

IMPORTANT NOTICE

You must read the following disclaimer before continuing. The following disclaimer applies to the attached offering memorandum (the “Offering Memorandum”) accessed from this page or otherwise received as a result of such access and you are therefore advised to read this disclaimer page carefully before reading, accessing or making any other use of the attached Offering Memorandum. In accessing the attached Offering Memorandum, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access.

THE FOLLOWING DOCUMENT MAY NOT BE FORWARDED OR DISTRIBUTED OTHER THAN AS PROVIDED BELOW AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. THIS DOCUMENT MAY ONLY BE DISTRIBUTED IN “OFFSHORE TRANSACTIONS” AS DEFINED IN, AND AS PERMITTED BY, REGULATION S UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR WITHIN THE UNITED STATES TO QIBs (AS DEFINED BELOW) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT (“RULE 144A”). ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS NOTICE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION, AND, SUBJECT TO CERTAIN EXCEPTIONS, THE SECURITIES MAY NOT BE OFFERED OR SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A (A “QIB”), OR (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES.

CONFIRMATION OF YOUR REPRESENTATION: In order to be eligible to view this document or make an investment decision with respect to the securities, you must be: either (a) a QIB that is acquiring the securities for its own account or for the account of another QIB or (b) not a US person within the meaning of Regulation S under the Securities Act or have not received delivery of this electronic mail in the United States of America, its territories and possessions, any state of the United States and the District of Columbia; and “possessions” include Puerto Rico, the US Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands. By accepting the email and accessing this document, you shall be deemed to have represented to us that you are outside the United States or that you are a QIB and that you consent to delivery of such document by electronic transmission. You are reminded that this document has been delivered to you on the basis that you are a person into whose possession this document may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorized to, deliver this document to any other person. The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the initial purchasers, as named in this document, or any affiliate of the initial purchasers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the initial purchasers or such affiliate on behalf of *Financiera Independencia, S.A.B. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada* in such jurisdiction. Under no circumstances shall this document constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful. Recipients of this document who intend to subscribe for or purchase the securities are reminded that any subscription or purchase may only be made on the basis of the information contained in the Offering Memorandum.

This Offering Memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission, and consequently, none of the initial purchasers nor any person who controls any initial purchaser or any of their directors, officers, employees or agents, or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Offering Memorandum distributed to you in electronic format and the hard copy version available to you on request from the initial purchasers.



FINANCIERA
INDEPENDENCIA

U.S.\$250,000,000

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

8.000% Senior Notes due 2024

Financiera Independencia, S.A.B. de C.V., *Sociedad Financiera de Objeto Múltiple, Entidad No Regulada*, or the issuer, an unregulated multiple purpose financial company, or Sofom, E.N.R., is offering U.S.\$250,000,000 aggregate principal amount of its 8.000% senior notes due 2024, or the notes. We will pay interest on the notes semi-annually in arrears on July 19 and January 19 of each year, beginning on January 19, 2018. The notes will mature on July 19, 2024. The notes will be unconditionally and irrevocably guaranteed by Financiera Finsol, S.A. de C.V., Sofom, E.N.R., Apoyo Económico Familiar, S.A. de C.V., Sofom, E.N.R., Fisofo S.A. de C.V., Sofom, E.N.R. and Apoyo Financiero, Inc., or the subsidiary guarantors.

We may redeem the notes, in whole or in part, at any time on or after July 19, 2021, at the applicable redemption prices set forth in this offering memorandum, plus accrued and unpaid interest to, but excluding, the date of redemption. Prior to July 19, 2021, we may also redeem the notes, in whole or in part, at a redemption price based on a “make-whole” premium plus accrued and unpaid interest to, but excluding, the date of redemption. In addition, at any time on or prior to July 19, 2020, we may redeem up to 35% of the aggregate principal amount of the notes at a redemption price equal to 108.000% of their principal amount, plus accrued and unpaid interest to, but excluding, the date of redemption, using the proceeds of certain equity sales. Furthermore, if tax laws currently in effect are modified and the change results in higher withholding taxes in respect of certain payments on the notes, we may redeem the notes in whole, but not in part, at 100% of their principal amount, plus accrued and unpaid interest to, but excluding the date of redemption. There is no sinking fund for the notes.

The notes and the guarantees will (1) rank equally in right of payment with all other existing and future unsubordinated indebtedness of the issuer and of each guarantor, respectively (subject to statutory preferences under Mexican law, such as tax, labor and social security obligations), (2) rank senior in right of payment to the issuer’s and each guarantor’s existing and future subordinated obligations, if any, and (3) be effectively subordinated to the issuer’s and each guarantor’s existing and future secured indebtedness, to the extent of the value of the assets securing such secured indebtedness. In addition, the guarantees will be structurally subordinated to all existing and future indebtedness of the issuer’s direct and indirect subsidiaries (other than the subsidiary guarantors).

No public market currently exists for the notes. We intend to apply to list the notes on the Singapore Exchange Securities Trading Limited, or the Singapore Stock Exchange. The Singapore Stock Exchange assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this offering memorandum. Approval-in-principle from, and admission to the Official List of the Singapore Stock Exchange and quotation of the notes on the Singapore Stock Exchange is not to be taken as an indication of the merits of the offering, the Issuer, its subsidiaries, their respective associated companies, their respective joint venture companies or the notes. The notes will be issued only in registered form in minimum denominations of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof. The notes will be traded on the Singapore Stock Exchange in a minimum board lot size of U.S.\$200,000 for so long as any of the notes are listed on the Singapore Stock Exchange and the rules of the Singapore Stock Exchange so require.

Investing in the notes involves risks. See “Risk Factors” beginning on page 24 of this offering memorandum.

PRICE: 98.690% PLUS ACCRUED INTEREST, IF ANY, FROM July 19, 2017.

The notes have not been registered under the U.S. Securities Act of 1933, as amended, or the Securities Act, and are being offered only (1) to qualified institutional buyers, or QIBs (as defined in Rule 144A under the Securities Act, or Rule 144A), and (2) outside the United States in compliance with Regulation S under the Securities Act, or Regulation S. Prospective purchasers that are QIBs 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 206.

THE INFORMATION CONTAINED IN THIS OFFERING MEMORANDUM IS EXCLUSIVELY THE RESPONSIBILITY OF THE ISSUER AND HAS NOT BEEN REVIEWED OR AUTHORIZED BY THE MEXICAN NATIONAL BANKING AND SECURITIES COMMISSION (COMISIÓN NACIONAL BANCARIA Y DE VALORES), OR THE CNBV. THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED WITH THE MEXICAN NATIONAL SECURITIES REGISTRY (REGISTRO NACIONAL DE VALORES), OR THE RNV, MAINTAINED BY THE CNBV AND THEREFORE MAY NOT BE OFFERED OR SOLD PUBLICLY IN MEXICO, EXCEPT THAT THE NOTES MAY BE OFFERED OR SOLD TO MEXICAN INSTITUTIONAL AND ACCREDITED INVESTORS 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 TERMS AND CONDITIONS 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 ARTICLE 7, SECOND PARAGRAPH, OF THE MEXICAN SECURITIES MARKET LAW 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 NOR CONSTITUTE 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 THE ISSUER. 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 represented by global notes in registered form. Delivery of the notes is expected to be made to investors in book-entry form only through the facilities of The Depository Trust Company, or DTC, and its participants, including Euroclear Bank S.A./N.V., or Euroclear, and Clearstream Banking, société anonyme, Luxembourg, or Clearstream, on or about July 19, 2017.

Global Coordinator

Barclays

HSBC

Co-Manager

Activer Securities

Joint Bookrunners

BCP Securities

TABLE OF CONTENTS

	<u>Page</u>		<u>Page</u>
Notice to Investors.....	iii	Selected Statistical Information.....	76
Notice to Prospective Investors in the United Kingdom.....	iv	The Microfinance Industry.....	88
Notice to Prospective Investors in the EEA.....	iv	Business.....	92
Available Information.....	v	Supervision and Regulation.....	128
Service of Process and Enforcement of Civil Liabilities.....	vi	Management.....	136
Disclosure Regarding Forward-Looking Statements.....	vii	Principal Shareholders.....	142
Presentation of Financial and Other Information.....	ix	Related Party Transactions.....	143
Summary.....	1	Description of Notes.....	144
The Offering.....	18	Book-Entry, Delivery and Form.....	195
Summary Consolidated Financial Information.....	22	Taxation.....	199
Risk Factors.....	24	Transfer Restrictions.....	206
Use of Proceeds.....	42	Plan of Distribution.....	208
Exchange Rates.....	43	General Information.....	214
Capitalization.....	44	Legal Matters.....	216
Selected Consolidated Financial and Other Information.....	45	Independent Auditors.....	217
Management's Discussion and Analysis of Financial Condition and Results of Operations.....	48	Index to Financial Statements.....	F-1
		Annex A Summary of Certain Significant Differences Between Mexican Banking GAAP and U.S. GAAP.....	A-1

In making your investment decision, 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.

The notes have not been and will not be registered with the RNV maintained by the CNBV. As required under the Mexican Securities Market Law, the issuer will notify the CNBV of the terms and conditions of the offering of the notes outside of Mexico. Such notice will be delivered to the CNBV to comply with article 7, second paragraph, of the Mexican Securities Market Law 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 nor constitute any certification as to the investment quality of the notes, the solvency, liquidity or credit quality of the issuer or the accuracy or completeness of the information included in this offering memorandum.

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.

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. Barclays Capital Inc., HSBC Securities (USA) Inc., BCP Securities, LLC and Actinver Securities, Inc. 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: Barclays Capital Inc., 745 Seventh Avenue, New York, New York 10019, Attention: Syndicate Registration; HSBC Securities (USA) Inc., 452 Fifth Avenue, New York, NY 10018, Attention: Transaction Management Group; BCP Securities, LLC, 289 Greenwich Avenue, Greenwich, CT 06830, Attention: Debt Capital Markets; and Actinver Securities, Inc., 5075 Westheimer, #650, Houston, TX, 77056, Attention: F. Xavier Maza/Ivan A. Golac.

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” and “Transfer 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 offering of the notes has not been recommended by the Securities and Exchange Commission, or the SEC, the CNBV or any state or foreign securities commission or regulatory authority. Furthermore, these authorities have not passed upon or endorsed the merits of this offering or 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 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, express or implied, 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.

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 their 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.

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 the issuer 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 INVESTORS

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

in this offering memorandum. You should understand that you will be required to bear the financial risks of your investment for an indefinite period of time.

Neither the CNBV nor the SEC, nor any state securities commission, has approved or disapproved of the notes or determined if this offering memorandum is truthful or complete. Any representation to the contrary is a criminal offense.

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

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

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

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

You should assume that the information contained in this offering memorandum is accurate only as of the date on the front cover of this offering memorandum.

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

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

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED KINGDOM

This document is only being distributed to and is only directed at (i) persons who are outside the United Kingdom or (ii) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, or the Order, or (iii) 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 THE EEA

To the extent that the offer of the notes is made in any European Economic Area, or the EEA, member state that has implemented Directive 2003/71/EC (together with any applicable implementing measures in any member state, or the Prospectus Directive, before the date of publication of a prospectus in relation to the notes which 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

We are not subject to the information requirements of the U.S. Securities Exchange Act of 1934, as amended, or the Exchange Act. To permit compliance with Rule 144A under the Securities Act in connection with resales of notes, we will be required under the indenture under which the notes are issued, or the indenture, upon the request of a holder of Rule 144A notes or Regulation S notes (during the restricted period, as defined in the legend included under “Transfer Restrictions”), to furnish to such holder and any prospective purchaser designated by such holder the information required to be delivered under Rule 144A(d)(4) under the Securities Act, unless we either furnish information to the SEC in accordance with Rule 12g3-2(b) under the Exchange Act or furnish information to the SEC pursuant to Section 13 or 15(d) of the Exchange Act. Any such request may be made to us in writing at our main office located at Prolongación Paseo de la Reforma 600, Local 040-E, Col. Santa Fe Peña Blanca, Delegación Alvaro Obregón, Ciudad de México, México, C.P. 01210, Attention: Investor Relations. For so long as our shares are registered with the RNV and listed with the Mexican Stock Exchange (*Bolsa Mexicana de Valores, S.A.B. de C.V.*) or BMV, we will be required periodically to furnish certain information, including quarterly and annual reports, to the CNBV and to the BMV, which will be available in Spanish for inspection on the BMV’s website at www.bmv.com.mx and on the CNBV’s website at www.cnbv.gob.mx.

Application will be made to the Singapore Stock Exchange for permission to deal in and the listing and quotation of the notes on the Official List of the Singapore Stock Exchange. The Singapore Stock Exchange assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained in this Offering Memorandum. Approval-in-principle from, and admission of the notes to the Official List of, the Singapore Stock Exchange and quotation of the notes on the Singapore Stock Exchange are not to be taken as an indication of the merits of the offering, the Issuer, its subsidiaries, their respective associated companies, their respective joint venture companies or the notes. We will be required to comply with any undertakings given by us from time to time to the Singapore Stock Exchange in connection with the listing of the notes, and to furnish to it all such information as the rules of the Singapore Stock Exchange may require in connection with the listing of the notes.

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

We and our subsidiary guarantors are corporations organized under the laws of Mexico. All of our directors and executive officers and the directors and executive officers of our subsidiary guarantors reside outside the United States. The majority of our assets and substantially all of the assets of our directors and officers who reside outside of the United States are located in Mexico or elsewhere 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 guarantors, 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 appointed CT Corporation System, at 111 Eighth Avenue, New York, New York 10011, as an agent to receive service of process with respect to any action brought against us in any federal or state court in the State of New York arising from this offering.

We have been advised by White & Case, S.C., our counsel as to matters of Mexican law, 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. 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 de los Estados Unidos Mexicanos*) in the event that proceedings are brought in Mexico seeking to enforce our obligations under our or our subsidiary guarantors' 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 Federación*), or the Official Gazette. Provisions purporting to limit our liability to discharge our obligations in Mexican currency as described above, or purporting to give any party a course of action seeking indemnity or compensation for possible deficiencies arising out of or resulting from variations in rates of exchange are unlikely to be enforceable in Mexico under Mexican law.

Upon declaration of a reorganization proceeding (*concurso mercantil*) or bankruptcy (*quiebra*) proceeding in a Mexican court, payment obligations under our and our subsidiary guarantors' 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 indebtedness secured with collateral, would subsequently be converted into investment units (*unidades de inversion*), or UDIs, (ii) would cease accruing interest to the extent such debt is not secured with collateral once the reorganization proceeding is declared, (iii) would be paid at the time claims of creditors are satisfied, (iv) would be dependent upon the outcome of the relevant reorganization proceeding or bankruptcy 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 (*concurso mercantil* or *quiebra*). 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. Our estimates and forward-looking statements may be influenced by the following factors:

- 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 customers;
- 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 additional or different regulation as a bank;
- statements about changes in Mexican or Brazilian federal governmental policies, legislation or regulation;
- statements of assumptions underlying these statements; and
- prospective statements regarding the microfinance industry in Mexico and Brazil.

You should not place undue reliance on forward-looking statements, which are based on current expectations. They involve risks, uncertainties and assumptions, since they refer to future events and, therefore, do not represent any guarantee of future results. Therefore, our financial condition and operating results, strategies, competitive position and market environment may significantly differ from our estimates, in view of a number of factors, including, but not limited to:

- general economic, political and business conditions in Mexico and in the countries in which we operate and any significant economic, political, regulatory or social developments in those countries;
- our ability to implement our operating strategy and business plan;
- our ability to successfully expand into new markets in Mexico;
- our ability to freely determine the interest rates we charge to our customers;
- our level of capitalization and reserves;

- performance of financial markets and our ability to refinance our financial obligations on favorable terms when they come due, including our short-term debt;
- loss of key personnel;
- trade barriers, including tariffs or import taxes and changes in existing trade policies or changes to, or withdrawals from free trade agreements, including the North America Free Trade Agreement, or NAFTA, that adversely impact our current or prospective clients;
- increases in defaults by our customers, as well as any increase in our allowance for loan losses;
- credit risks, market risks and any other risks related to financing activities;
- perception by investors and authorities of our business;
- availability of funds and related funding costs;
- offer and demand for our products and services;
- potential changes in industry practices;
- risks inherent to international operations;
- difficulties, uncertainties, liabilities (including indemnification obligations) and regulations related to mergers, acquisitions or joint ventures;
- inflation, devaluation of the *Peso* and interest rate fluctuations in Mexico;
- changes to accounting principles, laws, regulations, taxation and governmental policies related to our activities, including, but not limited to, usury and consumer protection laws;
- adverse legal proceedings;
- our customers' ability to pay their loans and the stability of their sources of income;
- changes in the policies of central banks and/or foreign governments;
- terrorist and organized criminal activities as well as geopolitical events;
- potential risk factors presented under "Risk Factors" in this offering memorandum; and
- other developments, factors or trends affecting our financial condition and our operating results.

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 unaudited condensed consolidated interim financial statements as of and for the three-month periods ended March 31, 2017 and 2016, together with the notes thereto, which we refer to as the unaudited interim financial statements; and
- our audited consolidated financial statements as of and for the years ended December 31, 2016 and 2015 and as of and for the years ended December 31, 2015 and 2014, together with the notes thereto, which we refer to as the audited financial statements. Our audited financial statements were audited by Galaz, Yamazaki, Ruiz Urquiza, S.C., a member of Deloitte Touche Tohmatsu Limited, independent auditors, as stated in their audit report appearing herein.

Our unaudited interim financial statements and our audited financial statements are collectively referred to herein as our financial statements.

Accounting Principles

We have prepared our financial statements under the accounting criteria established by the CNBV in its General Provisions Applicable to Bonded Warehouses, Exchange Houses, Credit Unions and Regulated Multiple Purpose Financial Institutions (*Disposiciones de Carácter General Aplicables a los Almacenes Generales de Depósito, Casas de Cambio, Uniones de Crédito y Sociedades Financieras de Objeto Múltiple Reguladas*), or Mexican Banking GAAP, more specifically as established in (1) Article 78 of the General Provisions Applicable to Securities Issuers and Other Participants in the Securities Market (*Disposiciones de Carácter General Aplicables a las Emisoras de Valores y Otros Participantes del Mercado de Valores*) and (2) Article 87-D of the General Law for Credit Organizations and Ancillary Activities (*Ley General de Organizaciones y Actividades Auxiliares del Crédito*) in effect prior to the enactment of the Financial Reforms (as defined in “Supervision and Regulation”). Mexican Banking GAAP adheres to Mexican Financial Reporting Standards, which are individually referred to as Standards of Financial Information (*Normas de Información Financiera*), or NIFs, as established by the Mexican Board for Financial Information Standards (*Consejo Mexicano de Normas de Información Financiera, A.C.*), or CINIF, modified in certain areas based on the judgment of the CNBV in order to take into consideration the specialized operations of financial institutions.

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

Currencies

Certain financial information appearing in this offering memorandum is presented in Mexican *Pesos*, while certain other monetary information is presented in Brazilian *Reais*. 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 “R\$,” “*Real*” or “*Reais*” are to Brazilian *Reais*.

This offering memorandum contains translations of certain *Peso* and *Real* 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* or *Real* 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.18.7079 per U.S. dollar, the exchange rate published by the Mexican Central Bank in the Federal Official Gazette on March 31, 2017 as the rate for the payment of obligations denominated in currencies other than *Pesos* and payable within Mexico; and
- U.S. dollar amounts that have been translated from *Reais* have been so translated at an exchange rate of R\$3.1684 per U.S. dollar, based on the selling rate as reported by the Central Bank of Brazil (*Banco Central do Brasil*) as of March 31, 2017.

See “Exchange Rates” for information regarding rates of exchange between the *Peso* and the U.S. dollar for the periods specified therein.

Rounding

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.

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: (1) the CNBV, (2) the Mexican National Commission for the Protection of Users of Financial Services (*Comisión Nacional para la Protección y Defensa de los Usuarios de Servicios Financieros*), or CONDUSEF, (3) the Mexican Association of Specialized Financial Entities (*Asociación Mexicana de Entidades Financieras Especializadas*), or the AMFE, (4) the Mexican National Institute of Statistics and Geography (*Instituto Nacional de Estadística y Geografía*), or INEGI, (5) the Mexican Central Bank, (6) the Mexican Association of Market Intelligence and Opinion Agencies (*Asociación Mexicana de Agencias de Inteligencia de Mercado y Opinión, A.C.*), or AMAI, (7) the Mexican National Population Board (*Consejo Nacional de Población*), or Conapo, (8) ACCION International, a Boston-based NGO leader in the area of microfinance technology and investment and (9) ProDesarrollo, Finanzas y Microempresa, A.C., or ProDesarrollo. Some data are also based on our estimates, which are derived from our review of internal surveys, as well as independent sources. Although we believe these sources are reliable, we have not independently verified the information and cannot guarantee its accuracy or completeness. You should not place undue reliance on estimates as they are inherently uncertain.

Terms Relating to Our Loan Portfolio and Performance Measures

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 products, CrediInmediato Revolvente, 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.

Return on average total assets is calculated based on quarterly average of total assets and return on average equity is calculated based on quarterly average of shareholders equity.

Other Terms

Unless the context otherwise requires or except when indicated:

- all references to “we,” “us,” “our” “our company,” “the Company,” “Financiera Independencia” or the “issuer” mean Financiera Independencia, S.A.B. de C.V., Sofom, E.N.R., and its consolidated subsidiaries, including the subsidiary guarantors.
- References to the “subsidiary guarantors” are to “Financiera Finsol, S.A. de C.V., Sofom, E.N.R.,” “Fisofo, S.A. de C.V., Sofom, E.N.R.,” “Apoyo Económico Familiar, S.A. de C.V., Sofom, E.N.R.” and Apoyo Financiero Inc.
- “AEF” means Apoyo Económico Familiar, S.A. de C.V., Sofom, E.N.R.
- “AFI” means Apoyo Financiero, Inc.
- “Conexia” means Conexia, S.A. de C.V.
- “Confianza Económica” means Confianza Económica, S.A. de C.V., Sofom, E.N.R.
- “Financiera Finsol” means Financiera Finsol, S.A. de C.V., Sofom, E.N.R.
- “FINSOL-IF” means FINSOL-IF, Independencia Participaciones.
- “Finsol SCMEPP” means Finsol Sociedade de Crédito Ao Microempreendedor e á Empresa de Pequeno Porte S.A.
- “Finsol Servicios” means Finsol, S.A. de C.V.
- “Fisofo” or “Más Nómina” means Fisofo, S.A. de C.V., Sofom, E.N.R.
- “Independencia” means Financiera Independencia, S.A.B. de C.V., Sofom, E.N.R., severally, not considering the operations of Finsol, AEF, Fisofo and AFI.
- “Independencia Participaciones” means Independencia Participações, S.A.
- “Instituto FINSOL-IF” means Instituto Finsol-IF Associação Civil Sem Fins Lucrativos OSCIP.

- “Serfincor” means Serfincor, S.A. de C.V.
- “Servicios AEF” means Servicios Corporativos AEF, S.A. de C.V.
- “Servicios de Captación en Sitio” means Servicios de Captación en Sitio, S.A. de C.V.
- “Sistemas Corporativos COA” means Sistemas Corporativos COA, S.A. de C.V.

In addition:

- “Finsol” means, jointly, Finsol Brasil and Finsol Mexico.
- “Finsol Brasil” means, collectively, FINSOL-IF, Instituto FINSOL-IF and Finsol SCMEPP.
- “Finsol Mexico” means, collectively, Financiera Finsol and Finsol Servicios.

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 “Summary Consolidated Financial Information,” “Risk Factors,” “Selected Consolidated Financial and Other Information,” “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 low-income individuals from the formal and self-employed sectors of the Mexican and U.S. economies and working capital group loans in rural areas of Mexico and Brazil. We provide products and services to individuals who might otherwise have no, or limited, access to loans and related services from other financial institutions. Our goals are to create economic value for our customers and shareholders and social value for our customers and the community, as well as to develop long-term relationships with our customers to establish their credit history. As of March 31, 2017, we were one of the largest non-regulated financial institutions (*Sociedad Financiera de Objeto Múltiple, Entidad No Regulada*) or Sofoms, focused on providing microloans to individuals in Mexico based on the number of loans outstanding, according to data published by ProDesarrollo and our internal estimates. As of March 31, 2017, we operated 560 branch offices (502 in Mexico, 29 in the state of California in the United States and 29 in Brazil).

We are an unregulated multiple purpose financial company incorporated under the laws of Mexico as a public corporation with limited liability and variable capital (*sociedad anónima bursátil de capital variable*). We are a publicly-traded company, listed on the Mexican Stock Exchange (ticker symbol: FINDEP) since November 2007. We operate based on a specialized business model that relies on providing large volumes of small loans (as of March 31, 2017, our average loan balance was approximately Ps.\$7,629.4 (U.S.\$407.8) with high frequency of repayments.

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, achieving a 55.0% compound annual growth rate in our number of loans granted from our inception on July 22, 1993 through December 31, 2016. As of March 31, 2017, we had 967,437 loans outstanding and reported a return on average total assets of 2.3% for the three-month period then ended. We believe that our success is attributable to a number of factors, including our focus on the quality and profitability of our loan portfolio rather than its volume; 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 our well-defined target market; our risk management policies; our effective collection practices; the efficiencies afforded by our information technology systems; the loyalty fostered by the personalized customer 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.

Financial Highlights

In our business, we have focused on the quality and profitability of our loan portfolio rather than its volume. In connection with this focus, we continue to implement operational policies to adapt our business model to market conditions and our competitive environment, including (1) improving our customer selection processes, (2) improving our credit origination and operational policies, (3) strengthening our collections processes, (4) emphasizing our focus on quality and profitability with our sales and collections teams and (5) improving our operating efficiencies and reducing our costs. Our return on average shareholders’ equity was 6.8% and 5.5% during the three-month period ended March 31, 2017 and the year ended December 31, 2016, respectively. As of March 31, 2017, our loan portfolio amounted to Ps.7,381.0 million, compared to Ps.7,447.8 million as of December 31, 2016, and Ps.7,116.0 million as of December 31, 2015, representing a decrease of 0.9% and an increase of 4.7% respectively.

We are committed to balancing the growth and risk of our business and loan portfolio. Our risk management and effective collection policies have allowed us to achieve a non-performing loan ratio of 5.3% as of March 31, 2017 and 5.5% as of December 31, 2016, compared to our non-performing loan ratio of 6.0% as of March 31, 2016 and 6.7% as of December 31, 2015. We believe that our policies for provisioning past due loans are conservative,

having provisioned 27.3% and 29.1% of financial margin for the three-month periods ended March 31, 2017 and 2016, respectively, and 29.0% and 34.2% for the years ended December 31, 2016 and 2015, respectively. In addition, we believe that we are adequately capitalized, with a ratio of equity to assets of 34.3% as of March 31, 2017.

In the three-month period ended March 31, 2017, our provisions for loan losses decreased 3.0% to Ps.283.6 million (U.S.\$15.2 million), compared to Ps.292.3 million (U.S.\$15.6 million) in the corresponding period in 2016, primarily as a result of a consistently higher quality loan portfolio (compared to the corresponding period in 2016). In 2016, our provisions for loan losses decreased 18.7% to Ps.1,177.7 million (U.S.\$62.9 million), compared to Ps.1,449.0 million (U.S.\$77.4 million) in 2015, also primarily as a result of a consistently higher quality loan portfolio. We believe that the results we have achieved reflect improvements in our loan portfolio achieved by the new and stricter lending policies we implemented beginning in September 2012.

During the three-month period ended March 31, 2017, our net financial margin after provision for loan losses was Ps.756.4 million (U.S.\$40.4 million), reflecting a 6.1% increase compared to the corresponding period of 2016, and our net income was Ps.68.4 million (U.S.\$3.7 million) during the three-month period ended March 31, 2017, compared to net income of Ps.53.0 million (U.S.\$2.8 million) during the corresponding period of 2016. For the three-month period ended March 31, 2017 and 2016, our net interest margin after provisions, including commissions, and return on average stockholders' equity was 47.6% and 46.2%, respectively. During the year ended December 31, 2016, our net financial margin after provision for loan losses was Ps.2,887.3 million (\$154.3 million), reflecting a 3.7% increase compared to 2015, and our net income was Ps.234.0 million (U.S.\$12.5 million), compared to Ps.209.0 million (U.S.\$11.2 million) in 2015. For the year ended December 31, 2016 and 2015, our net interest margin after provisions, including commissions, and return on average stockholders' equity were 46.7% and 47.0%, respectively.

The following table sets forth certain of our financial information for the periods indicated.

	As of and for the Three-Month Period Ended March 31,			As of and for the Year Ended December 31,			
	2017	2017	2016	2016	2016	2015	2014
	<i>(In millions of U.S.\$, unless otherwise indicated) (1)</i>			<i>(In millions of U.S.\$, unless otherwise indicated) (1)</i>			
		<i>(in millions of Ps., unless otherwise indicated)</i>			<i>(in millions of Ps., unless otherwise indicated)</i>		
Net income	3.7	68.4	53.0	12.5	234.0	209.0	318.0
Stockholders' Equity	215.1	4,023.2	3,924.5	216.5	4,050.3	3,756.8	3,504.0
Other Financial Data and Ratios							
Profitability and Efficiency:							
Return on average stockholders' equity (2)	6.8%	6.8%	5.5%	6.0%	6.0%	5.8%	9.7%
Return on average total assets (3)....	2.3%	2.3%	1.8%	2.0%	2.0%	1.8%	3.0%
Net interest margin after provisions (4).....	47.6%	47.6%	46.2%	46.7%	46.7%	47.0%	50.1%
Efficiency ratio (5).....	90.6%	90.6%	91.2%	91.1%	91.1%	92.1%	88.3%
Capitalization:							
Stockholders' equity as a percentage of total assets.....	34.3%	34.3%	33.5%	33.3%	33.3%	31.8%	31.5%
Credit Quality Data:							
Total performing loans	373.6	6,989.5	6,476.9	376.2	7,037.7	6,635.8	6,562.0
Total non-performing loans	20.9	391.5	412.3	21.9	410.0	480.2	511.4
Total loan portfolio	394.5	7,381.0	6,889.1	398.1	7,447.8	7,116.0	7,073.3
Allowance for loan losses	(20.9)	(391.5)	(412.3)	(21.9)	(410.0)	(480.2)	(511.4)
Credit Quality Ratios:							
Allowance for loan losses as a percentage of total loan portfolio	5.3%	5.3%	6.0%	5.5%	5.5%	6.7%	7.2%
Allowance for loan losses as a percentage of total non-performing loan portfolio.....	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Total non-performing loan portfolio as a percentage of total loan portfolio.....	5.3%	5.3%	6.0%	5.5%	5.5%	6.7%	7.2%

- (1) Solely for the convenience of the reader, statement of income and balance sheet data expressed in U.S. dollars have been translated at the rate of Ps.18.7079 per U.S.\$1.00, based on the Mexican Central Bank exchange rate published on March 31, 2017. See "Presentation of Financial and Other Information" and "Exchange Rates."
- (2) Return on average stockholders' equity for the years ended December 31, 2016, 2015 and 2014 consists of net income for the year divided by the quarterly average of stockholders' equity for the year. Return on average stockholders' equity for the three-month periods ended March 31, 2017 and 2016 consists of annualized net income for the period divided by the quarterly average of stockholders' equity for the period.
- (3) Return on average total assets for the years ended December 31, 2016, 2015 and 2014 consists of net income for the year divided by the quarterly average of total assets for the year. Return on average total assets for the three-month periods ended March 31, 2017 and 2016 consists of annualized net income for the period divided by the quarterly 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 quarterly average balance of the period.
- (5) Efficiency ratio consists of administrative and promotional expenses 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) commission and fee income and (y) commission and fee expense.

Products and Services

The following graphic illustrates the distribution of our branch offices in Mexico, Brazil and the United States as of the date of this offering memorandum:



We offer two types of loan products: individual loans and working capital group loans.

Individual Loans

We have been an active participant in the microfinance market in Mexico, providing individual loans since 1993, and in Brazil and the U.S. since 2010 and 2011, respectively. In 2004, we expanded our operations to provide microfinance products to individuals who are not required to provide proof of income or formal employment. This target market, which we service through our Independencia, AEF and AFI operations, is characterized by little to no participation in the formal banking system. We serve our individual loan customers through 368 branch offices in 32 states in Mexico and 29 branch offices in California. In 2016, the average balance of our individual loans was Ps.\$7,532.7 (U.S.\$402.7). As of March 31, 2017, our individual loans comprised 81.5% or Ps.\$6,017.3 million (U.S.\$321.6 million), of our total loan portfolio, and the non-performing loan ratio of our individual loan portfolio was 5.3%. We do not require collateral or other forms of security in connection with our individual loan products.

We currently offer the following individual loan products through our Independencia operations in Mexico:

- *CrediInmediato*. Our CrediInmediato loan products were first introduced in 2004 and are primarily targeted to the formal sector of the Mexican economy.
 - *CrediInmediato Simple*. This product is offered to individuals who (1) earn at least the monthly minimum wage in Mexico City, (2) work in the formal sector, (3) are affiliated with the Mexican Social Security Institute (*Instituto Mexicano del Seguro Social*), or IMSS, the Security and Social Services Institute for State Workers (*Instituto de Seguridad y Servicios Sociales de los Trabajadores del Estado*) or ISSSTE, and (4) are able to provide proof of income. These loans are granted in amounts ranging from Ps.2,500 to Ps.20,000 (approximately U.S.\$133.6 to U.S.\$1,069.1) for the purpose of acquiring assets or services.
 - *CrediInmediato Revolvente*. This product is a revolving line of credit available only to individual customers in good credit standing with us that have renewed more than two credit cycles of loans with impeccable performance. Our customers may use these credit lines to acquire assets or services. The amount of this revolving line of credit varies depending upon the customer's profile, credit history and payment track record with Independencia.
- *CrediPopular*. Our CrediPopular loan products were first introduced in 2004 and are targeted to the self-employed sector of the Mexican economy. These loans range from Ps.2,500 to Ps.5,800 (approximately U.S.\$133.6 to U.S.\$310.0), have an average term of nine months and may be renewed based on the credit behavior of the borrower. Our customers may use these loans for working capital purposes.
- *CrediMama*. This product was first launched in 2006 and, though briefly suspended in October 2012 as a result of our decision to focus on the quality of our loan portfolio and in order to concentrate on other

products, was relaunched at the end of 2014. CrediMama is available to mothers who have at least one child under the age of 18. These loans are disbursed at a minimum balance of Ps.2,000 (approximately U.S.\$106.9), have an average term of six months and may be renewed based on the credit behavior of the borrower. This product is targeted at the informal sector of the Mexican economy.

- *CrediConstruye*. This product, which we launched in 2006, 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 Ps.3,000 to Ps.20,000 (approximately U.S.\$160.4 to U.S.\$1,069.1) and are disbursed in the form of vouchers for home construction materials. CrediConstruye loans have terms of up to two years.
- *Micronegocio*. We introduced this product, which targets a specific segment of the self-employed market, in March 2014. While our CrediPopular product is open to self-employed customers who may engage in the provision of independent services or commercial activities, our Micronegocio product caters to individuals who have established a microbusiness with over two years of history that require working capital. Examples of these microbusinesses include “mom and pop” stores, corner bakeries and self-owned taxi operations. Micronegocio loans range from Ps.5,000 to Ps.15,000 (approximately U.S.\$267.3 to U.S.\$801.8), have terms ranging from 26 to 78 weeks and may be renewed.
- *Más Nómina*. We first introduced our Más Nómina loan product in 2011. This product is primarily targeted to the formal sector of the Mexican economy. Más Nómina loans range from Ps.3,000 to Ps.300,000 (approximately U.S.\$160.1 to U.S.\$16,036.0) and are available to individuals between 18 and 68 years old who had been employed for a minimum of six months with a participating company at the time of contracting the loan. These loans are established through fixed payments directly deducted from the employee’s payroll check and have terms ranging from six to 60 months.
- *Plan Celular*. This product was introduced in 2016 and is offered to select clients for the purchase of a cellular phone and prepaid cellular phone minutes at preferential rates. This product is primarily targeted to the formal sector of the Mexican economy.

We currently offer the following individual loan products through the operations of our subsidiary AEF in Mexico:

- *Crédito Regular*. These personal loans range from Ps.1,500 to Ps.50,000 (approximately U.S.\$80.2 to U.S.\$2,672.7) and are available to individuals who can certify income derived from employment or business ownership. The average term for these loans is 18 months and our customers may use them to acquire assets or services or for working capital.
- *Crédito Preferente*. These personal loans, which are granted in amounts of up to Ps.150,000 (approximately U.S.\$8,018.0), are available to higher-income individuals or small businesses who require short-term loans with maturities of approximately 18 months. These loans are offered at rates similar to credit cards in the market and may be used to acquire assets or services or for working capital.

We also offer individual loans through the operations of our subsidiary AFI in the United States. These loans, which are directed primarily to the Hispanic population of the state of California, range from U.S.\$3,000 to U.S.\$10,000 and are available to individuals who can certify income derived from employment. These loans have terms ranging from 12 to 48 months.

Working Capital Group Loans

We offer working capital loans to groups of entrepreneurs through 163 branch offices in 30 states in Mexico and through 29 branch offices and six states in Brazil under our Finsol Mexico and Finsol Brasil operations, respectively. In contrast to individual lending, which focuses on one customer and does not require other individuals to provide collateral or provide payment assurances in respect of the loan, group lending involves loaning money to a group of individuals who provide a group repayment pledge. The incentive of the individuals in the group to repay the loan is based on pressure from the group because if one person in the group defaults, the other members must make up for the deficiency. Group lending has generally proven to be both profitable and less sensitive to economic downturns, which has in turn reduced our own earnings volatility. As of December 31, 2016,

the average balance per client of our group loans was Ps.7,986.7 (U.S.\$426.9). As of March 31, 2017, our group loans comprised 18.5%, or Ps.1,363.7 million (U.S.\$72.9 million), of our total loan portfolio, and the non-performing loan ratio of our group loan portfolio was 4.3%.

We currently offer the following working capital group loans through our Finsol Mexico operations:

- *Crédito Comunal*. These loans are available to micro-entrepreneurs who have their own independent productive, commercial or services activity in self-selected groups of between eight and 60 members. Loans range from Ps.2,000 to Ps.60,000 (approximately U.S.\$106.9 to U.S.\$3,207.2) per member, have terms ranging between 16 and 26 weeks, and may be utilized for working capital or for the purchase of goods in connection with their respective businesses. Each micro-entrepreneur within a group is generally required to have been in business for at least six months, although micro-entrepreneurs that intend to establish a business may also participate as a member of a group.
- *Crédito Solidario*. These loans are available to micro-entrepreneurs with their own independent productive, commercial or services activity, in self-selected groups of between four and six members and range from Ps.7,000 to Ps.60,000 (approximately U.S.\$374.2 to U.S.\$3,207.2) per member. These loans may be utilized for working capital or for the purchase of goods in connection with their respective businesses and have terms ranging between 12 and 26 weeks. Each micro-entrepreneur within a group is required to have been in business for at least one year.
- *Crédito Oportunidad*. This supplemental loan product is offered exclusively to our Crédito Comunal and Crédito Solidario customers that have excellent credit histories. It enables them to take advantage of opportunities that may arise in connection with their respective business operations. These loans are granted (1) in amounts of up to 30% of the aggregate amount of the corresponding group's Crédito Comunal or Crédito Solidario loan and (2) to at least two members and up to a maximum of half of the members of the group and require the approval of each member of the group. Crédito Oportunidad loans must mature on or prior to the maturity date of the group's corresponding Crédito Comunal or Crédito Solidario loan.

We currently offer the following working capital group loans through our Finsol Brasil operations:

- *Crédito Comunal*. These guaranteed loans are available to micro-entrepreneurs with their own independent productive, commercial or services activity in self-selected groups of between 11 and 30 members and range from R\$300 to R\$8,000 (approximately U.S.\$95.1 to U.S.\$2,536.7) per member. These loans may be utilized for working capital, the purchase of goods or capital improvements. These loans have terms that range from 12 months (for the funding of working capital) to up to 24 months (for the purchase of assets or capital improvements).
- *Crédito Solidário*. These guaranteed loans are available to micro-entrepreneurs with their own independent productive, commercial or services activity in self-selected groups of between three and 10 members and range from R\$300 to R\$20,000 (approximately U.S.\$95.1 to U.S.\$6,341.7) per member. These loans may be utilized for working capital, the purchase of goods or capital improvements. These loans have terms that range from 12 months (for the funding of working capital) to up to 24 months (for the purchase of assets or capital improvements).

The table below sets forth the participation of our loan products by aggregate loan amount in our loan portfolio as of the dates indicated:

	As of March 31,		As of December 31,					
	2017		2016		2015		2014	
	Loan Amount ⁽¹⁾	% of Total	Loan Amount ⁽¹⁾	% of Total	Loan Amount ⁽¹⁾	% of Total	Loan Amount ⁽¹⁾	% of Total
<i>(in millions of Pesos, except percentages)</i>								
CrediInmediato	2,042.8	27.7%	2,015.9	27.1	2,375.0	33.4%	2,722.3	38.5%
MásNómina	612.8	8.3%	586.9	7.9%	502.3	7.1%	375.9	5.3%
CrediPopular (2).....	727.3	9.9%	720.1	9.7%	806.6	11.3%	862.3	12.2%

CrediMamá.....	31.5	0.4%	31.5	0.4%	39.8	0.6%	53.8	0.8%
CrediConstruye.....	1.0	0.01%	1.2	0.01%	2.6	0.0%	6.2	0.1%
Finsol (Mexico and Brazil).....	1,363.7	18.5%	1,385.0	18.6%	1,199.8	16.9%	1,250.1	17.7%
AEF Loans.....	1,479.2	20.0%	1,524.9	20.5%	1,455.7	20.5%	1,368.4	19.3%
AFI Loans.....	1,122.7	15.2%	1,182.3	15.9%	734.2	10.3%	434.4	6.1%
Total loan portfolio.....	7,381.0	100.0%	7,447.8	100.0%	7,116.0	100.0%	7,073.3	100%
Allowance for loan losses.....	391.5		410.0		480.2		511.4	
Loan portfolio, net.....	6,989.5		7,037.7		6,635.8		6,562.0	

(1) Includes principal and interest.

(2) Includes the Micronegocio loan product.

The tables below sets forth the participation of our loan products in our loan portfolio by number of loans as of the dates indicated:

	As of March 31, 2017			
	Number of Loans Outstanding		Interest Income	
	Amount	% of Total	Amount	% of Total
	<i>(in millions of Pesos, except percentages)</i>			
CrediInmediato.....	384,866	39.8%	375.3	31.4%
MásNómina.....	51,944	5.4%	70.4	5.9%
CrediPopular (1).....	175,486	18.1%	125.5	10.5%
CrediMamá.....	9,840	1.0%	6.0	0.5%
CrediConstruye.....	1,543	0.2%	0.2	0.02%
Finsol (Mexico and Brazil).....	169,997	17.6 %	259.4	21.7%
AEF Loans.....	154,970	16.0%	257.4	21.5%
AFI Loans.....	18,791	1.9%	100.9	8.4%
Total.....	967,437	100.0%	1,195.1	100.0%

(1) Includes the Micronegocio loan product.

	As of December 31, 2016			
	Number of Loans Outstanding		Interest Income	
	Amount	% of Total	Amount	% of Total
	<i>(in millions of Pesos, except percentages)</i>			
CrediInmediato.....	388,462	39.7%	1,525.8	32.7%
MásNómina.....	51,070	5.2%	260.2	5.6%
CrediPopular (1).....	172,014	17.6 %	515.4	11.0%
CrediMamá.....	9,867	1.0%	26.7	0.4%
CrediConstruye.....	1,620	0.2%	1.6	0.03%
Crédito Grupal.....	173,417	17.7 %	959.6	13.0%
AEF Loans.....	163,774	16.7%	1,081.9	28.5%
AFI Loans.....	18,044	1.8%	302.0	7.4%
Total.....	978,268	100.0%	4,673.2	100.0%

(1) Includes the Micronegocio loan product.

Even though we offer our customers the convenience of different payment venues, 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 returns to our shareholders.

We offer unemployment, disability and life insurance to all of our customers, the fees for which are included as part of the annual loan commission payable to us by the borrower. We also offer funeral assistance products as well as additional services through our branch offices that allow them to: 1) purchase insurance products, 2) pay telephone bills, and 3) recharge prepaid cell phone cards for all major mobile telephone carriers in Mexico.

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 five times the Mexico City minimum monthly wage (between Ps.2,401.2 and Ps.12,006.0 per month, or between approximately U.S.\$128.3 and U.S.\$641.8 per month, as of March 2017). Based on information compiled by INEGI in December 2014, this population segment represents over 27.2 million, or more than 52.1% of Mexico's working population, and we estimate that we had penetrated less than 3.3% of this entire target market as of that date. We believe that the low financial services penetration rate, in combination with the expected growth of the Mexican economy, will support growth in the microfinance sector and create further demand for our products.

In the United States, we primarily target individuals within the Hispanic population that have little to no credit history and that require loans to start their own businesses or to remit money to their home countries in order to acquire assets or durable goods.

As with our Finsol Mexico operations, our Finsol Brasil operations target groups of low-income entrepreneurs in Brazil who require working capital loans.

Our Competitive Strengths

We believe that our main competitive strengths are the following:

Strategic Focus on the Quality and Profitability of our Loan Portfolio

We are focused on the quality and profitability of our loan portfolio rather than its volume, and have implemented operational policies to adapt our business model to market conditions and the competitive environment. As a result of this strategy, our non-performing loan ratio as of March 31, 2017 and December 31, 2016 was 5.3% and 5.5%, respectively, consistent with the non-performing loan ratio for the personal loans portfolio held by the Mexican banking system as a whole (5.3% and 5.2%, as of March 31, 2017 and December 31, 2016, respectively, according to the CNBV) and also lower than the average non-performing loan ratio of 21 of the largest microfinance companies with assets in excess of Ps.500.0 million (U.S.\$26.7 million) in Mexico as of March 31, 2017, based upon information we compiled from Prodesarrollo, the CNBV, our internal estimates and other third-party sources. We believe that as a result of these measures our return on average stockholders equity increased to 6.8% in the three-month period end March 31, 2017 compared to 5.5% in the corresponding period in 2016. We believe that our focus on the quality and profitability of our loan portfolio rather than its volume has strengthened our balance sheet and will enable us to maintain our leadership position in the origination of individual loans and take advantage of the growth potential of the microfinance industry in Mexico.

Low Default Rate and Effective Risk Management

Our recent focus on the quality and profitability of our loan portfolio rather than its volume has allowed us to achieve our relatively low total non-performing loan ratios. Our non-performing loan ratio as of March 31, 2017 was 5.3% for our overall portfolio, of which group loans and individual loans reported non-performing loan ratios of 4.3% and 5.5%, respectively. We attribute our relatively low default rates to the operational policies we

implemented in September 2012 in connection with our new strategic focus on the quality and profitability of our loan portfolio rather than its volume:

- *Improved customer selection processes.* To enhance the quality of our loan portfolio, we improved the criteria by which we rate our customers, applying new analytical methods, segmentation and selection of customers in order to eliminate high risk customers and less profitable products from our loan portfolio. These efforts, together with strict monitoring of the credit history of our customers, have resulted in a lower incidence of non-performing loans and a greater proportion of formal sector customers.
- *Robust credit origination and operational policies.* We strengthened our origination processes by requiring more robust documentation, identification and references in connection with our customers' credit applications. In addition, we transformed our customer verification processes into an analysis of risk, increasing site visits and telephone outreach, and applying the same credit authorization criteria for customers entering into new loan agreements with us and customers seeking to renew their existing loans.
- *Revamped collection processes.* In 2013, we significantly modified our collection policies for the recovery of loans in default. While previously our seasoned recovery agents focused on loans that had been in default for extended periods of time, they are now focused on loans that have been in default for only a few days. Under our new policy, our agents perform site visits to borrowers shortly after default on a single payment. These borrowers are also contacted through our agents at our call centers. In addition, our systematic monitoring of loans in default at an earlier stage allowed us to improve Independencia's collection rates and reduce the number of customers in default.
- *Emphasize our focus on quality and profitability with our sales and collection teams.* We believe that the convergence of the above strategies occurs at the employee level. While previously our sales, operations and collection agents were evaluated and compensated based upon the achievement of individual goals, variable compensation is now also dependent upon the quality and profitability of the loan portfolio of their respective branch offices. As such, we believe that our employees are better aligned with our objective to focus on the quality and profitability of our loan portfolio rather than its volume.
- *Increased focus on higher performing businesses.* As a result of economic difficulties we perceived in Brazil and Mexico, in 2015, we made significant adjustments to the growth strategy for our subsidiaries. In particular, we strengthened the focus on loan quality over volume for those subsidiaries with the weakest performance in the current environment, such as Independencia, and reassigned resources in order to optimize the future growth of those subsidiaries that have performed better, such as AEF and AFI. In connection with this strategy, we expanded AEF's and AFI's operations, as reflected by a 9.0% increase in the number of AEF's branches in 2016 and a 32.0% increase in the number of AFI's branches that same year.

We believe that risk management is fundamental to our success and will allow us to grow profitably and obtain low non-performing loan ratios.

Unique Expertise in Microcredit Financing

We have over 24 years of experience providing unsecured loans to individuals in the low-income segments in Mexico. We also have expertise in the microfinance markets in Mexico and Brazil, and providing unsecured loans to low-income individuals in the United States. Our cost structure, product offerings, technology, systems and branch office network are all specifically designed to serve our target markets while maintaining profitability. We believe that this provides a significant competitive advantage over banks and other institutions within the traditional financial sector that have historically focused their lending practices on middle- and high-income customers and that engage in microcredit lending only as a secondary activity. We believe that our current position among the leading Sofoms and limited purpose financial companies (*sociedades financieras de objeto limitado*), or 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 we continue to develop new ways to reach customers through new products tailored to the needs of individuals in the lower income segments of the Mexican, United States and Brazilian populations. Since our inception, we have built a track record of successfully developing and launching new products. For example:

- In 1993 we were the first to offer unsecured loans to low-income individuals in Mexico.
- In 2004, we began granting loans to self-employed individuals in Mexico, enabling us to increase the yield of our loan portfolio. As of March 31, 2017, 36.6% of our total loan portfolio was represented by loans to self-employed individuals in Mexico, the state of California in the United States and Brazil.
- In 2004, we also launched our CrediInmediato Revolvente product, a revolving line of credit that allows our customers increased financial flexibility. In addition, during 2006, we added two new loan products to our loan portfolio, CrediConstruye, for financing home improvements, and CrediMamá, tailored to mothers with at least one child under the age of 18.
- In 2007, we implemented a program to install automated teller machines, or ATMs, in our branch offices, which allows our customers to withdraw their loan proceeds with a debit card issued by us. As of March 31, 2017, we had 93 ATMs installed in our branch office network.
- In 2009, we launched CrediSeguro, a life and disability (partial or permanent) insurance policy. We developed CrediSeguro for low-income populations in order to meet these insurance needs at a reasonable cost. We offer CrediSeguro to our customers through the partnerships that we have developed with insurance companies such as Seguros SURA, S.A. de C.V., ACE Seguros, S.A., Chubb de México, Compañía de Seguros, S.A. de C.V., Logistics Assistance Group, S. de R.L. de C.V. and Club de Asistencia S.A. de C.V.
- In 2011, we began granting Más Nómina loans, which range from Ps.3,000 to Ps.300,000 (approximately U.S.\$160.1 to U.S.\$16,036.0) and are available to individuals between 18 and 68 years old who have been employed for a minimum of six months at the time of contracting the loan. As of March 31, 2017, our Más Nomina loans totaled Ps.612.8 million (U.S.\$32.8 million).
- In 2012, we elected to discontinue our CrediConstruye Plus product in favor of our CrediConstruye product, which is more profitable.
- In 2014, we launched our Micronegocio to target a specific segment of the self-employed market for individuals who have established a microbusiness requiring capital investment. Examples of these microbusinesses include “mom and pop” stores, corner bakeries and self-owned taxi operations. Micronegocio loans range from Ps.5,000 to Ps.15,000 (approximately U.S.\$267.3 to U.S.\$801.8), have terms ranging from 26 to 78 weeks and may be renewed.
- At the end of 2014, we relaunched CrediMama, which we briefly suspended in 2012 as a result of our decision to focus on the quality of our loan portfolio and in order to concentrate on other products.
- In 2015, we created a partnership with VirtualMarket that assists owners of small convenience stores by offering them a special cash register that provides access to benefits such as inventory management, payments to affiliated suppliers and sales of additional services such as prepaid phone minutes. In addition to these services, these owners can now also sell our loans.
- In 2016, we implemented a new branch model for direct sales in the city of Torreón. Under this model designed for small branches, our employees perform all functions relating to the origination and management of loans. We also implemented several strategies to increase our ability to identify potential clients through digital media such as Google Search and Display, Facebook, Remarketing and Gmail, among others.

The development of new products together with our organic and inorganic growth have been fundamental in our ability to serve 967,437 customers and attain a loan portfolio totaling Ps.7,381.0 million (U.S.\$394.5), in each case, as of March 31, 2017.

Strategic Network of Branch Offices with Extensive Geographic Coverage

We believe we have one of the most efficient and extensive microfinance distribution networks in Mexico. As of March 31, 2017, we had 560 branch offices providing loans, of which 502 were located in Mexico, 29 were located in the state of California in the United States and operated by AFI and 29 were located in Brazil and operated under the name Finsol Brasil. Of our 560 branch offices in Mexico, 164 are operated under the name “Independencia,” 163 under “Financiera Finsol,” and 175 under the name “Apoyo Económico Familiar.” We believe that our diversified operations mitigate the risk of regional economic slowdowns and other region-specific risks, including natural disasters. As of March 31, 2017, no borrower represented more than 1.0% 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, customer 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 branch 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 range 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.

Centralized Processes that Facilitate Efficient Growth

Within our Independencia and Finsol brands, 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 center located in the city of Aguascalientes, 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 branch 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.

Within our AEF and AFI operations, we utilize technology systems that allow us to efficiently manage the different stages of the loan process, including origination, verification, approval, renewal and collections.

High-Quality, Personalized Client Service

We seek to strengthen our relationships with existing customers and attract new customers by focusing on superior customer service. We believe that our close proximity to our customers through our extensive distribution network enhances our ability to provide high-quality, personalized customer service, fosters customer loyalty and facilitates the expansion of our customer base. Through our operation and call center in the city of Aguascalientes, or COA, we manage our national data collection center (*centro nacional de captura*), or CENCA, and our credit analysis system (*sistema integral de análisis de crédito*), or SIAC, which are responsible for telephone verification, the approval of loans and storage of data and our command center, as well as our telephone collection operations, our virtual sales operations, and our help desk. From COA, we also manage our customer assistance telephone operations, service quality monitoring, our credit card, debit card and checking account payment systems, and telemarketing for our Independencia, Finsol México and AEF operations.

In 2016, we implemented additional efforts to increase the efficiency of our operations. In order to increase flexibility and profitability, we performed an analysis of the installed capacity of each branch, measuring the time spent on each operating process. This analysis allowed us to reduce our operating costs through the reassignment of administrative staff and through the reduction of the number of personnel assigned to those activities without

negatively impacting client service. We believe that the provision of excellent customer service is fundamental to our growth and we actively manage our customer relationships, through, among other means, a highly-skilled sales force dedicated to our principal objectives and focused on providing personalized, high-quality service.

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 COA, where we have call stations and agents dedicated to telephone collections and to performing other collection-related activities. In 2013, we radically changed our collection policies for the recovery of amounts under loans in default. While our best recovery agents previously focused on loans that had been in default for extended periods of time, they are now also focused on loans that have been in default for only a few days. Under this policy, our agents perform site visits to borrowers shortly after only one default. These accounts are also contacted through our agents at our call centers. Our systematic monitoring of loans in default at an earlier stage has allowed us to improve Independencia's collection rates and reduce the number of clients in default.

Experienced Management Team and Motivated Workforce

We believe that we benefit from an experienced and talented management team. Our principal officers have an average of 19.5 years of experience in the finance industry, and we believe that they have the know-how necessary to identify and offer products and services that meet our customers' 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 customers. 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 customers by delivering personalized, high-quality customer service, growing profitability and achieving operational efficiency.

Advanced Information Technology Systems

We have developed advanced information technology systems and software to support our information management and risk management policies. For example, we developed a primary credit application using certain technology developed by third parties, including Formiik software (which registers the credit application and performs client verification), credit bureau software (which obtains an applicant's credit information) and FICO software (which supports the decision-making process and assigns a behavior score for each customer), providing functional analysis for risk management. Our technology systems have helped us to:

- (1) better serve our customers,
- (2) successfully reduce the cost and time associated with our loan approval, monitoring and collection practices,
- (3) provide follow-up and analyze our clients' credit behavior,
- (4) monitor our collection and marketing efforts,
- (5) support our growth strategy,
- (6) enhance the quality and development of our products and services,
- (7) make expedient and timely adjustments to our credit policies, and
- (8) modernize our IT platform in order to provide mobile services.

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 customers, 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 customers resulting in the implementation of our behavioral scoring model, entering into new markets, developing new products, and optimizing the loan approval and collection processes.

We have implemented a business intelligence system that allows us to have live access to a variety of financial and operational information relating to our loans and clients. In addition, our verification teams and collection agents are equipped with smartphones that utilize corporate software to increase the efficiency and agility of our collection processes through functionalities such as global positioning to verify the home and work addresses of our customers. We also utilize sophisticated software that allows us to monitor and take action in respect of late and insufficient loan payments.

In 2016, consistent with our focus on improving the efficiency of our operations, the quality of our services and our risk management through the better use of technology, we initiated the migration of our operations to cloud servers through Google Cloud Platform. Our objective is to migrate all of our applications and databases to the cloud where we will be able to manage credit origination, loan portfolio management, the recovery of past-due loans and all of the analytical processes that support our decision-making.

In 2016, we completed the process of migrating our analytics servers to Google Big Query, which included over 24 years of operational history encompassing over seven million clients and one billion transactions. Google Big Query has allowed us to exponentially improve our analytical capabilities, as certain processes that previously took us over two days can now be performed in just minutes. In particular, we have seen a reduction in processing time for analytics of up to 98%.

Access to Diverse Sources of Funding

As of March 31, 2017, our consolidated debt comprised (1) an aggregate Ps.1,501.5million in *Peso*-denominated credit-backed debt securities (*certificados bursátiles respaldados por créditos*) maturing in 2024, and (2) an aggregate Ps.5,564.5 million in loans (from both commercial and development banks) and senior notes.

We currently have access to various sources of funding, including lines of credit from financial institutions, credit-backed debt securities and cash on hand.

For example:

- On June 3, 2014, we offered and sold senior notes in the aggregate amount of U.S.\$200 million due 2019 that bear interest at the rate of 7.50% per annum, or the 2019 senior notes. The 2019 senior notes are guaranteed by our subsidiaries Financiera Finsol, AEF and Fisofo and mature on June 3, 2019. We intend to repay the remaining outstanding balance of the 2019 notes with a portion of the net proceeds of the issuance of the notes. As of March 31, 2017, the outstanding principal amount of the 2019 senior notes was U.S.\$118.5 million. Nothing in this offering memorandum shall be deemed to be a notice or communication to any holder of any of our 2022 notes in connection with the redemption or otherwise.
- In 2016, we furthered our objective of strengthening and diversifying our sources of funding and, as of March 31, 2017, we have 17 lines of credit from commercial and development banks, insurance companies and other entities. For example, our subsidiary Independencia secured credit lines from Banco Monex, S.A. Intitución de Banca Múltiple, Monex Grupo Financiero, Banco del Bajío S.A., Institución de Banca Múltiple and Grupo Jorisa, S.A. de C.V. in the aggregate amount of Ps.100.0 million, Ps.100.0 million and Ps.400.0 million respectively (U.S.\$5.3 million, U.S.\$5.3 million and U.S.\$21.4 million).

Operations Independent from Third-Party Banking Services

We benefit from a distribution network that, together with our centralized collection processes, allows us to efficiently monitor our operations with our customers without depending on third-party banks to process payments from our customers. We believe this arrangement makes our operations more efficient. We originate loans through

our own branch offices and through our network of ATMs for individual customers, and payments are predominantly made directly in our branch offices. Likewise, we have also entered into commercial agreements with convenience stores and other financial institutions for the collection of loan payments. We believe that our distribution and collection network enhances our ability to provide high-quality service to our customers and increases the strength and recognition of our brand as an integrated solution for their financing needs.

Our Strategy

Within our operations, we implement the following business strategies:

Continued improvement in the quality and profitability of our portfolios

Our five-fold strategy of (1) improving customer selection, (2) improving our credit origination and operational policies, (3) strengthening our collections process, (4) emphasizing our focus on quality and profitability with our sales and collections teams and (5) improving efficiencies and cost management has reduced our non-performing loan ratio and increased our profitability. We plan to continue improving on our practices, policies and procedures as a means of maintaining our advantage over our competitors and further improving our operations and resulting profitability.

In particular, we intend to focus on the implementation of this five-fold strategy within each of our operating subsidiaries:

- **Independencia:** continue our efforts to adapt Independencia's business model to increase its efficiencies by focusing on lower risk clients; increase the percentage of revolving loans in the Independencia loan portfolio; and develop more customized products for the informal segment with the support of AEF's loan origination methodology, while simultaneously maximizing its synergies with our other subsidiaries.
- **AEF:** improve our origination practices to improve loan portfolio quality and profitability; and expand to new markets.
- **AFI:** continue our expansion efforts outside of San Francisco, including in San José, Sacramento, Los Angeles and Anaheim, consolidate the operations of newly-opened branch offices and further strengthen AFI's support operations to increase AFI's efficiency and independence following its acquisition by us.
- **Finsol Mexico:** maintain our focus on profitable branch offices that present less risk.
- **Finsol Brasil:** continue to increase operating efficiencies and improve client relationships in order to withstand current economic and market conditions.

Diversify Our Funding Sources

We continually seek to obtain additional sources of financing in order to support the sustainable growth of our business. In recent years, we have expanded our access to lines of credit from financial institutions and to the capital markets. We plan to continue to expand, responsibly and as necessary, our access to these sources of funding. Additionally, we are exploring opportunities to increase our financial stability and stable access to funding both at the corporate group level as well as for each of the companies that comprise our corporate group. To this end, we will continue to seek to strengthen the financial position of each of our subsidiaries in order for each subsidiary to have access to funding independently from us. For example, on March 3, 2014, we issued fiduciary medium-term notes in the aggregate amount of Ps.1.5 billion (U.S.\$80.2 million) under our CNBV-authorized program for the issuance of up to Ps.5.0 billion (U.S.\$267.3 million) in fiduciary medium-term notes secured by loans issued by Independencia, AEF and Confianza Económica. We also continue to seek new credit lines and facilities from commercial and development banks and other financial entities, such as Oikocredit Ecumenical Development Cooperative Society U.A., Grupo Jorisa S.A. de C.V., Banco Monex, S.A. Intitución de Banca Múltiple, Monex Grupo Financiero, Banco del Bajío S.A., Institución de Banca Múltiple and Banco Bradesco, S.A., among others.

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. The key differentiators we intend to pursue in connection with this strategy are (1) attention to our customers' needs, (2) bringing our branch network closer to our customers and (3) providing financial consulting and education to our customers regarding the microfinance market.

Expand Our Client Base

With respect to organic growth, we plan to continue to increase our presence in the cities in which we currently operate. Following our acquisition of Finsol, we have continued to expand our customer base in rural and suburban regions of Mexico and Brazil through the organic growth of our existing branch offices and the opening of new branch offices. Our acquisition of AEF has allowed us to meaningfully enter the Mexico City metropolitan market. Likewise, following our acquisition of AFI, we began to offer our products in the San Francisco region of the state of California, including in San José, Sacramento, Los Angeles and Anaheim, and we intend to open additional branch offices to increase our market share among the Hispanic population in the United States.

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 customers' homes, when necessary. We also currently have commercial agreements with convenience stores and other financial institutions, including OXXO, Grupo Financiero HSBC Mexico, S.A. de C.V. , BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer, or BBVA Bancomer, and Banco Mercantil del Norte, S.A., Institución de Banca Múltiple Grupo Financiero Banorte, or Banorte, and Banco Nacional de México, S.A., integrante del Grupo Financiero Banamex ("Banamex"), which allow our customers to make payments to us in the branch offices of these companies. 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 continue to increase the number of locations and channels through which we accept loan repayments from our customers.

Develop New Sales Channels

Our business model relies heavily on door-to-door sales to potential customers, which is our primary sales method. We are currently exploring additional sales channels to increase 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. These joint ventures would offer retail customers a convenient way of financing purchases made in those stores through our loan products.

In November 2015, we initiated a pilot project in San Luis Potosí and Aguascalientes to sell a special product to clients of Virtual Market, an external platform that assists owners of small convenience stores by offering them a special cash register that provides access to benefits such as inventory management, payments to affiliated suppliers and sales of additional services such as prepaid phone minutes. In addition to these services, these owners can now also sell our loans. Moreover, while the owner may initiate the sale through this external platform, all loans must comply with our internal loan origination processing.

In 2016, we implemented in the city of Torreón in the Mexican state of Coahuila a new branch model for direct sales. Under this model designed for small branches, our employees perform all functions relating to the origination and management of loans. We also implemented several strategies to increase our ability to identify potential clients through digital media such as Google Search and Display, Facebook, Remarketing and Gmail, among others. In addition, we developed several communication campaigns, both short- and long-term, which we measure to identify which messages have a stronger impact on client conversion.

Invest in Our Brand

We intend to continue to build on marketing efforts that we believe have proven successful. For example, in 2010, we began to invest in marketing and advertising in order to increase the recognition of our brand thereby increasing the number of loans we originate and distinguishing ourselves from our competitors. Likewise, in 2011, we implemented new strategies to optimize our sales processes, including improving the positioning of our brand through marketing campaigns in the local newspapers of smaller communities and conducting research into the implementation of loyalty programs.

In 2014, these new strategies increased in importance, as evidenced by our development of a new channel to capture potential clients through digital media. As a result, a new department was established to focus on the coordination and monitoring of sales originated online. Furthermore, we developed a new corporate website that includes our loan application that we optimized in order to facilitate online browsing with any device.

As a result of these initiatives, we have captured new clients online and improved our online sales.

We intend to continue to invest in research in order to better understand our customers and our market as well as improve our customer service in order to generate greater customer loyalty. We also intend to increase the productivity of our operating centers, telemarketing efforts and customer services.

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 rate. We also utilize technology that enables us to increase the efficiency of our recruiting processes, including the ability to conduct video interviews with pre-recorded questions.

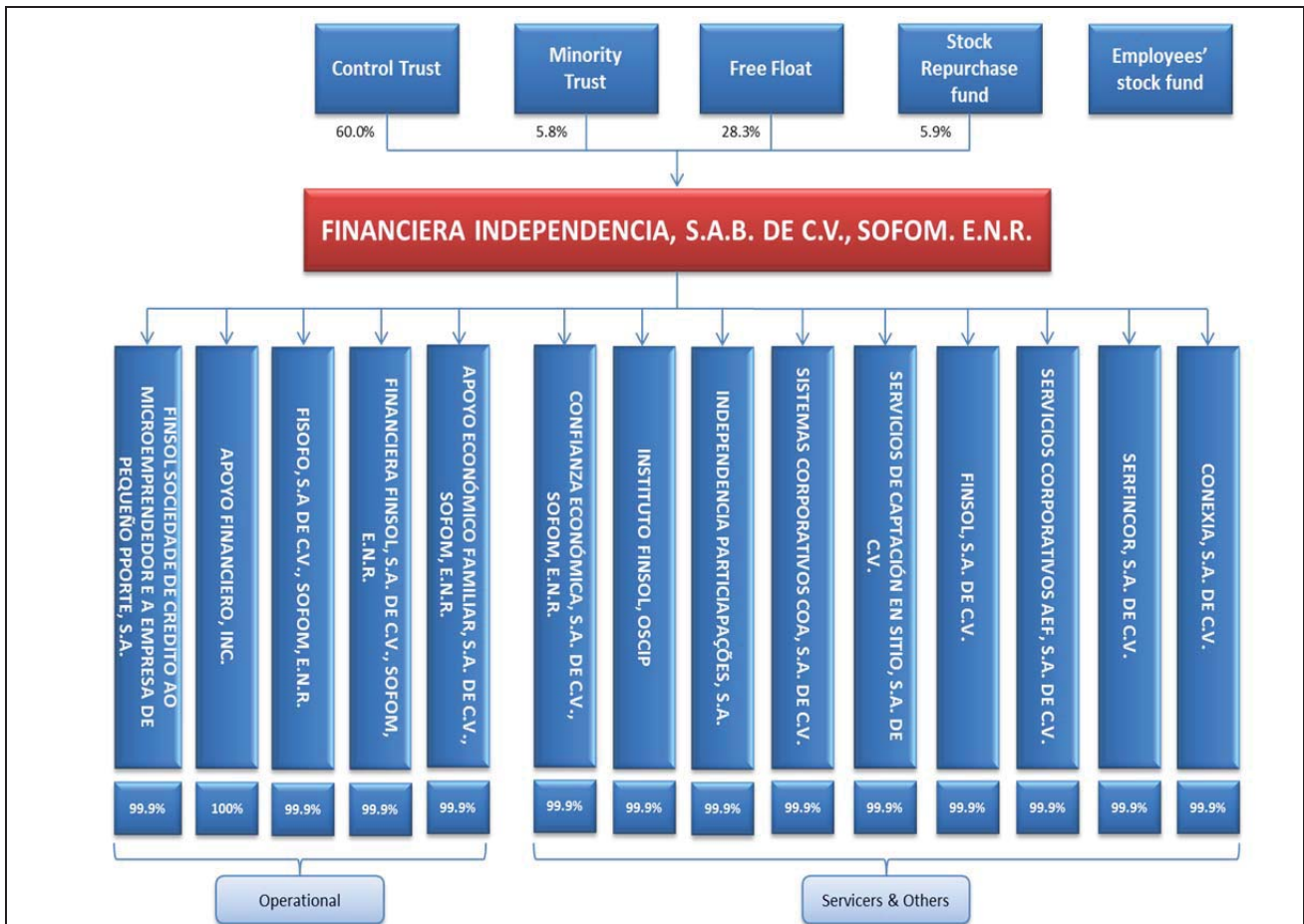
In order to promote the hiring of the most qualified individuals, our recruiting department developed a course for our branch managers and verification/collection managers for the recruitment, selection and retention of employees. We believe that this is an innovative strategy adopted by Independencia and Finsol México to standardize their platforms and enable them to work towards the same objectives.

