) the default that is the basis for such Event of Default has been cured, it being understood that in no event shall an acceleration of the principal amount of the notes as described above be annulled, waived or rescinded upon the happening of any such events.

The Trustee is under no obligation to exercise any of its rights or powers under the Indenture at the request, order or direction of any of the holders, unless such holders have offered to the Trustee satisfactory indemnity. Subject to all provisions of the Indenture and applicable law, the holders of a majority in aggregate principal amount of the then outstanding notes have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee.

No holder of any notes will have any right to institute any proceeding with respect to the Indenture or for any remedy thereunder, unless:

- (1) such holder gives to the Trustee written notice of a continuing Event of Default;
- (2) holders of at least 25% in principal amount of the then outstanding notes make a written request to pursue the remedy;
- (3) such holders of the notes provide to the Trustee satisfactory indemnity;
- (4) the Trustee does not comply within 60 days; and
- (5) during such 60 day period the holders of a majority in principal amount of the outstanding notes do not give the Trustee a written direction which, in the opinion of the Trustee, is inconsistent with the request;



*provided*, that a holder of a note may institute suit for enforcement of payment of the principal of and premium, if any, or interest on such note on or after the respective due dates expressed in such note.

Upon becoming aware of any Default or Event of Default, the Company is required to deliver to the Trustee written notice of events which would constitute such Defaults or Events of Default, their status and what action the Company is taking or proposes to take in respect thereof. In addition, the Company is required to deliver to the Trustee, within 105 days after the end of each fiscal year, an Officers' Certificate indicating whether the signers thereof know of any Default or Event of Default that occurred during the previous fiscal year. The Indenture provides that if a Default or Event of Default occurs, is continuing and is actually known to a responsible officer of the Trustee, the Trustee must mail to each holder notice of the Default or Event of Default within 90 days after the occurrence thereof. Except in the case of a Default or Event of Default in the payment of principal of, premium, if any, or interest on any note, the Trustee may withhold notice if and so long as a committee of its trust officers 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 and all obligations of each Subsidiary Guarantor under the Note Guarantees discharged ("Legal Defeasance"). Such Legal Defeasance means that the Company will be deemed to have paid and discharged the entire indebtedness represented by the Indenture, the outstanding notes and the Note Guarantees after the deposit specified in clause (1) of the second following paragraph, except for:

- (1) the rights of holders to receive payments in respect of the principal of, premium, if any, and interest on the notes when such payments are due;
- (2) the Company's obligations with respect to the notes concerning issuing temporary notes, registration of notes, mutilated, destroyed, lost or stolen notes and the maintenance of an office or agency for payments;
- (3) the rights, powers, trust, duties and immunities of the Trustee and the Company's and each Subsidiary Guarantor'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 and the obligations of each Subsidiary Guarantor 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 or the Note Guarantees. In the event Covenant Defeasance occurs, certain events (not including non-payment, bankruptcy, receivership, reorganization and insolvency events) described under "Events of Default" will no longer constitute an Event of Default with respect to the notes.

In order to exercise either Legal Defeasance or Covenant Defeasance:

- (1) the Company must irrevocably deposit with the Trustee, in trust, for the benefit of the holders cash in U.S. dollars, certain direct non-callable obligations of, or guaranteed by, the United States, or a combination thereof, in such amounts as will be sufficient without reinvestment, in the opinion of a nationally recognized investment bank, appraisal firm or firm of independent public accountants, to pay the principal of, premium, if any, and interest (including Additional Amounts) on the notes on the stated date for payment thereof or on the applicable redemption date, as the case may be;

- (2) in the case of Legal Defeasance, the Company has delivered to the Trustee an Opinion of Counsel from counsel in the United States reasonably acceptable to the Trustee (subject to customary exceptions and exclusions) and independent of the Company to the effect that:
- (a) the Company has received from, or there has been published by, the Internal Revenue Service a ruling; or
  - (b) since the Issue Date, there has been a change in the applicable U.S. federal income tax law,
- in either case to the effect that, and based thereon such Opinion of Counsel shall state that, the holders will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Legal Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;
- (3) in the case of Covenant Defeasance, the Company has delivered to the Trustee an Opinion of Counsel in the United States reasonably acceptable to the Trustee (subject to customary exceptions and exclusions) to the effect that the holders will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Covenant Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;
- (4) in the case of Legal Defeasance or Covenant Defeasance, the Company has delivered to the Trustee:
- (a) an Opinion of Counsel from Mexican legal counsel reasonably acceptable to the Trustee (subject to customary exceptions and exclusions) and independent of the Company to the effect that, based upon Mexican law then in effect, holders will not recognize income, gain or loss for Mexican tax purposes, including withholding tax except for withholding tax then payable on interest payments due, as a result of Legal Defeasance or Covenant Defeasance, as the case may be, and will be subject to Mexican taxes on the same amounts and in the same manner and at the same time as would have been the case if such Legal Defeasance or Covenant Defeasance, as the case may be, had not occurred, or
  - (b) a ruling directed to the Trustee received from the tax authorities of Mexico to the same effect as the Opinion of Counsel described in clause (a) above;
- (5) no Default or Event of Default shall have occurred and be continuing on the date of the deposit pursuant to clause (1) of this paragraph (except any Default or Event of Default resulting from the failure to comply with “—Certain Covenants—Limitation on Incurrence of Additional Indebtedness” as a result of the borrowing of the funds required to effect such deposit) and, insofar as Events of Default from bankruptcy or insolvency events are concerned, at any time in the period ending on the 91<sup>st</sup> day after the date of deposit, and the Trustee has received an Officers’ Certificate to such effect on the date of such deposit and, in the case of Legal Defeasance, on the 91<sup>st</sup> day;
- (6) the Trustee has received an Officers’ Certificate stating that such Legal Defeasance or Covenant Defeasance shall not result in a breach or violation of, or constitute a default under the Indenture or any other material agreement or instrument to which the Company or any of its Subsidiaries is a party or by which the Company or any of its Subsidiaries is bound;
- (7) the Company has delivered to the Trustee an Officers’ Certificate stating that the deposit was not made by the Company with the intent of preferring the holders over any other creditors of the

Company or any Subsidiary of the Company or with the intent of defeating, hindering, delaying or defrauding any other creditors of the Company or others;

- (8) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel from counsel reasonably acceptable to the Trustee (subject to customary exceptions and exclusions) and independent of the Company, each stating that all conditions precedent provided for or relating to the Legal Defeasance or the Covenant Defeasance have been complied with; and
- (9) the Company has delivered to the Trustee an Opinion of Counsel from counsel reasonably acceptable to the Trustee and independent of the Company to the effect that the trust funds will not be subject to the effect of any applicable *concurso mercantil*, 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 theretofor authenticated and delivered (except lost, stolen or destroyed notes which have been replaced or paid and notes for whose payment money has theretofor 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 theretofor delivered to the Trustee for cancellation have become due and payable, and the Company has irrevocably deposited or caused to be deposited with the Trustee funds or certain direct, non-callable obligations of, or guaranteed by, the United States sufficient without reinvestment to pay and discharge the entire Indebtedness on the notes not theretofor 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 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, Notes and/or the Note Guarantees**

From time to time, the Company, each Subsidiary Guarantor and the Trustee, without the consent of the holders, may amend the Indenture, the notes or the Note Guarantees for certain specified purposes, including curing ambiguities, 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 or a Subsidiary Guarantor's obligations to holders of notes and Note Guarantees in the case of a merger or consolidation or sale of all or substantially all of the Company's or such Subsidiary Guarantor's assets, as applicable, to the extent permitted under the Indenture; 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 the applicable requirements of the U.S. Securities and Exchange Commission; to conform the text of the Indenture, the Note Guarantees or the notes to any provision of this Description of Notes to the extent that such provision in this Description of Notes was intended to be a verbatim recitation of a provision of the Indenture, the Note Guarantees or the notes; to allow any Subsidiary Guarantor to execute a supplemental indenture and/or a Note Guarantee with respect to the notes and to release Subsidiary

Guarantors from the Note Guarantee in accordance with the terms of the Indenture; to comply with the requirements of any applicable securities depository; to provide for a successor Trustee in accordance with the terms of the Indenture; to otherwise comply with any requirement of the Indenture; to issue Additional Notes; and make any other changes which do not adversely affect the rights of any of the holders in any material respect. In formulating its opinion on such matters, the Trustee will be entitled to rely on such evidence as it deems appropriate, including solely on an Opinion of Counsel and Officers' Certificate, and shall have no liability whatsoever in reliance upon the foregoing.

Other modifications and amendments of the Indenture or the notes or a Note Guarantee may be made with the consent of the holders of a majority in principal amount of the then outstanding notes issued under the Indenture, except that, without the consent of each holder affected thereby, no amendment may (with respect to any notes held by a non-consenting holder):

- (1) reduce the principal amount of notes whose holders must consent to an amendment, supplement or waiver;
- (2) reduce the rate of or change or have the effect of changing the time for payment of interest, including defaulted interest, on any notes;
- (3) reduce the principal of or change or have the effect of changing the fixed maturity of any notes, or change the date on which any notes may be subject to redemption, or reduce the redemption price therefor;
- (4) make any notes payable in money other than that stated in the notes;
- (5) make any change in provisions of the Indenture entitling each holder to receive payment of principal of, premium, if any, and interest on such note on or after the due date thereof or to bring suit to enforce such payment, or permitting holders of a majority in principal amount of notes to waive Defaults or Events of Default;
- (6) amend, change or modify in any material respect the 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) eliminate or modify in any manner a Subsidiary Guarantor's obligations with respect to its Note Guarantee which adversely affects holders in any material respect, except as contemplated in the Indenture;
- (8) make any change in the provisions of the Indenture described under "—Additional Amounts" that adversely affects the rights of any holder or amends the terms of the notes in a way that would result in a loss of exemption from Taxes; and
- (9) make any change to the provisions of the Indenture or the notes that adversely affect the ranking of the notes.

### **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 each Subsidiary Guarantor consent to the jurisdiction of the Federal and State courts located in the City of New York, Borough of Manhattan and have appointed an agent for service of process with respect to any actions brought in these courts arising out of or based on the Indenture or the notes or the Note Guarantees.

## **The Trustee**

Except during the continuance of an Event of Default, the Trustee will perform only such duties as are specifically set forth in the Indenture. During the existence of an Event of Default, the Trustee will exercise such rights and powers vested in it by the Indenture, and use the same degree of care and skill in its exercise as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

The Indenture contains certain limitations on the rights of the Trustee, should it become a creditor of the Company, to obtain payments of claims in certain cases or to realize on certain property received in respect of any such claim as security or otherwise. The Trustee will be permitted to engage in other transactions; *provided*, that if the Trustee acquires any conflicting interest, it must eliminate such conflict or resign.

## **No Personal Liability**

An incorporator, director, officer, employee, stockholder or controlling person, as such, of the Company or any Subsidiary Guarantor shall not have any liability for any obligations of the Company or such Subsidiary Guarantor under the notes (including the Note Guarantees) 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 each Subsidiary Guarantor will pay all sums payable under the Indenture or the notes or the Note Guarantees solely in U.S. Dollars. Any amount that a holder receives or recovers in a currency other than U.S. Dollars in respect of any sum expressed to be due to such holder from the Company or any Subsidiary Guarantor will only constitute a discharge to such holder to the extent of the U.S. Dollar amount which such holder is able to purchase with the amount received or recovered in that other currency on the date of the receipt or recovery, or, if it is not practicable to make the purchase on that date, on the first date on which such holder is able to do so. If the U.S. Dollar amount is less than the U.S. Dollar amount expressed to be due to such holder under any note, the Company and each Subsidiary Guarantor will jointly and severally indemnify such holder against any loss such holder may sustain as a result. In any event, the Company and each Subsidiary Guarantor will jointly and severally indemnify each holder against the cost of making any purchase of U.S. Dollars. For the purposes of this paragraph, it will be sufficient for a holder to certify in a satisfactory manner that 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 such holder was able to do so. In addition, any such holder will also be required to certify in a satisfactory manner the need for a change of the purchase date.

The indemnities described above:

- constitute a separate and independent obligation from the other obligations of the Company and each Subsidiary Guarantor;
- will give rise to a separate and independent cause of action;
- will apply irrespective of any indulgence granted by any holder; and
- will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any note.

## **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.

“*Allowance for Loan Losses*” means, as of any date of determination, the allowance for loan losses of the Company and its Restricted Subsidiaries as set forth on the consolidated balance sheet as of the most recent fiscal quarter of the Company, prepared in accordance with Mexican Banking GAAP.

“*Asset Acquisition*” means:

- (1) an Investment by the Company or any Restricted Subsidiary in any other Person pursuant to which such Person will become a Restricted Subsidiary, or will be merged with or into the Company or any Restricted Subsidiary;
- (2) the acquisition by the Company or any Restricted Subsidiary of the assets of any Person (other than a Subsidiary of the Company) which constitute all or substantially all of the assets of such Person or comprises any division or line of business of such Person or any other properties or assets of such Person other than in the ordinary course of business; or
- (3) any Revocation with respect to an Unrestricted Subsidiary.

“*Asset Sale*” means any direct or indirect sale, disposition, issuance, conveyance, transfer, lease, assignment or other transfer, including a Sale and Leaseback Transaction (each, a “disposition”) by the Company or any Restricted Subsidiary of:

- (a) any Capital Stock of any Restricted Subsidiary (but not Capital Stock of the Company); or
- (b) any property or assets (other than cash or Cash Equivalents or Capital Stock of the Company) of the Company or any Restricted Subsidiary;

Notwithstanding the preceding, the following items will not be deemed to be Asset Sales:

- (1) the disposition of all or substantially all of the assets of the Company and its Restricted Subsidiaries as permitted under “Certain Covenants—Merger, Consolidation and Sale of Assets;”

- (2) for purposes of “Certain Covenants—Limitation on Asset Sales and Sales of Subsidiary Stock” only, the making of a Restricted Payment permitted under “Certain Covenants—Limitation on Restricted Payments” or any Permitted Investment;
- (3) a disposition to the Company or a Restricted Subsidiary, including a Person that is or will become a Restricted Subsidiary immediately after the disposition;
- (4) any single transaction or series of related transactions that involves assets or Capital Stock of a Restricted Subsidiary having a Fair Market Value of less than U.S.\$5.0 million (or the equivalent in other currencies);
- (5) a transfer of assets between or among the Company and any of its Restricted Subsidiaries;
- (6) an issuance or sale of Capital Stock by a Restricted Subsidiary of the Company to the Company or any of its Restricted Subsidiaries;
- (7) the disposition of Loan Receivables, Residual Interests, Securitization Securities, net interest margin securities and other direct or indirect interests in Securitization Vehicles and related assets, in each case in the ordinary course of business (including by way of a Loan-Related Securitization);
- (8) the sale of delinquent or non-performing loans to unaffiliated third parties;
- (9) any sale or other disposition of damaged, worn-out, obsolete or no longer useful assets or properties in the ordinary course of business;
- (10) the sale of assets received by the Company or any of its Restricted Subsidiaries upon the foreclosure of a Lien in the ordinary course of business;
- (11) the granting of Liens permitted under “Certain Covenants—Limitation on Liens”; and
- (12) the good faith surrender or waiver of contract rights or settlement, release or surrender of contract, tort or other claims or statutory rights in connection with a settlement in the ordinary course of business consistent with past practice.

“*Asset Sale Offer*” has the meaning set forth under “Certain Covenants—Limitation on Asset Sales and Sales of Subsidiary Stock.”

“*Asset Sale Transaction*” means any Asset Sale and, whether or not constituting an Asset Sale, (1) any sale or other disposition of Capital Stock, (2) any Designation with respect to an Unrestricted Subsidiary and (3) any sale or other disposition of property or assets excluded from the definition of Asset Sale by clause (4) of that definition.

“*Board of Directors*” means, as to any Person, the board of directors, management committee or similar governing body of such Person or any duly authorized committee thereof.

“*Board Resolution*” means, with respect to any Person, a copy of a resolution certified by the Secretary or an Assistant Secretary of such Person to have been duly adopted by the Board of Directors of such Person and to be in full force and effect on the date of such certification, and delivered to the Trustee.

“*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 after the maturity date of the notes issued under the Indenture, (iii) the first principal payment in respect of which (pursuant to any redemption provision, amortization schedule or otherwise) may not occur until at least 12 months after the

last scheduled principal payment of any note and any other Senior Indebtedness, (iv) the principal of which may not be accelerated so long as any note remains outstanding (except pursuant to a customary bankruptcy event of default with respect to the Company), and (v) which, prior to their issuance, are (x) provided some equity treatment by at least two Rating Agencies pursuant to their respective rating criteria, and (y) treated as capital by Mexican bank regulatory authorities.

“*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 voting or not voting) of corporate stock, including each class of Common Stock and Preferred Stock of such Person;
- (2) with respect to any Person that is not a corporation, any and all partnership or other equity or ownership interests of such Person; and
- (3) any warrants, rights or options to purchase any of the instruments or interests referred to in clause (1) or (2) above.

“*Capitalization Ratio*” means, for any Person as of any date of determination, the result (expressed as a percentage) obtained by dividing (x) Consolidated Net Worth of such Person (calculated as of the end of the last completed fiscal quarter ending on or prior to the date of the transaction giving rise to the need to calculate Consolidated Net Worth) by (y) Total Assets as of such date of determination.

“*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 Mexican Banking GAAP. For purposes of this definition, the amount of such obligations at any date will be the capitalized amount of such obligations at such date, determined in accordance with Mexican Banking GAAP.

“*Cash Equivalents*” means:

- (1) marketable direct obligations issued by, or unconditionally guaranteed by, the United States government or issued by any agency thereof and backed by the full faith and credit of the United States, in each case maturing within one year from the date of acquisition thereof;
- (2) *Certificados de la Tesoreria de la Federacion (Cetes)* or *Bonos de Desarrollo del Gobierno Federal (Bondes)*, in each case, issued by the federal 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 Standard & Poor’s Corporation (“S&P”) or Fitch Ratings (“Fitch”) or any successor thereto;
- (4) commercial paper maturing no more than one year from the date of creation thereof and, at the time of acquisition, having a rating of at least A-2 from S&P or at least F-1 from Fitch;
- (5) demand deposits, certificates of deposit, time deposits or bankers’ acceptances maturing within one year from the date of acquisition thereof issued by (a) any bank organized under the laws of the United States of America or any state thereof or the District of Columbia, (b) any U.S. branch of a non-U.S. bank having at the date of acquisition thereof combined capital and surplus of not less than U.S.\$500.0 million, or (c) in the case of Mexican peso deposits, any of the five top-rated banks (as evaluated by an internationally recognized rating agency) organized under the laws of Mexico;



- (6) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clause (1) above entered into with any bank meeting the qualifications specified in clause (5) above; and
- (7) investments in money market funds, which invest substantially all of their assets in securities of the types described in clauses (1) through (6) 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 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% 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) during any period of two consecutive years, individuals who at the beginning of such period constituted the Board of Directors of the Company, together with any new directors whose election by such Board of Directors or whose nomination for election by the shareholders of the Company was approved by a vote of a majority of the directors of the Company then still in office who were either directors at the beginning of such period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority of the Board of Directors of the Company then in office;
- (3) 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; 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% of the voting power of the Voting Stock of the parent corporation and no other Person or Group beneficially owns an equal or greater amount of the Voting Stock of the parent corporation.

“*Change of Control Triggering Event*” has the meaning set forth under “—Change of Control Triggering Event.”

“*Change of Control Triggering Event Offer*” has the meaning set forth under “—Change of Control Triggering Event.”

“*Change of Control Triggering Event Payment*” has the meaning set forth under “—Change of Control Triggering Event.”

“*Change of Control Triggering Event Payment Date*” has the meaning set forth under “—Change of Control Triggering Event.”

“*CNBV*” means the *Comision Nacional Bancaria y de Valores, the Mexican National Banking and Securities Commission.*

“*Commodity Agreement*” means any commodity or raw material futures contract, commodity or raw materials option, or any other agreement designed to protect against or manage exposure to fluctuations in commodity or raw materials prices.

“*Common Stock*” of any Person means any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person’s common equity interests, whether outstanding on the Issue Date or issued after the Issue Date, and includes, without limitation, all series and classes of such common equity interests.

“*CONAVI*” means the *Consejo Nacional de Vivienda, the Mexican National Housing Commission.*

“*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 Mexican Banking GAAP; *provided*, that there shall be excluded therefrom to the extent reflected in such aggregate net income (loss):

- (1) net after-tax gains or losses from Asset Sale Transactions or abandonments or reserves relating thereto;
- (2) net after-tax items classified as extraordinary gains or losses;
- (3) the net income (but not loss) of any Person, other than such Person and any Subsidiary of such Person (Restricted Subsidiary in the case of the Company); except that, solely for purposes of calculating Consolidated Net Income pursuant to clause (3) of the first paragraph of “Certain Covenants—Limitation on Restricted Payments” only, Consolidated Net Income of the Company will include the Company’s proportionate share of the net income of:

- (a) any Person acquired in a “pooling of interests” transaction accrued prior to the date it becomes a Restricted Subsidiary or is merged or consolidated with the Company or any Restricted Subsidiary; or
  - (b) a Surviving Entity prior to assuming the Company’s obligations under the Indenture and the notes pursuant to “Certain Covenants—Limitation on Merger, Consolidation and Sales of Assets”;
- (4) the net income (but not loss) of any Subsidiary of such Person (Restricted Subsidiary in the case of the Company) to the extent that (and only so long as) a corresponding amount could not be distributed to such Person at the date of determination as a result of any restriction pursuant to the constituent documents of such Subsidiary (Restricted Subsidiary in the case of the Company) or any law, regulation, agreement or judgment applicable to any such distribution;
  - (5) any increase (but not decrease) in net income attributable to minority interests in any Subsidiary (Restricted Subsidiary in the case of the Company);
  - (6) any gain (or loss) from foreign exchange translation or change in net monetary position;
  - (7) any gains or losses (less all fees and expenses or charges relating thereto) attributable to the early extinguishment of Indebtedness and Hedging Obligations; and
  - (8) the cumulative effect of changes in accounting principles.

“*Consolidated Net Worth*” means, for any Person at any time, the consolidated stockholders’ equity 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 Mexican Banking GAAP, less (without duplication) amounts attributable to Disqualified Capital Stock of such Person.

“*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 Mexican Banking GAAP, less Intangible Assets.

“*Covenant Defeasance*” has the meaning set forth under “Legal Defeasance and Covenant Defeasance.”

“*Currency Agreement*” means, in respect of any Person, any foreign exchange contract, currency swap agreement or other similar agreement as to which such Person is a party designed to hedge foreign currency risk of such Person.

“*Default*” means an event or condition the occurrence of which is, or with the lapse of time or the giving of notice or both would be, an Event of Default.

“*Designated Non-cash Consideration*” means the Fair Market Value of non-cash consideration used in a Permitted Business (other than securities) received by the Company or any of its Restricted Subsidiaries in connection with an Asset Sale that is so designated as Designated Non-cash Consideration pursuant to an officers’ certificate, setting forth the basis of such valuation, executed by the Chief Executive Officer or the Chief Financial Officer of the Company and delivered to the Trustee, less the amount of cash or Cash Equivalents received in connection with a sale of such Designated Non-cash Consideration.

“*Designation*” and “*Designation Amount*” have the meanings set forth under “Certain Covenants—Limitation on Designation of Unrestricted Subsidiaries” above.

“*Disqualified Capital Stock*” means that portion of any Capital Stock which, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable at the option of the holder thereof), or

upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or is redeemable at the sole option of the holder thereof, in any case, on or prior to the final maturity date of the notes; *provided, however*, that any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require such Person to purchase or redeem such Capital Stock upon the occurrence of an “asset sale” or “change of control” occurring prior to the final maturity of the notes shall not constitute Disqualified Capital Stock if:

- (1) the “asset sale” or “change of control” provisions applicable to such Capital Stock are not materially more favorable to the holders of such Capital Stock than the terms applicable to the notes and described under “—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock” and “—Change of Control Triggering Event”; and
- (2) any such requirement only becomes operative after compliance with such terms applicable to the notes, including the purchase of any notes tendered pursuant thereto.

The amount of any Disqualified Capital Stock shall be equal to the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price, but excluding accrued dividends, if any. The amount of any Disqualified Stock that does not have a fixed redemption, repayment or repurchase price will be calculated in accordance with the terms of such Disqualified Stock as if such Disqualified Stock were redeemed, repaid or repurchased on any date on which the amount of such Disqualified Stock is to be determined pursuant to the Indenture; *provided, however*, that if such Disqualified Stock could not be required to be redeemed, repaid or repurchased at the time of such determination, the redemption, repayment or repurchase price will be the book value of such Disqualified Stock as reflected in the most recent financial statements of such Person; and

*provided, further*, that any Capital Stock that would not constitute Disqualified Capital Stock but for the happening of the adoption, after the issuance of such Capital Stock, of a resolution by a shareholder's meeting of the Person issuing such Capital Stock, to redeem such Capital Stock (not by its terms) shall not constitute Disqualified Capital Stock.

“*Equity Sale*” has the meaning set forth under “—Optional Redemption.”

“*Event of Default*” has the meaning set forth under “Events of Default.”

“*Exchange Act*” means the Securities Exchange Act of 1934, as amended, or any successor statute or statutes thereto.

“*Fair Market Value*” means, with respect to any asset, 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 or assets will be determined conclusively by the senior management of the Company acting in good faith.

“*Fitch*” means Fitch Ratings and its successors and assigns.

“*Guarantee*” means any obligation, contingent or otherwise, 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.

“*Hedging Obligations*” means the obligations of any Person pursuant to any Interest Rate Agreement, Currency Agreement or Commodity Agreement.

“*Incur*” means, with respect to any Indebtedness or other obligation of any Person, to create, issue, incur (including by conversion, exchange or otherwise), assume, Guarantee or otherwise become liable in respect of such Indebtedness or other obligation on the balance sheet of such Person (and “Incurrence,” “Incurred” and “Incurring” will have meanings correlative to the preceding).

“*Indebtedness*” means with respect to any Person, without duplication:

- (1) the principal amount (or, if less, the accreted value) of all obligations of such Person for borrowed money;
- (2) the principal amount (or, if less, the accreted value) of all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;
- (3) all Capitalized Lease Obligations of such Person;
- (4) all obligations of such Person issued or assumed as the deferred purchase price of property, all conditional sale obligations and all obligations under any title retention agreement (but excluding trade accounts payable and other accrued liabilities arising in the ordinary course of business that are not overdue by 180 days or more or are being contested in good faith by appropriate proceedings promptly instituted and diligently conducted);
- (5) all letters of credit, banker’s acceptances or similar credit transactions, including reimbursement obligations in respect thereof;
- (6) Guarantees and other contingent obligations of such Person in respect of Indebtedness referred to in clauses (1) through (5) above and clauses (8) through (10) below;
- (7) all Indebtedness of any other Person of the type referred to in clauses (1) through (6) which is secured by any Lien on any property or asset of such Person, the amount of such Indebtedness being deemed to be the lesser of the Fair Market Value of such property or asset or the amount of the Indebtedness so secured;
- (8) all obligations under Hedging Obligations of such Person;
- (9) to the extent not otherwise included in this definition, all liabilities required to be recorded on the consolidated balance sheet of such Person in accordance with Mexican Banking GAAP in connection with a sale or other disposition of Loan Receivables, Residual Interests or other accounts receivables and related assets, including, without limitation, in connection with any Loan-Related Securitization; and
- (10) all Disqualified Capital Stock issued by such Person.