Recent Events

On July 10, 2017, AFI's Board of Directors approved the appointment of Antonino Morales as President and Chief Executive Officer of AFI, effective on July 31, 2017 upon the resignation of AFI's current President and Chief Executive Officer, Rick Parras. Mr. Morales is a recognized professional with more than 20 years of experience working in the consumer financial services industry both in the United States and Latin America. Mr. Morales has held various senior positions at Security Pacific Financial Services, Bank of America's non-bank consumer finance company, as well as at Citigroup Consumer Finance Latin America. At the latter, he was the direct supervisor of Mauricio Galan and Rick Parras, former CEO of FINDEP and outgoing CEO of AFI, respectively. Additionally, Mr. Morales has extensive knowledge of the regulatory environment in California as well as a deep knowledge of the Hispanic market gained through many years of experience in successful entrepreneurial ventures.

Corporate Organization

The following chart reflects our ownership and corporate structure. The chart also shows our approximate direct or indirect economic ownership interest in each company.



Corporate Information

The issuer is a publicly-traded, limited liability corporation with variable capital organized under the laws of Mexico. Our principal executive offices are located at Prolongación Paseo de la Reforma 600, Local 040-E, Col. Santa Fe Peña Blanca, Delegación Alvaro Obregón, Ciudad de México, Mexico, C.P. 01210. Our telephone number is +52 (55) 5229-0200. Our website address is 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 the notes and this offering. Certain of the terms and conditions described below are subject to important limitations and exceptions. The "Description of Notes" section of this offering memorandum contains a more detailed description of the terms and conditions of the notes.

Issuer	Financiera Independencia, S.A.B. de C.V., <i>Sociedad Financiera de Objeto Múltiple, Entidad No Regulada.</i>
Notes Offered	U.S.\$250.0 million aggregate principal amount of 8.000% Senior Notes due 2024.
Offering Price	98.690%, plus accrued interest, if any, from July 19, 2017.
Maturity Date.....	July 19, 2024.
Interest Rate.....	Interest on the notes will accrue at a rate of 8.000% per annum.
Interest Payment Dates	July 19 and January 19 of each year, beginning on January 19, 2018.
Ranking	The notes will: <ul style="list-style-type: none">• be general unsecured obligations of the Company;• rank equal in right of payment with all other existing and future Senior Indebtedness of the Company (subject to certain labor, tax and social security obligations for which preferential treatment is given under Mexican insolvency and related laws);• rank senior in right of payment to all existing and future Subordinated Indebtedness of the Company, if any;• be effectively subordinated to all existing and future Secured Indebtedness of the Company to the extent of the value of the collateral securing such Indebtedness;• be unconditionally and irrevocably 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 (except to the extent that such guarantee would contravene, or result in a violation of, Mexican law or regulations applicable to such Restricted Subsidiary); and• be structurally subordinated to all existing and future Indebtedness and trade payables of the Company's Subsidiaries that do not Guarantee the notes.

Initially, Apoyo Financiero Inc., Financiera Finsol, S.A. de C.V., *Sociedad Financiera de Objeto Múltiple, Entidad No Regulada*, Apoyo Económico Familiar, S.A. de C.V., *Sociedad Financiera de Objeto Múltiple, Entidad No Regulada* and Fisofo, S.A. de C.V., *Sociedad Financiera de Objeto Múltiple Entidad no Regulada* will guarantee the notes.

As of March 31, 2017, after giving pro forma effect to the offer and sale of the notes and the application of the net proceeds from this

	<p>offering as described under “Use of Proceeds,” we had total indebtedness of Ps.7,324.0 million (U.S.\$391.5 million), of which Ps.727.1 million (U.S.\$38.9 million) was secured by collateral.</p>
Change of Control	<p>Upon the occurrence of a Change of Control Triggering Event (as defined under “Description of Notes”), we will be required to make an offer to purchase the notes at a purchase price equal to 101% of their principal amount, plus any Additional Amounts (as defined under “Description of Notes”), if any, plus any accrued and unpaid interest to, but excluding, the purchase date. See “Description of Notes — Change of Control Triggering Event.”</p>
Optional Redemption.....	<p>On or after July 19, 2021, we may, at our option, redeem the notes, in whole or in part, at any time at the redemption prices set forth in “Description of Notes—Optional Redemption,” plus any Additional Amounts, if any, plus accrued and unpaid interest to, but excluding, the date of redemption.</p> <p>Prior to July 19, 2021, we may, at our option, redeem the notes, in whole or in part, at a redemption price equal to 100% of their principal amount, plus a Make-Whole Amount, any Additional Amounts, if any, and any accrued and unpaid interest to, but excluding, the date of redemption.</p> <p>See “Description of Notes—Optional Redemption.”</p>
Optional Redemption upon Equity Sales.....	<p>At any time, and from time to time, on or prior to July 19, 2020, we may, at our option, use the net cash proceeds of certain Equity Sales to redeem up to 35% of the aggregate principal amount of the notes at a redemption price equal to 108.000% of their principal amount, plus any Additional Amounts, if any, and any accrued and unpaid interest to, but excluding, the date of redemption, <i>provided</i>, that:</p> <ul style="list-style-type: none"> • after giving effect to any such redemption at least 65% of the aggregate principal amount of the notes (including any Additional Notes) issued under the indenture remains outstanding; and • we make such redemption not more than 90 days after the consummation of such Equity Sale. <p>See “Description of Notes—Optional Redemption—Optional Redemption upon Equity Sales.”</p>
Tax Redemption	<p>We may redeem the notes, in whole but not in part, at a redemption price equal to 100% of their principal amount, plus any Additional Amounts, if any, and any accrued and unpaid interest to, but excluding, the date of redemption, if tax laws currently in effect are modified and the change results in us becoming obligated to pay Additional Amounts in excess of current withholding tax rates of 4.9% with respect to the notes. See “Description of Notes— Optional Redemption—Optional Redemption for Changes in Withholding Taxes.”</p>
Additional Amounts	<p>Subject to certain specified exceptions, we 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 withholding or deduction of tax, will not be less</p>

	<p>than the amount each holder of notes would have received if such withholding or deduction had not applied. See “Description of Notes—Additional Amounts.”</p>
Certain Covenants.....	<p>The indenture governing the notes will limit, among other things, our ability and the ability of our restricted subsidiaries to:</p> <ul style="list-style-type: none"> • incur additional indebtedness; • pay dividends or redeem capital stock; • make other restricted payments; • enter into certain transactions with affiliates; • secure our indebtedness and the indebtedness of our subsidiaries; • guarantee debts; and • sell, consolidate, merge or transfer assets. <p>These covenants are subject to a number of important exceptions and qualifications. See “Description of Notes—Certain Covenants.”</p>
Events of Default.....	<p>The indenture governing the notes sets forth the events of default applicable to the notes. See “Description of Notes—Events of Default.”</p>
Further Issuances.....	<p>Subject to the limitation contained in the indenture, we may from time to time and without providing notice to or obtaining the consent of the holders of the notes issue an unlimited principal amount of Additional Notes of the same series as the notes initially issued in this offering, provided, that unless such Additional Notes are issued under a separate CUSIP number, either such Additional Notes are part of the same “issue” for U.S. federal income tax purposes or are issued pursuant to a “qualified reopening” for U.S. federal income tax purposes.</p>
Use of Proceeds.....	<p>We estimate that we will receive net proceeds from the offer and sale of the notes, after deducting discounts and commissions to the initial purchasers but before the payment of other offering expenses, of approximately U.S.\$244.1 million.</p> <p>We intend to use the net proceeds from this offering (1) to repay the outstanding principal, interest and premium totaling approximately U.S.\$125.8 million in respect of our 2019 notes, (2) to repay certain of our other indebtedness (potentially including indebtedness we incurred with certain affiliates of the initial purchasers) and (3) to the extent any proceeds remain, for general corporate purposes. Nothing in this offering memorandum shall be deemed to be a notice or communication to any holder of any of our 2022 notes in connection with the redemption or otherwise.</p> <p>See “Use of Proceeds.”</p>
Taxation.....	<p>For a summary of the U.S. federal income tax consequences and the</p>

	Mexican federal income tax consequences of an investment in the notes, see “Taxation.”
Book-Entry; Delivery and Form.....	The notes will be issued in the form of global notes in registered, global form without interest coupons. The global notes will be exchangeable or transferable, as the case may be, for definitive notes in registered certificated form without interest coupons only in limited circumstances. The notes will be issued in registered form in denominations of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof. See “Book-Entry; Delivery and Form.”
Settlement.....	The notes will be delivered in book-entry form through the facilities of DTC for the accounts of its direct and indirect participants.
Transfer Restrictions.....	This offering is being made in accordance with Rule 144A and Regulation S under the Securities Act. We have not and will not register the notes under the Securities Act or the securities laws of any other jurisdiction. The notes are subject to restrictions on transfer and may only be offered in transactions exempt from or not subject to the registration requirements of the Securities Act. As required under Article 7, second paragraph of the Mexican Securities Market Law, we will notify the CNBV of the terms and conditions of this offering of the notes outside of Mexico. The notes have not been and will not be registered with the RNV maintained by the CNBV and may not be offered or sold publicly in Mexico, except that the notes may be offered privately in Mexico pursuant to the private placement exemption set forth in Article 8 of the Mexican Securities Market Law to institutional and accredited investors. See “Transfer Restrictions.”
Listing of the Notes	We intend to apply to list the notes on the Singapore Stock Exchange.
Governing Law	The indenture and the notes will be governed by, and construed in accordance with, the laws of the State of New York.
Trustee, Registrar, Transfer Agent and Paying Agent	The Bank of New York Mellon
Singapore Listing Agent.....	Colin Ng & Partners LLP
Risk Factors	Prospective purchasers of notes should consider carefully all of the information included in this offering memorandum and, in particular, the information set forth under “Risk Factors” before making an investment in the notes.

SUMMARY 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,” “Selected Consolidated Financial and Other Information,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” “Selected Statistical Information” and our financial statements and related notes 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 and statement of income data as of March 31, 2017 and the statement of income data for the three-month periods ended March 31, 2017 and 2016 are derived from our unaudited interim financial statements included elsewhere in this offering memorandum. The balance sheet and statement of income data as of and for the years ended December 31, 2016, 2015 and 2014 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.

Our financial statements have been prepared in accordance with Mexican Banking GAAP. Mexican Banking GAAP differs in certain significant respects from U.S. GAAP. See “Annex A: Summary of Certain Significant Differences Between Mexican Banking GAAP and U.S. GAAP” for a description of certain differences between Mexican Banking GAAP and U.S. GAAP as they relate to us.

	For the Three-Month Period Ended March 31,			For the Years Ended December 31,			
	2017	2017	2016	2016	2016	2015	2014
	<i>(In millions of U.S.\$, unless otherwise indicated) (1)</i>			<i>(In millions of U.S.\$, unless otherwise indicated) (1)</i>			
	<i>(in millions of Ps., unless otherwise indicated)</i>			<i>(in millions of Ps., unless otherwise indicated)</i>			
Statement of Income Data:							
Interest income	64.1	1,199.8	1,162.3	250.8	4,692.6	4,848.7	4,900.7
Interest expense	(8.5)	(159.8)	(157.0)	(33.6)	(627.7)	(616.4)	(676.1)
Financial margin	55.6	1,040.0	1,005.3	217.3	4,065.0	4,232.3	4,224.6
Provision for loan losses (2).....	(15.2)	(283.6)	(292.3)	(63.0)	(1,177.7)	(1,449.0)	(1,375.7)
Financial margin after provision for loan losses	40.4	756.4	713.0	154.3	2,887.3	2,783.2	2,848.9
Commission and fee income	6.7	124.9	121.3	26.5	495.9	587.5	657.0
Commission and fee expense	(1.1)	(20.3)	(18.1)	(4.5)	(84.0)	(76.3)	(80.2)
Trading income (expense)	1.0	18.3	(0.5)	4.8	90.1	(0.1)	(40.1)
Other revenue from operating income	3.6	68.0	61.8	15.5	290.7	293.1	343.7
Administrative and promotional expenses	(45.9)	(857.9)	(800.6)	(179.2)	(3,352.0)	(3,303.8)	(3,291.5)
Income (loss) from operations	4.8	89.4	76.9	17.5	328.0	283.5	437.8
Current income tax expense	(1.8)	(33.4)	(27.5)	(6.8)	(127.0)	(140.2)	(126.3)
Deferred income tax benefit (expense)	0.7	12.4	3.6	1.8	33.0	65.7	6.5
Net income	3.7	68.4	53.0	12.5	234.0	209.0	318.0
Weighted average number of shares (millions)	676.8	676.8	682.1	681.1	681.1	684.1	683.4
Earnings (loss) per share	U.S.\$0.0051	Ps.0.1010	Ps.0.0778	U.S.\$0.0183	Ps.0.3435	Ps.0.3056	Ps.0.4653

- (1) Solely for the convenience of the reader, statement of income and balance sheet data expressed in U.S. dollars have been translated at the rate of Ps.18.7079 per U.S.\$1.00, the exchange rate published by the Mexican Central Bank in the Federal Official Gazette on March 31, 2017 as the rate for the payment of obligations denominated in non-Mexican currency payable in Mexico. See “Presentation of Financial and Other Information” and “Exchange Rates.”
- (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 and for the Three-Month Period Ended March 31,			As of and for the Year Ended December 31,			
	2017	2017	2016	2016	2016	2015	2014
	<i>(In millions of U.S.\$, unless otherwise indicated) (1)</i>	<i>(in millions of Ps., unless otherwise indicated)</i>		<i>(In millions of U.S.\$, unless otherwise indicated) (1)</i>	<i>(in millions of Ps., unless otherwise indicated)</i>		
Balance Sheet Data:							
Funds available	26.3	491.8	582.3	32.1	600.9	599.9	463.9
Derivatives	28.5	533.0	980.1	43.8	820.3	889.5	359.8
Total loans, net.....	373.6	6,989.5	6,476.9	376.2	7,037.7	6,635.8	6,562.0
Other accounts receivable, net.....	28.6	535.1	418.7	26.9	503.8	449.9	316.1
Property, plant and equipment, net	17.4	325.3	313.2	17.8	332.2	316.6	329.5
Deferred taxes, net.....	47.4	887.2	842.3	46.8	875.0	838.2	908.8
Other assets, net	105.9	1,980.5	2,088.9	106.1	1,985.2	2,088.9	2,167.6
Total assets.....	627.7	11,742.4	11,702.3	649.7	12,155.3	11,819.0	11,107.6
Securitization certificates	80.3	1,501.5	1,500.8	80.3	1,501.7	1,500.7	1,501.1
Borrowings from banks and other entities	297.4	5,564.5	5,738.0	316.7	5,924.1	6,007.9	5,684.5
Deferred loans and advanced collections.....	1.1	21.4	24.1	1.2	22.2	24.3	25.2
Other accounts payable.....	33.8	631.8	514.9	35.1	657.0	529.3	392.7
Total liabilities.....	412.6	7,719.2	7,777.8	433.2	8,105.0	8,062.2	7,603.6
Total stockholders' equity	215.1	4,023.2	3,924.5	216.5	4,050.3	3,756.8	3,504.0
Total liabilities and stockholders' equity	627.7	11,742.4	11,702.3	649.7	12,155.3	11,819.0	11,107.6

- (1) Solely for the convenience of the reader, statement of income and balance sheet data expressed in U.S. dollars have been translated at the rate of Ps.18.7079 per U.S.\$1.00, the exchange rate published by the Mexican Central Bank in the Federal Official Gazette on March 31, 2017 as the rate for the payment of obligations denominated in non-Mexican currency payable in Mexico. See "Presentation of Financial and Other Information" and "Exchange Rates."

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 countries considered emerging markets 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, U.S. and Brazilian populations, which may pose risks not generally associated with other forms of lending. Our target market in Mexico is primarily individuals earning between one and five times the Mexico City minimum monthly wage (Ps.2,401.2 and Ps.12,006.0 per month (U.S.\$128.3 and U.S.\$641.8 per month)), represented by the “Cm” through “D-” socioeconomic levels as defined by the AMAI. Our customers typically have limited or no credit history, belong to both the formal and informal economy (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 most of 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 require additional capital or 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 lenders, banks and financial institutions, as well as state-sponsored social programs, may adversely affect our profitability and position.

We face competition from lenders that target the low-income segments of the Mexican, U.S. and Brazilian populations, particularly savings institutions, cooperatives, credit unions, retailers, consumer loan and informal loan providers, Sofols and other Sofoms (in Mexico), savings and lending associations, banks and other financial institutions comprising the traditional financial sectors in the markets in which we operate and non-governmental organizations, or NGOs. In addition, we face competition from the public sector, as the Mexican, U.S. and Brazilian governments currently engage or may engage in their own microfinance lending programs. We may also face competition from entities that currently do not engage in microfinance lending but that are attracted to the industry in light of its growth potential and prospects and are likely to have access to funding capital. We anticipate that we may encounter greater competition as we continue to expand our operations in Mexico and abroad and as our business becomes increasingly well known. The extensive competition we face is also extenuated by the low-level of customer loyalty within the low-income segment. Institutions with which we may compete may have significantly greater assets and capital, name recognition, geographic penetration, access to experienced management 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 markets 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.

The success of our operations and our profitability depend, in part, on the success of new products and services we offer our customers. 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, U.S. and Brazilian populations. However, we cannot guarantee that we will develop any such products or services or that these new products and services will be attractive or 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 or different 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 successful in our plans for growth and the diversification of our business, and we may need to incur additional costs in order to carry out these plans. Any failure to execute our plans or incurrence of additional costs could have 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 capitalization levels, our future financial position, results of operations and cash flows; any necessary government regulatory approvals and macroeconomic, political and other conditions in Mexico, the U.S. and Brazil. We may not be able to obtain needed additional funding in a timely manner or on acceptable terms or at all, which could have an adverse effect on our business, financial condition and results of operations. Currently our funding is through lines of credit with HSBC Mexico, Nacional Financiera, Sociedad Nacional de Crédito, Institución de Banca de Desarrollo, or Nafinsa, BBVA Bancomer, Scotiabank Inverlat, the Mexican Central Bank as fiduciary for the Mexican Government for Agricultural Trusts (*Fiduciario del Gobierno Federal en los Fideicomisos Instituidos en Relación con la Agricultura*), or Fira, Nacional Financiera, Sociedad Nacional de Crédito, as Fiduciary for the National Program for the Financing of Microbusiness Owners (*Fiduciaria en el Fideicomiso del Programa Nacional de Financiamiento al Microempresario*), or Pronafim, Bridge Bank, National Association, Banco Bradesco, S.A., Banco Monex, S.A., Institución de Banca Múltiple, Monex Grupo Financiero, Banco del Bajío, S.A., Institución de Banca Múltiple, Grupo Jorisa, S.A. de C.V., Oikocredit Ecumenical Development Cooperative Society U.A., Seguros SURA, S.A. de C.V., and credit-backed debt securities that are registered with the RNV and traded on the Mexican Stock Exchange. We have also offered and sold senior notes that are listed on the Luxemburg 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.

Our future ability to access financial markets in order to obtain required funding on acceptable terms will also depend to a large degree on prevailing capital and financial market conditions over which we have no control, and accordingly we cannot assure you that we will be able to do so. Our failure to generate sufficient cash flows from operations or to obtain external financing could have a material adverse effect on our business, financial condition and results of operations.

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

Our credit ratings are an important part of our liquidity profile and are based, among other factors, 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 negatively impact our ability to obtain funding at competitive rates, which may in turn have a material adverse effect on our business, results of operations, prospects and financial condition.

Our current business model relies heavily on our ability to originate new loans.

Currently our income is materially dependent on our ability to originate new loans on terms attractive to us. If we are unable to originate new loans on favorable terms, our results of operations and financial position may be adversely affected, since we do not engage in full banking lines of business that could compensate for a decrease of the income derived from our loan origination business.

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.

In recent years, interest rates in Mexico have remained at historically low levels; however, we cannot assure you that interest rates will remain at such levels in the future. A sustained increase in interest rates would increase our financing costs and may result in a decrease in demand for our financing products. In the event of an increase in interest rates, we may also need to readjust our portfolio of assets and liabilities in order to minimize risks and maintain our profitability. In addition, an increase in interest rates could negatively affect the Mexican economy and the financial condition of our customers and their ability to repay their obligations to us, which could result in a deterioration in the quality of our portfolio. Furthermore, volatility in exchange rates and interest rates could also affect the ability of our customers to repay their obligations to us, which could result in an increase in non-performing leases and loans, and therefore could have a material adverse effect on our business, financial condition and results of operations.

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

We have entered into, and may continue to enter into, cross currency swaps to manage the risk profile associated with currency and interest rate exposure of our debt offerings or bank credit lines, including the notes offered hereby. The use of such financial instruments may result in mark-to-market losses. These mark-to-market losses are caused by decreases in the fair value of cross currency swaps attributable to the appreciation of the *Peso* against the U.S. dollar or fluctuations in interest rates in Mexico.

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

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, the U.S. and Brazil, market and regulatory trends or perceptions, changes to accounting principles or reserve requirements 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.

We may be unsuccessful in developing strategies to manage certain of the mismatches between our liabilities and our assets.

We originate various types of loans and our other assets, such as our investments, may also have varying characteristics with regards to term, rates of return and currency. Likewise, our liabilities may also have varying characteristics in relation to these factors. These obligations may be short-, medium- or long-term, may be based upon fixed or variable interest rates, may be issued in different currencies and may take the form of capital market or bank financing issued in Mexico or abroad.

There can be no assurance that any risk management strategies we employ to manage certain of these mismatches will be successful given that circumstances outside of our control may affect these strategies. In the event that our assets are not sufficiently liquid to meet our maturing liabilities, we may be required to obtain funding to cover this deficiency at unfavorable terms or to realize certain assets earlier than anticipated. We may also be unable to comply with our payment obligations under our financings. If any of these events were to occur, our business, results of operations, prospects and financial condition may be materially 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. In addition, regulation in the other jurisdictions where we operate may adversely affect us.

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 that we may charge in connection with credit transactions in Mexico. However, the authorities responsible for administering and promulgating such laws and regulations in the countries in which we operate could, in the future, impose limitations, information requirements or other requirements in respect of such interest rates, fees or commissions that are charged by us.

Any legislative or regulatory actions and any required changes to our business operations resulting from such legislation and regulations could result in significant loss of revenue, limit our ability to pursue certain business opportunities, increase the level of reserves we are required to maintain or capital adequacy requirements, affect the value of assets that we hold, require us to increase our prices and, therefore, reduce demand for our products, impose additional costs on us or otherwise adversely affect our businesses. Accordingly, there can be no assurance that future changes in regulations or in their interpretation or application will not adversely affect us. Changes in regulations may also cause us to face increased compliance costs and limitations on our ability to pursue certain business opportunities and provide certain products and services.

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 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.” Our business, results of operations, prospects and financial condition could be adversely affected by changes in existing laws and regulations.

In the United States, we are required to comply with an array of federal, state and local laws and regulations that regulate, among other things, the manner in which we conduct our loan origination and servicing activities, the terms of our loans and the fees that we may charge. In addition, our ability to collect on our loans may be adversely affected by laws limiting the garnishment of wages. A material or continued failure to comply with any of these laws or regulations could subject us to lawsuits or governmental actions and/or damage our reputation, which could materially adversely affect our business, financial condition and results of operations.

In Brazil, we are subject to significant regulation, including consumer protection laws. Such laws and regulations may adversely affect our business, financial condition and results of operations.

The Mexican Supreme Court of Justice has ruled that Mexican judges are entitled, in their sole discretion, to reduce interest rates agreed in a promissory note that are considered inequitable.

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

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 operation center in the city of 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, violations of privacy laws 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 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.

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 MIS in a timely manner could adversely affect our competitiveness, thereby affecting our business, results of operations, prospects and financial condition.

We may experience operational problems or errors.

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

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

We own 36 trademarks and 23 commercial advertisements registered with the Mexican Institute for Intellectual Property (*Instituto Mexicano de la Propiedad Industrial*), one trademark duly registered with the United States Patent and Trademark Office and two trademarks duly registered with the National Institute of Intellectual Property

in Brazil. We believe that our commercial advertisements, trademarks and other intellectual property are fundamental to our name recognition and the continued success of our business. Any infringement of our intellectual or industrial property rights or any failure to register or maintain these rights in the international jurisdictions in which we operate may result in (1) litigation requiring that we dedicate substantial time and resources to defend our intellectual and industrial property and/or (2) the potential loss of our ability to use our trademarks. We rely on trademark laws to protect our proprietary rights. The success of our business depends in part upon our continued ability to use our trademarks to increase brand awareness and further develop our brand in both the Mexican and international markets. We cannot assure you that all of the steps we have taken to protect our trademarks in Mexico and other countries will be adequate to prevent infringement of our trademarks by others. The unauthorized reproduction of our trademarks could diminish the value of our brand and its market acceptance, competitive advantages or goodwill, which could adversely affect 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 with critical skills could materially adversely affect our business (including our ability to execute our business strategy), financial condition and results of operations. In addition, in line with our planned expansion, our future success also depends on our continuing ability to identify, hire, train and retain other qualified sales, marketing, collections and managerial personnel. Competition for such qualified personnel is intense and we may be unable to attract, integrate or retain qualified personnel at levels of experience or compensation that are necessary to maintain our quality and reputation or to sustain or expand our operations. For example, we continue to experience high rates of turnover among our sales force, which may in turn impact our productivity. Our business, results of operations, prospects and financial condition could therefore be adversely affected if we cannot continue to attract and retain these necessary personnel.

We may be exposed to additional labor-related expenses.

Other than managerial and certain administrative employees, as of December 31, 2016, 75.0% of our labor force employed through our subsidiaries Serfincor, Servicios Corporativos COA and Servicios AEF, are affiliated with labor unions. Wages, salaries, benefits, staffing levels and other terms are negotiated pursuant to collective bargaining agreements. Wages and salaries are adjusted annually, while other employment terms are adjusted every two years. 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, Servicios Corporativos COA and Servicios AEF, 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 Servicios AEF share profits with their employees as required by Mexican law.

In the event that we were compelled to provide profit sharing benefits in respect of the 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.

We are a non-regulated Sofom (*sociedad financiera de objeto múltiple, entidad no regulada*), and, other than the requirement that we report our financial results in Mexican Banking GAAP, we are generally not subject to the requirements and regulations applicable to regulated Sofoms, banks and other regulated financial institutions in Mexico, except for anti-money laundering regulations and other regulations directly applicable to Sofoms. However, even though we are a non-regulated Sofom, we are subject to certain regulation by Mexican governmental authorities, particularly CONDUSEF and CNBV.

Our business, financial condition and results of operations have been, and may continue to be, adversely affected by U.S. and international financial market and economic conditions.

The global economy has recently experienced a period of slowdown and volatility and has been adversely affected by a significant lack of liquidity, loss of confidence in the financial sector, disruptions in the credit markets, reduced business activity, rising unemployment and erosion of consumer confidence. The considerable decline in oil prices and the U.S. presidential election in 2016 have had a significant impact on the worldwide economy and in Mexico.

The Mexican economy and the market value of securities issued by Mexican issuers or their subsidiaries may be, to varying degrees, affected by economic and market conditions in the United States. Economic conditions in Mexico are highly correlated with economic conditions in the United States as a result of NAFTA, and there are high levels of economic activity between the two countries. The current U.S. governmental policies towards Mexico have created instability, uncertainty and may adversely affect the Mexican economy. The results of such policies, notably the possible renewal and renegotiation of NAFTA between the U.S., Canada and Mexico, remain highly uncertain at this time. Any amendments to NAFTA on terms less favorable to Mexico with respect to global trade symmetry or which may otherwise undermine the ability to trade or prevent the progress towards a more competitive North America, or even the withdrawal by any party of NAFTA, could significantly affect the Mexican economy and the financial markets in Mexico. Additionally, the current U.S. government has announced plans to institute import tariffs and to control illegal immigration from Mexico, which may create friction between the U.S. and Mexican governments and reduce economic activity between those countries.

Furthermore, future increases by the U.S. Federal Reserve of the target range for the federal funds rate in the United States may adversely affect the Mexican economy or the value of securities issued by Mexican companies, including as a result of any precipitous unwinding of investments in emerging markets, depreciations and increased volatility in the value of their currency and higher interest rates in respect of financings. Consequently, financings denominated in pesos or other foreign currencies may increase costs for Mexican borrowers, affecting in turn their financial conditions and results of operations.

Additionally, there is uncertainty in the global markets as a result of the referendum that took place in June 2016 with regards to the United Kingdom's membership in the European Union and the decision to leave the European Union, known as "Brexit." It is probable that the choice of leaving the European Union will generate a significant impact in the macroeconomic conditions of the United Kingdom, the European Union and the rest of the world. In the days following Brexit announcement, there were important devaluations of the British pound and the performance of the global financial markets. Although the long-term effects of Brexit in the capital markets, currency markets and in the policies and macroeconomic situation are uncertain, a period of instability and volatility in the global markets may continue until the terms and conditions of the United Kingdom's exit from the European Union are made clear. As a result, Brexit may have an adverse effect on the political, regulatory, economic or market conditions and contribute to the instability of the global political institutions, regulatory agencies and financial markets, any of which may have an adverse effect in the our business and financial results.

The uncertainty of such policies and/or a worsening of other economic and political conditions worldwide could have the following effects:

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

The persistence or worsening of the distortion and volatility of the global economy and the financial markets could adversely affect us, including our ability to raise capital and liquidity on favorable terms or at all. The absence

of sources of financing through the capital markets or an excessive increase in the cost of such financing may have the effect of increasing our cost of capital and force us to increase the rates we charge our customers. Any such increase in the cost of financing could have a material adverse effect on our margins. In addition, our financial results are exposed to market risks, including interest rate and exchange rate fluctuations, which can have a material adverse effect on our financial condition and results of operations.

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

Demand for the loan products we offer depends on economic conditions, including gross domestic product, or GDP, growth rates, inflation, unemployment, the cost of energy and other necessities, the availability of consumer credit, interest rates, consumer confidence, retail trends and foreign currency exchange rates. These economic conditions are beyond our control. If economic conditions worsen, demand for consumer goods will likely decline. Our ability to receive payments on our loans in full and on time is also heavily dependent on the financial condition of borrowers, which is in turn heavily dependent on economic conditions. Worsening economic conditions, most notably rising unemployment and decreased government spending, could negatively impact the financial condition of existing and potential borrowers, which could in turn both increase the share of our existing loans that are non-performing, thereby creating losses in and reducing the profitability of our loan portfolio, and adversely affect the creditworthiness of Mexican, U.S. and Brazilian consumers, thereby reducing our loan approval rate. The occurrence of any of these events may materially and adversely affect our business, financial condition and results of operations.

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

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

In addition, government forecasts of Mexico's economic growth may affect rating agencies' perception of the country. Furthermore, the Mexican Congress approved a reduction in the Mexican government's budgetary expenditures for 2017 fiscal year, which may affect economic activity and investment. Moody's changed the outlook of Mexico's debt to negative and the Mexican government lowered its GDP growth forecast for 2017, which may have a negative effect on Mexico's credit ratings issued by international rating agencies, which may, in turn, adversely affect our business, financial condition and results of operation.

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

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

we are unable to generate cash to service, repay or refinance our indebtedness, our business, financial condition or results of operations may be materially and adversely affected.

Loans to low-income individuals pose unique risks not generally associated with other forms of lending.

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

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

In the last seven years, we made several significant acquisitions. We acquired Finsol in February 2010, a majority interest in the equity capital of AFI in February 2011 (followed by the remaining interest in December 2013) and AEF in March 2011. We will continue to evaluate acquisition and partnership opportunities in Mexico and abroad (including investments in regulated businesses) as they arise and there can be no assurance that our evaluations will result in any such transaction in the near term. We face a variety of uncertainties and challenges relating to past and potential future acquisitions and investments, including achieving expected synergies, retaining key employees, integrating operational and financial systems, maintaining levels of revenue and profitability, securing governmental approvals and minimizing exposure to potential liabilities, inability to quickly modify accounting standards, difficulties in retaining customers of the acquired businesses, unforeseen liabilities or contingencies relating to the acquired businesses, including legal claims, and the possible existence of regulatory restrictions that prevent us from achieving the expected benefits of the acquisition or that require divestitures of acquired assets. These risks, and the possibility that integration of any recent or future acquired business could require a significant amount of the time and resources of our management and employees, could disrupt our ongoing business and could have a material adverse effect on our business, financial condition and results of operations.

We may not be successful in our plans for growth, development, diversification or other strategic transactions.

The microfinance industry is highly competitive and is currently experiencing increasing levels of consolidation in which we may participate in order to grow and diversify our business. We may not, however, be successful in realizing these plans, or they may require us to incur additional costs, which could have a material adverse effect on our business, financial conditions and results of operations and prospects. In particular, from time to time we consider opportunities to enter into strategic transactions, including mergers, acquisitions and divestments relating to us and/or our subsidiaries. There can be no assurance, however, that we will realize the benefits of any such strategic transaction or that any such strategic transaction will not materially adversely affect us. For example, we may be unable to realize the anticipated synergies resulting from acquisitions and any divestments may not prove beneficial to us.

Our indebtedness may adversely affect our financial health and operating flexibility and your investment in the notes.

Our indebtedness and other financial obligations increase the possibility that we may be unable to generate cash sufficient to pay, when due, the principal of, interest on, or other amounts due, in respect of our indebtedness, including the notes. Our indebtedness may also have other significant consequences. For example, our indebtedness may:

- increase our vulnerability to general adverse economic, competitive and industry conditions;

- limit our ability to obtain additional financing in the future required for working capital, capital expenditures, debt, service requirements, acquisitions, general corporate purposes or other purposes on satisfactory terms or at all;
- require us to dedicate a substantial portion of our cash flow from operations to the service of our indebtedness, thereby reducing the funds available to us for operations and our ability to take advantage of any future business opportunities;
- expose us to the risk of increased interest rates as certain of our borrowings are at variable rates of interest;
- expose us to the risk of the acceleration of our outstanding indebtedness should we be in default under the terms of the agreements underlying our indebtedness and the risk of insolvency;
- restrict us from making strategic acquisitions or cause us to make non-strategic divestitures;
- limit our planning flexibility for, or ability to react to, changes in our business and the industries in which we operate;
- limit our ability to adjust to changing market conditions, react to competitive pressures and adverse changes in government regulation;
- limit our ability or increase the costs to refinance our indebtedness;
- impose significant operational and financial restrictions on us, such as our capacity to (1) pay dividends or buy back capital stock, (2) make investments, (3) create liens, (4) enter into transactions with affiliates, (5) sell assets, and (6) consolidate or merge;
- limit our ability to enter into marketing and hedging transactions by reducing the number of counterparties with whom we can enter into such transactions, as well as the volume of those transactions; and
- place us at a competitive disadvantage with competitors who may have less indebtedness and other obligations or greater access to financing.

The occurrence of any of these and other risks related to our indebtedness may have a material adverse effect on our business, results of operations and financial condition. Moreover, if we are unable to comply with the provisions of our debt instruments and are unable to obtain a waiver or amendment, the indebtedness outstanding under our debt instruments could be accelerated. Acceleration of these debt instruments could have a material adverse effect on our business, results of operations and financial condition and may affect our ability to comply with our obligation under the notes.

Class actions may be initiated against us by the Comisión Nacional para la Protección y Defensa de los Usuarios de Servicios Financieros or CONDUSEF; CONDUSEF has broad discretionary authority to regulate us, which may impact our business, financial condition and results of operations.

According to the Law for the Protection and Defense of Financial Services Users (*Ley de Protección y Defensa al Usuario de Servicios Financieros*) pursuant to which, among other things, CONDUSEF is entitled to initiate class actions against Mexican financial institutions, in connection with events affecting groups of users of financial services. Although there is limited experience in Mexico in connection with class actions, a class action initiated against us could adversely affect our business, financial condition and results of operations.

CONDUSEF has broad powers to regulate our activities and activities of Mexican financial institutions, which may have an adverse impact on us. Under the Law for the Protection and Defense of Financial Services Users, CONDUSEF is entitled (1) to order amendments to our standard form commercial documentation (such as loan and account agreements) if CONDUSEF deems that provisions included in such agreements are detrimental to users, and (2) to order the attachment of our assets for the benefit of our customers. CONDUSEF has broad and discretionary authority to take this and other similar actions, including the imposition of laws and the publication of information, such as imposing fines that may be detrimental to our business and reputation. Actions taken by CONDUSEF

against us, whether on an isolated or recurrent basis, may have a material adverse impact on us, and we cannot predict the nature of any such actions at this time.

We may be subject to penalties due to our advertising.

Because we are active in financial advertising, we could be subject to penalties based on unfair competition if such advertising includes incorrect or incomplete information, or if such information is likely to lead to a mistake regarding the Company's credit products being in accordance with applicable law. Furthermore, we may be subject to penalties if we send advertising that offers our products or services to those customers who have expressly requested not to receive such advertising. These events could adversely affect our business, financial condition and results of operations.

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

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

Risks Relating to the Countries In Which We Operate

Adverse economic conditions in the countries in which we operate may result in a decrease in our sales and revenues.

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

In 2008, the Mexican economy experienced a significant deterioration as a result of the global financial crisis. Foreign consumer demand deteriorated significantly, particularly in the manufacturing sector, which also affected domestic consumer demand, with lower investment and consumption. As a result of a sharp decline in foreign consumer demand, Mexican exports fell drastically in key industries such as the automotive and electrical equipment industries. The Mexican financial sector was strongly affected by volatility.

While market conditions improved in 2010, 2011 and 2012, in 2013, Mexico's GDP decelerated to 1.1%. Notwithstanding, from 2014 to 2016, Mexico's GDP increased to 2.7%, 2.5% and 2.3% in 2014, 2015 and 2016, respectively. A deterioration of the Mexican economy 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 contract due to a decrease in the credit quality of our customers or deteriorate as a result of higher delinquency rates. These factors could materially adversely affect our business, results of operations, prospects and financial condition.

In addition to volatile economic conditions in Mexico, recent economic instability in Brazil has contributed to a decline in market confidence in the Brazilian economy as well as to a deteriorating political environment. Weak macroeconomic conditions in Brazil are expected to continue throughout 2017. In addition, various currently ongoing investigations into allegations of money laundering and corruption being conducted by the Office of the Brazilian Federal Prosecutor have negatively impacted the Brazilian economy and political environment. We have

no control over, and cannot predict, whether such investigations or allegations will lead to further political and economic instability in Brazil or whether new allegations against government officials will arise in the future.

The United States has also experienced a period of economic slowdown and a recession in recent years. This period has been accompanied by decreases in demand. High unemployment, decreases in home values, and lack of availability of credit due to economic turmoil may lead to increased default rates for our loans in the United States.

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

We are incorporated in Mexico, and the majority of our assets and operations are located in Mexico. As a result, we are subject to political, economic, legal and regulatory risks specific to Mexico. The Mexican federal government has exercised, and continues to exercise, significant influence over the Mexican economy. Accordingly, Mexican federal governmental actions and policies concerning the economy, state-owned enterprises and state-controlled, -funded or -influenced financial institutions could have a significant impact on private-sector entities in general and on us in particular, and on market conditions, including prices and returns on Mexican securities, including ours.

Also, the Mexican government may implement significant changes in laws, public policies and or regulations that could affect political and economic conditions in Mexico, which could adversely affect our business and financial condition. Our business, financial condition and results of operations, may be adversely affected by changes in policies or regulations involving, among others:

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

Applicable Mexican law does not currently impose any limit on the interest rate we may charge a customer. However, Mexican law could change, and our loans could become subject to interest rate caps. If Mexican law were to change in these ways, or if other changes to Mexican law were to occur it could become financial impossible or impractical to continue offering loans to many of our customers and our business, financial condition and results of operations could be materially and adversely affected. Accordingly, there can be no assurance that future changes in regulations or in their interpretation or application will not adversely affect us.

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

Following Enrique Peña Nieto's election as President of Mexico in 2012, the Congreso de la Unión de los Estados Unidos Mexicanos ("Mexican Congress") became politically divided, as his political party, the Partido Revolucionario Institucional ("PRI"), does not have majority in the Mexican Congress. In 2015, federal elections for the House of Deputies and nine governorships took place, with the PRI winning 207 of the 500 seats, while the *Partido Acción Nacional* and the *Partido de la Revolución Democrática* won 109 and 60 seats, respectively. The lack of alignment between the Mexican Congress and the President could result in deadlock and prevent the timely implementation of political and economic reforms, which in turn could have a material adverse effect on Mexican economic policy. Mexico's next presidential and federal legislative election will be in July 2018. We cannot predict whether potential changes in Mexican governmental and economic policy could adversely affect economic conditions in Mexico or the sector in which we operate and therefore the election could have an adverse effect on us.

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

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

The Mexican economy may be, to varying degrees, affected by economic and market conditions in other countries. Although economic conditions in other countries may differ significantly from economic conditions in Mexico, investors' reactions to adverse developments in other countries, including, but not limited to, countries that are identified as emerging markets, may have an adverse effect on the market value of securities of Mexican issuers. In the past, for example, the prices of both Mexican debt and equity securities decreased substantially as a result of the prolonged decrease in the United States securities markets. Credit issues in the United States related principally to the sale of sub-prime mortgages have also resulted in significant fluctuations in the financial markets.

In addition, in recent years economic conditions in Mexico have become increasingly correlated with economic conditions in the United States as a result of the North American Free Trade Agreement, or NAFTA, and increased economic activity between the two countries. The current U.S. government has announced plans to institute import tariffs and to control illegal immigration from Mexico, which may create friction between the U.S. and Mexican governments and reduce economic activity between those countries. Therefore, adverse economic conditions in the United States, the termination or re-negotiation of NAFTA or other related events could have a significant adverse effect on the Mexican economy. We cannot assure you that events in other emerging market countries, in the United States or elsewhere will not adversely affect our business, financial condition or results of operations.

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

The *Peso* has been subject to significant devaluations against the U.S. dollar and may be subject to significant fluctuations in the future. In 2016, the *Peso* devalued by 20.1% against the U.S. dollar between December 31, 2015 and December 30, 2016. Because a majority our revenues are, and are expected to continue to be, denominated in *Pesos*, if the value of the *Peso* decreases against the U.S. dollar, as has been the case in the recent past, our cost of financing may increase for U.S. dollar-denominated debt that we may incur or have outstanding, including the notes, to the extent such obligations are not otherwise hedged with financial instruments. Severe depreciation of the *Peso* may also result in disruption of the international foreign exchange markets. This may limit our ability to transfer or convert *Pesos* into U.S. dollars and other currencies for the purpose of making timely payments of interest and principal on our non-*Peso* securities, including the notes, and any other U.S. dollar-denominated debt that we may incur.

Currently, the *Peso*-dollar exchange rate is determined on the basis of the free market float in accordance with the policy set by the Mexican Central Bank. There is no guarantee that the Mexican Central Bank will maintain the current exchange rate regime (which has been subject to restrictions in the past) or that the Mexican Central Bank will not adopt a different monetary policy that may affect the exchange rate itself, including imposing generalized exchange controls. Any change in the monetary policy, policies related to the transferability of funds, the exchange rate regime or in the exchange rate itself, as a result of market conditions over which we have no control, could have a negative impact on our business, financial condition and results of operations. Furthermore, there can be no guarantee that any hedging transactions we enter into will sufficiently protect us against any such impacts.

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

Mexico has a history of high levels of inflation and may experience high inflation in the future. Historically, inflation in Mexico has led to higher interest rates, depreciation of the *Peso* and the imposition of substantial government controls over exchange rates and prices. The annual rate of inflation for the last three years, as measured by changes in the National Consumer Price Index (*Índice Nacional de Precios al Consumidor*), as provided by INEGI and as published by the Mexican Central Bank, was 4.1% in 2014, 2.1% in 2015 and 3.4% in 2016. Although inflation is less of an issue recently than in past years, we cannot assure you that Mexico will not experience high inflation in the future, including in the event of a substantial increase in inflation in the United States.

Uncertainty over whether the Mexican government will implement changes in policy or regulation in the future may contribute to economic uncertainty in Mexico and to heightened volatility in the Mexican securities markets and in securities issues abroad by Mexican issuers. These uncertainties and other developments in the Mexican economy may adversely affect us.

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

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

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

Mexico may continue to suffer a period of violence and criminal activity which could affect our operations.

Mexico has recently experienced periods of violence and crime due to the activities of organized crime. In response, the Mexican government has implemented various security measures and has strengthened its police and military forces. Despite these efforts, organized crime (especially drug-related crime) continues to exist in Mexico. These activities, their possible escalation and the violence associated with them may have a negative impact on the Mexican economy or on our operations in the future. The social and political situation in Mexico could adversely affect the Mexican economy, which in turn could have a material adverse effect on our business, financial condition, results of operations and prospects.

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 March 31, 2017, after giving pro forma effect to the issuance of the notes and the use of the net proceeds of this offering, we would have had Ps.7,324.0 million (U.S.\$391.5 million) of outstanding debt, including Ps.727.1 million (U.S.\$38.9 million) of secured debt. See “Use of Proceeds” for an explanation of how we intend to use the proceeds of this offering. 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 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.

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

We, our subsidiary guarantors, and any future note guarantors may be able to incur substantial additional debt in the future. Although the agreements governing our outstanding indebtedness contain restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of qualifications and exceptions, and the indebtedness incurred in compliance with these restrictions could be substantial. Also, these restrictions do not prevent us from incurring obligations that do not constitute “indebtedness” as defined in the relevant documents. Adding new debt to our current indebtedness levels would increase our leverage. The related risks that we now face could intensify.

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

The notes will not be registered with the RNV 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. We intend to apply to list the notes on the Singapore Stock Exchange. Even if the notes become listed on this exchange, we may delist the notes. A trading market for the notes may not develop, or if a market for the notes were to develop, the notes may trade at a discount from their initial offering price, depending upon many factors, including prevailing interest rates, the market for similar securities, general economic conditions and our financial condition. The initial purchasers are not under any obligation to make a market with respect to the notes, and we cannot assure you that trading markets will develop or be maintained. Accordingly, we cannot assure you as to the development or liquidity of any trading market for the notes. If an active market for the notes does not develop or is interrupted, the market price and liquidity of the notes may be adversely affected.

Judgments of Mexican courts enforcing our obligations in respect of the Notes may be paid solely in Pesos.

If proceedings are brought in Mexico seeking to enforce our obligations in respect of the Notes in Mexico, we would be permitted to discharge our obligations in Mexico in *Pesos*. This is because under the Mexican Monetary Law (*Ley Monetaria de los Estados Unidos Mexicanos*), an obligation denominated in a currency other than *Pesos* that is payable in Mexico, whether pursuant to an agreement, as a result of the enforcement of a non-Mexican judgment or as a result of an action initiated before the courts located in Mexico, may be satisfied in *Pesos* at the rate of exchange in effect on the date of payment. This rate is currently determined by Banco de México and published in the Official Gazette of Mexico. The amount paid by us in *Pesos* to holders of the Notes would release us from our obligations under the Notes pursuant to Mexican law, but may not be readily convertible into the amount of United States dollars that we are obligated to pay under the indenture or may not result in an amount of United States dollars equal to the amount owed by us. As a result, you may suffer a United States dollar shortfall if you enforce or obtain a judgment or a distribution is made in connection with our bankruptcy and that of our subsidiaries in Mexico or we elect to make payments in respect thereof in *Pesos*. Our obligation to indemnify holders of Notes against exchange losses may not be enforceable under Mexican law.

Our obligations under the Notes would be converted in the event of bankruptcy.

Under Mexico's current bankruptcy law (*Ley de Concursos Mercantiles*), or the Bankruptcy Law, if we or any of the subsidiary guarantors are declared bankrupt (*en quiebra*) or in *concurso mercantil*, our obligations and the obligations of the subsidiary guarantor under the Notes (1) would be converted into *Pesos* and then from *Pesos* into inflation-adjusted units, or *unidades de inversión* (known as UDIs), (2) would be satisfied at the time claims of all our creditors are satisfied, (3) would be subject to the outcome of, and priorities recognized in, the relevant proceedings (including statutory preferences for tax, social security, labor and secured claims), which differ from those in other jurisdictions such as the United States, including with respect to the treatment of intercompany debt, (4) would cease to accrue interest from the date the *concurso mercantil* (reorganization proceeding) is declared, and (5) would not be adjusted to take into account any depreciation of the *Peso* against the U.S. dollar occurring after such declaration of bankruptcy or *concurso mercantil*.

In addition, under Mexican law, it is possible that in the event we or the subsidiary guarantors are declared bankrupt or become subject to *concurso mercantil*, any amount by which the stated principal amount of the Notes exceeds their accreted value may be regarded as not matured and, therefore, claims of holders of the Notes may only be allowed to the extent of the accreted value of the Notes. There is no legal precedent in connection with bankruptcy or *concurso mercantil* in Mexico on this point and, accordingly, it is uncertain how a Mexican court would measure the value of claims of holders of the Notes.

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 guarantors under the guarantees, are unsecured. As a result, the notes will be effectively subordinated to all of our and the guarantors' secured debt to the extent of the value of the collateral securing such debt. As of March 31, 2017, we had approximately Ps.2,734.6 million (U.S.\$146.2 million) of secured debt outstanding (excluding accrued interest) and we do not intend to use the proceeds of this offering to repay any secured debt. In the event that we or any of our subsidiaries 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 the subsidiary guarantors are guarantors 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, 2016 or in the three-month period ended March 31, 2017, our non-guarantor subsidiaries did not make a material contribution to our net margin or net income. As of March 31, 2017, after giving pro forma effect to the issuance of the notes and the application of the proceeds thereof, our non-guarantor subsidiaries would have had consolidated total liabilities of U.S.\$426.4 million (including U.S.\$391.5 million of consolidated total indebtedness and U.S.\$34.9 million of consolidated trade payables). Any right that we or the guarantors have to receive assets of any of the non-guarantor subsidiaries upon the liquidation or reorganization of those subsidiaries, and the consequent rights of holders of notes to realize proceeds from the sale of any of those subsidiaries' assets, will be effectively subordinated to the claims of that subsidiary's creditors, including trade creditors and holders of debt of that subsidiary.

The guarantees may not be enforceable in the event of bankruptcy.

The guarantees provide a basis for a direct claim against the subsidiary guarantors; however, it is possible that the guarantees, under the Mexican bankruptcy law, may not be enforceable, primarily because of the lack of consideration received by the subsidiary guarantors. 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 guarantors, in the event that a subsidiary guarantor becomes subject to *concurso mercantil* or to

bankruptcy (*quiebra*), the giving of the relevant guarantee may be deemed to have been a fraudulent transfer and declared void based upon the subsidiary guarantor being deemed not to have received fair consideration in exchange for the giving of such guarantee.

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

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

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

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

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.

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

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

The indenture governing the notes will contain periodic reporting requirements that will be different and less burdensome than would be applicable to us if we were a required to file periodic reports with the SEC.

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

USE OF PROCEEDS

We expect the net proceeds from the sale of the notes will be approximately U.S.\$244.1 million after deducting discounts and commissions to the initial purchasers but before the payment of other offering expenses. We expect to use these net proceeds:

- to repay the outstanding principal, interest and premium totaling approximately U.S.\$125.8 million in respect of our 2019 notes;
- to repay certain other indebtedness (potentially including indebtedness we incurred with certain affiliates of the initial purchasers); and
- to the extent any proceeds remain, for general corporate purposes.

For additional information relating to the indebtedness we intend to repay with the net proceeds of this offering, see “Management Discussion and Analysis of Results of Operations and Financial Condition—Liquidity and Capital Resources—Indebtedness.” See also “Plan of Distribution—Other Relationships.” Nothing in this offering memorandum shall be deemed to be a notice or communication to any holder of any of our 2022 notes in connection with the redemption or otherwise.

EXCHANGE RATES

Mexico has had a free market for foreign exchange since the end of 1994 and the Mexican Central Bank allows the *Peso* to float freely against the U.S. dollar and other foreign currencies. As a result, policy has evolved toward an inflation targeting regime and the Mexican Central Bank intervenes directly in the foreign exchange market only to reduce excessive short-term volatility. The Mexican Central Bank, as an autonomous authority, recognizes price stability as its fundamental goal and implements monetary policy using a target for the overnight interest rate charged in the interbank market. The Mexican Central Bank provides or withdraws liquidity as needed to meet its target rate through these operations. Positive balances in the accounts kept by the commercial banks at the Mexican Central Bank are not paid interest, while overdrafts or negative balances are charged twice the overnight interest rate target. An increase in interest rates can make domestic financial assets more attractive to investors than foreign financial assets, which could trigger an appreciation of the nominal exchange rate and vice versa.

The Mexican economy has suffered balance of payment deficits and shortages in foreign exchange reserves in the past. While the Mexican government, for more than 20 years, has not restricted the ability of Mexican and foreign individuals or entities to convert *Pesos* to U.S. dollars, we cannot assure you that the Mexican government will not institute restrictive exchange control policies in the future as it has done in the past. To the extent that any such restrictive exchange control policies were to be instituted in the future in the event of shortages of foreign currency, our ability to transfer or convert *Pesos* into U.S. dollars and other currencies to service our foreign currency obligations, and your ability to transfer or convert our dividends paid in *Pesos* into U.S. dollars and other currencies, would be adversely affected and foreign currency may not be available without substantial additional cost. There can be no assurance that the Mexican government will maintain its current policies with respect to the *Peso* or that the *Peso* will not depreciate significantly in the future.

This offering memorandum contains translations of certain *Peso* amounts into U.S. Dollars at specified rates solely for the convenience of the reader. These convenience translations should not be construed as representations that the *Peso* amounts actually represent such U.S. Dollar amounts or could be converted into U.S. Dollars at the specified rate or at all. Furthermore, the exchange rate for purposes of the convenience translation is not necessarily the same rate we used in preparing our financial statements, which means that U.S. Dollar-denominated items, including U.S. Dollar-denominated expenses and liabilities, may have been translated into *Pesos* using one exchange rate (or an average exchange rate) and have been re-translated into U.S. Dollars for the convenience of the reader using the convenience translation exchange rate. The exchange rate used for purposes of convenience translations is the exchange rate published by the Mexican Central Bank in the Federal Official Gazette on March 31, 2017 as the rate for the payment of obligations denominated in non-Mexican currency payable in Mexico. See “Presentation of Financial and Other Information.”

The following table sets forth, for the periods indicated, the low, high, average and period-end exchange rates published by the Official Gazette, all expressed in nominal *Pesos* per U.S. dollar.

Year Ended	High	Low	Average⁽¹⁾	Period End
December 31, 2012.....	14.3949	12.6299	13.1728	12.9880
December 31, 2013.....	13.4394	11.9807	12.7691	13.0652
December 31, 2014.....	12.8462	14.7853	13.2966	14.7348
December 31, 2015.....	17.3776	14.5559	15.8710	17.3398
December 31, 2016.....	21.0511	17.1767	18.6752	20.6640
Month Ended				
January 31, 2017.....	21.9076	20.6194	21.3775	20.7588
February 28, 2017.....	20.7908	19.7011	20.3324	19.8322
March 31, 2017.....	19.9957	18.7079	19.3556	18.7079
April 30, 2017.....	19.1119	18.4863	18.7784	19.0670
May 31, 2017.....	19.1364	18.4185	18.7679	18.6643
June 2017.....	18.6909	17.8775	18.1612	18.0279
July 2017 (through July 11, 2017)	18.3556	17.9751	18.1808	17.9751

(1) Year or period average.

CAPITALIZATION

The following table sets forth our funds available, securitization certificates, short-term and long-term debt, stockholders' equity and capitalization:

- on an actual basis as of March 31, 2017; and
- as adjusted to give effect to the issuance of the notes and the application of approximately U.S.\$244.1 million of net proceeds (after deducting discounts and commissions but before the payment of expenses) to repay (1) the outstanding principal, interest and premium totaling approximately U.S.\$125.8 million in respect of our 2019 notes and (2) U.S.\$117.2 million of certain of our other indebtedness which we intend to repay.

The information set forth below on an actual basis as of March 31, 2017 is derived from our unaudited interim financial statements as of March 31, 2017.

You should read this table in conjunction with “Presentation of Financial and Other Information,” “Summary Financial and Other Information,” “Selected Financial and Other Information,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” “Selected Statistical Information” and our financial statements and related notes included elsewhere in this offering memorandum.

	As of March 31, 2017			
	Actual	As Adjusted ⁽¹⁾	Actual	As Adjusted ⁽¹⁾
	(Ps. millions)		(U.S.\$ millions) ⁽²⁾	
Funds available	491.8	491.8	26.3	26.3
Securitization certificates ⁽³⁾	1,501.5	0	80.3	0
Short-term debt ⁽⁴⁾	2,588.3	2,170.5	138.3	116.0
Long-term debt ⁽⁵⁾	2,976.2	5,153.5	159.1	275.5
Total debt	7,066.0	7,324.0	377.7	391.5
Stockholders' equity:				
Total stockholders' equity	4,023.2	4,023.2	215.1	215.1
Total capitalization ⁽⁶⁾	11,089.2	11,347.2	592.8	606.6

- (1) As adjusted to give effect to the issuance of the notes and the application of approximately U.S.\$244.1 million of net proceeds to repay (1) the outstanding principal, interest and premium totaling approximately U.S.\$125.8 million in respect of our 2019 notes and (2) certain of our other indebtedness, after deducting discounts and commissions to the initial purchasers but before the payment of other offering expenses.
- (2) Solely for the convenience of the reader, statement of income and balance sheet data expressed in U.S. dollars have been translated at the rate of Ps.18.7079 per U.S.\$1.00, the exchange rate published by the Mexican Central Bank in the Federal Official Gazette on March 31, 2017 as the rate for the payment of obligations denominated in non-Mexican currency payable in Mexico. See “Presentation of Financial and Other Information” and “Exchange Rates.”
- (3) Comprises our *Peso*-denominated credit-backed debt securities (*certificados bursátiles respaldados por créditos*) issued on March 3, 2014 under our 2014 *Peso*-denominated debt securities program, which are considered “securitization certificates” and given on-balance sheet treatment under Mexican Banking GAAP. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources.”
- (4) Includes Ps.37.7 million in accrued interest.
- (5) For as adjusted amounts, reflects the capitalization of estimated interest on the 2019 senior notes and other expenses to be paid in connection with the repayment of the 2019 notes, which are deemed to be incremental and directly attributable to the notes.
- (6) Total debt plus stockholders' equity.

SELECTED CONSOLIDATED FINANCIAL AND OTHER INFORMATION

The following tables present certain selected financial information and operating data as of the dates and for each of the periods indicated. 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,” “Selected Statistical Information” and our financial statements and related notes 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 March 31, 2017 and the income statement data for the three-month periods ended March 31, 2017 and 2016 are derived from our unaudited interim financial statements included elsewhere in this offering memorandum. The balance sheet data as of and for the years ended December 31, 2016, 2015 and 2014, 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.

Our financial statements have been prepared in accordance with Mexican Banking GAAP. Mexican Banking GAAP differs in certain significant respects from U.S. GAAP. See “Annex A: Summary of Certain Significant Differences Between Mexican Banking GAAP and U.S. GAAP” for a description of certain differences between Mexican Banking GAAP and U.S. GAAP as they relate to us.

	For the Three-Month Period Ended March 31,			For the Years Ended December 31,			
	2017	2017	2016	2016	2016	2015	2014
	<i>(In millions of U.S.\$, unless otherwise indicated) (1)</i>			<i>(In millions of U.S.\$, unless otherwise indicated) (1)</i>			
	<i>(in millions of Ps., unless otherwise indicated)</i>			<i>(in millions of Ps., unless otherwise indicated)</i>			
Statement of Income Data:							
Interest income	64.1	1,199.8	1,162.3	250.8	4,692.6	4,848.7	4,900.7
Interest expense	(8.5)	(159.8)	(157.0)	(33.6)	(627.7)	(616.4)	(676.1)
Financial margin	55.6	1,040.0	1,005.3	217.3	4,065.0	4,232.3	4,224.6
Provision for loan losses (2).....	(15.2)	(283.6)	(292.3)	(63.0)	(1,177.7)	(1,449.0)	(1,375.7)
Financial margin after provision for loan losses	40.4	756.4	713.0	154.3	2,887.3	2,783.2	2,848.9
Commission and fee income	6.7	124.9	121.3	26.5	495.9	587.5	657.0
Commission and fee expense	(1.1)	(20.3)	(18.1)	(4.5)	(84.0)	(76.3)	(80.2)
Trading income (expense)	1.0	18.3	(0.5)	4.8	90.1	(0.1)	(40.1)
Other revenue from operations.....	3.6	68.0	61.8	15.5	290.7	293.1	343.7
Administrative and promotional expenses.....	(45.9)	(857.9)	(800.6)	(179.2)	(3,352.0)	(3,303.8)	(3,291.5)
Income (loss) from operations	4.8	89.4	76.9	17.5	328.0	283.5	437.8
Current income tax expense	(1.8)	(33.4)	(27.5)	(6.8)	(127.0)	(140.2)	(126.3)
Deferred income tax benefit (expense)	0.7	12.4	3.6	1.8	33.0	65.7	6.5
Net income	3.7	68.4	53.0	12.5	234.0	209.0	318.0
Weighted average number of shares (millions)	676.8	676.8	682.1	681.1	681.1	684.1	683.4
Earnings (loss) per share	U.S.\$0.0051	Ps.0.1010	Ps.0.0778	U.S.\$0.0183	Ps.0.3435	Ps.0.3056	Ps.0.4653

(1) Solely for the convenience of the reader, statement of income and balance sheet data expressed in U.S. dollars have been translated at the rate of Ps.18.7079 per U.S.\$1.00, the exchange rate published by the Mexican Central Bank in the Federal Official Gazette on March 31, 2017 as the rate for the payment of obligations denominated in non-Mexican currency payable in Mexico. See “Presentation of Financial and Other Information” and “Exchange Rates.”

(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 and for the Three-Month Period Ended March 31,			As of and for the Year Ended December 31,			
	2017	2017	2016	2016	2016	2015	2014
	(In millions of U.S.\$, unless otherwise indicated) (1)	(in millions of Ps., unless otherwise indicated)		(In millions of U.S.\$, unless otherwise indicated) (1)	(in millions of Ps., unless otherwise indicated)		
Balance Sheet Data:							
Funds available	26.3	491.8	582.3	32.1	600.9	599.9	463.9
Derivatives	28.5	533.0	980.1	43.8	820.3	889.5	359.8
Total loans, net.....	373.6	6,989.5	6,476.9	376.2	7,037.7	6,635.8	6,562.0
Other accounts receivable, net.....	28.6	535.1	418.7	26.9	503.8	449.9	316.1
Property, plant and equipment, net	17.4	325.3	313.2	17.8	332.2	316.6	329.5
Deferred taxes, net.....	47.4	887.2	842.3	46.8	875.0	838.2	908.8
Other assets, net.....	105.9	1,980.5	2,088.9	106.1	1,985.2	2,088.9	2,167.6
Total assets.....	627.7	11,742.4	11,702.3	649.7	12,155.3	11,819.0	11,107.6
Securitization certificates(3).....	80.3	1,501.5	1,500.8	80.3	1,501.7	1,500.7	1,501.1
Borrowings from banks and other entities	297.4	5,564.5	5,738.0	316.7	5,924.1	6,007.9	5,684.5
Deferred loans and advance collection	1.1	21.4	24.1	1.2	22.2	24.3	25.2
Other accounts payable.....	33.8	631.8	514.9	35.1	657.0	529.3	392.7
Total liabilities.....	412.6	7,719.2	7,777.8	433.2	8,105.0	8,062.2	7,603.6
Total stockholders' equity	215.1	4,023.2	3,924.5	216.5	4,050.3	3,756.8	3,504.0
Total liabilities and stockholders' equity	627.7	11,742.4	11,702.3	649.7	12,155.3	11,819.0	11,107.6
Other Financial Data and Ratios							
Profitability and Efficiency:							
Return on average stockholders' equity (2)	6.8%	6.8%	5.5%	6.0%	6.0%	5.8%	9.7%
Return on average total assets (4)....	2.3%	2.3%	1.8%	2.0%	2.0%	1.8%	3.0%
Net interest margin after provisions (5).....	47.6%	47.6%	46.2%	46.7%	46.7%	47.0%	50.1%
Efficiency ratio (6).....	90.6%	90.6%	91.2%	91.1%	91.1%	92.1%	88.3%
Capitalization:							
Stockholders' equity as a percentage of total assets.....	34.3%	34.3%	33.5%	33.3%	33.3%	31.8%	31.5%
Credit Quality Data:							
Total performing loans	373.6	6,989.5	6,476.9	376.2	7,037.7	6,635.8	6,562.0
Total non-performing loans	20.9	391.5	412.3	21.9	410.0	480.2	511.4
Total loan portfolio	394.5	7,381.0	6,889.1	398.1	7,447.8	7,116.0	7,073.3
Allowance for loan losses.....	(20.9)	(391.5)	(412.3)	(21.9)	(410.0)	(480.2)	(511.4)
Credit Quality Ratios:							
Allowance for loan losses as a percentage of total loan portfolio	5.3%	5.3%	6.0%	5.5%	5.5%	6.7%	7.2%
Allowance for loan losses as a percentage of total non- performing loan portfolio.....	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Total non-performing loan portfolio as a percentage of total loan portfolio	5.3%	5.3%	6.0%	5.5%	5.5%	6.7%	7.2%

- (1) Solely for the convenience of the reader, statement of income and balance sheet data expressed in U.S. dollars have been translated at the rate of Ps.18.7079 per U.S.\$1.00, the exchange rate published by the Mexican Central Bank in the Federal Official Gazette on March 31, 2017 as the rate for the payment of obligations denominated in non-Mexican currency payable in Mexico. See "Presentation of Financial and Other Information" and "Exchange Rates."
- (2) Return on average stockholders' equity for the years ended December 31, 2016, 2015 and 2014 consists of net income for the year divided by the quarterly average of stockholders' equity for the year. Return on average stockholders' equity for the three-month periods ended March 31, 2017 and 2016 consists of annualized net income for the period divided by the quarterly average of stockholders' equity for the period.
- (3) Comprises our *Peso*-denominated credit-backed debt securities (*certificados bursátiles respaldados por créditos*) issued on March 3, 2014 under our 2014 *Peso*-denominated debt securities program, which are considered "securitization certificates" and given on-balance sheet treatment under Mexican Banking GAAP. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources."

- (4) Return on average total assets for the years ended December 31, 2016, 2015 and 2014 consists of net income for the year divided by the quarterly average of total assets for the year. Return on average total assets for the three-month periods ended March 31, 2017 and 2016 consists of annualized net income for the period divided by the quarterly average of total assets for the period.
- (5) 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 quarterly average balance of the period.
- (6) Efficiency ratio consists of administrative and promotional expenses 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) commission and fee income and (y) commission and fee expense.

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

Overview

We are in the business of providing microcredit loans to low-income individuals from the formal and self-employed sectors of the Mexican and U.S. economies and working capital group loans in rural areas of Mexico and Brazil. We provide products and services to individuals who might otherwise have no, or limited, access to loans and related services from other financial institutions. Our goals are to create economic value for our customers and shareholders and social value for our customers and the community, as well as to develop long-term relationships with our customers to establish their credit history. As of March 31, 2017, we were one of the largest non-regulated financial institutions Sofoms, focused on providing microloans to individuals in Mexico based on the number of loans outstanding, according to data published by ProDesarrollo and our internal estimates. As of March 31, 2017, we operated 560 branch offices (502 in Mexico, 29 in the state of California in the United States and 29 in Brazil).

We are an unregulated multiple purpose financial company incorporated under the laws of Mexico as a public corporation with limited liability and variable capital. We are a publicly-traded company, listed on the Mexican Stock Exchange (ticker symbol: FINDEP) since November 2007. We operate based on a specialized business model that relies on providing large volumes of small loans (as of March 31, 2017, our average loan balance was approximately Ps.\$7,629.4 (U.S.\$407.8) with high frequency of repayments.

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, achieving a 55.0% compound annual growth rate in our number of loans granted from our inception on July 22, 1993 through December 31, 2016. As of March 31, 2017, we had 967,437 loans outstanding and reported a return on average total assets of 2.3% for the three-month period then ended. We believe that our success is attributable to a number of factors, including our focus on the quality and profitability of our loan portfolio rather than its volume; 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 our well-defined target market; our risk management policies; our effective collection practices; the efficiencies afforded by our information technology systems; the loyalty fostered by the personalized customer 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.

Mexican Economic Environment

Our business is closely tied to general economic conditions in Mexico. As a result, our economic performance and our ability to implement our business strategies may be affected by changes in national economic conditions, including as a result of changes in the global economy and financial markets that impact Mexico.

In 2014, the Mexican economy grew by 2.7%, reflecting the slowdown of the U.S. economy during the first quarter of 2014, as well as an increase in taxes as a result of the tax reform adopted in Mexico in 2014 and a decline in Mexican oil production. Primarily as a result of the tax increases implemented by the Mexican tax reform, inflation increased to 4.5% in January 2014 and averaged 4.0% during the year.

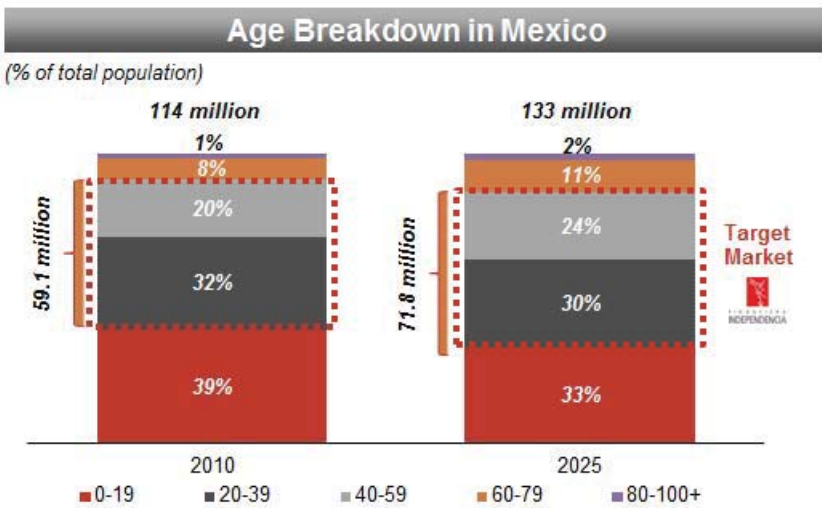
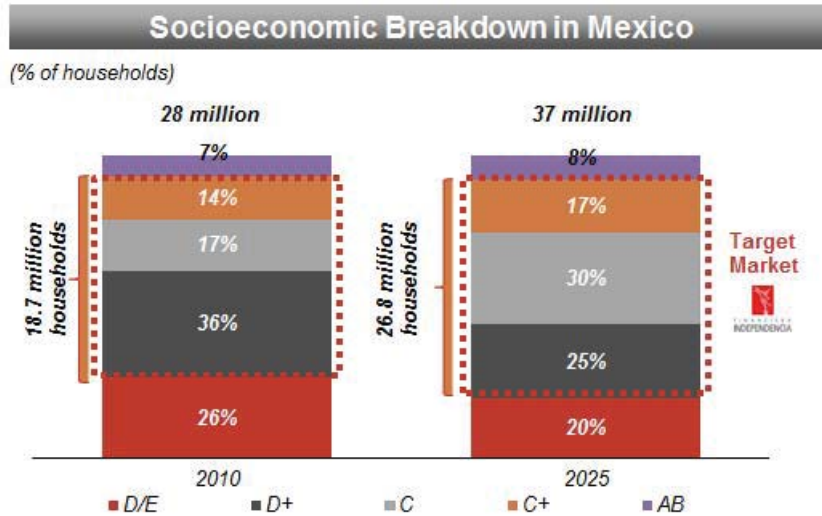
In 2015, the Mexican economy grew by 2.5%, driven by a more dynamic export market along with the remaining effects of tax reforms implemented by the Mexican legislature and the recovery of the Mexican construction sector. Nevertheless, economic growth was limited by a reduction in Mexico's oil production. Inflation in 2015 reached a historical low of 2.1%, mainly due to the favorable effects of Mexico's telecommunications reform, which resulted in the elimination of local phone line tariffs, and to modifications in the calculation of gasoline prices.

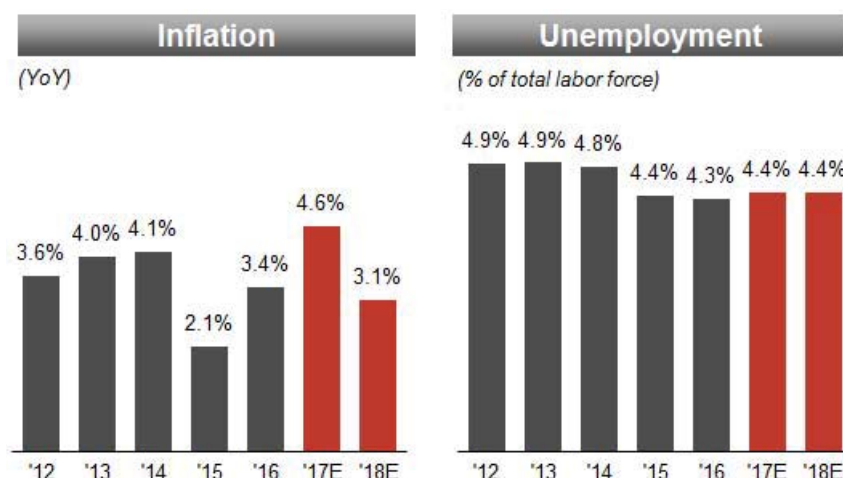
In 2016, the Mexican economy grew by 2.3%, reflecting strong domestic demand. Nevertheless, falling Mexican oil production and a recession in the mining sector continued to adversely affect the Mexican economy.

In the first three months of 2017, the Mexican economy grew 2.6%, on an annualized basis, driven by the strong performance of the services sector, along with a pickup in manufacturing activity. In addition, inflation has increased significantly and the *Peso* has appreciated against the U.S. dollar.

Mexico's estimated compound annual growth from 2015 to 2021 of 2.3% compares favorably with that of other countries in North and South America, such as Colombia (3.0%), Chile (2.4%), the United States (2.0%) and Brazil (0.7%).

The following charts set forth certain economic information in respect of Mexico:





Source: Economist Intelligence Unit reports, International Monetary Fund, CONAPO

Factors Affecting Our Results of Operations

Interest Rates

As of March 31, 2017, our loan portfolio represented 62.9% of our total assets and all of the loans we originated bear interest at fixed rates. However, we borrow funds in *Pesos*, primarily on a floating rate basis, and as a result we economically hedge our exposure to fluctuations in interest rates.

As of March 31, 2017, we have the following interest rate hedging instruments outstanding:

- In March 2014, we entered into an interest rate cap agreement to limit the floating interest rate on the notional amount of our Ps.1,500.0 million *Peso*-denominated credit-backed debt securities that we issued on March 3, 2014. The maturity of this agreement is identical to the maturity of the underlying debt securities.
- In June 2014, we entered into two full cross currency swaps to hedge all but U.S.\$25 million of the aggregate principal amount of the 2019 senior notes, with the uncovered balance mitigated through a natural hedge deriving from AFI's U.S. dollar-denominated loan portfolio. In August 2016, we concluded a tender offer for U.S.\$80.1 million of our outstanding 2019 senior notes as part of an exercise to optimize our indebtedness profile and funding costs. We monetized the mark to market of U.S.\$99.4 million of our full cross currency swaps, U.S.\$80.1 million of which related to the tender offer and the balance related to a new intercompany loan to AFI. As a result, we believe we have fully hedged our foreign currency exposure relating to the 2019 senior notes through the cross currency swaps and AFI's natural U.S. dollar hedge. We currently intend to continue to hedge our exposure to U.S. dollar and other foreign currency-denominated indebtedness (including indebtedness incurred in connection with this offering) through contractual and natural hedges and to monitor the appropriateness of any such hedges over the term of the applicable financing.

During the periods discussed below, we refer to the following benchmark interest rates in Mexico: (1) the annual interest rate paid in connection with the 28-day Mexican government treasury securities (*Certificados de la Tesorería de la Federación*), or CETES, which are Mexican government *Peso*-denominated treasury bills with 28-day maturities; and (2) 28-day Interbank Interest Rate (*Tasa de Interés Interbancaria de Equilibrio*), or THIE, a benchmark 28-day interbank lending rate. 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 TIE interest rates for the periods indicated.

Period	Average Interest Rates	
	CETES 28	TIE 28
	days maturity (1)	days maturity (2)
2012	4.3%	4.8%
2013	3.8%	4.3%
2014	3.0%	3.5%
2015	3.0%	3.3%
2016	4.2%	4.5%
2017 (through March 31)	6.3%	6.4%

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.

Tax Legislation

Under the Mexican Income Tax Law (*Ley del Impuesto sobre la Renta*), the effect of inflation on monetary assets and liabilities is to be considered as a deduction, therefore decreasing taxable income. The effect of inflation on monetary assets and liabilities is estimated considering the annual inflation rate recorded and the excess of either monetary assets or liabilities. The effect of inflation results in a tax deduction when monetary assets exceed monetary liabilities. Uncollectable accounts that have an unpaid balance of less than 30,000 UDIs and which have not received a payment within the last year are considered a deduction.

Inflation

Effective January 1, 2008, we adopted MFRS B-10, Effects of Inflation. Based on this standard, we are no longer required by Mexican Banking GAAP to recognize the effects of inflation in our financial statements.

Accumulated inflation for the years ended December 31, 2016, 2015 and 2014 was 10.5%, 12.1%, and 11.8%, respectively, and the economic environment during these periods may therefore be considered non-inflationary. Inflation for the years ended December 31, 2016, 2015 and 2014 was 3.36%, 2.13% and 4.1%, respectively.

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.

Loan Portfolio

Our loan portfolio represents the amounts disbursed to borrowers plus uncollected accrued interest. The “allowance for loan losses” is presented as a deduction from the portfolio’s balances.

Credit is granted based on a credit analysis that uses the internal policies and operating manuals that we have established.

The unpaid balance of the loans is recorded as non-performing portfolio when the respective installments have not been fully paid under the original terms established, considering the following:

- if the borrowings consist of loans with partial periodic payments of principal and interest and are 90 or more calendar days in arrears.
- if the borrowings consist of revolving credits and are two monthly billing periods overdue, or, when the billing period is not monthly, when the credits are 60 or more calendar days overdue.

When a loan is considered non-performing, the related interest accrual is suspended. As long as the loan is classified within the non-performing portfolio, the control of the uncollected accrued interest or accrued financial revenue is maintained in memorandum accounts. With regard to uncollected accrued interest on the non-performing portfolio, an estimated allowance is recorded for an amount equivalent to the total of such interest at the time it is transferred to non-performing portfolio. If overdue interest is collected, it is recognized directly in results for the year.

Non-performing loans in which the unpaid balances (principal and interest, among others) are fully settled are returned to performing portfolio, in accordance with Mexican Banking GAAP as prescribed by the CNBV.

Restructured loans are classified and presented as non-performing portfolio, so long as there is no evidence of sustained payment, which is considered to occur when there is timely payment of three consecutive repayments. In addition, the probability of default of this portfolio in the reserve model is 100%.

Annual fee commissions collected from customers are recognized as revenues on a deferred basis and are amortized using the straight-line method over a year or the credit term. The commissions collected for the initial granting of the loan and its associated costs are not deferred over the term of the loan, because management believes that their effect is not material or significant given that the loans have short-term maturities. Commissions for borrowings on lines of credit and collection expenses are recognized in results at the time they are collected.

Allowance for Loan Losses

In official notice 310-85406/2009 dated March 2, 2009, the Commission informed us that we must calculate the establishment of credit reserves based on the different methodologies established by the Commission for credit institutions, using the general methodology or the internal methodologies established in the Provisions, which, in the case of the latter, does not require approval by the Commission.

We rate our loan portfolio using an internal methodology based on the probability of default by the borrowers and on the severity of the credit loss, as established in accordance with Mexican Banking GAAP.

The Probability of Default, or PD, is the probability that a debtor will fall into arrears within the next six months. We determine the PD by applying calculations of credit exposure rotating indexes. The credit exposure rotating indexes consider the possibility that a loan may go from its current category to eventual write off (based on the days that it has been overdue). We use the average of the calculations of the credit exposure rotating indexes for the previous three-year periods as its PD.

The Loss Derived from Default, or LDD, is an estimate of the amount that we would expect to lose in the event of nonperformance by a borrower. Given that all of our loans are unsecured, there is no collateral; consequently, we determine our LDD as the average of the net losses after considering the present value of the amounts recovered over the previous three-year period.

We rate our commercial credit portfolio by using an internal methodology based on the number of days in arrears of the loans granted, reserving 100% of such portfolio; the internal methodology requires the creation of additional estimates for any compliance with covenants requested by its funders.

The allowance for the commercial portfolio is determined based on the number of payment periods observed in arrears at the rating date and a 100% severity of loss, by applying the following procedure:

- i. The loan portfolio is stratified based on the number of days in arrears of payments that we establish by at the rating date, as indicated in the following table.

- ii. For each stratum, allowances for loan losses are determined by applying the percentages of loan losses indicated below to the total amount of the unpaid balance of the credits in each stratum:

Number of Days in Arrears	(%)
1-30	-
31-90	-
61-90	-
91-120	100
121-150	100
151-180	100
+180	100

Loans are written-off for accounting purposes when overdue by 180 or more calendar days. Write-offs are performed by applying the outstanding loan balance to the allowance for loan losses account. AFI writes-off loans when all possible collection options are exhausted, thus resulting in an effective legal collection process.

Recoveries associated with loans written off or eliminated from the balance sheet are recognized in result of the year when realized.

Recognition of Revenue

Revenues generated by funds available are recognized in our income statement as they are accrued.

Interest income on loans granted is recognized in the income statement as accrued, based on the terms and interest rates established in the agreements entered into with borrowers. Interest from overdue loans is recognized in the income statement until they are actually collected. Annuity fees charged to customers are recognized as deferred income and are amortized using the straight-line method for one year or over the life of the loan. The fees charged for the initial granting of the loan and its associated costs are not deferred during the term of the loan, since our management considers that its effect is neither material nor significant given the short-term maturities of the loans. Charges for the provision of lines of credit and for collection expenses are recognized in our income statement at the time they are charged.

Results of Operations for the Three-Month Period Ended March 31, 2017 Compared to the Three-Month Period Ended March 31, 2016

The following table sets forth certain of our income statement information relating to the three-month periods ended March 31, 2017 and 2016:

	For the Three-Month Period Ended March 31,		
	2017	2017	2016
	<i>(in millions of U.S.\$) (1)</i>	<i>(in millions of Ps.)</i>	
Interest income	64.1	1,199.8	1,162.3
Interest expense	(8.5)	(159.8)	(157.0)
Financial margin	55.6	1,040.0	1,005.4
Provision for loan losses	(15.2)	(283.6)	(292.3)
Financial margin after provision for loan losses	40.4	756.4	713.0
Commission and fee income	6.7	124.9	121.3
Commission and fee expense	(1.1)	(20.3)	(18.1)
Trade income (expense)	1.0	18.3	(0.5)
Other operating income	3.6	68.0	61.8
Administrative and promotional expenses	(45.9)	(857.9)	(800.6)
Income from operations	4.8	89.4	76.9
Current income tax expense	(1.8)	(33.4)	(27.5)
Deferred income tax benefit	0.7	12.4	3.6
Total income tax	(1.1)	(21.0)	(23.9)
Net income	3.7	68.4	53.0

(1) Solely for the convenience of the reader, statement of income and balance sheet data expressed in U.S. dollars have been translated at the rate of Ps.18.7079 per U.S.\$1.00, the exchange rate published by the Mexican Central Bank in the Federal Official Gazette on March 31, 2017 as the rate for the payment of obligations denominated in non-Mexican currency payable in Mexico. See "Presentation of Financial and Other Information" and "Exchange Rates."

Financial Margin

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

	For the Three-Month Period Ended March 31,		
	2017	2017	2016
	<i>(in millions of U.S.\$) (1)</i>	<i>(in millions of Ps.)</i>	
Interest income:			
Interest on loans	63.9	1,195.0	1,158.4
Interest from investments in securities	0.3	4.8	3.9
Total interest income	64.1	1,199.8	1,162.3
Interest expense:			
Interest on funding	(8.5)	(159.8)	(157.0)
Total interest expense	(8.5)	(159.8)	(157.0)
Financial margin	55.6	1,040.0	1,005.4

(1) Solely for the convenience of the reader, statement of income and balance sheet data expressed in U.S. dollars have been translated at the rate of Ps.18.7079 per U.S.\$1.00, the exchange rate published by the Mexican Central Bank in the Federal Official Gazette on March 31, 2017 as the rate for the payment of obligations denominated in non-Mexican currency payable in Mexico. See "Presentation of Financial and Other Information" and "Exchange Rates."

Financial margin increased by 3.4% to Ps.1,040.0 million in the three-month period ended March 31, 2017 from Ps.1,005.4 million in the corresponding period in 2016. This increase was driven by an increase in our interest income of Ps.37.4 million, or 3.2%, and an increase in our interest expense of Ps.2.8 million, or 1.8%.

Interest Income

We recorded interest income of Ps.1,199.8 million in the three-month period ended March 31, 2017, compared to Ps.1,162.3 million in the corresponding period in 2016, representing an increase of Ps.37.4 million, or 3.2%. This increase was mainly the result of:

- a Ps.299.6 million, or 7.0%, increase in the formal segment of our total loan portfolio, to Ps.4,577.8 million as of March 31, 2017 (representing 62.0% of our total loan portfolio) from Ps.4,278.2 million as of March 31, 2016 (representing 62.1% of our total loan portfolio), principally due to a Ps.299.6 million, or 52.3%, increase in AFI's loan portfolio and partially offset by decreases of (1) Ps.69.4 million, or 2.5%, in the formal segment of Independencia's loan portfolio and (2) Ps.16.4 million, or 2.0%, in the formal segment of AEF's loan portfolio. These increases reflect our strategy of placing a greater emphasis on the quality and profitability of our loan portfolio than its volume; and
- a Ps.233.1 million, or 9.4%, increase in the informal segment of our total loan portfolio, to Ps.2,723.8 million as of March 31, 2017 (representing 36.9% of our total loan portfolio) from Ps.2,490.7 million as of March 31, 2016 (representing 36.2% of our total loan portfolio), principally due to increases of (1) Ps.93.2 million, or 22.1%, in Finsol Brasil's loan portfolio (due to the appreciation of the *Real* against the *Peso*), (2) Ps.77.5 million in Finsol Mexico, (3) 2.5%, in the informal segment of Independencia's loan portfolio and (4) Ps.45.8 million, or 7.2%, in the informal segment of AEF's loan portfolio

The combined effects of these increases were partially offset by:

- (1) an increased share in our total loan portfolio of products that bear lower average interest rates, such as the increases in the share of our AFI loan portfolio in our total portfolio, from 10.7% as of March 31, 2016 to 15.2% as of March 31, 2017, of Independencia's payroll product (*Más Nómina*), from 7.9% as of March 31, 2016 to 8.3% as of March 31, 2017, and (2) our ongoing focus on the formal segment;
- a decrease in our average effective lending rate (interest income divided by average balance of our total loan portfolio) to 64.7% for the three-month period ended March 31, 2017 from 66.4% for the corresponding period in 2016, reflecting the adjustments to the composition of our loan portfolio referenced above; and
- a 1.6% decrease in Independencia's loan portfolio to Ps.3,335.9 million as of March 31, 2017 from Ps.3,388.9 million as of March 31, 2016, which continues to reflect the decision to eliminate Independencia's loan origination to high risk clients since September 2015 in order to improve loan portfolio quality. Notwithstanding these efforts, Independencia's loan origination grew 6.6% in the three-month period ended March 31, 2017 compared to the corresponding period in 2016. As of March 31, 2017, the breakdown between formal and informal of our Independencia loan portfolio was 79.6% and 20.4%, respectively, and our Independencia loan portfolio represented 45.2% of our total loan portfolio as of March 31, 2017, compared to 45.2% in as of March 31, 2016.

See “—Composition of Our Loan Portfolio and Interest on Loans by Product” for a breakdown of our interest income by product

Interest Expense

Interest expense increased Ps.2.8 million, or 1.8%, to Ps.159.8 million in the three-month period ended March 31, 2017 from Ps.157.0 million in the corresponding period of 2016, primarily due to an increase in the average 28-day CETES and TIIE rates to 6.10% and 6.40%, respectively, for the three-month period ended March 31, 2017 from 3.44% and 3.79%, respectively, for the corresponding period in 2016. The increase in our interest expenses was partially offset by a 23 basis point decrease in the average interest rate paid from 9.63% for the three-month period ended March 31, 2017 to 9.40% for the corresponding period in 2016.

As a result of the foregoing, our net financial margin increased by 3.4% to Ps.1,040.0 million in the three-month period ended March 31, 2017, compared to Ps.1,005.4 million in the corresponding period of 2016.

Provisions for Loan Losses

Provisions for loan losses decreased by Ps.8.8 million, or 3.0%, to Ps.283.6 million in the three-month period ended March 31, 2017 from Ps.292.3 million in the corresponding period in 2016, which primarily reflected the continuous improvement in the quality of our loan portfolio.

Loan write-offs decreased by Ps.58.1 million, or 16.1%, to Ps.302.1 million in the three-month period ended March 31, 2017 from Ps.360.2 million in the corresponding period in 2016. For the three-month period ended March 31, 2017, our allowance for loan losses as a percentage of our total loan portfolio was 5.3%, compared to 6.0% during the three-month period ended March 31, 2016. Our allowance for loan losses as a percentage of non-performing loans was 100% as of both March 31, 2017 and 2016. Our total non-performing loan portfolio totaled Ps.391.5 million as of March 31, 2017, compared to Ps.412.3 million as of March 31, 2016, representing a decrease of Ps.20.8 million, or 5.0%, reflecting our strategic focus. For additional information relating to our strategic focus, see “Summary—Our Competitive Strengths—Strategic Focus on the Quality and Profitability of our Loan Portfolio.”

Non-Interest Income

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

	For the Three-Month Period Ended March 31,		
	2017	2017	2016
	<i>(in millions of U.S.\$) (1)</i>	<i>(in millions of Ps.)</i>	
Commission and fee income.....	6.7	124.9	121.3
Commission and fee expense.....	(1.1)	(20.3)	(18.1)
Trade income (expense).....	1.0	18.3	(0.5)
Other operating income.....	3.6	68.0	61.8
Total non-interest income.....	10.2	190.9	164.5

(1) Solely for the convenience of the reader, statement of income and balance sheet data expressed in U.S. dollars have been translated at the rate of Ps.18.7079 per U.S.\$1.00, the exchange rate published by the Mexican Central Bank in the Federal Official Gazette on March 31, 2017 as the rate for the payment of obligations denominated in non-Mexican currency payable in Mexico. See “Presentation of Financial and Other Information” and “Exchange Rates.”

Total non-interest income increased by Ps.26.4 million, or 16.1%, to Ps.190.9 million in the three-month period ended March 31, 2017 from Ps.164.5 million in the corresponding period in 2016.

This increase was principally due to:

- a Ps.3.6 million, or 3.0% increase in commission and fee income (which principally consists of commissions charged for disbursements of loans, annual loan servicing fees and collection fees) to Ps.124.9 million for the three-month period ended March 31, 2017 from Ps.121.3 million in the corresponding period in 2016, primarily due to changes in the composition of our loan portfolio;
- trade income of Ps.18.3 million for the three-month period ended March 31, 2017, compared to trade losses of Ps.0.5 million for the corresponding period in 2016. This variation primarily due to an extraordinary gain related to the effect of foreign exchange fluctuations between the *Real* and *Peso* on intercompany loans between Independencia and Finsol Brasil when translated to *Pesos*; and
- a Ps.6.2 million, or 10.0%, increase in other operating income to Ps.68.0 million in the three-month period ended March 31, 2017 from Ps.61.8 million in the corresponding period in 2016, primarily due to revenue generated from additional products and services offered to clients (including funeral assistance and insurance products);

The combined effects of these increases were partially offset by:

- a Ps.2.2 million, or 12.2% increase in commission and fee expense (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) to Ps.20.3 million in the three-month period ended March 31, 2017 from Ps.18.1 million in the corresponding period in 2016, which partly reflects the devaluation of the *Peso* against the U.S. Dollar and the *Real*.

Administrative and Promotional Expenses

The following table sets forth the composition of our administrative and promotional expenses for the periods indicated.

	For the Three-Month Period Ended March 31,		
	2017	2017	2016
	<i>(in millions of U.S.\$) (1)</i>	<i>(in millions of Ps.)</i>	
Salaries and employee benefits	30.5	570.4	543.1
Other administrative and operational expenses:			
Leases	4.1	76.0	64.8
Promotional expenses	1.1	20.2	16.4
Repair and maintenance	0.2	3.8	3.7
Depreciation and amortization	1.2	23.4	22.8
Telecommunications	0.5	9.6	11.0
Security and relocation of cash	0.4	7.4	8.8
Miscellaneous	7.9	147.1	129.9
Total other administrative and operational expenses	15.4	287.5	257.4
Total administrative and promotional expenses	45.9	857.9	800.6

- (1) Solely for the convenience of the reader, statement of income and balance sheet data expressed in U.S. dollars have been translated at the rate of Ps.18.7079 per U.S.\$1.00, the exchange rate published by the Mexican Central Bank in the Federal Official Gazette on March 31, 2017 as the rate for the payment of obligations denominated in non-Mexican currency payable in Mexico. See "Presentation of Financial and Other Information" and "Exchange Rates."

Our administrative and promotional expenses increased Ps.57.4 million, or 7.2%, to Ps.857.9 million in the three-month period ended March 31, 2017 from Ps.800.6 million in the corresponding period in 2016. Our administrative and promotional expenses comprise:

- salaries and employee benefits, the largest component of administrative and promotional expenses, which increased Ps.27.3 million, or 5.0%, to Ps.570.4 million (66.5% of total administrative and promotional expenses) in the three-month period ended March 31, 2017, compared to Ps.543.1 million (67.8% of administrative and promotional expenses) in the corresponding period in 2016, primarily due to (1) changes in our branch network, including a net aggregate opening of 21 new branches by AEF and AFI (partially offset by a net aggregate closure of 22 branches by Independencia, Finsol México and Finsol Brasil) over the period and (2) the depreciation of the *Peso* against the *Real* and U.S. Dollar (excluding the effects of this depreciation salaries and employee benefits would have increased 4.2% over the period);
- lease expenses, which increased Ps.11.2 million, or 17.3%, to Ps.76.0 million in the three-month period ended March 31, 2017 from Ps.64.8 million in the corresponding period in 2016, primarily as a result of the net aggregate opening of 21 branches by AEF and AFI;
- promotional expenses, which increased Ps.3.8 million, or 23.2%, to Ps.20.2 million in the three-month period ended March 31, 2017 from Ps.16.4 million in the corresponding period in 2016, primarily due to the opening of new branches and additional expenses incurred in connection with printed advertising to promote our products;

- repair and maintenance expenses, which increased Ps.0.1 million, or 2.9%, to Ps.3.8 million in the three-month period ended March 31, 2017 from Ps.3.7 million in the corresponding period in 2016 consistent with the increase in our operations;
- depreciation and amortization remained relatively stable, increasing Ps.0.6 million, or 2.5%, to Ps.23.4 million in the year ended March 31, 2017 from Ps.22.8 million in the corresponding period in 2016;
- telecommunication expenses, which decreased Ps.1.4 million, or 12.3%, to Ps.9.6 million in the three-month period ended March 31, 2017 from Ps.11.0 million in the corresponding period in 2016, principally due to successful negotiations with our main telecommunication service providers that resulted in a change in the structure to one based on volume and future use forecasts;
- security and relocation of cash, which primarily comprises fees charged by independent security companies for transporting cash to and from our branch offices, which decreased Ps.1.5 million, or 16.6%, to Ps.7.4 million in the three-month period ended March 31, 2017 from Ps.8.8 million in the corresponding period in 2016. This decrease is a result of a decrease in third-party security personnel hired by our Independencia business units mainly as a result of our decision to increase the use of our own security personnel, a result of a reduction in the number of our branches in Mexico and increased operating efficiencies; and
- miscellaneous expenses, which increased Ps.17.1 million, or 13.2%, to Ps.147.1 million in the three-month period ended March 31, 2017 from Ps.129.9 million in the corresponding period in 2016, principally due to spending on fees for consulting and other professional service providers.

Income Tax

Income tax decreased by Ps.2.9 million, or 12.0%, to Ps.21.0 million in the three-month period ended March 31, 2017 from Ps.23.9 million in the corresponding period in 2016. This decrease is primarily due to an increase in our deferred taxes that resulted from a fiscal loss incurred by Independencia in 2016 that we recorded in the three-month period ended March 31, 2017.

Net Income

As a result of the foregoing, our net income increased Ps.15.3 million, or 28.9%, to Ps.68.4 million in the three-month period ended March 31, 2017, compared to net income of Ps.53.0 million in the corresponding period in 2016. Earnings per share for the three-month periods ended March 31, 2017 and 2016 was Ps.0.1010 and Ps.0.0778, respectively.

Results of Operations for the Year Ended December 31, 2016 Compared to the Year Ended December 31, 2015

The following table sets forth certain of our income statement information relating to the years ended December 31, 2016 and 2015:

	For the Year Ended December 31,		
	2016	2016	2015
	<i>(in millions of U.S.\$) (1)</i>		
	<i>(in millions of Ps.)</i>		
Interest income	250.8	4,692.6	4,848.7
Interest expense	(33.6)	(627.7)	(616.4)
Financial margin	217.3	4,065.0	4,232.3
Provision for loan losses	(63.0)	(1,177.7)	(1,449.0)
Financial margin after provision for loan losses	154.3	2,887.3	2,783.2
Commission and fee income	26.5	495.9	587.5
Commission and fee expense	(4.5)	(84.0)	(76.3)
Trade income (expense)	4.8	90.1	(0.1)
Other operating income	15.5	290.7	293.1
Administrative and promotional expenses	(179.2)	(3,352.0)	(3,303.8)
Income from operations	17.5	328.0	283.5
Current income tax expense	(6.8)	(127.0)	(140.2)
Deferred income tax benefit	1.8	33.0	65.7
Total income tax	(5.0)	(94.0)	(74.5)
Net income	12.5	234.0	209.0

(1) Solely for the convenience of the reader, statement of income and balance sheet data expressed in U.S. dollars have been translated at the rate of Ps.18.7079 per U.S.\$1.00, the exchange rate published by the Mexican Central Bank in the Federal Official Gazette on March 31, 2017 as the rate for the payment of obligations denominated in non-Mexican currency payable in Mexico. See "Presentation of Financial and Other Information" and "Exchange Rates."

Financial Margin

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

	For the Year Ended December 31,		
	2016	2016	2015
	<i>(in millions of U.S.\$) (1)</i>		
	<i>(in millions of Ps.)</i>		
Interest income:			
Interest on loans	249.8	4,673.3	4,837.1
Interest from investments in securities	1.0	19.4	11.6
Total interest income	250.8	4,692.6	4,848.7
Interest expense:			
Interest on funding	(33.6)	(627.7)	(616.4)
Total interest expense	(33.6)	(627.7)	(616.4)
Financial margin	217.3	4,065.0	4,232.3

(1) Solely for the convenience of the reader, statement of income and balance sheet data expressed in U.S. dollars have been translated at the rate of Ps.18.7079 per U.S.\$1.00, the exchange rate published by the Mexican Central Bank in the Federal Official Gazette on March 31, 2017 as the rate for the payment of obligations denominated in non-Mexican currency payable in Mexico. See "Presentation of Financial and Other Information" and "Exchange Rates."

Financial margin decreased Ps.167.3 million, or 4.0%, to Ps.4,065.0 million in the year ended December 31, 2016 from Ps.4,232.3 million in the year ended December 31, 2015. This decrease was driven by a decrease in our interest income of Ps.156.1 million, or 3.2%, and an increase in our interest expenses of Ps.11.3 million, or 1.8%.

Interest Income

Interest income decreased Ps.156.1 million, or 3.2%, to Ps.4,692.6 million in the year ended December 31, 2016, compared to Ps.4,848.7 million in the year ended December 31, 2015. This decrease was mainly the result of:

- (1) an increased share in our total loan portfolio of products that bear lower average interest rates, such as the increases in our total loan portfolio of the AFI loan portfolio, from 10.3% as of December 31, 2015 to 15.9% as of December 31, 2016, of Independencia's payroll product (*Más Nómina*), from 7.1% as of December 31, 2015 to 7.9% as of December 31, 2016, and (2) our ongoing focus on the formal segment;
- a decrease in our average effective lending rate (interest income divided by average balance of our total loan portfolio) to 64.4% for the year ended December 31, 2016 from 68.3% for the year ended December 31, 2015, reflecting the adjustments to the composition of our loan portfolio referenced above; and
- a 9.2% decrease in Independencia's loan portfolio to Ps.3,266.7 million as of December 31, 2016 from Ps.3,598.0 million as of December 31, 2015, which continues to reflect the strategic decision to eliminate Independencia's loan origination to high risk clients since September 2015 in order to improve loan portfolio quality. As a result, Independencia's loan origination decreased 19.3% in the year ended December 31, 2016 compared to the year ended December 31, 2015. As of December 31, 2016, the breakdown between the formal and informal segment of our Independencia loan portfolio was 79.7% and 20.3%, respectively, and Independencia's loan portfolio represented 43.9% of our total loan portfolio, compared to 50.6% in as of December 31, 2015.

The decrease in our interest income was partially offset by:

- a Ps.190.7 million, or 4.3%, increase in the formal segment of our total loan portfolio (which typically bears interest at lower rates) to Ps.4,624.7 million as of December 31, 2016 (representing 62.1% of our total loan portfolio) from Ps.4,434.0 million as of December 31, 2015 (representing 62.3% of our total loan portfolio), principally due to increases of (1) Ps.448.1 million, or 61.0%, in AFI's loan portfolio and (2) Ps.17.1 million, or 2.1%, in the formal segment of AEF's loan portfolio, the combined effects of which were partially offset by a decrease of Ps.274.5 million, or 9.5%, in the formal segment of Independencia's loan portfolio; and
- a Ps.180.5 million, or 7.1%, increase in the informal segment of our total loan portfolio, to Ps.2,734.2 million as of December 31, 2016 (representing 36.7% of our total loan portfolio) from Ps.2,553.7 million as of December 31, 2015 (representing 35.9% of our total loan portfolio), principally due to increases of (1) Ps.128.8 million, or 32.1%, in Finsol Brasil's loan portfolio (due to the appreciation of the *Real* against the *Peso*), (2) Ps.56.4 million, or 7.1%, in Finsol Mexico's loan portfolio, and (3) Ps.52.2 million, or 8.2%, in the informal segment of our AEF loan portfolio, the combined effects of which were partially offset by a decrease of Ps.56.8 million, or 7.9%, in the informal segment of Independencia's loan portfolio.

See “—Composition of Our Loan Portfolio and Interest on Loans by Product” for a breakdown of our interest income by product.

Interest Expense

Interest expense increased Ps.11.3 million, or 1.8%, to Ps.627.7 million in the year ended December 31, 2016 from Ps.616.4 million in the year ended December 31, 2015. This increase was primarily due to increases in the average 28-day CETES and TIIE rates to 4.2% and 4.5%, respectively, for the year ended December 31, 2016 from 3.0% and 3.3%, respectively, for the year ended December 31, 2015, partially offset by a 23 basis point decrease in the average interest rate paid on liabilities to 9.27% for the year ended December 31, 2016 from 9.04% for the year ended December 31, 2015.

As a result of the foregoing, our net financial margin decreased by 4.0% to Ps.4,065.0 million in the year ended December 31, 2016, compared to Ps.4,232.3 million in the year ended December 31, 2015.

Provisions for Loan Losses

Provisions for loan losses decreased Ps.271.3 million, or 18.7%, to Ps.1,177.7 million in the year ended December 31, 2016 from Ps.1,449.0 million in the year ended December 31, 2015, which primarily reflected the continuous improvements to the quality of our loan portfolio.

Loan write-offs decreased by Ps.232.5 million, or 15.7%, to Ps.1,247.8 million in the year ended December 31, 2016 from Ps.1,480.3 million in the year ended December 31, 2015. For the year ended December 31, 2016, our allowance for loan losses as a percentage of our total loan portfolio was 5.5%, compared to 6.7% during the year ended December 31, 2015. Our allowance for loan losses as a percentage of non-performing loans was 100% as of both December 31, 2016 and 2015. Our total non-performing loan portfolio totaled Ps.410.0 million as of December 31, 2016, compared to Ps.480.2 million as of December 31, 2015, representing a decrease of Ps.70.2 million, or 14.6%, reflecting our strategic focus.

Non-Interest Income

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

	For the Year Ended December 31,		
	2016	2016	2015
	<i>(in millions of U.S.\$) (1)</i>	<i>(in millions of Ps.)</i>	
Commission and fee income.....	26.5	495.9	587.5
Commission and fee expense.....	(4.5)	(84.0)	(76.3)
Trade income (expense).....	4.8	90.1	(0.1)
Other operating income	15.5	290.7	293.1
Total non-interest income.....	42.4	792.7	804.1

(1) Solely for the convenience of the reader, statement of income and balance sheet data expressed in U.S. dollars have been translated at the rate of Ps.18.7079 per U.S.\$1.00, the exchange rate published by the Mexican Central Bank in the Federal Official Gazette on March 31, 2017 as the rate for the payment of obligations denominated in non-Mexican currency payable in Mexico. See "Presentation of Financial and Other Information" and "Exchange Rates."

Total non-interest income decreased Ps.11.5 million, or 1.4%, to Ps.792.7 million in the year ended December 31, 2016 from Ps.804.1 million in the year ended December 31, 2015.

This decrease was principally due to:

- a Ps.91.6 million, or 15.6%, decrease in commission and fee income (which principally consists of commissions charged for disbursements of loans, annual loan servicing fees and collection fees) to Ps.495.9 million for the year ended December 31, 2016 from Ps.587.5 million in the year ended December 31, 2015, primarily due to changes in the composition of our loan portfolio; and
- a Ps.7.7 million, or 10.1%, increase commission and fee expense (which principally consists 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) to Ps.84.0 million in the year ended December 31, 2016 from Ps.76.3 million in the year ended December 31, 2015, primarily due to commissions paid to intermediaries in connection with the successful tender of U.S.\$80.1 million of our 2019 senior notes executed in August 2016, which we amortized over the last 4 months of 2016.

Other operating income remained relatively stable decreasing Ps.2.4 million, or 0.8%, to Ps.290.7 million in the year ended December 31, 2016 from Ps.293.1 million in the year ended December 31, 2015.

The decrease in our non-interest income was partially offset by trade income of Ps.90.1 million we recorded in the year ended December 31, 2016, compared to trade losses of Ps.0.1 million we recorded in the year ended December 31, 2015. This variation is primarily due to an extraordinary gain related to the effect foreign exchange

fluctuations between the *Real* and *Peso* on intercompany loans between Independencia and Finsol Brasil when translated to *Pesos*.

Administrative and Promotional Expenses

The following table sets forth the composition of our administrative and promotional expenses for the periods indicated.

	For the Year Ended December 31,		
	2016	2016	2015
	<i>(in millions of U.S.\$) (1)</i>	<i>(in millions of Ps.)</i>	
Salaries and employee benefits.....	119.4	2,233.8	2,246.1
Other administrative and operational expenses:			
Leases.....	14.8	277.7	255.0
Promotional expenses.....	4.2	77.8	65.3
Repair and maintenance.....	4.4	82.5	85.5
Depreciation and amortization.....	5.0	93.4	94.7
Telecommunications.....	2.3	42.7	60.7
Security and relocation of cash.....	1.6	29.7	40.2
Miscellaneous.....	27.5	514.4	456.3
Total other administrative and operational expenses.....	59.8	1,118.2	1,057.7
Total administrative and promotional expenses.....	179.2	3,352.0	3,303.8

(1) Solely for the convenience of the reader, statement of income and balance sheet data expressed in U.S. dollars have been translated at the rate of Ps.18.7079 per U.S.\$1.00, the exchange rate published by the Mexican Central Bank in the Federal Official Gazette on March 31, 2017 as the rate for the payment of obligations denominated in non-Mexican currency payable in Mexico. See "Presentation of Financial and Other Information" and "Exchange Rates."

Our administrative and promotional expenses increased Ps.48.2 million, or 1.5%, to Ps.3,352.0 million in the year ended December 31, 2016 from Ps.3,303.8 million in the year ended December 31, 2015. Our administrative and promotional expenses comprise:

- salaries and employee benefits, the largest component of administrative and promotional expenses, which decreased Ps.12.3 million, or 0.5%, to Ps.2,233.8 million (66.6% of total administrative and promotional expenses) in the year ended December 31, 2016, compared to Ps.2,246.1 million (68.0% of administrative and promotional expenses) in the year ended December 31, 2015, principally due to reductions of 3.7% and 3.4% in the workforces of Independencia and Finsol Brasil, respectively;
- lease expenses, which increased Ps.22.7 million, or 8.9%, to Ps.277.7 million in the year ended December 31, 2016 from Ps.255.0 million in the year ended December 31, 2015, principally due to new branch office openings during the period;
- promotional expenses, which increased Ps.12.5 million, or 19.1%, to Ps.77.8 million in the year ended December 31, 2016 from Ps.65.3 million in the year ended December 31, 2015, principally due to advertising campaigns aimed at promoting the awareness of our brands and marketing expenses we incurred in respect of the branch offices that we added to our network;
- repair and maintenance expenses, which decreased Ps.3.0 million, or 3.6%, to Ps.82.5 million in the year ended December 31, 2016 from Ps.85.5 million in the year ended December 31, 2015, principally due the replacement of certain of our third-party maintenance suppliers in line with our efforts to increase our operating efficiencies;
- depreciation and amortization, which remained relatively stable decreasing Ps.1.3 million, or 1.4%, to Ps.93.4 million in the year ended December 31, 2016 from Ps.94.7 million in the year ended December 31, 2015;
- telecommunication expenses, which decreased Ps.18.0 million, or 29.7%, to Ps.42.7 million in the year ended December 31, 2016 from Ps.60.7 million in the year ended December 31, 2015, primarily as a result

of lower rates we obtained from telecommunication suppliers and the replacement of certain of these suppliers;

- security and relocation of cash, which decreased Ps.10.5 million, or 26.1%, to Ps.29.7 million in the year ended December 31, 2016 from Ps.40.2 million in the year ended December 31, 2015, primarily a result of a decrease in third-party security personnel hired by our Independencia business units mainly as a result of our decision to increase the use of our own security personnel and increased operating efficiencies; and
- miscellaneous expenses, which increased Ps.58.0 million, or 12.7%, to Ps.514.4 million in the year ended December 31, 2016 from Ps.456.3 million in the year ended December 31, 2015, principally due to spending on fees for consulting, lawyers and other professional third-party service providers.

Income Tax

Income tax increased by Ps.19.5 million, or 26.2%, to Ps.94.0 million in the year ended December 31, 2016 from Ps.74.5 million in the year ended December 31, 2015. This increase is primarily due to the 15.7% increase in our income from operations in the year ended December 31, 2016 compared to the year ended December 31, 2015.

Net Income

As a result of the foregoing, our net income increased Ps.25.0 million, or 11.9%, to Ps.234.0 million in the year ended December 31, 2016, compared to net income of Ps.209.0 million in the year ended December 31, 2015. Earnings per share for the years ended December 31, 2016 and 2015 was Ps.0.3435 and Ps.0.3056, respectively.

Results of Operations for the Year Ended December 31, 2015 Compared to the Year Ended December 31, 2014

The following table sets forth certain of our income statement information relating to the years ended December 31, 2015 and 2014:

	For the Year Ended December 31,		
	2015	2015	2014
	<i>(in millions of U.S.\$) (1)</i>	<i>(in millions of Ps.)</i>	
Interest income	259.2	4,848.7	4,900.7
Interest expense	(32.9)	(616.4)	(676.1)
Financial margin	226.2	4,232.3	4,224.6
Provision for loan losses	(77.5)	(1,449.0)	(1,375.7)
Financial margin after provision for loan losses	148.8	2,783.2	2,848.9
Commission and fee income	31.4	587.5	657.0
Commission and fee expense	(4.1)	(76.3)	(80.2)
Trade income (expense)	(0.0)	(0.1)	(40.1)
Other operating income	15.7	293.1	343.7
Administrative and promotional expenses	(176.6)	(3,303.8)	(3,291.5)
Income from operations	15.2	283.5	437.8
Current income tax expense	(7.5)	(140.2)	(126.3)
Deferred income tax benefit	3.5	65.7	6.5
Total income tax	(4.0)	(74.5)	(119.8)
Net income	11.2	209.0	318.0

(1) Solely for the convenience of the reader, statement of income and balance sheet data expressed in U.S. dollars have been translated at the rate of Ps.18.7079 per U.S.\$1.00, the exchange rate published by the Mexican Central Bank in the Federal Official Gazette on March 31, 2017 as the rate for the payment of obligations denominated in non-Mexican currency payable in Mexico. See "Presentation of Financial and Other Information" and "Exchange Rates."

Financial Margin

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

	For the Year Ended December 31,		
	2015	2015	2014
	<i>(in millions of U.S.\$) (1)</i>	<i>(in millions of Ps.)</i>	
Interest income:			
Interest on loans.....	258.6	4,837.1	4,888.3
Interest from investments in securities.....	0.6	11.6	12.4
Total interest income	259.2	4,848.7	4,900.7
Interest expense:			
Interest on funding.....	(32.9)	(616.4)	(676.1)
Total interest expense	(32.9)	(616.4)	(676.1)
Financial margin	226.2	4,232.3	4,224.6

(1) Solely for the convenience of the reader, statement of income and balance sheet data expressed in U.S. dollars have been translated at the rate of Ps.18.7079 per U.S.\$1.00, the exchange rate published by the Mexican Central Bank in the Federal Official Gazette on March 31, 2017 as the rate for the payment of obligations denominated in non-Mexican currency payable in Mexico. See "Presentation of Financial and Other Information" and "Exchange Rates."

Financial margin increased Ps.7.7 million, or 0.2%, to Ps.4,232.3 million in the year ended December 31, 2015 from Ps.4,224.6 million in the year ended December 31, 2014. This increase was driven by a decrease in our interest expenses of Ps.59.7 million, or 8.8%, and partially offset by a decrease in our interest income of Ps.52.0 million, or 1.1%.

Interest Income

We recorded interest income of Ps.4,848.7 million in the year ended December 31, 2015, compared to Ps.4,900.7 million in the year ended December 31, 2014, representing a decrease of Ps.52.0 million, or 1.1%. This decrease was mainly the result of:

- a Ps.226.9 million, or 8.2%, decrease in the informal segment of our total loan portfolio (which typically bears higher interest rates) to Ps.2,553.7 million as of December 31, 2015 (representing 35.9% of our total loan portfolio) from Ps.2,780.6 million as of December 31, 2014 (representing 39.3% of our total loan portfolio), principally due to decreases of (1) Ps.201.5 million, or 21.8%, in the informal segment of Independencia's loan portfolio and (2) Ps.70.6 million, or 15.0%, in Finsol Brasil's loan portfolio, the combined effects of which were partially offset by increases of (1) Ps.24.8 million, or 4.1%, in the informal segment of AEF's loan portfolio and of Ps.20.3 million, or 2.6%, in our Finsol Mexico loan portfolio;
- our ongoing focus on the formal segment as well as an increased share in our total loan portfolio of products that bear lower average interest rates, such as the increases in our total loan portfolio of (1) AFI's loan portfolio, from 6.1% as of December 31, 2014 to 10.3% as of December 31, 2015, and (2) Independencia's payroll product (*Más Nómina*), from 5.3% as of December 31, 2014 to 7.1% as of December 31, 2015;
- a decrease in our average effective lending rate (interest income divided by average balance of our total loan portfolio) to 68.3% for the year ended December 31, 2015 from 70.5% for the year ended December 31, 2014, reflecting the adjustment to the composition of our loan portfolio referenced above; and
- a 10.5% decrease in Independencia's loan portfolio to Ps.3,598.0 million as of December 31, 2015 from Ps.4,020.5 million as of December 31, 2014, which continues to reflect the decision to eliminate Independencia's loan origination to high risk clients since September 2015 in order to improve the quality of our loan portfolio. As a result, Independencia's loan origination decreased 8.2% in the year ended December 31, 2015 compared to the year ended December 31, 2014. As of December 31, 2015,

the breakdown between the formal and informal sector represented in our Independencia loan portfolio was 80.0% and 20.0%, respectively, and our Independencia loan portfolio represented 50.6% of our total loan portfolio, compared to 56.8% in as of December 31, 2014.

The decrease in our interest income was partially offset by:

- a Ps.141.3 million, or 3.3%, increase in the formal segment of our total loan portfolio (which typically bears interest at higher rates) to Ps.4,434.0 million as of December 31, 2015 (representing 62.3% of our total loan portfolio) from Ps.4,292.7 million as of December 31, 2014 (representing 60.7% of our total loan portfolio), principally due to increases of (1) Ps.299.8 million, or 69.0%, in AFI's loan portfolio and (2) Ps.62.4 million, or 8.2%, in the formal segment of AEF's loan portfolio, the combined effects of which were partially offset by a decrease of Ps.221.0 million, or 7.1%, in the formal segment of Independencia's loan portfolio.

See “—Composition of Our Loan Portfolio and Interest on Loans by Product” for a breakdown of our interest income by product

Interest Expense

Interest expense decreased Ps.59.7 million, or 8.8%, to Ps.616.4 million in the year ended December 31, 2015 from Ps.676.1 million in the year ended December 31, 2014 primarily due to a 88 basis point decrease in the average interest rate paid on liabilities from 9.92% as of December 31, 2014 to 9.04% as of December 31, 2015, partially offset by an increase in the average 28-day TIIE rate to 3.5% as of December 31, 2015 from 3.3% as of December 31, 2014. As a result of the foregoing, our net financial margin increased by 0.2% to Ps.4,232.2 million in the year ended December 31, 2015, compared to Ps.4,224.6 million in the year ended December 31, 2014.

Provisions for Loan Losses

Provisions for loan losses increased Ps.73.3 million, or 5.3%, to Ps.1,449.0 million in the year ended December 31, 2015 from Ps.1,375.7 million in the year ended December 31, 2014, which reflects a minimal increase in Independencia's and AFI's non-performing loans and an increase in fiscal losses resulting from uncollected loans.

Loan write-offs increased by Ps.115.2 million, or 8.4%, to Ps.1,480.3 million in the year ended December 31, 2015 from Ps.1,365.1 million in the year ended December 31, 2014. For the year ended December 31, 2015, our allowance for loan losses as a percentage of our total loan portfolio was 6.7%, compared to 7.2% during the year ended December 31, 2014. Our allowance for loan losses as a percentage of non-performing loans was 100% as of both December 31, 2015 and 2014. Our total non-performing loan portfolio totaled Ps.480.2 million as of December 31, 2015, compared to Ps.511.4 million as of December 31, 2014, representing a decrease of Ps.31.2 million, or 6.1%, reflecting our strategic focus.

Non-Interest Income

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

	For the Year Ended December 31,		
	2015	2015	2014
	<i>(in millions of U.S.\$) (1)</i>	<i>(in millions of Ps.)</i>	
Commission and fee income.....	31.4	587.5	657.0
Commission and fee expense.....	(4.1)	(76.3)	(80.2)
Trade income (expense).....	(0.0)	(0.1)	(40.1)
Other operating income	15.7	293.1	343.7
Total non-interest income.....	43.0	804.1	880.4

(1) Solely for the convenience of the reader, statement of income and balance sheet data expressed in U.S. dollars have been translated at the rate of Ps.18.7079 per U.S.\$1.00, the exchange rate published by the Mexican Central Bank in the Federal Official Gazette on March 31, 2017 as the rate for the payment of obligations denominated in non-Mexican currency payable in Mexico. See “Presentation of Financial and Other Information” and “Exchange Rates.”

Total non-interest income decreased Ps.76.3 million, or 8.7%, to Ps.804.1 million in the year ended December 31, 2015 from Ps.880.4 million in the year ended December 31, 2014.

This decrease was principally due to:

- a Ps.69.5 million, or 10.6%, decrease in commission and fee income (which principally consists of commissions charged for disbursements of loans, annual loan servicing fees and collection fees) to Ps.587.5 million in the year ended December 31, 2015 from Ps.657.0 million in the year ended December 31, 2014, primarily due to changes in the composition of our loan portfolio;
- a Ps.50.6 million, or 14.7%, decrease in other revenue to Ps.293.1 million in the year ended December 31, 2015 from Ps.343.7 million in the year ended December 31, 2014, primarily due to a decrease in past-due loan portfolio sales as a result of our strategy to improve the quality of our loan portfolio.

The decrease in non-interest income was partially offset by:

- a Ps.3.9 million, or 4.9%, decrease in commission and fee expense (which principally consists 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) to Ps.76.3 million in the year ended December 31, 2015 from Ps.80.2 million in the year ended December 31, 2014, primarily due to the lower loan originations primarily as a result of Independencia's decision to focus on lower risk clients; and
- the increase in our trade loss to Ps.40.1 million in the year ended December 31, 2015 from Ps.0.1 million in the year ended December 31, 2014, primarily due to certain foreign exchange transactions among Independencia, AFI and Finsol Brasil.

Administrative and Promotional Expenses

The following table sets forth the composition of our administrative and promotional expenses for the periods indicated.

	For the Year Ended December 31,		
	2015	2015	2014
	<i>(in millions of U.S.\$) (1)</i>	<i>(in millions of Ps.)</i>	
Salaries and employee benefits.....	120.1	2,246.1	2,255.4
Other administrative and operational expenses:			
Leases.....	13.6	255.0	249.8
Promotional expenses.....	3.5	65.3	63.0
Repair and maintenance.....	4.6	85.5	79.9
Depreciation and amortization.....	5.1	94.7	98.5
Telecommunications.....	3.2	60.7	68.3
Security and relocation of cash.....	2.1	40.2	41.5
Miscellaneous.....	24.4	456.3	435.0
Total other administrative and operational expenses.....	56.5	1,057.7	1,036.1
Total administrative and promotional expenses.....	176.6	3,303.8	3,291.5

(1) Solely for the convenience of the reader, statement of income and balance sheet data expressed in U.S. dollars have been translated at the rate of Ps.18.7079 per U.S.\$1.00, the exchange rate published by the Mexican Central Bank in the Federal Official Gazette on March 31, 2017 as the rate for the payment of obligations denominated in non-Mexican currency payable in Mexico. See "Presentation of Financial and Other Information" and "Exchange Rates."

Our administrative and promotional expenses increased by Ps.12.4 million, or 0.4%, to Ps.3,303.8 million in the year ended December 31, 2015 from Ps.3,291.5 million in the year ended December 31, 2014. Our administrative and promotional expenses comprise:

- salaries and employee benefits, the largest component of administrative and promotional expenses, which decreased Ps.9.3 million, or 0.4%, to Ps.2,246.1 million (68.0% of total administrative and promotional expenses) in the year ended December 31, 2015, compared to Ps.2,255.4 million (68.5% of administrative

and promotional expenses) in the year ended December 31, 2014, primarily due to our focus on optimizing our operating efficiencies as reflected by a 13.4% decrease in our employees during the period (with Independencia, AEF and Finsol Mexico experiencing workforce reductions of 19.8%, 3.6% and 2.5%, respectively). The decrease in salaries and employee benefits was partially offset by (1) a 34.0% and 3.5% increase in the employee base of AFI and Finsol Brazil, respectively, and (2) costs incurred to close our operations center in León and the closing of 28 branches and service offices by Independencia, as well as costs incurred to close two branches of Finsol Mexico and to open an aggregate nine new branches among our Finsol Brazil, AEF and AFI operations;

- lease expenses, which increased Ps.5.2 million, or 2.1%, to Ps.255.0 million in the year ended December 31, 2015 from Ps.249.8 million in the year ended December 31, 2014, primarily as a result of leasing expenses we incurred in connection with the opening of an aggregate nine branches among our Finsol Brasil, AFI and AEF operations, as well as the effects of inflation adjustments in our lease agreements;
- promotional expenses, which increased Ps.2.3 million, or 3.7%, to Ps.65.3 million in the year ended December 31, 2015 from Ps.63.0 million in the year ended December 31, 2014, principally due to advertising campaigns aimed at promoting the awareness of our brands and marketing expenses we incurred in respect of the branch offices that we added to our network;
- repair and maintenance expenses, which increased Ps.5.6 million, or 7.0%, to Ps.85.5 million in the year ended December 31, 2015 from Ps.79.9 million in the year ended December 31, 2014, principally due to the opening of new branches and maintenance expenses incurred in existing branches;
- depreciation and amortization, which decreased Ps.3.8 million, or 3.9%, to Ps.94.7 million in the year ended December 31, 2015 from Ps.98.5 million in the year ended December 31, 2014, principally due to a decrease in capital expenditures over the period;
- telecommunication expenses, which decreased Ps.7.6 million, or 11.1%, to Ps.60.7 million in the year ended December 31, 2015 from Ps.68.3 million in the year ended December 31, 2014, principally due to a reduction in telecommunication prices by telecommunications companies;
- security and relocation of cash, which decreased Ps.1.3 million, or 3.1%, to Ps.40.2 million in the year ended December 31, 2015 from Ps.41.5 million in the year ended December 31, 2014, principally due to the closure of Independencia branches; and
- miscellaneous expenses, which increased Ps.21.3 million, or 4.9%, to Ps.456.3 million in the year ended December 31, 2015 from Ps.435.0 million in the year ended December 31, 2014, principally due to fees we incurred in respect of consulting, legal and other third-party professional services.

Income Tax

Income tax decreased by Ps.45.3 million, or 37.8%, to Ps.74.5 million in the year ended December 31, 2015 from Ps.119.8 million in the year ended December 31, 2014. This decrease is primarily due to the 35.2% decrease in our earnings from operations in the year ended December 31, 2015 compared to the year ended December 31, 2014.

Net Income

As a result of the foregoing, our net income decreased Ps.109.0 million, or 34.3%, to Ps.209.0 million in the year ended December 31, 2015, compared to net income of Ps.318.0 million in the year ended December 31, 2014. Earnings per share for the years ended December 31, 2015 and 2014 was Ps.0.3056 and Ps.0.4653, respectively.

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 three-month periods ended March 31, 2017 and 2016 and as of and for the years ended December 31, 2016, 2015 and 2014:

As of and for the Three-Month Period Ended March 31, 2017				
Number of Loans	% of Total	Interest on Loans	% of Total	
<i>(in millions of Ps., except percentages)</i>				
CrediInmediato	384,866	39.8%	375.3	31.4%
Más Nómina	51,944	5.4%	70.4	5.9%
CrediPopular	175,486	18.1%	125.5	10.5%
CrediMamá	9,840	1.0%	6.0	0.5%
CrediConstruye	1,543	0.2%	0.2	0.02%
Finsol	169,997	17.6%	259.4	21.7%
AEF	154,970	16.0%	257.4	21.5%
AFI	18,791	1.9%	100.9	8.5%
Total	967,437	100.0%	1,195.1	100.0%

As of and for the Three-Month Period Ended March 31, 2016				
Number of Loans	% of Total	Interest on Loans	% of Total	
<i>(in millions of Ps., except percentages)</i>				
CrediInmediato	417,515	41.7%	404.9	35.0%
Más Nómina	49,650	5.0%	59.4	5.1%
CrediPopular	176,203	17.6%	136.3	11.8%
CrediMamá	10,865	1.1%	7.3	0.6%
CrediConstruye	1,901	0.2%	0.5	0.04%
Finsol	171,783	17.2%	225.7	19.5%
AEF	158,225	15.8%	258.5	22.3%
AFI	14,611	1.5%	65.8	5.7%
Total	1,000,752	100.0%	1,158.4	100.0%

As of and for the Year Ended December 31, 2016				
Number of Loans	% of Total	Interest on Loans	% of Total	
<i>(in millions of Ps., except percentages)</i>				
CrediInmediato	388,462	39.7%	1,542.8	33.0%
Más Nómina	51,070	5.2%	259.3	5.5%
CrediPopular	172,014	17.6%	522.1	11.2%
CrediMamá	9,867	1.0%	26.9	0.6%
CrediConstruye	1,620	0.2%	1.6	0.03%
Finsol	173,417	17.7%	948.9	20.3%
AEF	163,774	16.7%	1,071.3	22.9%
AFI	18,044	1.8%	300.4	6.4%
Total	978,268	100.0%	4,673.3	100.0%

As of and for the Year Ended December 31, 2015				
Number of Loans	% of Total	Interest on Loans	% of Total	
<i>(in millions of Ps., except percentages)</i>				
CrediInmediato	437,865	42.3%	1,885.3	39.0%
Más Nómina	45,180	4.4%	190.0	3.9%
CrediPopular	184,572	17.8%	648.9	13.4%
CrediMamá	11,437	1.1%	35.2	0.7%
CrediConstruye	2,031	0.2%	3.0	0.1%
Finsol	177,574	17.2%	863.0	17.8%
AEF	161,881	15.6%	1,021.9	21.1%
AFI	14,162	1.4%	189.8	3.9%
Total	1,034,702	100.0%	4,837.1	100.0%

As of and for the Year Ended December 31, 2014

	Number of Loans	% of Total	Interest on Loans	% of Total
	<i>(in millions of Ps., except percentages)</i>			
CrediInmediato	457,872	42.3%	1,902.3	38.9%
Más Nómina	34,516	3.2%	130.8	2.7%
CrediPopular	207,116	19.1%	744.4	15.2%
CrediMamá	13,311	1.2%	47.2	1.0%
CrediConstruye.....	3,161	0.3%	9.9	0.2%
Finsol	196,980	18.2%	931.3	19.1%
AEF	159,098	14.7%	1,010.6	20.7%
AFI.....	10,121	0.9%	111.8	2.3%
Total.....	1,082,175	100.0%	4,888.3	100.0%

Liquidity and Capital Resources

The purpose of liquidity management 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 borrowings from banks and other entities, and repayments of debt securities, 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 funds available, totaled Ps.7,065.9 million as of March 31, 2017), in addition to our cash flow from operations. Cash flow from operations 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 (development bonds (*bonos de desarrollo*), or Bondes, and CETES), among other sources. Interest from investments in securities represented 0.4% of interest income in the three-month period March 31, 2017, and 0.3% of interest income in the corresponding period in 2016. Interest from investments in securities represented 0.4% of interest income in 2016, and 0.2% of interest income in 2015.

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.

Borrowings from Banks and Other Entities

As of March 31, 2017, we had international debt securities (comprising the 2019 senior notes) and loans from commercial and development banks totaling Ps.5,564.5 million, compared to Ps.5,738.0 million as of March 31, 2016, representing a decrease of Ps.173.5 million, or 3.0%. Our borrowings as of March 31, 2017 also included Ps.1,501.5 million in *Peso*-denominated credit-backed securities.

The following table sets forth the outstanding balances of our borrowings from banks and other entities as of March 31, 2017.

	March 31, 2017		
	Amount of Debt	Currency	Maturity
	(in millions of Pesos)		
2019 Senior Notes.....	2,226.4	Dollars	June 2019
HSBC Mexico.....	80.0	Pesos	December 2018
HSBC Mexico	462.0	Pesos	November 2018
Banco Bradesco.....	31.6	Dollars	April 2017
Nafinsa.....	620.2	Pesos	Indefinite
Nafinsa.....	390.4	Pesos	Indefinite
Nafinsa.....	204.7	Pesos	Indefinite
BBVA Bancomer.....	200.0	Pesos	July 2017
Seguros SURA.....	17.0	Pesos	March 2018
Banco del Bajío.....	70.0	Pesos	June 2022
Banco Monex.....	50.0	Pesos	April 2019
Jorisa.....	330.0	Pesos	August 2019
Fira	311.0	Pesos	Indefinite
Seguros SURA.....	8.0	Pesos	March 2018
Bridge Bank.....	182.3	Dollars	December 2017
Scotiabank Inverlat.....	266.6	Pesos	May 2017
OIKO Credit.....	78.1	Euros	October 2021
Accrued interest.....	36.3	Pesos	
Total	5,564.5		

As set forth in the table below, Ps.2,734.6 million, or 38.7%, of our indebtedness is secured as of March 31, 2017:

	For the Three-month Period Ended March 31, 2017	
	Secured	Unsecured
	(in millions of Pesos)	
2019 Senior Notes.....	—	2,226.4
Loans from commercial and sovereign Mexican banks.....	1,233.1	2,105.0
Peso-denominated bonds	1,501.5	—
Total	2,734.6	4,331.4

Lines of Credit with Nafinsa

Independencia, Financiera Finsol and AEF have entered into three separate lines of credit with Nafinsa. As of March 31, 2017, the outstanding balance under these lines of credit was Ps.1,215.3 million. These lines of credit have an indefinite term, and disbursements mature 22 months, six months or nine months after the disbursement date, depending on the use of proceeds.

NAFinsa Lines

On February 18, 2009, Independencia entered into an unsecured revolving line of credit with Nafinsa, which was amended on June 12, 2009, August 31, 2011 and on September 10, 2014. As amended, this line of credit was increased from its original aggregate amount of Ps.140.0 million to Ps.850 million, carries an interest rate of TIE 28 days plus 260 basis points and has no maturity date.

On September 22, 2011, AEF entered into a secured revolving line of credit with Nafinsa for which Independencia provided a guarantee. This line of credit was increased to Ps.400.0 million on September 10, 2014, bears interest at the rate of TIE 28 days plus 260 basis points and has no maturity date. AEF's obligations under the agreement are secured by funds transferred to Nafinsa under a deposit and pledge agreement pursuant to which AEF

deposits with Nafinsa 10% of any disbursements made under the agreement, up to an aggregate amount of Ps.40.0 million.

On December 23, 2005, Financiera Finsol entered into a secured revolving line of credit with Nafinsa, which was amended on May 18, 2007, June 26, 2008, June 24, 2009, September 22, 2011 and September 10, 2014. As amended, Independencia granted a guarantee for this line of credit as guarantor, and the credit amount was modified up to the aggregate amount of Ps.250.0 million. It bears an interest rate of TIEE 28 days plus 260 basis points and has no maturity date. Financiera Finsol's obligations under the agreement are secured by funds transferred to Nafinsa under a deposit and pledge agreement pursuant to which Financiera Finsol deposits with Nafinsa a tenth part of any disbursements made under the agreement, up to an aggregate amount of Ps.25.0 million.

2019 Senior Notes

On June 3, 2014, we offered and sold the 2019 senior notes in the aggregate amount of U.S.\$200.0 million. These notes are guaranteed by our subsidiaries Financiera Finsol, Fisofo and AEF and mature in June 2019. We intend to redeem all of the outstanding 2019 senior notes with a portion of the net proceeds. As of March 31, 2017, the outstanding principal amount of the 2019 senior notes was U.S.\$118.5 million. Nothing in this offering memorandum shall be deemed to be a notice or communication to any holder of any of our 2022 notes in connection with the redemption or otherwise.

Line of Credit of Independencia with BBVA Bancomer

On April 26, 2012, Independencia obtained a Ps.260.0 million unsecured revolving line of credit from BBVA Bancomer, the proceeds of which are utilized to grant loans to our customers, improve our capital structure and provide working capital. This loan was granted for a term of three years as of its execution date. Amounts drawn under this line of credit bear interest at a rate of TIEE 28 days plus the spread determined in each promissory note (which average 295 basis points).

On July 21, 2014, this line of credit was amended and increased to Ps.\$300.0 million, maturing on July 21, 2017. On August 22, 2014, AEF and Bancomer entered into a credit agreement for \$12.0 million, maturing in 36 months. As of March 31, 2017, the outstanding balance under this line of credit was Ps.200 million.

Lines of Credit of Independencia with HSBC Mexico

On November 30, 2016, Independencia obtained a Ps.464.5 million secured revolving line of credit from HSBC Mexico, for which AEF, Financiera Finsol, Fisofo and AFI are joint obligors. To secure compliance with their obligations under the agreement, Independencia, Financiera Finsol, AFI, Fisofo and AEF entered into a commercial pledge agreement with HSBC Mexico, on November 30, 2016, in connection with which they pledged certain credit rights and collection accounts denominated in *Pesos*. Pursuant to the terms of this line of credit, Independencia may not pay dividends in the event it is in default, including with respect to the financial ratios set forth in the agreement.

On December 16, 2016, Independencia obtained a Ps.615.0 million secured revolving line of credit from HSBC Mexico, for which AEF, Financiera Finsol, Fisofo and AFI are joint obligors. To secure compliance with their obligations under the agreement, Independencia, Financiera Finsol, AFI, Fisofo and AEF entered into a commercial pledged agreement with HSBC Mexico, also on December 16, 2016, in connection with which they pledged certain credit rights and collection accounts denominated in *Pesos*. Pursuant to the terms of this line of credit, Independencia may not pay dividends in the event it is in default, including with respect to the financial ratios set forth in the agreement.

Line of Credit of AEF with Scotiabank Inverlat

On May 20, 2013, AEF entered into a secured revolving line of credit with Scotiabank Inverlat for which Independencia provided a guarantee. This line of credit was granted for an aggregate amount of Ps.195.0 million, bears an interest rate that may vary from TIEE 28 days plus 300, 350 or 375 basis points (depending on AEF's credit rating) and will be valid for a term of four years as of its execution date. AEF's obligations under the agreement are secured by a pledge over its collection rights under the loans it originates, which pursuant to this line of credit must not be less than the ratio of 1.2x the disbursements made by AEF under the line of credit.

We amended certain of the terms of the line of credit on September 23, 2014, November 12, 2015 and May 19, 2017, including increasing the line of credit to Ps.295.0 million in connection with the November 12, 2015 amendment. Pursuant to the terms of this line of credit, AEF may pay dividends only upon the prior written consent of Scotiabank.

Line of Credit of Financiera Finsol with Fira

On January 1, 2008, Financiera Finsol entered into an unsecured revolving line of credit with Fira, which was amended on December 31, 2008, December 2, 2009, December 7, 2010, December 31, 2013, September 8, 2014 and December 15, 2016 and has an indefinite term. As amended, the aggregate amount of this line of credit totals Ps.600.0 million, bearing interest at the interest rate agreed between the parties from time to time (which as of March 31, 2017 was equivalent to TIEE 28 plus 130).

Line of Credit with Banco del Bajío

On June 8, 2016, we entered into a secured revolving line of credit with Banco del Bajío in the aggregate amount of Ps.\$100.0 million, having a term of six years bearing interest at the rate of TIEE plus 280 basis points.

Line of Credit with Banco Monex

On April 7, 2016, we entered into a secured revolving line of credit with Banco Monex, S.A. Intitución de Banca Múltiple, Monex Grupo Financiero in the aggregate amount for Ps.\$100.0 million, having a term of three years and bearing interest at the rate of TIEE plus 295 basis points.

Line of Credit with Banco Bradesco

On April 27, 2016, we entered into a revolving line of credit for working capital in the aggregate amount of U.S.\$15.0 million, maturing in December 2017 and bearing interest at the rate of 7.0%.

Line of Credit with Oiko Credit

On September 18, 2015, we entered into a simple line of credit with Oikocredito Ecumenical Development Cooperative Society U.A., or Oiko Credit, in the aggregate amount of EU\$3.0 million, with a term of six years, at an interest rate of 12.50%.

Line of Credit with Jorisa S.A.

On August 5, 2016, we entered into a line of credit with Jorisa S.A. in the aggregate amount of Ps.400.0 million, maturing in August 2019 and bearing interest at the rate of TIEE plus 350 basis points.

Line of Credit of Financiera Finsol with Seguros SURA

On February 21, 2017, we entered into a line of credit with Seguros SURA in the aggregate amount of Ps.8.0 million, maturing in March 2018. This credit line does not bear any interest.