“*Independent Financial Advisor*” means an accounting firm, appraisal firm, investment banking firm or consultant of internationally recognized standing that is, in the judgment of the Company’s Board of Directors, qualified to perform the task for which it has been engaged and which is independent in connection with the relevant transaction.

“*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 Mexican Banking GAAP.

*“Interest Rate Agreement”* of any Person means any interest rate protection agreement (including, without limitation, interest rate swaps, caps, floors, collars, derivative instruments and similar agreements) and/or other types of hedging agreements designed to hedge interest rate risk of such Person.

*“Investment”* means, with respect to any Person, any:

- (1) direct or indirect loan, advance or other extension of credit (including, without limitation, a Guarantee) to any other Person,
- (2) capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others) any other Person, or
- (3) any purchase or acquisition by such Person of any Capital Stock, bonds, notes, debentures or other securities or evidences of Indebtedness issued by, any other Person.

“Investment” will exclude accounts receivable or deposits arising in the ordinary course of business. “Invest,” “Investing” and “Invested” will have corresponding meanings.

For purposes of the “Limitation on Restricted Payments” covenant, the Company will be deemed to have made an “Investment” in an Unrestricted Subsidiary at the time of its Designation, which will be valued at the Fair Market Value of the sum of the net assets of such Unrestricted Subsidiary at the time of its Designation and the amount of any Indebtedness of such Unrestricted Subsidiary or owed to the Company or any Restricted Subsidiary immediately following such Designation. Any property transferred to or from an Unrestricted Subsidiary will be valued at its Fair Market Value at the time of such transfer. If the Company or any Restricted Subsidiary sells or otherwise disposes of any Capital Stock of a Restricted Subsidiary (including any issuance and sale of Capital Stock by a Restricted Subsidiary) such that, after giving effect to any such sale or disposition, such Restricted Subsidiary would cease to be a Subsidiary of the Company, the Company will be deemed to have made an Investment on the date of any such sale or disposition equal to sum of the Fair Market Value of the Capital Stock of such former Restricted Subsidiary held by the Company or any Restricted Subsidiary immediately following such sale or other disposition and the amount of any Indebtedness of such former Restricted Subsidiary Guaranteed by the Company or any Restricted Subsidiary or owed to the Company or any other Restricted Subsidiary immediately following such sale or other disposition.

*“Investment Grade Rating”* means a rating equal to or higher than (i) BBB- (or the equivalent) by Fitch or (ii) BBB- (or the equivalent) by S&P, or, if either such entity ceases to rate the notes for reasons outside of the control of the Company, the equivalent investment grade credit rating from any other Rating Agency.

*“Investment Return”* means, in respect of any Investment (other than a Permitted Investment) made after the Issue Date by the Company or any Restricted Subsidiary:

- (1) 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;
- (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 the first date of issuance of notes under the Indenture.

"*Legal Defeasance*" has the meaning set forth under "Legal Defeasance and Covenant Defeasance."

"*Lien*" means any lien, mortgage, deed of trust, pledge, security interest, charge or encumbrance of any kind (including any conditional sale or other title retention agreement, any lease in the nature thereof and any agreement to give any security interest); *provided* that the lessee in respect of a Capitalized Lease Obligation or Sale and Leaseback Transaction will be deemed to have Incurred a Lien on the property leased thereunder.

"*Loan Receivables*" means loans (including personal loans, loans for working capital and home improvement loans) and other loan-related receivables (but excluding Residual Interests) purchased or originated by the Company or any Restricted Subsidiary; *provided, however*, that for purposes of determining the amount of a Loan Receivable at any time, such amount shall be determined in accordance with Mexican Banking GAAP, consistently applied, as of the most recent practicable date.

"*Loan-Related Securitization*" means any securitization, factoring, discounting or similar financing transaction or series of transactions entered into by the Company or any of its Restricted Subsidiaries pursuant to which the Company or any of its Restricted Subsidiaries directly or indirectly (through a Securitization Vehicle or otherwise) securitizes a pool of specified Loan Receivables, Residual Interests, net interest margin securities or similar or related assets of the Company or any Restricted Subsidiary.

"*Marketable Securities*" has the meaning ascribed to such term under Mexican Banking GAAP.

"*Mexican Banking GAAP*" means the accounting principles and regulations prescribed by the CNBV for credit institutions (*instituciones de credito*) in Mexico, as amended from time to time.

"*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, and without including any withheld amounts, amounts in escrow or any future contingent payments until any such amounts are received or released, 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, withheld or payable in respect of such Asset Sale after taking into account any reduction in consolidated tax liability due to available tax credits or deductions and any tax sharing arrangements;

- (3) repayment of Indebtedness secured by a Lien permitted under the Indenture that is required to be repaid in connection with such Asset Sale; and
- (4) appropriate amounts to be provided by the Company or any Restricted Subsidiary, as the case may be, as a reserve, in accordance with Mexican Banking GAAP, against any liabilities associated with such Asset Sale and retained by the Company or any Restricted Subsidiary, as the case may be, after such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, but excluding any reserves with respect to Indebtedness.

“*Note Guarantee*” means any guarantee of the Company’s Obligations under the notes and the Indenture provided by a Restricted Subsidiary pursuant to the Indenture.

“*Obligations*” means, with respect to any Indebtedness, any principal, interest (including, without limitation, Post-Petition Interest), penalties, fees, indemnifications, reimbursements, damages, and other liabilities payable under the documentation governing such Indebtedness, including in the case of the notes and the Note Guarantees, the Indenture.

“*Officer*” means, when used in connection with any action to be taken by the Company or a Subsidiary Guarantor, as the case may be, the Chairman of the Board, the Chief Executive Officer, the President, the Chief Financial Officer, the Treasurer, the General Counsel, the Controller or the Secretary of the Company or a Subsidiary Guarantor, as the case may be.

“*Officers’ Certificate*” means, when used in connection with any action to be taken by the Company or a Subsidiary Guarantor, as the case may be, a certificate signed by two Officers or by an Officer and either an Assistant Treasurer or an Assistant Secretary of the Company or a Subsidiary Guarantor, as the case may be, and delivered to the Trustee.

“*Operating as a Bank*” means, with respect to the Company, that it has been granted a banking license under Mexican law and is operating as a bank (*institucion financiera de banca multiple*) under the terms of its banking license and Mexican law.

“*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, 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, at any time that the Company is Operating as a Bank, the Capitalization Ratio 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 loan financing and other banking or financing services.

“*Permitted Holders*” means (i) José Luis Rión Santisteban and Noel González Cawley, (ii) a parent, brother, sister or cousin of any of the individuals named in clause (i), (iii) the spouse, a former spouse, parent-in-



law, brother or sister-in-law of any individual named in clause (i) or (ii), (iv) the lineal descendants of any person named in clauses (i) through (iii) and the spouse or a former spouse of any such lineal descendant, (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 in which a majority of the equity interests are 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 that is not a Subsidiary Guarantor;
- (2) Investments by any Restricted Subsidiary in the Company;
- (3) Investments in cash and Cash Equivalents;
- (4) any extension, modification or renewal of any Investments existing as of the Issue Date (but not Investments involving additional advances, contributions or other investments of cash or property or other increases thereof, other than as a result of the accrual or accretion of interest or original issue discount or payment-in-kind pursuant to the terms of such Investment as of the Issue Date);
- (5) Investments permitted pursuant to clause (2)(b), (c) or (e) of “Certain Covenants—Limitation on Transactions with Affiliates”;
- (6) Investments received as a result of the bankruptcy or reorganization of any Person, or taken in settlement of or other resolution of claims or disputes, and, in each case, extensions, modifications and renewals thereof;
- (7) Investments made by the Company or its Restricted Subsidiaries as a result of non-cash consideration permitted to be received in connection with an Asset Sale made in compliance with the covenant described under “Certain Covenants—Limitation on Asset Sales and Sales of Subsidiary Stock”;
- (8) Investments in the form of Hedging Obligations permitted under clause 2(d) of “Certain Covenants—Limitation on Incurrence of Additional Indebtedness”;
- (9) Investments in a Person engaged in a Permitted Business not to exceed the greater of (x) U.S.\$15.0 million and (y) 5% of Consolidated Tangible Assets of the Company and its Restricted Subsidiaries at any one time outstanding;
- (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) any loans made by the Company in the ordinary course of business; and
- (15) Investments in any Person in connection with a Loan-Related Securitization; *provided* that such Investment in any such Person is in the form of Loan Receivables, Residual Interests, net interest margin securities or similar or related assets of the Company or any Restricted Subsidiary and transferred to such Person in connection with a Loan-Related Securitization (including by way of transfers of Loan Receivables to Securitization Vehicles);

*provided, however,* that with respect to any Investment, the Company may, in its sole discretion, allocate all or any portion of any Investment and later re-allocate all or any portion of any Investment to, one or more of the above clauses (1) through (15) so that the entire Investment would be 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 upon specific items of inventory or other goods and proceeds of any Person securing such Person's obligations in respect of bankers' acceptances issued or created for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods;
- (4) Liens securing reimbursement obligations with respect to commercial letters of credit which encumber documents and other property relating to such letters of credit and products and proceeds thereof;
- (5) Liens encumbering deposits made to secure obligations arising from statutory, regulatory, contractual, or warranty requirements of the Company or a Restricted Subsidiary, including rights of offset and set-off;
- (6) Liens securing Hedging Obligations that relate to Indebtedness that is Incurred in accordance with "Certain Covenants—Limitation on Incurrence of Additional Indebtedness" and that are secured by the same assets as secure such Hedging Obligations;
- (7) Liens existing on the Issue Date and Liens to secure any Refinancing Indebtedness which is Incurred to Refinance any Indebtedness which has been secured by a Lien permitted under the covenant described under "Certain Covenants—Limitation on Liens" not incurred pursuant to clauses (9) and (10) of this definition of "Permitted Liens" and which Indebtedness has been Incurred in accordance with "Certain Covenants—Limitation on Incurrence of Additional Indebtedness"; *provided,* that such new Liens:

- (a) are no less favorable to the holders of notes and are not more favorable to the lienholders with respect to such Liens than the Liens in respect of the Indebtedness being Refinanced, and
  - (b) do not extend to any property or assets other than the property or assets securing the Indebtedness Refinanced by such Refinancing Indebtedness;
- (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) Liens securing an amount of Indebtedness outstanding at any one time not to exceed the greater of (x) U.S.\$20.0 million and (y) 10% of the Consolidated Net Worth of the Company and its Restricted Subsidiaries at any time;
- (11) 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;
- (12) 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;
- (13) 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 the price of commodities;
- (14) 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 Mexican Banking GAAP has been made therefor;

- (15) licenses of intellectual property in the ordinary course of business;
- (16) Liens to secure a defeasance trust to the extent such defeasance is otherwise permitted pursuant to the terms of the Indenture;
- (17) 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;
- (18) 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;
- (19) Liens on Capital Stock of an Unrestricted Subsidiary that secure Indebtedness or other obligations of such Unrestricted Subsidiary; or
- (20) Liens on Loan Receivables, Residual Interests, net interest margin securities or similar or related assets of the Company or any Restricted Subsidiary Incurred in connection with any Loan-Related Securitization or any debt facility entered into for the purpose of financing or refinancing the purchase or origination or financing the pooling of Loan Receivables, Residual Interests, net interest margin securities or similar or related assets by the Company or a Restricted Subsidiary.

“*Person*” means an individual, partnership, limited partnership, corporation, company, limited liability company, unincorporated organization, trust or joint venture, or a governmental agency or political subdivision thereof.

“*Post-Petition Interest*” means all interest accrued or accruing after the commencement of any insolvency or liquidation proceeding (and interest that would accrue but for the commencement of any insolvency or liquidation proceeding) in accordance with and at the contract rate (including, without limitation, any rate applicable upon default) specified in the agreement or instrument creating, evidencing or governing any Indebtedness, whether or not, pursuant to applicable law or otherwise, the claim for such interest is allowed as a claim in such insolvency or liquidation proceeding.

“*Preferred Stock*” of any Person means any Capital Stock of such Person that has preferential rights over any other Capital Stock of such Person with respect to dividends, distributions or redemptions or upon liquidation.

“*Purchase Money Indebtedness*” means Indebtedness Incurred for the purpose of financing all or any part of the purchase price, or other cost of construction or improvement of any property; *provided* that the aggregate principal amount of such Indebtedness does not exceed the lesser of the Fair Market Value of such property or such purchase price or cost, including any Refinancing of such Indebtedness that does not increase the aggregate principal amount (or accreted amount, if less) thereof as of the date of Refinancing.

“*Qualified Capital Stock*” means any Capital Stock that is not Disqualified Capital Stock and any warrants, rights or options to purchase or acquire Capital Stock that is not Disqualified Capital Stock that are not convertible into or exchangeable into Disqualified Capital Stock.

“*Qualified Merger Jurisdiction*” means (i) the United States, any State thereof or the District of Columbia; (ii) any member state of the European Union; or (iii) any other nation that has a sovereign debt rating from two Rating Agencies that is equal to or higher than the sovereign debt rating assigned to Mexico by such Rating Agencies.

“*Rating Agencies*” means (i) S&P and (ii) Fitch or (iii) if S&P or Fitch or both shall not make a rating of the notes publicly available, a nationally recognized United States securities rating agency or agencies, as the case may be, selected by the Company (following consultation with the Trustee), which shall be substituted for S&P or Fitch or both, as the case may be.

“*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, and
  - (b) 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 Loan-Related Securitizations, Securitization Securities or any other interests in Securitization Vehicles or (ii) the residual value of any assets that are financed through Indebtedness Incurred in connection with a Loan-Related Securitization, regardless of whether required to appear on the face of the consolidated financial statements of such Person and its Subsidiaries in accordance with Mexican Banking GAAP.

“*Restricted Payment*” has the meaning set forth under “Certain Covenants—Limitation on Restricted Payments.”

“*Restricted Subsidiary*” means any Subsidiary of the Company, which at the time of determination is not an Unrestricted Subsidiary.

“*Revocation*” has the meaning set forth under “Certain Covenants—Limitation on Designation of Unrestricted Subsidiaries.”

“*S&P*” means Standard & Poor’s Ratings Services and its successors and assigns.

“*Sale and Leaseback Transaction*” means any direct or indirect arrangement with any Person or to which any such Person is a party providing for the leasing to the Company or a Restricted Subsidiary of any property,

whether owned by the Company or any Restricted Subsidiary at the Issue Date or later acquired, which has been or is to be sold or transferred by the Company or such Restricted Subsidiary to such Person or to any other Person by whom funds have been or are to be advanced on the security of such property.

“*Secured Indebtedness*” means any Indebtedness secured by a Lien upon the property or assets of the Company and/or its Restricted Subsidiaries.

“*Securitization Securities*” has the meaning set forth in the definition of “Securitization Vehicle”.

“*Securitization Vehicle*” means (i) any Person (whether or not a Restricted Subsidiary of the Company) established for the purpose of issuing asset-backed or loan pass-through securities of any kind or issuing any other Indebtedness (whether or not in the form of securities) backed by Loan Receivables or Residual Interests (“Securitization Securities”) and (ii) any special purpose, bankruptcy remote Restricted Subsidiary of the Company or any of its Restricted Subsidiaries established in connection with the issuance of Securitization Securities and any other entity (or several entities) that serves as an intermediate entity between a Restricted Subsidiary, as the case may be, that initially purchases or originates Loan Receivables or Residual Interests and an entity referred to in clause (i) regardless of whether such Restricted Subsidiary is an issuer of Securitization Securities.

“*Senior Indebtedness*” means the notes and the Note Guarantees and any other Indebtedness of the Company or any Subsidiary Guarantor that is not, pursuant to the instrument evidencing such Indebtedness, expressly subordinated in right of payment with the notes or the relevant Note Guarantee, as the case may be.

“*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 any Subsidiary Guarantor, any Indebtedness of the Company or such Subsidiary Guarantor, as the case may be, that is, pursuant to the instrument evidencing such Indebtedness, expressly subordinated in right of payment to the notes, the relevant Note Guarantee or any other Senior Indebtedness, as the case may be.

“*Subsidiary*” means, with respect to any Person, any other Person of which such Person owns, directly or indirectly, more than 50% of the voting power of the other Person’s outstanding Voting Stock.

“*Subsidiary Guarantor*” means any Restricted Subsidiary which provides a Note Guarantee pursuant to the Indenture until such time as its Note Guarantee is released in accordance with the Indenture.

“*Surviving Entity*” has the meaning set forth under “Certain Covenants—Limitation on Merger, Consolidation and Sale of Assets.”

“*Total Assets*” means, as of any date of determination, the total consolidated assets of the Company and its Restricted Subsidiaries (excluding Residual Interests) as set forth on the consolidated balance sheet as of the most recent fiscal quarter of the Company, prepared in accordance with Mexican Banking GAAP.

“*Total Loan Portfolio*” means, as of any date of determination, the total loan portfolio of the Company and its Restricted Subsidiaries as set forth on the consolidated balance sheet as of the most recent fiscal quarter of the Company, prepared in accordance with Mexican Banking GAAP.

“*Total Unencumbered Assets*” means, as of any date of determination, the total consolidated assets of the Company and its Restricted Subsidiaries as set forth on the consolidated balance sheet as of the most recent fiscal quarter of the Company (but excluding Intangible Assets (including Residual Interests), any deferred tax assets and accounts receivable (other than Loan Receivables)), in each case on such date not securing any portion of Secured Indebtedness determined on a consolidated basis in accordance with Mexican Banking GAAP.

*“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 Board Resolution of the Company, subject to the provisions of such covenant.

*“Unsecured Indebtedness”* means any Indebtedness of the Company and/or its Restricted Subsidiaries other than Secured Indebtedness.

*“Voting Stock”* with respect to any Person, means securities of any class of Capital Stock of such Person entitling the holders thereof (whether at all times or only so long as no senior class of stock has voting power by reason of any contingency) to vote in the election of members of the Board of Directors (or equivalent governing body) of such Person.

*“Weighted Average Life to Maturity”* means, when applied to any Indebtedness at any date, the number of years (calculated to the nearest one-twelfth) obtained by dividing:

- (1) the then outstanding aggregate principal amount or liquidation preference, as the case may be, of such Indebtedness into
- (2) the sum of the products obtained by multiplying:
  - (a) the amount of each then remaining installment, sinking fund, serial maturity or other required payment of principal or liquidation preference, as the case may be, including payment at final maturity, in respect thereof, by
  - (b) the number of years (calculated to the nearest one-twelfth) which will elapse between such date and the making of such payment.

*“Wholly-Owned Subsidiary”* means, for any Person, any Subsidiary (Restricted Subsidiary in the case of the Company) of which all the outstanding Capital Stock (other than, in the case of a Subsidiary not organized in the United States, directors’ qualifying shares or an immaterial amount of shares required to be owned by other Persons pursuant to applicable law) is owned by such Person or any other Person that satisfies this definition in respect of such Person.

## TAXATION

*Prospective purchasers of the notes are advised to consult their own tax advisors as to the consequences under the tax laws of the country of which they are residents in connection with the purchase, ownership and disposition of the notes, including, without limitation, the application to their particular situations of the tax considerations discussed below, as well as the application of state, local and foreign tax laws.*

### General

The following summary contains a description of the material U.S. and Mexican federal tax consequences of the purchase, ownership and disposition of the notes by certain non-Mexican resident holders.

This summary is based upon federal tax laws of the United States and Mexico as in effect on the date of this offering memorandum, including the provisions of the income tax treaty between the United States and Mexico, which we refer to in this offering memorandum as the Tax Treaty, all of which are subject to change. This summary does not purport to be a comprehensive description of all the U.S. or Mexican federal income 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.

Mexico has also entered into or is negotiating several other double taxation treaties with various countries that may have an impact on the tax treatment of the purchase, ownership or disposition of notes. Prospective purchasers of notes should consult their own tax advisors as to the tax consequences, if any, of the application of any such treaties.

### Mexican Federal Tax Considerations

#### *General*

The following is a general summary of the relevant Mexican federal income tax consequences of the acquisition, ownership and disposition of the notes by holders that are not residents of Mexico for tax purposes, who do not conduct a trade or business in Mexico through a permanent establishment for tax purposes in Mexico (a “foreign holder”) and who would be deemed to receive income sourced in Mexico as a result of the ownership of the notes, and would thus be subject to taxation in accordance with the provisions of Title V of the Mexican Income Tax Law (‘Foreign residents with income from a source of wealth located in Mexican territory’). The summary description of the Mexican federal income tax laws set forth below is based on the laws in force as of the date of this Statement and is subject to any changes in applicable Mexican tax laws.

This summary is based on the Mexican Income Tax Law (*Ley del Impuesto sobre la Renta*), the Federal Fiscal Code (*Codigo Fiscal de la Federacion*) and their corresponding regulations in effect as of the date of this offering memorandum, all of which are subject to change, possibly with retroactive effect, or to be interpreted in a different manner than that set forth herein. This summary does not address all of the tax consequences that may be applicable to specific holders of the notes and does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the notes.

**Potential investors are urged to consult with their own tax advisors regarding the particular consequences of the purchase, ownership or disposition of the notes under the federal laws of Mexico or any other jurisdiction or under any applicable double taxation treaty.**

This summary of certain Mexican income tax considerations deals only with holders of notes that qualify as non-Mexican residents for tax purposes.

For Mexican tax purposes, an individual is considered to reside in Mexico when he or she establishes his or her home in Mexico. When such individual also has a home in another country, he or she shall be deemed to be a resident of Mexico if his or her “center of vital interest” is located in Mexico. In accordance with Mexican tax laws, an individual has his or her “center of vital interest” located in Mexico, when (a) he or she obtains more than the



50% of the total income in the respective calendar year from Mexican sources or (b) he or she has the center of his or her professional activities located in Mexico. Individuals that qualify as Mexican nationals who file a change of tax residence and who demonstrate that such new residence is in a country or territory where their income is subject to a preferential tax treatment pursuant to the Mexican Income Tax Law will not lose their status as residents of Mexico during the year of filing of the notice of such residence change and the three subsequent tax years; however, individuals who change their tax residence to a country with which Mexico has entered into a broad agreement for the exchange of information are not required to provide the aforementioned notice. Mexican nationals are deemed Mexican residents for tax purposes, unless such nationals can evidence otherwise. A legal entity is a resident of Mexico for tax purposes if the principal administration of its business or the effective place of management is established in Mexico. Mexican individuals or entities which cease to be residents in Mexico for tax purposes must file a notice with the tax authorities within a 15-day term following their change of residence.

Holders of the notes should consult their tax advisors with respect to the tax treatment derived from the acceptance of the Offer, including, but not limited to Mexico, and any other jurisdictions in which they may be subject to taxation.

### ***Payments of Interest***

***Withholding Taxes.*** Under Article 195 of the Mexican Income Tax Law, interest, regardless of the name used is subject to Mexican withholding tax.

Among others, interest for Mexican tax purposes refers to yields of credit of any nature, with or without mortgage guarantee and whether entitled or not to participate in the benefits; yields of the public debt, bonds and debentures (including premiums and prizes assimilated to such yields), premiums paid on loans of securities, discounts for placement of negotiable securities, bonds or debentures, commissions or payments for the opening or guarantee of credits (regardless of such credits being contingent), payments to a third party for opening or guarantee of credits (regardless of such credits being contingent), payments to a third party for accepting to guarantee negotiable instruments or to furnish a guarantee or accept a liability of any other nature, profit from alienation of instruments placed with the investing public as referred to in Article 9th of the Mexican Income Tax Law, as well as the profit from a foreign resident's alienation of credits charged upon a Mexican resident or upon a foreign resident with a permanent establishment in this country, when acquired by a Mexican resident or by a foreign resident with a permanent establishment in this country.

Gains realized on the sale or disposition of the notes by the non-resident of Mexico for tax purposes to a resident of Mexico for tax purposes will be deemed to be interest and subject to Mexican withholding taxes. Such gains should be calculated on the amount of Total Consideration or Purchase Price, as applicable, that exceeds the amounts received by the Company as a result of the original offering of the notes.

Pursuant to Article 195, Section II, paragraph (a) of the Mexican Income Tax Law, payments of interest to foreign holders will be subject to Mexican withholding tax at a rate of 4.9%, if, as expected, the following requirements are met by the Company:

- File the applicable notice regarding this transaction and the issuance of the note as provided in Article 7 (including the principal characteristics of the notes), paragraph two of the Mexican Securities Market Law before the CNBV;
- the notes are placed outside of Mexico through banks or brokerage houses in a country with which Mexico has in force a treaty for avoidance of double taxation; and
- the Company duly and timely complies with the information requirements provided in the general rules issued by the Tax Administration Service (*Servicio de Administración Tributaria*), or SAT, for purposes of claiming the 4.9% withholding tax.

The governments of Mexico and Luxembourg ratified an income treaty for avoidance of double taxation, which came into effect on January 1, 2002 (the Tax Treaty). Therefore, it can be concluded that the notes are placed in a country with which Mexico has in force a treaty for avoidance of double taxation.

If the above requirements are not met, the applicable Mexican withholding tax rate will be 10.0% or higher.

Neither the 4.9% rate nor the 10.0% rate would apply and, therefore, higher withholding tax rates would apply if the beneficial owner, directly or indirectly, individually or jointly with related parties, that receives more than 5.0% of the interest paid on the notes (1) owns directly or indirectly, individually or jointly with related parties, more than 10.0% of the Company's voting stock or (2) is an entity 20% or more of whose stock is owned directly or indirectly, individually or jointly by parties related to the Company.

As of the date of this offering memorandum, neither the Tax Treaty nor any other tax treaty currently in force, provides a lower withholding tax rate than the 4.9% for interest income earned by foreign residents provided under Mexico's Income Tax Law, therefore neither the Tax Treaty nor other treaties are expected to have any effect on the Mexican tax consequences described in this summary.

Payments of interest on the notes to non-Mexican pension and retirement funds will be exempt from Mexican withholding tax *provided* that:

- such fund is duly incorporated pursuant to the laws of its country of residence and is the beneficial owner of the interest payment;
- such income is exempt from taxes in its country of residence; and
- such fund is registered with the Ministry of Finance and Public Credit for these purposes.

Holders or beneficial owners of the notes may be requested to, subject to specified exceptions and limitations, provide certain information or documentation necessary to enable us and the subsidiary guarantor to apply the appropriate Mexican withholding tax rate on interest payments under the notes made by us or the subsidiary guarantor to such holders or beneficial owners. In the event that the specified information or documentation concerning the holder or beneficial owner, if requested, is not timely provided, we or the subsidiary guarantor may withhold Mexican tax from interest payments on the notes to that holder or beneficial owner at the maximum applicable rate, but our obligation to pay Additional Amounts relating to those withholding taxes will be limited as described under "Description of Notes—Additional Amounts."

### ***Payments of Principal***

Under the Mexican Income Tax Law, principal paid to holders of the notes who are non-resident of Mexico for tax purposes is not subject Mexican withholding taxes or any other similar taxes.