Line of Credit of Financiera Independencia with Seguros SURA

On February 21, 2017, we entered into a line of credit with Seguros SURA in the aggregate amount of Ps.17.0 million, maturing in March 2018. This credit line does not bear any interest.

Line of Credit with Bridge Bank

In November 2016, we entered into a line of credit (secured by a standby letter of credit from Fisa) with Bridge Bank in the aggregate amount of U.S.\$9.7 million, maturing in December 2017 and bearing interest at the prime interest rate plus 400 basis points.

Restrictive Covenants

Our financing agreements and lines of credit, as well as our debt securities, contain certain restrictive covenants. Among other restrictions, these instruments prohibit us from:

- selling or assigning the accounts receivable we originate and fund with the proceeds of these loans;
- incurring additional indebtedness that would affect our ability to pay the lines of credit;
- granting loans or guarantees to third or related parties that would affect our ability to pay the line of credit;
- providing collateral to lenders;
- selling, leasing or transferring our assets;
- reducing our capital stock;
- conducting mergers or spin-offs;
- modifying our capital structure; and
- paying dividends while we are in default of the loan, among other exceptions;

In addition, we and our subsidiaries are subject to compliance with certain financial ratios pursuant to these instruments, including liquidity, total liabilities and capitalization ratios. As of March 31, 2017, the main restrictive financial covenants under our financing agreements require us to maintain the following ratios:

- Efficiency Ratio (as defined in the relevant financing agreement) of not less than 65% and 75%;
- Interest Coverage Ratio (as defined in the relevant financing agreement) of at least 1x, 2x and 2.5x;
- Credit Default Rate (past due portfolio divided by total portfolio) of at least 5.5%, 12% and 20%;
- Past-Due Portfolio Rate (sum of the loan portfolio in compliance plus current past-due portfolio divided by the total loan portfolio) of not less than 65% and 70%;
- Default Ratio (as defined in the relevant financing agreement) of not less than 75% and 85%;
- Leverage Ratio (as defined in the relevant financing agreement) of not greater than 10:1;
- Portfolio-at-Risk Ratio (as defined in the relevant financing agreement) of not greater than 16% following a waiver in September 2016 that increased the ratio from 8%;
- Liquidity Ratio (floating assets divided by current liabilities) of not less than 1:1; and
- Capitalization Ratio (Stockholder's equity divided by Total Assets) of not less than 20%, 25% and 30%.

As of March 31, 2017, we were in compliance with these financial ratios and/or have obtained necessary waivers.

Capital Expenditures

During the three-month periods ended March 31, 2017 and 2016 and the years ended December 31, 2016, 2015 and 2014, we invested Ps.20.0 million, Ps.21.7 million, Ps.128.4 million, Ps.100.1 million and Ps.125.5 million, respectively, in capital expenditures (including information and data processing equipment). Our current budget anticipates capital expenditures of approximately Ps.82.3 million during 2017, including investments relating to the

expansion and equipping of our branch offices, the purchase of information and data processing equipment and software, building renovations and the purchase of transportation equipment. Our management expects that our cash flow from operations and our 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 three month periods ended March 31, 2017 and 2016 and the years ended December 31, 2016, 2015 and 2014.

	For the Three-Month Period Ended March 31,		For the Year Ended December 31,		
	2017	2016	2016	2015	2014
	<i>(in millions of Ps.)</i>				
Information systems and data processing equipment.....	2.0	1.4	11.3	14.8	18.5
Office furniture and equipment.....	1.2	2.7	14.4	8.9	9.5
Transportation equipment.....	0.8	0.5	2.6	6.4	3.9
Building renovations.....	11.6	11.7	78.7	41.6	53.2
Software development.....	2.8	2.3	8.6	11.2	9.8
Licenses and software.....	1.6	3.1	12.8	17.1	30.5
Total capital expenditures.....	20.0	21.7	128.4	100.1	125.5

Contractual Obligations and Commercial Commitments

The table below sets forth information related to our contractual obligations and commercial commitments as of March 31, 2017.

	Payments Due By Period			
	April 2017 through December 2017	January 2018 through December 2018	After December 2019	Total
	<i>(in millions of Pesos)</i>			
Borrowings from banks and other entities -short term.....	2,171.0	1,125.9	2,231.3	5,528.2
Interest.....	36.3			36.3
Leases.....	188.1	174.3	131.3	160.2
Total contractual obligations.....	2,395.4	1,300.2	2,362.2	5,724.7

Contractual obligations decreased slightly by 1.4% from Ps.6,007.9 million as of December 2015 to Ps.5,924.1 million as of December 31, 2016, and decreased by 6.1% to Ps.5,564.5 million as of March 31, 2017. Although we obtained new lines of credit, we have reduced the amounts outstanding under existing credit lines due to our lower funding requirements.

Investment Portfolio

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

	As of March 31,		As of December 31,			
	2017		2016		2015	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
<i>(in millions of Pesos, except percentages)</i>						
Investments in securities.....	321.4	100.0%	259.9	100.0%	279.0	100.0%

(1) Include securities purchased under resale agreements.

Our total investments as of March 31, 2017 totaled Ps.321.4 million, and consisted of amounts deposited in investment funds.

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 consolidated 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

General

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 three-month periods ended March 31, 2017 and 2016 and for the years ended December 31, 2016, 2015 and 2014 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 average balances are nominal daily averages. Interest income (expense) for the three months ended March 31, 2017 and 2016 and for the years ended December 31, 2016, 2015 and 2014 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 nominal rates for the three months ended March 31, 2017 and 2016 and for the years ended December 31, 2016, 2015 and 2014.

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 three-month period ended March 31,						For the year ended December 31,								
	2017			2016			2016			2015			2014		
	Average Balance	Interest Income	Average Interest Rate	Average Balance	Interest Income	Average Interest Rate	Average Balance	Interest Income	Average Interest Rate	Average Balance	Interest Income	Average Interest Rate	Average Balance	Interest Income	Average Interest Rate
<i>(in millions of Pesos, except percentages)</i>															
Investment in derivatives:															
Pesos.....	515	5	3.9%	502	4	3.2%	537	19	3.5%	420	12	2.9%	459	12	2.6%
Sub-total	515	5	3.9%	502	4	3.2%	537	19	3.5%	420	12	2.9%	459	12	2.6%
Loans:															
Pesos.....	6,780	1,195	70.5%	6,075	1,158	76.2%	6,265	4,673	74.6%	6,187	4,837	78.2%	6,308	4,888	77.5%
Sub-total	6,780	1,195	70.5%	6,075	1,158	76.2%	6,265	4,673	74.6%	6,187	4,837	78.2%	6,308	4,888	77.5%
Funds available:															
Pesos.....	195	-	-	206	-	-	204	-	-	117	-	-	110	-	-
Sub-total	195	-	-	206	-	-	204	-	-	117	-	-	110	-	-
Total interest earning assets:															
Pesos.....	7,490	1,200	64.1%	6,783	1,162	68.5%	7,006	4,692	67.0%	6,724	4,849	72.1%	6,877	4,900	71.3%
Sub-total	7,490	1,200	64.1%	6,783	1,162	68.5%	7,006	4,692	67.0%	6,724	4,849	72.1%	6,877	4,900	71.3%
Allowances for loan losses:															
Pesos.....	(460)	-	-	(412)	-	-	(401)	-	-	(419)	-	-	(477)	-	-

	For the three-month period ended March 31,						For the year ended December 31,								
	2017			2016			2016			2015			2014		
	Average Balance	Interest Income	Average Interest Rate	Average Balance	Interest Income	Average Interest Rate	Average Balance	Interest Income	Average Interest Rate	Average Balance	Interest Income	Average Interest Rate	Average Balance	Interest Income	Average Interest Rate
	<i>(in millions of Pesos, except percentages)</i>														
Sub-total	(460)	-	-	(412)	-	-	(401)	-	-	(419)	-	-	(477)	-	-
Property, plant and equipment, net:															
Pesos	335			319			327			322			339		
Sub-total	335			319			327			322			339		
Other non-interest earning assets, net:															
Pesos	5,657			5,968			6,111			5,938			4,833		
Sub-total	5,657			5,968			6,111			5,938			4,833		
Total assets:															
Pesos	13,022	1,200	36.9%	12,658	1,162	36.7%	13,043	4,692	36.0%	12,565	4,849	38.6%	11,572	4,900	42.3%
Total	13,022	1,200	36.9%	12,658	1,162	36.7%	13,043	4,692	36.0%	12,565	4,849	38.6%	11,572	4,900	42.3%

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 three-month period ended March 31,						For the year ended December 31,								
	2017			2016			2016			2015			2014		
	Average Balance	Interest Income	Average Interest Rate	Average Balance	Interest Income	Average Interest Rate	Average Balance	Interest Income	Average Interest Rate	Average Balance	Interest Income	Average Interest Rate	Average Balance	Interest Income	Average Interest Rate
	<i>(in millions of Pesos, except percentages)</i>														
Borrowing from banks and other entities (short-term):															
Pesos	5,809	128	8.8%	6,155	134	8.7%	5,892	528	9.0%	5,795	535	9.2%	5,566	581	10.4%
Sub-total	5,809	128	8.8%	6,155	134	8.7%	5,892	528	9.0%	5,795	535	9.2%	5,566	581	10.4%
Securitization certificates:															
Pesos	1,500	32	8.5%	1,500	23	6.1%	1,500	99	6.6%	1,500	82	5.5%	1,469	94	6.4%
Sub-total	1,500	32	8.5%	1,500	23	6.1%	1,500	99	6.6%	1,500	82	5.5%	1,469	94	6.4%
Total interest-bearing liabilities:															
Pesos	7,309	160	8.8%	7,655	157	8.2%	7,392	627	8.5%	7,295	617	8.5%	7,035	675	9.6%
Sub-total	7,309	160	8.8%	7,655	157	8.2%	7,392	627	8.5%	7,295	617	8.5%	7,035	675	9.6%
Non-interest-bearing liabilities:															
Pesos	1,243			1,097			1,568			1,511			1,122		
Sub-total	1,243			1,097			1,568			1,511			1,122		
Stockholders' equity:															
Pesos	4,470			3,906			4,083			3,759			3,415		
Sub-total	4,470			3,906			4,083			3,759			3,415		
Total liabilities and stockholders' equity:															
Pesos	13,022	160	4.9%	12,658	157	5.0%	13,043	627	4.8%	12,565	617	4.9%	11,572	675	5.8%
Total	13,022	160	4.9%	12,658	157	5.0%	13,043	627	4.8%	12,565	617	4.9%	11,572	675	5.8%

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 three months ended March 31, 2017 compared to the three-month period ended March 31, 2016 and for the year ended December 31, 2016 compared to 2015, and 2015 compared to 2014. 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

	March 2017/March 2016			2016/2015			2015/2014		
	Increase (decrease) due to changes in Interest			Increase (decrease) due to changes in Interest			Increase (decrease) due to changes in Interest		
	Volume	Interest Rate	Net Change	Volume	Interest Rate	Net Change	Volume	Interest Rate	Net Change
	<i>(in millions of Pesos)</i>								
Investment in derivatives:									
Pesos.....	-	1	1	3	4	7	(1)	1	-
Sub-total.....	-	1	1	3	4	7	(1)	1	-
Loans:									
Pesos.....	134	(97)	37	61	(225)	(164)	(94)	43	(51)
Sub-total.....	134	(97)	37	61	(225)	(164)	(94)	43	(51)
Funds available:									
Pesos.....	-	-	-	-	-	-	-	-	-
Sub-total.....	-	-	-	-	-	-	-	-	-
Total interest-earning assets:									
Pesos.....	134	(96)	38	64	(221)	(157)	(95)	44	(51)
Total.....	134	(96)	38	64	(221)	(157)	(95)	44	(51)

Interest-Bearing Liabilities

	March 2017/March 2016			2016/2015			2015/2014		
	Increase (decrease) due to changes in Interest			Increase (decrease) due to changes in Interest			Increase (decrease) due to changes in Interest		
	Volume	Interest Rate	Net Change	Volume	Interest Rate	Net Change	Volume	Interest Rate	Net Change
	<i>(in millions of Pesos)</i>								
Securitization certificates:									
Pesos.....	-	9	9	-	17	17	2	(14)	(12)
Sub-total.....	-	9	9	-	17	17	2	(14)	(12)
Borrowing from banks and other entities (short-term):									
Pesos.....	(8)	2	(6)	9	(16)	(7)	24	(70)	(46)
Sub-total.....	(8)	2	(6)	9	(16)	(7)	24	(70)	(46)
Total interest-bearing liabilities:									
Pesos.....	(8)	11	3	9	1	10	26	(84)	(58)
Total.....	(8)	11	3	9	1	10	26	(84)	(58)

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.

	For the three-month period ended March 31,		For the year ended December 31,		
	2017	2016	2016	2015	2014
		<i>(in millions of Pesos, except percentages)</i>			
Total average earning assets					
Pesos.....	7,490	6,783	7,006	6,724	6,877
Total.....	7,490	6,783	7,006	6,724	6,877
Historical:					
Financial margin:					
Pesos.....	1,040	1,005	4,065	4,232	4,225
Total.....	1,040	1,005	4,065	4,232	4,225
Gross yield:					
Pesos.....	64.1%	68.5%	67.0%	72.1%	71.3%
Weighted-average rate.....	64.1%	68.5%	67.0%	72.1%	71.3%
Net yield:					

	For the three-month period ended March 31,		For the year ended December 31,		
	2017	2016	2016	2015	2014
	<i>(in millions of Pesos, except percentages)</i>				
Pesos.....	55.5%	59.3%	58.0%	62.9%	61.4%
Weighted-average rate	55.5%	59.3%	58.0%	62.9%	61.4%
Yield spread:					
Pesos.....	58.5%	58.5%	58.5%	63.6%	61.7%
Weighted-average rate	58.5%	58.5%	58.5%	63.6%	61.7%

Return on Average Total Assets and Average Stockholders' Equity

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

	For the three-month period ended March 31,		For the year ended December 31,		
	2017	2016	2016	2015	2014
	<i>(in millions of Pesos, except percentages)</i>				
Net income.....	68	53	234	209	318
Average total assets	13,022	12,658	13,043	12,565	11,572
Average stockholders' equity.....	4,470	3,906	4,083	3,759	3,415
Net income as a percentage of:					
Average total assets	2.1%	1.7%	1.8%	1.7%	2.7%
Average stockholders' equity.....	6.1%	5.4%	5.7%	5.6%	9.3%
Average stockholders' equity as a percentage of average total assets	34.3%	30.9%	31.3%	29.9%	29.5%
Dividend payout ratio.....	-	-	-	-	-

Interest Rate Sensitivity of Assets and Liabilities

Interest Rates

We originate fixed interest rate loans denominated in *Pesos*, U.S. dollars and *Reais*. Bank loans and loans with other entities are contracted at both fixed and floating rates and are also denominated in *Pesos*, U.S. dollars and *Reais*. We have also issued outstanding fixed and floating rate debt securities denominated in *Pesos* and U.S. dollars.

Interest Rate Sensitivity

The following table reflects our interest-earning assets and interest-bearing liabilities as of March 31, 2017. Fixed-rate instruments were classified in this table according to their final maturity.

	As of March 31, 2017						Total
	0 - 30 Days	31 - 89 Days	90 - 179 Days	180 - 365 Days	Over 366 Days	Non-Rate Sensitive or Over One Year	
	<i>(in millions of Pesos)</i>						
Assets:							
Funds available.....	491	-	-	-	-	-	491
Fixed-rate performing loans	783	1,426	1,402	1,806	1,572	-	6,990
Total interest-earning assets	1,274	1,426	1,402	1,806	1,572	-	7,481
Other non-interest-earning assets.....	-	-	-	-	-	4,261	4,261
Non-performing loans	-	-	-	-	-	391	391
Less: Allowance for loan losses.....	-	-	-	-	-	(391)	(391)
Total assets	1,274	1,426	1,402	1,806	1,572	4,261	11,742
Liabilities and stockholders' equity:							
Securitization certificates	2	-	-	1,500	-	-	1,502
Borrowings from banks and other entities	459	1,462	777	640	2,226	-	5,564
Other non-interest bearing liabilities.....	-	-	-	-	-	653	653
Stockholders' equity.....	-	-	-	-	-	4,023	4,023
Total liabilities and stockholders' equity	461	1,462	777	2,140	2,226	4,676	11,742

As of March 31, 2017

	0 - 30 Days	31 - 89 Days	90 - 179 Days	180 - 365 Days	Over 366 Days	Non-Rate Sensitive or Over One Year	Total
	<i>(in millions of Pesos)</i>						
Interest rate sensitivity gap.....	813	(36)	625	(334)	(654)	(394)	
Cumulative interest rate sensitivity gap.....	813	778	1,402	1,068	415		
Cumulative gap as percentage of total interest-earning assets.....	10.9%	10.4%	18.7%	14.3%	5.5%		

As of March 31, 2017, interest-earning assets totaled Ps.7,481.0 million. Of these assets, 17.0% amortize periodically every 30 days or less. Such assets included 93.4% of our performing loan portfolio and 6.6% of funds available. All of our loans are fixed-rate loans.

Of our interest-bearing liabilities as of March 31, 2017, 100% consisted of borrowings from banks and other entities and totaled Ps.5,564.0 million. Of our total interest bearing liabilities, 6.5% amortize every 30 days or less.

Funds Available

We held investments in securities in the amount of Ps.491.0 million as of March 31, 2017, representing 4.2% 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 3.5%.

Borrowing from Banks and Other Entities and Securitization Certificates

The following table sets forth our borrowing from banks and other entities and securitization certificates for the periods indicated.

As of and for the three-month period ended March 31,				As of and for the year ended December 31,					
2017		2016		2016		2015		2014	
Amount	Rate	Amount	Rate	Amount	Rate	Amount	Rate	Amount	Rate
<i>(in millions of Pesos, except percentages)</i>									

Borrowing from banks and other entities and securitization certificates

At end of period ⁽¹⁾	7,066	10.7%	7,239	10.9%	7,426	10.9%	7,509	10.9%	7,186	11.2%
Daily average indebtedness during period.....	7,309	8.8%	7,655	8.2%	7,392	8.5%	7,295	8.5%	7,035	9.6%
Maximum month-end balance.....	7,357	10.5%	7,627	10.8%	8,077	10.7%	7,509	11.0%	7,188	10.9%

(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 and Performance Measures.”

Our total loan portfolio as of March 31, 2017 and 2016 amounted to Ps.7,381.0 million, and Ps.6,899.1 million, respectively, an increase of 7.1% year-over-year. As of December 31, 2016, 2015 and 2014 our loan portfolio amounted to Ps.7,448.0 million, Ps.7,116.0 million and Ps.7,073.0 million, respectively. These changes represent an increase of 4.7% in our total loan portfolio from 2015 to 2016 and an increase of 0.6% from 2014 to 2015.

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 March 31, 2017 and 2016 and as of December 31, 2016, 2015 and 2014.

	As of March 31,				As of December 31,					
	2017		2016		2016		2015		2014	
	Amount	% of Portfolio	Amount	% of Portfolio	Amount	% of Portfolio	Amount	% of Portfolio	Amount	% of Portfolio
<i>(in millions of Pesos, except percentages)</i>										
Performing loan portfolio.....	6,990	94.7%	6,477	94.0%	7,038	94.5%	6,636	93.3%	6,562	92.8%
Non-performing loan portfolio.....	391	5.3%	412	6.0%	410	5.5%	480	6.7%	511	7.2%
Total loan portfolio.....	7,381	100.0%	6,889	100.0%	7,448	100.0%	7,116	100.0%	7,073	100.0%

We had a total loan portfolio of Ps.7,381.0 million as of March 31, 2017, compared to Ps.6,889.1 million as of March 31, 2016, representing an increase of Ps.491.8 million, or 7.1%. Our total loan portfolio represented 62.9% of total assets as of March 31, 2017, compared to 58.9% of total assets as of March 31, 2016. See “Business—Products and Services.”

We had a total loan portfolio of Ps.7,381.0 million as of March 31, 2017, compared to Ps.7,447.8 million as of December 31, 2016, representing a decrease of Ps.66.8 million, or 0.9%. Our total loan portfolio represented 62.9% of total assets as of March 31, 2017, compared to 61.3% of total assets as of December 31, 2016.

We had a total loan portfolio of Ps.7,447.8 million as of December 31, 2016, compared to Ps.7,116.0 million as of December 31, 2015, representing an increase of Ps.331.8 million, or 4.7%. Our total loan portfolio represented 61.3% of total assets as of December 31, 2016, compared to 60.2% of total assets as of December 31, 2015.

We had a total loan portfolio of Ps.7,116.0 million as of December 31, 2015, compared to Ps.7,073.1 million as of December 31, 2014, representing an increase of Ps.42.6 million, or 0.6%. Our total loan portfolio represented 60.2% of total assets as of December 31, 2015, compared to 63.7% of total assets as of December 31, 2014.

Performing Loan Portfolio

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

	As of March 31,		As of December 31,		
	2017	2016	2016	2015	2014
<i>(in millions of Pesos)</i>					
Performing loan portfolio by product:					
Financiera Independencia					
-Formal Sector	2,510	2,510	2,448	2,611	2,835
- CrediInmediato.....	1,913	1,987	1,882	2,124	2,469
- Más Nómina	596	523	566	486	367
-Informal Sector	707	723	698	770	816
- CrediPopular	676	687	667	731	762
- CrediMamá	30	35	30	37	49
- CrediConstruye	1	2	1	2	5
Finsol	1,306	1,150	1,332	1,160	1,193
- Finsol México.....	808	740	819	769	743
- Finsol Brasil	498	410	512	390	450
AEF	1,378	1,375	1,408	1,379	1,290
AFI	1,090	719	1,152	716	427
Total performing loan portfolio	6,990	6,477	7,038	6,636	6,562

(1) Loan amounts include accrued interest.

As of March 31, 2017, our total performing loan portfolio increased 7.1% and decreased 0.9% in the year ended December 31, 2016. See “Business—Products and Services.”

As of March 31, 2017, our performing CrediInmediato loan portfolio totaled Ps.2,042.8 million, reflecting a decrease of Ps.2,177.9 million, or 6.2%, compared to March 31, 2016, primarily due to a decrease of 32,649 in our number of customers for this product. As of December 31, 2016, our performing CrediInmediato loan portfolio totaled Ps.2,015.9 million, reflecting a decrease of Ps.359.1 million, or 15.1%, compared to December 31, 2015. This decrease was primarily due to a decrease of 49,403 in our number of customers for this product. Our performing CrediInmediato loan portfolio totaled Ps.2,375.0 million as of December 31, 2015, reflecting a decrease of Ps.2,722.0 million, or 12.8%, compared to December 31, 2014. This decrease was primarily due to a decrease of 20,007 in our number of customers for this product. Our performing CrediInmediato loan portfolio as a percentage of our total performing loan portfolio was 27.7% as of March 31, 2017, 27.1% as of December 31, 2016 and 33.4% as of December 31, 2015.

As of March 31, 2017, our performing Finsol loan portfolio totaled Ps.1,363.7 million, reflecting an increase of Ps.1,193.0 million, or 14.3%, compared to March 31, 2016, primarily due to variations in the exchange rate between the *Peso* and the *Real* partially offset by a reduction of 1,786 in the number of customers for this product in the period. As of December 31, 2016, Finsol’s loan portfolio totaled Ps.1,385.0 million, reflecting an increase of Ps.185.2 million, or 15.4%, compared to December 31, 2015 primarily due to variations in the exchange rate between the *Peso* and the *Real* partially offset by a reduction of 4,157 in the number of customers for this product in the period. Our performing Finsol loan portfolio totaled Ps.1,199.8 million as of December 31, 2015, reflecting a decrease of Ps.50.3 million, or 4.0%, compared to December 31, 2014, primarily due to a decrease of 19,406 in our number of customers for this product. Our performing Finsol loan portfolio as a percentage of our total performing loan portfolio was 18.5% as of March 31, 2017, 18.6% as of December 31, 2016 and 16.9% as of December 31, 2015.

As of March 31, 2017, our performing CrediPopular loan portfolio totaled Ps.727.3 million, reflecting a decrease of Ps.17.7 million, or 2.4%, compared to March 31, 2016, primarily due to a decrease of 12,342 in our number of customers for this product. As of December 31, 2016, our performing CrediPopular loan portfolio totaled Ps.720.1 million, reflecting a decrease of Ps.86.5 million, or 10.7%, compared to December 31, 2015, primarily due to a decrease of 12,558 in our number of customers for this product. Our performing CrediPopular loan portfolio totaled Ps.806.6 million as of December 31, 2015, reflecting a decrease of Ps.55.7 million, or 6.5%, compared to December 31, 2014, primarily due to a decrease of 22,544 in our number of customers for this product. Our performing CrediPopular loan portfolio as a percentage of our total performing loan portfolio was 9.9% as of March 31, 2017, 9.7% as of December 31, 2016 and 11.3% as of December 31, 2015.

As of March 31, 2017, our performing AEF loan portfolio totaled Ps.1,479.2 million, reflecting an increase of Ps.29.4 million, or 2.0%, compared to March 31, 2016, primarily due to an increase in the average loan amount per client. As of December 31, 2016, our performing AEF loan portfolio totaled Ps.1,524.9 million, reflecting an increase of Ps.69.2 million, or 4.8%, compared to December 31, 2015, primarily due to an increase of 1,893 in our number of customers for this product. Our performing AEF loan portfolio totaled Ps.1,455.7 million as of December 31, 2015, reflecting an increase of Ps.87.3 million, or 6.4%, compared to December 31, 2014, primarily due to an increase of 2,783 in our number of customers for this product. Our performing AEF loan portfolio as a percentage of our total performing loan portfolio was 20.0% as of March 31, 2017, 20.5% as of December 31, 2016 and 21.0% as of December 31, 2015.

As of March 31, 2017, our performing CrediMamá loan portfolio totaled Ps.31.5 million, reflecting a decrease of Ps.5.4 million, or 14.6%, compared to March 31, 2016, primarily due to a decrease of 1,025 in our number of customers for this product. As of December 31, 2016, our performing CrediMamá loan portfolio totaled Ps.31.5 million, reflecting a decrease of Ps.8.3 million, or 20.9%, compared to December 31, 2015, primarily due to a decrease of 1,570 in our number of customers for this product. Our performing CrediMamá loan portfolio totaled Ps.39.8 million as of December 31, 2015, reflecting a decrease of Ps.14.0 million, or 26.0%, compared to December 31, 2014, primarily due to a decrease of 1,874 in our number of customers for this product. Our performing CrediMamá loan portfolio as a percentage of our total performing loan portfolio was 0.4% as of March 31, 2017, 0.4% as of December 31, 2016 and 0.6% as of December 31, 2015.

As of March 31, 2017, our performing CrediConstruye loan portfolio totaled Ps.1.0 million, reflecting a decrease of Ps.1.3 million, or 54.8%, compared to March 31, 2016, primarily due to a decrease of 358 in our number of customers for this product. As of December 31, 2016, our performing CrediConstruye loan portfolio totaled Ps.1.2 million, reflecting a decrease of Ps.1.4 million, or 53.5%, compared to December 31, 2015, primarily due to a decrease of 411 in our number of customers for this product. Our performing CrediConstruye loan portfolio totaled Ps.2.6 million as of December 2015, reflecting a decrease of Ps.3.6 million, or 57.2%, compared to December 31, 2014, primarily due to a decrease of 1,130 in our number of customers for this product. Our performing CrediConstruye loan portfolio did not represent a material percentage of our total performing loan portfolio as of March 31, 2017 or December 31, 2016 and 2015.

As of March 31, 2017, our performing AFI loan portfolio totaled Ps.1,122.7 million, reflecting an increase of Ps.385.5 million, or 52.3%, compared to March 31, 2016, primarily due to an increase of 4,180 in our number of customers for this product. As of December 31, 2016, our performing AFI loan portfolio totaled Ps.1,182.3 million, reflecting an increase of Ps.448.1 million, or 61.0%, compared to December 31, 2015, primarily due to an increase of 3,882 in our number of customers for this product. Our performing AFI loan portfolio totaled Ps.734.2 million as of December 31, 2015, reflecting an increase of Ps.299.8 million, or 69.0%, compared to December 31, 2014, primarily due to an increase of 4,041 in our number of customers for this product. Our performing AFI loan portfolio as a percentage of our total performing loan portfolio was 15.2% as of March 31, 2017, 15.9% as of December 31, 2016 and 10.3% as of December 31, 2015.

As of March 31, 2017, our performing Más Nómina loan portfolio totaled Ps.612.8 million, reflecting an increase of Ps.65.7 million, or 12.0%, compared to March 31, 2016, primarily due to an increase of 2,294 in our number of customers for this product. As of December 31, 2016, our performing Más Nómina loan portfolio totaled Ps.586.9 million, reflecting an increase of Ps.84.6 million, or 16.8%, compared to December 31, 2015, primarily due to an increase of 5,890 in our number of customers for this product. Our performing Más Nómina loan portfolio totaled Ps.502.3 million as of December 31, 2015, reflecting an increase of Ps.126.4 million, or 33.6%, compared to December 31, 2014, primarily due to an increase of 10,664 in our number of customers for this product. Our performing Más Nómina loan portfolio as a percentage of our total performing loan portfolio was 8.3% as of March 31, 2017, 7.9% as of December 31, 2016 and 7.1% as of December 31, 2015.

Total 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 March 31,				As of December 31,					
	2017		2016		2016		2015		2014	
	Loan Amount	% of Portfolio	Loan Amount	% of Portfolio	Loan Amount	% of Portfolio	Loan Amount	% of Portfolio	Loan Amount	% of Portfolio
	<i>(in millions of Pesos, except percentages)</i>									
Mexican federal entities:										
Aguascalientes.....	58.2	0.8%	64.2	0.9%	58.4	0.8%	69.5	1.0%	63.8	0.9%
Baja California	136.1	1.8%	140.3	2.0%	131.8	1.8%	154.4	2.2%	204.7	2.9%
Baja California Sur.....	70.6	1.0%	62.5	0.9%	70.7	0.9%	63.5	0.9%	70.8	1.0%
Campeche	107.6	1.5%	120.8	1.8%	111.5	1.5%	125.4	1.8%	127.5	1.8%
Chiapas	198.4	2.7%	199.5	2.9%	197.9	2.7%	201.8	2.8%	195.6	2.8%
Chihuahua.....	28.3	0.4%	32.7	0.5%	27.7	0.4%	36.6	0.5%	50.2	0.7%
Coahuila.....	219.2	3.0%	218.4	3.2%	215.4	2.9%	228.8	3.2%	247.6	3.5%
Colima	69.7	0.9%	61.8	0.9%	64.5	0.9%	63.6	0.9%	68.7	1.0%
Durango.....	50.2	0.7%	48.5	0.7%	49.5	0.7%	51.8	0.7%	60.2	0.9%
Estado de México	739.4	10.0%	713.3	10.4%	754.5	10.1%	1,090.6	15.3%	700.8	10.0%
Guanajuato.....	249.6	3.4%	228.5	3.3%	237.2	3.2%	239.4	3.4%	269.0	3.8%
Guerrero.....	191.2	2.6%	172.1	2.5%	192.0	2.6%	176.1	2.5%	191.4	2.7%
Hidalgo	117.3	1.6%	119.7	1.7%	119.4	1.6%	124.0	1.7%	120.5	1.7%
Jalisco	276.7	3.7%	256.1	3.7%	266.5	3.6%	273.4	3.8%	290.4	4.1%
Michoacán	165.8	2.2%	162.7	2.4%	167.3	2.2%	167.6	2.4%	186.4	2.6%
Morelos.....	130.0	1.8%	122.0	1.8%	128.3	1.7%	128.4	1.8%	135.0	1.9%
Nayarit.....	47.2	0.6%	43.3	0.6%	43.0	0.6%	49.0	0.7%	53.2	0.8%

	As of March 31,				As of December 31,					
	2017		2016		2016		2015		2014	
	Loan Amount	% of Portfolio	Loan Amount	% of Portfolio	Loan Amount	% of Portfolio	Loan Amount	% of Portfolio	Loan Amount	% of Portfolio
	<i>(in millions of Pesos, except percentages)</i>									
Nuevo León.....	29.7	0.4%	20.0	0.3%	29.7	0.4%	19.1	0.3%	19.8	0.3%
Oaxaca.....	143.2	1.9%	130.6	1.9%	135.7	1.8%	136.2	1.9%	144.6	2.0%
Puebla.....	150.1	2.0%	153.3	2.2%	149.0	2.0%	163.3	2.3%	185.5	2.6%
Querétaro.....	126.9	1.7%	124.6	1.8%	123.4	1.7%	127.5	1.8%	138.0	2.0%
Quintana Roo.....	190.6	2.6%	177.8	2.6%	191.0	2.6%	184.6	2.6%	193.9	2.7%
San Luis Potosí.....	142.6	1.9%	144.6	2.1%	142.2	1.9%	149.9	2.1%	158.8	2.2%
Sinaloa.....	105.7	1.4%	102.2	1.5%	101.3	1.4%	109.7	1.5%	130.1	1.8%
Sonora.....	125.6	1.7%	159.6	2.3%	134.4	1.8%	187.8	2.6%	226.8	3.2%
Tabasco.....	72.9	1.0%	74.7	1.1%	74.5	1.0%	80.5	1.1%	92.2	1.3%
Tamaulipas.....	303.9	4.1%	334.1	4.8%	306.1	4.1%	372.2	5.2%	441.1	6.2%
Tlaxcala.....	64.2	0.9%	59.1	0.9%	60.3	0.8%	63.0	0.9%	70.6	1.0%
Veracruz.....	420.9	5.7%	424.6	6.2%	422.6	5.7%	450.5	6.3%	463.8	6.6%
Yucatán.....	181.9	2.5%	183.6	2.7%	181.4	2.4%	188.5	2.6%	190.6	2.7%
Zacatecas.....	48.4	0.7%	46.2	0.7%	46.0	0.6%	49.9	0.7%	52.9	0.7%
Distrito Federal										
Mexico City										
Headquarters.....	782.8	10.6%	828.1	12.0%	799.1	10.7%	454.3	6.4%	623.0	8.8%
Brazil.....	515.7	7.0%	422.5	6.1%	529.5	7.1%	400.7	5.6%	471.3	6.7%
United States of										
America.....	1,122.7	15.2%	737.2	10.7%	1,182.3	15.9%	734.2	10.3%	434.1	6.1%
Total loan portfolio	7,381.0		6,889.1		7,447.8		7,116.0		7,073.3	

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 March 31,				As of December 31,					
	2017		2016		2016		2015		2014	
	Loan Amount	% of Portfolio	Loan Amount	% of Portfolio	Loan Amount	% of Portfolio	Loan Amount	% of Portfolio	Loan Amount	% of Portfolio
	<i>(in millions of Pesos, except percentages)</i>									
Original Principal Amount Borrowed										
Less than Ps.3,000.....	—	—	—	—	1	—	—	—	2	0.0%
Between Ps.3,001 and Ps.5,000.....	50	0.7%	51	0.7%	60	0.8%	57	0.8%	74	1.0%
Between Ps.5,001 and Ps.10,000.....	1,427	19.3%	1,390	20.2%	1,566	21.0%	1,522	21.4%	1,319	18.6%
Between Ps.10,001 and Ps.15,000...	1,320	17.9%	1,400	20.3%	1,352	18.2%	1,398	19.6%	1,107	15.7%
Between Ps.15,001 and Ps.20,000...	398	5.4%	414	6.0%	409	5.5%	403	5.7%	341	4.8%
Over Ps.20,001.....	4,185	56.7%	3,634	52.8%	4,060	54.5%	3,736	52.5%	4,231	59.8%
Total loan portfolio	7,381	100.0%	6,889	100.0%	7,448	100.0%	7,116	100.0%	7,073	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 March 31, 2017, our total non-performing loan portfolio was Ps.391.5 million, or 5.3% of our total loan portfolio. Of this amount, Ps.26.5 million, or 6.8%, represented non-performing interest. Our total non-performing

loan portfolio decreased by Ps.20.8 million, or 5.0%, during the first three months of 2017. This variation is mostly due to our new strategic focus on the quality and profitability of our loan portfolio rather than its volume.

As of December 31, 2016, our total non-performing loan portfolio was Ps.410.0 million, or 5.5% of our total loan portfolio. Of this amount, Ps.115.5 million, or 28.2%, represented non-performing interest. Our total non-performing loan portfolio decreased by Ps.70.1 million, or 14.6%, during 2016. This variation is mostly due to a strategy to focus on the quality and profitability of our loan portfolio.

As of December 31, 2015, our total non-performing loan portfolio was Ps.480.2 million, or 6.7% of our total loan portfolio. Of this amount, Ps.88.2 million, or 18.4%, represented non-performing interest. Our total non-performing loan portfolio decreased by Ps.31.2 million, or 6.1%, during 2015. This variation is mostly due to a strategy to focus on the quality and profitability of our loan portfolio.

As of December 31, 2014, our total non-performing loan portfolio was Ps.511.4 million, or 7.2% 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.

	As of March 31,		As of December 31,		
	2017	2016	2016	2015	2014
	<i>(in millions of Pesos)</i>				
Non-performing loan portfolio by product:					
Financiera Independencia					
- Formal Sector	146	215	155	266	263
- Credilnmediato	130	191	134	250	253
- Más Nómina	16	24	21	16	9
- Informal Sector	53	60	55	79	106
- CrediPopular	52	58	53	76	100
- CrediMamá	1	2	2	3	5
- CrediConstruye	-	-	-	-	1
Finsol	58	43	53	40	57
- Finsol México	40	30	36	30	36
- Finsol Brasil	18	13	17	10	21
AEF	102	75	117	77	78
AFI	33	19	30	18	8
Total non-performing loan portfolio ⁽¹⁾	391	412	410	480	511

(1) 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.

	As of March 31,				As of December 31,					
	2017		2016		2016		2015		2014	
	Loans by product	Allowances for loan losses	Loans by product	Allowances for loan losses	Loans by product	Allowances for loan losses	Loans by product	Allowances for loan losses	Loans by product	Allowances for loan losses
<i>(in millions of Pesos)</i>										
Non-performing loan portfolio by product:										
Financiera Independencia										
-Formal Sector	146	(146)	215	(215)	155	(155)	266	(266)	262	(262)
- CrediInmediato.....	130	(130)	191	(191)	134	(134)	250	(250)	253	(253)
- Más Nómina.....	16	(16)	24	(24)	21	(21)	16	(16)	9	(9)
-Informal Sector.....	53	(53)	60	(60)	55	(55)	79	(79)	106	(106)
- CrediPopular	52	(52)	58	(58)	53	(53)	76	(76)	100	(100)
- CrediMamá.....	1	(1)	2	(2)	2	(2)	3	(3)	5	(5)
- CrediConstruye	-	-	-	-	-	-	-	-	1	(1)
Finsol.....	58	(58)	43	(43)	53	(53)	40	(40)	57	(57)
- Finsol México.....	40	(40)	30	(30)	36	(36)	30	(30)	36	(36)
- Finsol Brasil	18	(18)	13	(13)	17	(17)	10	(10)	21	(21)
AEF	102	(102)	75	(75)	117	(117)	77	(77)	78	(78)
AFI	33	(33)	19	(19)	30	(30)	18	(18)	8	(8)
Total non-performing loan portfolio⁽¹⁾.....	391	(391)	412	(412)	410	(410)	480	(480)	511	(511)

(1) Loan amounts include accrued interest.

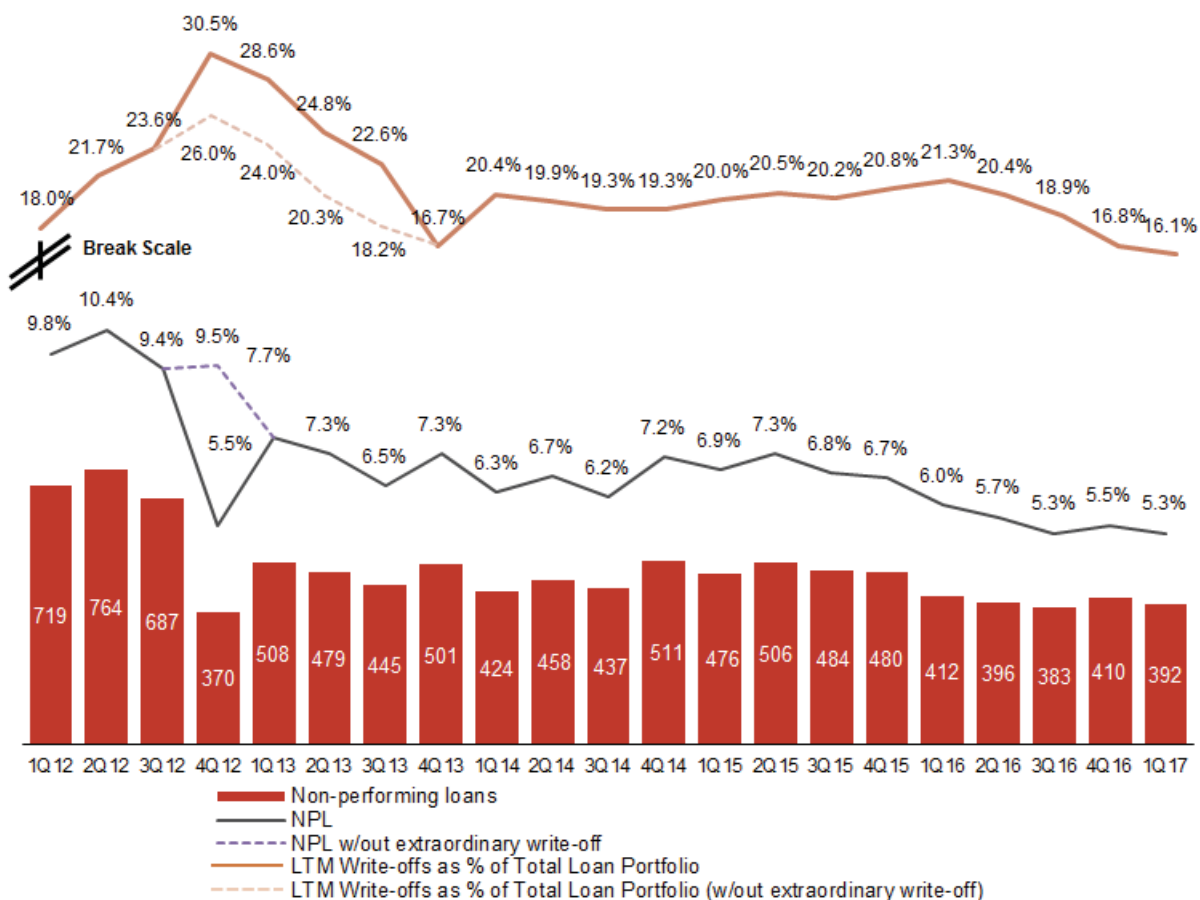
For the three months ended March 31, 2017 and 2016 and for the fiscal years ended December 31, 2016, 2015 and 2014 we recorded provisions charged against income totaling Ps.283.6 million, Ps.292.3 million, Ps.1,177.7 million, Ps.1,449.0 million and Ps.1,375.7 million, respectively.

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 CNBV recommendations and is based on the probability of default and severity of losses of the loan portfolio. Beginning January 2013, our policy is to maintain an allowance for loan losses at or above 100% of the outstanding balance of our non-performing loan portfolio at all times.

	As of March 31,		As of December 31,		
	2017	2016	2016	2015	2014
	<i>(in millions of Pesos)</i>				
Balance at beginning of year	410.0	480.2	480.2	511.4	500.8
Less:					
Effect of inflation at the beginning of the period.....	-	-	-	-	-
Nominal balance at the beginning of the period	410.0	480.2	480.2	511.4	500.8
Plus:					
Balance at beginning of Group AEF			1,177.7	1,449.0	1,375.7
Increase to the allowance for loan losses	283.6	292.3			
Sub-total.....	693.6	772.5	1,657.8	1,960.4	1,876.5
Less:					
Effect of inflation	-	-	-	-	-
Loans write-offs.....	303.0	360.2	1,247.8	1,480.3	1,366.0
Balance at the end of the year	391.5	412.3	410.0	480.2	511.4

The following chart sets forth the evolution of our non-performing loans over the period presented:



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 Collections” 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.”

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 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 customers' savings for lending purposes, thus expanding their outreach.

Microfinance Customers 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 primarily comprises individuals earning between one and five times the minimum monthly wage in Mexico City, currently between Ps.2,401.2 and Ps.12,006.0 per month (U.S.\$128.3 and U.S.\$641.8 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. Based on information compiled by INEGI in 2014, 52.2% of the economically active working population belongs to this segment.

Impact of Microfinance on Its Customers

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. Moreover, industry research indicates that over a long period of time many microfinance customers 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 or 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 customer pools.** Microfinance institutions typically lend to a large customer 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 MIS.** 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 still 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 our Company (1993) with an increase after 2000 of such organizations, including ProMujer (2001), Prosperidad (2002), Solfi (2002) and Finsol (2003).

The following chart sets forth certain information regarding the largest organizations that comprise the microfinance industry in Mexico, each of which had a loan portfolio in excess of Ps.500.0 million as of March 31, 2017:

Selected Financial Services Institutions in the Mexican Microfinance Industry

	<u>Total Loan Portfolio</u> <i>(in Ps. Millions)</i>	<u>Total Loan Portfolio</u> <i>(in U.S.\$ millions) (1)</i>	<u>Non-Performing Loan Ratio</u>	<u>Clients</u>
Banco Azteca (2)	38,301	2,047	4.20%	n/a
Compartamos	24,214	1,294	5.10%	2,835,127
Crédito Real	24,234	1,295	2.10%	776,403
Bancoppel (2)	14,732	787	19.20%	n/a
Banco Famsa (2)	9,774	522	17.20%	n/a
Financiera Independencia (México)	5,743	307	5.90%	894,146
Provident	5,160	276	28.10%	844,000
Crédito Familiar	3,507	187	10.80%	n/a
Came	1,956	105	2.80%	382,523
Fincomún	1,565	84	11.50%	n/a
Te Creemos	1,874	100	2.10%	217,168
Caja Bienestar	966	52	14.30%	31,511
Contigo	940	50	0.70%	192,431
Financiamiento Progreseemos	1,356	72	0.10%	106,660
Siempre Creciendo	798	43	1.90%	118,527
Don Apoyo	659	35	12.10%	190
Crediclub	661	35	0.50%	84,197
Banco Forjadores	548	29	6.10%	91,997
Emprendedores Firme	544	29	2.40%	120,555

(1) Translated at the rate of Ps.18.7079 per U.S.\$1.00, based on the Mexican Central Bank exchange rate published on March 31, 2017.

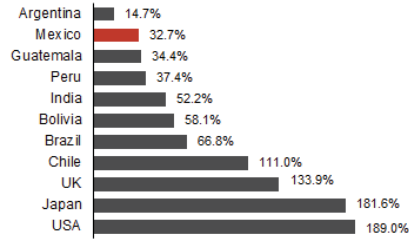
(2) Includes all consumer loans, including personal loans and payroll loans, among others.

Source: CNBV, Prodesarrollo, Company financials and other sources as of March 31, 2017.

We believe that the Mexican banking sector is characterized by low consumer penetration as set forth in the graphics below:

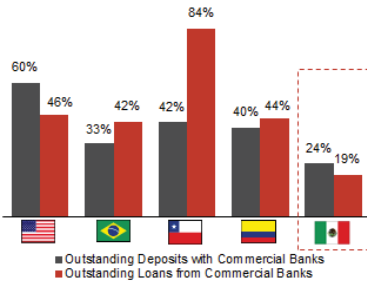
Domestic Credit to Private Sector

(As a % of 2015 GDP)

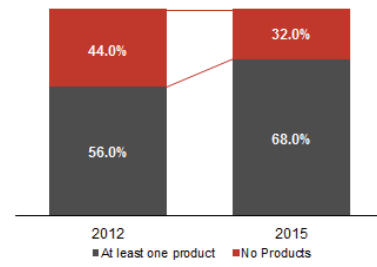


Deposits and Loans in Commercial Banks

(As a % of 2015 GDP)



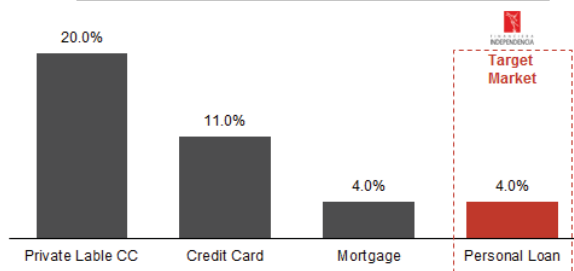
Adults Using Financial Services



Source: Economist Intelligence Unit reports, International Monetary Fund Access Survey, World Bank, AMAI, INEGI, Reporte Nacional de Inclusión Financiera.

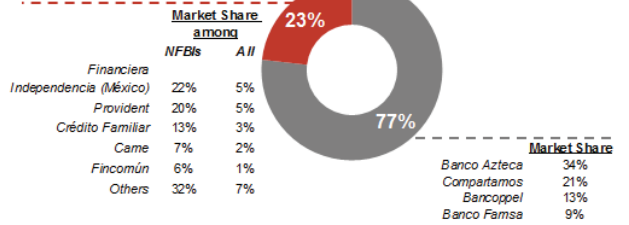
As set forth in the charts below, the personal loan segment in Mexico is particularly underserved:

Formal Credit Penetration, % of Adult Population



Microfinance Market Structure

Served by NBFIs:



Source: Economist Intelligence Unit reports, International Monetary Fund Access Survey, World Bank, AMAI, INEGI, Reporte Nacional de Inclusión Financiera.

BUSINESS

Overview

We are in the business of providing microcredit loans to low-income individuals from the formal and self-employed sectors of the Mexican and U.S. economies and working capital group loans in rural areas of Mexico and Brazil. We provide products and services to individuals who might otherwise have no, or limited, access to loans and related services from other financial institutions. Our goals are to create economic value for our customers and shareholders and social value for our customers and the community, as well as to develop long-term relationships with our customers to establish their credit history. As of March 31, 2017, we were one of the largest Sofoms, focused on providing microloans to individuals in Mexico based on the number of loans outstanding, according to data published by ProDesarrollo and our internal estimates. As of March 31, 2017, we operated 560 branch offices (502 in Mexico, 29 in the state of California in the United States and 29 in Brazil).

We are an unregulated multiple purpose financial company incorporated under the laws of Mexico as a public corporation with limited liability and variable capital. We are a publicly-traded company, listed on the Mexican Stock Exchange (ticker symbol: FINDEP) since November 2007. We operate based on a specialized business model that relies on providing large volumes of small loans (as of March 31, 2017, our average loan balance was approximately Ps.\$7,629.4 (U.S.\$407.8) with high frequency of repayments.

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, achieving a 55.0% compound annual growth rate in our number of loans granted from our inception on July 22, 1993 through December 31, 2016. As of March 31, 2017, we had 967,437 loans outstanding and reported a return on average total assets of 2.3% for the three-month period then ended. We believe that our success is attributable to a number of factors, including our focus on the quality and profitability of our loan portfolio rather than its volume; 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 our well-defined target market; our risk management policies; our effective collection practices; the efficiencies afforded by our information technology systems; the loyalty fostered by the personalized customer 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.

Financial Highlights

In our business, we have focused on the quality and profitability of our loan portfolio rather than its volume. In connection with this focus, we continue to implement operational policies to adapt our business model to market conditions and our competitive environment, including (1) improving our customer selection processes, (2) improving our credit origination and operational policies, (3) strengthening our collections processes, (4) emphasizing our focus on quality and profitability with our sales and collections teams and (5) improving our operating efficiencies and reducing our costs. Our return on average shareholders' equity was 6.8% and 5.5% during the three-month period ended March 31, 2017 and the year ended December 31, 2016, respectively. As of March 31, 2017, our loan portfolio amounted to Ps.7,381.0 million, compared to Ps.7,447.8 million as of December 31, 2016, and Ps.7,116.0 million as of December 31, 2015, representing a decrease of 0.9% and an increase of 4.7% respectively.

We are committed to balancing the growth and risk of our business and loan portfolio. Our risk management and effective collection policies have allowed us to achieve a non-performing loan ratio of 5.3% as of March 31, 2017 and 5.5% as of December 31, 2016, compared to our non-performing loan ratio of 6.0% as of March 31, 2016 and 6.7% as of December 31, 2015. We believe that our policies for provisioning past due loans are conservative, having provisioned 27.3% and 29.1% of financial margin for the three-month periods ended March 31, 2017 and 2016, respectively, and 29.0% and 34.2% for the years ended December 31, 2016 and 2015, respectively. In addition, we believe that we are adequately capitalized, with a ratio of equity to assets of 34.3% as of March 31, 2017.

In the three-month period ended March 31, 2017, our provisions for loan losses decreased 3.0% to Ps.283.6 million (U.S.\$15.2 million), compared to Ps.292.3 million (U.S.\$15.6 million) in the corresponding period in 2016, primarily as a result of a consistently higher quality loan portfolio (compared to the corresponding period in 2016).

In 2016, our provisions for loan losses decreased 18.7% to Ps.1,177.7 million (U.S.\$62.9 million), compared to Ps.1,449.0 million (U.S.\$77.4 million) in 2015, also primarily as a result of a consistently higher quality loan portfolio. We believe that the results we have achieved reflect improvements in our loan portfolio achieved by the new and stricter lending policies we implemented beginning in September 2012.

During the three-month period ended March 31, 2017, our net financial margin after provision for loan losses was Ps.756.4 million (U.S.\$40.4 million), reflecting a 6.1% increase compared to the corresponding period of 2016, and our net income was Ps.68.4 million (U.S.\$3.7 million) during the three-month period ended March 31, 2017, compared to net income of Ps.53.0 million (U.S.\$2.8 million) during the corresponding period of 2016. For the three-month period ended March 31, 2017 and 2016, our net interest margin after provisions, including commissions, and return on average stockholders' equity was 47.6% and 46.2%, respectively. During the year ended December 31, 2016, our net financial margin after provision for loan losses was Ps.2,887.3 million (\$154.3 million), reflecting a 3.7% increase compared to 2015, and our net income was Ps.234.0 million (U.S.\$12.5 million), compared to Ps.209.0 million (U.S.\$11.2 million) in 2015. For the year ended December 31, 2016 and 2015, our net interest margin after provisions, including commissions, and return on average stockholders' equity were 46.7% and 47.0%, respectively.

The following table sets forth certain of our financial information for the periods indicated.

	As of and for the Three-Month Period Ended March 31,			As of and for the Year Ended December 31,			
	2017	2017	2016	2016	2016	2015	2014
	<i>(In millions of U.S.\$, unless otherwise indicated) (1)</i>	<i>(in millions of Ps., unless otherwise indicated)</i>		<i>(In millions of U.S.\$, unless otherwise indicated) (1)</i>	<i>(in millions of Ps., unless otherwise indicated)</i>		
Net income	3.7	68.4	53.0	12.5	234.0	209.0	318.0
Stockholders' Equity	215.1	4,023.2	3,924.5	216.5	4,050.3	3,756.8	3,504.0
Other Financial Data and Ratios							
Profitability and Efficiency:							
Return on average stockholders' equity (2)	6.8%	6.8%	5.5%	6.0%	6.0%	5.8%	9.7%
Return on average total assets (3)....	2.3%	2.3%	1.8%	2.0%	2.0%	1.8%	3.0%
Net interest margin after provisions (4).....	47.6%	47.6%	46.2%	46.7%	46.7%	47.0%	50.1%
Efficiency ratio (5).....	90.6%	90.6%	91.2%	91.1%	91.1%	92.1%	88.3%
Capitalization:							
Stockholders' equity as a percentage of total assets.....	34.3%	34.3%	33.5%	33.3%	33.3%	31.8%	31.5%
Credit Quality Data:							
Total performing loans	373.6	6,989.5	6,476.9	376.2	7,037.7	6,635.8	6,562.0
Total non-performing loans	20.9	391.5	412.3	21.9	410.0	480.2	511.4
Total loan portfolio	394.5	7,381.0	6,889.1	398.1	7,447.8	7,116.0	7,073.3
Allowance for loan losses.....	(20.9)	(391.5)	(412.3)	(21.9)	(410.0)	(480.2)	(511.4)
Credit Quality Ratios:							
Allowance for loan losses as a percentage of total loan portfolio	5.3%	5.3%	6.0%	5.5%	5.5%	6.7%	7.2%
Allowance for loan losses as a percentage of total non-performing loan portfolio.....	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Total non-performing loan portfolio as a percentage of total loan portfolio.....	5.3%	5.3%	6.0%	5.5%	5.5%	6.7%	7.2%

(1) Solely for the convenience of the reader, statement of income and balance sheet data expressed in U.S. dollars have been translated at the rate of Ps.18.7079 per U.S.\$1.00, based on the Mexican Central Bank exchange rate published on March 31, 2017. See "Presentation of Financial and Other Information" and "Exchange Rates."

(2) Return on average stockholders' equity for the years ended December 31, 2016, 2015 and 2014 consists of net income for the year divided by the quarterly average of stockholders' equity for the year. Return on average stockholders' equity for the three-month periods ended March 31, 2017 and 2016 consists of annualized net income for the period divided by the quarterly average of stockholders' equity for the period.

(3) Return on average total assets for the years ended December 31, 2016, 2015 and 2014 consists of net income for the year divided by the quarterly average of total assets for the year. Return on average total assets for the three-month periods ended March 31, 2017 and 2016 consists of annualized net income for the period divided by the quarterly 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 quarterly average balance of the period.
- (5) Efficiency ratio consists of administrative and promotional expenses 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) commission and fee income and (y) commission and fee expense.

Products and Services

The following graphic illustrates the distribution of our branch offices in Mexico, Brazil and the United States as of the date of this offering memorandum:



We offer two types of loan products: individual loans and working capital group loans.

Individual Loans

We have been an active participant in the microfinance market in Mexico, providing individual loans since 1993, and in Brazil and the U.S. since 2010 and 2011, respectively. In 2004, we expanded our operations to provide microfinance products to individuals who are not required to provide proof of income or formal employment. This target market, which we service through our Independencia, AEF and AFI operations, is characterized by little to no participation in the formal banking system. We serve our individual loan customers through 368 branch offices in 32 states in Mexico and 29 branch offices in California. In 2016, the average balance of our individual loans was Ps.\$7,532.7 (U.S.\$402.7). As of March 31, 2017, our individual loans comprised 81.5% or Ps.\$6,017.3 million (U.S.\$321.6 million), of our total loan portfolio, and the non-performing loan ratio of our individual loan portfolio was 5.3%. We do not require collateral or other forms of security in connection with our individual loan products.

We currently offer the following individual loan products through our Independencia operations in Mexico:

- *CrediInmediato*. Our CrediInmediato loan products were first introduced in 2004 and are primarily targeted to the formal sector of the Mexican economy.
 - *CrediInmediato Simple*. This product is offered to individuals who (1) earn at least the monthly minimum wage in Mexico City, (2) work in the formal sector, (3) are affiliated with the IMSS, the Security and Social Services Institute for State Workers or ISSSTE, and (4) are able to provide proof of income. These loans are granted in amounts ranging from Ps.2,500 to Ps.20,000 (approximately U.S.\$133.6 to U.S.\$1,069.1) for the purpose of acquiring assets or services.
 - *CrediInmediato Revolvente*. This product is a revolving line of credit available only to individual customers in good credit standing with us that have renewed more than two credit cycles of loans with impeccable performance. Our customers may use these credit lines to acquire assets or

services. The amount of this revolving line of credit varies depending upon the customer's profile, credit history and payment track record with Independencia.

- *CrediPopular*. Our CrediPopular loan products were first introduced in 2004 and are targeted to the self-employed sector of the Mexican economy. These loans range from Ps.2,500 to Ps.5,800 (approximately U.S.\$133.6 to U.S.\$310.0), have an average term of nine months and may be renewed based on the credit behavior of the borrower. Our customers may use these loans for working capital purposes.
- *CrediMama*. This product was first launched in 2006 and, though briefly suspended in October 2012 as a result of our decision to focus on the quality of our loan portfolio and in order to concentrate on other products, was relaunched at the end of 2014. CrediMama is available to mothers who have at least one child under the age of 18. These loans are disbursed at a minimum balance of Ps.2,000 (approximately U.S.\$106.9), have an average term of six months and may be renewed based on the credit behavior of the borrower. This product is targeted at the informal sector of the Mexican economy.
- *CrediConstruye*. This product, which we launched in 2006, 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 Ps.3,000 to Ps.20,000 (approximately U.S.\$160.4 to U.S.\$1,069.1) and are disbursed in the form of vouchers for home construction materials. CrediConstruye loans have terms of up to two years.
- *Micronegocio*. We introduced this product, which targets a specific segment of the self-employed market, in March 2014. While our CrediPopular product is open to self-employed customers who may engage in the provision of independent services or commercial activities, our Micronegocio product caters to individuals who have established a microbusiness with over two years of history that require working capital. Examples of these microbusinesses include “mom and pop” stores, corner bakeries and self-owned taxi operations. Micronegocio loans range from Ps.5,000 to Ps.15,000 (approximately U.S.\$267.3 to U.S.\$801.8), have terms ranging from 26 to 78 weeks and may be renewed.
- *Más Nómina*. We first introduced our Más Nómina loan product in 2011. This product is primarily targeted to the formal sector of the Mexican economy. Más Nómina loans range from Ps.3,000 to Ps.300,000 (approximately U.S.\$160.1 to U.S.\$16,036.0) and are available to individuals between 18 and 68 years old who had been employed for a minimum of six months with a participating company at the time of contracting the loan. These loans are established through fixed payments directly deducted from the employee's payroll check and have terms ranging from six to 60 months.
- *Plan Celular*. This product was introduced in 2016 and is offered to select clients for the purchase of a cellular phone and prepaid cellular phone minutes at preferential rates. This product is primarily targeted to the formal sector of the Mexican economy.

We currently offer the following individual loan products through the operations of our subsidiary AEF in Mexico:

- *Crédito Regular*. These personal loans range from Ps.1,500 to Ps.50,000 (approximately U.S.\$80.2 to U.S.\$2,672.7) and are available to individuals who can certify income derived from employment or business ownership. The average term for these loans is 18 months and our customers may use them to acquire assets or services or for working capital.
- *Crédito Preferente*. These personal loans, which are granted in amounts of up to Ps.150,000 (approximately U.S.\$8,018.0), are available to higher-income individuals or small businesses who require short-term loans with maturities of approximately 18 months. These loans are offered at rates similar to credit cards in the market and may be used to acquire assets or services or for working capital.

We also offer individual loans through the operations of our subsidiary AFI in the United States. These loans, which are directed primarily to the Hispanic population of the state of California, range from U.S.\$3,000 to U.S.\$10,000 and are available to individuals who can certify income derived from employment. These loans have terms ranging from 12 to 48 months.

Working Capital Group Loans

We offer working capital loans to groups of entrepreneurs through 163 branch offices in 30 states in Mexico and through 29 branch offices and six states in Brazil under our Finsol Mexico and Finsol Brasil operations, respectively. In contrast to individual lending, which focuses on one customer and does not require other individuals to provide collateral or provide payment assurances in respect of the loan, group lending involves loaning money to a group of individuals who provide a group repayment pledge. The incentive of the individuals in the group to repay the loan is based on pressure from the group because if one person in the group defaults, the other members must make up for the deficiency. Group lending has generally proven to be both profitable and less sensitive to economic downturns, which has in turn reduced our own earnings volatility. As of December 31, 2016, the average balance per client of our group loans was Ps.7,986.7 (U.S.\$426.9). As of March 31, 2017, our group loans comprised 18.5%, or Ps.1,363.7 million (U.S.\$72.9 million), of our total loan portfolio, and the non-performing loan ratio of our group loan portfolio was 4.3%.

We currently offer the following working capital group loans through our Finsol Mexico operations:

- *Crédito Comunal*. These loans are available to micro-entrepreneurs who have their own independent productive, commercial or services activity in self-selected groups of between eight and 60 members. Loans range from Ps.2,000 to Ps.60,000 (approximately U.S.\$106.9 to U.S.\$3,207.2) per member, have terms ranging between 16 and 26 weeks, and may be utilized for working capital or for the purchase of goods in connection with their respective businesses. Each micro-entrepreneur within a group is generally required to have been in business for at least six months, although micro-entrepreneurs that intend to establish a business may also participate as a member of a group.
- *Crédito Solidario*. These loans are available to micro-entrepreneurs with their own independent productive, commercial or services activity, in self-selected groups of between four and six members and range from Ps.7,000 to Ps.60,000 (approximately U.S.\$374.2 to U.S.\$3,207.2) per member. These loans may be utilized for working capital or for the purchase of goods in connection with their respective businesses and have terms ranging between 12 and 26 weeks. Each micro-entrepreneur within a group is required to have been in business for at least one year.
- *Crédito Oportunidad*. This supplemental loan product is offered exclusively to our Crédito Comunal and Crédito Solidario customers that have excellent credit histories. It enables them to take advantage of opportunities that may arise in connection with their respective business operations. These loans are granted (1) in amounts of up to 30% of the aggregate amount of the corresponding group's Crédito Comunal or Crédito Solidario loan and (2) to at least two members and up to a maximum of half of the members of the group and require the approval of each member of the group. Crédito Oportunidad loans must mature on or prior to the maturity date of the group's corresponding Crédito Comunal or Crédito Solidario loan.

We currently offer the following working capital group loans through our Finsol Brasil operations:

- *Crédito Comunal*. These guaranteed loans are available to micro-entrepreneurs with their own independent productive, commercial or services activity in self-selected groups of between 11 and 30 members and range from R\$300 to R\$8,000 (approximately U.S.\$95.1 to U.S.\$2,536.7) per member. These loans may be utilized for working capital, the purchase of goods or capital improvements. These loans have terms that range from 12 months (for the funding of working capital) to up to 24 months (for the purchase of assets or capital improvements).
- *Crédito Solidário*. These guaranteed loans are available to micro-entrepreneurs with their own independent productive, commercial or services activity in self-selected groups of between three and 10 members and range from R\$300 to R\$20,000 (approximately U.S.\$95.1 to U.S.\$6,341.7) per member. These loans may

be utilized for working capital, the purchase of goods or capital improvements. These loans have terms that range from 12 months (for the funding of working capital) to up to 24 months (for the purchase of assets or capital improvements).

The table below sets forth the participation of our loan products by aggregate loan amount in our loan portfolio as of the dates indicated:

	As of March 31,		As of December 31,					
	2017		2016		2015		2014	
	Loan Amount ⁽¹⁾	% of Total	Loan Amount ⁽¹⁾	% of Total	Loan Amount ⁽¹⁾	% of Total	Loan Amount ⁽¹⁾	% of Total
	<i>(in millions of Pesos, except percentages)</i>							
CrediInmediato	2,042.8	27.7%	2,015.9	27.1	2,375.0	33.4%	2,722.3	38.5%
MásNómina	612.8	8.3%	586.9	7.9%	502.3	7.1%	375.9	5.3%
CrediPopular ⁽²⁾	727.3	9.9%	720.1	9.7%	806.6	11.3%	862.3	12.2%
CrediMamá.....	31.5	0.4%	31.5	0.4%	39.8	0.6%	53.8	0.8%
CrediConstruye.....	1.0	0.01%	1.2	0.01%	2.6	0.0%	6.2	0.1%
Finsol (Mexico and Brazil)	1,363.7	18.5%	1,385.0	18.6%	1,199.8	16.9%	1,250.1	17.7%
AEF Loans.....	1,479.2	20.0%	1,524.9	20.5%	1,455.7	20.5%	1,368.4	19.3%
AFI Loans.....	1,122.7	15.2%	1,182.3	15.9%	734.2	10.3%	434.4	6.1%
Total loan portfolio	7,381.0	100.0%	7,447.8	100.0%	7,116.0	100.0%	7,073.3	100%
Allowance for loan losses	391.5		410.0		480.2		511.4	
Loan portfolio, net.....	6,989.5		7,037.7		6,635.8		6,562.0	

(1) Includes principal and interest.

(2) Includes the Micronegocio loan product.

The tables below sets forth the participation of our loan products in our loan portfolio by number of loans as of the dates indicated:

	As of March 31, 2017			
	Number of Loans Outstanding		Interest Income	
	Amount	% of Total	Amount	% of Total
	<i>(in millions of Pesos, except percentages)</i>			
CrediInmediato	384,866	39.8%	375.3	31.4%
MásNómina	51,944	5.4%	70.4	5.9%
CrediPopular ⁽¹⁾	175,486	18.1%	125.5	10.5%
CrediMamá.....	9,840	1.0%	6.0	0.5%
CrediConstruye.....	1,543	0.2%	0.2	0.02%
Finsol (Mexico and Brazil)	169,997	17.6 %	259.4	21.7%
AEF Loans.....	154,970	16.0%	257.4	21.5%
AFI Loans.....	18,791	1.9%	100.9	8.4%
Total.....	967,437	100.0%	1,195.1	100.0%

(1) Includes the Micronegocio loan product.

	As of December 31, 2016			
	Number of Loans Outstanding		Interest Income	
	Amount	% of Total	Amount	% of Total
	<i>(in millions of Pesos, except percentages)</i>			
CrediInmediato	388,462	39.7%	1,525.8	32.7%
MásNómina	51,070	5.2%	260.2	5.6%
CrediPopular ⁽¹⁾	172,014	17.6 %	515.4	11.0%
CrediMamá.....	9,867	1.0%	26.7	0.4%
CrediConstruye.....	1,620	0.2%	1.6	0.03%
Crédito Grupal.....	173,417	17.7 %	959.6	13.0%
AEF Loans.....	163,774	16.7%	1,081.9	28.5%
AFI Loans.....	18,044	1.8%	302.0	7.4%
Total.....	978,268	100.0%	4,673.2	100.0%

(1) Includes the Micronegocio loan product.

Even though we offer our customers the convenience of different payment venues, 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 returns to our shareholders.

We offer unemployment, disability and life insurance to all of our customers, the fees for which are included as part of the annual loan commission payable to us by the borrower. We also offer funeral assistance products as well as additional services through our branch offices that allow them to: 1) purchase insurance products, 2) pay telephone bills, and 3) recharge prepaid cell phone cards for all major mobile telephone carriers in Mexico.

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 five times the Mexico City minimum monthly wage (between Ps.2,401.2 and Ps.12,006.0 per month, or between approximately U.S.\$128.3 and U.S.\$641.8 per month, as of March 2017). Based on information compiled by INEGI in December 2014, this population segment represents over 27.2 million, or more than 52.1% of the working population in Mexico, and we estimate that we had penetrated less than 3.3% of this entire target market as of that date. We believe that the low financial services penetration rate, in combination with the expected growth of the Mexican economy, will support growth in the microfinance sector and create further demand for our products.

In the United States, we primarily target individuals within the Hispanic population that have little to no credit history and that require loans to start their own businesses or to remit money to their home countries in order to acquire assets or durable goods.

As with our Finsol Mexico operations, our Finsol Brasil operations target groups of low-income entrepreneurs in Brazil who require working capital loans.

Our Competitive Strengths

We believe that our main competitive strengths are the following:

Strategic Focus on the Quality and Profitability of our Loan Portfolio

We are focused on the quality and profitability of our loan portfolio rather than its volume, and have implemented operational policies to adapt our business model to market conditions and the competitive environment. As a result of this strategy, our non-performing loan ratio as of March 31, 2017 and December 31, 2016 was 5.3% and 5.5%, respectively, consistent with the non-performing loan ratio for the personal loans portfolio held by the Mexican banking system as a whole (5.3% and 5.2%, as of March 31, 2017 and December 31, 2016, respectively, according to the CNBV) and also lower than the average non-performing loan ratio of 21 of the largest microfinance companies with assets in excess of Ps.500.0 million (U.S.\$26.7 million) in Mexico as of March 31, 2017, based upon information we compiled from Prodesarrollo, the CNBV, our internal estimates and other third-party sources. We believe that as a result of these measures our return on average stockholders equity increased to 6.8% in the three-month period end March 31, 2017 compared to 5.5% in the corresponding period in 2016. We believe that our focus on the quality and profitability of our loan portfolio rather than its volume has strengthened our balance sheet and will enable us to maintain our leadership position in the origination of individual loans and take advantage of the growth potential of the microfinance industry in Mexico.

Low Default Rate and Effective Risk Management

Our recent focus on the quality and profitability of our loan portfolio rather than its volume has allowed us to achieve our relatively low total non-performing loan ratios. Our non-performing loan ratio as of March 31, 2017 was 5.3% for our overall portfolio, of which group loans and individual loans reported non-performing loan ratios of 4.3% and 5.5%, respectively. We attribute our relatively low default rates to the operational policies we

implemented in September 2012 in connection with our new strategic focus on the quality and profitability of our loan portfolio rather than its volume:

- *Improved customer selection processes.* To enhance the quality of our loan portfolio, we improved the criteria by which we rate our customers, applying new analytical methods, segmentation and selection of customers in order to eliminate high risk customers and less profitable products from our loan portfolio. These efforts, together with strict monitoring of the credit history of our customers, have resulted in a lower incidence of non-performing loans and a greater proportion of formal sector customers.
- *Robust credit origination and operational policies.* We strengthened our origination processes by requiring more robust documentation, identification and references in connection with our customers' credit applications. In addition, we transformed our customer verification processes into an analysis of risk, increasing site visits and telephone outreach, and applying the same credit authorization criteria for customers entering into new loan agreements with us and customers seeking to renew their existing loans.
- *Revamped collection processes.* In 2013, we significantly modified our collection policies for the recovery of loans in default. While previously our seasoned recovery agents focused on loans that had been in default for extended periods of time, they are now focused on loans that have been in default for only a few days. Under our new policy, our agents perform site visits to borrowers shortly after default on a single payment. These borrowers are also contacted through our agents at our call centers. In addition, our systematic monitoring of loans in default at an earlier stage allowed us to improve Independencia's collection rates and reduce the number of customers in default.
- *Emphasize our focus on quality and profitability with our sales and collection teams.* We believe that the convergence of the above strategies occurs at the employee level. While previously our sales, operations and collection agents were evaluated and compensated based upon the achievement of individual goals, variable compensation is now also dependent upon the quality and profitability of the loan portfolio of their respective branch offices. As such, we believe that our employees are better aligned with our objective to focus on the quality and profitability of our loan portfolio rather than its volume.
- *Increased focus on higher performing businesses.* As a result of economic difficulties we perceived in Brazil and Mexico, in 2015, we made significant adjustments to the growth strategy for our subsidiaries. In particular, we strengthened the focus on loan quality over volume for those subsidiaries with the weakest performance in the current environment, such as Independencia, and reassigned resources in order to optimize the future growth of those subsidiaries that have performed better, such as AEF and AFI. In connection with this strategy, we expanded AEF's and AFI's operations, as reflected by a 9.0% increase in the number of AEF's branches in 2016 and a 32.0% increase in the number of AFI's branches that same year.

We believe that risk management is fundamental to our success and will allow us to grow profitably and obtain low non-performing loan ratios.

Unique Expertise in Microcredit Financing

We have over 24 years of experience providing unsecured loans to individuals in the low-income segments in Mexico. We also have expertise in the microfinance markets in Mexico and Brazil, and providing unsecured loans to low-income individuals in the United States. Our cost structure, product offerings, technology, systems and branch office network are all specifically designed to serve our target markets while maintaining profitability. We believe that this provides a significant competitive advantage over banks and other institutions within the traditional financial sector that have historically focused their lending practices on middle- and high-income customers 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 we continue to develop new ways to reach customers through new products tailored to the needs of individuals in the lower income segments of the

Mexican, United States and Brazilian populations. Since our inception, we have built a track record of successfully developing and launching new products. For example:

- In 1993 we were the first to offer unsecured loans to low-income individuals in Mexico.
- In 2004, we began granting loans to self-employed individuals in Mexico, enabling us to increase the yield of our loan portfolio. As of March 31, 2017, 36.6% of our total loan portfolio was represented by loans to self-employed individuals in Mexico, the state of California in the United States and Brazil.
- In 2004, we also launched our CrediInmediato Revolvente product, a revolving line of credit that allows our customers increased financial flexibility. In addition, during 2006, we added two new loan products to our loan portfolio, CrediConstruye, for financing home improvements, and CrediMamá, tailored to mothers with at least one child under the age of 18.
- In 2007, we implemented a program to install automated teller machines, or ATMs, in our branch offices, which allows our customers to withdraw their loan proceeds with a debit card issued by us. As of March 31, 2017, we had 93 ATMs installed in our branch office network.
- In 2009, we launched CrediSeguro, a life and disability (partial or permanent) insurance policy. We developed CrediSeguro for low-income populations in order to meet these insurance needs at a reasonable cost. We offer CrediSeguro to our customers through the partnerships that we have developed with insurance companies such as Seguros SURA, S.A. de C.V., ACE Seguros, S.A., Chubb de México, Compañía de Seguros, S.A. de C.V., Logistics Assistance Group, S. de R.L. de C.V. and Club de Asistencia S.A. de C.V.
- In 2011, we began granting Más Nómina loans, which range from Ps.3,000 to Ps.300,000 (approximately U.S.\$160.1 to U.S.\$16,036.0) and are available to individuals between 18 and 68 years old who have been employed for a minimum of six months at the time of contracting the loan. As of March 31, 2017, our Más Nomina loans totaled Ps.612.8 million (U.S.\$32.8 million).
- In 2012, we elected to discontinue our CrediConstruye Plus product in favor of our CrediConstruye product, which is more profitable.
- In 2014, we launched our Micronegocio to target a specific segment of the self-employed market for individuals who have established a microbusiness requiring capital investment. Examples of these microbusinesses include “mom and pop” stores, corner bakeries and self-owned taxi operations. Micronegocio loans range from Ps.5,000 to Ps.15,000 (approximately U.S.\$267.3 to U.S.\$801.8), have terms ranging from 26 to 78 weeks and may be renewed.
- At the end of 2014, we relaunched CrediMama, which we briefly suspended in 2012 as a result of our decision to focus on the quality of our loan portfolio and in order to concentrate on other products.
- In 2015, we created a partnership with VirtualMarket that assists owners of small convenience stores by offering them a special cash register that provides access to benefits such as inventory management, payments to affiliated suppliers and sales of additional services such as prepaid phone minutes. In addition to these services, these owners can now also sell our loans.
- In 2016, we implemented a new branch model for direct sales in the city of Torreón. Under this model designed for small branches, our employees perform all functions relating to the origination and management of loans. We also implemented several strategies to increase our ability to identify potential clients through digital media such as Google Search and Display, Facebook, Remarketing and Gmail, among others.

The development of new products together with our organic and inorganic growth have been fundamental in our ability to serve 967,437 customers and attain a loan portfolio totaling Ps.7,381.0 million (U.S.\$394.5), in each case, as of March 31, 2017.

Strategic Network of Branch Offices with Extensive Geographic Coverage

We believe we have one of the most efficient and extensive microfinance distribution networks in Mexico. As of March 31, 2017, we had 560 branch offices providing loans, of which 502 were located in Mexico, 29 were located in the state of California in the United States and operated by AFI and 29 were located in Brazil and operated under the name Finsol Brasil. Of our 560 branch offices in Mexico, 164 are operated under the name “Independencia,” 163 under “Financiera Finsol,” and 175 under the name “Apoyo Económico Familiar.” We believe that our diversified operations mitigate the risk of regional economic slowdowns and other region-specific risks, including natural disasters. As of March 31, 2017, no borrower represented more than 1.0% 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, customer 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 branch 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 range 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.

Centralized Processes that Facilitate Efficient Growth

Within our Independencia and Finsol brands, 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 center located in the city of Aguascalientes, 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 branch 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.

Within our AEF and AFI operations, we utilize technology systems that allow us to efficiently manage the different stages of the loan process, including origination, verification, approval, renewal and collections.

High-Quality, Personalized Client Service

We seek to strengthen our relationships with existing customers and attract new customers by focusing on superior customer service. We believe that our close proximity to our customers through our extensive distribution network enhances our ability to provide high-quality, personalized customer service, fosters customer loyalty and facilitates the expansion of our customer base. Through COA, we manage CENCA and SIAC, which are responsible for telephone verification, the approval of loans and storage of data and our command center, as well as our telephone collection operations, our virtual sales operations, and our help desk. From COA, we also manage our customer assistance telephone operations, service quality monitoring, our credit card, debit card and checking account payment systems, and telemarketing for our Independencia, Finsol México and AEF operations.

In 2016, we implemented additional efforts to increase the efficiency of our operations. In order to increase flexibility and profitability, we performed an analysis of the installed capacity of each branch, measuring the time spent on each operating process. This analysis allowed us to reduce our operating costs through the reassignment of administrative staff and through the reduction of the number of personnel assigned to those activities without negatively impacting client service. We believe that the provision of excellent customer service is fundamental to our growth and we actively manage our customer relationships, through, among other means, a highly-skilled sales force dedicated to our principal objectives and focused on providing personalized, high-quality service.

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 COA, where we have call stations and agents dedicated to telephone collections and to performing other collection-related activities. In 2013, we radically changed our collection policies for the recovery of amounts under loans in default. While our best recovery agents previously focused on loans that had been in default for extended periods of time, they are now also focused on loans that have been in default for only a few days. Under this policy, our agents perform site visits to borrowers shortly after only one default. These accounts are also contacted through our agents at our call centers. Our systematic monitoring of loans in default at an earlier stage has allowed us to improve Independencia's collection rates and reduce the number of clients in default.

Experienced Management Team and Motivated Workforce

We believe that we benefit from an experienced and talented management team. Our principal officers have an average of 19.5 years of experience in the finance industry, and we believe that they have the know-how necessary to identify and offer products and services that meet our customers' 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 customers. 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 customers by delivering personalized, high-quality customer service, growing profitability and achieving operational efficiency.

Advanced Information Technology Systems

We have developed advanced information technology systems and software to support our information management and risk management policies. For example, we developed a primary credit application system, using certain technology developed by third parties, including Formiik software (which registers the credit application and performs client verification), credit bureau software (which obtains an applicant's credit information) and FICO software (which supports the decision-making process and assigns a behavior score for each customer), providing functional analysis for risk management. Our technology systems have helped us to:

- (1) better serve our customers,
- (2) successfully reduce the cost and time associated with our loan approval, monitoring and collection practices,
- (3) provide follow-up and analyze our clients' credit behavior,
- (4) monitor our collection and marketing efforts,
- (5) support our growth strategy,
- (6) enhance the quality and development of our products and services,
- (7) make expedient and timely adjustments to our credit policies, and
- (8) modernize our IT platform in order to provide mobile services.

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 MIS, which provides us with the ability to access real-time data on-line, including digitalized images and files relating to our customers, 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 customers resulting in the implementation of our behavioral scoring model, entering into new markets, developing new products, and optimizing the loan approval and collection processes.

We have implemented a business intelligence system that allows us to have live access to a variety of financial and operational information relating to our loans and clients. In addition, our verification teams and collection agents are equipped with smartphones that utilize corporate software to increase the efficiency and agility of our collection processes through functionalities such as global positioning to verify the home and work addresses of our customers. We also utilize sophisticated software that allows us to monitor and take action in respect of late and insufficient loan payments.

In 2016, consistent with our focus on improving the efficiency of our operations, the quality of our services and our risk management through the better use of technology, we initiated the migration of our operations to cloud servers through Google Cloud Platform. Our objective is to migrate all of our applications and databases to the cloud where we will be able to manage credit origination, loan portfolio management, the recovery of past-due loans and all of the analytical processes that support our decision-making.

In 2016, we completed the process of migrating our analytics servers to Google Big Query, which included over 24 years of operational history encompassing over seven million clients and one billion transactions. Google Big Query has allowed us to exponentially improve our analytical capabilities, as certain processes that previously took us over two days can now be performed in just minutes. In particular, we have seen a reduction in processing time for analytics of up to 98%.

Access to Diverse Sources of Funding

As of March 31, 2017, our consolidated debt comprised (1) an aggregate Ps.1,501.5million in *Peso*-denominated credit-backed debt securities maturing in 2018, and (2) an aggregate Ps.5,564.5 million in loans (from both commercial and development banks) and senior notes.

We currently have access to various sources of funding, including lines of credit from financial institutions, credit-backed debt securities and cash on hand.

For example:

- On June 3, 2014, we offered and sold senior notes in the aggregate amount of U.S.\$200 million due 2019 that bear interest at the rate of 7.50% per annum, or the 2019 senior notes. The 2019 senior notes are guaranteed by our subsidiaries Financiera Finsol, AEF and Fisofo and mature on June 3, 2019. We intend to repay the remaining outstanding balance of the 2019 notes with a portion of the net proceeds of the issuance of the notes. As of March 31, 2017, the outstanding principal amount of the 2019 senior notes was U.S.\$118.5 million. Nothing in this offering memorandum shall be deemed to be a notice or communication to any holder of any of our 2022 notes in connection with the redemption or otherwise.
- In 2016, we furthered our objective of strengthening and diversifying our sources of funding and, as of March 31, 2017, we have 17 lines of credit from commercial and development banks, insurance companies and other entities. For example, our subsidiary Independencia secured credit lines from Banco Monex, S.A. Intitución de Banca Múltiple, Monex Grupo Financiero, Banco del Bajío S.A., Intitución de Banca Múltiple and Grupo Jorisa, S.A. de C.V. in the aggregate amount of Ps.100.0 million, Ps.100.0 million and Ps.400.0 million respectively (U.S.\$5.3 million, U.S.\$5.3 million and U.S.\$21.4 million).

Operations Independent from Third-Party Banking Services

We benefit from a distribution network that, together with our centralized collection processes, allows us to efficiently monitor our operations with our customers without depending on third-party banks to process payments from our customers. We believe this arrangement makes our operations more efficient. We originate loans through our own branch offices and through our network of ATMs for individual customers, and payments are predominantly made directly in our branch offices. Likewise, we have also entered into commercial agreements with convenience stores and other financial institutions for the collection of loan payments. We believe that our

distribution and collection network enhances our ability to provide high-quality service to our customers and increases the strength and recognition of our brand as an integrated solution for their financing needs.

Our Strategy

Within our operations, we implement the following business strategies:

Continued improvement in the quality and profitability of our portfolios

Our five-fold strategy of (1) improving customer selection, (2) improving our credit origination and operational policies, (3) strengthening our collections process, (4) emphasizing our focus on quality and profitability with our sales and collections teams and (5) improving efficiencies and cost management has reduced our non-performing loan ratio and increased our profitability. We plan to continue improving on our practices, policies and procedures as a means of maintaining our advantage over our competitors and further improving our operations and resulting profitability.

In particular, we intend to focus on the implementation of this five-fold strategy within each of our operating subsidiaries:

- **Independencia:** continue our efforts to adapt Independencia's business model to increase its efficiencies by focusing on lower risk clients; increase the percentage of revolving loans in the Independencia loan portfolio; and develop more customized products for the informal segment with the support of AEF's loan origination methodology, while simultaneously maximizing its synergies with our other subsidiaries.
- **AEF:** improve our origination practices to improve loan portfolio quality and profitability; and expand to new markets.
- **AFI:** continue our expansion efforts outside of San Francisco, including San José, Sacramento, Los Angeles and Anaheim, consolidate the operations of newly-opened branch offices and further strengthen AFI's support operations to increase AFI's efficiency and independence following its acquisition by us.
- **Finsol Mexico:** maintain our focus on profitable branch offices that present less risk.
- **Finsol Brasil:** continue to increase operating efficiencies and improve client relationships in order to withstand current economic and market conditions.

Diversify Our Funding Sources

We continually seek to obtain additional sources of financing in order to support the sustainable growth of our business. In recent years, we have expanded our access to lines of credit from financial institutions and to the capital markets. We plan to continue to expand, responsibly and as necessary, our access to these sources of funding. Additionally, we are exploring opportunities to increase our financial stability and stable access to funding both at the corporate group level as well as for each of the companies that comprise our corporate group. To this end, we will continue to seek to strengthen the financial position of each of our subsidiaries in order for each subsidiary to have access to funding independently from us. For example, on March 3, 2014, we issued fiduciary medium-term notes in the aggregate amount of Ps.1.5 billion (U.S.\$80.2 million) under our CNBV-authorized program for the issuance of up to Ps.5.0 billion (U.S.\$267.3 million) in fiduciary medium-term notes secured by loans issued by Independencia, AEF and Confianza Económica. We also continue to seek new credit lines and facilities from commercial and development banks and other financial entities, such as Oikocredit Ecumenical Development Cooperative Society U.A., Grupo Jorisa S.A. de C.V., Banco Monex, S.A. Intitución de Banca Múltiple, Monex Grupo Financiero, Banco del Bajío S.A., Institución de Banca Múltiple and Banco Bradesco, S.A., among others.

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. The key differentiators we intend to pursue in connection with this strategy are (1) attention to our customers' needs, (2) bringing our branch network closer to our customers and (3) providing financial consulting and education to our customers regarding the microfinance market.

Expand Our Client Base

With respect to organic growth, we plan to continue to increase our presence in the cities in which we currently operate. Following our acquisition of Finsol, we have continued to expand our customer base in rural and suburban regions of Mexico and Brazil through the organic growth of our existing branch offices and the opening of new branch offices. Our acquisition of AEF has allowed us to meaningfully enter the Mexico City metropolitan market. Likewise, following our acquisition of AFI, we began to offer our products in the San Francisco region of the state of California, including in San José, Sacramento, Los Angeles and Anaheim, and we intend to open additional branch offices to increase our market share among the Hispanic population in the United States.

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 customers' homes, when necessary. We also currently have commercial agreements with convenience stores and other financial institutions, including OXXO, Grupo Financiero HSBC Mexico, S.A. de C.V. , BBVA Bancomer, S.A., Institución de Banca Múltiple, BBVA Bancomer, Banorte, and Banco Nacional de México, S.A., integrante de Banamex, which allow our customers to make payments to us in the branch offices of these companies. 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 continue to increase the number of locations and channels through which we accept loan repayments from our customers.

Develop New Sales Channels

Our business model relies heavily on door-to-door sales to potential customers, which is our primary sales method. We are currently exploring additional sales channels to increase 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. These joint ventures would offer retail customers a convenient way of financing purchases made in those stores through our loan products.

In November 2015, we initiated a pilot project in San Luis Potosí and Aguascalientes to sell a special product to clients of Virtual Market, an external platform that assists owners of small convenience stores by offering them a special cash register that provides access to benefits such as inventory management, payments to affiliated suppliers and sales of additional services such as prepaid phone minutes. In addition to these services, these owners can now also sell our loans. Moreover, while the owner may initiate the sale through this external platform, all loans must comply with our internal loan origination processing.

In 2016, we implemented in the city of Torreón in the Mexican state of Coahuila a new branch model for direct sales. Under this model designed for small branches, our employees perform all functions relating to the origination and management of loans. We also implemented several strategies to increase our ability to identify potential clients through digital media such as Google Search and Display, Facebook, Remarketing and Gmail, among others. In addition, we developed several communication campaigns, both short- and long-term, which we measure to identify which messages have a stronger impact on client conversion.

Invest in Our Brand

We intend to continue to build on marketing efforts that we believe have proven successful. For example, in 2010, we began to invest in marketing and advertising in order to increase the recognition of our brand thereby increasing the number of loans we originate and distinguishing ourselves from our competitors. Likewise, in 2011, we implemented new strategies to optimize our sales processes, including improving the positioning of our brand

through marketing campaigns in the local newspapers of smaller communities and conducting research into the implementation of loyalty programs.

In 2014, these new strategies increased in importance, as evidenced by our development of a new channel to capture potential clients through digital media. As a result, a new department was established to focus on the coordination and monitoring of sales originated online. Furthermore, we developed a new corporate website that includes our loan application that we optimized in order to facilitate online browsing with any device.

As a result of these initiatives, we have captured new clients online and improved our online sales.

We intend to continue to invest in research in order to better understand our customers and our market as well as improve our customer service in order to generate greater customer loyalty. We also intend to increase the productivity of our operating centers, telemarketing efforts and customer services.

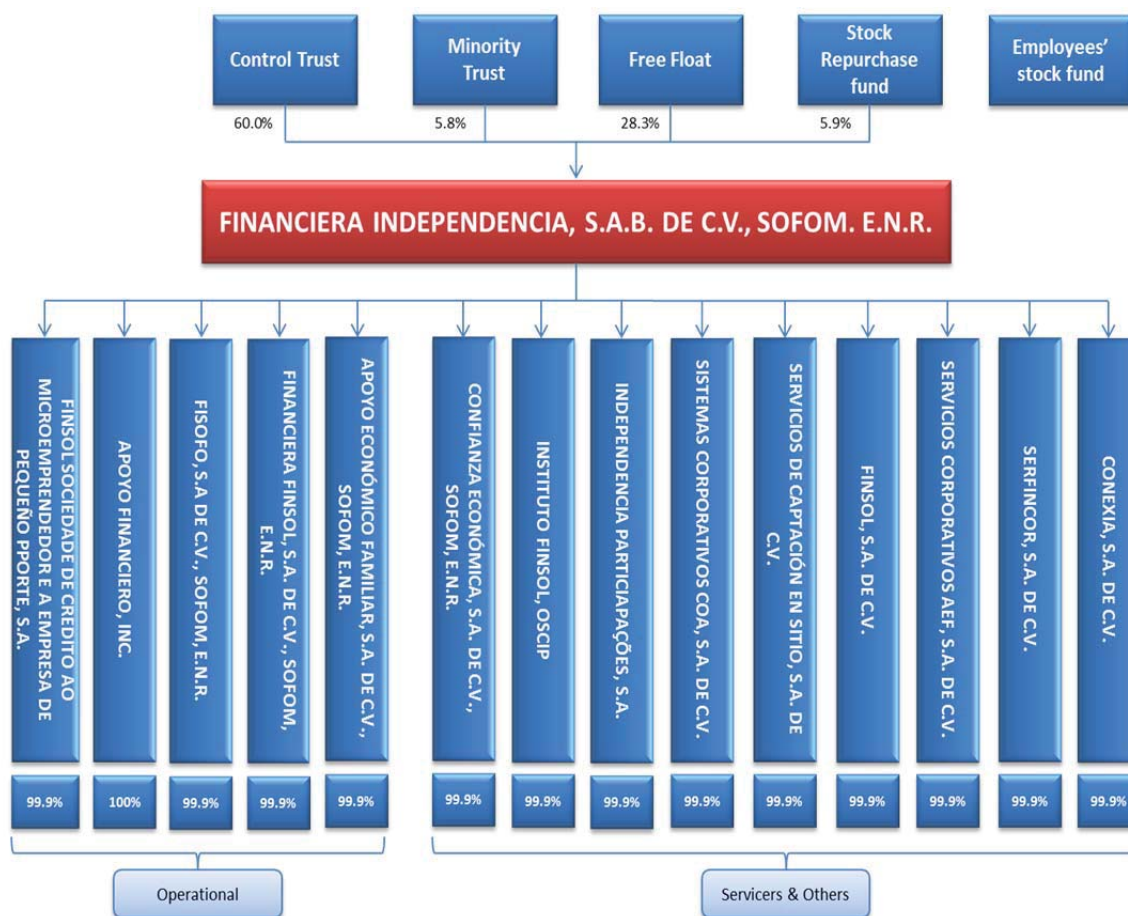
Attract, Retain and Develop Human Capital

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 rate. We also utilize technology that enables us to increase the efficiency of our recruiting processes, including the ability to conduct video interviews with pre-recorded questions.

In order to promote the hiring of the most qualified individuals, our recruiting department developed a course for our branch managers and verification/collection managers for the recruitment, selection and retention of employees. We believe that this is an innovative strategy adopted by Independencia and Finsol México to standardize their platforms and enable them to work towards the same objectives.

Corporate Organization

The following chart reflects our ownership and corporate structure. The chart also shows our approximate direct or indirect economic ownership interest in each company.



History and Development

We were incorporated in 1993 as a Sofol. We were the first Sofol 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 customers and Ps.353.8 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. This strategy allowed us to earn more attractive returns on our loan portfolio, compared to loans to individuals in the formal sector of the economy, as we are able to charge higher interest rates on these loans, which are typically working capital loans.

During 2004, we also launched CrediInmediato for our customers in the formal sector, a revolving credit product that allows our customers 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 to up to Ps.2,000 million in April 2007, and subsequently increased to 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. Recently, in August 2013, we renegotiated our loan with HSBC Mexico and replaced the previously existing loan with a new revolving line of credit for up to Ps.750.0 million in 2014, Ps.500.0 million in 2015 and Ps.250.0 million in 2016.

In 2006, we added two new loan products to our loan portfolio, CrediConstruye, which is intended to finance home improvements, and CrediMamá, which is tailored to mothers with at least one child under the age of 18. We suspended CrediMamá loans in 2012 and relaunched this product in 2014.

On February 1, 2007, we converted from a Sofol, a financial entity regulated by the CNBV and the Mexican Ministry of Finance, to 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 (1) grant loans and engage in other types of financial transactions such as factoring and financial leasing activities for various purposes; (2) place securities in the capital markets and obtain financing from financial institutions, such as insurance and bonding companies; and (3) 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 (except with respect to anti-money laundering regulations), they are subject to the jurisdiction of CONDUSEF. See “Supervision and Regulation—Mexico.” 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 subsidiaries Serfincor and Servicios AEF.

On November 1, 2007, we became the first Sofom to register its shares with the RNV 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 to QIBs as defined under Rule 144A, 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. As a result of the November 2007 equity offering, we converted into a publicly traded company (*sociedad anónima bursátil*), 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 facility supplements our original operations center in León, and doubled our capacity in processing transactions, reviewing applications, verifying information, carrying out collection activities, and operating our call center. This operations center also provides an important back up for our information systems, allowing us to carry out our operations from either site.

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 45 million additional shares of our capital stock under certain conditions and strike prices which were not exercised and expired on December 14, 2014. Eton Park is a multi-disciplinary, team-oriented investment firm that invests globally across both public and private markets.

In February 2010, we acquired Financiera Finsol, the second largest provider of group microcredit loans in Mexico, as well as certain related entities, such as Finsol Vida and Finsol Servicios (service providers) and Instituto FINSOL-IF (a Brazilian company that grants group microcredit loans). The acquisition of Financiera Finsol was accomplished by the purchase of the total capital stock of these related companies for an aggregate consideration of approximately Ps.530 million in cash.

In March 2010, we offered and sold our 2015 senior notes totaling an aggregate U.S.\$200 million to institutional investors in the U.S. and institutional and other investors outside the U.S., becoming the first microcredit company in Latin America to gain access to these markets.

To support the growth of our operations, in November 2010, we established Independencia Participaciones (a Brazilian entity that grants group microcredit loans), as well as two new unregulated Sofoms in Mexico: Fisofo and Confianza Económica.

In February 2011, we acquired 77% of the outstanding shares of AFI, a microcredit organization that primarily serves the Hispanic community in the cities of San Francisco, San José, Sacramento, Los Angeles and Anaheim in the state of California, United States. The total price of this acquisition was Ps.103 million. In December 2013, we acquired the remaining 23% of AFI's outstanding shares following our exercise of a purchase option in exchange for an aggregate of U.S.\$3.8 million.

In March 2011, we acquired 100% of the outstanding shares of AEF, a personal loan microcredit market company in Mexico, and Servicios AEF, a service provider, for total consideration of Ps.1,075 million. As a result of our acquisition of AEF, we increased our loan portfolio by Ps.785.6 million and began servicing 109,081 new customers. On the date of acquisition, AEF had a network of 96 branch offices, 62 of which are located in the metropolitan area of Mexico City while the remaining 34 branch offices are distributed throughout 10 Mexican states.

On May 18, 2011, we issued our FINDEP 11 150,000,000 debt securities in an aggregate principal amount of Ps.1,500 million that were to mature on May 14, 2014 and bore interest at TIIE plus 2.65%. On March 3, 2014, we prepaid this issuance in its entirety.

On May 28, 2013, we incorporated the company Finsol SCMEPP in Brazil for the purpose of granting group loans, thereby extending the market served by Instituto FINSOL- IF.

October 2013 marked 20 years of operation for Financiera Independencia, remaining the leading microfinance institution in Mexico for personal loans.

On March 3, 2014, we issued FINDEPCB 14 credit-backed debt securities in an aggregate principal amount of Ps.1,500 million. These securities are secured by loans issued by Independencia, AEF, and Confianza Económica, and were transferred to the F/1742 trust established in respect of which Banco Invex, S.A. serves as fiduciary. We used the proceeds of this issuance to prepay the FINDEP 11 debt securities in their entirety.

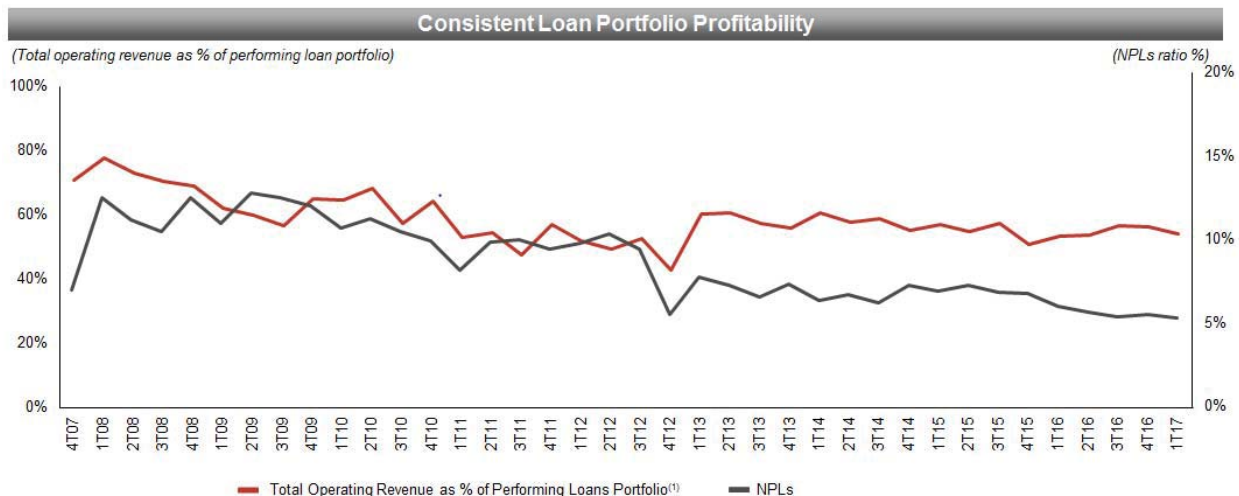
In June 2014, we issued the 2019 senior notes to institutional investors in the U.S. and institutional and other investors outside the U.S.

On April 13, 2015, we constituted our subsidiary Significa Sistemas Corporativos COA, S.A. de C.V., or SICOA, in order to assume certain labor liabilities from our call center in the city of Aguascalientes, in the state of Aguascalientes.

On December 14, 2015, we, Siempre Creciendo and Banco Regional de Monterrey, Institución de Banca Múltiple, Banregio Grupo Financiero, División Fiduciaria entered into a trust to acquire collection rights in respect of a portion of Siempre Creciendo's loan portfolio. With these funds, we repaid certain liabilities of Siempre Creciendo.

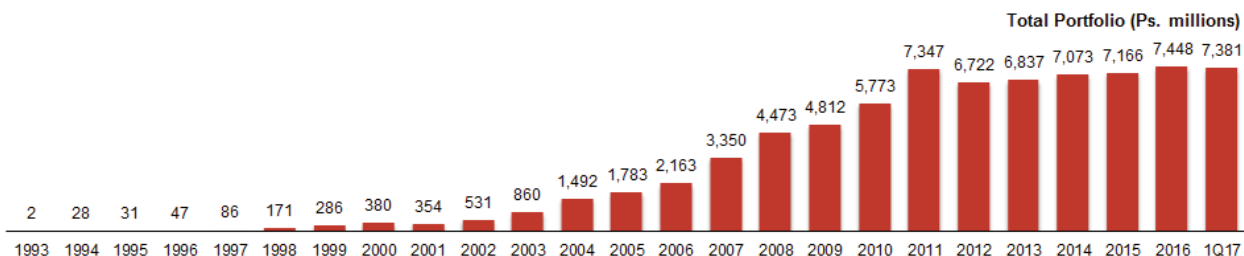
On June 28, 2016, we formed Servicios de Captación in order to promote our and Fisofo's financial products.

The following table sets forth total operating revenue as a percentage of the performing loan portfolio:



(1) Total Operating Revenue = Financial Margin after PLL + Commissions + FX Gains + Other Income

The following graph sets forth our total portfolio by year since 1993:



Products and Services

Products and Services Offered by Independencia

We currently offer the following individual loan products through our Independencia operations in Mexico:

- **CrediInmediato.** Our CrediInmediato loan products were first introduced in 2004 and are targeted to the formal sector of the Mexican economy.
 - **CrediInmediato Simple.** This product is offered to individuals who (1) earn at least the monthly minimum wage in Mexico City, (2) work in the formal sector, (3) are affiliated with the IMSS, the Security and Social Services Institute for State Workers or Pemex, and (4) are able to provide proof of income. These loans are granted in amounts ranging from Ps.2,500 to Ps.20,000 (approximately U.S.\$133.6 to U.S.\$1,069.1) for the purpose of acquiring assets or services.
 - **CrediInmediato Revolvente.** This product is a revolving line of credit available only to individual customers in good credit standing with us that have renewed more than two credit cycles of loans with impeccable performance. Our customers may use these credit lines to acquire assets or services. The amount of this revolving line of credit varies depending upon the customer's profile, credit history and payment track record with Independencia.
- **CrediPopular.** Our CrediPopular loan products were first introduced in 2004 and are targeted to the self-employed sector of the Mexican economy. These loans range from Ps.2,500 to Ps.5,800 (approximately

U.S.\$133.6 to U.S.\$310.0), have an average term of nine months and may be renewed based on the credit behavior of the borrower. Our customers may use these loans for working capital purposes.

- *CrediMama*. This product is available to mothers who have at least one child under the age of 18. These loans are disbursed with a minimum balance of Ps.2,000 (approximately U.S.\$106.9), have an average term of six months and may be renewed based on the credit behavior of the borrower. The CrediMama loan was launched in 2006 and, though briefly suspended in October 2012 as a result of our decision to focus on the quality of our loan portfolio and in order to concentrate on other products, was relaunched at the end of 2014. This product is targeted to the informal sector of the Mexican economy.
- *CrediConstruye*. This product, which we launched in 2006, 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 Ps.3,000 to Ps.20,000 (approximately U.S.\$160.4 to U.S.\$1,069.1) and are disbursed in the form of vouchers for home construction materials. CrediConstruye loans have terms of up to two years.
- *Micronegocio*. We introduced this product, which targets a specific segment of the self-employed market, in March 2014. While our CrediPopular product is open to self-employed customers who may engage in the provision of independent services or commercial activities, our Micronegocio product caters to individuals who have established a microbusiness with over two years of history that requires working capital. Examples of these microbusinesses include “mom and pop” stores, corner bakeries and self-owned taxi operations. Micronegocio loans range from Ps.5,000 to Ps.15,000 (approximately U.S.\$267.3 to U.S.\$801.8), have terms ranging from 26 to 78 weeks and may be renewed.
- *Más Nómina*. We first introduced our Más Nómina loan product in 2011. This product is primarily targeted to the formal sector of the Mexican economy. Más Nómina loans range from Ps.3,000 to Ps.300,000 (approximately U.S.\$160.4 to U.S.\$16,036.0) and are available to individuals between 18 and 68 years old who have been employed for a minimum of six months with a participating company at the time of contracting the loan. These loans are established through fixed payments directly deducted from the employee’s payroll check, and have terms ranging from six to 60 months.
- *Plan Celular*. This product is offered to select clients for the purchase of a cellular phone and prepaid cellular phone minutes at preferential rates. This product is primarily targeted at the formal sector of the Mexican economy.

Through our Independencia operations, we also offer the following services:

- *CrediSeguro*. We offer to customers who originate new Independencia loan products with us or who renew their existing Independencia loans, the option of contracting life insurance and/or total or permanent disability insurance provided by insurers with whom Independencia has entered into agreement. In addition, our clients in the formal sector also have the opportunity to purchase unemployment insurance. In addition, in 2016 we launched “Funeral Services”, an insurance offering that provides assistance in the event of a client’s death. In 2016, CrediSeguro generated revenues totaling Ps.31.1 million.
- *ATMs*. All our customers who have a revolving credit line may withdraw funds from these credit lines at our ATMs at any time, regardless of our branch offices’ working hours. We operate our own ATM network consisting of 93 units in our largest branch offices in Mexico.
- *Alternate means of payment*. To facilitate the prompt payment of their obligations, we continue offering our customers alternative means of payment, through OXXO convenience stores, as well as the following banks: Banorte, BBVA, Banamex and HSBC Mexico. We also have a service for central payment through which customers can make payments on their loan by charging the payments to their credit or debit cards.

Products and services offered by Finsol México

We currently offer the following individual loan products through our Finsol Mexico operations:

- *Crédito Comunal.* These loans are available to micro-entrepreneurs who have their own independent productive, commercial or services activity in self-selected groups of between eight and 60 members. Loans range from Ps.2,000 to Ps.60,000 (approximately U.S.\$106.9 to U.S.\$3,207.2) per member, have terms ranging between 16 and 26 weeks, and may be utilized for working capital or for the purchase of goods in connection with their respective businesses. Each micro-entrepreneur within a group is generally required to have been in business for at least six months, although micro-entrepreneurs that intend to establish a business may also participate as a member of a group.
- *Crédito Solidario.* These loans are available to micro-entrepreneurs with their own independent productive, commercial or services activity, in self-selected groups of between four and six members and range from Ps.7,000 to Ps.60,000 (approximately U.S.\$374.2 to U.S.\$3,207.2) per member. These loans may be utilized for working capital or for the purchase of goods in connection with their respective businesses and have terms ranging between 12 and 26 weeks. Each micro-entrepreneur within a group is required to have been in business for at least one year.
- *Crédito Oportunidad.* This supplemental loan product is offered exclusively to our Crédito Comunal and Crédito Solidario customers that have excellent credit histories. This product enables them to take advantage of opportunities that may arise in connection with their respective business operations. These loans are granted (1) in amounts of up to 30% of the aggregate amount of the corresponding group's Crédito Comunal or Crédito Solidario loan, and (2) to at least two members and up to a maximum of half of the members of the group and (3) require the approval of all members of the group. Crédito Oportunidad loans must mature on or prior to the maturity date of the group's corresponding Crédito Comunal or Crédito Solidario loan.

Through our Finsol Mexico operations, we also offer the following services:

- *Seguro de Vida Finsol.* In October 2013, Finsol México began selling Seguro de Vida Finsol, a life insurance product that provides compensation in the aggregate amount of Ps.50,000.00 in the event of accidental death and Ps.30,000.00 in the event of death by natural cause. This product is provided by insurance companies that have a formal partnership arrangement with Finsol Mexico. The premium is paid through a single cash payment made at the same time the Finsol Mexico credit is granted. In 2016, Finsol México generated revenues totaling Ps.18.4 million.
- *Seguro de Enfermedades Graves.* When acquiring or renewing one of our products, our clients have the option to purchase insurance for critical illness that provides compensation if the client is diagnosed with cancer (cervical, breast or prostate) or a serious illness (heart attack, stroke, or kidney failure), as well as for funeral assistance upon the client's death. In 2016, Finsol México generated revenues totaling Ps.8.0 million from sales of this product.

Products and services offered by Finsol Brasil

The following products are offered through Finsol Brasil, using a similar model to that of our operations in Mexico:

- *Crédito Comunal.* These guaranteed loans are available to micro-entrepreneurs with their own independent productive, commercial or services activity in self-selected groups of between 11 and 30 members and range from R\$300 to R\$8,000 (approximately U.S.\$95.1 to U.S.\$2,536.7) per member. These loans may be utilized for working capital, the purchase of goods, or capital improvements. These loans have terms that range from 12 months (for the funding of working capital) to up to 24 months (for the purchase of assets or capital improvements).
- *Crédito Solidario.* These guaranteed loans are available to micro-entrepreneurs with their own independent productive, commercial or services activity in self-selected groups of between three and 10 members and range from R\$1,000 to R\$20,000 (approximately U.S.\$317.1 to U.S.\$6,341.7) per member. These loans have terms that range from 12 months (for the funding of working capital) to up to 24 months (for the purchase of assets or capital improvements).

Through our Finsol Brasil operations, we also offer the following service:

- *Microseguro Minha Familia.* Beginning in 2012, Finsol Brasil began offering an exclusive form of a micro-insurance policy to its customers for the duration of their loan agreements. Starting at a cost of R\$8.70 (U.S.\$2.8) per month, this insurance policy provides compensation in the event of a death of a family member of the beneficiary. The policy also covers funeral expenses and provides monthly aggregate compensation to the descendants of the deceased for one year. As of December 31, 2016, Finsol Brasil had issued Minha Familia insurance policies that generated revenues totaling Ps.13.8 million.

Products and Services offered by AEF

Through our AEF operations, we currently offer the following loan products in Mexico:

- *Crédito Regular.* These personal loans range from Ps.1,500 to Ps.50,000 (approximately U.S.\$80.2 to U.S.\$2,672.7) and are available to individuals who can certify income derived from employment or business ownership. The average term for these loans is 18 months and our customers may use them to acquire assets or services or for working capital.
- *Crédito Preferente.* These personal loans, which are granted in amounts of up to Ps.150,000 (approximately U.S.\$8,018.0), are available to higher-income individuals or small businesses who require short-term loans with maturities of approximately 18 months. These loans are offered at rates similar to credit cards in the market and may be used to acquire assets or services or for working capital.

Through our AEF operations, we currently offer the following services in Mexico:

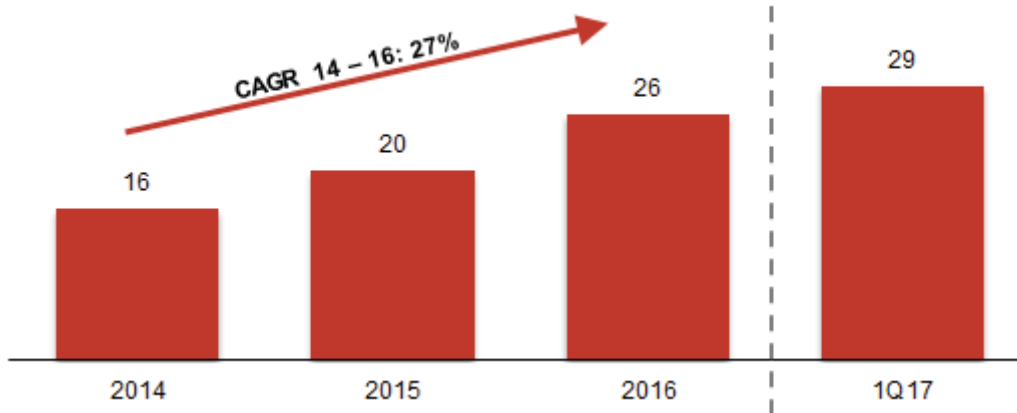
- *ApoyoSeguro.* Upon entering into, or renewing any loan product, AEF offers each its customers the opportunity to obtain life insurance or unemployment insurance through insurance companies with which AEF has entered into a formal agreement. AEF offers life. AEF offers unemployment insurance for unemployment or total temporary disability, providing coverage for up to three months of payment obligations to AEF.
- *Sale of cell phones.* In connection with this product, directed exclusively to select clients, we provide a line of credit, irrespective of any existing line of credit the client may have with us, for the acquisition of a cellular plan for 18 months in order to assist these clients in reducing their telecommunication costs.

Products and Services offered by AFI

As of the date of this offering memorandum, AFI's 29 branches are located in the cities of San Francisco, San José, Sacramento, Los Angeles and Anaheim. Through our AFI operations in the United States, we offer individuals loans that are directed primarily to the Hispanic population of the state of California, range from U.S.\$3,000 to U.S.\$10,000 and are available to individuals who can certify income derived from employment. The average term of these loans is 15 months.

The following chart shows the increase in the number of AFI branches over the period indicated:

EVOLUTION OF AFI BRANCHES



The following chart sets forth certain information regarding our AFI branches based on their number of months in operation:

Months since opening	Branches	Balance per branch (US\$ mm)	% Loan Portfolio	ROAA (Pre-Tax)
<12	5	0.6	5%	Investment
12 to 18	3	1.2	6%	Investment
18 to 24	2	1.5	5%	1.8%
24 to 36	4	2.0	14%	5.8%
36 to 48	7	2.4	29%	9.3%
>48	5	4.5	40%	14.5%
Benchmark: SFO >72 months	1	6.1	10%	18.5%

The table below sets forth the participation of our loan products by aggregate loan amount in our loan portfolio as of the dates indicated:

	As of March 31,		2016		As of December 31,		2014	
	2017		Loan Amount ⁽¹⁾	% of Total	2015		Loan Amount ⁽¹⁾	% of Total
	Loan Amount ⁽¹⁾	% of Total	Loan Amount ⁽¹⁾	% of Total	Loan Amount ⁽¹⁾	% of Total	Loan Amount ⁽¹⁾	% of Total
<i>(in millions of Pesos, except percentages)</i>								
CrediInmediato.....	2,042.8	27.7%	2,015.9	27.1	2,375.0	33.4%	2,722.3	38.5%
MásNómina.....	612.8	8.3%	586.9	7.9%	502.3	7.1%	375.9	5.3%
CrediPopular (2).....	727.3	9.9%	720.1	9.7%	806.6	11.3%	862.3	12.2%
CrediMamá.....	31.5	0.4%	31.5	0.4%	39.8	0.6%	53.8	0.8%
CrediConstruye.....	1.0	0.01%	1.2	0.01%	2.6	0.0%	6.2	0.1%
Finsol (Mexico and Brazil).....	1,363.7	18.5%	1,385.0	18.6%	1,199.8	16.9%	1,250.1	17.7%
AEF Loans.....	1,479.2	20.0%	1,524.9	20.5%	1,455.7	20.5%	1,368.4	19.3%

AFI Loans.....	1,122.7	15.2%	1,182.3	15.9%	734.2	10.3%	434.4	6.1%
Total loan portfolio	7,381.0	100.0%	7,447.8	100.0%	7,116.0	100.0%	7,073.3	100%
Allowance for loan losses	391.5		410.0		480.2		511.4	
Loan portfolio, net.....	6,989.5		7,037.7		6,635.8		6,562.0	

The tables below sets forth the participation of our loan products in our loan portfolio by number of loans as of the dates indicated:

As of March 31, 2017				
	Number of Loans Outstanding		Interest Income	
	Amount	% of Total	Amount	% of Total
	<i>(in millions of Pesos, except percentages)</i>			
CrediInmediato.....	384,866	39.8%	375.3	31.4%
MásNómina	51,944	5.4%	70.4	5.9%
CrediPopular (1).....	175,486	18.1%	125.5	10.5%
CrediMamá.....	9,840	1.0%	6.0	0.5%
CrediConstruye.....	1,543	0.2%	0.2	0.02%
Finsol (Mexico and Brazil).....	169,997	17.6 %	259.4	21.7%
AEF Loans.....	154,970	16.0%	257.4	21.5%
AFI Loans.....	18,791	1.9%	100.9	8.4%
Total.....	967,437	100.0%	1,195.1	100.0%

(1) Includes the Micronegocio loan product.

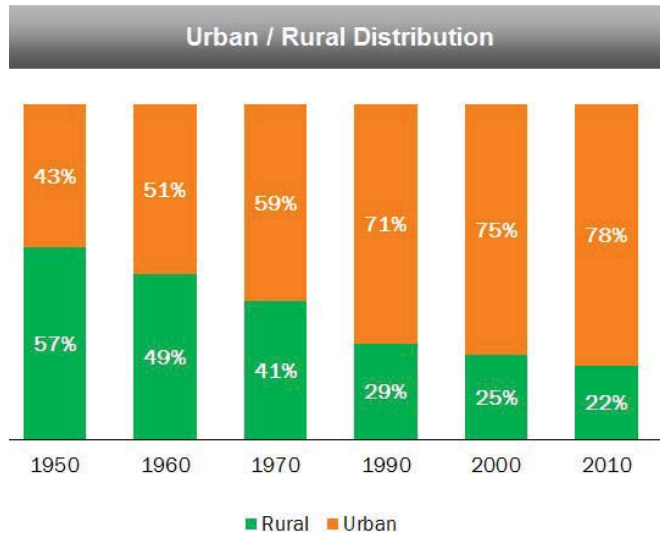
As of December 31, 2016				
	Number of Loans Outstanding		Interest Income	
	Amount	% of Total	Amount	% of Total
	<i>(in millions of Pesos, except percentages)</i>			
CrediInmediato.....	388,462	39.7%	1,525.8	32.7%
MásNómina	51,070	5.2%	260.2	5.6%
CrediPopular (1).....	172,014	17.6 %	515.4	11.0%
CrediMamá.....	9,867	1.0%	26.7	0.4%
CrediConstruye.....	1,620	0.2%	1.6	0.03%
Crédito Grupal.....	173,417	17.7 %	959.6	13.0%
AEF Loans.....	163,774	16.7%	1,081.9	28.5%
AFI Loans.....	18,044	1.8%	302.0	7.4%
Total.....	978,268	100.0%	4,673.2	100.0%

(1) Includes the Micronegocio loan product.

Geographic Coverage

We believe that we have one of the most extensive microfinance distribution networks in Mexico. Our distribution network also includes operations in the United States and Brazil. As of March 31, 2017 we had 560 branch offices, 502 of which were located in all 31 Mexican states and Mexico City, 29 in the United States and 29 in Brazil. Most of our customers and offices are located in medium and large cities in Mexico with over 50,000 inhabitants, as well as in rural and suburban areas. In the United States, our operations are concentrated in the state of California, while our operations in Brazil are concentrated in rural areas in northeastern and southeastern Brazil.

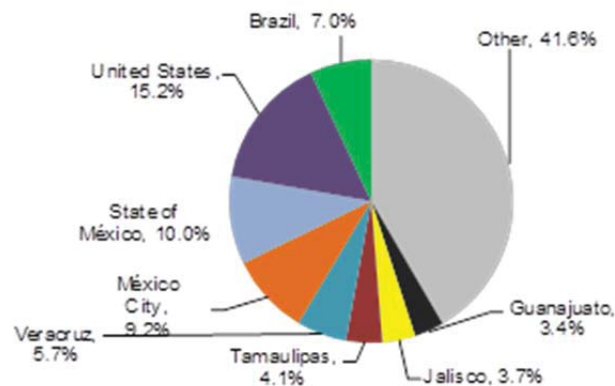
Targeting urban areas has provided several advantages to our business model, including a large target market. Based on the most recent data provided by the INEGI in 2010, approximately 77.8% of the Mexican population lived in urban areas and urban concentration has consistently increased over the past years as set forth in the graphic below.



(1) Source: INEGI

Our nationwide distribution network contributes to the diversification of our loan portfolio. As of March 31, 2017, no Mexican federal entity, or California, United States or Brazil represented more than 15.2% 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.

As of March 31, 2017, our loan portfolio is distributed geographically as follows:



We expect to continue expanding our network by opening additional branch offices as needed in each of the countries in which we operate. In the three-month period ended March 31, 2017, we opened a net total of fourteen branches and served a total of 967,437 customers, 894,146 of which were in Mexico, 18,791 in the United States and 54,500 in Brazil.

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 March 31, 2017, see “Selected Statistical Information—Loan Portfolio—Loans by Geographic Concentration.”

In order to provide our CredInmediato Revolvente and CrediPopular Revolvente customers with better access to our loan products and services, we operate a network of 93ATMs for our customers to make withdrawals in or

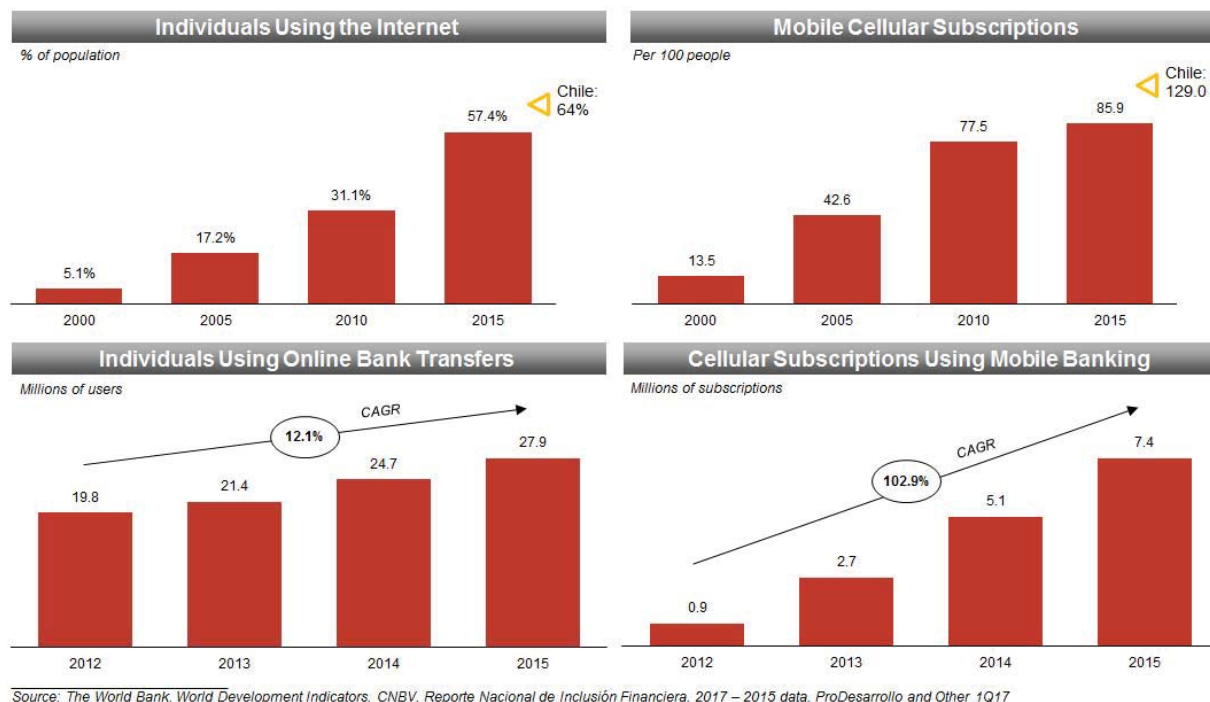
outside normal office hours. We provide customers with a magnetic card that allows them to obtain funds available under their loans and make payments 24 hours a day, seven days a week.

We believe that technological innovation has increased our operational flexibility. For example, the decision to migrate all of our applications and data infrastructure to Google Cloud Platform has allowed us to:

- increase the speed and scale of digital infrastructure and its applications;
- improve the availability of services offered to internal and external clients;
- utilize the internet wherever internet sources are available;
- streamline the administration and storage of data;
- utilize a variety of tools to analyze large amounts of data in real time; and
- utilize relational databases.

Our technological innovation has also allowed us to focus on the construction and design of new system requirements, while simultaneously improving maintenance processes. We believe that these efforts will enable us to reduce costs and increase the scale of our development of systems.

We further believe that the increasing utilization of internet and mobile banking may help further our market penetration in Mexico, particularly in light of the potential for expansion of the financial technology industry:



Customer Demographics

The microfinance target market is primarily comprised of individuals earning between one and five times the minimum monthly wage in Mexico City, currently between Ps.2,401.2 and Ps.12,006.0 per month (U.S.\$128.3 and U.S.\$641.8 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. Based on information compiled by INEGI in 2014, 52.2% of the economically active working population belongs to this segment.

The following chart sets forth the total number of clients for each of our businesses:

Company	No. of Customers
Financiera Independencia	571,735
Más Nómina	51,944
AEF	154,970
AFI	18,791
Finsol Mexico	115,497
Finsol Brasil	54,500
Total	967,437

We believe that our customers' age distribution constitutes an advantage for us since, as of December 31, 2016, over 29.9% of our customers are in the age range of 18-35 years and are likely to remain economically active for the long term.

Age Group	No. of Customers	% of Customers per Age group
18-21.....	14,626	1.5%
22-25.....	57,927	5.9%
26-30.....	104,766	10.7%
31-35.....	115,103	11.8%
36-40.....	125,060	12.8%
41-45.....	138,286	14.1%
46-50.....	128,454	13.1%
51-55.....	109,435	11.2%
56-60.....	81,462	8.3%
61-65.....	56,118	5.7%
66-70.....	34,223	3.5%
70+.....	12,807	1.3%
Total.....	978,267	100.0%

Based on information disclosed by our customers, as of December 31, 2016, more than 38.1% of our customers earn more than Ps.1,801.0 and less than Ps.5,000.0 a month.

Monthly Income	No. of Customers	% of Customers per Monthly Income level
≤ Ps.1,800	29,434	3.0%
Ps.1,801 - 2,500	42,838	4.4%
Ps.2,501 - 3,500	95,355	9.7%
Ps.3,501 - 5,000	234,361	24.0%
Ps.5,001 - 7,500	287,757	29.4%
Ps.7,501 - 15,000	231,864	23.7%
> Ps.15,000	56,659	5.8%
Total.....	978,268	100%

Sales

We conduct our sales through a vast team comprising sales agents, floor and credit executives, microcredit advisors and credit advisors that work in several divisions based on geographical location and products. For each of our operating subsidiaries, we have developed strategic business plans including marketing campaigns and a dedicated sales team, and we have trained highly qualified personnel in our branch offices to sell our products and provide post sales services to our customers.

Our sales agents, floor and credit executives, microcredit advisors and credit advisors in Mexico, the United States and Brazil carry out door to door sales, among other sales strategies, in the cities, rural or semirural

communities in which our operations are located, and are supervised by a sales manager or branch manager in each of our branch offices in Mexico, the United States and Brazil.

As of March 31, 2017, the composition of our sales force is as follows: (1) Independencia: 2,126 sales agents and advisors, 339 floor executives, 203 sales managers, including floor managers, and 108 branch managers; (2) Finsol Mexico: 808 group microcredit advisors and 163 branch managers; (3) Finsol Brasil: 178 group credit advisors and 29 branch managers; (4) AEF: 897 credit executives and 174 branch managers; and (5) AFI: 68 credit executives and 29 branch managers.

- **Sales agents and advisors.** Our sales agents and advisors are primarily responsible for selling new CrediInmediato, CrediPopular and CrediConstruye loans. Our evaluation of our sales agents focuses on customer services objectives and reaching operation goals. In the three-month period ended March 31, 2017, our sales agents' compensation comprised a base salary (which represented, on average, 33.6% of their total compensation) and commissions (which represented, on average, 62.7% of their compensation).
- **Floor executives.** Floor executives are responsible for renewing and selling all our products and services in our branch offices and providing customer service to all of our customers. Depending on the number of floor executives in a particular office, they are supervised by a credit manager or by a branch office manager. In the three-month period ended March 31, 2017, floor executives' compensation comprised a base salary (which represented, on average, 25.2% of their total compensation) and commissions (which, on average, represented 74.8% of their total compensation).
- **Group credit advisors.** Our group credit advisors visit rural and semi-rural communities, not only to promote our group loan products in Mexico and Brazil, but also to follow-up closely on our customers' development and performance. In the three-month period ended March 31, 2017, group credit advisors' compensation comprised a base salary (which represented, on average, 55.1% of their total compensation) and commissions (which represented, on average, 44.9% of their total compensation).
- **Branch office managers.** Branch office managers are responsible for the operation of each of our branch offices, including the supervision of sales managers, floor managers, and sales sub-managers, floor executives, sales advisers and sales agents.
- **Finsol Mexico and Finsol Brasil branch office managers.** Branch office managers are responsible for the supervision of group credit advisors.
- **AEF cashier agents.** AEF cashier agents are responsible for receiving customer payment in our branch offices, providing customer service, renewing loan products and making preventive collections calls for loan obligations classified as current.
- **AEF credit executives.** AEF credit executives are responsible for allocating loans, branch office collections and customer service. They also provide credit reports and perform credit investigations.
- **AEF deputy branch office manager.** AEF deputy branch office managers are responsible for the coordination of the branch office's collections. They also coordinate the allocation of loans and perform administrative activities in order to support the branch office manager, such as supervising cashier operations. The deputy managers, executives and cashier agents report directly to the branch office manager.
- **AEF Branch Office Manager.** AEF branch officer managers are responsible for the operation of the branch office, including the supervision, training and development of their workforce. They are ultimately responsible for the performance of their respective branch offices and achieving branch office goals.

Our sales agents are supported by administrative officers and administrative support staff in each of our offices. Administrative officers, floor managers and branch managers are responsible for supervising our sales agents and floor executives, which may involve visiting customers as well as supervising loan disbursements and recovery

processes, reviewing loan records and the development of sales strategies specific to their office. As of March 31, 2017, we also had 22 regional managers within our Independencia operations, eight within our AEF operations and 23 within our Finsol Mexico operations.

As of March 31, 2017 our sales force (sales agents and advisers and floor executives) represented 87.4% of Independencia's sales department, and the remaining 12.6% were managers and other supervisory personnel.

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 sets forth the average monthly base salary and commissions of our sales force in the three-month period ended March 31, 2017.

In the Three Month Period Ended March 31, 2017				
	Base Salary	% of Average Total Compensation	Commissions	% of Average Total Compensation
	<i>(in Pesos)</i>		<i>(in Pesos)</i>	
Sales agents	2,288	37.3%	3,850	62.7%
Floor executives	2,394	31.7%	5,166	68.3%
MásNómina managers.....	2,604	35.7%	4,683	64.3%
Credit executives.....	8,684	88.8%	1,100	11.2%
Group credit managers.....	14,498	74.7%	4,898	25.3%

The following chart sets forth the composition of our sales force as of March 31, 2017:

Categories	Number of Persons
Sales agents and advisers.....	1,767
MásNómina managers	359
Floor executives	339
Branch managers, sales managers, commercial supervisors of MásNómina and floor managers.....	311
Group credit advisers in Mexico and Brazil.....	986
Group credit branch manager	192
Credit executives AEF and AFI.....	965
Branch managers AEF and AFI.....	203
Total	5,122

Operational Center

Through our operational center in COA, we direct CENCA, SIAC and our national center for technical support.

Our operational center is responsible for conducting the telephone verification of loan applications through our call center. Through our call center we also contact our customers upon approval of a loan application and for certain collection activities. In the three-month period ended March 31, 2017, we processed more than 2 million calls through our operational center.

The CENCA is a national centralized document input center. A digitalized copy of each application made at any of our branch offices is created and the information is entered into the system.

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.

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 20 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 Customers	Loan Approval	Monitoring of Existing Customers	Loan Recovery
<ul style="list-style-type: none">• Branch offices equipped with personal digital assistants, or PDAs, scanners and Internet-based credit application to quickly transfer customer information for loan approval	<ul style="list-style-type: none">• Back office to input customer information in the system – 59,912 loans analyzed per month in the three-month period ended March 31, 2017• Sophisticated credit scoring system — 74.6% of applications were rejected in the three-month period ended March 31, 2017• Call center for verification of employment and household information — Over 2.0 million calls in the three-month period ended March 31, 2017. Physical verification team equipped with digital cameras and global positioning system, or GPS, devices to verify addresses• 86.1% of the applications resolved in less than 48 hours in the three-month period ended March 31, 2017	<ul style="list-style-type: none">• Sophisticated software monitors repayments and allows us to act quickly on past due payments	<ul style="list-style-type: none">• Highly automated call center with highly skilled operators to collect distressed loans• Over 2.0 million calls in the three-month period ended March 31, 2017

Information collection. Once the customer has applied for a loan from us, our sales force collects basic quantitative application information on the customer in order to determine 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 government-issued identification card, photo and 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 branch offices.

Information transfer and processing. All documentation received from an applicant is digitalized through scanners located at the branch 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 customers, reduces the time to process loan applications and minimizes errors in data inputting. As of March 31, 2017, there were 26 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. In the three-month period ended March 31, 2017, we processed approximately 59,926 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. Once the initial customer risk profile is approved, we perform verifications and references checks in order to finalize the approval process. Upon approval of a loan application, the applicant is contacted by one of our operational centers. In the event an application is rejected, this information is personally communicated to the applicant by our sales agents. As of March 31, 2017, we had 26 credit analysts working in three shifts from 9 am to 9 pm six days a week.

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 at ATMs at our branch offices.

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 March 31, 2017, our operational center in Aguascalientes had 375 that provide customer service. In the three-month period ended March 31, 2017, the total monthly average call volume at our operations centers was over 2.1 million.

In addition, each of our branch offices has a direct telephone line providing customers access to our operations center, which provides added convenience to customers visiting an office.

Monitoring and Collections

The greatest number of payments we receive continue to be received directly at our branch offices, which helps us maintain contact with our paying customers. However, in order to facilitate the timely payments, we continue providing alternative payment channels to our customers through commercial agreements with companies such as OXXO, HSBC Mexico, BBVA, Banamex and Banorte. Through these agreements, customers are able to make loan payments at certain branches of these stores and banks.

In the event a payment is not received when due, we have a sophisticated technological platform that allows any employee involved in the collection process to monitor the portfolio's performance by business unit, by manager, by product or by account. This monitoring reflects in near real time the collection efforts made to date and generates reports that facilitate risk management, adjustments to strategies and the adoption of preventive or corrective measures when necessary.

Collections

Our collections strategy is based on maintaining updated information regarding our customers and contacting them in a timely fashion on the first day they default on a payment. We have invested in a specialized team focused on face-to-face meetings and in modern technological infrastructure for remote collections via telephone.

Personal collections (including face-to-face collections) have proven to be a very effective strategy despite their relatively higher cost. Accordingly, Independencia has established a team of 1,313 field managers, supported by 145 supervisors that are in turn supported by 69 executives in our branch offices who assist in collection efforts and interface with customers. Finsol Mexico has 13 recovery executives, while Finsol Brasil, AEF and AFI have 35, 897 and 68, respectively.

Even though we have maintained high standards for recovering non-performing loans, we have recently directed our efforts to recover non-performing loan portfolios when they are in a recent stage of default in order to prevent the creation of reserves. We are implementing our focus on early defaults based on the following four fundamental concepts:

- concentrating our strongest talent on early defaults;
- improved incentive plans for managers and their supervisory chain;
- simultaneous and complementary telephone management; and
- automatic allocation of accounts to managers.

In order to guarantee the productivity of our managers, the customer allocation process assigns customers territorially by neighborhood and postal code, thereby optimizing travel times.

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 that analyzes the information obtained from Google Big Query and provides access to our sales and verification agents through mobile technology. Through this system, 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 customers' homes and their credit records. This information allows us to efficiently manage and monitor customer contact, payment information, the status of collection processes and a variety of other key metrics and statistics about borrowers' credit history with us. Additionally, in Independencia we have a system to monitor cash management in each of our branch offices and cash exceeding Ps.12,000 is deposited in a safety box and collected three times per week.

We believe that our information technology system enables us to quickly and efficiently (1) make adjustments to credit policies, (2) track and analyze the credit behavior of our customers, (3) make informed decisions about new products to market and develop such products, and (4) optimize loan approval and collection processes.

Back Office

Our branch offices are equipped with the technology to quickly transfer to our operations center customers' information in connection with the loan approval process. Through our back office we also input customer information in the system and generate a credit score via our sophisticated credit scoring system. In addition, our physical verification team is equipped with smartphones with GPS capability to verify addresses and other information. We have sophisticated software that allows us to monitor payments by existing customers 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 we believe 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 our daily 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 generate back-up information, among other items, on a daily, weekly and monthly basis, which we send 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.

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.

We are continuing to implement our strategy to consolidate Finsol Mexico's back-office systems. In 2013, we implemented a new system to originate group loans that integrates the existing services of Independencia and Finsol Mexico in order to achieve a similar automation process in both companies to allocate loans. Through these efforts, Finsol Mexico's back-office systems are as advanced as those of Independencia's.

AEF's and AFI's back-office systems provide online support for transactions from the moment in which our customers present themselves to the moment we close their account. These systems interact with our other internal systems and allow us to consult credit bureaus and obtain the information we use to rate our customers, which allows us to serve customers in a timely fashion and manage our risk levels.

We also implemented several strategies to increase our ability to identify potential clients through digital media such as Google Search and Display, Facebook, Remarketing and Gmail, among others. In addition, we developed several communication campaigns, both short- and long-term, which we measure to identify which messages have a stronger impact on client conversion.