### ***Purchase and Disposition of the Notes***

Pursuant to Mexican Income Tax Law, a tax is imposed upon the acquisition at a discount of a note by a purchaser that is a non-resident of Mexico for tax purposes, to the extent that the seller is a resident of Mexico or a non-resident with a permanent establishment in Mexico. In such case, the difference between the sale price and the aggregate face value and accrued but unpaid interest not previously subject to withholding tax will be deemed interest for Mexican tax purposes and thereby subject to 10% tax. The seller resident of Mexico or a non-resident with a permanent establishment in Mexico will be required to collect the 10% tax over the deemed interest income from the purchaser and remit it to the SAT.

Gains resulting from the sale or other disposition of the notes by a foreign holder when the purchaser is a resident of Mexico or a non-resident with a permanent establishment in Mexico will be characterized as interest for Mexican tax purposes and thus subject to income tax in Mexico. As a result, the purchaser resident of Mexico or a non-resident with a permanent establishment in Mexico will make the withholding tax at the rates mentioned above under "—Payments of Interest" applicable. In any case, the difference between the sales price over the face value of the notes will be considered as interest.

### ***Other Mexican Taxes***

There are no Mexican estate, inheritance, succession or gift taxes generally applicable to the disposition of the notes by foreign holders. There are no Mexican stamp, 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**

*To ensure compliance with Internal Revenue Service Circular 230, prospective investors are hereby notified that: (a) any discussion of U.S. federal tax issues contained or referred to in this offering memorandum or any document referred to herein is not intended or written to be used, and cannot be used by prospective investors for the purpose of avoiding penalties that may be imposed on them under the United States Internal Revenue Code as amended (the "Code"); (b) such discussion is written for use in connection with the promotion or marketing of the transactions or matters addressed herein; and (c) prospective investors should seek advice based on their particular circumstances from an independent tax advisor.*

#### ***U.S. Holders***

The following discussion is a summary of certain U.S. federal income tax consequences that may be relevant to a holder or a beneficial owner of notes that is an individual citizen or resident of the United States, a domestic corporation or otherwise is subject to United States federal income tax on a net income basis with respect to the notes (a "U.S. Holder"). This summary is based upon provisions of the Code and regulations, rulings and judicial decisions as of the date hereof. Those authorities may be changed, perhaps retroactively, so as to result in United States federal income tax consequences different from those summarized below. This summary does not address all aspects of United States federal income taxes or all tax considerations that may be relevant to U.S. Holders in light of their personal circumstances.

If a partnership (or other entity treated as a partnership for U.S. federal income tax purposes) holds notes, the tax treatment of a partner generally will depend upon the status of the partner and the activities of the partnership. A partner in a partnership that acquires or holds the notes should consult its own tax advisers.

This summary is only applicable to U.S. Holders who purchase the notes at original issuance, at their initial offering price and who will hold the notes as capital assets.

This summary does not address all aspects of U.S. federal income taxation that may be relevant to a particular holder or to certain types of holders subject to special treatment, such as persons subject to certain U.S. federal income tax laws regarding expatriates, dealers in securities or foreign currency, financial institutions, insurance companies, tax-exempt organizations and taxpayers whose functional currency is not the U.S. dollar, or who hold the notes as part of a "straddle," "hedge," "conversion transaction," "synthetic security" or other integrated investment.

*If you are considering the purchase of notes, you should consult your own tax advisors concerning the particular United States 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.*

#### ***Payments of Interest***

Interest on a note will generally be taxable to you as ordinary income at the time it is paid or accrued in accordance with your method of accounting for tax purposes. In addition to interest on the notes, you will be required to include in income any additional amounts and any tax withheld from the interest payments you receive, even if you do not in fact receive this withheld tax. 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 do not meet a minimum holding period requirement during which you are not protected from risk of loss. 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 and Retirement of Notes***

Your tax basis in a note will, in general, be your cost for that note. Upon the sale, exchange, retirement or other disposition of a note, you will recognize gain or loss equal to the difference between the amount you realize upon the sale, exchange, retirement or other disposition (including any Make-Whole Amount, but less an amount equal to any accrued interest that you did not previously include in income, which will be taxable as interest income) and the adjusted tax basis of the note. Such gain or loss will be capital gain or loss and will generally be treated as United States source gain or loss. Consequently, you may not be able to claim a credit for any Mexican tax imposed upon a disposition of a note unless such credit can be applied (subject to applicable limitation) against tax due on other income treated as derived from foreign sources. Capital gains of individuals derived with respect to capital assets held for more than one year are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

### ***Backup Withholding and Information Reporting***

Generally, information reporting requirements will apply to all payments we make to you and the proceeds from a sale of a note paid to you, unless you are an exempt recipient such as a corporation. Additionally, if you fail to provide your taxpayer identification number, or in the case of interest payments, fail either to report in full dividend and interest income or to make certain certifications, you may be subject to backup withholding.

Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against your United States federal income tax liability, *provided* the required information is furnished to the Internal Revenue Service.

### ***Non-U.S. Holders***

The following summary applies to you if you are a holder of notes other than a U.S. Holder (a “Non-U.S. Holder”), as defined above.

The interest income that you derive with respect to the notes generally will be exempt from United States federal income taxes, including United States withholding tax on payments of interest, unless such income is effectively connected with the conduct of a trade or business in the United States (and, if required by an applicable income tax treaty, attributable to a permanent establishment in the United States).

If you are a Non-U.S. Holder, any gain you realize on a sale of the notes generally will be exempt from United States federal income tax, including United States withholding tax, unless:

- your gain is effectively connected with your conduct of a trade or business in the United States (and, if required by an applicable income tax treaty, attributable to a permanent establishment in the United States); or
- you are an individual holder and are present in the United States for 183 days or more in the taxable year of the sale and certain other conditions are met.

Although Non-U.S. Holders generally are exempt from backup withholding and information reporting, a Non-U.S. Holder may, in certain circumstances, be required to comply with certification procedures to prove entitlement to this exemption.

## **TRANSFER RESTRICTIONS**

The notes have not been registered under the Securities Act or any state securities laws, and the notes may not be offered or sold except pursuant to an effective registration statement or pursuant to transactions exempt from, or not subject to, registration under the Securities Act. Accordingly, the notes are being offered and sold only:

- in the United States to qualified institutional buyers (as defined in Rule 144A) pursuant to Rule 144A under the Securities Act; and
- outside of the United States, to certain persons, other than U.S. persons, in offshore transactions meeting the requirements of Rule 903 of Regulation S under the Securities Act.

### **Purchasers' Representations and Restrictions on Resale and Transfer**

Each purchaser of notes (other than the initial purchasers in connection with the initial issuance and sale of notes) and each owner of any beneficial interest therein will be deemed, by its acceptance or purchase thereof, to have represented and agreed as follows:

- (1) it is purchasing the notes for its own account or an account with respect to which it exercises sole investment discretion and it and any such account is either (a) a qualified institutional buyer and is aware that the sale to it is being made pursuant to Rule 144A or (b) a non-U.S. person that is outside the United States;
- (2) it acknowledges that the notes have not been registered under the Securities Act or with any securities regulatory authority of any state and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;
- (3) it understands and agrees that notes initially offered in the United States to qualified institutional buyers will be represented by a global note and that notes offered outside the United States pursuant to Regulation S will also be represented by a global note;
- (4) it will not resell or otherwise transfer any of such notes except (a) to us, (b) within the United States to a qualified institutional buyer in a transaction complying with Rule 144A under the Securities Act, (c) outside the United States in compliance with Rule 903 or 904 under the Securities Act, (d) pursuant to the exemption from registration provided by Rule 144 under the Securities Act (if available) or (e) pursuant to an effective registration statement under the Securities Act;
- (5) it agrees that it will give to each person to whom it transfers the notes notice of any restrictions on transfer of such notes;
- (6) it acknowledges that prior to any proposed transfer of notes (other than pursuant to an effective registration statement or in respect of notes sold or transferred either pursuant to (a) Rule 144A or (b) Regulation S) the holder of such notes may be required to provide certifications relating to the manner of such transfer as provided in the indenture;
- (7) it acknowledges that the trustee, registrar or transfer agent for the notes will not be required to accept for registration transfer of any notes acquired by it, except upon presentation of evidence satisfactory to us and the trustee, registrar or transfer agent that the restrictions set forth herein have been complied with;
- (8) it acknowledges that we, the initial purchasers and other persons will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of the acknowledgements, representations and agreements deemed to have been made by its

purchase of the notes are no longer accurate, it will promptly notify us and the initial purchasers; and

- (9) if it is acquiring the notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each account.

## Legends

The following is the form of restrictive legend which will appear on the face of the Rule 144A global note and which will be used to notify transferees of the foregoing restrictions on transfer. This legend will only be removed with our consent. If we so consent, it will be deemed to be removed.

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 REGULATIONS 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 REGULATIONS 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 REGULATIONS UNDER THE SECURITIES ACT.

PRIOR TO THE REGISTRATION OF ANY TRANSFER IN ACCORDANCE WITH PARAGRAPH 2A(V) ABOVE, THE COMPANY AND THE TRUSTEE RESERVE 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.

The following is the form of restrictive legend which will appear on the face of the Regulation S global note and which will be used to notify transferees of the foregoing restrictions on transfer:

PRIOR TO EXPIRATION OF THE 40-DAY DISTRIBUTION COMPLIANCE PERIOD (AS DEFINED IN REGULATION S ("REGULATION S") UNDER THE SECURITIES ACT OF 1933, AS AMENDED (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.

## PLAN OF DISTRIBUTION

Banc of America Securities LLC and Morgan Stanley & Co. Incorporated are acting as joint bookrunners and initial purchasers for the offering. Subject to the terms and conditions stated in the purchase agreement dated the date of this offering memorandum, each initial purchaser has severally agreed to purchase, and we have agreed to sell to that initial purchaser, the principal amount of the notes set forth opposite that initial purchaser's name.

<b><u>Initial Purchasers</u></b>	<b><u>Principal Amount</u></b>
Banc of America Securities LLC	U.S.\$100,000,000
Morgan Stanley & Co. Incorporated	100,000,000
Total	<u>U.S.\$200,000,000</u>

The purchase agreement provides that the obligations of the initial purchasers to purchase the notes are subject to approval of legal matters by counsel and to other conditions. The initial purchasers must purchase all the notes if they purchase any of the notes.

We have been advised that the initial purchasers propose to resell the notes at the offering price set forth on the cover page of this offering memorandum inside the United States to qualified institutional buyers (as defined in Rule 144A) in reliance on Rule 144A and outside the United States to non-U.S. persons in reliance on Regulation S. The price at which the notes are offered may be changed at any time without notice.

The notes have not been registered under the Securities Act, or the securities law of any other jurisdiction, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. See "Transfer Restrictions."

In addition, until 40 days after the commencement of this offering, an offer or sale of notes within the United States by a dealer that is not participating in this offering may violate the registration requirements of the Securities Act if that offer or sale is made otherwise than in accordance with Rule 144A.

The notes will constitute a new class of securities with no established trading market. Application will be made to list the notes on the Luxembourg Stock Exchange for trading on the Euro MTF Market. However, we cannot assure you that the listing application will be approved. We cannot assure you that the prices at which the notes will sell in the market after this offering will not be lower than the offering price or that an active trading market for the notes will develop and continue after this offering. The initial purchasers have advised us that they currently intend to make a market in the notes. However, they are not obligated to do so and they may discontinue any market-making activities with respect to the notes at any time without notice. In addition, market-making activity will be subject to the limits imposed by the Securities Act and the Exchange Act. Accordingly, we cannot assure you as to the liquidity of or the trading market for the notes.

In connection with the offering, the initial purchasers may purchase and sell notes in the open market. Purchases and sales in the open market may include short sales, purchases to cover short positions, and stabilizing purchases. Short sales involve secondary market sales by the initial purchasers of a greater number of notes than they are required to purchase in the offering. Covering transactions involve purchases of notes in the open market after the distribution has been completed in order to cover short positions. Stabilizing transactions involve bids to purchase notes so long as the stabilizing bids do not exceed a specified maximum. Any of these transactions may have the effect of preventing or retarding a decline in the market price of the notes. These transactions may also cause the price of the notes to be higher than the price that otherwise would exist in the open market in the absence of these transactions. The initial purchasers may conduct these transactions in the over-the-counter market or otherwise. If the initial purchasers commence any of these transactions, they may discontinue them at any time.

We have agreed to indemnify the initial purchasers against certain liabilities, including liabilities under the Securities Act, or to contribute to payments that the initial purchasers may be required to make because of any of those liabilities.

In relation to each member state of the European Economic Area that has implemented the Prospectus Directive, with effect from and including the date on which the Prospectus Directive is implemented in that relevant member state (the relevant implementation date), an offer of notes described in this offering memorandum may not be made to the public in that relevant member state prior to the publication of a prospectus in relation to the notes that has been approved by the competent authority in that relevant member state or, where appropriate, approved in another relevant member state and notified to the competent authority in that relevant member state, all in accordance with the Prospectus Directive, except that, with effect from and including the relevant implementation date, an offer of securities may be offered to the public in that relevant member state at any time:

- to any legal entity that is authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;
- to any legal entity that has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;
- to fewer than 100 natural or legal persons (other than qualified investors as defined below) subject to obtaining the prior consent of the representatives for any such offer; or
- in any other circumstances that do not require the publication of a prospectus pursuant to Article 3 of the Prospectus Directive.

For purposes of this provision, the expression an “offer to the public” in any relevant member state means the communication in any form and by any means of sufficient information on the terms of the offer and the securities to be offered so as to enable an investor to decide to purchase or subscribe the securities, as the expression may be varied in that member state by any measure implementing the Prospectus Directive in that member state, and the expression “Prospectus Directive” means Directive 2003/7 I/EC and includes any relevant implementing measure in each relevant member state.

This offering memorandum is only being distributed to, and is only directed at, persons in the United Kingdom that are qualified investors within the meaning of Article 2(1)(e) of the Prospectus Directive that are also (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “Order”) or (ii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (each such person being referred to as a “relevant person”). This offering memorandum and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other persons in the United Kingdom. Any person in the United Kingdom that is not a relevant person should not act or rely on this document or any of its contents.

The initial purchasers may have performed commercial banking, investment banking and advisory services for us and our affiliates from time to time for which they have received customary fees and reimbursement of expenses. The initial purchasers may, from time to time, engage in transactions with and perform services for us and our affiliates in the ordinary course of their business for which they may receive customary fees and reimbursement of expenses.

We expect that delivery of the notes will be made against payment therefor on or about March 30, 2010, which will be the 5<sup>th</sup> business day following the date of pricing of the notes (this settlement cycle being referred to as “T+5”). Under Rule 15c6-1 of the U.S. Securities and Exchange Commission under the Exchange Act, trades in the secondary market generally are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade on the date of pricing or the next succeeding business day will be required, by virtue of the fact that the notes initially will settle in T+5, to specify an alternate



settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the notes who wish to trade the notes on the date of pricing or the next succeeding business day should consult their own advisor.

## GENERAL INFORMATION

### Clearing Systems

Application has been made to have the notes accepted for clearance through Euroclear and Clearstream. In addition, application has been made to have the notes accepted for trading in book-entry form by DTC. For the Rule 144A notes, the common code is 049900694, the ISIN number is US31770BAA61 and the CUSIP number is 31770B AA6. For the Regulation S notes, the common code is 049901623, the ISIN number is USP4173SAB09 and the CUSIP number is P4173S AB0.

### Listing

Application is expected to be made to the Luxembourg Stock Exchange for the notes to be listed on the Official List of the Luxembourg Stock Exchange and traded on the Euro MTF market. Copies of (i) our by-laws, (ii) the bylaws of our subsidiary guarantor, (iii) the Indenture, which contains the terms of the note Guarantees, as may be amended or supplemented from time to time, (iv) our published annual audited consolidated financial statements and (v) any published quarterly unaudited consolidated financial statements will be available at our principal executive offices, as well as at the offices of the trustee, registrar, paying agent and transfer agent, and at the offices of the Luxembourg listing agent, paying agent, and transfer agent, as such addresses are set forth in this offering memorandum. In future periods, we do not anticipate that our subsidiary guarantor will publish separate non-consolidated financial statements. We anticipate that its financial accounts will be consolidated with ours when we publish financial statements. We do not publish unconsolidated financial statements. We believe the auditor's reports included herein have been accurately reproduced. We will maintain a paying and transfer agent in Luxembourg for so long as any of the notes are listed on the Luxembourg Stock Exchange.

As required under the Mexican Securities Market Law, we will notify the CNBV of the offering of the notes outside Mexico. Such notice will be delivered to the CNBV to comply with a legal requirement and for information purposes only, and the delivery to, and the receipt by, the CNBV of such notice, does not imply any certification as to the investment quality of the notes or our solvency, liquidity or credit quality. The information contained in this offering memorandum is exclusively our responsibility and has not been reviewed or authorized by the CNBV. The acquisition of the notes by an investor who is a resident of Mexico will be made under its own responsibility.

### Authorization

Pursuant to resolutions adopted by our Board of Directors on February 24, 2010, we have obtained all necessary consents, approvals and authorizations in connection with the issuance and performance of the notes. The issuance of the notes has also been approved by our shareholders at the general extraordinary shareholders' meeting on March 16, 2010.

### No Material Adverse Change

Except as disclosed in this offering memorandum, there has been no material adverse change in our financial position or prospects or that of our subsidiaries taken as a whole since December 31, 2009.

### Litigation

We are not involved in any legal or arbitration proceedings (including any such pending or threatened proceedings) relating to claims or amounts that may have or have had during the 12 months prior to the date of this offering memorandum a material adverse effect on our financial position and that our subsidiaries taken as a whole.

## **LEGAL MATTERS**

The validity of the notes will be passed upon for us by White & Case, S.C., our special Mexican counsel, and for the initial purchasers by Creel, García-Cuéllar, Aiza y Enríquez, S.C., special Mexican counsel to the initial purchasers. Certain legal matters in connection with Mexican tax law relating to the notes and this offering are being passed upon for us by Chevez, Ruiz, Zamarripa y Cia., S.C., our special Mexican tax counsel. Certain legal matters in connection with the notes and this offering are being passed upon for us by Cleary Gottlieb Steen & Hamilton LLP, our special U.S. counsel, and for the initial purchasers by Milbank, Tweed, Hadley & McCloy LLP, special U.S. counsel to the initial purchasers.

## INDEPENDENT AUDITORS

The consolidated financial statements of Financiera Independencia, S.A.B. de C.V., *Sociedad Financiera de Objeto Múltiple, Entidad No Regulada* as of December 31, 2009 and 2008 and for each of the years ended December 31, 2009, 2008 and 2007 included in this offering memorandum, have been audited by PricewaterhouseCoopers S.C., independent auditors, as stated in their report appearing herein.

The combined financial statements of Financiera Finsol, S.A. de C.V., *Sociedad Financiera de Objeto Múltiple, Entidad No Regulada* as of and for the year ended December 31, 2009 included in this offering memorandum, have been audited by Deloitte & Touche, independent auditors, as stated in their report appearing herein.

## **SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN MEXICAN BANKING GAAP APPLICABLE TO FINANCIAL INSTITUTIONS AND U.S. GAAP**

Mexican financial institutions prepare their financial statements in accordance with the accounting practices established for financial institutions, or Mexican Banking GAAP, as prescribed by the Mexican National Banking and Securities Commission, or the CNBV. Mexican Banking GAAP encompasses circulars issued by the CNBV and Mexican Financial Reporting Standards, known as Mexican GAAP or MFRS, prescribed by the *Consejo Mexicano para la Investigacion y Desarrollo de Normas de Informacion Financiera, A.C.*, or CINIF, to the extent that the aforementioned circulars do not address or supersede the accounting to be followed.

Mexican Banking GAAP differs in certain significant respects from accounting principles generally accepted in the United States of America, or U.S. GAAP, which might be material to the financial information contained herein. We have not prepared a reconciliation of our financial statements and related notes appearing in the offering memorandum, from Mexican Banking GAAP to U.S. GAAP, and we have not quantified those differences. Accordingly, no assurance is provided that the following summary of differences between Mexican Banking GAAP and U.S. GAAP is complete. In making an investment decision, investors must rely upon their own examination of our Company, the terms of the offering and the financial information included in the offering memorandum. In addition, no attempt has been made to identify future differences between Mexican Banking GAAP and U.S. GAAP that may affect the financial statements as a result of transactions or events that may occur in the future, including the issuance of new accounting standards either in the United States or Mexico. Potential investors should consult their professional advisors for an understanding of the differences between MFRS and U.S. GAAP, and how those differences might affect the financial information included in this offering memorandum.

### ***Allowance For Loan Losses***

We apply an internal methodology for determining our allowance for loan losses. Allowance for loan losses is determined by applying the probability of default and loss given default to the outstanding balance of our loan portfolio. This methodology is based on historical analysis of our debtors' credit behavior using historical data for the past 5 years.

Probability of default is the likelihood of a borrower defaulting on an obligation within the next 12 months. Probability of default is determined by applying roll rate calculations. Roll rates consider the probability that a loan will migrate from its current category (based on days past due) to charge off. We use an average of roll rate calculations for the previous twelve-month period as our probability of default.

Loss given default is an estimate of the amount that we would expect to lose in the event of a borrower default. Since all of our loans are unsecured, no collateral exists, therefore, we determine our loss given default as the average of net losses after considering the effect of present value of recoveries (i.e. legal procedures or factoring of loans net of related costs) for the past twelve-month period.

Our allowance for loan losses is held in a separate account on our balance sheet, and all write-offs of uncollectible loans are charged against this account.

Under U.S. GAAP, an estimated loss should be accrued when, based on information available prior to the issuance of the financial statements, it is probable that a loan will be impaired as of the date of the financial statements and the amount of the loss can be reasonably estimated.

Under U.S. GAAP, calculating the allowance required for retail loans and determining whether the amount of loss can be reasonably estimated typically depends on, among other things, the experience of the enterprise, information about the ability of individual debtors to pay, and appraisal of the receivables in light of the current economic environment. An example of this is to apply historical loss ratios determined by analyzing historical loss trends.

Under Mexican Banking GAAP, loans may be charged-off when collection efforts have been exhausted or when they have been fully provisioned. On the other hand, under U.S. GAAP, loans (or portions of particular loans) should be written-off in the period that they are deemed uncollectible.

### ***Non-accrual Loans***

Under Mexican Banking GAAP, the recognition of interest income is suspended when certain loans become past due based on the number of past-due periods as established by the CNBV.

Under U.S. GAAP, the accrual of interest is generally discontinued when, in the opinion of management, it is expected that the borrower will not be able to fully pay its principal and interest. Any accrued but uncollected interest is reversed against interest income at that time.

### ***Fair Value***

Under Mexican Banking GAAP, fair value is determined by independent third party price vendors or whenever quoted market prices are not available, by applying valuation techniques accepted in the market.

Under U.S. GAAP, effective January 1, 2008, companies should adopt ASC 820 (formerly SFAS 157) for all financial instruments and non-financial instruments accounted for at fair value on a recurring basis and effective January 1, 2009, for all non-financial instruments accounted for at fair value on a non-recurring basis. Among other things, ASC 820 defines fair value, establishes a consistent framework for measuring fair value and expands disclosure for each major asset and liability category measured at fair value on either a recurring or nonrecurring basis.

ASC 820 does not require any new fair value measurements; rather, it applies under other accounting pronouncements that require or permit fair value measurements. The provisions of ASC 820 are to be applied prospectively as of the beginning of the fiscal year in which it is initially applied, with any transition adjustment recognized as a cumulative-effect adjustment to the opening balance of retained earnings.

ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described below:

- Level 1— Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2— Inputs that are observable, either directly or indirectly, but do not qualify as Level 1 inputs. (i.e., quoted prices for similar assets or liabilities); and
- Level 3— Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported by little or no market activity).

### ***Employee Retirement Obligations***

Under Mexican Banking GAAP, through December 31, 2007, companies were required to account for an additional liability and the corresponding intangible assets and separate equity component when an unfunded accumulated benefit obligation existed. Starting January 1, 2008 accounting for labor obligations was amended. The most important changes were the reduction to a maximum five-year period to amortize past service cost and transition liability existing as of the aforementioned date, the effects of the salary growth in the calculation of the Obligation for Defined Benefits (formerly known as Obligations for Projected Benefits), the elimination of the

accounting treatment for the additional liability and its corresponding intangible asset and the separate equity component. Companies are required to present the full funded status only within the footnotes.

Under U.S. GAAP, an employer is required to accrue a liability and recognize an expense during the period in which the employee earns paid absences. In addition, under U.S. GAAP, entities are required to (i) fully recognize, as an asset or liability, the overfunded or underfunded status of defined pension and other postretirement benefit plans; (ii) recognize changes in the unamortized items through other comprehensive income in the year in which the changes occur; (iii) measure the funded (unfunded) status of defined pension and other postretirement benefit plans as of the date of the company's fiscal year end; and (iv) provide enhanced disclosures. In addition, a company must now measure the fair value of its plan assets as of the date of its year-end balance sheet.

### ***Accounting for the Effects of Inflation***

Through December 31, 2007, Mexican Banking GAAP (MFRS B-10) required that the comprehensive effects of price level changes due to inflation be recorded in the basic financial statements for all non-monetary and monetary items. Items were generally restated for inflation by applying a price index (Investment Unit, or UDI). Mexican Banking GAAP also required the determination of an inflationary gain or loss arising from a company's net monetary asset or liability position and the adjustment or restatement of income statement amounts for the year in constant pesos of purchasing power as of the date of the most recent balance sheet presented, as well as the presentation of financial statement amounts from prior years in constant pesos of purchasing power as of the date of the most recent balance sheet presented.

Accounting for the effects of inflation under Mexican Banking GAAP was considered a more meaningful presentation than historical cost based financial reporting for Mexican companies.

As of January 1, 2008, Mexican Banking GAAP established new standards for recognizing the effects of inflation in an entity's financial statements. Mexican Banking GAAP provides criteria for identifying both inflationary and non-inflationary environments and provides guidelines to cease or start recognizing the effects of inflation in financial statements when the general price index in a cumulative three-year period exceeds 26% in the countries of the functional currency where the company and subsidiaries operate. Retrospective application is not permitted by this new MFRS B-10.

Under U.S. GAAP, companies are generally required to prepare financial statements using historical costs that are not subsequently adjusted for inflation. However, the application of new MFRS B-10 represents a comprehensive measure of the effects of price level changes in the inflationary Mexican economy and, as such, is considered a more meaningful presentation than historical cost based financial reporting for both Mexican and U.S. accounting purposes.

### ***Deferred Income Tax***

Under Mexican Banking GAAP, deferred tax assets and liabilities are recognized for all significant temporary differences between the carrying amounts of existing assets and liabilities as of the balance sheet date and their respective tax bases. Mexican Banking GAAP is similar to U.S. GAAP with respect to accounting for current and deferred income taxes, except that Mexican Banking GAAP establishes that any deferred tax assets recorded must be reduced by a valuation allowance if it is "highly probable" that all or a portion of the deferred tax assets will not be realized.

Under U.S. GAAP, deferred income taxes are accounted for under the balance sheet method. Deferred tax assets and liabilities are recognized for the future tax consequence attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases as well as the recognition of operating loss and tax credit carryforwards.