Competition

In Mexico, we face competition from lenders that target the low-income segments of the Mexican population, particularly banking institutions, savings institutions, credit unions, savings and loans cooperatives, retailers, consumer loan and informal loan providers, 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. In recent years, however, certain of our competitors have increased their focus on urban areas.

Cooperatives

This segment includes local and regional savings and loans cooperatives, credit unions and savings and loans institutions. There are approximately 151 savings and loans 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 de Ahorro de los Telefonistas, Sociedad Cooperativa de Ahorro y Prestamo.

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.

Financial Institutions

Banking and non-banking financial institutions such as other Sofoms, focus primarily on offering consumer and mortgage loans to middle- and low-income individuals. Based on data published by CONDUSEF, approximately 47 banks, 50 regulated Sofoms and over 1,000 non-regulated Sofoms operate 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 us, are supervised only by CONDUSEF and, only with respect to anti-money laundering regulations, by the CNBV. Crédito Familiar, S.A. de C.V., *Sociedad Financiera de Objeto Limitado*, or Crédito Familiar, and Banco Azteca, S.A., which we consider to be among our main 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 Compartamos, Banco Ahorro Famsa and BanCoppel. These traditional banking institutions, which are regulated by the CNBV, are also allowed to offer savings products.

Employees and Labor Relations

Other than managerial and certain administrative employees, as of December 31, 2016, 75.0% of our total labor force was affiliated with labor unions with which we had collective bargaining agreements. These employees are employed by our subsidiaries, Serfincor and Servicios AEF. 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 in 2014, 2015, 2016 and the three-month period ended March 31, 2017.

	As of March 31,		As of December 31,	
	2017	2016	2015	2014
Operations.....	493	545	561	633
Sales.....	2,801	2,755	2,529	3,305
Collections.....	1,527	1,836	2,242	2,741
Operational Centers.....	377	376	402	532
Corporate Offices.....	349	355	359	383
Independencia total	5,547	5,897	6,093	7,594
Finsol México.....	1,414	1,391	1,339	1,373
Finsol Brasil.....	339	368	381	368
FINSOL total.....	1,753	1,759	1,720	1,741
AEF.....	2,173	2,305	2,136	2,215
AFI.....	189	177	138	103
AEF / AFI total.....	2,362	2,482	2,274	2,318
Financiera Independencia total	9,662	10,108	10,087	11,653

Stock Option Plan

We have a stock option plan, or 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. As of March 31, 2017, the SOP Trust held 25,603,076 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 two corporate levels of our organization, which include principal officers and assistant principal officers (*directores* and *subdirectores*). 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 and the Executive Committee, 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 office managers also receive annual training in anti-money laundering regulations. 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.

Property, Plant and Equipment

As of March 31, 2017, we operated 560 branch offices (502 in Mexico, 29 in the state of California in the United States and 29 in Brazil), which we primarily lease. In addition, our wholly-owned subsidiary Conexia leases our operational center in the city of Aguascalientes to us. Through these operational centers, we direct CENCA, SIAC and our national center for technical support. Our principal executive offices are located at Prolongación

Paseo de la Reforma 600, Local 040-E, Col. Santa Fe Peña Blanca, Delegación Alvaro Obregón, Ciudad de México, México, C.P. 01210.

Intellectual Property

In addition to other intellectual property such as copyrights and licenses as of March 31, 2017, we have 36 trademarks and 23 commercial names registered with the Mexican Institute of Intellectual Property, one trademark duly registered with the United States Patent and Trademark Office and two trademarks duly registered with the National Institute of Intellectual Property in Brazil.

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 in several jurisdictions not described herein that are incidental to the normal conduct of our business. While neither the outcomes of disputes nor the expense and time required to pursue or defend such disputes can be predicted, nor the expense and time required to pursue or defend such disputes, 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.

As of March 31, 2017, we were a party to legal proceedings involving an aggregate Ps.635.6 million (of which Ps.626.1 million related to labor claims), in connection with which we provisioned Ps.33.5 million as of that date.

In particular, as of March 31, 2017, we were a party to 469 labor proceedings involving an aggregate amount of Ps.626.1 million, in connection with which we recorded a provision in the aggregate amount of Ps.33.5 million as of that date. In general, these proceedings relate to claims of former employees relating to overtime, unjust dismissal, and backpay, among others.

SUPERVISION AND REGULATION

Mexico

Mexico's financial industry is currently comprised of commercial banks, national development banks, broker-dealers and other non-bank institutions, such as insurance and reinsurance companies, bonding companies, credit unions, savings and loans companies, foreign exchange houses, saving and loans cooperatives, bonded warehouses, mutual fund companies, pension fund management companies and Sofoms.

The principal financial authorities that regulate financial institutions are the Ministry of Finance and Public Credit (*Secretaria de Hacienda y Crédito Público*) or SHCP, the Mexican Central Bank (*Banco de México*) or Banxico, the National Banking and Securities Commission (*Comisión Nacional Bancaria y de Valores*) or CNBV, the National Commission for Retirement Savings (*Comisión Nacional del Sistema de Ahorro para el Retiro*) or CONSAR, the National Insurance and Bonding Commission (*Comisión Nacional de Seguros y Fianzas*) or CNSF, the Bank Saving Protection Institute (*Instituto para la Protección del Ahorro Bancario*) or IPAB and the National Commission for the Protection and Defense of Financial Services Users (*Comisión Nacional para la Protección y Defensa de los Usuarios de Servicios Financieros*) or CONDUSEF.

Our operations are primarily regulated by the General Law for Credit Organizations and Ancillary Activities (*Ley General de Organizaciones y Actividades Auxiliares del Crédito*), the Law for the Protection and Defense of Financial Services Users, the Law for the Transparency and Ordering of Financial Services, the Law for the Identification and Prevention of Transactions with Illegal Funds (*Ley Federal para la Prevención e Identificación de Operaciones con Recursos de Procedencia Ilícita*), the Anti-Money Laundering General Provisions, certain regulations of the Mexican Central Bank, regulations issued by CONDUSEF, the Federal Law for Protection of Personal Data held by Private Persons (*Ley Federal de Protección de Datos Personales en Posesión de los Particulares*), or the LFPDP, and other regulations issued by the CNBV.

General Law for Credit Organizations and Ancillary Activities

Under the provisions of the General Law for Credit Organizations and Ancillary Activities, Sofoms are considered financial entities that can be regulated or non-regulated. Sofoms may conduct money lending transactions, engage in financial operating leasing activities (*arrendamiento financiero*) and/or perform factoring transactions (*factoraje financiero*). Nonetheless, these activities do not require a license from any governmental authority. In order to operate as a Sofom, all Sofoms, including non-regulated Sofoms, are required to register in a registry managed by CONDUSEF. *Financiera Independencia, S.A.B. de C.V., SOFOM, E.N.R.* is a non-regulated Sofom, and, therefore, it is not subject to the requirements and provisions applicable to regulated Sofoms and other financial institutions in Mexico. Notwithstanding the foregoing, due to the fact that our shares are listed on the Mexican Stock Exchange and registered in the National Securities Registry (*Registro Nacional de Valores-RNV*) we must comply with the regulation applicable to regulated financial entities issued by the CNBV when preparing our financial statements. Non-regulated Sofoms are subject to CNBV inspection and vigilance, but exclusively to verify the compliance of the preventive provisions of money laundering and terrorism funding.

Non-regulated Sofoms have the obligation to provide the information or documentation required by the SHCP, Banxico, the CONDUSEF and the CNBV and can be sanctioned in the event they do not provide such information in accordance with the requirements established by those authorities.

Under the provisions of the General Law for Credit Organizations and Ancillary Activities, Sofoms are regulated and supervised by the CNBV, among others, if (i) they issue debt securities registered with the RNV, or (ii) they voluntarily adopt this regime.

Sofoms are also deemed to be regulated and supervised by the CNBV when they have a financial connection (*vínculo patrimonial*) with other financial institutions. Sofoms are deemed to have a financial connection if (1) a Mexican bank, among other financial institutions, holds an interest equal to or greater than 20% of the capital stock of the Sofom or the Sofom holds such an interest in the Mexican bank, (2) the holding company of a financial group, which includes a banking institution, holds an interest of at least 51% in the Sofom, or (3) the Sofom has common shareholders with, among other financial institutions, a Mexican bank, pursuant to the terms more specifically described in the General Law for Credit Organizations and Ancillary Activities.

Regulated Sofoms that are deemed to be regulated and supervised by the CNBV as a result of a financial connection with other financial institutions are also subject to several provisions of the Law of Credit Institutions (*Ley de Instituciones de Crédito*) and other rules and regulations applicable to Mexican banks, which can include capital adequacy requirements, reserve requirements, grading of loan portfolio requirements, requirements for the establishment of provisions for loan losses, write-offs and assignment provisions, limitations on related party transactions, as well as periodic reporting obligations.

Regulated Sofoms that are deemed to be regulated and supervised by the CNBV as a result of the issuance of debt securities registered with the RNV will be subject to specific regulations to be enacted by the CNBV relating to (i) credit portfolio ratings and credit risk estimations, (ii) disclosure of financial information and external auditors, (iii) accounting, and (iv) prevention of transactions utilizing illegal funds.

Any other Sofom, is categorized as a non-regulated Sofom, and is not subject to the supervision of the CNBV, except with respect to provisions related to money laundering and other provisions applicable to Sofoms in general.

Law for the Protection and Defense of Financial Service Users

The purpose of the Law for the Protection and Defense of Financial Services Users is to protect and defend the rights and interests of users of financial services. To this end, the law provides for the creation of CONDUSEF, an autonomous entity that protects the interests of users of financial services, which was granted broad powers to regulate our activities and the activities of all financial institutions in Mexico, and the exercise of these powers may have a material adverse effect on us. CONDUSEF acts as mediator and/or arbitrator with respect to disputes submitted to its jurisdiction and seeks to promote better relationships among users of financial institutions and financial institutions. As a Sofom, we must submit to CONDUSEF's jurisdiction in all conciliation proceedings and may choose to submit to CONDUSEF's jurisdiction in arbitration proceedings (initial stages of a dispute) brought before it. We may be required to provide reserves against contingencies which could arise from proceedings pending before CONDUSEF. In case of a claim by a customer where the parties fail to reach a settlement and there is no submission to arbitration, CONDUSEF is authorized to issue a resolution which may result in the attachment of our assets for the benefit of our customers. Furthermore, CONDUSEF has broad and discretionary authority to take this and other similar actions, including the imposition of laws and the publication of information, such as imposing fines that may be detrimental to our business and reputation. CONDUSEF is entitled to order amendments to our standard agreements, advertising or information used to provide our services if CONDUSEF deems that provisions included in these documents are detrimental to customers. We may be required to comply with measures or sanctions imposed by CONDUSEF.

The Law for the Protection and Defense of Financial Service Users requires Sofoms, such as us, to maintain an internal unit (*unidad especializada*) designated to resolve any and all controversies submitted by our customers, a requirement with which we comply. CONDUSEF also maintains a Registry of Financial Service Providers (*Registro de Prestadores de Servicios Financieros*), in which all providers of financial services must be registered and that assists CONDUSEF in the performance of its activities. CONDUSEF is required to publicly disclose the products and services offered by financial service providers, including applicable interest rates. To comply with this requirement, CONDUSEF has wide authority to request any and all necessary information from financial institutions. All Sofoms, including non-regulated Sofoms, are required to register their standard form of agreements (*contratos de adhesión*) in the Registry for Standard Forms of Agreements (*Registro de Contratos de Adhesión*) or RECA, which is managed by CONDUSEF, provided that the registration does not constitute a certification as to compliance of the laws and regulations for protection and defense of financial users. Furthermore, CONDUSEF may scrutinize the services we provide by approving and supervising the use of standard form agreements and may, at any moment, order a financial institution to modify its standard form of agreement for purposes of complying with the laws and regulations for the protection and defense of financial consumers. All of our standard forms of agreement have been registered with CONDUSEF. We are also required to register the fees of our credit products in the Registry of Commissions (*Registro de Comisiones*) or RECO, which is managed by CONDUSEF. All of our credit products' fees have been registered with CONDUSEF. We are currently registered with the Registry of Financial Services Providers (*Registro de Prestadores de Servicios Financieros*) managed by CONDUSEF. Additionally, in 2014, CONDUSEF created the Financial Institutions Bureau (*Buró de Entidades Financieras*), which purpose is to evaluate and disclose the performance by financial entities.

CONDUSEF may to initiate class action lawsuits against financial services institutions in connection with events affecting groups of users of financial services.

As an ancillary regulation, CONDUSEF published on August 11, 2015 certain general provisions on transparency applicable to non-regulated Sofoms, which provide, among other items, certain minimum contents to be included in standard form agreements (*contratos de adhesión*), account statements, withdrawal notices and publicity and marketing materials issued. Pursuant to such regulation, CONDUSEF may suspend any marketing materials, impose fines or penalties upon Sofomes or withdraw financial products from the market, in the event of a breach of the obligations imposed by such regulation.

Law for the Transparency and Ordering of Financial Services

The purpose of the Law for the Transparency and Ordering of Financial Services is to regulate (1) the fees charged to customers of commercial banks and regulated Sofoms for the use and/or acceptance of means of payment, such as debit cards, credit cards, checks and orders for the transfer of funds, as a means to ensure competition, free access, no discrimination and the protection of the interests of customers; (2) the fees that financial institutions charge each other for the use of any payment system; (3) interest rates that may be charged to customers by commercial banks and regulated Sofoms; and (4) other aspects related to financial services, all in an effort to make financial services more transparent and protect the interests of the users of these services. This law grants Mexican Central Bank the authority over commercial banks and regulated Sofoms to regulate these fees and establish general guidelines and requirements relating to payment devices and credit card account statements (see “Regulation of Interest Rates” and “Fees” below). Further, the Mexican Central Bank has the authority to specify the basis upon which financial institutions must calculate their aggregate annual cost, which comprises interest rates and fees, on an aggregate basis, charged in respect of loans and other services. The aggregate annual cost must be publicly disclosed by each financial institution. The Law for the Transparency and Ordering of Financial Services also grants to CONDUSEF the authority to regulate fees charged by non-regulated Sofom, the requirements that need to be satisfied in accordance with the standard forms of agreement used by financial entities, the statements of account that are delivered by financial entities to their customers and the advertisement conducted by financial entities.

Pursuant to the Law for the Transparency and Ordering of Financial Services, the Mexican Central Bank may issue temporary regulations applicable to interest rates and fees, if it or the Federal Economic Competition Commission (*Comisión Federal de Competencia Económica*) or COFECE, determine that no reasonable competitive conditions exist among financial institutions. Also, the Mexican Central Bank and the CNBV are given authority to issue rules regulating the means to obtain funds (*i.e.*, credit cards, debit cards, checks and funds transfers), in order to safeguard competition, free access, no discrimination and protecting the interests of customers.

Regulation of Interest Rates

The Law for the Transparency and Ordering of Financial Services applicable to Sofoms provides that the standard forms of agreement are required to include provisions that establish that (1) the applicable ordinary and default interest rates are expressed in annual terms and contain the applicable methodology for purposes of calculating such interest rates; (2) if interest accrues based on a reference rate, the standard form of agreement must include at least one replacement reference rate, which will only be applicable if the original reference rate is discontinued; and (3) interest may not be charged by financial entities in advance and may only be charged after the corresponding interest period has elapsed.

The Mexican Central Bank has issued rules that limit the number of reference rates that may be used by some financial institutions. Mexican law does not currently impose any limit on the interest rate or fees that a non-regulated Sofom, such as us, may charge its customers. However, the possibility of imposing such limits has been and continues to be debated by the Mexican Congress and Mexican regulation authorities.

The Law for the Transparency and Ordering of Financial Services grants the Mexican Central Bank the authority to specify the basis upon which each financial institution must calculate its aggregate annual cost (*costo anual total*), which comprises interest rates and fees, on an aggregate basis, charged in respect of loans and other services. The aggregate annual cost must be publicly included by a Sofom in its standard forms of agreement and disclosed in their statements of account and advertisements.

Fees

Fees charged by non-regulated Sofom are regulated by the Law for the Transparency and Ordering of Financial Services and the general regulations issued by CONDUSEF on August 11, 2015. Pursuant to these regulations, non-regulated Sofoms are required to register all fees charged for the credit products offered with RECO, which is managed by CONDUSEF, which may issue observations when applicable. Regulated Sofoms are required to register all fees charged under credit products offered with Banxico.

According to CONDUSEF's regulations, non-regulated Sofoms may not charge or register fees in connection with (1) payments for amounts in default when default interest is charged in respect of these amounts; (2) the failure to use a credit card within one calendar year if during the same period an annual fee or similar charge is paid; (3) the cancellation of a mortgage before the Public Registry of Property; or (4) cash withdrawals or balance inquiries made within the applicable Sofom's offices or branches, among others.

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

Law for the Protection of Personal Data held by Private Parties

On July 5, 2010, the LFPDP, was published and became effective on July 6, 2010. The purpose of the LFPDP is to protect personal data collected, held or to be used by individuals and private entities and to enforce controlled and informed processing of personal data in order to ensure privacy and the right of data subjects to consent with respect to the use of protected information.

The LFPDP requires companies to inform data subjects regarding the information being collected, used, disclosed or stored and the purpose of such collection, use, disclosure or storage via a privacy notice and provides special requirements for processing sensitive personal data (which is defined as data relating to race, physical condition, religious, moral or political affiliation, and sexual preferences). The LFPDP gives data subjects the right to: (1) access their data, (2) have inaccuracies in their data corrected or completed, (3) deny transfers of their data, and (4) oppose use of their data or have the data deleted from a company's system (other than in certain circumstances expressly set forth in the LFPDP, such as the exercise of a right or holding information required under applicable law). The LFPDP requires that, if disclosure of data is permitted, the transferee agrees to the same restrictions as those set forth in the documentation permitting the original receipt and subsequent disclosure of information. The LFPDP also provides that data may be disclosed without the consent of the data subject in certain circumstances: (1) a law requires or permits disclosure, (2) disclosure is required in connection with medical treatment, or (3) disclosure is required for public policy reasons or in connection with a legal action. The LFPDP requires immediate notice be provided to a data subject of any security breach that significantly affects his/her property or moral rights.

The National Institute for Transparency, Access to Information and Data Protection (*Instituto Nacional de Transparencia, Acceso a la Información y Protección de Datos Personales*) or the Institute, will be authorized to monitor and enforce compliance with the LFPDP by private entities processing personal data. These entities will be held liable for interfering with a data subjects' exercise of their rights under the LFPDP and for failing to safeguard their personal data. Data subjects who believe that a company is not processing their personal data in accordance with the LFPDP may request an investigation by the Institute. Following an investigation, the Institute may: (i) dismiss the data subject's claim or (ii) affirm, reject, or modify a company's answer to a data subject's claim. Penalties for violating the LFPDP's provisions include a fine equivalent to Ps.19.1 million (approximately U.S.\$1.03 million), a prison sentence of up to five years, or double the applicable fine or sentence for violations related to sensitive personal data.

Anti-Money Laundering Provisions

On March 17, 2011, the SHCP issued general provisions applicable to Sofoms relating to anti-money laundering and terrorism funding (*Disposiciones de Carácter General a que se refieren los artículos 115 de la Ley de*

Instituciones de Crédito, en relación con el 87-D de la Ley General de Organizaciones y Actividades del Crédito y 95-Bis de este último ordenamiento, aplicables a las sociedades financieras de objeto múltiple) or the Anti-Money Laundering General Provisions. The purpose of the Anti-Money Laundering General Provisions is to establish anti-money laundering and counter-terrorism rules and guidelines.

Among other obligations, the Anti-Money Laundering General Provisions require Sofoms to (1) establish identification (“know-your-customer”) policies and guidelines similar to those imposed on Mexican banks and other regulated financial entities, subject to strict identification methods and controls on customers and users of the Sofom’s services; (2) record and keep information on customers and on money transfer and exchange transactions; and (3) report to authorities on relevant, unusual and suspicious transactions, among other obligations.

Pursuant to the Federal Law for the Identification and Prevention of Transactions with Illegal Funds, SHCP is given broad authority to obtain information about unlawful activities, coordinate activities with foreign authorities and present claims related to unlawful activities. This law also grants authority to the Federal Attorney General (*Procuraduría General de la República*) to investigate and prosecute illegal activities in coordination with SHCP.

Pursuant to the Federal Law for the Identification and Prevention of Transactions with Illegal Funds, legal acts, transactions and operations performed by Sofoms are considered “Vulnerable Activities” (*Actividades Vulnerables*). In connection with such Vulnerable Activities, Sofoms shall have certain obligations which are, in general terms, similar to the provisions of the Anti-Money Laundering General Provisions, above mentioned.

Improvement of Creditors’ Rights and Remedies

Mexico has enacted legislation to improve creditors’ rights and remedies. These laws include collateral pledge mechanisms and the Bankruptcy Law (*Ley de Concursos Mercantiles*).

Collateral Mechanisms

Laws regarding the perfection and enforcement of security interests permit the pledging of assets without transferring possession (*prenda sin transmisión de posesión*), as well as a common security arrangement known in Mexico as the security trust (*fideicomiso de garantía*). The purpose of these regulations is to provide an improved legal framework for secured lending and to encourage banks to increase their lending activities. Personal property used in a debtor’s main business activity is commonly pledged by making only a generic description of such property and perfecting a security interest in the personal property. Provisions regulating security trusts are similar to those governing pledges of personal property, except that they provide that title to the collateral must be held by the trustee. Security trusts permit enforcement without any judicial action, which is an alternative that has enhanced lending activities and expedited restructurings and foreclosures. As of the date of this Offering Memorandum, all of our loan products are unsecured, except for certain financial products offered by Finsol.

Bankruptcy Law

The Bankruptcy Law has been frequently used as a means to conclude complex insolvency situations affecting Mexican companies, by providing expedited and clear procedures, while at the same time granting creditors and other participants the certainty of an in-court solution. The Bankruptcy Law provides for a single insolvency proceeding encompassing two successive phases: a conciliatory phase of mediation between creditors and debtor and bankruptcy.

The Bankruptcy Law establishes precise rules that determine when a debtor is in general default on its payment obligations. The principal indications are failure by a debtor to comply with its payment obligations in respect of two or more creditors, and the existence of the following two conditions: (1) 35% or more of a debtor’s outstanding liabilities are 30 days past-due; and (2) the debtor fails to have certain specifically defined liquid assets and receivables to support at least 80% of its obligations that are due and payable. A debtor may request the initiation of insolvency proceedings prior to being generally in default with respect of its payment obligations, when default is expected to occur inevitably within the following 90 days. Furthermore, the Bankruptcy Law allows the consolidation of the insolvency proceedings of companies that are part of the same corporate group.

The Bankruptcy Law also provides for the use and training of experts in the field of insolvency and the creation of an entity to coordinate their efforts. These experts include an auditor (*interventor*), conciliator (*conciliador*) and receiver (*síndico*).

On the date the insolvency judgment is entered, all *Peso*-denominated obligations are converted into UDIs while foreign currency-denominated obligations are converted into *Pesos* at the rate of exchange for that date and then converted into UDIs. Only creditors with a perfected security interest (*i.e.*, mortgage, pledge or security trust) continue to accrue interest on their loans. The Bankruptcy Law mandates the netting of derivative transactions upon the declaration of insolvency.

The Bankruptcy Law provides for a period of 270 calendar days prior to the issuance of an insolvency judgment in which period transactions may be scrutinized by the judge in order to determine if they were entered into for fraudulent purposes. This period is referred to as the retroactive period. Nevertheless, upon the reasoned request of the conciliator, any creditor or the auditors (who may be appointed by the creditors to oversee the process), the judge may establish a longer retroactive period. The retroactive period will be lengthened to 540 calendar days with respect to transactions entered into with inter-company creditors.

A restructuring agreement must be approved by the debtor as well as recognized creditors representing more than 50% of (1) the sum of the total recognized amount due common and subordinated creditors and (2) the total recognized amount due secured or privileged creditors approving the agreement. Subordinated creditors, if significant, are not counted for purposes of the aforementioned percentages (as described below). Any such agreement, when confirmed by the court, is binding on all creditors, and the insolvency proceeding is then deemed concluded. If an agreement is not reached, the debtor is declared bankrupt.

The Bankruptcy Law includes provisions governing pre-approved restructuring plans, frequently used in jurisdictions outside Mexico, that permit debtors and creditors to agree upon the terms of a restructuring and thereafter file the plan with the bankruptcy court as a means to obtain the judicial recognition of a restructuring reached on an out-of-court basis. This mechanism also provides protection against dissident minority creditors.

The Bankruptcy Law expressly recognizes subordinated creditors, including inter-company creditors in accordance with certain rules, and establishes that inter-company creditors are not permitted to vote for the approval of the debt restructuring agreement when the inter-company creditors represent 25% or more of the aggregate amount of recognized claims.

Brazil

Our Brazilian subsidiary, Instituto Finsol-IF, was incorporated in Brazil as a non-governmental organization (*OSCIP - Organização da Sociedade Civil de Interesse Público*), and we are currently in the process of transferring its loan portfolio to Finsol SCMEPP, a regulated microcredit financial institution (*Sociedade de Crédito ao Microempreendedor e a Empresa de Pequeno Porte*), which we incorporated on September 4, 2013. We currently estimate that we will complete the transfer of Instituto Finsol-IF's loan portfolio to Finsol SCMEPP in approximately twelve months. Following the transfer, we anticipate that we will concentrate Finsol Brasil's training and development efforts in Instituto Finsol-IF.

Although SCMs are not financial institutions, SCMs are compared to them for purposes of Brazilian banking laws and regulations. Therefore, SCMs' organization and operations are subject to the applicable rules enacted by the Brazilian National Monetary Council, or CMN and 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 meet certain requirements, among others, with respect to minimum paid-in capital, net worth, maximum indebtedness and exposure by customer.

Among their authorized activities, SCMs are entitled to grant credit to individuals, microcompanies (considered those entities with annual gross revenues up to R\$360,000) and small companies (considered those entities with annual gross revenues between R\$360,000 and R\$3,600,000), with a view to the development of small professionals and commercial or industrial undertakings. SCMs are not allowed to be named or referred to as "banks", to offer deposit and saving services, nor to grant their customers credit for general consumption. SCMs are not permitted to raise funds from the general public, including by means of public offerings of securities. Their funding is mainly

provided by lending from other financial institutions (including for the purposes of carrying out on-lending transactions) and interbank deposits.

SCMs are required to periodically provide reports, subject to the provisions of Brazilian 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 financial institutions operating in Brazil. The SCR is a mechanism created by the Central Bank of Brazil to periodically evaluate the risks related to the Brazilian credit market.

As SCMs are compared to financial institutions, an SCM must comply with and is subject to Brazilian 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 Brazilian banking laws are as follows:

- (i) no financial institution may operate in Brazil without the prior approval of the Central Bank of Brazil. In addition, subject to certain exceptions, foreign entities that intend to acquire an equity interest in a Brazilian financial institution (or to incorporate and organize a financial institution in Brazil) must obtain prior authorization from the Central Bank of Brazil (which, in turn, is subject to the issuance of a federal executive order approving such transaction);
- (ii) except for investments made by investment banks, a financial institution may not invest in the equity of any other company without the prior approval of the Central Bank of Brazil (which will be given based upon certain standards established by the CMN);
- (iii) subject to certain limitations imposed by the CMN, a financial institution may not own real estate, except when it is used in connection with the regular activities carried out by such financial institution;
- (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 worth 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) Brazilian 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 also subject to Brazilian anti-money laundering laws and regulations, and must comply with certain requirements, such as: (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 cash, including specific registries of issuance/recharging of prepaid cards; (iv) keeping records of transactions carried out by an individual, entity or entities belonging to the same financial conglomerate or economic group that exceed certain thresholds; and (v) notification to the relevant authorities of any suspect transaction.

California, United States

AFI operates pursuant to a California Finance Lenders License issued by the state of California and is subject to examination by the California Department of Business Oversight as well as to annual reporting requirements in connection with which reports are due March 15 of each year. AFI must also maintain a certain net worth and post a surety bond based on its aggregate loan size.

As a lender to consumers, AFI is subject to a number of federal and California statutes and regulations protecting consumer borrowers. While AFI is currently not subject to any federal regulations regarding interest rate ceilings, pending rulemaking is currently before the Consumer Financial Protection Bureau regarding, among other

things, certain longer-term, high-cost loans. Under current California law, however, interest rates for loans of up to U.S.\$2,499 are subject to an interest rate ceiling of approximately 36%, while loans less than U.S.\$2,500 are not subject to interest rate ceilings. There is legislation pending in California that would impose an interest rate ceiling of 24% on consumer loans valued between U.S. \$2,500 and \$10,000. AFI loans currently have an annual rate of approximately 36%.

MANAGEMENT

Board of Directors

Our board of directors is currently composed of 15 members elected for one-year terms at the annual ordinary general meeting of our shareholders. All of our current directors were elected or ratified at our general shareholders' meeting on April 27, 2017. 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	Independent	Years as a Board Member of Financiera Independencia
José Luis Rión Santisteban	President	No	23
Eduardo Bernhart Messmacher Henríquez	CEO	No	9 months
Roberto Alfredo Cantú López.....	Non-Executive Director	No	23
Horacio Altamirano González	Non-Executive Director	No	21
Carlos Morodo Santisteban.....	Non-Executive Director	No	22
Guillermo Barroso Montull	Non-Executive Director	No	21
Noel González Cawley	Non-Executive Director	No	23
Héctor Ángel Rodríguez Acosta.....	Non-Executive Director	Yes	21
Roberto Servitje Achútegui	Non-Executive Director	Yes	9
Ana Paula Rión Cantú	Non-Executive Director	No	10
José Ramón Elizondo Anaya	Non-Executive Director	Yes	11
Carlos Javier de la Paz Mena.....	Non-Executive Director	Yes	22
José Rión Cantú.....	Non-Executive Director	No	8
Maite Rión Cantú.....	Non-Executive Director	No	5
Mauricio Galán Medina.....	Non-Executive Director	No	4

José Luis Rión Santisteban is our founder and the chairman of our board of directors. Mr. Rión served as chief executive officer of InverMexico, 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. He also serves as the chairman of the board of directors of Grupo Jorisa, S.A. de C.V. He is also a member of the board of directors of AGROS, S.A. de C.V. and Agrosid, S.A. de C.V. Mr. Rión holds 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, or IPADE. Mr. Rión is the son-in-law of Mr. Roberto Alfredo Cantú López, cousin of Mr. Carlos Morodo Santisteban and father of Ms. Ana Paula Rión Cantú, Mr. José Rión Cantú and Ms. Maite Rión Cantú, all members of our board of directors.

Roberto Alfredo Cantú López is a member of our board of directors. He has extensive experience in the fields of construction, heavy machinery and real estate. Mr. Cantú also serves as a director of El Camaron Dorado, S.A. de C.V. and Ensamblados de Madera, S.A. de C.V. He holds a bachelor's degree in mechanical engineering from Instituto Tecnológico y de Estudios Superiores de Monterrey, or ITESM, and a master's degree in mechanical engineering from Purdue University. Mr. Cantú is the father-in-law of Mr. José Luis Rión Santisteban, chairman of our board of directors, and grandfather of Ms. Ana Paula Rión Cantú, Mr. José Rión Cantú and Ms. Maite Rión Cantú, all members of our board of directors.

Horacio Altamirano González is a non-executive member of our board of directors. He currently serves as chief executive officer of Grupo Videomax, S.A. Mr. Altamirano holds a bachelor's degree in economics from the University of San Francisco.

Carlos Morodo Santisteban is a member of our board of directors. 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 member of the board of directors of Morodo Santisteban, S.A. de C.V., Almacenedora del Valle de Mexico, S.A. de C.V., Camaras Industriales y Asociaciones. Mr. Morodo also serves as president of Camaras Industriales y Asociaciones and vice president of the

Confederation of Mexican Industrial Chambers (*Confederación de Cámaras Industriales*), or Concamin. He holds a bachelor's degree in industrial engineering from Universidad Iberoamericana and a master's degree in business administration from ITESM. Mr. José Luis Rión Santisteban, chairman of our board of directors, is a cousin of Mr. Marodo. Ms. Ana Paula Rión Cantú and Ms. Maite Rión Cantú, members of our board of directors, are his nieces, while Mr. José Rión Cantú, also a member of our board of directors, is his nephew.

Guillermo Barroso Montull is a non-executive member of our board of directors. He has served as president of the Mexican National Match Industry Chamber (*Cámara Nacional de la Industria Cerillera*) and director of the Mexican National Paper Industry Chamber (*Cámara Nacional de la Industria del Papel*) and the Mexican National Industry Chamber (*Cámara Nacional de la Industria de la Transformación*), or Canacintra. He has also served as treasurer and vice-president of Concamin, president of the Coordinator of Foreign Trade Business Organizations (*Coordinadora de Organismos Empresariales de Comercio Exterior*), or COECE, and a member of the board of the Commission for Environmental Cooperation for North America. Mr. Barroso holds a bachelor's degree in industrial engineering from Universidad Anahuac and a master's degree in business administration from IPADE.

Noel González Cawley is a member of our board of directors. He served as chief executive officer and executive vice president of Financiera Independencia from its incorporation until October 2016. 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. He holds a bachelor's degree in electronic engineering from Universidad Iberoamericana and received a master's degree in engineering from Stanford University.

Héctor Ángel Rodríguez Acosta is a non-executive member of our board of directors. He currently serves as chairman and chief executive officer of Mexicana de Transferencias, S.A. de C.V. Mr. Rodríguez also serves on the board of directors 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. He holds a bachelor's degree from Instituto Politécnico Nacional and a master's degree from IPADE.

Roberto Servitje Achútegui is a non-executive member of our board of directors. He currently serves as chief executive officer and chairman of the board of directors of Grupo Altex, S.A. de C.V. Mr. Servitje worked for more than 16 years at Grupo Bimbo, S.A. de C.V., holding several positions including executive vice-president. He also serves as a member of the board of directors of Banco Azteca, S.A. and chairman of the board of directors of Financiera de Occidente, S.A. Mr. Servitje holds a bachelor's degree in business administration from Universidad Iberoamericana and a master's degree in business administration from Northwestern University.

Ana Paula Rión Cantú is a member of our board of directors. She has worked for our company since January 2005 and was promoted in January 2010 to manage the project evaluation group. Ms. Rión Cantú holds a bachelor's degree in industrial engineering from Universidad Iberoamericana. She is the daughter of Mr. José Luis Rión Santisteban, chairman of our board of directors, granddaughter of Mr. Roberto Alfredo Cantú López, niece of Mr. Carlos Morodo Santisteban and sister of Mr. José Rión Cantú and Ms. Maite Rión Cantú, all members of our board of directors.

José Ramon Elizondo Anaya is a non-executive member of our board of directors. He currently serves as chairman of Fomento de Capital, S.A. de C.V. Mr. Elizondo also serves as on the board of directors 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, Grupo Marti, S.A.B., Q.B. Industrias, S.A.B. de C.V. and Unefon, S.A. de C.V. He is also a member of Unefon, S.A. de C.V.'s audit committee. Mr. Elizondo holds a certified public account, or CPA, from Universidad La Salle and a master's degree in business administration from ITESM.

Carlos Javier de la Paz Mena is a non-executive member of our board of directors. He also serves on the board of directors of Estafeta Mexicana, S.A. de C.V., Multivalores, S.A. de C.V., Grupo Financiero, and Mexplus, S.A. Sinca. Mr. de la Paz holds a CPA from IPADE.

José Rión Cantú has been a member of our board of directors for over 8 years. He holds a bachelor's degree in industrial engineering from Universidad Iberoamericana and a master's degree in business administration at the Stanford Graduate School of Business. He is also Chief Investment Officer at Grupo Jorisa, S.A. de C.V. Mr. Rión Cantú has over 10 years of experience in the Mexican financial sector and has held positions with Grupo Bursatil Mexicana and Financiera Independencia. Mr. Rión Cantú is the son of José Luis Rión Santisteban, chairman of our

board of directors, the grandson of Mr. Roberto Alfredo Cantú Lopez, nephew of Mr. Carlos Morodo Santisteban and brother of Ms. Ana Paula Rión Cantú and Ms. Maite Rión Cantú, all members of our board of directors.

Maite Rión Cantú is a member of our board of directors. She holds a bachelor’s degree in industrial engineering and a corporate finance degree from Universidad Iberoamericana and has studied at the Kellogg Graduate School of Management at Northwestern University and the Booth School of Business at the University of Chicago. Ms. Rión Cantú is the daughter of Mr. José Luis Rión Santisteban, chairman of our board of directors, granddaughter of Mr. Roberto Alfredo Cantú López, niece of Mr. Carlos Morodo Santisteban and sister of Ms. Ana Paula Rión Cantú and Mr. José Rión Cantú, all members of our board of directors.

Mauricio Galán Medina is a member of our board of directors. He is one of the founding members of AEF and AFI. Prior to joining Financiera Independencia, Mr. Galán held several positions within Citibank, including director for the Hispanic market in California, and served as chief executive officer of Crédito Familiar. Mr. Galán holds a bachelor’s degree in economics and a certificate in finance from Instituto Tecnológico Autónomo de México, or ITAM, and a master’s degree in economics from the University of Texas, Austin.

Eduardo Bernhart Messmacher Henríquez, is our executive vice-president and chief executive officer. Mr. Messmacher has more than 16 years of experience in the financial sector in Mexico, Argentina and Brazil where has worked for institutions such as HSBC and McKinsey & Co. He holds a bachelor’s degree in electrical mechanical engineering from Instituto Tecnológico y de Estudios Superiores de Monterrey (ITESM) and a master’s degree in operations research from the Massachusetts Institute of Technology (MIT).

Secretary of the Board of Directors

Our non-member secretary of the board of directors is Mr. Iker Arriola Peñalosa. Mr. Arriola was designated the non-member secretary of our board of directors at our general shareholders’ meeting on April 28, 2014. Mr. Arriola is a partner at White & Case, S.C., Mexico. Our non-member alternate secretary of the board of directors is Mr. Francisco José Vázquez Vázquez. Mr. Vázquez Vázquez is our chief internal legal counsel. White & Case, S.C., Mexico, is our special Mexican counsel for this offering.

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 27, 2017. 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.

Name	Position	Independent
Carlos Javier de la Paz Mena.....	Chairman	Yes
José Ramon Elizondo Anaya.....	Member	Yes
Roberto Servitje Achútegui.....	Member	Yes
Héctor Ángel Rodríguez Acosta.....	Member	Yes

Other Committees

Our board of directors has established two other committees: an executive committee and a risks committee, through which 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. In addition, in accordance with Mexican regulations, our board of directors is also advised by our Anti-Money Laundering Committee.

Principal Officers

Set forth below is the name and position of each of our principal officers. The terms of office of our principal officers are indefinite.

<u>Name</u>	<u>Position</u>	<u>Years with Financiera Independencia</u>	<u>Age</u>	<u>Experience in the Financial Sector</u>
Eduardo Bernhart Messmacher	Executive Vice-President and			
Henríquez	Chief Executive Officer	9 months	45	16
Francisco Villagómez del Torno	Chief Financial and Administration Officer	1	48	24
Héctor Eguiarte Sakar	Collections Director	21	60	20
Lorenzo Adrián Álvarez Vita	Branch Offices Director	6 months	43	20
Rubén Cohen Tietzch	Payroll Loans Director	5	46	4
José Alberto Pérez de Acha	Systems Director	4	45	20
María Teresa Garza Guerra	Human Resources Director	1	50	5
José de Jesús Martínez Schjetnan	General Manager (Finsol Mexico)	2	46	17
Marcelo George de Melo Pinto	General Manager (Finsol Brasil)	6	50	24
Arturo Casillas Alfaro	General Manager (AEF)	6	54	19
Rick Parras ⁽¹⁾	Manager (AFI)	6	52	30
Fabián Arturo Cameras Alvarez	Director of Technology Solutions	2	46	23

(1) On July 10, 2017, AFI's Board of Directors approved the appointment of Antonino Morales as President and Chief Executive Officer of Apoyo Financiero, Inc., effective on July 31, 2017 upon the resignation of Rick Parras.

On average, our principal officers have 19.5 years of experience in the financial services industry. Set forth below is biographical information for each of our principal officers.

Eduardo Bernhart Messmacher Henríquez is a member of our board of directors. See “Board of Directors.”

Francisco Villagómez del Torno is our chief financial and administration officer. Mr. Villagómez has more than 24 years of experience in the Mexican, Latin American and Caribbean financial sector. Over the course of his career, he has held executive positions within wholesale banking at international financial institutions such as BankBoston, Bank of America and The Bank of Nova Scotia. He has also participated in the founding of investment funds and the rating of securities in Mexico. He holds a bachelor's degree in economics from Universidad Anáhuac and participated in the master's degree in business administration program of the Instituto Tecnológico Autónomo de Mexico (I.T.A.M.).

Héctor Eguiarte Sakar is our collections director. Mr. Eguiarte previously served as our regional manager from 1994 to 1999. Mr. Eguiarte has participated as a speaker in various seminars on finance and credit. He holds a bachelor's degree in industrial engineering from Universidad Iberoamericana.

Rubén Cohen Tietzch is our payroll loans director. He has 20 years of experience in sales and new business development. Prior to joining Financiera Independencia, Mr. Cohen served as director of operations in Mexico at Kidzania. Prior to that, he had a successful 17-year career at Quaker State (a division of Shell), where he held several positions, including director of marketing of several divisions. He also served as managing director of Duracell Automotive Batteries. Mr. Cohen holds a bachelor's degree in business administration from Universidad Anáhuac and has studied sales and marketing at the Kellogg Graduate School of Management at Northwestern University.

José Alberto Pérez de Acha is our systems director. Mr. Pérez de Acha has 21 years of experience analyzing, designing, and implementing technology information systems for the Mexican financial sector. Mr. Pérez de Acha holds a bachelor's degree in industrial engineering from Universidad Panamericana and a master's degree in business management from IPADE.

María Teresa Garza Guerra is our human resources director. Ms. Garza has over 20 years of professional experience. During her career, she has held a variety of positions at companies such as Gamesa/Pepsico and Grupo Salinas, where she served as Director of Human Resources for the last few years. Ms. Garza holds a bachelor's degree in computer information systems from ITESM and a master's degree in administration from UDEM.

José de Jesús Martínez Schjetnan is general manager of Finsol México. He has more than 15 years of experience managing sales and marketing departments in diverse industries such as financial services, commercial banking and automotive. Prior to joining Financiera Independencia, Mr. Martínez served as director of sales and marketing at Grupo Autofin. He holds a bachelor's degree in business administration from Universidad Anahuac del Sur.

Marcello George de Melo Pinto is general manager of Finsol Brasil. Prior to joining Finsol Brasil, he served for 12 years as managing director of CEAPE, an NGO in microfinancing. Prior to that, he served as commercial director of ABN-ANRO Bank – Realmicrocrédito for four years. Mr. de Melo Pinto holds a bachelor's degree in public accounting from Universidade Potiguar in Rio Grande do Norte, Brazil, as well as post-graduate degrees in financial administration from Fundação Escola de Comércio Álvares Penteado, or FECAP, in São Paulo, accounting management from Universidade Federal do Rio Grande do Norte, in Brazil and corporate education from ACCIÓN International in Boston.

Arturo Casillas Alfaro is general manager and one of the founding members of AEF. Prior to that, he worked at Crédito Familiar, where he held various management positions in operations. Mr. Casillas holds a bachelor's degree in industrial engineering from Instituto Politécnico Nacional.

Rick Parras is manager and one of the founding members of AFI. Prior to that, he worked at the CitiFinancial group at CitiGroup for 18 years, during which time he was an integral part of the group that helped start the operations of Crédito Familiar.

On July 10, 2017, AFI's Board of Directors approved the appointment of Antonino Morales as President and Chief Executive Officer of AFI, effective on July 31, 2017 upon the resignation of AFI's current President and Chief Executive Officer, Rick Parras. Mr. Morales is a recognized professional with more than 20 years of experience working in the consumer financial services industry both in the United States and Latin America. Mr. Morales has held various senior positions at Security Pacific Financial Services, Bank of America's non-bank consumer finance company, as well as at Citigroup Consumer Finance Latin America. At the latter, he was the direct supervisor of Mauricio Galan and Rick Parras, former CEO of FINDEP and outgoing CEO of AFI, respectively. Additionally, Mr. Morales has extensive knowledge of the regulatory environment in California as well as a deep knowledge of the Hispanic market gained through many years of experience in successful entrepreneurial ventures.

Lorenzo Adrian Alvarez Vita is our branch operations director. Mr. Alvarez has over 17 years of experience in the financial sector in Mexico. Throughout his professional career, he has served in several executive positions in commercial banking, primarily focused on collections, sales and call centers. Mr. Alvarez holds a public accounting and audit degree from the Autonomous University of Nuevo Leon (UANL) and a master's degree in finance from the Instituto Tecnológico y de Estudios Superiores de Monterrey (ITESM).

Fabián Arturo Camaras Alvarez is our director of technology solutions. Mr. Camaras has 23 years of experience in the financial sector and 15 years of experience in the microfinance sector. He has worked in management positions at Banco Santander, Financiera Independencia, Yastás (subsidiary of Compartamos Banco) and Apoyo Económico Financiero. He also worked in the retail sector at Almacenes Aurrerá (currently Walmart) and in the telecommunications sector at Maxcom Telecomunicaciones. Mr. Camaras holds a bachelor's degree in information technology from La Salle University and an MBA from Tecnológico de Monterrey.

Compensation of Directors, Principal Officers and their Related Persons

In 2016, the aggregate compensation paid to our directors, principal officers and their related persons was approximately Ps.71.3 million, including both fixed (wages and salaries) and variable (performance and legal year-end bonuses) compensation. At a meeting held on February 15, 2017, members of our board of directors approved the aggregate compensation of our directors and principal officers for the year ending December 31, 2017 in the amount of Ps.65.0 million.

Members of our board of directors, including the chairman, receive compensation per meeting attended in the average amount equivalent to Ps.70,000.

SOP

We have an SOP for our employees and management, which is implemented through 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 SOP 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 SOP as well as the number of shares that each beneficiary will be entitled to purchase. See “Business—Employees and Labor Relations—Stock Option Plan.”

Share Ownership

Mr. José Luis Rión Santisteban, Mr. Noel González Cawley, and Mr. Guillermo Daniel Barroso Montull are the only members of the board of directors that are beneficial indirect holders of more than 1% of our capital stock. As of March 31, 2017, they were collectively the beneficial indirect holders of approximately 46.8% of our capital stock.

PRINCIPAL SHAREHOLDERS

Share Ownership

As of March 31, 2017, our issued and outstanding share capital was comprised of 715,884,712 common shares, with no par value, of our “*serie unica*” shares, of which 200,000,000 Class I shares represent the fixed portion of our capital stock, and 515,884,712 Class II shares represent the variable portion of our capital stock. As of March 31, 2017, our authorized share capital totaled 715,884,712, and none of our Class I and Class II shares were held in treasury.

The following table sets forth certain information about the ownership of our Class I and Class II shares as of March 31, 2017

Shareholder	Capital Stock	
	Class I	Class II
Control Trust.....	174,745,000	238,685,000
Minority Trust.....	25,255,000	14,874,949
Public Investors	0	262,324,763
Subtotal	200,000,000	515,884,712
Total	715,884,712	

Control Trust

The Control Trust was created with Banco J.P. Morgan, S.A. Institución de Banca Múltiple, J.P. Morgan, Grupo Financiero, División Fiduciaria, a Mexican banking institution (now, The Bank of New York Mellon, S.A., Institución de Banca Múltiple), acting as trustee. The Control Trust’s beneficiary is Mr. José Luis Rión Santisteban. Pursuant to the terms of the Control Trust, Mr. José Luis Rión Santisteban is vested with the right to instruct the trustee in the exercise of 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.

In November 2008, the Control Trust was transferred to The Bank of New York Mellon, S.A., Institución de Banca Múltiple as successor to Banco J.P. Morgan, S.A. Institución de Banca Múltiple, J.P. Morgan Grupo Financiero. On March 2, 2010 the Control Trust was transferred to HSBC Mexico, División Fiduciaria, which is currently the trustee of the Control Trust.

Minority Trust

The Minority Trust was created with Banco J.P. Morgan, S.A. Institución de Banca Múltiple, J.P. Morgan Grupo Financiero, División Fiduciaria, a Mexican banking institution (now, The Bank of New York Mellon, S.A., Institución de Banca Múltiple), acting as trustee. The Minority Trust’s beneficiary is Mr. Noel Gonzalez Cawley. Pursuant to the terms of the Minority Trust, Mr. Noel Gonzalez Cawley is vested with the right to instruct the trustee in the exercise of its voting rights as our shareholder. Even though Mr. Jose 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.

In November 2008, the Minority Trust was transferred to The Bank of New York Mellon, S.A., Institución de Banca Múltiple as successor to Banca J.P. Morgan, S.A. Institución de Banca Múltiple, J.P. Morgan Grupo Financiero. On February 8, 2010 the Minority Trust was transferred to HSBC Mexico, División Fiduciaria, who is currently the trustee of the Minority Trust.

Management

The only members of our executive management or members of our board of directors that indirectly hold more than 1% of our capital stock are Mr. José Luis Rión Santisteban, Mr. Noel González Cawley and Mr. Guillermo Daniel Barroso Montull.

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 Mexican Securities Market Law 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 our material related party transactions entered into over the past three fiscal years and which remain in force as of the date of this offering memorandum. For additional information regarding our transactions with related parties and affiliates, see note 16 to our unaudited interim financial statements as of and for the three-month period ended March 31, 2017 and 2016.

On January 1, 2014, Serfincor and Mr. José Luis Rión Santisteban entered into an agreement for the provision of certain services (including strategic planning, advising, and consulting services) to Serfincor and its affiliates. Pursuant to the agreement, which expired on December 31, 2014, Mr. Rión received monthly compensation as consideration for his services, plus VAT, and minus the applicable VAT and income tax withholdings. Serfincor and Mr. Rión have subsequently executed additional agreements on similar terms, the last of which was executed on January 2017 for a term of 12 months.

On August 5, 2016, Grupo Jorisa, S.A. de C.V., as creditor, and Financiera Independencia, as borrower, entered into a non-revolving credit agreement for an aggregate principal amount of up to \$400.0 million, bearing interest at a rate equal to the TIIE rate plus 350 bps.

DESCRIPTION OF NOTES

The Company will issue the notes under an indenture (the “Indenture”), to be dated the Issue Date, among the Company, each Guarantor, and The Bank of New York Mellon, as trustee (the “Trustee”). The terms of the notes include those stated in the Indenture. We summarize below certain provisions of the Indenture, but do not restate the Indenture in its entirety. Where reference is made to particular provisions of the Indenture or to defined terms not otherwise defined herein, those provisions or defined terms are incorporated herein by reference. We urge you to read the Indenture because it, and not this description, defines your rights. You can obtain a copy of the Indenture in the manner described under “Available Information.”

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

- 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
- the “notes” in this section, we mean the notes originally issued on the Issue Date and Additional Notes, if any.

General

The notes will:

- be general unsecured obligations of the Company;
- rank equal in right of payment with all other existing and future Senior Indebtedness of the Company (subject to certain labor and tax obligations for which preferential treatment is given under Mexican insolvency and related laws);
- rank senior in right of payment to all existing and future Subordinated Indebtedness of the Company, if any;
- be effectively subordinated to all existing and future Secured Indebtedness of the Company to the extent of the value of the 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 (except to the extent that such guarantee would contravene, or result in a violation of, law or regulations applicable to such Restricted Subsidiary); and
- be structurally subordinated to all existing and future Indebtedness and trade payables of the Company’s Subsidiaries that do not Guarantee the notes.

As of March 31, 2017, on a pro forma basis after giving effect to this offering and the use of the net proceeds as described under “Use of Proceeds”:

- the Company and the Guarantors would have had consolidated total indebtedness of U.S.\$368.6 million, of which U.S.\$16.6 million would have been secured; and
- the Company’s Subsidiaries that are not Guarantors would have had consolidated total liabilities of U.S.\$368.6million (including U.S.\$250.0 million of consolidated total indebtedness and U.S.\$118.6 million of consolidated trade payables).

Additional Notes

Subject to the limitations set forth under “—Certain Covenants—Limitation on Incurrence of Additional Indebtedness,” the Company and its Subsidiaries may incur additional Indebtedness. At the Company’s option, this additional Indebtedness may consist of additional notes (“Additional Notes”) issued by the Company in one or more transactions, which have identical terms (provided, that the issue date, the issue price and the first interest period may differ) as the notes issued on the Issue Date; *provided, however*, that unless such Additional Notes are issued under a separate CUSIP number, either such Additional Notes are part of the same “issue” for U.S. federal income tax purposes or are issued pursuant to a “qualified reopening” for U.S. federal income tax purposes. 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 minimum denominations of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof. The notes will mature on July 19, 2024, at which time the principal amount of the notes outstanding on such date will become due and payable. The notes will not be entitled to the benefit of any mandatory sinking fund.

Interest on the notes will accrue at the rate of 8.000% per annum and will be payable semi-annually in arrears on each July 19 and January 19, commencing on January 19, 2018. Payments will be made to the persons who are registered holders at the close of business on January 4 and July 4, respectively, immediately preceding the applicable interest payment date. The final payment on any definitive note, however, will be made only upon presentation and surrender of such note at the office of any Paying Agent.

Interest on the notes will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from and including the Issue Date. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months. The redemption of the 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 original 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. Payments on the notes will be made at the office or agency of the Paying Agent and Registrar in New York City. Application will be made to admit the notes to listing on the Singapore Stock Exchange. As long as the notes are listed on this market and as long as the rules of the Singapore Stock Exchange so require, the Company will also maintain a Paying Agent in Singapore.

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

The Company, and the Guarantors, if any, will pay to holders of the notes all additional amounts (“Additional Amounts”) that may be necessary so that every net payment of interest, any premium paid upon redemption of the notes or principal to holders of the notes will not be less than the amount provided for in the notes. By net payment, we mean the amount we or our paying agent pay the holder after deducting or withholding an amount for or on

account of any present or future taxes, duties, assessments or other governmental charges imposed with respect to that payment by a Mexican taxing authority or any other jurisdiction in which the Company or any Guarantor is organized or resident for tax purposes or through which payment on the notes or the Note Guarantees is made (a “Relevant Jurisdiction”), or any political subdivision or taxing authority thereof or therein (“Taxes”).

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

- any Taxes imposed solely because at any time there is or was a connection between the holder or beneficial owner of the note and the Relevant Jurisdiction (or any political subdivision or taxing authority thereof or therein), including such holder or beneficial owner (i) being or having been a citizen or resident thereof for tax purposes, (ii) maintaining or having maintained an office, permanent establishment, or branch, in all cases subject to taxation therein, or (iii) being or having been present or engaged in a trade or business therein (other than the receipt of payments or the ownership or holding of a note),
- any estate, inheritance, gift, transfer or similar tax, assessment or other governmental charge imposed with respect to the notes,
- any Taxes imposed solely because the holder or any other person having a beneficial interest in the notes fails to comply with any certification, identification, information, documentation or other reporting requirement concerning the nationality, residence for tax purposes or, identity of the holder or any beneficial owner of the note, if compliance is required by statute, rule, regulation, officially published administrative practice of the taxing jurisdiction or by an applicable income tax treaty, which is in effect, to which Mexico or any other Relevant Jurisdiction is a party, as a precondition to exemption from, or reduction in the rate of, the tax assessment or other governmental charge and we (or the relevant Guarantor, if applicable) have given the holders at least 30 days’ notice that holders will be required to provide any such information, documentation or reporting requirement.
- any Taxes payable otherwise than by deduction or withholding from payments on the notes,
- any Taxes with respect to such note presented for payment more than 30 days after the date on which the payment became due and payable or the date on which payment thereof is duly provided for and notice thereof given to holders, whichever occurs later, except to the extent that the holders of such note would have been entitled to such Additional Amounts on presenting such note for payment on any date during such 30 day period,
- any payment on the note to a holder that is a fiduciary or partnership or a person other than the sole beneficial owner of any such payment, to the extent that a beneficiary or settlor with respect to such fiduciary, a member of such a partnership or the beneficial owner of the payment would not have been entitled to the Additional Amounts had the beneficiary, settlor, member or beneficial owner been the holder of the note, and
- any Taxes withheld or deducted on or in respect of any note pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (commonly referred to as “FATCA”), any treaty, law, regulation or other official guidance enacted by the United States implementing FATCA, any agreement between either of the Company or any Guarantor and the United States implementing FATCA, or any law of any jurisdiction implementing an intergovernmental approach to FATCA.

The limitations on our obligations to pay Additional Amounts stated in the third bullet point above will not apply if (a) the provision of information, documentation or other evidence described in such third bullet point would be materially more onerous, in form, in procedure or in the substance of information disclosed, to a holder or beneficial owner of a note, taking into account any relevant differences between U.S. and Mexican law, rule, regulation or administrative practice, than comparable information or other reporting requirements imposed under U.S. tax law (including the United States-Mexico income tax treaty), regulation and published administrative practice; or (b) with respect to taxes imposed by Mexico or any political subdivision or taxing authority thereof or

therein, Article 166, Section II, of the Mexican income tax law (or a substantially similar successor of such Article) is in effect, unless the provision of the information, documentation or other evidence described in the third bullet is expressly required by statute, rule or regulation in order to apply Article 166, Section II of the Mexican income tax law (or a substantially similar successor of such Article), the Company, or the relevant Guarantor cannot obtain such information, documentation or other evidence on its own through reasonable diligence and we otherwise would meet the requirements for application of Article 166, Section II, of the Mexican income tax (or such successor of such Article).

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, of any nature, register with the Ministry of Finance and Public Credit or the Mexican Tax Service Administration to establish eligibility for an exemption from, or a reduction of, Mexican withholding tax.

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

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

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

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

Note Guarantees

Each Guarantor will unconditionally guarantee the performance of all payment obligations of the Company under the Indenture and the notes. If after the Issue Date, the Company or any of its future Restricted Subsidiaries acquires or creates a Restricted Subsidiary that is a Significant Subsidiary after giving effect to that transaction or an existing Subsidiary becomes a Significant Subsidiary, the Company must cause such Significant Subsidiary to provide a Note Guarantee (except to the extent that such guarantee would contravene, or result in a violation of, law or regulations applicable to such Restricted Subsidiary). The Company shall, following the Issue Date, make a determination with respect to each of the first three fiscal quarters of each fiscal year, based on the financial information for such quarter, and at the end of each fiscal year, based on the financial information for such fiscal year, as to whether any Restricted Subsidiary has become a Significant Subsidiary as of the last day of such fiscal quarter or fiscal year, as applicable. Within 30 days after the date that the applicable financial information becomes available, or within 30 days after a transaction that would create a Significant Subsidiary, the Company shall cause each of its Restricted Subsidiaries that is not a Guarantor and is a Significant Subsidiary (based on such determination or such transaction) to become a Guarantor and execute and deliver to the Trustee, together with an opinion of counsel and such other documents as the Trustee may require, a supplemental indenture pursuant to which it provides a guarantee of the Company’s payment obligations under the notes and the Indenture.

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

The Note Guarantee of a Guarantor will terminate upon:

(1) a sale or other disposition (including by way of consolidation or merger) of Capital Stock of such Guarantor following which such Guarantor is no longer a direct or indirect Subsidiary of the Company or the sale or disposition of all or substantially all the assets of the Guarantor (other than to the Company or a Restricted Subsidiary) otherwise permitted by the Indenture;

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

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

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

Not all of our Restricted Subsidiaries will guarantee the notes. In the event of a bankruptcy, liquidation, *concurso mercantil*, *quiebra* or reorganization of non-guarantor Subsidiaries, these non-guarantor Subsidiaries will pay the holders of their debt and their trade creditors before they will be able to distribute any of their assets to the Company. 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—Payments on the notes will be effectively junior to any of our secured indebtedness and structurally junior to debt obligations of our subsidiaries that are not guarantors.”

On the Issue Date, Financiera Finsol, S.A. de C.V., *Sociedad Financiera de Objeto Múltiple, Entidad No Regulada*, Apoyo Económico Familiar, S.A. de C.V., *Sociedad Financiera de Objeto Múltiple, Entidad No Regulada*, Fisofo S.A. de C.V., *Sociedad Financiera de Objeto Múltiple, Entidad No Regulada*, and Apoyo Financiero Inc. will be the only Guarantors.

As of the Issue Date, there are no Unrestricted Subsidiaries.

Optional Redemption

Optional Redemption with a Make-Whole Premium

At any time prior to July 19, 2021, the Company may, at its option, redeem the notes, in whole or in part, at a redemption price equal to 100% of the principal amount of such notes to be redeemed, plus the Make-Whole Amount and accrued and unpaid interest to, but excluding, the date of redemption plus Additional Amounts, if any.

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

(a) the present value at such redemption date of (x) the redemption price of such note at July 19, 2021 (such redemption price being set forth in the table below under “—Optional Redemption without a Make-Whole Premium”) plus (y) all required interest payments thereon through July 19, 2021 (excluding accrued but unpaid interest to the redemption date), discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 50 basis points; over

(b) the outstanding principal amount of such note.

“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 the Independent Investment Banker as having an actual or interpolated maturity comparable to the remaining term of the notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a comparable maturity to the remaining term of such notes.

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

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

“Reference Treasury Dealer” means Barclays Capital Inc. and HSBC Securities (USA) Inc. or their 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 Independent Investment Banker, of the bid and asked price for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Independent Investment Banker by such Reference Treasury Dealer at 3:30 p.m. New York time on the third business day preceding such redemption date.

Optional Redemption without the Make-Whole Amount

At any time on or after July 19, 2021, the Company may, at its option, redeem the notes, in whole or in part, at the following redemption prices, expressed as percentages of the principal amount thereof, if redeemed during the twelve-month period commencing on July 19 of any year set forth below, plus any Additional Amounts then due, if any, plus accrued and unpaid interest to the date of the redemption:

Year	Redemption Price
2021	104.000%
2022	102.000%
2023 and thereafter	100.000%

Optional Redemption upon Equity Sales

At any time, and from time to time, on or prior to July 19, 2020, the Company may, at its option, use the net cash proceeds of one or more Equity Sales to redeem up to 35% of the aggregate principal amount of the notes (including any Additional Notes) issued under the Indenture at a redemption price equal to 108.000% of the principal amount thereof, plus accrued and unpaid interest to, but excluding, the date of redemption, plus Additional Amounts, if any; *provided*, that:

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

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

“Equity Sale” means (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 a Relevant Jurisdiction, or any political subdivision or taxing authority or other instrumentality thereof or therein affecting taxation, or any amendment to or change in an official interpretation or application of such laws, rules or regulations, which amendment to or change of such laws, rules or regulations becomes effective on or after the Issue Date and, if applicable, after the date such Relevant Jurisdiction becomes a Relevant Jurisdiction (which, in the case of a merger, consolidation or other transaction permitted and described under “—Certain Covenants —Limitation on Merger, Consolidation and Sale of Assets,” shall be treated for this purpose as the date of such transaction), we have become obligated, or will become obligated, in each case after taking all reasonable measures to avoid this requirement, to pay Additional Amounts in excess of those attributable to a Mexican withholding tax rate of 4.9% with respect to 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:

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

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

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

Optional Redemption Procedures

In the event that less than all of the notes are to be redeemed at any time, selection of notes for redemption will be made by the Trustee in compliance with the requirements of the principal securities exchange or market, if any, on which notes are listed or, if the notes are not then listed on a securities exchange or market, on a *pro rata* basis or by any other method subject to DTC’s applicable procedures. No notes of a principal amount of U.S.\$200,000 or less may be redeemed in part and notes of a principal amount in excess of U.S.\$200,000 may be redeemed in multiples of U.S.\$1,000 only.

Notice of any redemption will be delivered 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 Singapore Stock Exchange and as long as the rules of that exchange so require, the Company will cause notices of redemption also to be published through the Singapore Stock Exchange. A new note in a principal amount equal to the unredeemed portion thereof (if any, but not less than U.S.\$200,000) 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 to, but excluding, 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 one or more conditions, including 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 Triggering Event, each holder will have the right to require that the Company purchase all or a portion (in minimum principal amounts of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof) of the holder's notes at a purchase price equal to 101% of the principal amount thereof, plus accrued and unpaid interest thereon and any Additional Amounts, if any, through the date of purchase (the "Change of Control Triggering Event Payment").

Within 30 days following the date upon which the Change of Control Triggering Event occurred, the Company must deliver a notice to each holder, with a copy to the Trustee, offering to purchase the notes as described above (a "Change of Control Triggering Event Offer") and, so long as it is required by the rules of the Singapore Stock Exchange, publish the Change of Control Triggering Event Offer through the Singapore Stock Exchange. The Change of Control Triggering Event Offer shall state, among other things, the purchase date, which must be no earlier than 30 days nor later than 60 days from the date the notice is mailed, other than as may be required by law (the "Change of Control Triggering Event Payment Date").

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

- (1) accept for payment all notes or portions thereof properly tendered and not withdrawn pursuant to the Change of Control Triggering Event Offer;
- (2) deposit with the Paying Agent the Change of Control Triggering Event Payment in respect of all notes or portions thereof so tendered; and
- (3) deliver to the Trustee an Officer's certificate stating the aggregate principal amount of notes or portions thereof being purchased by the Company.

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

The Company will not be required to make a Change of Control Triggering Event Offer upon a Change of Control Triggering Event if (1) a third party makes the Change of Control Triggering Event Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Triggering Event Offer made by the Company and purchases all notes properly tendered and not withdrawn

under the Change of Control Triggering Event Offer, or (2) notice of redemption has been given pursuant to the Indenture as described above under the caption “—Optional Redemption,” unless and until there is a default in payment of the applicable redemption price.

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

In the event that holders of not less than 90% 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 notes have Investment Grade Ratings from any two Rating Agencies and (ii) no Default or Event of Default has occurred and is continuing (the occurrence of the events described in the foregoing clauses (i) and (ii) being collectively referred to as a “Covenant Suspension Event”, and the date on which such Covenant Suspension Event occurs being referred to as a “Suspension Date”), the Company and its Restricted Subsidiaries will not be subject to the provisions of the Indenture described under:

- “—Limitation on Incurrence of Additional Indebtedness”;
- “—Limitation on Guarantees”;
- “—Limitation on Restricted Payments”;
- “—Limitation on Asset Sales and Sales of Subsidiary Stock”;
- “—Limitation on Securitization”;
- “—Limitation on Designation of Unrestricted Subsidiaries”;
- “—Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries”;
- “—Limitation on Layered Indebtedness”;
- clause (b) of “—Limitation on Merger, Consolidation and Sale of Assets”;
- “—Limitation on Transactions with Affiliates”; 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”) the notes cease to have an Investment Grade Rating by two Rating Agencies, then the Company and its Restricted Subsidiaries will thereafter again be subject to the Suspended Covenants. The period of time between the Suspension Date and the Reversion Date is referred to as the “Suspension Period.” Notwithstanding that the Suspended Covenants may be reinstated, no Default or Event of Default will be deemed to have occurred as a result of a failure to comply with the Suspended Covenants during the Suspension Period (or upon termination of the Suspension Period or after that time based solely on events that occurred during the Suspension Period).

On the Reversion Date, all Indebtedness Incurred during the Suspension Period will be classified as having been incurred pursuant to clause (1) of “—Limitation on Incurrence of Additional Indebtedness” below or one of the clauses set forth in clause (2) of “—Limitation on Incurrence of Additional Indebtedness” below (to the extent such Indebtedness would be permitted to be incurred thereunder as of the Reversion Date and after giving effect to Indebtedness incurred prior to the Suspension Period and outstanding on the Reversion Date). To the extent such Indebtedness would not be so permitted to be incurred pursuant to the first or second clauses of “—Limitation on Incurrence of Additional Indebtedness,” such Indebtedness will be deemed to have been outstanding on the Issue Date, so that it is classified as permitted under clause 2(c) of “—Limitation on Incurrence of Additional Indebtedness.” Calculations made after the Reversion Date of the amount available to be made as Restricted Payments under “—Limitation on Restricted Payments” will be made as though the covenant described under “—Limitation on Restricted Payments” had been in effect since the Issue Date and throughout the Suspension Period.

The Company will notify the Trustee of the occurrence of any Suspension Date or Reversion Date within 10 Business Days of its occurrence. After any such notice of the occurrence of a Reversion Date the Trustee shall assume the Suspended Covenants apply and are in full force and effect.

Limitation on Incurrence of Additional Indebtedness

- (1) The Company will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, Incur any Indebtedness, including Acquired Indebtedness, except that the Company and any Guarantor may Incur Indebtedness, including Acquired Indebtedness, if, at the time of and immediately after giving pro forma effect to the Incurrence thereof and the application of the proceeds therefrom the Capitalization Ratio of the Company is greater than 13.5% or, at any time that the Company is Operating as a Bank, greater than 10%.
- (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) and guarantees thereof;
 - (b) Guarantees by any Restricted Subsidiary of Indebtedness of the Company Incurred in accordance with this covenant, which Guarantee is permitted under “—Limitation on Guarantees” below; *provided* that (i) if such Guarantee is of Subordinated Indebtedness then the Note Guarantee of such Guarantor shall be senior to such Guarantor’s Guarantee of Subordinated Indebtedness and (ii) if such Restricted Subsidiary is not a Guarantor it shall simultaneously provide a Note Guarantee and become a Guarantor;
 - (c) Indebtedness of the Company and its Restricted Subsidiaries outstanding on the Issue Date;
 - (d) Hedging Obligations entered into by the Company and its Restricted Subsidiaries in the ordinary course of business and not for speculative purposes, including, without limitation, Hedging Obligations in respect of the notes or other Indebtedness;
 - (e) intercompany Indebtedness between the Company and any Restricted Subsidiary or between any Restricted Subsidiaries; *provided* that:
 - (1) if the Company or any Guarantor is the obligor on any such Indebtedness owed to a Restricted Subsidiary that is not a Guarantor, such Indebtedness must be expressly subordinated to the prior payment in full of all obligations under the notes and the Indenture, in the case of the Company or such Guarantor’s Note Guarantee in the case of any such Guarantor; *provided* that the Company, its parent companies (if any) and any Guarantor shall, to the extent required under applicable law because a right to vote would exist in respect of such Indebtedness, agree to vote such Indebtedness, or provide their consents in connection with such Indebtedness, in any Mexican Restructuring, in a manner that is consistent with the vote of or the consents provided by, the holders of the notes and other unaffiliated creditors of the same class as the notes, and
 - (2) in the event that at any time any such Indebtedness ceases to be held by the Company or a Restricted Subsidiary, such Indebtedness shall be deemed to be Incurred and not permitted by this clause (e) at the time such event occurs;
 - (f) Indebtedness of the Company or any of its Restricted Subsidiaries arising from the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently (including daylight overdrafts paid in full by the close of business on the day such overdraft was Incurred) drawn against insufficient funds in the ordinary course of business; *provided*, that such Indebtedness is extinguished within five business days of Incurrence;

- (g) Indebtedness of the Company or any of its Restricted Subsidiaries represented by letters of credit for the account of the Company or any Restricted Subsidiary, as the case may be, in order to provide for judicial deposits required in connection with any judicial or administrative proceeding, provide security for workers' compensation claims, payment obligations in connection with self-insurance or similar requirements in the ordinary course of business;
 - (h) Indebtedness in respect of bid, performance surety bonds or *fianzas* in the ordinary course of business for the account of the Company or any of its Restricted Subsidiaries, including Guarantees or obligations of the Company or any Restricted Subsidiary with respect to letters of credit and/or *fianzas* supporting such bid, performance or surety obligations (in each case other than for the payment of borrowed money);
 - (i) Refinancing Indebtedness in respect of:
 - (1) Indebtedness (other than Indebtedness owed to the Company or any Subsidiary of the Company) Incurred pursuant to clause (1) of this covenant, or
 - (2) Indebtedness Incurred pursuant to this clause (2)(i) and clauses (2)(a) and (c) of this covenant;
 - (j) Permitted Acquisition Indebtedness;
 - (k) Capital Securities;
 - (l) indemnification, adjustment of purchase price, earn-out or similar obligations, in each case, incurred or assumed in connection with the acquisition or disposition of any business or assets of the Company or any Restricted Subsidiary or Capital Stock of a Restricted Subsidiary, other than guarantees of Indebtedness incurred by any Person acquiring all or any portion of such business, assets or equity interests for the purposes of financing or in contemplation of any such acquisition; *provided* that (A) any amount of such Obligations included on the face of the balance sheet of the Company or any Restricted Subsidiary shall not be permitted under this clause (l) and (B) in the case of a disposition, the maximum aggregate liability in respect of all such Obligation outstanding under this clause (l) shall at no time exceed the gross proceeds actually received by the Company and the Restricted Subsidiaries in connection with such disposition;
 - (m) Capitalized Lease Obligations and Purchase Money Indebtedness of the Company or any Restricted Subsidiary in an aggregate principal amount not to exceed U.S.\$5.0 million (or the equivalent in other currencies) at any one time outstanding;
 - (n) deposits from bank customers during any period of time that the Company is Operating as a Bank; and
 - (o) additional Indebtedness of the Company or any Restricted Subsidiary in an aggregate principal amount not to exceed the greater of (x) U.S.\$40.0 million (or the equivalent in other currencies) and (y) 15.0% of Consolidated Net Worth of the Company and its Restricted Subsidiaries at any time outstanding.
- (3) For purposes of determining compliance with, and the outstanding principal amount of, any particular Indebtedness Incurred pursuant to and in compliance with this covenant, (i) the outstanding principal amount of any item of Indebtedness will be counted only once, (ii) the amount of Indebtedness issued at a price that is less than the principal amount thereof will be equal to the amount of the liability in respect thereof determined in accordance with GAAP, and (iii) Guarantees of, or obligations in respect of letters of credit or similar instruments relating to, Indebtedness which is otherwise included in the

determination of any particular amount of Indebtedness will not be included. Accrual of interest, the accretion or amortization of original issue discount, the payment of regularly scheduled interest in the form of additional Indebtedness of the same instrument or the payment of regularly scheduled dividends on Disqualified Capital Stock in the form of additional Disqualified Capital Stock with the same terms will not be deemed to be an Incurrence of Indebtedness for purposes of this covenant; *provided* that any such outstanding additional Indebtedness or Disqualified Capital Stock paid in respect of Indebtedness Incurred pursuant to any provision of clause (2) of this covenant will be counted as Indebtedness outstanding thereunder for purposes of any future Incurrence under such provision. For purposes of determining compliance with this “Limitation on Incurrence of Additional Indebtedness” covenant, in the event that an item of proposed Indebtedness meets the criteria of more than one of the categories of Permitted Indebtedness described in clauses (2)(a) through (2)(o) 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) For purposes of determining compliance with any U.S. dollar denominated restriction on the incurrence of Indebtedness where the Indebtedness Incurred is denominated in a different currency, the amount of such Indebtedness will be the U.S. Dollar Equivalent determined on the date of the Incurrence of such Indebtedness; *provided, however*, that if any such Indebtedness denominated in a different currency is subject to a Currency Agreement with respect to U.S. dollars covering all principal, premium, if any, and interest payable on such Indebtedness, the amount of such Indebtedness expressed in U.S. dollars will be as provided in such Currency Agreement. The principal amount of any Refinancing Indebtedness Incurred in the same currency as the Indebtedness being Refinanced will be the U.S. Dollar Equivalent of the Indebtedness Refinanced except to the extent that (x) such U.S. Dollar Equivalent was determined based on a Currency Agreement, in which case the Refinancing Indebtedness will be determined in accordance with the preceding sentence, and (y) the principal amount of the Refinancing Indebtedness exceeds the principal amount of the Indebtedness being Refinanced, in which case the U.S. Dollar Equivalent of such excess will be determined on the date such Refinancing Indebtedness is Incurred.

Limitation on Guarantees

The Company will not permit any Restricted Subsidiary of the Company that is not a 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, and in an amount equal to the amount of Indebtedness so Guaranteed or secured. Any Guarantee by any such Restricted Subsidiary of Subordinated Indebtedness of the Company will be subordinated and junior in right of payment to the contemporaneous Guarantee of the notes by such Restricted Subsidiary.

In the event that any Restricted Subsidiary is required to Guarantee the notes in accordance with the preceding paragraph such Restricted Subsidiary will be released and relieved of its obligations under such Guarantee as provided under “—Note Guarantees”.

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 immediately after giving effect to such Restricted Payment:

- (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) 50.0% of cumulative Consolidated Net Income of the Company or, if such cumulative Consolidated Net Income of the Company is a loss, minus 100.0% of the loss, accrued during the period, treated as one accounting period, beginning on the first day of the fiscal quarter during which the Issue Date occurs to the end of the most recent fiscal quarter for which consolidated financial information of the Company is available; *plus*
 - (B) 100.0% of the aggregate net proceeds, including cash and the Fair Market Value of property used in a Permitted Business (other than cash), received by the Company from any Person from any:

- contribution to the equity capital of the Company not representing an interest in Disqualified Capital Stock, or issuance and sale of Qualified Capital Stock of the Company, in each case, subsequent to the Issue Date,
- issuance and sale subsequent to the Issue Date (and, in the case of Indebtedness of a Restricted Subsidiary, at such time as it was a Restricted Subsidiary) of any Indebtedness of the Company or any Restricted Subsidiary that has been converted into or exchanged for Qualified Capital Stock of the Company, or
- issuance and sale subsequent to the Issue Date of any Capital Securities.

excluding, in each case, any net proceeds:

- (x) received from a Restricted Subsidiary of the Company; or
- (y) applied in accordance with clause (2) or (3) of the second paragraph of this covenant below; *plus*
- (C) any Investment Return; plus
- (D) U.S.\$15.0 million;

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 15.0%.

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

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

- (3) the voluntary prepayment, purchase, defeasance, redemption or other acquisition or retirement for value of any Subordinated Indebtedness solely in exchange for, or through the application of net proceeds of a substantially concurrent sale, other than to a Subsidiary of the Company, of Refinancing Indebtedness for such Subordinated Indebtedness;

- (4) repurchases by the Company of Common Stock of the Company or options, warrants or other securities exercisable or convertible into Common Stock of the Company from any current or former employees, officers, directors or consultants of the Company or any of its Subsidiaries or their authorized representatives upon the death, disability or termination of employment or directorship of such employees, officers or directors, or the termination or retention of any such consultants, in an amount not to exceed U.S.\$2.0 million in any calendar year (with unused amounts in any calendar year being permitted to be carried over into succeeding calendar years up to a maximum of U.S.\$2.0 million) plus the cash proceeds of key man life insurance policies received by the Company and its Restricted Subsidiaries;
- (5) the repurchase of Capital Stock (i) 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 or (ii) made, or deemed to be made, in connection with the granting to or exercise of stock options or warrants of employees, officers or directors of the Company or any of its Subsidiaries under plans duly approved by the Company;
- (6) if no Default or Event of Default shall have occurred and be continuing, the declaration and payment of regularly scheduled or accrued dividends or distributions to holders of any class or series of Disqualified Capital Stock of the Company or any Restricted Subsidiary issued on or after the Issue Date in accordance with the covenant “—Limitation on Incurrence of Additional Indebtedness”;
- (7) the repurchase, redemption or other acquisition or retirement for value of any Subordinated Indebtedness of the Company pursuant to and in accordance with the terms of a “change of control” covenant set forth in the indenture or other agreement pursuant to which such Subordinated Indebtedness is issued and such “change of control” covenant is substantially similar to the Change of Control Triggering Event provision included in the Indenture; *provided* that the Company (or another Person) has repurchased all notes required to be repurchased by the Company under the caption “—Change of Control Triggering Event” prior to the purchase, redemption or other acquisition or retirement for value of such Subordinated Indebtedness pursuant to the applicable “change of control” covenant;
- (8) if no Default or Event of Default shall have occurred and be continuing, the purchase by the Company of fractional shares arising out of stock dividends, splits or combinations or business combinations; *provided*, that such purchases are not made for the purposes of circumventing the provisions of this covenant;
- (9) 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; 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.\$5.0 million per annum (with unused amounts from any one calendar year being permitted to be carried over but only into the immediately succeeding calendar year).

In determining the aggregate amount of Restricted Payments made subsequent to the Issue Date, amounts expended pursuant to clauses (1) (without duplication for the declaration of the relevant dividend), (4), (6) and (8) above shall be included in such calculation and amounts expended pursuant to clauses (2), (3), (5), (7), (9) and (10) above shall not be included in such calculation.

Limitation on Asset Sales and Sales of Subsidiary Stock

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

- (a) the Company or the applicable Restricted Subsidiary, as the case may be, receives consideration at the time of such Asset Sale at least equal to the Fair Market Value of the assets or Capital Stock sold or otherwise disposed of, and
- (b) at least 75% of the consideration received for the assets or Capital Stock sold by the Company or the Restricted Subsidiary, as the case may be, in such Asset Sale shall be in the form of cash or Cash Equivalents received at the time of such Asset Sale.

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

- (1) any liabilities that are included on the balance sheet of the Company or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the notes) that are assumed by the transferee of any such assets and as a result of which the Company or such Restricted Subsidiary, as the case may be, are fully and unconditionally released from any further liability in connection therewith;
- (2) any securities, notes or other obligations or assets received by the Company or any such Restricted Subsidiary from such transferee that are converted by the Company or such Restricted Subsidiary into cash or Cash Equivalents within 180 days of the receipt thereof (subject to ordinary settlement periods), to the extent of the cash or Cash Equivalents received in that conversion;
- (3) the Fair Market Value of any Capital Stock of a Person engaged in a Permitted Business that will become, upon purchase, a Restricted Subsidiary or assets (other than current assets as determined in accordance with GAAP or Capital Stock) to be used by the Company or any Restricted Subsidiary in a Permitted Business; and
- (4) any Designated Non-cash Consideration received by the Company or any of its Restricted Subsidiaries in such Asset Sale; provided that the aggregate Fair Market Value of such Designated Non-cash Consideration, taken together with the Fair Market Value at the time of receipt of all other Designated Non-cash Consideration received pursuant to this clause (4) less the amount of Net Proceeds previously realized in cash or Cash Equivalents from the sale of prior Designated Non-cash Consideration is less than the greater of (x) 5.0% 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 Guarantor, any Indebtedness secured by the assets subject to such Asset Sale or Indebtedness of any Restricted Subsidiary that is not a Guarantor (in each case owing to a Person other than the Company or any Restricted Subsidiary and including, in each case without limitation, Capitalized Lease Obligations),
- (b) make capital expenditures in a Permitted Business, and/or
- (c) purchase
 - (1) assets (other than current assets as determined in accordance with 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 30 days following the date notice of the Asset Sale Offer is given to the Holders, or any longer period as may be required by applicable law or regulation, nor more than 60 days following such notice. 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 delivered to the record holders as shown on the register of holders within 30 days following the expiration of the relevant 365–day period (except in the case of clause (c)(3) in which case such period shall be extended for 180 days), 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 delivered, other than as may be required by law (the “Asset Sale Offer Payment Date”). Upon receiving notice of an Asset Sale Offer, holders may elect to tender their notes in whole or in part in minimum principal amounts of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof in exchange for cash.

On or before 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) deposit with the Paying Agent funds in an amount equal to the Asset Sale Offer Amount in respect of all notes or portions thereof so tendered; and
- (3) deliver or cause to be delivered to the Trustee for cancellation the notes so accepted together with an Officers’ Certificate stating the aggregate principal amount of notes or portions thereof being purchased by the Company and surrendered for cancellation.

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) subject to DTC’s applicable procedures. 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 Securitization

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

- (1) the sale, transfer or other disposition is in connection with a Loan-Related Securitization; and
- (2) the aggregate consideration received in each such sale, transfer or other disposition is at least equal to the Fair Market Value of the receivables sold.

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 and 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 an Officers’ Certificate, 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 agreement outstanding on the Issue Date, and any amendment, modification, restatement, renewal, restructuring, replacement or refinancing thereof; *provided* that any amendment, modification, restatement, renewal, restructuring, replacement or refinancing is not materially more restrictive, taken as a whole, with respect to such encumbrances or restrictions than those in existence on the Issue Date;
 - (4) customary non-assignment provisions of any contract and customary provisions restricting assignment or subletting in any lease governing a leasehold interest of any Restricted Subsidiary, or any customary restriction on the ability of a Restricted Subsidiary to dividend, distribute or otherwise transfer any asset which secures Indebtedness secured by a Lien, in each case permitted to be Incurred under the Indenture;
 - (5) any instrument governing Acquired Indebtedness not Incurred in connection with, or in anticipation or contemplation of, the relevant acquisition, merger or consolidation, which

encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person or the properties or assets of the Person so acquired;

- (6) customary restrictions with respect to a Restricted Subsidiary of the Company imposed pursuant to a binding agreement which has been entered into for the sale or disposition of Capital Stock or assets of such Restricted Subsidiary; *provided* that such restrictions apply solely to the Capital Stock or assets of such Restricted Subsidiary being sold;
- (7) customary restrictions imposed on the transfer of copyrighted or patented materials;
- (8) an agreement governing Indebtedness of the Company or any Restricted Subsidiaries permitted to be Incurred subsequent to the date of the Indenture in accordance with the covenant described above under the caption “—Limitation on Incurrence of Additional Indebtedness”; *provided* that the provisions relating to such encumbrance or restriction contained in such agreement are no more restrictive, taken as a whole, than those contained in the agreement referred to in clause (3) of this paragraph;
- (9) purchase money obligations for property (including Capital Stock) acquired in the ordinary course of business and Capitalized Lease Obligations that impose restrictions on the property purchased or leased of the nature described in paragraph (a)(3) of this covenant;
- (10) Liens permitted to be incurred under the provisions of the covenant described below under the caption “—Limitation on Liens” that limits the right of the debtor to dispose of the assets securing such Indebtedness;
- (11) provisions limiting the payment of dividends or the disposition or distribution of assets or property or transfer of Capital Stock in joint venture agreements, sale-leaseback agreements, limited liability company organizational documents and other similar agreements entered into in accordance with the terms of the Indenture and (a) in the ordinary course of business consistent with past practice or (b) with the approval of the Company’s Board of Directors, which limitation is applicable only to the assets, property or Capital Stock that are the subject of such agreements;
- (12) restrictions on cash, Cash Equivalents, Marketable Securities or other deposits or net worth imposed by customers or lessors under contracts or leases entered into in the ordinary course of business consistent with past practice to secure trade payable obligations; and
- (13) restrictions customarily granted in connection with any Loan-Related Securitizations.

Limitation on Layered Indebtedness

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

Limitation on Liens

The Company will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, Incur any Liens of any kind (except for Permitted Liens) against or upon any of their respective properties or assets, whether owned on the Issue Date or acquired after the Issue Date, or any proceeds therefrom, to secure any Indebtedness or trade payables unless contemporaneously therewith effective provision is made:

- (1) in the case of the Company or any Restricted Subsidiary other than a Guarantor, to secure the notes and all other amounts due under the Indenture; and
- (2) in the case of a Guarantor, to secure such 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 and obligation of the notes and the Indenture on the part of the Company to be performed or observed and shall cause each Guarantor (including Persons that become Guarantors as a result of the transaction) to confirm by supplemental indenture that its Note Guarantee will apply for the Obligations of the Surviving Entity in respect of the Indenture and the notes;
- (b) immediately after giving effect to such transaction and the assumption contemplated by clause (a)(2)(B) above (including giving effect on a pro forma basis to any Indebtedness, including any Acquired Indebtedness, Incurred in connection with or in respect of such transaction), the Company or such Surviving Entity, as the case may be:
 - (1) will be able to Incur at least U.S.\$1.00 of additional Indebtedness pursuant to clause (1) of "—Limitation on Incurrence of Additional Indebtedness," or
 - (2) will have a Capitalization Ratio of not less than the Capitalization Ratio of the Company and its Restricted Subsidiaries immediately prior to such transaction;
- (c) immediately before and immediately after giving effect to such transaction and the assumption contemplated by clause (a)(2)(B) above (including, without limitation, giving effect on a pro forma basis to any Indebtedness, including any Acquired Indebtedness, Incurred and any Lien granted in

connection with or in respect of the transaction), no Default or Event of Default shall have occurred or be continuing;

- (d) if the Company is organized under Mexican law and merges with a corporation, or the Surviving Entity is, organized under the laws of a Qualified Merger Jurisdiction or the Company is organized under the laws of a Qualified Merger Jurisdiction and merges with a Person, or the Surviving Entity is, organized under the laws of Mexico, the Company or the Surviving Entity will have delivered to the Trustee an Opinion of Counsel from each of Mexico and the relevant Qualified Merger Jurisdiction to the effect that, as applicable:
 - (i) the holders of the notes will not recognize income, gain or loss for income tax purposes under the laws of the relevant Qualified Merger Jurisdiction or Mexico as a result of the transaction,
 - (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
- (e) the Company or the Surviving Entity has delivered to the Trustee an Officers’ Certificate and an Opinion of Counsel, each stating that the consolidation, merger, sale, assignment, transfer, lease, conveyance or other disposition and, if required in connection with such transaction, the supplemental indenture, comply with the applicable provisions of the Indenture and that all conditions precedent in the Indenture relating to the transaction have been satisfied.

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

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

- (1) any transfer of the properties or assets of a Restricted Subsidiary to the Company or a Guarantor;
- (2) any merger of a Restricted Subsidiary into the Company or a 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.

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

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

- (1) such Person (if such Guarantor is not the surviving entity) assumes all of the obligations of such Guarantor in respect of its Note Guarantee by executing a supplemental indenture and providing the Trustee with an Officers' Certificate and Opinion of Counsel, and such transaction is otherwise in compliance with the Indenture;
- (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 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 must in addition obtain and deliver to the trustee a favorable written opinion from an internationally recognized accounting, appraising or investment banking firm as to the fairness of the transaction to the Company and its Restricted Subsidiaries from a financial point of view.
- (2) Paragraph (1) above will not apply to:
 - (a) Affiliate Transactions with or among the Company and any Restricted Subsidiary or between or among Restricted Subsidiaries;
 - (b) reasonable fees and compensation paid to, and any indemnity provided on behalf of, officers, directors, employees, consultants or agents of the Company or any Restricted Subsidiary as determined in good faith by the Company's Board of Directors or senior management of the Company;
 - (c) Affiliate Transactions undertaken pursuant to any contractual obligations or rights in existence on the Issue Date and any amendment, modification or replacement of such agreement (so long as such amendment, modification or replacement is not materially more disadvantageous to the Company and its Restricted Subsidiaries or the holders of the notes, taken as a whole, than the original agreement as in effect on the Issue Date);
 - (d) any Restricted Payments made in compliance with “—Limitation on Restricted Payments” or any Permitted Investments;

- (e) loans and advances to officers, directors and employees of the Company or any Restricted Subsidiary for travel, entertainment, moving and other relocation expenses, in each case made in the ordinary course of business and not exceeding 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 Capital 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, who will in turn furnish to the holders of such notes:

- (a) Within 120 days following the end of each of the Company's fiscal years, financial information (presented in the English language) consisting of the sections titled "Selected Consolidated Financial Information and Other Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and with scope and content substantially similar to the corresponding sections of this offering memorandum (after taking into consideration any changes to the business and operations of the Company and its Restricted Subsidiaries after the Issue Date), consolidated audited income statements, balance sheets and cash flow statements and the related notes thereto for the Company for the two most recent fiscal years in accordance with GAAP, which need not, however, contain any reconciliation to U.S. GAAP or otherwise comply with Regulation S-X of the U.S. Securities and Exchange Commission, together with an audit report thereon by the Company's independent auditors; and
- (b) Within 60 days following the end of each of the first three fiscal quarters in each of the Company's fiscal years (beginning with the fiscal quarter ended June 30, 2017), quarterly financial information consisting of unaudited balance sheets, statements of income and statements of cash flows and the related notes thereto for the Company and the Restricted Subsidiaries on a consolidated basis, in each case for the quarterly period then ended and the corresponding quarterly period in the prior fiscal year and prepared in accordance with GAAP, which need not, however, contain any reconciliation to U.S. GAAP or otherwise comply with Regulation S-X of the U.S. Securities and Exchange Commission, together with 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.

The requirement to provide any report to the Trustee shall be deemed satisfied if such report is made available on the Company’s publicly available website.

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

Listing

Application is expected to be made to list the notes on the Singapore Stock Exchange. In the event that the notes are admitted for listing on the Singapore Stock Exchange, the Company will use its commercially reasonable efforts to maintain such listing, *provided* that if (1) as a result of applicable rules and regulations relating to listing on the Singapore Stock Exchange, 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, or (2) the Company determines that it is unduly burdensome to maintain a listing on the Singapore Stock Exchange, the Company may delist the notes from the Singapore Stock Exchange in accordance with the rules of such exchange provided an alternative admission to listing, trading and/or quotation for the notes on a different listing authority, stock exchange and/or quotation system is pending as the Company may decide.

Notices

Notice to holders of the notes, if they are global notes, will be given in accordance with the procedures of the applicable clearing system; if they are certificated notes, notice to holders will be given by mail to the addresses of such holders as they appear in the security register. Neither the failure to give any notice to a particular holder, nor any defect in a notice given to a particular holder, will affect the sufficiency of any notice given to another holder.

Notices to be given by any holders of the notes to the Trustee shall be in writing to the Trustee at its corporate trust office. While any of the notes are represented by a global note, such notice may be given by any holder to the Trustee through DTC in such manner as DTC may approve for this purpose.

Notices will be given to holders in accordance with the rules of any exchange on which the Notes are listed.

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 pursuant to an optional redemption, Change of Control Triggering Event Offer or an Asset Sale Offer;
- (2) default for 30 days or more in the payment when due of interest or Additional Amounts, if any, on any notes;

- (3) the failure to perform or comply with any of the provisions described under “Certain Covenants—Merger, Consolidation and Sale of Assets;
- (4) the failure by the Company or any Restricted Subsidiary to comply with any other covenant or agreement contained in the Indenture or in the notes for 30 days or more after written notice to the Company from the Trustee or the holders of at least 25% in aggregate principal amount of the outstanding notes;
- (5) default by the Company or any Restricted Subsidiary that is a Significant Subsidiary under any Indebtedness which:
 - (a) is caused by a failure to pay principal 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 each case, the principal or accreted amount of Indebtedness at the relevant time, aggregates U.S.\$10.0 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.\$10.0 million or more, which judgment(s) are not paid, discharged or stayed for a period of 60 days or more;
- (7) certain events of bankruptcy affecting the Company or any of its Restricted Subsidiaries that are Significant Subsidiaries, including the declaration of their *concurso mercantil*; or
- (8) any Note Guarantee of a Significant Subsidiary ceases to be in full force and effect, other than in accordance with the terms of the Indenture, or a Guarantor denies or disaffirms its obligations under its Note Guarantee.

If an Event of Default (other than an Event of Default specified in clause (7) above with respect to the Company) shall occur and be continuing, the Trustee or the holders of at least 25% in principal amount of outstanding notes may declare the unpaid principal of (and premium, if any) and accrued and unpaid interest on all the notes to be immediately due and payable by notice in writing to the Company and the Trustee specifying the Event of Default and that it is a “notice of acceleration.” If an Event of Default specified in clause (7) above occurs with respect to the Company, then the unpaid principal of (and premium, if any) and accrued and unpaid interest on all the notes will become immediately due and payable without any declaration or other act on the part of the Trustee or any holder.

At any time after a declaration of acceleration with respect to the notes as described in the preceding paragraph, the holders of a majority in principal amount of the notes may rescind and cancel such declaration and its consequences:

- (1) if the rescission would not conflict with any judgment or decree;
- (2) if all existing Events of Default have been cured or waived, except nonpayment of principal or interest that has become due solely because of the acceleration;
- (3) to the extent the payment of such interest is lawful, interest on overdue installments of interest and overdue principal, which has become due otherwise than by such declaration of acceleration, has been paid; and
- (4) if the Company has paid the Trustee its reasonable compensation and reimbursed the Trustee for its reasonable expenses (including the fees and expenses of its counsel), disbursements and advances.

No rescission will affect any subsequent Default or impair any rights relating thereto.

The holders of a majority in principal amount of the notes may waive any existing Default or Event of Default under the Indenture, and its consequences, except a default in the payment of the principal of, premium, if any, or interest on any notes.

In the event of any Event of Default specified in clause (5) of the first paragraph above, such Event of Default and all consequences thereof (excluding, however, any resulting payment default) will be annulled, waived and rescinded, automatically and without any action by the Trustee or the holders, if within 30 days after such Event of Default arose the Company delivers an Officers' Certificate to the Trustee stating that (x) the Indebtedness or Guarantee that is the basis for such Event of Default has been discharged or (y) the holders thereof have rescinded or waived the acceleration, notice or action (as the case may be) giving rise to such Event of Default or (z) the default that is the basis for such Event of Default has been cured, it being understood that in no event shall an acceleration of the principal amount of the notes as described above be annulled, waived or rescinded upon the happening of any such events.

Subject to the provisions of the Indenture relating to the duties of the Trustee, the Trustee is under no obligation to exercise any of its rights or powers under the Indenture at the request, order or direction of any of the holders, unless such holders have offered to the Trustee satisfactory indemnity or security. 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 or security;
- (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 deliver to each holder notice of the Default or Event of Default within 90 days after the occurrence thereof. Except in the case of a Default or Event of Default in the payment of principal of, premium, if any, or interest on any note, the Trustee may withhold notice if and so long as its trust officer in good faith determines that withholding notice is in the interests of the holders.

Other than with respect to payment defaults, the Trustee shall not be charged with knowledge of any Default or Event of Default with respect to the Notes unless a written notice of such Default or Event of Default shall have

been given to an officer of the Trustee with direct responsibility for the administration of the Indenture and the Notes, by the Company or any Holders of Notes.

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 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 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, indemnities and immunities of the Trustee and the Company’s and each 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 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);
- (6) the Trustee has received an Officers’ Certificate stating that such Legal Defeasance or Covenant Defeasance shall not result in a breach or violation of, or constitute a default under the Indenture or any other material agreement or instrument to which the Company or any of its Subsidiaries is a party or by which the Company or any of its Subsidiaries is bound;
- (7) the Company has delivered to the Trustee an Officers’ Certificate stating that the deposit was not made by the Company with the intent of preferring the holders over any other creditors of the Company or any Subsidiary of the Company or with the intent of defeating, hindering, delaying or defrauding any other creditors of the Company or others;
- (8) the Company has delivered to the Trustee an Officers’ Certificate and an Opinion of Counsel from counsel reasonably acceptable to the Trustee (subject to customary exceptions and exclusions) and independent of the Company, each stating that all conditions precedent provided for or relating to the Legal Defeasance or the Covenant Defeasance have been complied with; and
- (9) the Company has delivered to the Trustee an Opinion of Counsel from counsel reasonably acceptable to the Trustee and independent of the Company to the effect that the trust funds will not be subject to the effect of any applicable bankruptcy, insolvency, reorganization or similar laws affecting creditors’ rights generally.

Satisfaction and Discharge

The Indenture will be discharged and will cease to be of further effect (except as to surviving rights or registration of transfer or exchange of the notes, as expressly provided for in the Indenture) as to all outstanding notes when:

- (1) either:
 - (a) all the notes previously authenticated and delivered (except lost, stolen or destroyed notes which have been replaced or paid and notes for whose payment money has previously 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 previously delivered to the Trustee for cancellation (i) have become due and payable, (ii) will become due and payable within one year or (iii) are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of a redemption by the Trustee and, in each case, 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 in the opinion of an internationally recognized investment bank, appraisal firm or firm of independent public accountants to pay and discharge the entire Indebtedness on the notes not previously 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 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, omissions, defects or inconsistencies, to provide for uncertificated notes in addition to or in place of certificated notes; to provide for the assumption of the Company's or a 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 Guarantor's assets, as applicable; to make any change that would provide any additional rights or benefits to the holders or that does not adversely affect the legal rights under the Indenture of any such holder; to comply with applicable law; to conform the text of the Indenture, the Note Guarantees or the notes to any provision of this Description of Notes; to allow any Guarantor to execute a supplemental indenture and/or a Note Guarantee with respect to the notes and to release Guarantors from the Note Guarantee in accordance with the terms of the Indenture; to comply with the requirements of any applicable securities depositary; to provide for a successor Trustee in accordance with the terms of the Indenture; to otherwise comply with any requirement of the Indenture; to issue Additional Notes; and make any other changes which do not adversely affect the rights of any of the holders in any material respect. In 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, 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:

- (1) reduce the principal amount of notes whose holders must consent to an amendment, supplement or waiver;
- (2) reduce the rate of or change or have the effect of changing the time for payment of interest, including defaulted interest, on any notes;
- (3) reduce the principal of or change or have the effect of changing the fixed maturity of any notes, or change the date on which any notes may be subject to redemption, or reduce the redemption price therefor;
- (4) make any notes payable in money other than that stated in the notes;
- (5) make any change in provisions of the Indenture entitling each holder to receive payment of principal of, premium, if any, and interest on such note on or after the due date thereof or to bring suit to enforce such payment, or permitting holders of a majority in principal amount of notes to waive Defaults or Events of Default;
- (6) amend, change or modify in any material respect any obligation of the Company to make and consummate a Change of Control Triggering Event Offer in respect of a Change of Control Triggering Event that has occurred or make and consummate an Asset Sale Offer with respect to any Asset Sale that has been consummated;
- (7) eliminate or modify in any manner a Guarantor's payment 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 amend 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 affects 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, each Guarantor and the Trustee irrevocably consent to the jurisdiction of the Federal and State courts located in the City of New York, Borough of Manhattan and the Company and each Guarantor 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 Guarantor shall not have any liability for any obligations of the Company or such Guarantor under the notes or the Indenture or for any claims based on, in respect of or by reason of such obligations or their creation. By accepting a note, each holder waives and releases all such liability.

Currency Indemnity

The Company and the Guarantors will pay all sums payable under the Indenture, 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 Guarantor will only constitute a discharge with respect to us, to the greatest extent permitted under applicable law, 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, to the greatest extent permitted under applicable law, the Company and the Guarantors will indemnify such holder against any loss such holder may sustain as a result. In any event, the Company and the Guarantors will indemnify any such holder against the cost of making any purchase of U.S. Dollars. For the purposes of this paragraph, it will be sufficient for such holder to certify in a satisfactory manner that such holder would have suffered a loss had an actual purchase of 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 the Guarantors;
- will give rise to a separate and independent cause of action;
- will apply irrespective of any indulgence granted by any holder; and
- will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any note.

Certain Definitions

Set forth below is a summary of certain of the defined terms used in the Indenture. Reference is made to the Indenture for a full definition of all such terms, as well as any other terms used herein for which no definition is provided.

“*Acquired Indebtedness*” means Indebtedness of a Person or any of its Subsidiaries existing at the time such Person becomes a Restricted Subsidiary or at the time it merges, consolidates or amalgamates with the Company or any of its Restricted Subsidiaries or is assumed in connection with the acquisition of assets from such Person; *provided* that such Indebtedness is not incurred in connection with, or in anticipation or contemplation of such merger, consolidation, amalgamation or acquisition. Such Indebtedness will be deemed to have been Incurred at the time such Person becomes a Restricted Subsidiary or at the time it merges, consolidates or amalgamates with the Company or a Restricted Subsidiary or at the time such Indebtedness is assumed in connection with the acquisition of assets from such Person.

“*Additional Amounts*” has the meaning set forth under “— Additional Amounts” above.

“*Additional Notes*” has the meaning set forth under “— Additional Notes” above.

“*Affiliate*” means, with respect to any specified Person, any other Person who directly or indirectly through one or more intermediaries controls, or is controlled by, or is under common control with, such specified Person. The term “control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise. For purposes of this definition, the terms “controlling,” “controlled by” and “under common control with” have correlative meanings.

“*Affiliate Transaction*” has the meaning set forth under “—Certain Covenants—Limitation on Transactions with Affiliates” above.

“*Asset Acquisition*” means:

- (1) an Investment by the Company or any Restricted Subsidiary in any other Person pursuant to which such Person will become a Restricted Subsidiary, or will be merged with or into the Company or any Restricted Subsidiary;
- (2) the acquisition by the Company or any Restricted Subsidiary of the assets of any Person (other than a Subsidiary of the Company) which constitute all or substantially all of the assets of such Person or comprises any division or line of business of such Person or any other properties or assets of such Person other than in the ordinary course of business; or
- (3) any Revocation with respect to an Unrestricted Subsidiary.

“*Asset Sale*” means any direct or indirect sale, disposition, issuance, conveyance, transfer, lease, assignment or other transfer, including a Sale and Leaseback Transaction (each, a “disposition”) by the Company or any Restricted Subsidiary of:

- (a) any Capital Stock of any Restricted Subsidiary (but not Capital Stock of the Company); or
- (b) any property or assets (other than cash or Cash Equivalents or Capital Stock of the Company) of the Company or any Restricted Subsidiary.

Notwithstanding the preceding, the following items will not be deemed to be Asset Sales:

- (1) the disposition of all or substantially all of the assets of the Company and its Restricted Subsidiaries as permitted under “— 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) during the life of the notes;
- (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 Restricted Subsidiary;
- (7) the disposition of accounts receivable and loans as permitted under “—Certain Covenants—Limitations on Securitizations”;
- (8) the sale of delinquent loans to unaffiliated third parties;
- (9) any sale or other disposition of damaged, worn-out, obsolete or no longer useful assets or properties in the ordinary course of business;
- (10) the sale of assets received by the Company or any of its Restricted Subsidiaries upon the foreclosure of a Lien in the ordinary course of business;
- (11) the granting of Liens permitted under “Certain Covenants—Limitation on Liens”;
- (12) the good faith surrender or waiver of contract rights or settlement, release or surrender of contract, tort or other claims or statutory rights in connection with a settlement in the ordinary course of business consistent with past practice; and
- (13) a disposition to a Restricted Subsidiary that is not a Guarantor from another Restricted Subsidiary that is not a Guarantor.

“*Asset Sale Offer*” has the meaning set forth under “— Certain Covenants— Limitation on Asset Sales and Sales of Subsidiary Stock.”

“*Asset Sale Transaction*” means any Asset Sale and, whether or not constituting an Asset Sale, (1) any sale or other disposition of Capital Stock, (2) any Designation with respect to an Unrestricted Subsidiary and (3) any sale or other disposition of property or assets excluded from the definition of Asset Sale by clause (4) of that definition.

“*Board of Directors*” means, as to any Person, the board of directors, management committee or similar governing body of such Person or any duly authorized committee thereof.

“*Board Resolution*” means, with respect to any Person, a copy of a resolution certified by the Secretary or an Assistant Secretary of such Person to have been duly adopted by the Board of Directors of such Person and to be in full force and effect on the date of such certification, and delivered to the Trustee.

“*Capital Securities*” means, with respect to the Company, any bonds, debentures, notes or other similar instruments of the Company (i) which are expressly subordinated in right of payment and in insolvency to the prior payment in full of any note and any other Senior Indebtedness, (ii) which have a scheduled maturity date of at least 90 days after the maturity date of the notes, (iii) the first principal payment in respect of which (pursuant to any redemption provision, amortization schedule or otherwise) may not occur until at least 90 days after the maturity date of the notes, (iv) the principal of which may not be accelerated so long as any note remains outstanding (except pursuant to a customary bankruptcy event of default with respect to the Company), (v) are senior only to Capital Stock of the Company, (vi) in respect of which interest may be deferred and cancelled and (vii) which, prior to their issuance, are provided equity-like treatment by at least two Rating Agencies pursuant to their respective rating criteria.

“*Capital Stock*” means:

- (1) with respect to any Person that is a corporation, any and all shares, interests, participations or other equivalents (however designated and whether or not voting) of corporate stock, including each class of Common Stock and Preferred Stock of such Person;

- (2) with respect to any Person that is not a corporation, any and all partnership or other equity or ownership interests of such Person; and
- (3) any warrants, rights or options to purchase any of the instruments or interests referred to in clause (1) or (2) above.

“*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) Net Loan Portfolio 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 GAAP. For purposes of this definition, the amount of such obligations at any date will be the capitalized amount of such obligations at such date, determined in accordance with GAAP.

“*Cash Equivalents*” means:

- (1) marketable direct obligations issued by, or unconditionally guaranteed by, the United States government or issued by any agency thereof and backed by the full faith and credit of the United States, in each case maturing within one year from the date of acquisition thereof;
- (2) *Certificados de la Tesorería de la Federación (Cetes)* or *Bonos de Desarrollo del Gobierno Federal (Bondes)*, in each case, issued by the government of Mexico and maturing not later than one year after the acquisition thereof;
- (3) marketable direct obligations issued by any state of the United States of America or any political subdivision of any such state or any public instrumentality thereof maturing within one year from the date of acquisition thereof and, at the time of acquisition, having one of the two highest ratings obtainable from any of S&P, Moody’s or Fitch ;
- (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, at least P-2 from Moody’s 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;
- (7) any other debt instruments having a rating of at least A-1 or AAA from S&P, P-1 or Aaa from Moody’s or F-1 or AAA from Fitch with maturities of one year or less from the date of acquisition; and
- (8) investments in money market funds, which invest substantially all of their assets in securities of the types described in clauses (1) through (7) above.

“*Change of Control*” means the occurrence of one or more of the following events:

- (1) any Person or a Group other than the Permitted Holders is or becomes the beneficial owner in the aggregate of 35% or more of the total voting power of the Voting Stock of the Company; *provided* that the Permitted Holders beneficially own 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” more than 35% of the voting power of the Voting Stock of such parent entity and the Permitted Holders “beneficially own” 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); or
- (2) individuals who on the Issue Date 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 voted upon favorably by the Permitted Holders, cease for any reason to constitute a majority of the Board of Directors of the Company then in office; or
- (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*” the occurrence of a Change of Control; provided that, at any time during a Suspension Period, a “Change of Control Triggering Event” shall mean the occurrence of both a Change of Control and a Rating Downgrade Event.

“*Change of Control Triggering Event Offer*” has the meaning set forth under “—Change of Control Triggering Event.”

“*Change of Control Triggering Event Payment*” has the meaning set forth under “—Change of Control Triggering Event.”

“*Change of Control Triggering Event Payment Date*” has the meaning set forth under “—Change of Control Triggering Event.”

“*Common Stock*” of any Person means any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person’s common equity interests, whether outstanding on the Issue Date or issued after the Issue Date, and includes, without limitation, all series and classes of such common equity interests.

“*Consolidated Net Income*” means, with respect to any Person for any period, the aggregate net income (or loss) of such Person and its Subsidiaries (after deducting (or adding) the portion of such net income (or loss) attributable to minority interests in Subsidiaries of such Person) for such period on a consolidated basis, determined in accordance with 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” (for the avoidance of doubt, this clause (3) will not result in the inclusion of the net loss of an Unrestricted Subsidiary in the calculation of the Company’s Consolidated Net Income);
- (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 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 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 Capital Stock but for provisions thereof giving holders thereof the right to require such Person to purchase or redeem such Capital Stock upon the occurrence of an “asset sale” or “change of control” occurring prior to the final maturity 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.

“*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 (including, without limitation, accounts receivable), the price (after deducting any liabilities relating to such assets) which could be negotiated in an arm’s-length free market transaction, for cash, between a willing seller and a willing and able buyer, neither of which is under any compulsion to complete the transaction; *provided*, that the Fair Market Value of any such asset (including, without limitation, accounts receivable) will be determined conclusively by the senior management of the Company acting in good faith.

“*Fitch*” means Fitch Rating Service, Inc. and its successors and assigns.

“*GAAP*” means (i) the accounting criteria established by the Mexican National Banking and Securities Commission (*Comisión Nacional Bancaria y de Valores*, or the CNBV), (ii) the Mexican Financial Reporting Standards (*Normas de Información Financiera*) issued by the Mexican Board for Research and Development of Financial Information Standards (*Consejo Mexicano para la Investigación y Desarrollo de Normas de Información Financiera*) or (iii) the International Financial Reporting Standards, in each case as applicable to the Company and, in effect from time to time.

“*Guarantee*” means any obligation, contingent or otherwise, including an *aval*, of any Person directly or indirectly guaranteeing any Indebtedness of any other Person:

- (1) to purchase or pay, or advance or supply funds for the purchase or payment of, such Indebtedness of such other Person, whether arising by virtue of partnership arrangements, or by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise, or
- (2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof, in whole or in part,

provided, that “*Guarantee*” will not include endorsements for collection or deposit in the ordinary course of business. “*Guarantee*” used as a verb has a corresponding meaning.

“*Guarantor*” means any Subsidiary that provides a Note Guarantee pursuant to the Indenture unless and until such Guarantor is released from its Note Guarantee pursuant to the Indenture.

“*Hedging Obligations*” means the obligations of any Person pursuant to any Interest Rate Agreement or Currency Agreement.

“*Incur*” means, with respect to any Indebtedness or other obligation of any Person, to create, issue, incur (including by conversion, exchange or otherwise), assume, Guarantee or otherwise become liable in respect of such Indebtedness or other obligation on the balance sheet of such Person (and “*Incurrence*,” “*Incurred*” and “*Incurring*” will have meanings correlative to the preceding).

“*Indebtedness*” means with respect to any Person, without duplication:

- (1) the principal amount (or, if less, the accreted value) of all obligations of such Person for borrowed money;
- (2) the principal amount (or, if less, the accreted value) of all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;
- (3) all Capitalized Lease Obligations of such Person;
- (4) all obligations of such Person issued or assumed as the deferred purchase price of property, all conditional sale obligations and all obligations under any title retention agreement (but excluding trade accounts payable and other accrued liabilities arising in the ordinary course of business that are not overdue by 180 days or more or are being contested in good faith by appropriate proceedings promptly instituted and diligently conducted);
- (5) all letters of credit, banker's acceptances or similar credit transactions, including reimbursement obligations in respect thereof;
- (6) Guarantees and other contingent obligations of such Person in respect of Indebtedness referred to in clauses (1) through (5) above and clauses (8) through (10) below;
- (7) all Indebtedness of any other Person of the type referred to in clauses (1) through (6) above which is secured by any Lien on any property or asset of such Person, the amount of such Indebtedness being deemed to be the lesser of the Fair Market Value of such property or asset or the amount of the Indebtedness so secured;
- (8) all obligations under Hedging Obligations of such Person;
- (9) to the extent not otherwise included in this definition, all liabilities required to be recorded on the consolidated balance sheet of such Person in accordance with GAAP in connection with a sale or other disposition of securitized receivables or other accounts receivables and related assets, including, without limitation, in connection with any Loan-Related Securitization; and
- (10) all Disqualified Capital Stock issued by such Person.

“*Intangible Assets*” means with respect to 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 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, (ii) BBB- (or the equivalent) by S&P, or (iii) Baa3 (or the equivalent) by Moody’s, or, if any such entity ceases to rate the notes for reasons outside of the control of the Company, the equivalent investment grade credit rating from any other Rating Agency.

“*Investment Return*” means, in respect of any Investment (other than a Permitted Investment) made after the Issue Date by the Company or any Restricted Subsidiary:

- (1) (x) the proceeds in cash and the Fair Market Value of property other than cash received by the Company or any Restricted Subsidiary upon the sale, liquidation or repayment of such Investment or, in the case of a Guarantee, the amount of the Guarantee upon the unconditional release of the Company and its Restricted Subsidiaries in full, less any payments previously made by the Company or any Restricted Subsidiary in respect of such Guarantee and (y) any dividends or distributions received by the Company or any Restricted Subsidiary from an Unrestricted Subsidiary, to the extent such amounts were not otherwise included in Consolidated Net Income;
- (2) in the case of the Revocation of the Designation of an Unrestricted Subsidiary, an amount equal to the lesser of:
 - (a) the Company’s Investment in such Unrestricted Subsidiary at the time of such Revocation;
 - (b) that portion of the Fair Market Value of the net assets of such Unrestricted Subsidiary at the time of Revocation that is proportionate to the Company’s equity interest in such Unrestricted Subsidiary at the time of Revocation; and
 - (c) the Designation Amount with respect to such Unrestricted Subsidiary upon its Designation which was treated as a Restricted Payment; and
- (3) in the event the Company or any Restricted Subsidiary makes any Investment in a Person that, as a result of or in connection with such Investment, becomes a Restricted Subsidiary, the Fair Market Value of the Investment of the Company and its Restricted Subsidiaries in such Person,

in the case of each of (1), (2) and (3), up to the amount of such Investment that was treated as a Restricted Payment under “Certain Covenants—Limitation on Restricted Payments” less the amount of any previous Investment Return in respect of such Investment.

“*Issue Date*” means 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 and other loan-related receivables purchased or originated by the Company or any Restricted Subsidiary; *provided, however*, that for purposes of determining the amount of a Loan Receivable at any time, such amount shall be determined in accordance with GAAP, consistently applied, as of the most recent practicable date.

“*Loan-Related Securitization*” means any securitization, factoring, discounting or similar financing transaction or series of transactions entered into by the Company or any of its Restricted Subsidiaries pursuant to which the Company and/or any of its Restricted Subsidiaries directly or indirectly through a Securitization Vehicle securitizes a pool of specified Loan Receivables, Residual Interests, net interest margin securities or similar or related assets of the Company or any Restricted Subsidiary (whether on-balance sheet or off-balance sheet in accordance with GAAP).

“*Marketable Securities*” has the meaning ascribed to such term under GAAP.

“*Mexican Restructuring*” means any case or other proceeding against the Company or any Restricted Subsidiary with respect to it or its debts under any bankruptcy, *concurso mercantil*, *quiebra*, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, *conciliador*, liquidator, custodian or other similar official of it or any substantial part of its property.

“*Moody’s*” means Moody’s Investors Service, Inc. and its successors and assigns.

“*Net Cash Proceeds*” means, with respect to any Asset Sale, the proceeds in the form of cash or Cash Equivalents, including payments in respect of deferred payment obligations when received in the form of cash or Cash Equivalents received by the Company or any of its Restricted Subsidiaries from such Asset Sale, net of:

- (1) reasonable out-of-pocket expenses and fees relating to such Asset Sale (including, without limitation, legal, accounting and investment banking fees and sales commissions);
- (2) taxes paid, 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 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.

“*Net Loan Portfolio*” means, as of any date of determination, the net 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 GAAP.

“*Obligations*” means, with respect to any Indebtedness, any principal, interest (including, without limitation, Post-Petition Interest), penalties, fees, indemnifications, reimbursements, damages, and other liabilities payable under the documentation governing such Indebtedness, including in the case of the notes and the Note Guarantees, the Indenture.

“*Officer*” means, when used in connection with any action to be taken by the Company or a Guarantor, as the case may be, the Chairman of the Board, the Chief Executive Officer, the President, the Chief Financial Officer, any Vice President, the Treasurer, the General Counsel, the Controller or the Secretary of the Company or a Guarantor, as the case may be.

“*Officers’ Certificate*” means, when used in connection with any action to be taken by the Company or a 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 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 (*institución de banca múltiple*) 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 a Restricted Subsidiary 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 such Restricted Subsidiary or assumed in connection with an Asset Acquisition, as applicable, after giving pro forma effect thereto, (a) the Company would be permitted to incur at least U.S.\$1.00 of additional Indebtedness pursuant to clause (1) under “—Certain Covenants—Limitation on Incurrence of Additional Indebtedness” or (b) the Capitalization Ratio of the Company and its Restricted Subsidiaries would be equal to or greater than the Capitalization Ratio of the Company and its Restricted Subsidiaries immediately prior to such transaction.

“*Permitted Business*” means the business or businesses conducted by the Company and its Restricted Subsidiaries as of the Issue Date and any business related, ancillary or complementary thereto or otherwise arising out of those activities, including, without limitation, any activities relating to loan financing and other banking or financing services.

“*Permitted Holders*” means (i) José Luis Rión Santisteban, (ii) a parent, brother, sister or cousin of any individual 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), (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;
- (2) Investments by the Company, or any Restricted Subsidiary, in the Company;
- (3) Investments in cash and Cash Equivalents;
- (4) Investments existing on the Issue Date and any extension, modification or renewal of any Investments existing as of the Issue Date (but not Investments involving additional advances, contributions or other investments of cash or property or other increases thereof, other than as a result of the accrual or accretion of interest or original issue discount or payment-in-kind pursuant to the terms of such Investment as of the Issue Date);
- (5) Investments permitted pursuant to clause (2)(b), (c) or (e) of “Certain Covenants—Limitation on Transactions with Affiliates”;
- (6) Investments received as a result of the bankruptcy or reorganization of any Person, or taken in settlement of or other resolution of claims or disputes, and, in each case, extensions, modifications and renewals thereof;
- (7) Investments made by the Company or its Restricted Subsidiaries as a result of non-cash consideration permitted to be received in connection with an Asset Sale made in compliance with the covenant described under “Certain Covenants—Limitation on Asset Sales and Sales of Subsidiary Stock”;
- (8) Investments in the form of Hedging Obligations permitted under clause 2(d) of “Certain Covenants—Limitation on Incurrence of Additional Indebtedness”;
- (9) Investments in a Person engaged in a Permitted Business, *provided* that any such Investment, taken together with all Investments made in reliance on this clause (9) since the Issue Date, shall not exceed (a) U.S.\$50.0 million plus (b) 5.0% 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 a receivables financing facility, net interest margin securities or similar or related assets of the Company or any Restricted Subsidiary and transferred to such Person in connection with a Loan-Related Securitization (including by way of transfers of receivables to a Securitization Vehicle);

provided, however, that with respect to any Investment, the Company may, in its sole discretion, allocate all or any portion of any Investment and later re-allocate all or any portion of any Investment to, one or more of the above clauses (1) through (15) so that the entire Investment would be a Permitted Investment.

“*Permitted Liens*” means any of the following:

- (1) statutory Liens of landlords and Liens of carriers, warehousemen, mechanics, suppliers, materialmen, repairmen and other Liens imposed by law incurred in the ordinary course of business for sums not yet delinquent or being contested in good faith;
- (2) Liens Incurred or deposits made in the ordinary course of business (x) in connection with workers’ compensation, unemployment insurance and other types of social security, including any Lien securing letters of credit issued in the ordinary course of business consistent with past practice in connection therewith, or (y) to secure the performance of tenders, statutory obligations, surety and appeal bonds, bids, leases, government performance and return-of-money bonds and other similar obligations (exclusive of obligations for the payment of borrowed money);
- (3) Liens securing reimbursement obligations with respect to commercial letters of credit which encumber documents and other property relating to such letters of credit and products and proceeds thereof;
- (4) Liens encumbering deposits made to secure obligations arising from statutory, regulatory, contractual, or warranty requirements of the Company or a Restricted Subsidiary, including rights of offset and setoff;
- (5) Liens securing Hedging Obligations that relate to Indebtedness that is Incurred in accordance with “—Certain Covenants—Limitation on Incurrence of Additional Indebtedness” and that are secured by the same assets as secure such Hedging Obligations;
- (6) Liens existing on the Issue Date and Liens to secure any Refinancing Indebtedness which is Incurred to Refinance any Indebtedness which has been secured by a Lien permitted under the covenant described under “—Certain Covenants—Limitation on Liens” not incurred pursuant to clauses (7) and (8) of this definition of “Permitted Liens” and which Indebtedness has been Incurred in accordance with “—Certain Covenants—Limitation on Incurrence of Additional Indebtedness”; *provided*, that such new Liens:
 - (a) are no less favorable to the holders of notes and are not more favorable to the lienholders with respect to such Liens than the Liens in respect of the Indebtedness being Refinanced, and
 - (b) do not extend to any property or assets other than the property or assets securing the Indebtedness Refinanced by such Refinancing Indebtedness;
- (7) Liens securing Acquired Indebtedness Incurred in accordance with “—Certain Covenants— Limitation on Incurrence of Additional Indebtedness” not incurred in connection with, or in anticipation or contemplation of, the relevant acquisition, merger or consolidation; *provided*, that
 - (a) such Liens secured such Acquired Indebtedness at the time of and prior to the Incurrence of such Acquired Indebtedness by the Company or a Restricted Subsidiary and were not granted in connection with, or in anticipation of the Incurrence of such Acquired Indebtedness by the Company or a Restricted Subsidiary, and
 - (b) such Liens do not extend to or cover any property of the Company or any Restricted Subsidiary other than the property that secured the Acquired Indebtedness prior to the time such Indebtedness became Acquired Indebtedness of the Company or a Restricted Subsidiary and are no more favorable to the lienholders than the Liens securing the

Acquired Indebtedness prior to the Incurrence of such Acquired Indebtedness by the Company or a Restricted Subsidiary;

- (8) purchase money Liens securing Purchase Money Indebtedness or Capitalized Lease Obligations Incurred to finance the acquisition or leasing of property of the Company or a Restricted Subsidiary used in a Permitted Business; *provided*, that:
 - (a) the related Purchase Money Indebtedness does not exceed the cost of such property and shall not be secured by any property of the Company or any Restricted Subsidiary other than the property so acquired, and
 - (b) the Lien securing such Indebtedness will be created within 365 days of such acquisition;
- (9) any pledge or deposit of cash or property in conjunction with obtaining surety and performance bonds and letters of credit required to engage in constructing on-site and off-site improvements required by municipalities or other governmental authorities in the ordinary course of business;
- (10) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods;
- (11) Liens encumbering customary initial deposits and margin deposits, and other Liens that are customary in the industry and incurred in the ordinary course of business securing Indebtedness under Hedging Obligations and forward contracts, options, futures contracts, futures options or similar agreements or arrangements designed to protect the Company and its Restricted Subsidiaries from fluctuations in interest rates and exchange rates;
- (12) Liens for taxes, assessments or governmental charges or claims that are not yet delinquent or that are being contested in good faith by appropriate proceedings promptly instituted and diligently concluded; *provided* that any reserve or other appropriate provision as is required in conformity with GAAP has been made therefor;
- (13) licenses of intellectual property in the ordinary course of business;
- (14) Liens to secure a defeasance trust to the extent such defeasance is otherwise permitted pursuant to the terms of the Indenture;
- (15) easements, rights-of-way, zoning and similar restrictions, reservations, restrictions or encumbrances in respect of real property or title defects that were not incurred in connection with Indebtedness and that do not in the aggregate materially adversely affect the value of said properties (as such properties are used by the Company or its Restricted Subsidiaries) or materially impair their use in the operation of the business of the Company and its Restricted Subsidiaries;
- (16) judgment Liens not giving rise to an Event of Default so long as any appropriate legal proceedings that may have been duly initiated for the review of such judgment shall not have been finally terminated or the period within which such legal proceedings may be initiated shall not have expired;
- (17) Liens on Capital Stock of an Unrestricted Subsidiary that secure Indebtedness or other obligations of such Unrestricted Subsidiary;
- (18) to the extent that at the time of and immediately after giving *pro forma* effect to the Incurrence thereof the Total Unencumbered Assets of the Company and its Restricted Subsidiaries (on a consolidated basis) is at least 110.0% of the Total Unsecured Indebtedness of the Company and its Restricted Subsidiaries (on a consolidated basis), Liens on Loan Receivables, Residual Interests, other receivables, net interest margin securities or similar or related assets of the Company or any Restricted Subsidiary Incurred in connection with any Loan-Related Securitization or any debt facility entered into for the

purpose of financing or refinancing the purchase or origination or financing the pooling of Loan Receivables, Residual Interests or other receivables, net interest margin securities or similar or related assets by the Company or a Restricted Subsidiary; and

- (19) Liens securing an amount of Indebtedness outstanding at any one time not to exceed the greater of (x) U.S.\$30.0 million and (y) 12.5% of the Consolidated Net Worth of the Company and its Restricted Subsidiaries at any time.

“*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, (ii) Fitch and (iii) Moody’s, or (iv) if any of S&P, Fitch or Moody’s ceases to rate the notes or fails to 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.

“*Rating Downgrade Event*” means that, in the event the notes have an Investment Grade Rating by at least two of the Rating Agencies on the date of the first public announcement of any Change of Control, the rating of the notes by at least two of the Rating Agencies shall be withdrawn or downgraded below an Investment Grade Rating on any date during the period (the “*Trigger Period*”) commencing on the date of the first public announcement of any Change of Control and ending 90 days following consummation of such Change of Control (which *Trigger Period* will be extended following consummation of a Change of Control for so long as any of the Rating Agencies has publicly announced prior to the end of the *Trigger Period* that it is considering a possible ratings change). In no event shall the Trustee be charged with knowledge of the rating of the notes or the Company, nor shall it be charged with monitoring such rating.

“*Refinance*” means, in respect of any Indebtedness, to issue any Indebtedness in exchange for or to refinance, replace, defease or refund such Indebtedness in whole or in part. “*Refinanced*” and “*Refinancing*” will have correlative meanings.

“*Refinancing Indebtedness*” means Indebtedness of the Company or any Restricted Subsidiary issued to Refinance any other Indebtedness of the Company or a Restricted Subsidiary so long as:

- (1) the aggregate principal amount (or initial accreted value, if applicable) of such new Indebtedness as of the date of such proposed Refinancing does not exceed the aggregate principal amount (or initial accreted value, if applicable) of the Indebtedness being Refinanced (plus the amount of any premium required to be paid under the terms of the instrument governing such Indebtedness and the amount of reasonable expenses incurred by the Company in connection with such Refinancing);
- (2) such new Indebtedness has:
 - (a) a Weighted Average Life to Maturity that is equal to or greater than the Weighted Average Life to Maturity of the Indebtedness being Refinanced, and
 - (b) a final maturity that is equal to or later than the final maturity of the Indebtedness being Refinanced; and
- (3) if the Indebtedness being Refinanced is:
 - (a) Indebtedness of the Company, then such Refinancing Indebtedness will be Indebtedness of the Company,
 - (b) Indebtedness of a Guarantor, then such Refinancing Indebtedness will be Indebtedness of the Company and/or such Guarantor, and
 - (c) Subordinated Indebtedness, then such Refinancing Indebtedness shall be subordinate to the notes, at least to the same extent and in the same manner as the Indebtedness being Refinanced.

“*Residual Interests*” means (i) any residual interests in Loan-Related Securitizations, Securitization Securities or any other interests in Securitization Vehicles or (ii) the residual value of any assets that are financed through Indebtedness Incurred in connection with a Loan-Related Securitization, regardless of whether required to appear on the face of the consolidated financial statements of such Person and its Subsidiaries in accordance with GAAP.

“*Restricted Payment*” has the meaning set forth under “Certain Covenants—Limitation on Restricted Payments.”

“*Restricted Subsidiary*” means any Subsidiary of the Company, which at the time of determination is not an Unrestricted Subsidiary.

“*Revocation*” has the meaning set forth under “Certain Covenants—Limitation on Designation of Unrestricted Subsidiaries.”

“*S&P*” means S&P Global Ratings, a business unit of Standard & Poor’s Ratings Services LLC and its successors and assigns.

“*Sale and Leaseback Transaction*” means any direct or indirect arrangement with any Person or to which any such Person is a party providing for the leasing to the Company or a Restricted Subsidiary of any property, whether owned by the Company or any Restricted Subsidiary at the Issue Date or later acquired, which has been or is to be sold or transferred by the Company or such Restricted Subsidiary to such Person or to any other Person by whom funds have been or are to be advanced on the security of such property.

“*Secured Indebtedness*” means any Indebtedness secured by a Lien upon the property or assets of the Company and/or its Restricted Subsidiaries.

“*Securitization Securities*” has the meaning set forth in the definition of “Securitization Vehicle”.

“*Securitization Vehicle*” means (i) any Person (whether or not a Restricted Subsidiary of the Company) established for the purpose of issuing asset-backed securities of any kind or issuing any other Indebtedness (whether or not in the form of securities) backed by Loan Receivables or Residual Interests (“*Securitization Securities*”) and (ii) any special purpose, bankruptcy remote Restricted Subsidiary of the Company or any of its Restricted Subsidiaries established in connection with the issuance of *Securitization Securities* and any other entity (or several entities) that serves as an intermediate entity between a Restricted Subsidiary, as the case may be, that initially purchases or originates Loan Receivables or Residual Interests and an entity referred to in clause (i) regardless of whether such Restricted Subsidiary is an issuer of *Securitization Securities*; *provided* that in each case, such entity is an entity:

- (1) that does not engage in, and whose charter prohibits it from engaging in, any activities other than Loan-Related Securitizations and any activity necessary, incidental or related thereto,
- (2) no portion of the Debt or any other obligation, contingent or otherwise, of which
 - (A) is Guaranteed by the Company or any Restricted Subsidiary of the Company,
 - (B) is recourse to or obligates the Company or any Restricted Subsidiary of the Company in any way, or
 - (C) subjects any property or asset of the Company or any Restricted Subsidiary of the Company, directly or indirectly, contingently or otherwise, to the satisfaction thereof,
- (3) with respect to which neither the Company nor any Restricted Subsidiary of the Company (other than an Unrestricted Subsidiary) has any obligation to maintain or preserve its financial condition or cause it to achieve certain levels of operating results

other than, in respect of clauses (2) and (3), (x) pursuant to customary representations, warranties, covenants and indemnities entered into in connection with a Loan-Related Securitization, and (y) any Guarantees by the Company or a Restricted Subsidiary of any Indebtedness of a *Securitization Vehicle* that would constitute Permitted Indebtedness or which would be permitted under “— Limitation on Incurrence of Additional Indebtedness.”

“*Senior Indebtedness*” means the notes and the Note Guarantees and any other Indebtedness of the Company or a Guarantor that is not, pursuant to the instrument evidencing such Indebtedness, expressly subordinated in right of payment to the notes or the relevant Note Guarantee, 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 a Guarantor, any Indebtedness of the Company or a 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.

“*Surviving Entity*” has the meaning set forth under “—Certain Covenants—Limitation on Merger, Consolidation and Sale of Assets.”

“*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, any deferred tax assets and accounts receivable (other than receivables subject to Loan-Related Securitizations)), in each case on such date not securing any portion of Secured Indebtedness determined on a consolidated basis in accordance with GAAP.

“*Total Unsecured Indebtedness*” means, as of any date of determination, the total outstanding principal amount of all Unsecured Indebtedness of the Company and its Restricted Subsidiaries.

“*U.S. Dollar Equivalent*” means with respect to any monetary amount in a currency other than U.S. dollars, at any time for determination thereof, the amount of U.S. dollars obtained by converting such foreign currency involved in such computation into U.S. dollars at the spot rate for the purchase of U.S. dollars with the applicable foreign currency as published in *The Wall Street Journal* in the “Exchange Rates” column under the heading “Currency Trading” on the date two business days prior to such determination.

Except as described under “— Certain Covenants — Limitation on Incurrence of Additional Indebtedness,” whenever it is necessary to determine whether the Company has complied with any covenant in the Indenture or a Default has occurred and an amount is expressed in a currency other than U.S. dollars, such amount will be treated as the U.S. Dollar Equivalent determined as of the date such amount is initially determined in such currency.

“*Unrestricted Subsidiary*” means any Subsidiary of the Company Designated as an Unrestricted Subsidiary pursuant to “Certain Covenants—Limitation on Designation of Unrestricted Subsidiaries.” Any such Designation may be revoked by an Officers’ Certificate, subject to the provisions of such covenant.

“*Unsecured Indebtedness*” means any Indebtedness of the Company and/or its Restricted Subsidiaries other than Secured Indebtedness.

“*Voting Stock*” with respect to any Person, means securities of any class of Capital Stock of such Person entitling the holders thereof (whether at all times or only so long as no senior class of stock has voting power by reason of any contingency) to vote in the election of members of the Board of Directors (or equivalent governing body) of such Person.

“*Weighted Average Life to Maturity*” means, when applied to any Indebtedness at any date, the number of years (calculated to the nearest one-twelfth) obtained by dividing:

- (1) the then outstanding aggregate principal amount or liquidation preference, as the case may be, of such Indebtedness into
- (2) the sum of the products obtained by multiplying:
 - (a) the amount of each then remaining installment, sinking fund, serial maturity or other required payment of principal or liquidation preference, as the case may be, including payment at final maturity, in respect thereof, by
 - (b) the number of years (calculated to the nearest one-twelfth) which will elapse between such date and the making of such payment.

“*Wholly-Owned Subsidiary*” means, for any Person, any Subsidiary (Restricted Subsidiary in the case of the Company) of which all the outstanding Capital Stock (other than, in the case of a Subsidiary not organized in the United States, directors’ qualifying shares or an immaterial amount of shares required to be owned by other Persons pursuant to applicable law) is owned by such Person and/or one or more Persons that satisfy this definition in respect of such Person (or a combination thereof).

BOOK-ENTRY, DELIVERY AND FORM

The notes are being offered and sold to QIBs in reliance on Rule 144A, or the Rule 144A notes. Notes also may be offered and sold in offshore transactions in reliance on Regulation S, or the Regulation S notes. Notes will be issued at the closing of this offering only against payment in immediately available funds.

Rule 144A notes initially will be represented by one or more notes in registered, global form without interest coupons (which we collectively refer to as the “Rule 144A global notes”). Regulation S notes initially will be represented by one or more notes in registered, global form without interest coupons (which we collectively refer to as the “Regulation S global notes” and, together with the Rule 144A global notes, as the “global notes”).

The global notes will be deposited upon issuance with the trustee as custodian for DTC, in New York, New York, and registered in the name of DTC or its nominee, in each case, for credit to an account of a direct or indirect participant in DTC as described below. Through and including the 40th day after the later of the commencement of this offering and the closing of this offering (such period through and including such 40th day, or the restricted period), beneficial interests in the Regulation S global notes may be transferred to a U.S. person only in accordance with the certification requirements described below. Beneficial interests in the Rule 144A global notes may not be exchanged for beneficial interests in the Regulation S global notes at any time except in the limited circumstances described below. See “—Exchanges Between Regulation S Notes and Rule 144A Notes.”

Except as set forth below, the global notes may be transferred, in whole and not in part, only to another nominee of DTC or to a successor of DTC or its nominee. Beneficial interests in the global notes may not be exchanged for notes in certificated form except in the limited circumstances described below. See “—Exchange of Global Notes for Certificated Notes.” Except in the limited circumstances described below, owners of beneficial interests in the global notes will not be entitled to receive physical delivery of notes in certificated form.

Rule 144A notes (including beneficial interests in the Rule 144A global notes) will be subject to certain restrictions on transfer and will bear a restrictive legend as described under “Transfer Restrictions.” Regulation S notes will also bear the legend as described under “Transfer Restrictions.” In addition, transfers of beneficial interests in the global notes will be subject to the applicable rules and procedures of DTC and its direct or indirect participants (including, if applicable, those of Euroclear and Clearstream), which may change from time to time.

Depository Procedures

The following description of the operations and procedures of DTC, Euroclear and Clearstream is provided solely as a matter of convenience. These operations and procedures are solely within the control of the respective settlement systems and are subject to changes by them. We take no responsibility for these operations and procedures and urge investors to contact the system or their participants directly to discuss these matters.

DTC has advised us that DTC is a limited purpose trust company created to hold securities for its participating organizations, or the participants, and to facilitate the clearance and settlement of transactions in those securities between participants through electronic book entry changes in accounts of its participants. The participants include securities brokers and dealers (including the initial purchasers), banks, trust companies, clearing corporations and certain other organizations. Access to DTC’s system is also available to other entities such as banks, brokers, dealers and trust companies that clear through or maintain custodial relationship with a participant, either directly or indirectly, or the indirect participants. Persons who are not participants may beneficially own securities held by or on behalf of DTC only through the participants or the indirect participants. The ownership interests in, and transfers of ownership interests in, each security held by or on behalf of DTC are recorded on the records of the participants and indirect participants.

DTC has also advised us that, pursuant to procedures established by it:

- (1) upon deposit of the global notes, DTC will credit the accounts of participants designated by the initial purchasers with portions of the principal amount of the global notes; and
- (2) ownership of these interests in the global notes will be shown on, and the transfer of ownership of these interests will be effected only through, records maintained by DTC (with respect to the participants) or by

the participants and the indirect participants (with respect to other owners of beneficial interests in the global notes).

Investors in the global notes who are participants in DTC's system may hold their interests therein directly through DTC. Investors in the global notes who are not participants may hold their interests therein indirectly through organizations (including Euroclear and Clearstream) which are participants in such system. Euroclear and Clearstream will hold interests in the global notes on behalf of their participants through customers' securities accounts in their respective names on the books of their respective depositories, which are Euroclear Bank S.A./N.V., as operator of Euroclear, and Citibank, N.A., as operator of Clearstream. All interests in a global note, including those held through Euroclear or Clearstream, may be subject to the procedures and requirements of DTC. Those interests held through Euroclear or Clearstream may also be subject to the procedures and requirements of such systems. The laws of some states require that certain persons take physical delivery in definitive form of securities that they own. Consequently, the ability to transfer beneficial interests in a global note to such persons will be limited to that extent. Because DTC can act only on behalf of participants, which in turn act on behalf of indirect participants, the ability of a person having beneficial interests in a global note to pledge such interests to persons that do not participate in the DTC system, or otherwise take actions in respect of such interests may be affected by the lack of a physical certificate evidencing such interests.