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. A valuation allowance is recognized if, based on the weight of available evidence, it is "more likely than not" that all or a portion of the

deferred tax asset will not be realized. The effect on the deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. U.S. GAAP requires separate presentation of current and non-current income tax assets or liabilities, depending on the classification of the asset or liability to which the deferred tax item relates.

U.S. GAAP also prescribes a comprehensive model for the recognition, measurement, financial statement presentation and disclosure of uncertain tax positions taken or expected to be taken in a tax return. U.S. GAAP provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

### ***Statement of Cash Flow***

Effective March 31, 2009, Mexican Banking GAAP requires financial entities to present a statement of cash flows as a part of a full set of financial statements; before that date it only required financial entities to present a statement of changes in financial position. The statement of cash flows classifies cash receipts and payments according to whether they stem from operating, investing, or financing activities. Cash flows from operating activities should be presented on a net basis. Under Mexican Banking GAAP, restatement of financial statements for years before March 31, 2009 is not required.

Under U.S. GAAP, ASC Topic 230 "*Statement of Cash Flows*" (formerly SFAS 95), a statement of cash flows is required, which presents cash transactions on a gross basis (certain exceptions exist for financial institutions) and excludes non-cash items.

In addition, differences in the classification of certain items under Mexican Banking GAAP exist (i.e. under U.S. GAAP cash related to loans should be presented as investing activity and for Mexican Banking GAAP purposes are required to be presented as part of the operating activities).



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FINANCIERA INDEPENDENCIA, S. A. B. DE C. V.,  
SOCIEDAD FINANCIERA DE OBJETO MÚLTIPLE,  
ENTIDAD NO REGULADA AND ITS SUBSIDIARY

AUDITED CONSOLIDATED  
FINANCIAL STATEMENTS

DECEMBER 31, 2009, 2008 AND 2007

## REPORT OF INDEPENDENT ACCOUNTANTS

México City, March 17, 2010

To the Stockholders of  
Financiera Independencia, S. A. B. de C. V.,  
Sociedad Financiera de Objeto Múltiple, Entidad No Regulada

We have audited the consolidated balance sheets of Financiera Independencia, S. A. B. de C. V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada and its subsidiary (Company) as of December 31, 2009 and 2008, and the related consolidated statements of income and of changes in stockholders' equity for the years ended December 31, 2009, 2008 and 2007; also the statement of cash flows for the year ended December 31, 2009 and the statements of changes in financial position for the years ended December 31, 2008 and 2007. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in Mexico. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and that they were prepared in accordance with the accounting practices applicable to the Company. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures contained in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As mentioned in Note 18, on November 30, 2009, the Company signed a purchase agreement to acquire all outstanding shares of Financiera Finsol, S. A. C. V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada, and a group of related entities, with the goal to increase its loan portfolio and its clients. On February 19, 2010, the acquisition of the shares was completed. The total amount of the transaction amounts to Ps530 million.

As mentioned in Note 15, On December 17, 2009 the shareholders approved an increase in the Company's variable capital stock of up to Ps850,000, and consequently, the issuance of 85,000,000 ordinary nominative shares. On February 5, 2010 these shares (85,000,000) were fully subscribed and paid in.

As mentioned in Note 2, the aforementioned consolidated financial statements have been prepared on the basis of accounting applicable to Regulated Multiple Purpose Financial Companies “Sociedades Financieras de Objeto Múltiple Reguladas”, issued by the Mexican National Banking and Securities Commission in Mexico (Commission).

In our opinion, the consolidated financial statements referred to above, present fairly, in all material respects, the consolidated financial position of Financiera Independencia, S. A. B. de C. V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada and its subsidiary at December 31, 2009 and 2008, and the consolidated results of their operations and the changes in their stockholders’ equity for the years ended December 31, 2009, 2008 and 2007, their cash flows for the year ended December 31, 2009 and the changes in their financial position for the years ended December 31, 2008 and 2007, in conformity with the accounting practices prescribed by the Commission.

PricewaterhouseCoopers, S. C.

Nicolás Germán Ramírez  
Audit Partner

FINANCIERA INDEPENDENCIA, S. A. B. DE C. V.,  
SOCIEDAD FINANCIERA DE OBJETO MÚLTIPLE,  
ENTIDAD NO REGULADA AND ITS SUBSIDIARY

CONSOLIDATED BALANCE SHEETS  
AS OF DECEMBER 31, 2009 AND 2008  
(Notes 1 and 2)

Thousands of Mexican pesos (Note 2)

	<u>As of December 31,</u>			<u>As of December 31,</u>	
<u>Assets</u>	<u>2009</u>	<u>2008</u>	<u>Liabilities and Stockholders' Equity</u>	<u>2009</u>	<u>2008</u>
Cash and cash equivalents (Note 4)	Ps 498,891	Ps 343,862	Liabilities:		
Derivative financial instruments (Note 5):			Debt instruments (Note 10)	Ps 786,970	Ps 787,718
Trading instruments	<u>793</u>	<u>793</u>	Bank and other entities loans (Note 11)		
Performing loans (Note 6):			Short - term	3,054,492	2,458,878
Consumer	4,236,160	3,913,027	Long - term	<u>24,778</u>	<u>367,481</u>
Non-performing loans (Note 6):				<u>3,079,270</u>	<u>2,826,359</u>
Consumer	<u>576,132</u>	<u>560,821</u>	Other accounts payable:		
Total loan portfolio	4,812,292	4,473,848	Income tax (Note 16)	37,427	38,503
Loan loss allowance (Note 7)	<u>(422,966)</u>	<u>(350,639)</u>	Accrued liabilities and other accounts payable (Note 12 y 16)	<u>132,959</u>	<u>276,988</u>
Total loan portfolio - Net	<u>4,389,326</u>	<u>4,123,209</u>		<u>170,386</u>	<u>315,491</u>
Other accounts receivable - Net (Note 8)	111,584	282,607	Deferred commissions and other deferred credits	<u>50,508</u>	<u>55,016</u>
			Total liabilities	<u>4,087,134</u>	<u>3,984,584</u>
Property, furniture and equipment - Net (Note 9)	303,266	255,977	Stockholders' equity (Note 15):		
			Paid-in capital:		
Deferred taxes and profit sharing - Net (Note 16)	572,628	321,291	Capital stock	148,603	148,603
Other assets - Net	73,990	59,617	Share premiums	<u>726,428</u>	<u>813,855</u>
				<u>875,031</u>	<u>962,458</u>
			Earned Capital:		
			Legal reserves	12,600	13,600
			Retained earnings/accumulated deficit	460,490	(138,729)
			Net income	<u>515,223</u>	<u>565,443</u>
				<u>988,313</u>	<u>440,314</u>
			Total majority interest	<u>1,863,344</u>	<u>1,402,772</u>
			Minority interest	<u>-</u>	<u>-</u>
			Total stockholders' equity	1,863,344	1,402,772
			Commitments and contingencies (Note 19)		
			Subsequent events (Note 20)		
Total assets	<u>Ps5,950,478</u>	<u>Ps5,387,356</u>	Total liabilities and stockholders' equity	<u>Ps5,950,478</u>	<u>Ps 5,387,356</u>

The accompanying twenty two notes are an integral part of these consolidated financial statements.

FINANCIERA INDEPENDENCIA, S. A. B. DE C. V.,  
SOCIEDAD FINANCIERA DE OBJETO MÚLTIPLE,  
ENTIDAD NO REGULADA AND ITS SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007  
(Notes 1 and 2)

Thousands of Mexican pesos except earnings per share (Note 2).

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Interest income (Note 17)	Ps 3,110,555	Ps 2,715,829	Ps 2,061,699
Interest expense (Note 17)	(327,310)	(231,406)	(168,502)
Monetary loss - Net	<u>-</u>	<u>-</u>	<u>(37,606)</u>
Financial margin	2,783,245	2,484,423	1,855,591
Provision for loan losses (Note 7)	<u>(1,074,186)</u>	<u>(782,019)</u>	<u>(484,389)</u>
Financial margin after provision for loan losses	<u>1,709,059</u>	<u>1,702,404</u>	<u>1,371,202</u>
Commissions and fees collected	752,563	751,357	574,372
Commissions and fees paid	(12,726)	(10,109)	(1,578)
Other operating income (expenses)	<u>29,233</u>	<u>9,118</u>	<u>18,972</u>
	<u>769,070</u>	<u>750,366</u>	<u>591,766</u>
Net operating revenue	2,478,129	2,452,770	1,962,968
Non-interest expense	<u>(1,840,458)</u>	<u>(1,703,444)</u>	<u>(1,257,357)</u>
Operating income	<u>637,671</u>	<u>749,326</u>	<u>705,611</u>
Other income (Note 17)	18,274	13,856	38,829
Other expenses (Note 17)	<u>-</u>	<u>-</u>	<u>(2,011)</u>
	<u>18,274</u>	<u>13,856</u>	<u>36,818</u>
Income before income taxes	<u>655,945</u>	<u>763,182</u>	<u>742,429</u>
Current income tax (Note 16)	(392,791)	(360,957)	(278,435)
Deferred income tax (Note 16)	<u>252,069</u>	<u>163,218</u>	<u>54,964</u>
	<u>(140,722)</u>	<u>(197,739)</u>	<u>(223,471)</u>
Net income for the year	<u>Ps 515,223</u>	<u>Ps 565,443</u>	<u>Ps 518,958</u>
Earning per share (pesos)	<u>Ps 0.8495</u>	<u>Ps 0.8622</u>	<u>Ps 0.8079</u>

The accompanying twenty two notes are an integral part of these consolidated financial statements.

FINANCIERA INDEPENDENCIA, S. A. B. DE C. V.;  
SOCIEDAD FINANCIERA DE OBJETO MULTIPLE;  
ENTIDAD NO REGULADA AND ITS SUBSIDIARY

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007  
(Notes 1 and 15)

Thousands of Mexican pesos (Note 2)

	Paid-in capital		Earned capital				Total stockholders' equity
	Capital stock	Share premium	Legal reserves	Retained Earnings/ accumulated deficit	Net income	Minority interest	
Balances as of January 1, 2007	Ps 149,799	Ps 643,898	Ps58,897	(Ps 229,297)	Ps 469,536	Ps 1	Ps 1,092,834
Elimination of the stockholders' equity of Serfincor for the combination in 2006	(723)	(36,791)	(126)	(25,951)	-	(1)	(63,592)
TRANSACTIONS APPROVED BY STOCKHOLDERS:							
Application of 2006 net income to capital reserves	-	-	13,026	(13,026)	-	-	-
Dividend payment	-	-	-	(178,786)	-	-	(178,786)
Capital stock increase	4,527	1,032,967	-	-	-	-	1,037,494
Repurchase of capital stock	-	-	-	(116,976)	-	-	(116,976)
Capital distribution	-	-	-	(69,047)	-	-	(69,047)
Transfer of net income of the year to retained earnings	-	-	-	469,536	(469,536)	-	-
	4,527	1,032,967	13,026	91,701	(469,536)	-	672,685
CHANGES RELATED TO RECOGNITION OF THE COMPREHENSIVE INCOME:							
Net income	-	-	-	-	518,958	-	518,958
Balances as of December 31, 2007	153,603	1,640,074	71,797	(163,547)	518,958	-	2,220,885
TRANSACTIONS APPROVED BY STOCKHOLDERS:							
Transfer of share premium to retained earnings	-	(182,585)	-	182,585	-	-	-
Transfer of the legal reserve to retained earnings	-	-	(58,197)	58,197	-	-	-
Dividend payment and refund of dividends on own shares	-	-	-	(499,662)	-	-	(499,662)
Capital reduction	(5,000)	(612,500)	-	-	-	-	(617,500)
Repurchase of capital stock	-	-	-	(268,773)	-	-	(268,773)
Effect on replacement of own shares	-	(31,134)	-	31,134	-	-	-
Transfer of net income of the year to retained earnings	-	-	-	518,958	(518,958)	-	-
	(5,000)	(826,219)	(58,197)	22,439	(518,958)	-	(1,385,935)
CHANGES RELATED TO RECOGNITION OF THE COMPREHENSIVE INCOME:							
Net income	-	-	-	-	565,443	-	565,443
Deferred employees' statutory profit sharing, initial recognition	-	-	-	2,379	-	-	2,379
	-	-	-	2,379	565,443	-	567,822
Balances as of December 31, 2008	148,603	813,855	13,600	(138,729)	565,443	-	1,402,772
TRANSACTIONS APPROVED BY STOCKHOLDERS:							
Transfer of net income of the year to retained earnings	-	-	-	565,443	(565,443)	-	-
Transfer of the legal reserve to retained earnings	-	-	(1,000)	1,000	-	-	-
Repurchase of capital stock	-	-	-	27,011	-	-	27,011
Refund of dividends on own shares	-	-	-	5,765	-	-	5,765
Effect on replacement of own shares	-	(87,427)	-	-	-	-	(87,427)
	-	(87,427)	(1,000)	599,219	(565,443)	-	(54,651)
CHANGES RELATED TO RECOGNITION OF THE COMPREHENSIVE INCOME:							
Net income	-	-	-	-	515,223	-	515,223
	-	-	-	-	515,223	-	515,223
Balances as of December 31, 2009	\$ 148,603	\$ 726,428	\$ 12,600	\$ 460,490	\$ 515,223	\$ -	\$ 1,863,344

The accompanying twenty two notes are an integral part of these consolidated financial statements.

FINANCIERA INDEPENDENCIA, S. A. B. DE C. V.,  
SOCIEDAD FINANCIERA DE OBJETO MÚLTIPLE,  
ENTIDAD NO REGULADA AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2009

Thousands of Mexican Pesos, (Note 2)

Operating activities:

Net income	\$ 515,223
Items not generating (requiring) resources:	
Provision for loan losses	1,074,186
Depreciation and amortization	70,445
Income taxes (current and deferred)	<u>140,722</u>
	<u>1,800,576</u>
Loan portfolio - net	(1,340,302)
Bank and other entities loans - net	252,163
Other accounts receivable and payable - net	<u>(370,650)</u>
Cash flows provided by operating activities	<u>341,787</u>

Investing activities:

Purchases of fixed asset	(117,734)
Other assets	<u>(14,373)</u>
Cash flow used in investing activities	<u>(132,107)</u>

Financing activities:

Purchase of own shares	(54,651)
Net cash flows used in financing activities	<u>(54,651)</u>
Net increase in cash and cash equivalents	155,029
Cash and cash equivalents at the beginning of the year	<u>343,862</u>
Cash and cash equivalents at the end of the year	<u>\$ 498,891</u>

The accompanying twenty two notes are an integral part of these consolidated financial statements.



FINANCIERA INDEPENDENCIA, S. A. B. DE C. V.,  
SOCIEDAD FINANCIERA DE OBJETO MÚLTIPLE,  
ENTIDAD NO REGULADA AND ITS SUBSIDIARY

CONSOLIDATED STATEMENTS OF  
CHANGES IN FINANCIAL POSITION

Thousands of Mexican pesos (Note 2)

	<u>Year ended</u> <u>December 31,</u>	
	<u>2008</u>	<u>2007</u>
<u>Operating activities:</u>		
Net income	Ps 565,443	Ps 518,958
Items not generating (requiring) resources:		
Provision for loan losses	782,019	484,389
Depreciation and amortization	51,608	42,589
Software costs	10,921	7,036
Employee benefits	3,255	3,320
Deferred tax	(163,218)	(59,053)
Deferred employees' statutory profit-sharing	(1,849)	-
	<u>1,248,179</u>	<u>997,239</u>
Changes in operating assets and liabilities:		
Increase in loan portfolio	(1,768,260)	(1,455,671)
Other accounts receivable, other accounts payable and others - Net	(104,124)	93,454
Resources used in operating activities	<u>(624,205)</u>	<u>(364,978)</u>
<u>Financing activities:</u>		
Debt issuance	787,718	-
Increase in capital stock	-	4,527
Share premium received	-	1,032,967
Dividend payment and collected on own shares	(499,662)	(178,786)
Increase (decrease) in bank and other entities loans	1,490,396	(16,935)
Repurchase of capital stock	(268,773)	(116,976)
Capital reduction	(617,500)	-
Resources provided by financing activities	<u>892,179</u>	<u>724,797</u>
<u>Investing activities:</u>		
Excess of the cost paid Serfincor	-	(132,639)
Property, furniture and equipment - Net	(135,531)	(122,559)
Other assets	(31,711)	(5,153)
Resources used in investing activities	<u>(167,242)</u>	<u>(260,351)</u>
Increase in cash and due from banks for the year	100,732	99,468
Cash and due from banks at the beginning of the year	<u>243,130</u>	<u>143,662</u>
Cash and due from banks at the end of the year	<u>Ps 343,862</u>	<u>Ps 243,130</u>

The accompanying twenty two notes are an integral part of these consolidated financial statements.

FINANCIERA INDEPENDENCIA, S. A. B. DE C. V.,  
SOCIEDAD FINANCIERA DE OBJETO MÚLTIPLE,  
ENTIDAD NO REGULADA AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS

DECEMBER 31, 2009, 2008 AND 2007

Thousands of Mexican pesos (Note 2), except for exchange rate, nominal values  
and number of shares

NOTE 1 - NATURE OF THE COMPANY AND ITS ACTIVITIES:

Financiera Independencia, S. A. B. de C. V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada (Company) was incorporated and commenced operations, in accordance with the applicable laws in Mexico, on July 22, 1993, and is mainly engaged in granting consumer loans to low income individuals. Funding required to conduct lending activities is obtained from the Company's shareholders, from cash arising from the Company's operations, from financing with Mexican financial institutions and debt issuances in the capital markets.

The General Law on Ancillary Activities and Organizations of Credit (Ley General de Organizaciones y Actividades Auxiliares del Crédito or LGOAAC, for its initials in Spanish), authorizes Multiple Purpose Financial Entities (Sociedades Financieras de Objeto Múltiple or Sofom) to engage in activities such as granting loans, factoring and financial lease transactions. A Sofom may or may not be regulated by the National Banking and Securities Commission (Comisión Nacional Bancaria y de Valores also referred as the Commission or CNBV). Non-Regulated Multiple Purpose Financial Entities (Sociedad Financiera de Objeto Múltiple, Entidad No Regulada or Sofom, E. N. R.) are not associated with credit institutions or with holding companies of financial institutions, therefore those are not subject to the Commission's oversight.

On October 18, 2007, Shareholders approved the adoption of the legal regime for listed companies in Mexico. Therefore effective November 1, 2007, the Company was registered as a listed issuer in the Mexican Stock Exchange (BMV, for its initials in Spanish), under the ticker symbol "FINDEP".

During the listing process with BMV, the Company conducted an initial public offering in Mexico and overseas. The public offering overseas was conducted under Rule 144-A and Regulation S of the 1933 US Securities Act, as amended, as well as regulations applicable to countries in which such offering was conducted.

As a listed entity, the Company is subject to the provisions of the Mexican General Corporate Law (Ley General de Sociedades Mercantiles) and the Mexican Securities Markets Law, as well as to the general provisions applicable to issuers of securities and other participants in the securities market.

The accompanying consolidated financial statements as of and for the year ended December 31, 2009, 2008 and 2007 include the Company and the subsidiary mentioned below:

<u>Subsidiary</u>	<u>% of ownership</u>	<u>Activity</u>
Serfincor, S. A. de C. V. and its subsidiaries (Serfincor)	99.99%	Call center services, administrative, courier, promotion and marketing.

**NOTE 2 - BASIS OF PREPARATION:**

The Company is in the process of financing certain of its activities through the issuance of a cross border senior notes offering. The notes may not be offered or sold within the United States of America ("U.S.") or to, or for the account or benefit of, U.S. persons, except to qualified institutional buyers in reliance on the exemption from registration provided by Rule 144A under the U.S. Securities Act of 1933 and to certain persons outside the U.S. in reliance on Regulation S under such Securities Act. As a result of this transaction and in order to present information in a comparable basis for all years presented, the Company is presenting its financial information as from January 1, 2007 in accordance with the accounting criteria issued by the Commission applicable to credit institutions, therefore making certain reclassifications and expanding the disclosures in the footnotes previously published in the Mexican market to be consistent with what is customary for international offerings. In addition, the financial information for 2007, originally presented in accordance with Mexican financial reporting standards, has been conformed to the accounting criteria issued by the Commission for purposes of inclusion herein.

The accompanying consolidated financial statements have been prepared and are fairly presented in accordance with the accounting criteria issued by the Commission applicable to credit institutions (Mexican Banking GAAP), which differ from Mexican Financial Reporting Standards (MFRS) issued by the CINIF, as concerns the matters mentioned in points d., e., f., m., and v. of Note 3 to the consolidated financial statements.

On February 27, 2008 by means of official letter number 113-1/27511/2008 issued by the Commission for Sofoms, E.N.R., with securities listed in the Mexican Stock Exchange, such entities must follow MFRS issued by the CINIF; however, Sofoms, E.N.R., based on the above mentioned document, have also the option to prepare their financial statements in accordance with Mexican Banking GAAP.

On September 19, 2008 the Commission amended the accounting criteria for listed companies (Circular Única de Emisoras), which requires that Sofom, E. N. R., that had issued debt or equity in the Mexican Stock Exchange, should prepare their financial statements in accordance with the accounting criteria applicable to regulated Sofoms in the terms of Article 87-D of the LGOAAC. Under this article, regulated Sofoms are subject to the provisions of the Mexican Law of Credit Institutions (LIC) and the Law of the Commission. On January 27, 2009, the Commission stated that the aforementioned provisions are effective starting from the period beginning on January 1, 2008, however, early adoption was permitted.

Effective January 1, 2008, the Company discontinued recognizing the effects of inflation in its financial statements in accordance with MFRS B-10. This MFRS requires that a company discontinues, recognizing the effects of inflation in financial statements when cumulative inflation on a three-year period is below 26%. Consequently, figures at December 31, 2009 and 2008 in the accompanying financial statements are presented at nominal Mexican pesos, modified by the effects of inflation on financial information recognized through December 31, 2007. Figures as of December 31, 2007 are stated in constant Mexican pesos of purchasing power as of December 31, 2007.

Inflation rates, based on the Mexican Investment Unit (Unit of Investment or UDI by its initials in Spanish), are as follows:

	<u>December 31,</u>		
	<u>2009</u>	<u>2008</u>	<u>2007</u>
For the year	3.72%	6.40%	3.80%
Accumulated over the past three years	14.55%	15.03%	11.27%

### NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Significant accounting policies are summarized below and have been consistently applied in the reporting years, unless otherwise indicated.

In accordance with Mexican Banking GAAP, when no specific accounting criteria has been issued by the Commission, the following must be applied on a supplementary basis in the order shown: a) MFRS, b) International Accounting Standards approved and issued by the International Accounting Standards Board (IASB), c) Accounting Principles Generally Accepted in the United States (US GAAP) issued by the Financial Accounting Standards Board or, if applicable, d) any set of formal and recognized accounting standards. Application of this criteria is subject to the provisions of MFRS A-8 "Use of supplementary reporting standards".

MFRS requires the use of certain critical accounting estimates in the preparation of the consolidated financial statements. Also, management's judgment is required in determining the Company's accounting policies.

a. Consolidation

All intercompany balances and transactions have been eliminated in the consolidation process. The consolidation was carried out on the basis of audited financial statements of the subsidiary.

b. Cash and cash equivalents

Cash and cash equivalents represent investments in highly liquid instruments. This item is recorded at nominal value due its short-term nature. Cash equivalents in foreign currencies are valued at exchange rate as of the date of the financial statements published by Mexican Central Bank. Interest income due to these investments are recognized in the income statement as it accrues.

c. Derivative financial instruments:

All derivative financial instruments entered into and identified and classified as held for trading or as hedge instruments are included in the balance sheet as assets and/or liabilities at fair value. The accounting for changes in the fair value of a derivative depends on the intended use of the derivative and the resulting designation.

While certain derivative financial instruments are contracted for hedging from an economic point of view, they are not designated as hedges because they do not meet all of the requirements and are instead classified as held-for-trading for accounting purposes.

For derivatives designated as a cash flows hedge, the effective portion of the derivative's gain or loss is reported as a component of accumulated other comprehensive income and subsequently reclassified into income when the hedged commitment or forecast transaction is realized.. The ineffective portion of the gain or loss is reported in income immediately.

For derivative instruments that are not designated as accounting hedges, changes in fair value are recognized in income.

Fair value is determined based on quoted market prices when available, if quoted market prices are not available, fair value is based upon internally developed valuation techniques such as discounted cash flows, pricing models (Black and Scholes) and similar models used and accepted by market practice.

Options

The Company transactions with derivative financial instruments are mainly related to Options.

Options are agreements establishing the right, but not the obligation, for the acquirer to purchase or sell the underlying asset at a determined price, named exercise price, on an

established date or at determined period. Option agreements involve two parties, the buyer of the option pays a premium on the acquisition thereof, and in turn, obtains a right to buy or sell an underlying, and the party issuing or selling the option receives the premium and in turn, acquires an obligation to buy or sell such underlying.

The buyer of the option records the premium paid in the operation. The premium is subsequently valued according to the fair value of the option, and changes in fair value are recorded in the income statement.

#### d. Loan portfolio

The loan portfolio represents the amounts actually delivered to borrowers plus the interest accrued as per the loan agreement.

Loans are granted based on a credit analysis conducted in accordance with the Company's internal policies and operating manuals.

As required by Mexican Banking GAAP, the outstanding balances of loans granted (principal plus any accrued interest not yet collected) are recorded as past-due portfolio when payments thereon have not been settled in their entirety in the terms originally agreed upon, considering the following:

- If payments on installments regarding term loans are 90 or more days past due.
- If payments on revolving loans are two months or 60 calendar days past due.

Interest income is recorded in the statement of income as it is earned, based on outstanding balances and agreed interest rates per contractual terms of the loan agreements.

Once a loan is classified as non-performing, interest accrual thereon is suspended. When loans are past-due, interest accrued is recorded in memorandum accounts. Regarding accrued interest receivable, related to the past-due portfolio, the Company records an allowance equal to their outstanding balance prior to their classification as non-performing portfolio. If the past-due interest is collected, it is directly recognized in the income statement for the period.

Non-performing loans could be reclassified back to the performing loan portfolio, only after the outstanding balances of past-due loans (principal and interest) are fully settled.

Starting September 2009, the Company performs restructures for certain loans whenever it is considered otherwise not to be recovered in accordance with its contractual terms (before that date no loans were restructured). Restructured loans are classified as part of the non-performing loan portfolio. In addition, the Company considers the probability of default of restructured loans to be 100%.

Annual commissions charged to customers are deferred and amortized on a straight-line basis during one year or for the duration of the loan. Loan origination fees and costs are not deferred over the term of loans since Management considers such financial effect not to be significant due to the short-term maturity of related loans. All other commissions (withdrawal fee or late-payment fees) are recorded as income upon collection.

MFRS requires the recognition of interest accrued and, if applicable, the creation of an allowance for doubtful accounts based on a study of recoverability.

e. Loan loss reserves and portfolio rating

The Mexican Banking GAAP require the loan portfolio to be rated based on a general methodology established by the Commission or through the use of an internal methodology. In case of use of internal methodologies the Commission's approval is not required, as per official letter number 310-85406/2009 dated March 2, 2009 issued by the Commission.

The Company is applying an internal methodology for determining its allowance for loan losses. Allowance for loan losses is determined by applying the probability of default and loss given default to the outstanding balance of the Company's loan portfolio.

Probability of default (PD) is the likelihood of a borrower becoming non-performing within the next 12 months. The Company determines PD by applying roll rate calculations. Roll rates considers the existing probability of a loan to migrate from its current category (based on days past due) to write off. The Company uses as PD an average of roll rate calculations for the past twelve-month period.

Loss given default (LGD) is an estimate of the amount that the Company would expect to lose in the event of a borrower default. Since all of the Company's loans are unsecured, no collateral exists, therefore, the Company determines its LGD as the average of net losses after considering the present value of recoveries for the past twelve-month period.

In accordance with MFRS, an analysis should be conducted in order to assess the amount of allowance for accounts receivable.

Loans are written off, based on management assessment, when are 180 or more calendar days overdue. Write offs are recorded to the allowance for loan losses.

Recoveries related to loans previously written off are applied to income for the period, as collected.

f. Other accounts receivable

Accounts receivable other than the Company's loan portfolio represent, among others, tax balances.

For other accounts receivable with more than 90 calendar days past due, a reserve is set up reflecting the likelihood of not recovering such accounts. No such reserve has been set up for favorable tax balances. The allowances for doubtful accounts referred to above are determined through a study that serves as the basis for the determination of future events that could affect the amount of accounts receivable, showing the related estimated recovery value.

With respect to items different from those mentioned above, whose maturity is agreed at a term of 90 calendar days for identified debtors and 60 days for unidentified debtors, an allowance is set up for irrecoverability in the total amount of the debt. MFRS require, when applicable, setting up an allowance for doubtful accounts, after conducting an analysis and evaluation of the real possibilities of recovering such accounts.

The Company has no items in the above-mentioned categories more than 90 or 60 days past due, as a result of which, no such reserve has been set up.

#### g. Property, furniture and equipment

Property, furniture and equipment, are stated as follows: i) items acquired on or after January 1, 2008 at historical cost, and ii) items acquired up to December 31, 2007 at restated value determined by UDI factors. Consequently, as of December 31, 2009 and 2008, properties, furniture and equipment are expressed at modified historical costs.

Property, furniture and equipment are subject to annual impairment tests only when there is evidence of impairment. Accordingly, they are expressed at their modified historical cost, less the accumulated depreciation and, in its case, the impairment losses.

Depreciation is calculated by applying the straight line method at the annual rates estimated by Company management.

#### h. Intangible assets

Intangible assets are recognized in the balance sheet when they meet the following conditions: are identifiable, provide future economic benefits and the Company has control over such benefits. In addition, intangible assets are classified: i) with an indefinite useful life, which are not amortized but subject to annual impairment tests, and ii) intangible assets with a definite life, which are amortized by applying the straight-line method during their useful life determined in accordance with the expected future economic benefits and are subject to impairment tests when evidence of impairment is identified.

Intangible assets acquired or developed are stated as follows: i) items acquired or developed on or after January 1, 2008, at historical cost and ii) items acquired or developed up to December 31, 2007, at restated values determined by UDI factors. Consequently, as of December 31, 2009 and 2008, the intangible assets are expressed at modified historical cost,



reduced from the corresponding cumulative amortization and, if applicable, impairment losses.

i. Debt instruments

This item is represented by the issuance of debt instruments (Certificados Bursatiles) and it is accounted for based on the principal amount plus any unpaid accrued interest as of the date of the financial statements.

Debt issuance costs are initially recorded as deferred charges and amortized during the term of such debt instruments.

j. Loans from banks and other entities

Loans from banks and other entities are comprised by lines of credit and loans from other entities, which are recorded at the contractual value of the obligation. Interest expense is recorded in the income statement for the year as it is accrued.

k. Provisions

Provisions represent present obligations for past events where the outflow of economic resources is probable. These provisions have been recorded based on management's best estimate. Actual results could differ from estimates.

l. Deferred income tax and deferred flat tax

Deferred income tax and deferred flat tax are recorded based on the comprehensive asset-and-liability method, which consists of recognizing deferred tax on all temporary differences between the book and tax values of assets and liabilities to be materialized in the future, to the rates enacted in the effective tax provisions at financial statements dates. The Company recognized deferred income tax and deferred flat tax whenever the financial and tax projections prepared by the company show that they will essentially pay income tax and flat tax in the future.

m. Deferred employees' statutory profit sharing

The deferred employees' statutory profit sharing is recorded under the comprehensive asset-and-liability method, which consists in recognizing a deferred ESPS for all differences between the book and ESPS value of the assets and liabilities in which is likely its payment or recovery.

Employees' statutory profit sharing current and deferred is presented in the income statements under non interest expenses.

MFRS require this item to be presented under other income and expenses

n. Employee benefits

The Company does not provide employees benefit plans, other than required by the corresponding laws.

- i. Direct benefits (salaries, holiday bonus, and paid absence, among others) are recognized in the statement of income as incurred and liabilities are expressed at nominal value given its short term nature. In the case of paid absence under law or contract, they are not cumulative.
- ii. Termination benefits due to reasons different from restructure (severance compensation, seniority premium), as well as retirement benefits (seniority premium), are recognized based on actuarial studies carried out by independent actuaries through the projected unit credit method.

The net cost of the period is recognized as an operating expense in the year it is accrued which includes, among other, the amortization of the labor cost of the past services and the actuarial profit (loss) of previous periods.

Starting January 1, 2008 MFRS B-10 became effective and requires the unamortized pending items as of December 31, 2007, referred as transitional liability, which includes the labor cost of the past services and the unamortized pending actuarial gain, to be amortized in a five year term instead of the estimated employees working live (11 years for termination benefits and 15 years for seniority premium). This change in accounting principle originated an additional charge to the 2008 net income in the amount of Ps358.

As of December 31, 2009 and 2008, the Company's employee benefit plans are described as follows:

a. Post-employment benefits

Severance consists of twenty days of salary for each year of services rendered, plus the amount corresponding to three months salary, in accordance with the articles 48 to 50 of the Federal Labor Law (LFT).

b. Seniority premiums

Following is a summary of the bases for calculation of the seniority premium, based on the provisions of article 162 of the LFT.

1. A seniority premium is paid in the event of death, disability, dismissal and voluntary resignation.

2. The amount of the seniority premium consists of twelve days salary for each year of service.
3. Salary considered in calculating the seniority premium must not be lower than the minimum wage prevailing in the economic zone where the services were rendered and may not exceed twice the amount of said wage.
4. The seniority to be considered for payment is the total thereof except in the event of dismissal, in which case it will be considered the employees' seniority as from May 1, 1970 or the hiring date, if subsequent.
5. In order for payment of the seniority premium to be applicable in the case of resignation, the employee must have reached at least fifteen years of service.

o. Capital stock

The capital stock, legal reserves, the share premium and the retained earnings, are expressed as follows: i) transactions performed as of January 1, 2008 at historical cost, and ii) transactions performed before January 1, 2008 at indexed values determined by applying UDI factors to their original values up to December 31, 2007. Accordingly, the different shareholders equity concepts are expressed at modified historical cost.

The share premium represents the difference in surplus between the payment for shares issued and their nominal value.

p. Comprehensive income

The comprehensive income comprises the net income, which is reflected in the capital stock and do not constitutes equity payments, reductions and distributions. The comprehensive income amounts of 2009 and 2008 are expressed at modified historical pesos. The comprehensive income for 2007 is presented in constant pesos of purchasing power of December 31, 2007.

q. Revenue recognition

Interest income from cash and due from banks and investments in securities is recognized in the statement of income as it accrues.

Loan-portfolio interest is recognized as it is earned, according to the contractual terms of arrangements with clients, except as concerns interest on past-due portfolio, whose income is recognized when actually collected.

Annual commissions charged to customers are deferred and amortized on a straight-line basis during one year or for the duration of the loan. Loan origination fees and costs are not

deferred over the term of loans since Management considers such financial effect not to be significant due to the short-term maturity of related loans. All other commissions (withdrawal fee or late-payment fees) are applied to income upon collection thereof.

r. Treasury stock

Own shares acquired are shown as a decrease in the fund for repurchase of own shares included in the consolidated financial statements under retained earnings. Dividends received are recognized by reducing their cost.

With respect to the sale of shares, the amount obtained in excess or deficit of their restated cost is recognized as share premium.

s. Earnings per share

Earning per basic ordinary share is the result of dividing the net earning of the year by the weighted average number of outstanding shares during 2009, 2008 and 2007.

Diluted earnings per share is the result of dividing the net income for the year by the weighted average number of outstanding shares during 2009, 2008 and 2007 increased by any financial instrument potentially dilutive.

t. Foreign exchange gain or loss

According with the provisions of the MFRS B-15, the Company has identified the Mexican Peso to be its local, functional and reporting currency, therefore no foreign currency translation was required.

Transactions in foreign currencies are initially recorded at local currency applying the exchange rates prevailing on the dates they are entered into and/or settled. Assets and liabilities denominated in such currencies are translated at the exchange rate prevailing on the balance sheet date. Exchange gain or loss arising from fluctuations in the exchange rates between the transaction and settlement dates, or valuation are recognized in the income statement.

As of December 31, 2009 and 2008, the Company had assets denominated in U.S. dollars amounting to 77 thousands and 65 thousands, respectively. In addition, the Company had no liabilities denominated in foreign currency at the closing of said periods.

As of December 31, 2009, the exchange rate used by the Company in valuing its assets in foreign currency was Ps13.0437 per U.S. dollar (Ps13.5383 in 2008). At the date of the report of independent accountants, the exchange rate was Ps12.4892 per U.S. dollar.

u. Stock option plan

We have a Stock Option Plan (SOP) for certain employees and members of management. The stock option plan is implemented through a SOP trust, or the SOP Trust, managed as trustee by a Mexican bank pursuant to Mexican law. This plan enables eligible employees to acquire, through the SOP Trust, shares of our capital stock. We fund the SOP Trust through contributions so that in turn the SOP Trust acquires shares of our capital stock in open market purchases through the Mexican Stock Exchange. Stock options granted under the plan generally vest in equal installments over a five-year period. The SOP Trust purchases sufficient shares in the open market to satisfy all grants when the options are granted, as opposed to when they vest. If an employee forfeits any stock options prior to vesting, the shares representing such options remain with the SOP Trust and are eligible for assignment to another grantee. The SOP Trust currently holds 9,440,690 shares of our common stock. We historically have not made contributions of shares to the SOP Trust through the issuance of new shares, and we currently do not have any plans to do so. The strike price ranges from Ps.6 pesos to Ps.17 pesos. The Company had not accounted for the financial effects of this plan due to the fact that management considers those not to be significant.

v. Segment reporting

The Mexican Banking GAAP establishes that in order to identify the different operating segments that comprise multiple banking institutions, the institutions must segregate their activities according to the following segments: i) loan operations, ii) treasury and investment banking operations, and iii) operations conducted on behalf of third parties. In addition, when considered relevant, additional operating segments and sub-segments can be identified. MFRS does not require this predetermined desegregation. Due to the nature of the Company's business, which is mainly engaged in granting consumer loans to low income individuals, segment reporting is focused on the loan operations segment, since Management considers the treasury and investment operation as well as the operations conducted on behalf of third parties not to be relevant for the Company.

NOTE 4 - CASH AND CASH EQUIVALENTS:

Cash and cash equivalents caption is comprised mainly of cash on hand, bank deposits and short-term investments, all highly liquid and subject to low market risk, as shown below:

	Local currency <u>December 31,</u>		Foreign currency <u>December 31,</u>		Total <u>December 31,</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Cash	Ps 38,977	Ps 51,729	-	-	Ps 38,977	Ps 51,729
Deposits in Mexican banks	89,360	81,662	Ps 988	Ps 944	90,348	82,606
Short-term investments*	<u>369,566</u>	<u>209,527</u>	<u>-</u>	<u>-</u>	<u>369,566</u>	<u>209,527</u>
	<u>Ps 497,903</u>	<u>Ps 342,918</u>	<u>Ps 988</u>	<u>Ps 944</u>	<u>Ps 498,891</u>	<u>Ps 343,862</u>

\* Represent investments of cash surpluses, in order to obtain a better short term return. These investments are made through brokerage firms and investment companies operating in the Mexican financial market.

At December 31, 2009 and 2008, the average yield on investments was 4.6% and 8.3%, respectively. In addition, for the years ended December 31, 2009, 2008 and 2007, interest income from investments totaled Ps11,722, Ps7,195 and Ps3,131, respectively. Average maturity of investments during 2009, 2008 and 2007 ranged from one to three days.

#### NOTE 5 - DERIVATIVE FINANCIAL INSTRUMENTS:

The Company's funding is at floating rate (TIIE plus certain basis points) and loans granted to customers are at fixed rate, therefore, there is the risk that interest rates increase and financial margin decreases.

The purpose of this type of derivative financial instruments known as interest rate cap is to set a maximum interest rate related to certain lines of credit with floating interest rates (see Notes 10 and 11). These instruments consider a maximum level or cap for the Interbank Interest Rate (TIIE). In the event the TIIE exceeds the levels agreed in said agreements, the counterparty is to pay the Company the excess rate level multiplied by the notional amount in each period.

During the year 2009, 2008 and 2007, the Company measures at fair value the premium paid for this instrument, and records changes in fair value in the income statement of the year.

Interest rate caps are comprised as follows:

<u>Counterparty</u>	<u>2009</u>					
	<u>Exercise price (%)</u>	<u>Notional amount</u>	<u>Purchase / Sale</u>	<u>Charged to income statement</u>	<u>Fair value</u>	<u>Maturity</u>
Morgan Stanley	7.0000	<u>\$3,600,000</u>	Purchase	<u>\$2,157</u>	<u>\$ 793</u>	8-oct-10
<u>2008</u>						
BBVA Bancomer	8.4275	\$ 150,000	Purchase	\$ 321	\$ 107	26-feb-09
HSBC	9.5000	<u>784,000</u>	Purchase	<u>960</u>	<u>686</u>	30-jun-09
		<u>\$ 934,000</u>		<u>\$1,281</u>	<u>\$ 793</u>	

The notional amounts related to derivative financial instruments reflect the volume of activity but not the amounts at risk. Amounts at risk are generally limited to the unrealized profit or loss from valuation of those instruments, which can vary depending on changes in the market value of the underlying item, its volatility and the credit rating of the counterparties.

NOTE 6 - LOAN PORTFOLIO:

Performing and non-performing loans were as follows:

	<u>2009</u>		
<u>Performing loans:</u>	<u>Principal</u>	<u>Accrued interest</u>	<u>Total</u>
Consumer	Ps 3,991,786	Ps 244,374	Ps 4,236,160
<u>Non-performing loans:</u>			
Consumer	<u>484,547</u>	<u>91,585</u>	<u>576,132</u>
Total loan portfolio	<u>Ps 4,476,333</u>	<u>Ps 335,959</u>	<u>Ps 4,812,292</u>

	<u>2008</u>		
<u>Performing loans:</u>	<u>Principal</u>	<u>Accrued interest</u>	<u>Total</u>
Consumer	Ps 3,712,850	Ps 200,177	Ps 3,913,027
<u>Non-performing loans:</u>			
Consumer	<u>461,999</u>	<u>98,822</u>	<u>560,821</u>
Total loan portfolio	<u>Ps 4,174,849</u>	<u>Ps 298,999</u>	<u>Ps 4,473,848</u>

Loans granted, segmented by product, were as follows:

<u>Type:</u>	<u>2009</u>		<u>2008</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
<u>Performing loans:</u>				
CrediInmediato	Ps2,736,959	65	Ps2,627,261	67
CrediPopular	1,089,654	26	709,629	18
CrediMamá	105,419	2	114,655	3
CrediConstruye	<u>304,128</u>	<u>7</u>	<u>461,482</u>	<u>12</u>
	<u>4,236,160</u>	<u>100</u>	<u>3,913,027</u>	<u>100</u>
<u>Non performing loans:</u>				
CrediInmediato	358,515	62	440,571	79
CrediPopular	187,413	33	92,317	16
CrediMamá	13,710	2	17,195	3
CrediConstruye	<u>16,494</u>	<u>3</u>	<u>10,738</u>	<u>2</u>
	<u>576,132</u>	<u>100</u>	<u>560,821</u>	<u>100</u>
Total loan portfolio	<u>Ps4,812,292</u>	<u>100</u>	<u>Ps4,473,848</u>	<u>100</u>

CrediInmediato: is a revolving line of credit from Ps3 to Ps20. It is available to individuals earning at least the minimum monthly wage in Mexico. As of December 31, 2009, 2008 and 2007, the unused amount of line of credit was Ps1,324 million, Ps1,064 million and Ps751 million, respectively.

Credipopular: is a personal loan targeted to the informal sector of the Mexican economy initially from Ps1.8 to Ps6. This product has an average term of 36 weeks and is renewed based on the client's credit behavior.

CrediMamá: this product is granted to mothers who have at least one child under the age of 18. These loans are initially granted in an amount from Ps1.8 to Ps3.5 and have an average term of 26 weeks and is renewed based on the client's credit behavior.

CrediConstruye: this product is available to individuals earning at least the minimum monthly wage in Mexico City and is intended to finance home improvements. These loans initially range from Ps3.0 to Ps20. This loan product has a maximum term of two years.

As of December 31, 2009 and 2008, aging of the loan portfolio according to the number of days the loan is past due is as shown below:



2009								
	<u>0 Days</u>	<u>01-30 Days</u>	<u>31-60 Days</u>	<u>61-89 Days</u>	<u>90-120 Days</u>	<u>121-150 Days</u>	<u>151-180 Days</u>	<u>Total</u>
Performing loans	\$2,865,645	\$850,458	\$434,848	\$ 85,209	\$ -	\$ -	\$ -	\$4,236,160
Non performing loans	-	-	-	166,958	162,293	146,636	100,245	576,132
Total	<u>\$2,865,645</u>	<u>\$850,458</u>	<u>\$434,848</u>	<u>\$ 252,167</u>	<u>\$162,293</u>	<u>\$ 146,636</u>	<u>\$100,245</u>	<u>\$4,812,292</u>
2008								
	<u>0 Days</u>	<u>01-30 Days</u>	<u>31-60 Days</u>	<u>61-89 Days</u>	<u>90-120 Days</u>	<u>121-150 Days</u>	<u>151-180 Days</u>	<u>Total</u>
Performing loans	\$2,681,496	\$860,861	\$318,874	\$ 51,797	\$ -	\$ -	\$ -	\$3,913,027
Non performing loans	-	-	-	191,887	174,501	108,020	86,413	560,821
Total	<u>\$2,681,496</u>	<u>\$860,861</u>	<u>\$318,874</u>	<u>\$ 243,684</u>	<u>\$174,501</u>	<u>\$ 108,020</u>	<u>\$ 86,413</u>	<u>\$4,473,848</u>

Interest income per product arising from ordinary and late-payment interest pertaining to the 2009, 2008 and 2007 loan portfolio, segmented by product, is comprised as follows (see Note 16):

<u>Product</u>	<u>2009</u>		<u>2008</u>		<u>2007</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
CrediInmediato	Ps 1,850,313	61	Ps 1,762,331	65	Ps 1,466,429	71
CrediPopular	971,570	31	633,100	23	441,641	22
CrediMamá	106,610	3	126,203	5	110,347	5
CrediConstruye	170,340	5	187,000	7	40,151	2
	<u>Ps 3,098,833</u>	<u>100</u>	<u>Ps 2,708,634</u>	<u>100</u>	<u>Ps 2,058,568</u>	<u>100</u>

NOTE 7 - LOAN LOSS ALLOWANCE:

In accordance with Mexican Banking GAAP, the Company classifies its loan portfolio using an internal methodology based on the probability of borrowers' default and the loss given default.

Below are the percentages used to create provisions as of December 31, 2009 and 2008, which were determined based on the probability of borrowers' default and the loss given default:

Loans with weekly installments

# of past-due periods	2009			2008		
	<u>Amount</u>	<u>Provision (%)</u>	<u>Amount</u>	<u>Amount</u>	<u>Provision (%)</u>	<u>Amount</u>
0	Ps 447,487	0.4	Ps 1,732	Ps 522,125	0.2	Ps 1,063
1	118,465	1.1	1,288	122,653	1.0	1,193
2	61,525	3.1	1,882	56,199	2.6	1,456
3	41,573	7.3	3,022	29,126	6.0	1,741
4	38,649	9.9	3,811	30,330	7.9	2,391
5	26,232	10.0	2,616	23,064	9.1	2,090
6	22,046	12.0	2,653	12,913	11.2	1,446
7	25,108	19.2	4,810	14,121	17.0	2,406
8	30,206	21.3	6,418	17,416	18.3	3,191
9	26,765	21.8	5,825	17,049	19.4	3,303
10	12,931	25.6	3,311	7,250	21.9	1,586
11	15,944	34.4	5,487	9,329	29.3	2,730
12	17,476	36.0	6,284	9,730	29.7	2,889
13	34,429	34.4	11,709	18,788	30.3	5,696
14	7,150	42.6	3,048	3,904	36.8	1,438
15	11,321	52.2	5,913	6,147	45.6	2,803
16	13,831	52.3	7,238	7,270	45.6	3,313
17	23,958	51.5	12,348	12,821	46.0	5,901
18 or more	96,834	85.4	82,650	43,339	81.7	35,425
Total	<u>Ps1,071,930</u>	<u>16.1</u>	<u>Ps 172,045</u>	<u>Ps 963,574</u>	<u>8.5</u>	<u>Ps 82,061</u>

Loans with biweekly installments

# of past-due periods	2009			2008		
	<u>Amount</u>	<u>Provision (%)</u>	<u>Amount</u>	<u>Amount</u>	<u>Provision (%)</u>	<u>Amount</u>
0	Ps 2,201,077	0.4	Ps 8,358	Ps 1,973,064	0.4	Ps 8,209
1	276,366	2.0	5,646	281,020	2.3	6,453
2	240,040	4.5	10,671	238,570	5.0	12,029
3	177,489	7.1	12,549	167,370	8.5	14,269
4	143,705	10.9	15,696	117,388	13.1	15,405
5	33,823	19.0	6,439	53,319	20.0	10,646
6	104,151	23.7	24,647	134,333	25.2	33,822
7	30,918	38.5	11,903	40,180	40.6	16,323
8	54,799	43.0	23,539	77,509	45.5	35,260
9	30,759	52.1	16,038	39,907	54.1	21,609
10	45,173	58.6	26,448	61,450	60.6	37,230
11	39,054	65.6	25,622	22,225	67.1	14,918
12	42,677	72.8	31,080	42,456	73.4	31,176
13 or more	-	-	-	-	-	-
	<u>Ps 3,420,031</u>	<u>6.4</u>	<u>Ps 218,636</u>	<u>Ps 3,248,791</u>	<u>7.9</u>	<u>Ps 257,349</u>

Loans with monthly installments

# of past-due periods	2009			2008		
	<u>Amount</u>	<u>Provision (%)</u>	<u>Amount</u>	<u>Amount</u>	<u>Provision (%)</u>	<u>Amount</u>
0	Ps 217,081	0.3	Ps 614	Ps 186,307	0.3	Ps 529
1	39,434	2.6	1,035	39,025	2.7	1,039
2	18,950	8.7	1,652	15,316	9.7	1,492
3	8,386	21.4	1,795	9,109	21.7	1,973
4	5,445	41.6	2,263	5,424	42.3	2,293
5	3,544	57.1	2,033	3,963	57.2	2,268
6	3,711	70.3	2,595	2,339	69.9	1,635
7	-	-	-	-	-	-
8	-	-	-	-	-	-
9 or more	-	-	-	-	-	-
<b>Total</b>	<b><u>Ps 296,550</u></b>	<b><u>4.0</u></b>	<b><u>Ps 11,987</u></b>	<b><u>Ps 261,483</u></b>	<b><u>4.3</u></b>	<b><u>Ps 11,229</u></b>

Restructured loan portfolio (Note 3d)

	<u>Ps 23,781</u>	85.4	<u>Ps. 20,298</u>	<u>Ps -</u>	<u>Ps -</u>
<b>Total loan Portfolio</b>	<b><u>Ps4,812,292</u></b>		<b><u>Ps422,966</u></b>	<b><u>Ps4,473,848</u></b>	<b><u>Ps 350,639</u></b>

Changes in loan loss allowance during the periods ended December 31, 2009, 2008 and 2007 are shown below:

	December 31,		
	<u>2009</u>	<u>2008</u>	<u>2007</u>
Balance at beginning of the year	Ps 350,639	Ps 213,890	Ps 84,112
Less:			
Effect of restatement at beginning of the year	<u>-</u>	<u>-</u>	<u>5,893</u>
Nominal balance at beginning of the year	350,639	213,890	78,219
Plus:			
Increase to the provision for loan losses	1,074,186	782,019	484,389
Less:			
Effect of inflation		-	8,474
Loans written-off during the year	<u>1,001,859</u>	<u>645,270</u>	<u>340,244</u>
<b>Balance at end of the year</b>	<b><u>Ps 422,966</u></b>	<b><u>Ps 350,639</u></b>	<b><u>Ps 213,890</u></b>

Since September 2009, the Company performs restructures for certain loans whenever it is considered otherwise not to be recovered in accordance with its contractual terms (before that date no loans were restructured). As of December 31, 2009 the restructured loan portfolio amounted to Ps.23,781. The Company classifies and shows its restructured portfolio as non-performing. In addition, the Company considers that the probability of default of this portfolio in the Company's internal methodology is 100%. As of December 31, 2008 and 2007, the Company had not restructured loans. As of December 31, 2009 and 2008 the Company had not foreclosed assets.

NOTE 8 - OTHER ACCOUNTS RECEIVABLE - NET:

At December 31, 2009 and 2008, other accounts receivable are comprised as follows:

	<u>December 31,</u>	
	<u>2009</u>	<u>2008</u>
Income tax balance	Ps 44,768	Ps192,775
Value added tax receivable	58,729	47,962
Subsidy receivable from Sociedad Hipotecaria Federal, S. N. C. (SHF)	-	37,921
Sundry debtors	3,934	2,043
Debtors from loan portfolio sales	<u>4,153</u>	<u>1,906</u>
	<u>Ps111,584</u>	<u>Ps282,607</u>

NOTE 9 - PROPERTY, FURNITURE AND EQUIPMENT:

At December 31, 2009 and 2008, this item is comprised as follows:

<u>Asset</u>	<u>2009</u>	<u>2008</u>	Depreciation rate (%)
Building	Ps 47,643	Ps 47,643	5
Computer equipment	169,937	152,647	25
Office furniture and equipment	89,700	77,149	10
ATMs	14,099	6,900	15.4
Transportation equipment	24,446	23,439	25
Leasehold improvements	<u>208,056</u>	<u>149,525</u>	(*)
	553,881	457,303	
Less - Accumulated depreciation	<u>(251,480)</u>	<u>(202,191)</u>	
	302,401	255,112	
Land	<u>865</u>	<u>865</u>	
Total	<u>Ps 303,266</u>	<u>Ps 255,977</u>	

(\*) The shorter period between 5 years and the term of the contract.

For the period ended December 31, 2009, 2008 and 2007, depreciation and amortization recognized in the income statement amounted to Ps70,445, Ps51,608 and Ps42,589, respectively.

As of December 31, 2009 and 2008 there are fully depreciated assets by Ps64,058 and Ps71,792, respectively.

NOTE 10 - DEBT INSTRUMENTS:

As of December 31, 2009 and 2008, the Company's debt instruments were as shown below:

	<u>Authorized amount</u>	<u>Amount first issuance</u>	<u>Date first issuance</u>	<u>Maturity</u>	<u>Interest rate</u>	<u>2009</u>	<u>2008</u>
Unsecured notes	Ps1,500,000	Ps 784,000	June 2008	June 2013	TIIE + 190 bps	Ps784,000	Ps 784,000
					Accrued interest	<u>2,970</u>	<u>3,718</u>
					Total	<u>Ps786,970</u>	<u>Ps787,718</u>

Maturity of these unsecured notes is in 2013 and coupons are paid based on the 28-day TIIE, plus 190 basis points (bps). The notes were rated as mxA- and A(mex) by Standard & Poor's and Fitch Ratings, respectively.

The interest expense recorded during 2009 on the debt instruments issued was of Ps63,600 (Ps42,695 in 2008). Given the fact that this debt was issued in June 2008, during 2007 there was no interest expense associated with this item

NOTE 11 - BANK AND OTHER ENTITIES LOANS:

As of December 31, 2009 and 2008 were as follows:

<u>Institution:</u>	<u>Amount</u>	<u>Maturity</u>	<u>Collateral</u>	<u>Interest rate</u>	<u>December 31,</u>	
					<u>2009</u>	<u>2008</u>
HSBC México, S. A. Institución de Banca Múltiple, Grupo Financiero HSBC (1)	Ps 2,500,000	Sep-2013	1.3 to 1.0	TIIE + 300 bps	Ps2,020,000	Ps2,230,833
SHF (2)	700,000	March-2011	1.087 to 1.0	TIIE + 200 bps	203,532	430,812
Nacional Financiera, S. N.C. Institución de Banca de Desarrollo (3)	1,000,000	Indetermined	None	TIIE + 300 bps	842,500	-
BBVA Bancomer, S. A., Institución de Banca Múltiple, Grupo Financiero BBVA	150,000	Feb-2009	None	TIIE + 190 bps	-	150,000
		Accrued interest			3,066,032	2,811,645
					13,238	14,714
		Total			<u>Ps 3,079,270</u>	<u>Ps 2,826,359</u>

(1) On December 11, 2009, an agreement was reached to modify the terms and conditions of the credit line with HSBC. Under the new conditions, the structure was changed from a revolving line of Ps.2,500 million maturing on September 2011 to a term loan of Ps.1,250 million and a revolving line of Ps.1,250 million. The term loan expires in December 2012 and the revolving line in December 2013. Under the new agreements, the interest rate was increased from TIIE plus 300 basis points to TIIE plus 385 basis points (such spread will vary in accordance to the Company's credit rating). The new conditions became effective in January 2010.

(2) On September 18, 2009, SHF increased the Company's credit line from Ps.600 million to Ps.700 million. This credit line expires in March 2011.

(3) On February 18, 2009, the Company contracted a revolving credit line with Nacional Financiera of Ps.140 million to finance micro-loans granted to the informal market through products known as CrediPopular and CrediMamá. On May 28, 2009 Nacional Financiera increased the credit line to Ps.1,000 million. This line of credit bears interest at the TIIE, plus 300 basis points.

NOTE 12 - SUNDRY CREDITORS AND OTHER ACCOUNTS PAYABLE:

As of December 31, 2009 and 2008, the balance pertaining to this item is comprised as follows:

	<u>December 31,</u>	
	<u>2009</u>	<u>2008</u>
Dividends payable	Ps -	Ps127,500*
Income tax	37,427	38,503
Other dues	86,991	68,724
Sundry creditors	10,338	30,372
Annual performance bonus	-	27,442
Other provisions	13,813	5,129
Labor obligations	10,618	8,727
Loan opening commission (cash back)	7,894	6,378
Employees' statutory profit sharing payable	<u>3,305</u>	<u>2,716</u>
	<u>Ps 170,386</u>	<u>Ps315,491</u>

\* Payment was made in February 2009.

NOTE 13 - EMPLOYEE BENEFITS:

a. Reconciliation between the initial and final balances of the defined benefit obligations (DBO) for the periods 2009 and 2008 is as follows:

	<u>2009</u>			<u>2008</u>		
	<u>Legal retirement compensation</u>	<u>Seniority premium prior to retirement</u>	<u>Seniority premium at retirement</u>	<u>Legal retirement compensation</u>	<u>Seniority premium prior to retirement</u>	<u>Seniority premium at retirement</u>
DBO at January 1,	Ps9,180	Ps1,870	Ps 638	Ps6,845	Ps1,542	Ps436
Plus (less):						
Labor cost of the current service	6,428	1,091	259	2,646	777	145
Payments made by the participant employees	554	149	54	428	106	38
Actuarial losses (earnings) generated in the period	(6,624)	123	68	(739)	(450)	18
Paid benefits	<u>(81)</u>	<u>(797)</u>	<u>(1)</u>	<u>-</u>	<u>(105)</u>	<u>-</u>
DBO at December 31,	<u>Ps9,457</u>	<u>Ps2,436</u>	<u>Ps1,018</u>	<u>Ps9,180</u>	<u>Ps1,870</u>	<u>Ps637</u>

b. The value of the acquired benefits obligations at December 31, 2009 and 2008 amounted to Ps53.3 y Ps49.7, respectively.

c. Reconciliation of DBO, Plan Assets (PA) and the Net Projected Liability (NPL).

Reconciliation between the DBO, fair value of PA and the NPL is as follows:

	<u>Legal retirement Compensation</u>		<u>Seniority premium prior to retirement</u>		<u>Seniority premium at retirement</u>	
	<u>December 31,</u>		<u>December 31,</u>		<u>December 31,</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Labor liabilities						
DBO	Ps 9,457	Ps 9,180	Ps 2,436	Ps 1,870	Ps 1,018	Ps 637
PA	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unfunded status	9,457	9,180	2,436	1,870	1,018	637
Less:						
Unamortized items	168	225	67	89	28	28
Actuarial gains	-	-	-	-	66	(3)
Transition liability	<u>1,864</u>	<u>2,486</u>	<u>73</u>	<u>97</u>	<u>27</u>	<u>38</u>
NPL in balance sheet	<u>Ps 7,425</u>	<u>Ps 6,469</u>	<u>Ps 2,296</u>	<u>Ps 1,684</u>	<u>Ps 897</u>	<u>Ps 574</u>

d. Net cost for the period (NPC):

<u>NPC:</u>	<u>Legal retirement compensation</u>			<u>Seniority premium prior to retirement</u>			<u>Seniority premium at retirement</u>		
	<u>December 31,</u>			<u>December 31,</u>			<u>December 31,</u>		
	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Labor cost	\$6,428	\$2,646	\$2,284	\$1,090	\$777	\$652	\$ 259	\$145	\$ -
Financial cost	554	428	164	150	106	37	54	38	-
Net actuarial gains	(6,624)	(1,198)	(120)	123	(523)	(20)	(1)	(1)	-
Labor cost of past services	56	58	26	22	22	14	1	1	-
Amortization (transition liability)	622	622	265	24	24	29	12	11	-
Changes in methodology	-	94	-	-	17	-	-	-	-
Plan modifications or settlements	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(12)</u>	<u>-</u>
Total	<u>\$1,036</u>	<u>\$2,650</u>	<u>\$2,619</u>	<u>\$1,409</u>	<u>\$423</u>	<u>\$712</u>	<u>\$ 325</u>	<u>\$182</u>	<u>\$ -</u>



e. Main actuarial assumptions:

Main actuarial assumptions used, denominated in absolute terms, as well as the discount rates, plan assets yields, salaries increases and changes in the indexes or other changes, referred at December 31, 2009, are as follows:

Seniority Premium plan

<u>Age</u>	<u>Death (%)</u>	<u>Invalidity (%)</u>	<u>Voluntary separation(%)</u>	<u>Dismissal (%)</u>
15	0.045	0.075	36.73	3.84
25	0.06	0.08	19.28	2.015
35	0.11	0.1	9.735	1.02
45	0.275	0.25	3.82	0.4
55	0.805	1.38	1.415	0.145
60	1.455	1.83	0.91	0.095

Benefit plan upon termination of employment

<u>Age</u>	<u>Death (%)</u>	<u>Invalidity (%)</u>	<u>Voluntary separation(%)</u>	<u>Dismissal (%)</u>
15	0.05	0.09	14.73	6.31
25	0.06	0.09	9.24	3.96
35	0.11	0.11	7.96	3.41
45	0.26	0.25	7.37	3.16
55	0.77	1.33	6.94	2.97
64	1.39	1.76	6.9	2.96

:			<u>2009</u>	<u>2008</u>
Discount rate			8.00%	8.50%
Salary increase rate			5.79%	5.67%
Minimum salary increase rate			4.52%	4.52%

f. Value of DBO, PA and plan status over the last four years:

The value of the DBO, the fair value of PA, the plan status, as well as the experience adjustments for the last four years are as shown below:

Seniority premium plan

<u>Year</u>	<u>Nominal values</u>			<u>Experience adjustments</u>	
	<u>DBO</u>	<u>PA</u>	<u>Plan status</u>	<u>DBO</u>	<u>PA</u>
2009	Ps3,454	Ps -	Ps3,454	11.6%	Ps -
2008	2,507	-	2,507	16.8%	-
2007	989	-	989	4.0%	-
2006	521	-	521	19.0%	-

Benefit plan upon termination of employment

<u>Year</u>	<u>Nominal values</u>			<u>Experience adjustments</u>	
	<u>DBO</u>	<u>PA</u>	<u>Plan status</u>	<u>DBO</u>	<u>PA</u>
2009	Ps9,457	Ps -	Ps9,457	0%	Ps -
2008	9,180	-	9,180	0%	-
2007	3,421	-	3,421	12.7%	-
2006	2,124	-	2,124	30.0%	-

g. Employees' statutory profit-sharing:

Employees' statutory profit-sharing in 2009, 2008 and 2007 are analyzed as follows:

	<u>Year ended December 31,</u>		
	<u>2009</u>	<u>2008</u>	<u>2007</u>
Current employees' statutory profit-sharing	Ps2,545	Ps 2,245	Ps2,402
Deferred employees' statutory profit-sharing	<u>733</u>	<u>(1,849)</u>	<u>(2,379)</u>
	<u>Ps 3,278</u>	<u>Ps 396</u>	<u>Ps 23</u>

The Company is subject to payment of employees' statutory profit-sharing, which is calculated applying the procedures established in the Income Tax Law.

Main temporary differences for which deferred employees' statutory profit-sharing was recorded are analyzed as follows:

	<u>December 31,</u>	
	<u>2009</u>	<u>2008</u>
Prepaid expenses	(Ps3,594)	(Ps 3,809)
Sundry provisions	-	10
Salaries payable	430	821
Reserve for bonuses	-	27,442
Provision statement D-3	10,619	8,727
Tax loss carryforwards	27,196	-
Provision employees statutory profit-sharing	288	-
Advances from customers	<u>-</u>	<u>9,080</u>
	34,939	42,271
Employees' statutory profit-sharing rate applicable	<u>10%</u>	<u>10%</u>
Deferred employees' statutory profit-sharing asset	<u>Ps 3,494</u>	<u>Ps 4,227</u>

NOTE 14 - BALANCES AND TRANSACTIONS WITH RELATED PARTIES:

The main balances with unconsolidated related parties are shown below:

	<u>December 31,</u>	
<u>Receivable:</u>	<u>2009</u>	<u>2008</u>
Loans to key officers*	<u>Ps 7,535</u>	<u>Ps19,417</u>

\* These loans mature on September 2011 and bear an interest rate of 10.56%.

The annual amounts of the main transactions with unconsolidated related parties are shown below:

	<u>Year ended</u> <u>December 31,</u>		
<u>Income:</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Interest on loans (officers)	Ps 1,296	Ps 664	Ps -
Administrative services (Grupo Jorisa, S. A. de C. V.)	<u>67</u>	<u>1,516</u>	<u>30,733</u>
	<u>Ps 1,363</u>	<u>Ps 2,180</u>	<u>Ps 30,733</u>

Expenses:

Interest expense (HSBC México, S. A., Institución de Banca Múltiple, Grupo Financiero HSBC)	Ps -	Ps 116,671	Ps157,071
Administrative fees (José Luis Rión Santisteban)	35,204	30,692	29,325
Leases (Grupo Jorisa, S. A. de C. V.)	<u>17,790</u>	<u>9,541</u>	<u>9,775</u>
	<u>Ps 52,994</u>	<u>Ps 156,904</u>	<u>Ps196,171</u>

NOTE 15 - STOCKHOLDERS' EQUITY:

On December 17, 2009 the shareholders approved an increase in the Company's variable capital stock of up to Ps850,000, and consequently, the issuance of 85,000,000 ordinary nominative shares, with no par value, to be subscribed and paid in by the shareholders at a price of Ps10 (ten Mexican pesos) per share. Outstanding shares increased from 630 to 715 million. On February 5, 2010 these shares (85,000,000) were fully subscribed and paid in.

At the October 8, 2008 Extraordinary General Shareholders' Meeting, it was approved, among other matters, a reduction of up to 50 million shares, as a result of which, total outstanding shares were reduced from 680 to 630 million. In this process, all of the Company's shareholders had the option to participate in the capital reduction in proportion to their stockholding percentage. The capital reduction had an effect on capital stock of Ps5,000 and on the share premium of Ps612,500.

At the April 29, 2008 Extraordinary and Ordinary General Shareholders' Meetings, it was agreed, among other matters, to transfer the premium on the sale of shares of Ps182,585 and the legal reserve of Ps58,197 to retained earnings.

The Company pays dividends on a regular basis. A restriction for payment of dividends exist if it reduces the Company's level of capitalization below 25% (capitalization is defined as the ratio of stockholders equity to total assets). The General Shareholders' Meeting of April 29, 2008, declared a dividend in the amount of Ps510,012, which would be paid in four installments, three were paid in 2008 and a fourth in February 2009. The General Shareholders' Meeting of March 20, 2007 declared a dividend in the amount of Ps178,786.

On October 18, 2007, in the Shareholders' Meeting, the following agreements were reached:  
i) eliminate the par value of the shares; ii) eliminate the series of shares to create a single series;  
iii) split the company shares, exchanging one thousand shares for one former share, without modifying the capital stock amount, and iv) increasing the variable capital stock in the amount of Ps4,527 (Ps4,500 nominal), by means of cash contributions through a public offering in Mexico

and abroad, generating a net premium on the placement of shares of Ps1,032,967. Said premium considers a decrease corresponding to expenses related to the public offering of Ps49,044.

After this increase, the capital stock at December 31, 2009 was comprised as follows:

<u>Shares</u>	<u>Description</u>	<u>Amount</u>
200,000,000	Series "A" (Class I)	Ps 20,000
515,000,000	Series "A" (Class II)	51,500
(85,000,000)	Series "A" (Class II) (shares subscribed non paid)	(8,500)
<u>630,000,000</u>		63,000
	Cumulative increase for the inflation effect as of December 31, 2007	<u>85,603</u>
	Capital stock as of December 31, 2009	<u>Ps148,603</u>

\* Common shares fully subscribed and paid in.

The Series "A", Class I, shares represent the fixed portion of the capital stock, without withdrawal rights, while Series "A", Class II, shares represent the variable portion of the capital stock.

In accordance with the Company's bylaws and the Mexican Stock Markets Law, the Company is empowered to repurchase its own shares, in the understanding that during the time said shares are held by the Company, no voting or other related rights can be exercised at a shareholders' meeting or otherwise.

At December 31, 2009, the total number of shares held in treasury was 35,744,054 (26,173,954 in 2008), of which 26,303,364 shares or 4.2% of total outstanding shares (23,891,764 shares or 3.8% of total outstanding shares in 2008) correspond to the repurchase fund and 9,440,690 shares or 1.5 % of total outstanding shares (2,282,190 shares or 0.4% of total outstanding shares in 2008) correspond to the trust related to the stock option plan. As of December 31, 2009 and 2008, the net acquisition and sales of own shares (fund for repurchase of shares and stock option plan) totaled Ps27,011 and Ps268,773, respectively. Dividends paid corresponding to shares held in treasury for the repurchase shares program and stock option plan were received by the Company and totaled Ps5,765 (Ps10,350 in 2008).

As of December 31, 2009 and 2008, the Company sold treasury shares, giving rise to an effect of Ps87,427 and Ps31,134, respectively, which was applied to the share premium in stockholders equity.

Market value of the Company's shares at December 31, 2009 and 2008 was Ps13.8 and Ps6.98 per share, respectively, and were verified with a price vendor.

On October 18, 2007, by unanimous vote, the shareholders approved the creation of a stock option plan for Company employees and officers. This structure consists of two trusts set up by two subsidiaries of Serfincor: Ejecutivos Santa Fe, S. A. de C. V., and Prosefindep, S. A. de C. V., with a Mexican financial institution, as per the provisions of the Mexican legislation.

Balances included in the statement of stockholders' equity as of January 1, 2007, were combined balances of the Company and Serfincor. On July 1, 2007, the Company acquired substantially all shares of Serfincor in the amount of Ps.152,868. The aforementioned was a transaction between entities under common control and therefore, the excess paid over the book value of Serfincor was accounted for as a capital distribution in the amount of Ps.69,047. Starting that date financial is presented in a consolidated basis.

At the January 2009 and 2008 Board Meeting, the Directors determined the officers chosen as beneficiaries of the stock option plan, as well as the number of shares pertaining to each.

Net income for the period is subject to the legal provision requiring that at least 5% of the profit for each year should be set aside to increase the legal reserve until it reaches an amount equivalent to 20% of the capital stock. The amount transferred of the legal reserve to the retained earnings at December 31, 2009 and 2008 was Ps1,000 and Ps58,197, respectively.

Dividends paid are not subject to income tax if paid from the net tax profit account. Any dividends paid in excess of this account are subject to a tax rate equivalent to 42.86% in 2010. The tax is payable by the Company and may be credited against its income tax in the same year or in the following two years or against flat tax for the period. Dividends paid from previously taxed profits are not subject to tax withholding or additional tax payment.

In the event of a capital reduction, the excess of stockholders' equity over capital contributions is accorded the same tax treatment as dividends, in accordance with the procedures established under the Mexican Income Tax Law.

The earnings per share is calculated by dividing net income for the year by the weighted average of shares outstanding during the same period, as shown below:

<u>Earning per share (EPS):</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Net income	Ps 515,223	Ps 565,443	Ps 518,958
divided by:			
Weighted average shares	<u>606,496,071</u>	<u>655,810,912</u>	<u>642,332,113</u>
EPS (Mexican pesos)	<u>Ps 0.8495</u>	<u>Ps 0.8622</u>	<u>Ps 0.8079</u>

## NOTE 16 - INCOME AND FLAT TAXES:

### a. Income tax

Income tax is calculated based on the taxable income of each subsidiary and not on a consolidated basis. In 2009, the Company determined a tax profit of Ps.1,368,812 (tax profit of Ps.1,238,215 in 2008) and its subsidiary determined a tax loss of Ps. 548 (tax profit/tax loss of Ps.318 in 2008) The tax result differs from the accounting result, mainly in such items cumulative by the time and deducted differently for accounting and tax purposes, by the recognition of the inflation effects for tax purposes, as well as such items only affecting either the accounting or tax result.

Based on its financial and tax projections, the Company's management determined that the tax to be paid in the future will be the Income tax (except for one of the Company's subsidiaries), therefore it has recognized the deferred Income Tax.

On December 7, 2009 certain provisions of the Mexican Income Tax Law (Income Tax Law) were amended, added and derogated for 2010, which establishes, among other, that the Income Tax rate applicable from 2010 to 2012 will be 30%, for 2013 will be 29% and as of 2014 will be 28%. At December 31, 2009, the rate change previously described produced an increase in the deferred income tax balance of Ps.37,435, with its corresponding effect in the income statement of the year, which was determined based on the expected temporary reversion at the effective rates.

The consolidated income tax provision is analyzed as follows:

	<u>December 31,</u>		
	<u>2009</u>	<u>2008</u>	<u>2007</u>
Current:			
Income tax	Ps 384,277	(Ps 354,164)	(Ps 278,435)
Flat tax	<u>(8,514)</u>	<u>(6,793)</u>	<u>-</u>
	<u>(392,791)</u>	<u>(360,957)</u>	<u>(278,435)</u>
Deferred:			
Income tax	250,017	161,499	54,964
Flat tax	<u>(2,052)</u>	<u>1,720</u>	<u>-</u>
	<u>252,069</u>	<u>163,219</u>	<u>54,964</u>
	<u>(Ps 140,722)</u>	<u>(Ps 197,738)</u>	<u>(Ps 223,471)</u>

The reconciliation between the statutory and effective tax rates is shown as follow:

	<u>December 31,</u>		
	<u>2009</u>	<u>2008</u>	<u>2007</u>
Income before income tax	Ps 655,944	Ps763,182	Ps742,429
Statutory income tax rate	<u>28%</u>	<u>28%</u>	<u>28%</u>
Statutory income tax	183,664	213,691	207,880
Plus (less) the tax effect of the following Permanent differences:			
Nondeductible expenses	5,193	3,544	1,409
Annual inflation adjustment	10,119	28,033	(1,658)
Tax write offs	(163,967)	(83,368)	
Accrued interests	78,974		
Effect for changes in the deferred income tax rate	13,119		
Other outstanding items	<u>13,620</u>	<u>35,839</u>	<u>15,840</u>
Actual income tax	<u>Ps 140,722</u>	<u>Ps197,739</u>	<u>Ps223,471</u>
Effective income tax rate	<u>21%</u>	<u>26%</u>	<u>30%</u>

As of December 31, 2009 and 2008, the main temporary differences on which the deferred income tax was recognized are analyzed as follows:

	<u>December 31,</u>	
	<u>2009</u>	<u>2008</u>
Allowance for loan losses and write-offs	Ps 1,049,020	Ps 739,753
Provisions	17,871	34,193
Furniture and equipment and intangible assets	(31,695)	(44,501)
Tax loss carryforwards	58,498	29,473
Accrued interest income on past due accounts	734,724	282,049
Deferred commissions	45,677	55,016
Others	<u>(2,370)</u>	<u>16,518</u>
Income tax rate	1,871,725 <u>30%</u>	1,112,501 <u>28%</u>
Deferred flat tax (see paragraph c. below)	561,518	311,500
Deferred employees' statutory profit sharing	7,616	5,564
	<u>3,494</u>	<u>4,227</u>
	<u>Ps 572,628</u>	<u>Ps321,291</u>

As of December 31, 2009 and 2008, the subsidiary had tax loss carry forwards of Ps31,140 and Ps29,925, respectively, whose right to be amortized against future taxable income expires in 2018.



b. Asset tax

Up to December 31, 2007 (date when this tax was abrogated) asset tax was calculated at 1.25% of the net value of certain assets and was payable only when it exceeded the income tax payable.

The asset tax effectively paid can be refunded according to the established mechanics in the Flat Tax Law, which will be gradually recovered each year up to a maximum amount of 10% out of the total asset tax paid in the 10 years previous to 2008.

c. Flax tax

Flat Tax of the period is calculated at the 17% rate (16.5% for 2008) on the profit determined based on cash flows, such net income represents the difference between the total income collected by taxable activities, less the authorized tax deduction paid. In addition, it is also allowed to reduce this amount with the Flat tax credits, based on the procedures established in this law. As of 2010 the Flat tax rate will be 17.5% and the effect of the change in the temporary differences rate has been recognized in previous periods.

According with the effective tax law, the Company must pay annually the higher tax between Income tax and Flat tax.

As of December 31, 2009, 2008 and 2007, the principal timing differences on which deferred flat tax was recognized are as shown below:

	<u>December 31,</u>		
	<u>2009</u>	<u>2008</u>	<u>2007</u>
Accounts receivable	Ps 4,942	(Ps10,511)	Ps -
Accounts payable	3,191	4,368	17,814
Prepaid expenses	(4,210)	(3,590)	-
Social security provisions	26,357	26,292	-
Labor obligations	10,063	8,242	-
Others	<u>3,178</u>	<u>7,929</u>	<u>5,483</u>
	43,521	32,730	23,297
Flat tax applicable rate	<u>17.5%</u>	<u>17%</u>	<u>16.5%</u>
Deferred flax tax	<u>Ps 7,616</u>	<u>Ps 5,564</u>	<u>Ps 3,844</u>

NOTE 17 - ADDITIONAL INFORMATION ON THE STATEMENT OF INCOME:

a. Interest income per product, as well as interest income on investments for the periods are as shown below:

	<u>Year ended</u> <u>December 31,</u>		
<u>Interest income</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
CrediInmediato	Ps1,850,313	Ps1,762,331	Ps1,466,429
CrediPopular	971,570	633,100	441,641
CrediMamá	106,610	126,203	110,347
CrediConstruye	<u>170,340</u>	<u>187,000</u>	<u>40,151</u>
	3,098,833	2,708,634	2,058,568
Investments in securities	<u>11,722</u>	<u>7,195</u>	<u>3,131</u>
Total interest income	<u>Ps3,110,555</u>	<u>Ps2,715,829</u>	<u>Ps2,061,699</u>

b. Interest expenses generated per concept are as shown below:

	<u>Year ended</u> <u>December 31,</u>		
<u>Item</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Sociedad Hipotecaria Federal, S.N.C.	Ps 35,075	Ps 34,345	Ps 6,567
HSBC México, S. A., Institución de Banca Múltiple, Grupo Financiero HSBC	197,440	141,516	159,579
BBVA Bancomer, S. A., Institución de Banca Múltiple, Grupo Financiero BBVA	-	12,600	-
Nacional Financiera, S.N.C.	26,385	-	-
Debt issued	63,600	42,696	-
Other	<u>4,810</u>	<u>249</u>	<u>2,356</u>
	<u>Ps327,310</u>	<u>Ps 231,406</u>	<u>Ps 168,502</u>

c. Commissions and fees collected and paid are as shown below:

	<u>December 31,</u>		
Commissions and fees collected	2009	2008	2007
Withdrawal fees	Ps 550,830	Ps 527,520	379,625
Late-payment fees	201,733	223,837	194,747
	Ps 752,563	Ps 751,357	Ps 574,372
Commissions and fees paid			
Banking fees	Ps 8,925	Ps 7,913	1,578
Credit line fees	3,801	2,196	-
	Ps 12,726	Ps 10,109	Ps 1,578

d. Other operating income (expenses)

	<u>Year ended December 31,</u>		
	2009	2008	2007
Recoveries of loans written-off	Ps 29,233	Ps 9,118	Ps 18,972

e. Other income

Following is a breakdown of other income and expenses for 2009, 2008 and 2007:

	<u>Year ended December 31,</u>		
Other income	2009	2008	2007
Sales of fixed assets	Ps 2,345	Ps 2,020	Ps 801
Administrative services	3,678	6,808	27,872
Commissions on services and insurance	8,679	1,276	4,185
Other items	3,572	3,752	5,971
	Ps 18,274	Ps 13,856	Ps 38,829

#### NOTE 18 - RELEVANT EVENTS:

On November 30, 2009 the Company signed a purchase agreement to acquire all outstanding shares of Financiera Finsol, S. A. C. V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada, the second largest company in the market for group microfinance loans in Mexico and a group of related entities, comprising: Financiera Popular Finsol, S. A. de C. V., Sociedad Financiera Popular, Finsol Vida, S. A. de C. V. (micro-insurance company), Finsol S. A. de C. V. (services provider), and Instituto Finsol, I.F., an institution that provides collective microcredits in Brazil. On February 19, 2010, the acquisition of the shares was completed, except for Financiera Popular Finsol, S.A. de C.V., Sociedad Financiera Popular, which is subject to the authorization of the Commission. The total amount of the transaction amounts to Ps530 million. With this transaction the Company will increase its loan portfolio by approximately Ps794.6 million and will incorporate 173,179 new customers.

On November 30, 2009, the Company started a sponsored level I ADR (American Depositary Receipts) program in the United States of America in order to facilitate trading of its shares to international investors.

#### NOTE 19 - COMMITMENTS AND CONTINGENCIES:

As of December 31, 2009, legal proceedings against the Company consisted of labor, civil and penal suits. The Company is subject to legal claims arising in the ordinary course of business. The Company's management and legal advisers believe that the final resolution thereof will not have a significant adverse effect on its operating results, financial position or cash flows.

To conduct its operations, the Company entered into certain lease contracts related to offices, ATMs and branches. The period of these leases is between three and five years. The total lease payments for the next five years amount to Ps63,388 in 2010, Ps57,859 in 2011, Ps46,932 in 2012, Ps31,464 in 2013, Ps7,567 in 2014 and thereafter Ps4,728.

#### NOTE 20 - SUBSEQUENT EVENTS:

The Company repurchased shares (related to repurchase share program and stock option plans) after the 2009 year-end and at the date of issuance of these consolidated financial statements in the amount of Ps98,705.

In January 2010, certain affiliates of Eton Park Capital Management, L.P., or Eton Park, became holders of 66.5 million shares, or approximately 9.3% of the Company's shares following a rights offering of 85.0 million shares, which was undertaken to finance the acquisition of Financiera Finsol and its related companies. Eton Park also received warrants to subscribe and pay for up to approximately 43.9 million additional shares of the Company's capital stock under certain conditions and strike prices.

On January 15, 2010, the Company concluded the initial stage of the equity offering of 85 million ordinary shares, approved on the general shareholders' meeting held on December 17, 2009, which contemplated subscription preference rights to its existing shareholders. During this first stage, 79,904,401 shares were subscribed at Ps10 per share. The remaining 5,095,599 shares were offered to all of the Company's shareholders in a second stage that was completed on February 5, 2010.

The net proceeds, obtained from the abovementioned capital increase, were used in approximately Ps530 million, to finance the acquisition of Financiera Finsol, S.A. de C.V., SOFOM, E.N.R., (Finsol) closed on February 19, 2010. Remaining funds will be used to capitalize the acquired group through capital contributions around Ps300 million.

On February 24, 2010, the Company received board approval and announced the Company's intention to apply for a license to operate as a bank under Mexican law. Registering to operate as a bank will allow the Company to accept deposits from our customers, as well as borrow on an interbank, overnight basis, which should diversify the Company's funding sources and reduce its cost of funding. The Company's conversion into a bank is dependent upon receiving approvals from the requisite Mexican government authorities.

NOTE 21 - FINANCIAL INFORMATION BY SEGMENT:

The total loan portfolio and the interest income by geographical area are as shown below:

State	<u>December 31,</u>					
	<u>2009</u>		<u>2008</u>		<u>2007</u>	
	<u>Total loan portfolio</u>	<u>Interest income</u>	<u>Total loan portfolio</u>	<u>Interest income</u>	<u>Total loan portfolio</u>	<u>Interest income</u>
Aguascalientes	Ps 100,881	Ps 66,102	Ps 104,253	Ps 58,431	Ps 78,750	Ps 45,078
Baja California	257,279	153,102	219,557	107,859	93,522	43,769
Baja California Sur	69,492	43,909	55,417	32,088	38,345	26,724
Campeche	74,456	54,034	76,602	47,152	45,911	27,226
Chiapas	150,093	101,993	141,503	92,237	112,805	73,410
Chihuahua	86,276	57,307	103,052	62,792	93,828	57,732
Coahuila	307,525	192,965	317,516	197,243	274,872	168,316
Colima	50,686	33,487	48,579	29,156	37,796	24,333
Durango	29,203	29,235	58,305	41,626	57,770	35,746
Estado de México	81,657	52,302	76,830	46,741	61,304	35,147
Guanajuato	250,618	175,337	231,656	158,276	183,528	114,683
Guerrero	159,200	112,687	145,108	92,306	97,709	53,896
Hidalgo	64,252	36,255	45,686	27,181	30,867	17,870
Jalisco	387,926	226,957	299,798	155,283	169,756	91,704
Michoacán	150,958	104,313	133,549	83,910	97,816	59,241
Morelos	128,423	87,388	119,142	78,881	95,249	59,805
Nayarit	42,482	27,706	38,019	24,199	31,250	20,244
Nuevo León	10,557	5,439	5,195	1,461	-	-
Oaxaca	76,460	52,985	79,516	54,882	69,830	37,432
Puebla	154,636	104,608	154,265	94,528	120,784	75,256
Querétaro	118,752	80,126	110,497	75,173	90,548	55,703
Quintana Roo	180,213	109,544	127,323	74,046	92,600	62,026
San Luis Potosí	166,079	107,103	153,611	95,686	119,127	73,151
Sinaloa	175,331	112,387	179,307	111,885	146,265	87,025
Sonora	273,980	161,100	225,772	125,770	143,583	73,866
Tabasco	61,776	37,038	56,261	31,428	69,885	39,103
Tamaulipas	452,037	286,578	450,285	274,693	359,638	220,553
Tlaxcala	103,143	70,423	91,587	55,392	58,422	38,756
Veracruz	455,145	299,446	432,177	277,179	356,342	230,190
Yucatán	105,612	72,319	97,500	60,001	73,829	49,549
Zacatecas	59,455	40,546	60,123	38,400	39,077	19,394
Head office México, D. F.)	<u>27,709</u>	<u>4,112</u>	<u>35,857</u>	<u>2,749</u>	<u>9,851</u>	<u>1,872</u>
	4,812,292	3,098,833	4,473,848	2,708,634	3,350,859	2,018,800
Effect of inflation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,768</u>
Total	<u>Ps4,812,292</u>	<u>Ps3,098,833</u>	<u>Ps4,473,848</u>	<u>Ps2,708,634</u>	<u>Ps3,350,859</u>	<u>Ps2,058,568</u>

NOTE 22 - NEW ACCOUNTING PRONOUNCEMENTS:

CINIF issued during December 2009, a series of MFRS and Interpretations (INIF) which are effective starting January 1, 2010, with exception of the INIF 18 which became effective as of December 7, 2009 and the MFRS B-5 and MFRS B-9 which will become effective as of January 1, 2011.

MFRS B-5 “Financial Information by Segments”: it establishes the general standards to disclose financial information by segments, additionally it allows the user or such information analyze the entity from the same vision as the management and allows to present information by segment more consistent with its financial statements. This standard will replace Bulletin B-5 Financial Information by Segment and will be effective up to December 31, 2010.

MFRS B-9 “Financial Information at Interim Dates”: it establishes standards for the determination and presentation of financial information at interim dates for external use where it is required, among other, the presentation of the statement of changes in stockholders’ equity and of cash flows, such statements were not required by Bulletin B-9 Financial Information at interim dates, which will be effective up to December 31, 2010.

MFRS C-1 “Cash and cash equivalents”: it establishes standards on the accounting treatment and disclosure of cash, restricted cash and available for sale investments, it also introduces new terminology to make it consistent with other MFRS previously issued. This standard leaves Bulletin C-1, Cash without effect, which was effective up to December 31, 2009.

INIF 18 “Recognition of effects of the Tax Reform 2010 in the Income tax”: the INIF 18, was issued to give response to diverse questions of the issuers of financial information related with the Tax Reform 2010 effects, specially for the changes established in the tax consolidation regime and modifications to the income tax rate.

Such MFRS and interpretations are not expected to have a significant impact in the financial information presented by the Company.

Ing. Noel González Cawley  
Chief Executive Officer

Lic. Didier Mena Campos  
Chief Financial Officer

Lic. Adeodato Carbajal Orozco  
Controller

C.P. Benito Pacheco Zavala  
Auditing Director

**Financiera Finsol, S.A. de C.V.  
Sociedad Financiera de Objeto  
Múltiple, Entidad No Regulada and  
Affiliated Companies**

Combined Financial Statements for the  
Year Ended December 31, 2009, and  
Independent Auditors' Report Dated  
February 26, 2010



# **Independent Auditors' Report to the Board of Directors and Stockholders of Financiera Finsol, S.A. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada and Affiliated Companies**

We have audited the accompanying combined balance sheet of Financiera Finsol, S.A. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada and affiliated companies (collectively, the "Company") as of December 31, 2009, and the related combined statement of operations, changes in stockholders' equity and of cash flows for the year then ended. The combined financial statements include the accounts of Financiera Finsol, S.A. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada and four affiliated companies under common control (Instituto Finsol, IF, Finsol, S.A. de C.V., Finsol Vida, S.A. de C.V. and Financiera Popular Finsol, S.A. de C.V. SFP). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Mexico. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and that they are prepared in accordance with the accounting criteria established by the Mexican National Banking and Securities Commission ("the Commission"). An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the financial reporting standards used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Note 2 to the accompanying financial statements describes the operations of the Company and the conditions of the regulatory environment to which they are subject. Notes 3 and 4 describe the accounting criteria established by the Commission in the accounting standards noted in "General Provisions Applicable to Multiple Purpose Finance Companies, Regulated Entities", which the Company uses for the preparation of its financial information. Note 5 to the accompanying financial statements indicates the principal differences between the accounting criteria established by the Commission and Mexican Financial Reporting Standards, commonly applied in the preparation of financial statements for other types of unregulated companies.

As indicated in Note 2 to the accompanying financial statements, Mexican Financial Reporting Standards require the presentation of comparative financial statements with those of the preceding period. However, only the combined financial statements as of and for the year ended December 31, 2009 are presented.

In our opinion, except for the matter described in the preceding paragraph, such combined financial statements present fairly, in all material respects, the combined financial position of Financiera Finsol, S.A. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada and affiliated companies as of December 31, 2009, and the combined results of their operations, changes in their combined stockholders' equity and their cash flows for the year then ended, in conformity with the accounting criteria prescribed by the Commission.

The accompanying combined financial statements have been translated into English for the convenience of readers.

Galaz, Yamazaki, Ruiz Urquiza, S.C.  
Member of Deloitte Touche Tohmatsu

C.P.C. Ernesto Pineda Fresán

February 26, 2010

**Financiera Finsol, S.A. de C.V., Sociedad Financiera de Objeto Múltiple,  
Entidad No Regulada and Affiliated Companies**

**Combined Balance Sheet**

As of December 31, 2009  
(In thousands of Mexican pesos)

<b>Assets</b>	<b>2009</b>
Cash and due from banks	Ps. 26,331
Investments in securities:	
Trading securities	127,161
Derivatives	29,568
Performing loan portfolio:	
Consumer loans	705,070
Non - performing loan portfolio:	
Consumer loans	<u>37,374</u>
Total loan portfolio	742,444
Allowance for loan losses	<u>(48,897)</u>
Total loans, net	693,547
Other accounts receivable	119,143
Reposessed assets	40
Furniture and equipment, net	89,101
Deferred taxes, net	121,521
Other assets, net	<u>16,698</u>
Total assets	<u>Ps. 1,223,110</u>

<b>Liabilities and stockholders' equity</b>	<b>2009</b>
Deposits	Ps. 2,149
Bank loans and loans from other financial institutions:	
Short- term	905,410
Long- term	<u>278,213</u>
	1,183,623
Derivatives	29,568
Other accounts payable:	
Sundry creditors and other accounts payable	76,348
Deferred credits and advances received	<u>5,578</u>
	<u>81,926</u>
Total liabilities	1,297,266
<b>Stockholders' equity</b>	
Contributed capital:	
Capital stock	99,996
Share premium	14
Earned capital:	
Capital reserves	5,406
Accumulated results from prior years	(62,243)
Net result for the year	<u>(117,329)</u>
Total stockholders' equity	<u>(74,156)</u>
Total liabilities and stockholders' equity	<u>Ps. 1,223,110</u>

The accompanying notes are an integral part of these combined financial statements.

**Financiera Finsol, S.A. de C.V.,  
Sociedad Financiera de Objeto Múltiple, Entidad No Regulada and Affiliated  
Companies**

**Combined Statement of Operations**

For the year ended December 31, 2009  
(In thousands of Mexican pesos)

	2009
Interest income	Ps. 758,945
Interest expense	<u>138,219</u>
Net interest income	620,726
Provision for loan losses	<u>(105,757)</u>
Net interest income after provision for loan losses	514,969
Commission and fees income	62
Commission and fees expense	(24,295)
Trading income	<u>55,438</u>
	<u>31,205</u>
Net operating revenues	546,174
Administrative expenses	<u>645,528</u>
Operating loss	(99,354)
Other income	14,018
Other expense	<u>(63,166)</u>
Loss before income taxes	(148,502)
Deferred income tax benefit	<u>31,173</u>
Net result	<u>Ps. (117,329)</u>

The accompanying notes are an integral part of these combined financial statements.

**Financiera Finsol, S.A. de C.V., Sociedad Financiera de Objeto Múltiple,  
Entidad No Regulada and Affiliated Companies**

**Combined Statement of Changes in Stockholders' Equity**

For the year ended December 31, 2009  
(In thousands of Mexican pesos)

	Contributed Capital			Earned Capital				Total Stockholders' Equity
	Capital Stock	Contributions for Future Capital Increases	Share Premium	Capital Reserves	Accumulated Results From Prior Years	Net Result For the Year		
Balances at January 1, 2009	Ps. 78,312	Ps. 21,698	Ps. -	Ps. 5,406	Ps. 103,353	Ps. (165,596)	Ps. 43,173	
Movements due to stockholder decisions:								
Transfer of the result of the prior year	-	-	-	-	(165,596)	165,596	-	
Contributions for future capital increases	21,684	(21,698)	14	-	-	-	-	
Comprehensive loss movements:								
Net result	-	-	-	-	-	(117,329)	(117,329)	
Balances at December 31, 2009	<u>Ps. 99,996</u>	<u>Ps. -</u>	<u>Ps. 14</u>	<u>Ps. 5,406</u>	<u>Ps. (62,243)</u>	<u>Ps. (117,329)</u>	<u>Ps. (74,156)</u>	

The accompanying notes are an integral part of these combined financial statements.

**Financiera Finsol, S.A. de C.V.,  
Sociedad Financiera de Objeto Múltiple, Entidad No Regulada and Affiliated  
Companies**

**Combined Statement of Cash Flows**

For the year ended December 31, 2009  
(In thousands of Mexican pesos)

	<b>2009</b>
Net result	Ps. (117,329)
Items related to operating activities:	
Allowance for loan losses	105,757
Deferred income tax benefit	(31,173)
Items related to investing activities:	
Depreciation and amortization	<u>32,322</u>
	(10,423)
Operating activities:	
Change in investments in securities	(9,551)
Change in performing loan portfolio - net	226,466
Change in other accounts receivable	185,167
Change in other assets	379
Change in deposits	1,703
Changes in bank and other entities loans	(221,937)
Change in other accounts payable	(163,393)
Change in deferred credits and advances received	<u>(10,235)</u>
Net cash provided by operating activities	8,599
Investing activities:	
Purchase of furniture and equipment, net	<u>(10,645)</u>
Net cash used in investing activities	<u>(10,645)</u>
Net decrease in cash and due from banks	(12,469)
Cash and due from banks at beginning of year	<u>38,800</u>
Cash and due from banks at end of year	Ps. <u><u>26,331</u></u>

The accompanying notes are an integral part of these combined financial statements.

**Financiera Finsol, S.A. de C.V.,  
Sociedad Financiera de Objeto Múltiple, Entidad No Regulada and Affiliated  
Companies**

**Notes to the Combined Financial Statements**

For the year ended December 31, 2009  
(In thousands of Mexican pesos)

1. EXPLANATION ADDED FOR TRANSLATION INTO ENGLISH

The accompanying combined financial statements of Financiera Finsol, S.A. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada and four affiliated companies under common control (Instituto Finsol, IF, Finsol, S.A. de C.V., Finsol Vida, S.A. de C.V. and Financiera Popular Finsol, S.A. de C.V. SFP) (collectively, the “Company”) have been translated into English based on those prepared in Spanish, for use outside of Mexico. The basis of accounting used by the Company in preparing the financial statements is that which is prescribed by the Mexican National Banking and Securities Commission (“the Commission”). Such accounting criteria does not conform with Mexican Financial Reporting Standards (“MFRS”) and may differ in certain significant respects from the financial reporting standards accepted in the country of use.

2. OPERATIONS AND REGULATORY ENVIRONMENT

The Company was established on October 4, 2004, under Mexican laws, with the prior authorization of the Treasury Department, as published in the Federal Official Gazette on February 28, 2005. The purpose of the Company is to attract resources from the placement of instruments, registered with the National Registry of Securities and Broker-Dealers, which must be previously classified by a securities rating agency, while also obtaining resources from Mexican or foreign financial institutions in accordance with applicable legal provisions. These resources are intended to be used to grant consumer loans.

As a result of the global economic downturn which gathered pace in the final quarter of 2008, world financial markets have undergone a period of great volatility, which triggered the bankruptcy and financial rescue of a number of financial institutions, mainly in the U.S. For the Mexican economy, this resulted in an aversion to risk for investors, which was reflected in a drop in the stock markets, a credit crunch and a market liquidity crisis, an increase in the cost of funding, as well as a depreciation of approximately 30% of the Mexican peso against the U.S. dollar. This situation led to an increase in overdue loans receivable of the Company.

During 2009, certain signs of a probable economic recovery became apparent. However, the consequences of the 2008 financial crisis continued to affect the Company’s operating performance as evidenced by a reduced financial margin, which resulted from the reduction in interest income and an increase in the allowance for loan losses, principally due to the impairment of loans receivable.

The affiliated companies combined with the operations of Financiera Finsol, S.A. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada as of December 31, 2009, are detailed below:

<b>Companies</b>	<b>Activity</b>
Finsol Vida, S.A. de C.V.	Sale of micro- insurance policies
Financiera Popular Finsol, S.A. de C.V. SFP	Popular savings and loans
Finsol, S.A. de C.V.	Service provider
Instituto Finsol, IF	Grants group micro-credits in Brazil

**Combined financial statements** - The combined financial statements include the financial statements of Financiera Finsol, S.A. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada and four affiliated companies under common control (Instituto Finsol, IF, Finsol, S.A. de C.V., Finsol Vida, S.A. de C.V. and Financiera Popular Finsol, S.A. de C.V. SFP). All significant intercompany balances and transactions have been eliminated. The combination was performed based on audited financial statements of the Company and the affiliated companies.

Mexican Financial Reporting Standards require the presentation of comparative financial statements with those of the preceding period. However, only the combined financial statements as of and for the year ended December 31, 2009 are presented.

**Going concern** - The accompanying combined financial statements have been prepared based on the assumption that the Company will continue as a going concern. As shown in the accompanying combined financial statements, for the year ended December 31, 2009, the Company incurred a net loss of Ps.117,329, and as of December 31, 2009, liabilities due within one year exceed assets to be realized within one year by Ps.15,576 as disclosed in Note 19. Additionally, the Company's accumulated result exceeds two-thirds of its capital stock, which, in accordance with the General Companies Law, could give cause for the dissolution of the Company at the request of an interested third party. These factors, among others, indicate that the Company may be unable to continue operating. As discussed in Note 21, the Company entered into a purchase and sale shares agreement with Financiera Independencia, S.A.B. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada and Subsidiaries, which will enable it to obtain additional resources to operate and meet its obligations. The accompanying combined financial statements do not include those adjustments related to the valuation and classification of the assets and the classification and amount of liabilities, which might be necessary if the Company were unable to continue operating.

### 3. BASIS OF PRESENTATION

The accounting policies followed by the Company are in conformity with the accounting criteria established by the Commission in the accounting standards noted in the "General Provisions Applicable to Multiple Purpose Finance Companies, Regulated Entities" (the "Provisions"), which require that management make certain estimates and use certain assumptions to determine the valuation of some of the items included in the combined financial statements and make the required disclosures therein. Even though the final effects may differ, management believes that the estimates and assumptions used were adequate under the circumstances.

In accordance with accounting criteria A-1 issued by the Commission, the accounting of multiple purpose companies will be adjusted to the financial reporting standards applicable in Mexico ("NIF"), as defined by the Mexican Board for the Research and Development of Financial Reporting Standards ("CINIF"), except when, in the judgment of the Commission, a specific accounting regulation or treatment must be applied, bearing in mind that the institutions perform specialized operations.

**Recognition of the effects of inflation** - Beginning on January 1, 2008, accounting standards prohibit the recognition of the effects of inflation in a non-inflationary environment (when inflation is less than 26% for the preceding three-year period). Since the cumulative inflation for the three fiscal years prior to those ended December 31, 2009, was 15.01%, the economic environment may be considered non-inflationary in such years. Inflation rates for the year ended 2009 was 15.01%. The inflation rate for the year ended December 31, 2009 was 3.75%.

Although beginning on January 1, 2008, the Company discontinued recognition of the effects of inflation in its financial statements, assets, liabilities and stockholders' equity include the restatement effects recognized through December 31, 2007.



## *Accounting changes*

As of January 2009, the following MFRS went into effect, after their issuance by CINIF during 2008:

**NIF B-7, *Business Acquisitions***, requires valuation of non-controlling interest (formerly minority interest) at fair value, as of the date of acquisition, and recognition of the total goodwill at fair value. NIF B-7 also establishes that transaction expenses should not form part of the purchase consideration and restructuring expenses should not be recognized as an assumed liability.

**NIF B-8, *Consolidated or Combined Financial Statements***, establishes that special purpose entities over which the Company has control should be consolidated. It also establishes the option of presenting separate financial statements for intermediate controlling entities, provided certain requirements are met. NIF B-8 also requires consideration of potential voting rights to analyze whether control exists.

**NIF C-7, *Investments in Associated Companies and Other Permanent Investments***, requires valuation, through the equity method, of investments in special purpose entities over which the Company has significant influence. It also requires consideration of potential voting rights to analyze whether significant influence exists. NIF C-7 establishes a specific procedure and sets a limit for the recognition of losses in associated companies, and requires that the investment in associated companies include the related goodwill.

**NIF C-8, *Intangible Assets***, requires that the unamortized balance of preoperating costs as of December 31, 2008 be cancelled against retained earnings.

**NIF D-8, *Share-based Payments***, sets the rules for recognition of transactions involving share-based payments (at fair value of goods received, or fair value of equity instruments granted), including granting employees the option to purchase Company shares, thus eliminating supplementary application of International Financial Reporting Standard No. 2, *Share-based Payments*.

On December 18, 2009, the CINIF issued the Interpretation of Financial Reporting Standards 18 (INIF 18) "Recognition of the Effects of the 2010 Tax Reform on Income Taxes", the adoption which is mandatory in financial statements for periods ending on or after December 7, 2009, the publication date of the Federal Official Gazette of the Decree amending, incorporating and eliminating certain tax laws.

INIF 18 was issued to address the financial accounting effects of changes in tax consolidation laws, changes in the income tax (ISR) rate and the new prohibition against crediting unapplied business flat tax (IETU) loss against ISR.

***Comprehensive result*** - This is the modification of stockholders' equity during the year for items that are not distributions and movements of contributed capital. It is comprised of the net result of the year plus other items which represent a gain or loss for the same period and are presented directly in stockholders' equity without affecting the statement of income. For the year ended December 31, 2009, the comprehensive result is represented by the net result.

## **4. SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies used by the Company are as follows:

***Cash and due from banks*** - Funds available are represented by cash and deposits in banks made in Mexico or abroad. They are recorded at their face value and any returns generated by the deposits are recognized in results as they are accrued. Funds available in foreign currency are valued at the exchange-rate issued by the Bank of Mexico at the close of the year.

***Investment in securities- Trading securities-*** These are securities held, with the intention of obtaining gains derived from fluctuations in market prices. They are represented by temporary investments made for the purpose of obtaining returns and maintaining available resources through their placement mainly in money desks. The returns on these investments are recognized as they are earned and the effects of changes in market value are recorded in the results of the year.

***Derivative financial instruments*** - The Company recognizes all assets or liabilities derived from the transactions with financial derivatives in the balance sheet at fair value. The fair value is determined based on recognized market prices, and when they are not listed in a market, it is determined based on valuation techniques accepted in the financial community.

When derivatives are contracted for the purpose of hedging risks and they comply with all hedge requirements, the designation is documented at the start of the hedge transaction, describing the objective, characteristics, accounting recognition and how the measurement of the effectiveness will be performed, applicable to such transaction.

Recognition of changes in the fair value of derivatives designated as hedges is based on the type of hedge in question: (1) when they are fair value hedges, fluctuations in the fair value of both the derivative and the item being hedged are recognized in results; and (2) when they are cash flow hedges, the effective portion is temporarily recognized in other comprehensive income (loss) and is reclassified to current earnings when effected by the hedged item; the ineffective portion of the change in fair value is immediately recognized in current earnings.

***Loan portfolio*** - The balances in the loan portfolio represent the amounts disbursed to borrowers, less repayments made to date, plus accrued but unpaid interest. The allowance for loan losses is presented as a deduction from the total loan balance.

The outstanding balances of loans granted are recorded within the past-due portfolio when payments thereon have not been settled in their entirety in the terms originally agreed upon, considering the following:

- Loans are considered past due when the agreed-upon scheduled payments of principal and interest are 90 days past-due.

Interest is recognized in income when it is accrued. However, the accrual of interest is suspended when loans become non-performing.

Interest accrued during the period in which the loan was considered non-performing is not recognized as income until collected.

Restructured non-performing loans are not considered as performing until three consecutive monthly payments are received on time, or when one installment covering periods in excess of 60 days has been received.

Renewed loans for which the debtor does not pay accrued interest on time, or does not pay at least 25% of the original loan amount, are considered non-performing until proof of timely payment.

***Allowance for loan losses***- As of December 31, 2009, the Company classifies its credit portfolio by using the methodology described in Article 191 of the general provisions applicable to credit institutions, as follows:

- *Consumer portfolio that does not include credit card operations:*

In relation to the consumer credit portfolio that don't include credit card operations, with balances at the end of each month, the applicable procedures at such date is as follows:

- I. The total amount of the portfolio will be stratified based on the number of billing periods that as of the classification date report noncompliance with their due payment date established by the Company, using the data on the history of payments of each credit in the Company, of at least 9, 13 or 18 periods prior to such date, as indicated in the table in section II below. When the credits were granted within the aforementioned term, the data available at that date is used.

- II. The allowances for loan losses resulting from applying the allowance for loan loss percentages indicated below, to the total amount of the unpaid balance of the credits located in each stratum, depending on whether the billing periods in default are weekly, semi-monthly, or monthly. The Company does not include the uncollected interest earned and recorded in the balance sheet of payments which are in the past-due portfolio. The uncollected interest earned on the past-due portfolio is fully reserved at the time of its transfer.

Table applicable for credits with weekly billings:

Billing periods	<u>Weekly</u> Reserve Percentages
0	0.50%
1	1.50%
2	3%
3	5%
4	10%
5	20%
6	30%
7	40%
8	50%
9	55%
10	60%
11	65%
12	70%
13	75%
14	80%
15	85%
16	90%
17	95%
18 or more	100%

The following table is used to locate the degree of risk of consumer portfolio, based on the percentage in the above table, for the applicable percentage ranges of the allowances:

Level of Risk	Percentage ranges of allowances for loan losses
A	0 to 0.99%
B	1 to 19.99%
C	20 to 59.99%
D	60 to 89.99%
E	90 to 100.00%

*Furniture and equipment* - This item is recorded at acquisition cost. The assets which come from acquisitions up to December 31, 2007 were restated by applying factors derived from the UDIs up to that date. The related depreciation is recorded by applying a given percentage based on the estimated useful life of such assets to the cost restated to that date.

Depreciation is determined on the cost (or the cost restated until 2007), using the straight line method as of the month following the acquisition date. The annual depreciation rates are as follows:

Furniture and equipment	10%
Computer equipment and software	30%
Vehicles	25%

**Impairment of long-lived assets in use** - The Company reviews and, as necessary, adjusts the book value of long-lived assets in use in the presence of any indicator of impairment whereby such value might not be recoverable. In accordance with Bulletin C-15 "Impairment in the value of long-lived assets and their disposal".

**Labor obligations** - As of December 31, 2009, the Company has 1,412 employees. Consequently, it has labor obligations, in accordance with the Federal Labor Law, for severance and seniority premiums payable to the employees when they cease rendering services under certain circumstances. Given that the average seniority of the Company's employees is eight months, the Company has not created any reserve for this item as the Company deems the estimated liability as immaterial.

**Other assets** - These are represented mainly by installation expenses and leasehold improvements, which up to 2007 were restated using an investment unit factor ("UDI") from the date on which they were incurred until the close of the year. The amortization of installation expenses is calculated by the straight-line method at the rate of 5% of the cost, restated through 2007.

**Provisions** - Provisions are recognized for current obligations that result from a past event, that are probable to result in the future use of economic resources, and that can be reasonably estimated.

**Other income and expenses** - Other income and expenses are generated from various ancillary activities including administrative services, sales of foreclosed assets, tax refunds and other, and are recognized as they are earned or accrued based on the related contract terms.

**Income taxes** - Income tax ("ISR") and the Business Flat Tax ("IETU") are recorded in the results of the year they are incurred. To recognize deferred income taxes, based on its financial projections, the Company determines whether it expects to incur ISR or IETU and, accordingly, recognizes deferred taxes based on the tax it expects to pay. Deferred taxes are calculated by applying the corresponding tax rate to temporary differences resulting from comparing the accounting and tax bases of assets and liabilities and including, if any, future benefits from tax loss carryforwards and certain tax credits. Deferred tax assets are recorded only when there is a high probability of recovery.

**Revenue recognition** - The interest on credit transactions is recognized in the income statement under the heading "interest income" as it accrues, based on the terms and interest rates established in the contracts executed with the borrowers.

The commissions collected are recorded in results under the heading of "Commissions and fees income", at the time they are originated.

**Foreign currency transactions** - Foreign currency transactions are recorded at the applicable exchange rate in effect at the transaction date. Monetary assets and liabilities denominated in foreign currency are translated into Mexican pesos at the applicable exchange rate in effect at the balance sheet date. Exchange fluctuations related to these assets or liabilities are recognized in the income statement.

## 5. PRINCIPAL DIFFERENCES COMPARED TO MFRS

The combined financial statements have been prepared in accordance with the accounting rules established by the Commission which, in the following instances, differ from MFRS, which is the set of accounting standards that are commonly applied in the preparation of financial statements for other unregulated entities. The Commission requires the following:

- Sundry debts not collected in 60 or 90 days, depending on their nature, are reserved with a charge to results of the year, regardless of their possible recovery.
- The statement of cash flows requires presentation of net result, the allowance for loan losses and the allowance for bad debts or doubtful accounts, which are not required by MFRS.

6. CASH AND DUE FROM BANKS

At December 31, 2009, cash and due from banks consist of the following:

Item	National currency	Foreign currency	Total
Cash	Ps. 1,557	Ps. 52	Ps. 1,609
Due from banks	<u>13,844</u>	<u>10,878</u>	<u>24,722</u>
Total	<u>Ps. 15,401</u>	<u>Ps. 10,930</u>	<u>Ps. 26,331</u>

7. INVESTMENTS IN SECURITIES

At December 31, 2009, investments in securities consist of trading investments with the following financial institutions:

Financial institution	2009
<u>Government debt</u>	
Banco Interacciones, S.A. (a)	Ps. 47,563
Nacional Financiera, S.N.C.(b)	<u>57,129</u>
	<u>104,692</u>
<u>Bank debt</u>	
HSBC México, S.A.	11,370
Banco Invex, S.A. (c)	<u>11,099</u>
	<u>22,469</u>
Total	<u>Ps. 127,161</u>

- (a) Having obtained financing through contracts with the Bank of Mexico in its capacity as Trustee of the Federal Government in the Trusts Created in Relation to Agriculture (“FIRA”), through the trust denominated Special Fund for Agricultural Financing (“FEFA”) executed on August 26, 2005, for a credit line of Ps.200,000, which was increased to Ps.600,000 per the contract signed on June 19, 2006, the Company was obligated to create two trusts, (i) an Investment and Alternative Source of Payment Trust for 10% of the balance exercised of the credit line authorized by the Trustee, and (ii) an Irrevocable Management Trust, so as to comply with Clauses 12 and 13 of the Credit Line Opening Contract, which are as follows:

Investment and Alternative Source of Payment Trust:

Number of Contract or Trust	Trustee	Date of Creation	Effective Duration	2009
2170	Banco Interacciones, S.A.	September 2, 2005	30 years	<u>Ps. 47,563</u>

This represents Federal Government debt instruments or in a government enterprise guaranteed by the Federal Government and/or in common stock shares of investment funds that invest in Federal Government debt instruments or in government enterprise guaranteed by the Federal Government, provided that they have a AA rating, under the deadlines and conditions instructed by the Company.

(c) Irrevocable Management Trust:

<b>Number of Contract or Trust</b>	<b>Trustee</b>	<b>Date of Creation</b>	<b>Effective Duration</b>	<b>2009</b>
792	Banco Invex, S.A.	August 2, 2005	(1)	Ps. <u>11,099</u>

- (1) **May only be called** when any of the characteristics established in the Third Clause of the Contract have been fulfilled, for the causes established in Article 392 of the General Law on Credit Instruments and Transactions, and if the Company no longer has funds with the FIRA.

Short-term Federal Government debt instruments or shares issued by investment funds in short-term Federal Government debt instruments, at seven day terms, except for investments in shares of investment funds and under the terms established by the fiduciary institution.

The Trustee will have the obligation to invest the net worth resources as follows:

(b) Deposit and Pledge Contract:

In order to obtain the necessary resources for its operation, and as a requirement stipulated in the contract executed with Nacional Financiera, S.N.C., the Company made pledge deposits to support companies engaged in the micro-financing of the informal economy, executed on December 23, 2005, as follows:

<b>Number of Contract or Trust</b>	<b>Trustee</b>	<b>Date of Creation</b>	<b>Effective Duration</b>	<b>2009</b>
1063414	Nacional Financiera, S.N.C.	January 1, 2006	Indefinite	Ps. <u>57,129</u>

8. DERIVATIVE FINANCIAL INSTRUMENTS

At December 31, 2009, the derivative financial instruments refer to forward contracts to be delivered for hedging purposes, executed with HSBC México, S.A., Institución de Banca Múltiple, Grupo Financiero HSBC México, which are derived from the loan obtained abroad with DWM, Securitization, S.A. and are composed as follows:

	<b>2009</b>	
	<b>Nominal Amount (thousands of U.S. dollars)</b>	<b>Net Position</b>
Asset position		
Forward:		
U.S. dollars	<u>2,263</u>	Ps. <u>29,568</u>
Liability position		
Forward:		
U.S. dollars	<u>2,263</u>	Ps. <u>29,568</u>
Net position	<u>-</u>	<u>\$ -</u>

## 9. LOAN PORTFOLIO

At December 31, 2009, the loan portfolio is composed as follows:

	<b>2009</b>
Current loan portfolio with:	
Consumer loans	Ps. 697,588
Interest on loan portfolio with:	
Consumer loans	<u>7,482</u>
Total current loan portfolio	<u>705,070</u>
Non-performing loan portfolio	36,504
Interest on non-performing loan portfolio	<u>870</u>
Total non-performing loan portfolio	<u>37,374</u>
Total loan portfolio	<u>742,444</u>
Allowance for loan losses	<u>(48,897)</u>
Loan portfolio, net	<u>Ps. 693,547</u>

As of December 31, 2009, aging of the total loan portfolio according to the number of days the loan is past due is as follows:

Portfolio	Period							Total
	Current	1-30 days	31-60 days	61-89 days	90-120 days	121-150 days	151-180 days	
Performing loan	Ps. 627,695	Ps. 63,591	Ps. 7,712	Ps. 6,072	Ps. -	Ps. -	Ps. -	Ps. 705,070
Non-performing loans	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,157</u>	<u>6,556</u>	<u>23,661</u>	<u>37,374</u>
	<u>Ps. 627,695</u>	<u>Ps. 63,591</u>	<u>Ps. 7,712</u>	<u>Ps. 6,072</u>	<u>Ps. 7,157</u>	<u>Ps. 6,556</u>	<u>Ps. 23,661</u>	<u>Ps. 742,444</u>

The principal branches with loans granted through solidarity groups and individuals by branch (identified primarily by state in Mexico) are as follows:

Branch	<b>2009</b>
Aguascalientes	Ps. 125
Campeche	16,891
Chiapas	23,486
Chihuahua	2,588
Coahuila	19,237
Colima	3,799
Durango	8,109
State of Mexico	51,665
Guanajuato	8
Guerrero	62,034
Hidalgo	11,896
Jalisco	43
Michoacán	29,953
Morelos	1,193

Branch	2009
Nayarit	5,023
Nuevo León	11,254
Oaxaca	29,396
Puebla	41,041
Querétaro	1,019
Quintana Roo	11,298
San Luis Potosí	7,208
Sinaloa	8,372
Sonora	5,717
Tabasco	19,889
Tamaulipas	13,891
Tlaxcala	7,120
Veracruz	107,916
Yucatán	20,177
Zacatecas	1,834
Federal District (Mexico City Headquarters)	6,679
SOFIPO (Estado de México)	605
BRAZIL	<u>212,978</u>
Total	Ps. <u>742,444</u>

#### 10. ALLOWANCE FOR LOAN LOSSES

As of December 31, 2009, the classification of the portfolio, used as the basis for recording the allowance for loan losses as established in Note 3, is shown below:

Period	Portfolio amount	Provision (%)	Allowance amount
0	Ps. 673,248	0.50%	Ps. 3,366
1	10,226	1.50%	153
2	4,167	3%	125
3	2,041	5%	102
4	2,475	10%	247
5	1,815	20%	363
6	1,500	30%	450
7	1,749	40%	699
8	1,465	50%	732
9	1,550	55%	852
10	1,437	60%	862
11	1,899	65%	1,234
12	1,270	70%	889
13	1,346	75%	1,010
14	1,710	80%	1,368
15	1,679	85%	1,427
16	1,839	90%	1,646
17	1,912	95%	1,312
18 or more	<u>29,115</u>	100%	<u>29,115</u>
Total	742,443		45,952
		Allowance amount	<u>(48,897)</u>
		Excess in allowance	Ps. <u>(2,945)</u>



The balance of the allowance as of December 31, 2009 is determined based on the balances of the portfolio at that date.

As of December 31, 2009, the allowance for loan losses represents 130.83% of the overdue portfolio.

***Changes in the allowance for loan losses*** – Below is an analysis of the allowance for loan losses:

	<b>2009</b>
Balance at beginning of year	Ps. 39,942
Add:	
Increase in the allowance for loan charged to income	105,757
Less:	
Loans written-off during the year	<u>96,802</u>
Balance at end of year	<u>Ps. 48,897</u>

***Policies and procedures for granting credits*** - The granting, control and recovery of credits are regulated in the Company's credit manual.

The credit manual is intended to serve as an instrument for application and orientation, in the development of the processes for promotion, analysis and evaluation, disbursement and recovery, in potential customers and assets managed through current credit products.

The authorization of the microcredits runs through different instances which will authorize the amounts based on the powers established.

The credit management process includes procedures and activities that are performed by each of the functional units and the individuals that are responsible, with the assistance of internal controls, in such a way that they are performed in accordance with efficiency and risk management criteria.

The primary product of the Company is a microcredit whose purpose is to help owners of businesses and entrepreneurs to increase their revenues and facilitate accumulation, capitalization and growth of their productive units by granting credits that help increase working capital and, subsequently, the consolidation of the businesses with financing for purchase or replacement of fixed assets or improvement of the workplace. These credits are offered to customers depending on the level of development of their business, payment capacity, credit history and the collateral they are able to offer.

## **11. OTHER ACCOUNTS RECEIVABLE**

At December 31, 2009, other accounts receivable are as follows:

<b>Item</b>	<b>2009</b>
Recoverable taxes	Ps. 71,205
Branch reserve funds	2,165
Employee loans	1,980
Payment point network	634
Finsol Microcréditos, S.A. (Argentina)	6,851
Transaction network (collection)	30,785
Mapfre, S.A.	2,289
Other	<u>3,234</u>
Total	<u>Ps. 119,143</u>

## 12. FURNITURE AND EQUIPMENT, NET

At December 31, 2009, furniture and equipment are as follows:

Item	2009
Furniture and equipment	Ps. 37,202
Computer equipment and software	68,204
Vehicles	<u>5,083</u>
	110,489
Less- Accumulated depreciation	<u>(21,388)</u>
Total	<u>Ps. 89,101</u>

The charge to results for depreciation for 2009 was Ps.31,794.

## 13. OTHER ASSETS, NET

Other assets at December 31, 2009, are as follows:

Item	2009
Organization cost	Ps. 4,513
Guarantee deposits	5,856
Amortizable insurance policies	879
Maintenance cost	<u>5,450</u>
Total	<u>Ps. 16,698</u>

The charge to results for amortization for 2009 was Ps.528.

## 14. LOANS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

At December 31, 2009, the Company's loans from banks and other financial institutions are as follows:

a) Due within one year:

Financial Institution	Amount	Maturity	Collateral	Interest Rate	Total
Fondo Especial para Financiamientos					
Agropecuarios (FEFA)	Ps. 600,000	31/12/10	(1)	TIE FIRA	Ps. 491,000
Nacional Financiera, S.N.C.	280,000	Undetermined	(2)	TIE + 4.5	277,813
Banco Invex, S.A.	50,000	04/12/10	(3)	TIE + 5.5	54,119
Banco Monex, S.A.	25,000	17/11/10	(4)	TIE + 4.0	25,000
Credit Suisse Microfinance	4,000	05/09/10	(5)	10%	<u>55,794</u>
					903,726
Accrued interest					<u>1,684</u>
Total					<u>Ps. 905,410</u>

b) Due after one year

Financial Institution	Amount	Maturity	Collateral	Interest Rate	Total
DWM Securitizations, S.A.	2,000	08/07/11	N/A	8.75%	Ps. 26,132
Banco Invex, S.A.	15,000	09/07/11	(6)	Various	2,445
BBVA Gestion	22,000	09/01/11	N/A	12.50%	22,000
Blue Orchard	110,000	21/06/10	N/A	12.40%	60,500
Morgan Stanley	165,000	28/02/11	N/A	14.00%	<u>161,685</u>
					272,762
Accrued interest					<u>5,451</u>
	Total				<u>Ps. 278,213</u>

- (1) Irrevocable investment trust and alternative source of payment in proportion to the amount of financing received from the trustee (Portfolio a 1 to 1 ratio).
- (2) Guarantee of up to Ps.56,000,000 representing a 1 to 5 ratio on the amount of the line disposed.
- (3) a) Pledge on the collection rights of different credit instruments in a ratio of 1.5 to 1 on the unpaid balance of the credit and b) Securitized pledge equal to 10% of the unpaid balance.
- (4) Commercial pledge at a ratio of 1.5 to 1.0 on the unpaid balance of the credit for each disposition.
- (5) Financiera Finsol S.A. de C.V., SOFOM, ENR acts as third party security.
- (6) a) FIRA with a minimum coverage of 50% of the unpaid balance of the credit.  
b) Liquid guarantee of securitized collateral equal to 10% of the credit.

#### 15. SUNDRY CREDITORS AND OTHER ACCOUNTS PAYABLE

At December 31, 2009, sundry creditors and other accounts payable are as follows:

Item	2009
Income taxes payable	Ps. 51,913
Diverse creditors	<u>24,435</u>
Total	<u>Ps. 76,348</u>

#### 16. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

The balances and transactions with affiliated companies have been eliminated. The balances and transactions with Finsol Microcréditos, S.A (Argentina), a non-combined company, were immaterial.

17. STOCKHOLDERS' EQUITY-

*Capital stock* - At December 31, 2009, the Company's capital stock is variable and is comprised as follows:

	Shares with Nominal Value of 1,000 Mexican Pesos	
	2009	
	Number of Undersigned and Paid Shares	Stock
<b>Fixed Capital</b>		
Series "A" Class I	40,052	Ps. 40,052
Series "A"	12,760	12,760
Series "B"	1,600	1,600
	<u>54,412</u>	<u>54,412</u>
<b>Variable Capital</b>		
Series "A" Class II	27,382	27,382
Series "A"	17,452	17,452
Series "B"	750	750
	<u>45,584</u>	<u>45,584</u>
 Total	 <u>99,996</u>	 <u>\$ 99,996</u>

The shares representing common stock are ordinary and nominative with a par value of Ps.1,000 Mexican pesos each and grant equal economic rights to their holders, based on the percentage which they represent of total common stock.

At the Stockholders' Ordinary General Meeting held on December 15, 2009, the stockholders approved an increase in the common stock of Finsol Vida, S.A. de C.V., for the amount of Ps.8,632, represented by 8,362 ordinary, nominative Class II shares at par value of Ps.1,001.50 Mexican pesos per share, which refer to the variable portion of common stock. A remnant of Ps.13 was recognized as share premium.

At the Stockholders' Ordinary General Meeting held on December 15, 2009, the stockholders approved an increase in the common stock of Finsol, S.A. de C.V., for the amount of Ps.13,052, represented by 13,052 nominative Class II shares at par value of Ps.1,001.08 Mexican pesos per share, which refer to the variable portion of common stock. A remnant of Ps.1 was recognized as share premium.

Stockholders' equity, except for restated common stock paid-in and tax-retained earnings, will incur income tax on dividends that will be payable by the Company at the rate in effect at the date of distribution. Any tax paid on such distribution may be credited against ISR for the year in which the tax on dividends is paid, and in the two immediately following years, against annual tax and the related estimated payments.

Retained earnings include the legal reserve. In accordance with the Mexican General Corporate Law, at least 5% of the net income for the year must be set aside to create the legal reserve, until it reaches 20% of common stock at par value. The legal reserve may be capitalized but may not be distributed unless the Company is dissolved, and must be replenished when it is reduced for any reason. As of December 31, 2009, the legal reserve is Ps.5,406.

## 18. INCOME TAXES

The Company is subject to ISR and IETU.

The ISR rate for 2009 and 2008 was 28%, and will be 30% for 2010 to 2012, 29% for 2013, and 28% for 2014 and thereafter.

IETU - Revenues, as well as deductions and certain tax credits, are determined based on cash flows of each fiscal year. The IETU rate is 17% and 16.5%, in 2009 and 2008, respectively; and 17.5% as of 2010. The Asset Tax Law was repealed upon enactment of the IETU Law; however, under certain circumstances, IMPAC paid in the ten years prior to the year in which ISR is paid, may be recovered, according to the terms of the law.

Income tax incurred will be the higher of ISR and IETU.

Based on its financial projections and according to INIF 8, *Effects of the Business Flat Tax*, the Company determined that it will basically pay only ISR. Therefore, it only recognizes deferred ISR.

**Reconciliation of the accounting and tax result**– The principal items which affected the determination of the Company's tax result were the annual adjustment for inflation, nondeductible expenses, loan portfolio write-offs and tax loss, among others.

The Company has recognized deferred taxes for the temporary differences resulting from comparing the accounting and tax values of the assets and liabilities, in the amount of Ps.121,521 in 2009, for the following items:

Description	2009	
	Temporary Differences	Deferred ISR
<u>Temporary differences - asset</u>		
Allowance for loan losses	Ps. 373,544	Ps. 112,063
Tax loss from previous years	<u>51,352</u>	<u>15,406</u>
Total assets	424,896	127,469
Deferred asset reserve of the allowance for loan losses	<u>(19,827)</u>	<u>(5,948)</u>
Accumulated net assets	<u>Ps. 405,069</u>	<u>Ps. 121,521</u>

## 19. FOREIGN CURRENCY BALANCES AND TRANSACTIONS-

At December 31, 2009, the foreign currency monetary position is as follows:

	2009
U.S. dollars:	
Loan portfolio	2,263
Loans from banks and other financial institutions	<u>(6,284)</u>
Net position	<u>(4,021)</u>
Equivalent in Mexican pesos (nominal)	<u>Ps. (52,538)</u>

The exchange rates in pesos in effect at the dates of the combined financial statements and the date of issuance of these combined financial statements were as follows:

	December 31, 2009	February 26, 2010
U.S. dollars	Ps. <u>13.0659</u>	Ps. <u>12.7769</u>

## 20. EXPIRATION DATES OF THE PRINCIPAL HEADINGS OF ASSETS AND LIABILITIES

Below are the expiration dates of the principal headings of assets and liabilities as of December 31, 2009:

Assets	Within one year	For the year thereafter	Total
Cash and due from banks	Ps. 26,331	Ps. -	Ps. 26,331
Investments in securities	127,161	-	127,161
Loan portfolio, net	693,547	-	693,547
Other accounts receivable, net	<u>119,143</u>	<u>-</u>	<u>119,143</u>
Total assets	<u>Ps. 966,182</u>	<u>Ps. -</u>	<u>Ps. 966,182</u>
Liabilities	Within one year	For the year thereafter	Total
Bank loans	Ps. 905,410	Ps. 278,213	Ps. 1,183,623
Other accounts payable	<u>76,348</u>	<u>-</u>	<u>76,348</u>
Total liabilities	<u>981,758</u>	<u>278,213</u>	<u>1,259,971</u>
Net liabilities	<u>Ps. (15,576)</u>	<u>Ps. (278,213)</u>	<u>Ps. (293,789)</u>

## 21. CONTINGENCIES

At December 31, 2009, there are lawsuits filed against the Company in the ordinary course of business, however, according to its attorneys, are not probable to significantly affect its financial position or results of operations in the event of adverse rulings. For this reason, the Company has not recorded a liability for these issues as of December 31, 2009.

## 22. SUBSEQUENT EVENTS

On November 30, 2009, the Company entered into a contract of share purchase and sale agreement with Financiera Independencia S.A.B. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada and Subsidiaries, for the purpose of selling the total amount of shares outstanding of Financiera Finsol, S. A. de C. V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada, and the rest of the entities of the group comprised by: Financiera Popular Finsol, S. A. de C. V., Sociedad Financiera Popular, Finsol Vida, S. A. de C. V., Finsol S. A. de C. V., and Instituto Finsol, IF. On February 19, 2010, the sales process was completed. The total amount of the transaction was for Ps.530 million.

## 23. NEW ACCOUNTING PRINCIPLES

As part of its efforts to converge Mexican standards with international standards, in 2009, the CINIF issued the following NIFs, Interpretations to Financial Information Standards (INIFs) and improvements to NIFs applicable to profitable entities which become effective as follows:

- a. For fiscal years that begin on January 1, 2010:

*NIF C-1, Cash and Cash Equivalents*, requires restricted cash and cash equivalents to be included within the cash and cash equivalents caption, as opposed to Bulletin C-1, which required presentation under separate captions; NIF C-1 replaces the caption on-demand temporary investments with the caption on-demand available investments clarifying that this type of investment has a maturity of up to three months from its acquisition date.

*Improvements to NIFs for 2010* – The main improvements generating accounting changes that must be recognized retroactively are:

*NIF B-1, Accounting Changes and Correction of Errors* – Requires further disclosures when a Company applies a particular Standard for the first time.

*NIF B-2, Statement of Cash Flows* – Requires recognition of the effects of fluctuations in exchange rates used for translating cash in foreign currencies, and changes in fair value of cash in the form of precious metal coins, and other cash items, at fair value, in a specific line item.

*NIF B-7, Business Acquisitions* – Requires recognition of intangible assets or provisions because the acquired business has a contract whose terms and conditions are favorable or unfavorable with respect to market, only when the acquired business is the lessee in an operating lease. This accounting change should be recognized retroactively and shall not be applied after January 1, 2009.

*NIF C-7, Investments in Associated Companies and Other Permanent Investments* – Modifies how the effects derived from increases in equity percentages in an associated company are determined. It also establishes that the effects due to an increase or decrease in equity percentages in associated companies should be recognized under equity in income (loss) of associated companies, rather than in the non-ordinary line item within the statement of income.

*NIF C-13, Related Parties* – Requires that, if the direct or ultimate controlling entity of the reporting entity does not issue financial statements available for public use, the reporting entity should disclose the name of the closest, direct / indirect, controlling entity that issues financial statements available for public use.

- b. For fiscal years that begin on January 1, 2011:

Some of the most important changes established by these standards are:

*NIF B-5, Financial Segment Information* – Uses a managerial approach to disclose financial information by segments, as opposed to Bulletin B-5, which also used a managerial approach but required that the financial information be classified by economic segments, geographical areas, or homogenous client groups. NIF B-5 does not require different risks among business areas to separate them. It allows areas in the preoperating stage to be classified as a segment, and requires separate disclosure of interest income, interest expense and liabilities, as well as disclosure of the entity's information as a whole with respect to products, services, geographical areas and major customers and suppliers. Like the previous Bulletin, this Standard is mandatory only for public companies or companies in the process of becoming public.

*NIF B-9, Interim Financial Information* – As opposed to Bulletin B-9, this Standard requires a condensed presentation of the statement of changes in stockholders' equity and statement of cash flows, as part of the interim financial information. For comparison purposes, it requires that the information presented at the closing of an interim period contain the information of the equivalent interim period of the previous year, and in the case of the balance sheet, presentation of the previous years' annual balance sheet.

At the date of issuance of these combined financial statements, the Company has not fully assessed the effects of adopting these new standards on its combined financial information.

**24. FINANCIAL STATEMENT ISSUANCE AUTHORIZATION**

On February 26, 2010 the issuance of the combined financial statements was authorized by Lic. Edgardo Salomón Barredo, General Director of the Company. These combined financial statements are subject to the approval at the Stockholder's Ordinary General Meeting, where they may be modified based on provisions set forth by Mexican General Corporate Law.

\* \* \* \* \*



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