Except as described below, owners of interests in the global notes will not have notes registered in their names, will not receive physical delivery of notes in certificated form and will not be considered the registered owners or "holders" thereof under the indenture for any purpose.

Payments in respect of the principal of, and interest and premium and additional interest, if any, on a global note registered in the name of DTC or its nominee will be payable to DTC in its capacity as the registered holder under the indenture. Under the terms of the indenture, the issuer and the trustee will treat the persons in whose names the notes, including the global notes, are registered as the owners of the notes for the purpose of receiving payments and for all other purposes. Consequently, neither the issuer, the trustee, the transfer agent, registrar, the paying agent nor any agent of the issuer or the trustee has or will have any responsibility or liability for:

- (1) any aspect of DTC's records or any participant's or indirect participant's records relating to or payments made on account of beneficial ownership interest in the global notes or for maintaining, supervising or reviewing any of DTC's records or any participant's or indirect participant's records relating to the beneficial ownership interests in the global notes; or
- (2) any other matter relating to the actions and practices of DTC or any of its participants or indirect participants.

DTC has advised us that its current practice, upon receipt of any payment in respect of securities such as the notes (including principal and interest) is to credit the accounts of the relevant participants with the payment on the payment date unless DTC has reason to believe it will not receive payment on such payment date. Each relevant participant is credited with an amount proportionate to its beneficial ownership of an interest in the principal amount of the relevant security as shown on the records of DTC. Payments by the participants and the indirect participants to the beneficial owners of notes will be governed by standing instructions and customary practices and will be the responsibility of the participants or the indirect participants and will not be our responsibility or that of DTC or the Trustee. Neither the issuer nor the trustee nor any of their respective agents will be liable for any delay by DTC or any of its participants in identifying the beneficial owners of the notes, and the issuer and the trustee and each such agent may conclusively rely on and will be protected in relying on instructions from DTC or its nominee for all purposes.

Subject to the transfer restrictions set forth under "Transfer Restrictions," transfers between participants in DTC will be effected in accordance with DTC's procedures, and will be settled in same-day funds, and transfers between participants in Euroclear and Clearstream will be effected in accordance with their respective rules and operating procedures.

Subject to compliance with the transfer restrictions applicable to the notes described herein, cross-market transfers between the participants in DTC, on the one hand, and Euroclear or Clearstream participants, on the other hand, will be effected through DTC in accordance with DTC's rules on behalf of Euroclear or Clearstream, as the

case may be, by its respective depository; however, such cross market transactions will require delivery of instructions to Euroclear or Clearstream, as the case may be, by the counter-party in such system in accordance with the rules and procedures and within the established deadlines (Brussels time) of such system. Euroclear or Clearstream, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depository to take action to effect final settlement on its behalf of delivering or receiving interests in the relevant global note in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Euroclear participants and Clearstream participants may not deliver instructions directly to the depositories for Euroclear or Clearstream.

DTC has advised us that it will take any action permitted to be taken by a holder of notes only at the direction of one or more participants to whose account DTC has credited the interests in the global notes and only in respect of such portion of the aggregate principal amount of the notes as to which such participant or participants has or have given such direction. However, if there is an event of default under the notes, DTC reserves the right to exchange the global notes for legended notes in certificated form, and to distribute such notes to its participants.

Although DTC, Euroclear and Clearstream have agreed to the foregoing procedures to facilitate transfers of interests in the Rule 144A global notes and the Regulation S global notes among participants in DTC, Euroclear and Clearstream, they are under no obligation to perform or to continue to perform such procedures, and may discontinue such procedures at any time. Neither the issuer nor the trustee nor any of their respective agents will have any responsibility for the performance by DTC, Euroclear or Clearstream or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Exchange of Global Notes for Certificated Notes

A global note is exchangeable for definitive notes in registered certificated form, or certificated notes, if:

- (1) DTC (a) notifies the issuer that it is unwilling or unable to continue as depository for the global notes and DTC fails to appoint a successor depository or (b) has ceased to be a clearing agency registered under the Exchange Act;
- (2) The issuer, at its option, notifies the trustee in writing that it has elected to cause the issuance of the certificated notes; or
- (3) there has occurred and is continuing a Default or Event of Default with respect to the notes.

In addition, beneficial interests in a global note may be exchanged for certificated notes upon prior written notice given to the trustee by or on behalf of DTC in accordance with the indenture. In all cases, certificated notes delivered in exchange for any global note or beneficial interests in global notes will be registered in the names, and issued in any approved denominations, requested by or on behalf of the depository (in accordance with its customary procedures) and will bear the applicable restrictive legend referred to in “Transfer Restrictions,” unless that legend is not required by applicable law.

Exchanges Between Regulation S Notes and Rule 144A Notes

Beneficial interests in the Regulation S global notes may be exchanged for beneficial interests in the Rule 144A global notes only if:

- (1) such exchange occurs in connection with a transfer of the notes pursuant to Rule 144A; and
- (2) the transferor first delivers to the trustee a written certificate (in the form provided in the indenture) to the effect that the notes are being transferred to a person:
 - (A) who the transferor reasonably believes to be a qualified institutional buyer within the meaning of Rule 144A;
 - (B) purchasing for its own account or the account of a qualified institutional buyer in a transaction meeting the requirements of Rule 144A; and

(C) in accordance with all applicable securities laws of the states of the United States and other jurisdictions.

Beneficial interest in a Rule 144A global note may be transferred to a person who takes delivery in the form of an interest in the Regulation S global note, whether before or after the expiration of the restricted period, only if the transferor first delivers to the trustee a written certificate (in the form provided in the indenture) to the effect that such transfer is being made in accordance with Rule 903 or 904 of Regulation S.

Transfers involving exchanges of beneficial interests between the Regulation S global notes and the Rule 144A global notes will be effected in DTC by means of an instruction originated by the DTC participant and approved by the trustee through the DTC Deposit/Withdraw at Custodian system. Accordingly, in connection with any such transfer, appropriate adjustments will be made to reflect a decrease in the principal amount of the Regulation S global note and a corresponding increase in the principal amount of the Rule 144A global note or vice versa, as applicable. Any beneficial interest in one of the global notes that is transferred to a person who takes delivery in the form of an interest in the other global note will, upon transfer, cease to be an interest in such global note and will become an interest in the other global note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interest in such other global note for so long as it remains such an interest. Transfers between Regulation S and Rule 144A notes will need to be done on a delivery free of payment basis and separate arrangements will need to be made outside of DTC for payment.

TAXATION

Prospective purchasers of the notes are advised to consult their own tax advisors as to the Mexican, United States or other tax consequences (including consequences arising under the tax laws of the country of which they are residents and consequences arising under double taxation treaties in effect) 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, municipal, foreign or other tax laws.

General

The following summary contains a description of the material U.S. and Mexican federal income tax consequences of the purchase, ownership and disposition of the notes by holders that are non-residents for tax purposes.

This summary is based upon federal tax laws of the United States and Mexico as in effect on the date of this offering memorandum, including the provisions of the income tax treaty between the United States and Mexico, which we refer to in this offering memorandum as the “Tax Treaty,” all of which are subject to change (including retroactively). 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 double taxation treaties with various countries that may have an impact on the tax treatment of the purchase, ownership or disposition of notes. Prospective purchasers of notes should consult their own tax advisors as to the tax consequences, if any, of the application of any such treaties.

Mexican Federal Tax Considerations

General

The following is a general summary of the principal Mexican federal income tax consequences of the purchase, ownership and disposition of the notes by holders that are not residents of Mexico, for Mexican federal income tax purposes, and that do not hold such notes through a permanent establishment for tax purposes in Mexico, to which income under the notes is attributable; for purposes of this summary, each such holder is referred to as a non-resident holder.

This summary is based on the Mexican Income Tax Law (*Ley del Impuesto sobre la Renta*) and the Mexican Federal Tax Code (*Código Fiscal de la Federación*) and regulations in effect on the date of this offering memorandum, all of which are subject to change, possibly with retroactive effect, or to new or different interpretations, which could affect the continued validity of this general summary.

This summary does not constitute tax advice, does not address all of the Mexican tax consequences that may be applicable to specific holders of the notes and does not purport to be a comprehensive description of all the Mexican tax considerations that may be relevant to a decision to purchase, hold or dispose of the notes. In particular, this summary does not describe any tax consequences (i) arising under the laws of any taxing jurisdiction other than Mexico, (ii) arising under the laws other than the federal tax laws of Mexico (excluding the laws of any state or municipality within Mexico) or (iii) that are applicable to a resident of Mexico for tax purposes that may purchase, hold or dispose of the notes.

Potential investors should consult with their own tax advisors regarding the particular consequences of the purchase, ownership or disposition of the notes under the federal laws of Mexico or any other jurisdiction or under any applicable double taxation treaty to which Mexico is a party, which is in effect.

For purposes of Mexican taxation, an individual or corporation that does not satisfy the requirements to be considered a resident of Mexico for tax purposes, as specified below, is deemed as a non-resident of Mexico for tax purposes and a non-resident holder for purposes of this summary.

Tax residency is a highly technical definition that involves the application of a number of factors that are principally described under Articles 9 and 10 of the Mexican Tax Code (*Código Fiscal de la Federación*). An individual is a resident of Mexico for tax purposes, if he/she established his/her home in Mexico. When the individual in question has a home in another country, the individual will be deemed a resident in Mexico if his/her core of vital interests (*centro de intereses vitales*) is located in Mexican territory. This will be deemed to occur if (i) at least 50.0% of the aggregate income realized by such individual in the calendar year is from a Mexican source, or (ii) the principal center of his/her professional activities is located in Mexico. Mexican nationals who filed a change of tax residence to a country or jurisdiction that does not have a comprehensive exchange of information agreement with Mexico and where his/her income is subject to a preferred tax regime as defined by Mexican law, will be considered Mexican residents for tax purposes during the fiscal year of the filing of notice of such residence change and during the following three fiscal years.

Unless otherwise proven, a Mexican national is deemed a resident of Mexico for tax purposes. . An individual will also be considered a resident of Mexico for tax purposes, if such individual is a Mexican federal government employee, regardless of the location of the individual's core of vital interests.

A legal entity is a resident of Mexico if it maintains the principal administration of its business or the effective location of its management in Mexico.

If a legal entity or individual is deemed to have a permanent establishment in Mexico for Mexican tax purposes or is deemed a resident of Mexico for tax purposes, then any and all income attributable to that permanent establishment of such legal entity or individual will be subject to Mexican income taxes, in accordance with applicable tax laws.

Legal entities or individuals that are considered Mexican residents for tax purposes are subject to taxes in Mexico on worldwide income regardless of the location of its source income. Any determination of residence, whether involving an individual or a corporation, should take into account the particular situation for each person or legal entity.

Mexico has entered into, and is negotiating, several double taxation treaties with various countries, that may affect the Mexican withholding tax liabilities applicable to non-resident holders. Prospective purchasers of the notes should consult their own tax advisers as to the tax consequences, if any, of such treaties.

Payments of Interest

Pursuant to the Mexican Income Tax Law, payments of interest on the notes (including original issue discount, which is deemed to be interest) made by us to a foreign holder will be subject to Mexican withholding tax at a rate of 4.9%, so long as we are considered to be a Sofom that is part of the Mexican financial system for tax purposes. A Sofom is considered part of the Mexican financial system for tax purposes if its account receivables represent more than 70% of its total assets or the income derived from such activities and the sale or servicing of loans represent more than 70% of its total income. As of the date of this offering memorandum, we meet the requirements to be considered part of the Mexican financial system.

If we cease to be considered part of the Mexican financial system, the 4.9% withholding rate would apply if the following requirements are met:

- the issuance of the notes (including the principal characteristics of the notes) is notified to the CNBV pursuant to Article 7 of the Mexican Securities Market Law and Articles 24 Bis and 24 Bis 1 of the general regulations applicable to issuers and other market participants issued by the CNBV;
- the notes, as expected, are placed outside of Mexico through banks or broker-dealers, in a country with which Mexico has in force a treaty for the avoidance of double taxation which is in effect (which currently includes the United States of America); and
- we timely comply with the informational requirements specified from time to time by the Mexican tax authorities under their general rules, including, after completion of the transaction described in this offering memorandum, the filing with the Mexican Tax Administration Service (*Servicio de*

Administración Tributaria), or SAT, fifteen business days after the placement of the notes, certain information regarding the issuance of the notes and this offering memorandum.

If any of the above mentioned requirements is not met, the Mexican withholding tax will be 10.0% and up to 35% or a higher rate (up to 40%) could be applicable under certain circumstances. If the effective beneficiaries, whether acting directly or indirectly, individually or jointly with related parties, that receive more than 5% of the interest paid under the notes (i) are persons who own, directly or indirectly, individually or with related parties, 10% of our voting stock or (ii) are corporations or other entities, of which 20% or more of the voting stock is owned, directly or indirectly, jointly or severally, by persons related to us, then the Mexican withholding tax rate applicable to payments of interest under our notes may increase to the maximum ordinary applicable rate according to the Mexican Income Tax Law (currently 35%). For purposes of the foregoing, it is considered that two persons are related parties when: i) one of them has an interest in the business of the other, ii) there are common interests between the parties and iii) a third person has an interest in the business or property of the parties.

Payments of interest on the notes made by us to non-Mexican pension and retirement funds will be exempt from Mexican withholding tax provided that:

- the applicable fund is duly incorporated pursuant to the laws of its country of residence and is the effective beneficiary of the interest payment;
- such income is exempt from taxes in its country of residence; and
- such fund provides information to SAT, through us, in accordance with rules issued by SAT for these purposes.

Holders or beneficial owners of the notes may be requested, subject to specified exceptions and limitations, to provide certain information or documentation necessary to enable us to apply the appropriate Mexican withholding tax rate on interest payments under the notes, made by us to such holders or beneficial owners.

Additionally, if applicable, the Mexican Income Tax Law provides that, in order for a foreign holder to be entitled to the benefits under the treaties for the avoidance of double taxation entered into by Mexico, it is necessary for the foreign holder to meet the procedural requirements established in such Law. In the event that the specified information or documentation concerning the holder or beneficial owner, if requested, is not timely provided, we may withhold Mexican tax from interest payments on the notes to that holder or beneficial owner at the maximum applicable rate in effect, and our obligation to pay Additional Amounts relating to those withholding taxes will be limited as described under “Description of Notes—Additional Amounts.”

Payments of Principal

Pursuant to the Mexican Income Tax Law, payments of principal on the notes made by us or any subsidiary guarantor to non-resident holders will not be subject to any Mexican withholding tax or similar.

Taxation of Capital Gains

Pursuant to the Mexican Income Tax Law, capital gains resulting from the sale or other disposition of the notes by a non-resident to another non-resident, will not be subject to Mexican withholding taxes. Gains resulting from the sale of the notes by a foreign holder to a Mexican resident for tax purposes or to a foreign holder deemed to have a permanent establishment in Mexico for tax purposes, will be subject to the Mexican withholding taxes pursuant to the rules described above applicable to interest payments, in respect of the difference between the nominal value (or the face value) or the acquisition price of the notes and the price obtained upon sale by the seller, and any such withholding taxes will not benefit from our obligations to pay Additional Amounts, except in the case of a redemption by us.

Taxation of Make-Whole Amount

Pursuant to the Mexican Income Tax Law, the payment of the Make-Whole Amount as a result of the optional redemption of the notes, as provided in “Description of Notes—Redemption—Optional make-whole redemption,” will be subject to the Mexican taxes pursuant to the rules described above with respect to interest payments.

Other Mexican Taxes

Under current Mexican tax laws, generally there are no estate, inheritance, succession or gift taxes applicable to the purchase, ownership or disposition of the notes by a non-resident holder. Gratuitous transfers or transfers at an under-value of the notes in certain circumstances may result in the imposition of a Mexican federal tax upon the recipient. There are no Mexican stamp, issue registration or similar taxes or duties payable by non-resident holders of the notes with respect to the notes.

U.S. Federal Income Tax Considerations

The following is a summary of certain U.S. federal income tax consequences of the purchase, ownership and disposition of notes by a holder thereof. This description only applies to notes purchased in this initial offering for the issue price (generally, the first price at which a substantial amount of notes are sold to the public) and held as capital assets within the meaning of Section 1221 of the Code. Furthermore, this summary does not address, except as set forth below, aspects of U.S. federal income taxation that may be applicable to holders that are subject to special tax rules, such as:

- financial institutions;
- banks;
- insurance companies;
- real estate investment trusts;
- regulated investment companies;
- traders in securities that elect to mark to market;
- entities treated as partnerships or pass-through entities for U.S. federal income tax purposes;
- grantor trusts;
- tax-exempt organizations;
- S corporations;
- U.S. expatriates;
- dealers or traders in securities or currencies;
- holders that will hold notes as part of a position in a straddle or as part of a hedging, conversion, “synthetic security,” or other integrated financial transaction for U.S. federal income tax purposes; or
- holders that have a functional currency other than the U.S. dollar.

Moreover, this description does not address the U.S. federal estate and gift tax or alternative minimum tax consequences of the purchase, ownership and disposition of notes. Each prospective purchaser should consult its own independent tax advisor with respect to the U.S. federal, state, local and foreign tax consequences of the purchase, ownership and disposition of notes.

This description is based on the Code, existing and proposed Treasury Regulations, administrative pronouncements and judicial decisions, each as announced and in effect on the date hereof. All of the foregoing are subject to change, possibly with retroactive effect, or differing interpretations which could affect the tax consequences described herein.

For purposes of this description, a U.S. Holder is a beneficial owner of notes who, for U.S. federal income tax purposes, is:

- an individual who is a citizen or resident of the United States;
- a corporation or other entity taxable as a corporation for U.S. federal income tax purposes created or organized in or under the laws of the United States, any state thereof, or the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust (a) if a court within the United States can exercise primary supervision over the administration of the trust and one or more U.S. persons has the authority to control all of the substantial decisions of the trust or (b) if a valid election is in place to treat the trust as a U.S. person.

If a partnership (or any other entity treated as a partnership for U.S. federal income tax purposes) holds notes, the tax treatment of the partnership and a partner in such partnership generally will depend on the status of the partner and the activities of the partnership. Such a partner or partnership should consult its own independent tax advisor as to the tax consequences of an investment in notes through a partnership.

No ruling from the Internal Revenue Service (the “IRS”) has been sought with respect to the statements made and the conclusions reached in this discussion, and there can be no assurance that the IRS will agree with such statements and conclusions. In addition, the discussion in this “—U.S. Federal Income Tax Considerations” section does not describe any tax consequences arising out of the laws of any state or local or foreign jurisdiction. Accordingly, each U.S. Holder should consult its own independent tax advisor with regard to the offering and the application of U.S. federal income tax laws, as well as the laws of any state, local or foreign taxing jurisdictions, to its particular situation.

Interest

It is expected, and this discussion assumes, that the notes will be issued with no more than a de minimis amount of original issue discount. If you are a U.S. Holder, stated interest paid to you on the notes, including any Additional Amounts paid and any Mexican withholding taxes withheld with respect to notes or such Additional Amounts, will be includible in your gross income as ordinary interest income in accordance with your usual method of accounting for U.S. federal income tax purposes.

Solely for purposes of this discussion, the term “interest” shall include any Additional Amounts paid and any Mexican withholding taxes withheld with respect to notes (or such Additional Amounts). Interest on notes will be treated as foreign-source income for U.S. federal income tax purposes. For U.S. foreign tax credit limitation purposes, interest on notes generally will constitute passive category income. Subject to certain conditions and limitations, foreign taxes withheld on interest payments may be treated as foreign taxes eligible for credit against such U.S. Holder’s U.S. federal income tax liability. Alternatively, a U.S. Holder may elect to deduct any Mexican withholding taxes withheld when computing its U.S. federal taxable income, *provided* that such U.S. Holder elects to deduct (rather than credit) all foreign income taxes paid or accrued for the taxable year. The rules relating to foreign tax credits are complex and U.S. Holders should consult with their own independent tax advisors regarding the availability of a foreign tax credit and the application of the foreign tax credit limitations to their particular situation.

Effect of Optional Redemption

In certain circumstances, we may be obligated to pay amounts in excess of the stated interest or principal on notes or required to redeem notes. For example, if we experience a change of control, holders of notes may require us to purchase all or part of the notes at 101% of their principal amount, plus accrued and unpaid interest and any

Additional Amounts to the redemption date. Under the contingent payment debt Treasury Regulations, or the “CPDI Regulations,” if based on all the facts and circumstances as of the date on which notes are issued, there is a remote likelihood that these contingent events will occur and such payments will be made, it is assumed that such events will not occur and such payments will not be made. We believe that, based on all the facts and circumstances as of the expected issue date of notes, there is a remote likelihood the contingencies will occur; therefore, we do not intend to treat the notes as contingent payment debt instruments, or “CPDIs.” Our determination, however, is not binding on the IRS, and if the IRS were to challenge this determination, a U.S. Holder may be required to accrue income on the notes that such holder owns in excess of stated interest, and to treat as ordinary income rather than capital gain any income realized on the taxable disposition of the notes before the resolution of the contingency. In the event that such contingency were to occur, it would affect the amount and timing of the income that a U.S. Holder recognizes.

U.S. Holders are urged to consult their tax advisors regarding the potential application to the notes of the CPDI Regulations and the consequences thereof. This discussion assumes that the notes will not be treated as CPDIs.

Sale, Exchange, Retirement or Other Taxable Disposition

If you are a U.S. Holder, upon the sale, exchange, retirement or other taxable disposition of notes you will recognize taxable gain or loss equal to the difference, if any, between the amount realized on the sale, exchange, retirement or other taxable disposition, other than accrued but unpaid interest which will be taxable as such, and your adjusted tax basis in the notes. Your adjusted tax basis in notes generally will equal the cost of the notes to you. Any such gain or loss will be capital gain or loss. If you are an individual U.S. Holder, you will be subject to preferential U.S. federal income tax rates if your holding period for the notes exceeds one year (*i.e.*, it is a long-term capital gain). Any gain or loss realized on the sale, exchange, retirement or other taxable disposition of notes generally will be treated as U.S.-source gain or loss, as the case may be. Accordingly, if Mexican or other foreign income tax is imposed on the sale, exchange, retirement or other taxable disposition of the notes, a U.S. Holder may not be able to fully utilize its U.S. foreign tax credits in respect of such tax unless such U.S. Holder has other foreign-source income. Certain U.S. Holders that are eligible for benefits under the Tax Treaty may elect to treat disposition gain that is subject to Mexican taxation as foreign source gain for purposes of claiming a credit in respect of the tax. Alternatively, a U.S. Holder may take a deduction for the Mexican income tax if such U.S. Holder does not take a credit for any foreign taxes paid or accrued during the taxable year.

Prospective investors should consult their own independent tax advisors as to the U.S. tax and foreign tax credit implications of such sale, exchange, retirement or other taxable disposition of notes. The deductibility of capital losses is subject to limitations.

Foreign Asset Reporting

Certain U.S. Holders who are individuals are required to report information relating to an interest in the notes, subject to certain exceptions (including an exception for the notes held in custodial accounts maintained by financial institutions). U.S. Holders are urged to consult their tax advisors regarding their information reporting obligations, if any, with respect to their ownership and disposition of the notes.

U.S. Backup Withholding Tax and Information Reporting

Backup withholding tax and information reporting requirements apply to certain payments of principal of, and interest on, an obligation and to proceeds of the sale, exchange or redemption of an obligation, to U.S. Holders. Information reporting generally will apply to payments of interest and to proceeds from the sale, exchange or redemption of notes made within the United States to a holder of notes (other than an exempt recipient, a payee that is not a U.S. person who provides appropriate certification and certain other persons). The payor will be required to withhold backup withholding tax on payments made within the United States on notes to a U.S. Holder, other than an exempt recipient, if the holder fails to furnish its correct taxpayer identification number or otherwise fails to comply with, or establish an exemption from, the backup withholding requirements.

Payments within the United States of principal and interest to a Non-U.S. Holder will not be subject to backup withholding tax and information reporting requirements if an appropriate certification is provided by the holder to the payor and the payor does not have actual knowledge or a reason to know that the certificate is incorrect.

Backup withholding is not an additional tax. A U.S. Holder generally will be entitled to credit any amounts withheld under the backup withholding rules against such holder's U.S. federal income tax liability provided the required information is furnished to the IRS in a timely manner.

Net Investment Income Tax

A U.S. Holder that is an individual or estate, or a trust that does not fall into a special class of trusts that is exempt from such tax, is subject to a 3.8% tax on the lesser of (1) such U.S. Holder's "net investment income" (or undistributed "net investment income" in the case of estates and trusts) for the relevant taxable year and (2) the excess of such U.S. Holder's modified adjusted gross income for the taxable year over a certain threshold (which in the case of individuals will be between \$125,000 and \$250,000, depending on the individual's circumstances). A U.S. Holder's net investment income will generally include its gross interest income and its net gains from the disposition of the notes, unless such interest or net gains are derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or trading activities). If you are a U.S. Holder that is an individual, estate or trust, you are urged to consult your tax advisor regarding the applicability of this tax to your income and gains in respect of your investment in the notes.

The above description is not intended to constitute a complete analysis of all tax consequences relating to the ownership of notes. Prospective purchasers of notes should consult their own independent tax advisors concerning the tax consequences of their particular situations.

TRANSFER RESTRICTIONS

The notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the notes are being offered hereby only (a) to QIBs in compliance with Rule 144A and (b) in offers and sales that occur outside the United States to persons other than U.S. persons (referred to in this offering memorandum as “non-U.S. purchasers,” which term shall include dealers or other professional fiduciaries in the United States acting on a discretionary basis for non-U.S. beneficial owners (other than an estate or trust)), in offshore transactions meeting the requirements of Rule 903 of Regulation S. As used herein, the terms “offshore transactions,” “United States” and “U.S. person” have the respective meanings given to them in Regulation S.

Each purchaser of notes will be deemed to have represented and agreed with us and the initial purchasers as follows:

- (1) It is purchasing the notes for its own account or an account with respect to which it exercises sole investment discretion and that it and any such account is (a) a QIB, and is aware that the sale to it is being made in reliance on Rule 144A under the Securities Act or (b) a non-U.S. purchaser that is outside the United States (or a non-U.S. purchaser that is a dealer or other fiduciary as referred to above);
- (2) It understands that the notes are being offered in a transaction not involving any public offering in the United States within the meaning of the Securities Act, that the notes have not been and will not be registered under the Securities Act, and that the notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except as set forth below;
- (3) It shall not resell or otherwise transfer any of such notes except:
 - to the Company or any of its subsidiaries;
 - pursuant to a registration statement which has been declared effective under the Securities Act;
 - within the United States to a QIB in compliance with Rule 144A under the Securities Act;
 - outside the United States to non-U.S. purchasers in offshore transactions meeting the requirements of Rule 903 or Rule 904 of Regulation S under the Securities Act; or
 - pursuant to another available exemption from the registration requirements of the Securities Act;
- (4) It agrees that it will give notice of any restrictions on transfer of such notes to each person to whom it transfers the notes;
- (5) It understands that the certificates evidencing the notes (other than the Regulation S global notes) will bear a legend substantially to the following effect unless otherwise determined by us:

THE SECURITIES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR ANY STATE OR OTHER SECURITIES LAWS, AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN ACCORDANCE WITH THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF (1) REPRESENTS THAT IT, AND ANY ACCOUNT FOR WHICH IT IS ACTING, (A) IS A “QUALIFIED INSTITUTIONAL BUYER” (WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT) OR (B) IS NOT A U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN “OFFSHORE TRANSACTION” PURSUANT TO RULE 903 OR 904 OF REGULATION S AND, WITH RESPECT TO (A) AND (B), EXERCISES SOLE INVESTMENT DISCRETION WITH RESPECT TO SUCH ACCOUNT, (2) AGREES FOR THE BENEFIT OF THE COMPANY THAT IT WILL NOT OFFER, SELL, PLEDGE OR OTHERWISE TRANSFER THIS SECURITY OR ANY BENEFICIAL INTEREST HEREIN, EXCEPT (A) (1) TO THE

COMPANY OR ANY SUBSIDIARY THEREOF, (II) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BECOME EFFECTIVE UNDER THE SECURITIES ACT, (III) TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT, (IV) IN AN OFFSHORE TRANSACTION COMPLYING WITH THE REQUIREMENTS OF RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT OR (V) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT (IF AVAILABLE), AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND OTHER JURISDICTIONS, AND (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. AS USED HEREIN, THE TERMS “OFFSHORE TRANSACTION,” “UNITED STATES” AND “U.S. PERSON” HAVE THE RESPECTIVE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE SECURITIES ACT.

PRIOR TO THE REGISTRATION OF ANY TRANSFER IN ACCORDANCE WITH PARAGRAPH 2A(V) ABOVE, THE COMPANY RESERVES THE RIGHT TO REQUIRE THE DELIVERY OF SUCH LEGAL OPINIONS, CERTIFICATIONS, OR OTHER EVIDENCE AS MAY REASONABLY BE REQUIRED IN ORDER TO DETERMINE THAT THE PROPOSED TRANSFER IS BEING MADE IN COMPLIANCE WITH THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. NO REPRESENTATION IS MADE AS TO THE AVAILABILITY OF ANY EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. THIS LEGEND SHALL ONLY BE REMOVED AT THE OPTION OF THE ISSUER.

- (6) If it is a non-U.S. purchaser acquiring a beneficial interest in a Regulation S global note offered pursuant to this offering memorandum, it acknowledges and agrees that, until the expiration of the 40 day “distribution compliance period” within the meaning of Regulation S, any offer, sale, pledge or other transfer shall not be made by it in the United States or to, or for the account or benefit of, a U.S. person, except pursuant to Rule 144A to a QIB taking delivery thereof in the form of a beneficial interest in a U.S. global note, and that each Regulation S global note will contain a legend to substantially the following effect:

THE SECURITIES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR ANY STATE OR OTHER SECURITIES LAWS. PRIOR TO EXPIRATION OF THE 40-DAY DISTRIBUTION COMPLIANCE PERIOD (AS DEFINED IN REGULATION S (“REGULATION S”) UNDER THE SECURITIES ACT, THIS SECURITY MAY NOT BE REOFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES (AS DEFINED IN REGULATION S) OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, A U.S. PERSON (AS DEFINED IN REGULATION S), EXCEPT TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144 A UNDER THE SECURITIES ACT IN A TRANSACTION MEETING THE REQUIREMENTS OF THE INDENTURE REFERRED TO HEREIN.

- (7) It acknowledges that the foregoing restrictions apply to holders of beneficial interests in the notes, as well as holders of the notes;
- (8) It acknowledges that the Company will not be required to accept for registration of transfer any notes acquired by it, except upon presentation of evidence satisfactory to the Company that the restrictions set forth herein have been complied with; and
- (9) It acknowledges that the Company, the trustee, the initial purchasers and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements and agrees that if any of the acknowledgments, representations or agreements deemed to have been made by its purchase of the notes are no longer accurate, it shall promptly notify the Company, the trustee and the initial purchasers. If it is acquiring the notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each such account.

PLAN OF DISTRIBUTION

Subject to the terms and conditions set forth in the purchase agreement, each initial purchaser named below has severally agreed to purchase, and we have agreed to sell, the principal amount of the notes set forth opposite such initial purchaser's name.

Initial Purchasers	Principal Amount
Barclays Capital Inc.....	U.S.\$89,375,000
HSBC Securities (USA) Inc.....	U.S.\$89,375,000
BCP Securities, LLC.....	U.S.\$47,500,000
Actinver Securities, Inc.....	U.S.\$23,750,000
Total.....	U.S.\$250,000,000

Subject to the terms and conditions set forth in the purchase agreement, the initial purchasers have agreed, severally and not jointly, to purchase all of the notes sold under the purchase agreement if any notes are purchased. If an initial purchaser defaults, the purchase agreement provides that the purchase commitments of the non-defaulting initial purchaser may be increased, the commitments of the defaulting initial purchaser may be assumed by other persons satisfactory to the non-defaulting initial purchasers and us or the purchase agreement may be terminated.

We have agreed to indemnify the initial purchasers and their controlling persons against certain liabilities in connection with this offering, including liabilities under the Securities Act, or to contribute to payments the initial purchasers may be required to make in respect of those liabilities.

The initial purchasers are offering the notes, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the notes, and other conditions contained in the purchase agreement, such as the receipt by the initial purchasers of officer's certificates and legal opinions. The initial purchasers reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

Commissions and Discounts

The initial purchasers have advised us that they propose initially to 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. After the initial offering, the offering price or any other term of the offering may be changed. The initial purchasers may offer and sell notes through certain of their affiliates.

The Notes Are Not Being Registered

The notes have not been, and will not be, registered under the Securities Act or the securities law of any other jurisdiction, and they may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. In connection with sales outside the United States, each of the initial purchasers has agreed that it will not offer, sell or deliver the notes to, or for the account of, U.S. persons (unless in reliance on Rule 144A) (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the closing date, and that it will send to each dealer to whom it sells such notes during such period a confirmation or other notice setting forth the restrictions on offers and sales of the notes within the United States or to, or for the account or benefit of, U.S. persons. Resales of the notes are restricted as described under "Transfer Restrictions."

In addition, until 40 days after the commencement of this offering, an offer or sale of the notes within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act unless the dealer makes the offer or sale in compliance with Rule 144A or another exemption from registration under the Securities Act. Each purchaser of the notes will be deemed to have made acknowledgments, representations and agreements as described under "Transfer Restrictions."

New Issue of Notes

The notes are a new issue of securities with no established trading market. We do not intend to apply for listing of the notes on any U.S. national securities exchange. We intend to apply to list the notes on the Singapore Stock Exchange. However, we cannot assure you that the listing application will be approved. We have been advised by each initial purchaser that it presently intends to make a market in the notes after completion of the offering. However, it is under no obligation to do so and may discontinue any market-making activities at its own discretion at any time without any notice. We cannot assure the liquidity of the trading market for the notes. If an active trading market for the notes does not develop, the market price and liquidity of the notes may be adversely affected. If the notes are traded, they may trade at a discount from their initial offering price, depending on prevailing interest rates, the market for similar securities, our operating performance and financial condition, general economic conditions and other factors.

Settlement

We expect that delivery of the notes will be made against payment of the notes on or about July 19, 2017 which will be the fifth business day following the date of this offering memorandum (such settlement being referred to as “T+5”). Under Rule 15c6-1 under the Exchange Act, trades in the secondary market are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade notes prior to the delivery of the notes hereunder may be required, by virtue of the fact that the notes initially settle in T+5, to specify an alternate settlement arrangement at the time of any such trade to prevent a failed settlement. Purchasers of the notes who wish to trade the notes prior to their date of delivery hereunder should consult their advisors.

No Sales of Similar Securities

We have agreed that we will not, for a period of 90 days after the date of this offering memorandum, without first obtaining the prior written consent of each initial purchaser, directly or indirectly, issue, sell, offer to contract or grant any option to sell, pledge, transfer or otherwise dispose of, any U.S. dollar-denominated debt securities, except for the notes sold to the initial purchasers pursuant to the purchase agreement.

Short Positions

In connection with the offering, the initial purchasers may purchase and sell the notes in the open market. These transactions may include short sales and purchases on the open market to cover positions created by short sales. Short sales involve the sale by the initial purchasers of a greater principal amount of notes than they are required to purchase in the offering. The initial purchasers must close out any short position by purchasing notes in the open market.

Similar to other purchase transactions, purchases by the initial purchasers to cover the syndicate short sales may have the effect of raising or maintaining the market price of the notes or preventing or retarding a decline in the market price of the notes. As a result, the price of the notes may be higher than the price that might otherwise exist in the open market.

Neither we nor the initial purchasers make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the notes. In addition, neither we nor the initial purchasers make any representation that the initial purchasers will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Other Relationships

Certain of the initial purchasers or their affiliates may hold positions in the 2019 senior notes. In addition, we intend to repay certain of our indebtedness held by the initial purchasers or their affiliates with a portion of the net proceeds of this offering. As a result, certain of those initial purchasers or their affiliates may receive some of the proceeds from this offering. See “Use of Proceeds.”

Some of the initial purchasers and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with us or our affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions. We currently have a line of credit from HSBC Mexico, an affiliate of one of the Initial Purchasers.

In addition, in the ordinary course of their business activities, the initial purchasers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. Certain of the initial purchasers or their affiliates that have a lending relationship with us routinely hedge their credit exposure to us consistent with their customary risk management policies. Typically, such initial purchasers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the notes offered hereby. Any such short positions could adversely affect future trading prices of the notes offered hereby. The initial purchasers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Sales Outside of the United States

Neither we nor the initial purchasers are making an offer to sell, or seeking offers to buy, the notes in any jurisdiction where the offer and sale is not permitted. You must comply with all applicable laws and regulations in force in any jurisdiction in which you purchase, offer or sell the notes or possess or distribute this offering memorandum, and you must obtain any consent, approval or permission required for your purchase, offer or sale of the notes under the laws and regulations in force in any jurisdiction to which you are subject or in which you make such purchases, offers or sales. Neither we nor the initial purchasers will have any responsibility therefor.

Canada

The notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations.

Any resale of the notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this offering memorandum (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the initial purchasers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

Mexico

The notes have not been and will not be registered with the RNV maintained by the CNBV, and, therefore, may not be offered or sold publicly in Mexico, except that the notes may be offered and sold to Mexican institutional and accredited investors pursuant to the private placement exemption set forth in Article 8 of the Mexican Securities Market Law. We will notify the CNBV of the terms and conditions of this offering of the notes outside of Mexico. Such notice will be submitted to the CNBV to comply with Article 7, second paragraph, of the Mexican Securities Market Law and for statistical and informational purposes only. The delivery to, and the receipt by, the CNBV of such notice does not constitute or imply any certification as to the investment quality of the notes, our solvency,

liquidity or credit quality or the accuracy or completeness of the information set forth in this offering memorandum. This offering memorandum is solely our responsibility and has not been reviewed or authorized by the CNBV. The acquisition of the notes by an investor who is a resident of Mexico will be made under its own responsibility.

Notice to Prospective Investors in the EEA

In relation to each member state of the EEA, which has implemented the Prospectus Directive, which we refer to as “relevant member states,” an offer to the public of any notes which are the subject of the offering contemplated by this offering memorandum may not be made in that relevant member state, except that an offer to the public in that relevant member state of any notes may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that relevant member state:

(1) to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(2) to fewer than 100 or, if the relevant member state has implemented the relevant provisions of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the relevant dealer or dealers nominated by us for any such offer; or

(3) in any other circumstances falling within Article 3(2) of the Prospectus Directive;

provided that no such offer of notes shall result in a requirement for the publication by us, the initial purchasers or any representative of a prospectus pursuant to Article 3 of the Prospectus Directive.

Any person making or intending to make any offer of notes within the EEA should only do so in circumstances in which no obligation arises for us or the initial purchasers to produce a prospectus for such offer. Neither we nor the initial purchasers have authorized, nor do they authorize, the making of any offer of notes through any financial intermediary, other than offers made by the initial purchasers which constitute the final offering of notes contemplated in this offering memorandum.

For the purposes of this provision, and your representation below, the expression an “offer to the public” in relation to any notes 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 any notes to be offered so as to enable an investor to decide to purchase any notes, as the same may be varied in that relevant member state by any measure implementing the Prospectus Directive in that relevant member state and the expression “Prospectus Directive” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the relevant member state) and includes any relevant implementing measure in each relevant member state. The expression “2010 PD Amending Directive” means Directive 2010/73/EU.

Each person in a relevant member state who receives any communication in respect of, or who acquires any notes under, the offer of notes contemplated by this offering memorandum will be deemed to have represented, warranted and agreed to and with us and the initial purchasers that:

(1) it is a “qualified investor” within the meaning of the law in that relevant member state implementing Article 2(1)(e) of the Prospectus Directive; and

(2) in the case of any notes acquired by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, (a) the notes acquired by it in the offering have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any relevant member state other than “qualified investors” (as defined in the Prospectus Directive), or in circumstances in which the prior consent of the representatives has been given to the offer or resale; or (b) where notes have been acquired by it on behalf of persons in any Relevant Member State other than qualified investors, the offer of those notes to it is not treated under the Prospectus Directive as having been made to such persons.

Notice to Prospective Investors in the United Kingdom

Each of the initial purchasers has:

(1) only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the United Kingdom Financial Services and Markets Act of 2000, or the FSMA) received by it in connection with the issue or sale of any notes in circumstances in which Section 21(1) of the FSMA does not, or would not, apply to us; and

(2) complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any notes in, from or otherwise involving the United Kingdom.

Notice to Prospective Investors in Japan

The notes have not been and will not be registered under the Securities and Exchange Law of Japan (the “Securities and Exchange Law”) and, accordingly, each initial purchaser has undertaken that it will not offer or sell any notes, directly or indirectly, in Japan or to, or for the benefit of any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Securities and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan. For purposes of this paragraph, “resident of Japan” shall have the meaning as defined under the Foreign Exchange and Foreign Trade Law of Japan.

Notice to Prospective Investors in Hong Kong

This offering memorandum has not been approved by or registered with the Securities and Futures Commission of Hong Kong or the Registrar of Companies of Hong Kong. No person may offer or sell in Hong Kong, by means of any document, any notes other than (i) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (ii) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance. No person may issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the notes which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to notes which are or are intended to be disposed of only to persons outside Hong Kong or to “professional investors” as defined in the Securities and Futures Ordinance and any rules made under that Ordinance or to any persons in the circumstances referred to in paragraph (ii) above.

Notice to Prospective Investors in Singapore

This offering memorandum has not been registered as a prospectus with the Monetary Authority of Singapore (the “MAS”) under the Securities and Futures Act, Chapter 289 of Singapore (the “Securities and Futures Act”). Accordingly, this offering memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the notes may not be circulated or distributed, nor may the notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to the public or any member of the public in Singapore other than (a) to an institutional investor pursuant to Section 274 of the Securities and Futures Act, (b) to a relevant person, or any person pursuant to Section 275(1A) of the Securities and Futures Act, and in accordance with the conditions specified in Section 275 of the Securities and Futures Act, or (c) pursuant to, and in accordance with the conditions of, any other applicable provision of the Securities and Futures Act.

Each of the following relevant persons specified in Section 275 of the Securities and Futures Act which has subscribed or purchased notes, namely a person who is: (i) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (ii) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, should note that shares, debentures and units of shares and debentures of that corporation or the beneficiaries’ rights and interest in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the notes under Section 275 of the Securities and Futures Act except: (a) to an institutional investor under Section 274 of the Securities and Futures Act or to a relevant person, or any person pursuant to Section 275(1A) of the Securities and Futures Act, and in

accordance with the conditions, specified in Section 275 of the Securities and Futures Act; (b) where no consideration is given for the transfer; or (c) by operation of law.

Notice to Prospective Investors in France

This offering memorandum (including any amendment, supplement or replacement thereto) or any other offering material in connection with the offering of the notes has not been submitted to the clearance procedures of the French Autorité des marchés financiers or of the competent authority of another Member State of the EEA and notified to the French Autorité des marchés financiers. Accordingly, Notes will be offered, sold or distributed directly or indirectly in France only (i) to qualified investors (*investisseurs qualifiés*) and/or a restricted circle of investors (*cercle restreint d'investisseurs*), in each case investing for their own account and as defined in, and in accordance with, Articles L.411-2 II, D.411-1 to D. 411-4, D. 744-1, D. 754-1 and D. 764-1 of the French Code monétaire et financier, or (ii) to investment services providers authorized to engage in portfolio management on behalf of third parties (*service d'investissement de gestion de portefeuille pour compte de tiers*) as defined in Article L.411-2 II of the French Code monétaire et financier. The direct and indirect distribution or sale to the public in France of any Notes so acquired may be made only in compliance with Articles L.411-1, L.411-2, L.412-1 and L.621-8 to L. 621-8-3 of the French Code monétaire et financier and applicable regulations thereunder.

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. The Committee on Uniform Security Identification Procedures, or CUSIP, number and International Security Identification Number, or ISIN, for the notes are as follows:

	Restricted Global Note	Regulation S Global Note
CUSIP	31770B AC2	P4173S AF1
ISIN	US31770BAC28	USP4173SAF13

Listing

We intend to apply to list the notes on the Singapore Stock Exchange. Copies of (i) our by-laws, (ii) the bylaws of our subsidiary guarantors, (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, as such addresses are set forth in this offering memorandum. In future periods, we do not anticipate that our subsidiary guarantors will publish separate nonconsolidated financial statements. We anticipate that their 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.

Upon any issuance of definitive certificated notes, we will appoint and maintain a paying agent in Singapore (so long as the notes are listed on the Singapore Stock Exchange and the rules of the Singapore Stock Exchange so require), where the notes may be presented or surrendered for payment or redemption, in the event that the global notes are exchanged for definitive certificated notes. In addition, in the event that the global notes are exchanged for definitive certificated notes, announcement of such exchange shall be made through the Singapore Stock Exchange and such announcement will include all material information with respect to the delivery of the definitive certificated notes, including details of the paying agent in Singapore.

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 statistical and 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

The issuance of the notes has been approved by our shareholders at the general extraordinary shareholders' meeting on June 29, 2017. In addition, we obtained all necessary consents, approvals and authorization in connection with the issuance and performance of the Notes (including resolutions adopted by our board of directors) by July 10, 2017.

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 March 31, 2017.

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-month period 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

Certain matters relating to the notes offered and sold in this offering will be passed upon for the issuer by White & Case LLP, and for the initial purchasers by Paul Hastings LLP. Certain matters of Mexican law relating to the notes will be passed upon for the issuer by White & Case, S.C., and for the initial purchasers by Ritch, Mueller, Heather y Nicolau, S.C.

INDEPENDENT AUDITORS

Our unaudited interim financial statements as of March 31, 2017 and for the three-month periods ended March 31, 2017 and 2016 have been reviewed by Galaz, Yamazaki, Ruiz Urquiza, S.C., a member of Deloitte Touche Tohmatsu Limited, independent auditors, as stated in their report on review appearing herein.

Our audited consolidated financial statements as of and for the years ended December 31, 2016, 2015 and 2014, included elsewhere in this offering memorandum, have been audited by Galaz, Yamazaki, Ruiz Urquiza, S.C., a member of Deloitte Touche Tohmatsu Limited, independent auditors, as stated in their audit report appearing herein.

Financial Statements of Financiera Independencia, S.A.B. de C.V., Sofom, E.N.R. Page
Independent Auditors' Report and Consolidated Financial Statements as of December 31, 2016, 2015 and 2014 and for the Years Ended 2016, 2015 and 2014

Independent Auditors' Report.....	F-4
Consolidated Balance Sheets	F-7
Consolidated Statements of Income.....	F-9
Consolidated Statements of Changes in Stockholders' Equity.....	F-10
Consolidated Statements of Cash Flows.....	F-11
Notes to the Consolidated Financial Statements.....	F-12

Financial Statements of Financiera Independencia, S.A.B. de C.V., Sofom, E.N.R. Page
Unaudited Condensed Consolidated Interim Financial Statements as of March 31, 2017 and for the Three Months Ended March 31, 2017 and 2016

Unaudited Condensed Consolidated Balance Sheets	F-46
Unaudited Condensed Consolidated Statements of Income	F-47
Unaudited Condensed Consolidated Statements of Changes in Stockholders' Equity	F-48
Unaudited Condensed Consolidated Statements of Cash Flows.....	F-49
Notes to the Unaudited Condensed Consolidated Financial Statements.....	F-50

**Financiera Independencia,
S.A.B. de C.V., Sociedad
Financiera de Objeto
Múltiple, Entidad no
Regulada and Subsidiaries**

Consolidated Financial
Statements for the years ended
December 31, 2016, 2015 and
2014 and Independent Auditors'
Report Dated June 19, 2017

**Financiera Independencia, S.A.B. de C.V., Sociedad
Financiera de Objeto Múltiple, Entidad no Regulada and
Subsidiaries**

**Independent Auditors' Report and
Consolidated Financial Statements 2016,
2015 and 2014**

Table of Contents	Page
Independent Auditors' Report	1
Consolidated Balance Sheets	4
Consolidated Statements of Income	6
Consolidated Statements of Changes in Stockholders' Equity	7
Consolidated Statements of Cash Flows	8
Notes to the Consolidated Financial Statements	9

Independent Auditors' Report to the Board of Directors and Stockholders of Financiera Independencia, S.A.B. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad no Regulada

Opinion

We have audited the consolidated financial statements of Financiera Independencia, S.A.B. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad no Regulada and Subsidiaries (the Company), which comprise the consolidated balance sheets as of December 31, 2016, 2015 and 2014 and the related consolidated statements of income, the consolidated statements of changes in stockholders' equity and the consolidated statements of cash flows for the years then ended, as well as the explanatory notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Company were prepared in all material respects, in accordance with the accounting criteria established by the National Banking and Securities Commission of Mexico (the "Commission") in the "General Provisions Applicable to Credit Institutions" (the "Accounting Criteria").

Basis for opinion

We conducted our audits in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Institution in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for professional Accountants (IESBA Code) and with the Ethics Code issued by the Mexican Institute of Public Accountants (IMCP Code), and we have complied with all other ethical responsibilities in accordance with the IESBA Code and IMCP Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Other matter

The accompanying consolidated financial statements have been translated into English for the convenience of readers.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined that the matters described below are the key audit issues which should be communicated in our report.

Allowance for loan losses

The portfolio's allowance for loan losses is an area of significant judgment for management, because it requires management to apply a methodology prepared internally, which is used as the basis for the determination of quantitative and qualitative factors that are applied in the determination of the probability of default, severity of loss and exposure to default of the loans.

Our audit tests included a combination of control and substantive tests, or tests of balances. We ascertained, based on an internal control walk-through, the supporting documentation of the loan origination to identify the controls established by management for purposes of the appropriate completion of the information on the loan files during the process of loan origination and management. We also substantiated that the information contained in the files reviewed in the internal control walk-through is properly incorporated in the databases used to determine the calculation of the allowance, and that the judgments of the executives who make this classification were appropriate.

We ascertained that the calculation of the allowance reflects the parameters established by management's internal policy, based on substantive tests of the allowance determined by management, with the aim of validating the accuracy of the calculation in accordance with such parameters. We also tested the completeness of the information, confirming that the Company's total loan portfolio was the same as that used for the calculation of the allowance for loan losses.

We did not detect exceptions in our control tests and substantive tests.

Responsibilities of Management and Those Charged with Governance of the Company in Relation to the Consolidated Financial Statements

Management is responsible for the preparation of the accompanying consolidated financial statements in accordance with the Accounting Criteria, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA's, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Galaz, Yamazaki, Ruiz Urquiza, S. C.
Member of Deloitte Touche Tohmatsu Limited



C.P.C. Jorge Adrián Ramírez Soriano

Mexico City, Mexico
June 19, 2017

Financiera Independencia, S.A.B. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad no Regulada and Subsidiaries

Consolidated Balance Sheets

As of December 31, 2016, 2015 and 2014
(In thousands of Mexican pesos)

Assets	2016	2015	2014
Funds available	\$ 600,885	\$ 599,941	\$ 463,890
Derivatives:			
For hedging purposes	820,338	889,538	359,798
Performing loans:			
Consumer loans	6,948,862	6,507,540	5,368,770
Commercial loans	<u>88,863</u>	<u>128,273</u>	<u>1,193,209</u>
Total performing loans	7,037,725	6,635,813	6,561,979
Non-performing loans:			
Consumer loans	<u>410,044</u>	<u>480,156</u>	<u>511,363</u>
Total non-performing loans	<u>410,044</u>	<u>480,156</u>	<u>511,363</u>
Total loans	7,447,769	7,115,969	7,073,342
Allowance for loan losses	<u>(410,044)</u>	<u>(480,156)</u>	<u>(511,363)</u>
Total loans-net	7,037,725	6,635,813	6,561,979
Other accounts receivable-net	503,835	449,926	316,120
Property, plant and equipment-net	332,205	316,600	329,462
Deferred taxes and profit sharing, net	875,012	838,209	908,767
Other assets:			
Goodwill	1,587,035	1,587,035	1,587,035
Intangibles	108,314	116,247	124,180
Deferred charges and prepaid expenses	<u>289,877</u>	<u>385,653</u>	<u>456,408</u>
Total assets	<u>\$ 12,155,276</u>	<u>\$ 11,818,962</u>	<u>\$ 11,107,639</u>

Liabilities and Stockholders' Equity	2016	2015	2014
Securitization certificates	\$ 1,501,731	\$ 1,500,716	\$ 1,501,148
Borrowings from banks and from other entities			
Short-term	2,510,792	2,415,158	2,257,033
Long-term	<u>3,413,308</u>	<u>3,592,703</u>	<u>3,427,481</u>
Other accounts payable:	5,924,100	6,007,861	5,684,514
Income taxes	19,550	21,920	26,826
Sundry creditors and other	<u>637,404</u>	<u>507,344</u>	<u>365,917</u>
	656,954	529,264	392,743
Deferred credits and advance collections	<u>22,234</u>	<u>24,341</u>	<u>25,223</u>
Total liabilities	8,105,019	8,062,182	7,603,628
Stockholders' equity			
Contributed capital:			
Common stock	157,191	157,191	157,191
Share premium	<u>1,574,963</u>	<u>1,575,855</u>	<u>1,577,019</u>
	1,732,154	1,733,046	1,734,210
Earned capital:			
Capital reserves	14,318	14,318	14,318
Result from prior years	1,899,233	1,700,081	1,385,574
Result from valuation of cash flow hedging instruments	113,683	75,076	34,001
Result from translation of foreign subsidiaries	57,746	25,217	17,913
Remeasurement of defined employee benefits	(880)	-	-
Net result	<u>234,003</u>	<u>209,042</u>	<u>317,982</u>
	<u>2,318,103</u>	<u>2,023,734</u>	<u>1,769,788</u>
Non-controlling interest	-	-	13
Total stockholders' equity	<u>4,050,257</u>	<u>3,756,780</u>	<u>3,504,011</u>
Total liabilities and stockholders' equity	<u>\$ 12,155,276</u>	<u>\$ 11,818,962</u>	<u>\$ 11,107,639</u>

Memorandum accounts	2016	2015	2014
Uncollected interest earned on non-performing loan portfolio	\$ 41,536	\$ 62,971	\$ 73,286
Tax losses	\$ 902,150	\$ 508,160	\$ 503,548
Loan portfolio written off	\$ 813,610	\$ 962,577	\$ 906,947

See accompanying notes to these consolidated financial statements.

Financiera Independencia, S.A.B. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad no Regulada and Subsidiaries

Consolidated Statements of Income

For the years ended December 31, 2016, 2015 and 2014
(In thousands of Mexican pesos, except income per share)

	2016	2015	2014
Interest income	\$ 4,692,649	\$ 4,848,726	\$ 4,900,743
Interest expense	<u>(627,691)</u>	<u>(616,442)</u>	<u>(676,143)</u>
Financial margin	4,064,958	4,232,284	4,224,600
Provision for loan losses	<u>(1,177,678)</u>	<u>(1,449,044)</u>	<u>(1,375,723)</u>
Financial margin after provision for loan losses	2,887,280	2,783,240	2,848,877
Commission and fee income	495,870	587,472	657,028
Commission and fee expense	(84,002)	(76,328)	(80,202)
Trading income	90,106	(115)	(40,060)
Other operating income	290,705	293,082	343,665
Administrative and promotional expenses	<u>(3,351,955)</u>	<u>(3,303,843)</u>	<u>(3,291,475)</u>
Operating result	328,004	283,508	437,833
Current income taxes	(126,978)	(140,164)	(126,318)
Deferred income taxes benefit	<u>32,977</u>	<u>65,698</u>	<u>6,476</u>
	<u>(94,001)</u>	<u>(74,466)</u>	<u>(119,842)</u>
Net income	<u>\$ 234,003</u>	<u>\$ 209,042</u>	<u>\$ 317,991</u>
Non controlling interest	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9</u>
Controlling interest	<u>\$ 234,003</u>	<u>\$ 209,042</u>	<u>\$ 317,982</u>
Earnings per share	<u>\$ 0.3435</u>	<u>\$ 0.3056</u>	<u>\$ 0.4653</u>

See accompanying notes to these consolidated financial statements.

Financiera Independencia, S.A.B. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad no Regulada and Subsidiaries

Consolidated Statements of Changes in Stockholders' equity

For the years ended December 31, 2016, 2015 and 2014
(In thousands of Mexican pesos)

	Contributed capital		Earned capital							Non-controlling interest	Total stockholders' equity
	Common stock	Share premium	Capital reserves	Result from prior years	Result from valuation of cash flow hedging instruments	Result from translation of foreign subsidiaries	Net result	Remeasurement of defined employee benefits			
Balances as of December 31, 2013	\$ 157,191	\$ 1,579,175	\$ 14,318	\$ 1,131,157	\$ (68,599)	\$ 14,278	\$ 254,111	\$ -	\$ 4	\$ 3,081,635	
Entries approved by stockholders -											
Transfer of prior year results	-	-	-	254,111	-	-	(254,111)	-	-	-	
Acquisition of proprietary shares and effect on replacement of proprietary shares	-	(2,156)	-	306	-	-	-	-	-	(1,850)	
	-	(2,156)	-	254,417	-	-	(254,111)	-	-	(1,850)	
Comprehensive income -											
Net income	-	-	-	-	-	-	317,982	-	9	317,991	
Result from valuation of cash flow hedging instruments	-	-	-	-	102,600	-	-	-	-	102,600	
Result from translation of foreign subsidiaries	-	-	-	-	-	3,635	-	-	-	3,635	
Balances as of December 31, 2014	157,191	1,577,019	14,318	1,385,574	34,001	17,913	317,982	-	13	3,504,011	
Entries approved by stockholders -											
Transfer of prior year results	-	-	-	317,982	-	-	(317,982)	-	-	-	
Acquisition of proprietary shares and effect on replacement of proprietary shares	-	(1,164)	-	(4,408)	-	-	-	-	-	(5,572)	
	-	(1,164)	-	313,574	-	-	(317,982)	-	-	(5,572)	
Comprehensive income -											
Net income	-	-	-	-	-	-	209,042	-	-	209,042	
Result from valuation of cash flow hedging instruments	-	-	-	-	41,075	-	-	-	-	41,075	
Result from translation of foreign subsidiaries	-	-	-	-	-	7,304	-	-	-	7,304	
Other items	-	-	-	933	-	-	-	-	-	933	
Cancellation of non-controlling interest	-	-	-	-	-	-	-	-	(13)	(13)	
Balances as of December 31, 2015	157,191	1,575,855	14,318	1,700,081	75,076	25,217	209,042	-	-	3,756,780	
Entries approved by stockholders -											
Transfer of prior year results	-	-	-	209,042	-	-	(209,042)	-	-	-	
Acquisition of proprietary shares and effect on reissuance of proprietary shares	-	(892)	-	(9,890)	-	-	-	-	-	(10,782)	
	-	(892)	-	199,152	-	-	(209,042)	-	-	(10,782)	
Comprehensive income -											
Net income	-	-	-	-	-	-	234,003	-	-	234,003	
Result from valuation of cash flow hedging instruments	-	-	-	-	38,607	-	-	-	-	38,607	
Result from translation of foreign subsidiaries	-	-	-	-	-	32,529	-	-	-	32,529	
Remeasurement of defined employee benefits	-	-	-	-	-	-	-	(880)	-	(880)	
Balances as of December 31, 2016	\$ 157,191	\$ 1,574,963	\$ 14,318	\$ 1,899,233	\$ 113,683	\$ 57,746	\$ 234,003	\$ (880)	\$ -	\$ 4,050,257	

See accompanying notes to these consolidated financial statements.

Financiera Independencia, S.A.B. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad no Regulada and Subsidiaries

Consolidated Statements of Cash Flows

For the years ended December 31, 2016, 2015 and 2014

(In thousands of Mexican pesos)

	2016	2015	2014
Net income	\$ 234,003	\$ 209,042	\$ 317,991
Adjustments for items not requiring cash flows:			
Depreciation and amortization	101,357	102,665	106,456
Remeasurement of defined employee benefits	(880)	-	-
Current and deferred income taxes	<u>94,001</u>	<u>74,466</u>	<u>119,842</u>
	428,481	386,173	544,289
Operating activities:			
Loan portfolio	(401,912)	(73,834)	(226,195)
Bank loans and securities liabilities	(82,746)	322,915	142,549
Other accounts receivable and payable	<u>48,624</u>	<u>(490,741)</u>	<u>(374,612)</u>
Net cash flows from operating activities	(7,553)	144,513	86,031
Investing activities:			
Acquisitions of fixed assets	(109,026)	(81,869)	(87,224)
Goodwill	-	-	(240)
Deferred charges and prepaid expenses	<u>95,776</u>	<u>70,755</u>	<u>(47,452)</u>
Net cash flows from investing activities	(13,250)	(11,114)	(134,916)
Financing activities:			
Acquisition of proprietary shares, net	(10,782)	(5,572)	(1,850)
Other items	-	933	-
Non-controlling interest	<u>-</u>	<u>(13)</u>	<u>-</u>
Net cash flows from financing activities	(10,782)	(4,652)	(1,850)
Net increase (decrease) in funds available	(31,585)	128,747	(50,735)
Funds available at the beginning of the year	<u>599,941</u>	<u>463,890</u>	<u>510,990</u>
Effects from changes in value of funds available	<u>32,529</u>	<u>7,304</u>	<u>3,635</u>
Funds available at the end of the year	<u>\$ 600,885</u>	<u>\$ 599,941</u>	<u>\$ 463,890</u>

See accompanying notes to these consolidated financial statements.

Financiera Independencia, S.A.B. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad no Regulada and Subsidiaries

Notes to Consolidated Financial Statements

For the years ended December 31, 2016, 2015 and 2014

(In thousands of Mexican pesos)

1. Operations

Financiera Independencia, S.A.B. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada (the "Company") was established and began operations in accordance with Mexican laws on July 22, 1993, for an indefinite period, and with headquarters in Mexico City. It has authorization from the Mexican Treasury Department ("SHCP") to operate as a multiple purpose financial institution, unregulated entity, in accordance with the Mexican Credit Institutions Law ("LIC").

Its primary activity is to grant loans to individuals for the consumption of goods and services. The resources necessary to fund its operation have been obtained from the stockholders and through market operations and contracting liabilities from domestic financial institutions.

The General Law on Credit Organizations and Auxiliary Activities ("LGOAAC"), applicable to Multiple Purpose Financial Institutions ("Sofom/Sofomes"), allows such entities to grant loans, factoring services and financing leases. The Sofomes may or may not be regulated by the Mexican National Banking and Securities Commission of Mexico (the "Commission"). Unregulated entities ("E. N. R.") are entities which do not have equity relationships with credit institutions or holding companies of financial groups of which credit institutions form part, and those which do not issue debt instruments or fiduciary certificates registered in the National Registry of Securities in accordance with the Stock Market Law for which they are liable, or when they are issued, the respective compliance with the obligations embodied in such securities or instruments does not depend partially or totally on such entities, for which reason they are not subject to oversight by the Commission.

On October 18, 2007 the stockholders approved the adoption of the legal form of Sociedad Anónima Bursátil (S.A.B.), for which reason, as of November 1, 2007, the Company was registered as a public stock corporation on the Mexican Stock Market (the "BMV"), and listed with the ticker symbol "FINDEP".

During the process of listing its shares on the BMV, the Company carried out a public share offering in Mexico.

The Company, in its capacity as an S.A.B., applies the provisions of the General Companies Law and, if applicable, the relevant provisions of the Stock Market Law, as well as general provisions applicable to issuers of securities and other stock market participants.

2. Basis for presentation

- a. **Explanation for translation into English-** The accompanying consolidated financial statements have been translated from the original statements prepared in Spanish into English for use outside of Mexico. The accounting criteria to prepare the accompanying consolidated financial statements of the Company conform to the financial reporting requirements prescribed by the Commission, but do not conform to Mexican Financial Reporting Standards ("MFRS or NIF"), and may differ in certain significant respects from the financial reporting standards accepted in the country of use.

- b. Monetary unit of the financial statements-** The consolidated financial statements and notes as of December 31, 2016, 2015 and 2014 and for the years then ended include balances and transactions of different purchasing power.
- c. Consolidation of financial statements -** The accompanying consolidated financial statements include the financial statements of the Company and those of its subsidiaries in which control is exercised as of December 31, 2016, 2015 and 2014 and for the years then ended. All significant intercompany balances and transactions have been eliminated.

The subsidiaries consolidated with the Company as of December 31, 2016, 2015 and 2014 are detailed below:

Subsidiaries	2016	Percentage 2015	2014	Activity
Serfincor, S.A. de C.V. ("Serfincor")	99.99%	99.99%	99.99%	Service provider
Conexia, S.A. de C.V. ("Conexia")	99.99%	99.99%	99.99%	Call center, promotional and marketing services
Fisofo, S.A. de C.V., SOFOM, E. N. R. ("Fisofo")	99.99%	99.99%	99.99%	Granting consumer loans
Confianza Económica, S.A. de C.V, Sofom, E.N.R. ("Confianza Económica")	99.00%	99.00%	99.00%	Granting consumer loans
Financiera Finsol, S.A. de C.V., SOFOM, E.N.R. ("Financiera Finsol")	99.99%	99.99%	99.99%	Granting consumer loans
Finsol, S.A. de C.V. ("Finsol")	99.99%	99.99%	99.99%	Service provider
Finsol Vida, S.A. de C.V.	-	-	99.99%	Service provider
Instituto Finsol, IF	99.99%	99.99%	99.99%	Granting commercial loans
Independencia Participações, S. A. y subsidiaria (Indepar)	99.99%	99.99%	99.99%	Granting commercial loans
Apoyo Económico Familiar, S.A. de C.V., SOFOM, E.N.R. ("AEF")	99.99%	99.99%	99.99%	Granting consumer loans
Servicios Corporativos AEF, S.A. de C.V. ("SCAEF")	99.99%	99.99%	99.99%	Service provider
Apoyo Financiero, Inc. ("AFI")	100.00%	100.00%	100.00%	Granting consumer loans
Sistemas Corporativos COA, S.A., de C.V. (SICOA)	99.95%	99.95%	-	Service provider
Sistemas Administrativos y Corporativos Santa Fe, S.A. de C.V. (SACSA)	-	-	99.99%	Service provider
Fideicomiso irrevocable de emisión de certificados bursátiles fiduciarios F/1742	100.00%	100.00%	100.00%	Securitization vehicle
Management trust number 851- 01161	100.00%	100.00%	100.00%	Acquisition of collection rights

- d. **Conversion of foreign currency financial statements of subsidiaries** - To consolidate financial statements of foreign subsidiaries, the accounting policies of the foreign entity are converted to accounting criteria of the Commission. The financial statements are subsequently translated to Mexican pesos using the following methodology:

Foreign operations whose functional currency is the same as the currency in which transactions are recorded translate their financial statements using the following exchange rates: 1) the closing exchange rate in effect at the balance sheet date for assets and liabilities; 2) historical exchange rates for stockholders' equity, and 3) the rate on the date of accrual of revenues, costs and expenses. Translation effects are recorded in other comprehensive income (loss) within stockholders' equity.

At December 31, 2016, 2015 and 2014, the exchange rates used in the different translation processes are as follows:

Company	Currency	Exchange rate to translate Mexican pesos		
		2016	2015	2014
Independencia Participações, S.A. y subsidiaria (Indepar)	Real/ US Dollar	3.2591	3.9048	3.1684
Instituto Finsol, IF Apoyo Financiero Inc. ("AFI")	Real/ US Dollar	3.2591	3.9048	3.1684
	US Dollar	20.6194	17.2487	14.7414

3. Significant accounting policies

The significant accounting policies applied by the Company comply with the accounting criteria established by the Commission in the "General Provisions Applicable to Credit Institutions" (the "Provisions"), in its rulings, which are considered a Special Purpose Framework. These policies require management to make certain estimates and use certain assumptions that affect the amounts reported in the consolidated financial statements and their related disclosures; however, actual results may differ from such estimates. The management upon applying professional judgment, considers that estimates made and assumptions used were appropriate under the circumstances.

On September 19, 2008, the Commission issued an amendment to the General Provisions for Issuers, whereby Sofomes, E.N.R. that are public stock corporations must prepare their financial statements in conformity with the accounting criteria which, pursuant to article 87-D of the LGOAAC, are applicable to regulated Sofomes. This article states that regulated Sofomes are subject to the provisions established for credit institutions and finance entities, as the case may be, in the LIC, and in the Commission's Law.

In accordance with accounting criterion A-1 of the Commission, the accounting framework applied by entities shall be adjusted to conform to NIF issued by the Mexican Board of Financial Reporting Standards ("CINIF"), except when, in the Commission's judgment, a specific accounting provision or standard must be applied, bearing in mind that the companies under its regulation carry out specialized operations.

Below we describe the significant accounting policies applied by the Company:

Changes in accounting policies

Modification of accounting criteria issued by the Commission

On November 9, 2015, a series of modifications involving the accounting criteria applied by credit institutions was published in the Federal Official Gazette. These modifications are intended to modify the accounting criteria utilized by credit institutions to reflect the transactions they perform so as to ensure reliable financial information. These modifications took effect on January 1, 2016.

The most significant changes are detailed below:

- a. The net asset derived from defined employee benefits must be presented in the balance sheet under the “Other assets” heading.
- b. If an item of restricted quick assets indicates a negative balance, it must be presented under the heading “Other payables”. The presentation of the negative balance of restricted quick assets was not previously required.

Loan portfolio

- c. The definition of the term “Renewal” has been modified in Accounting Criterion B-6, Loan Portfolio, such that it is now considered as a transaction in which the credit balance is partially or totally settled, through the increase of the original loan amount or based on the proceeds generated by another loan contracted with the same entity, in which the same borrower, the joint obligor of that borrower or another individual or entity with equity links constitute common risks.
- d. A loan is not considered to have been renewed based on the provisions that take effect during the period of a pre-established credit line, as long as the borrower has settled all due payments according to the original credit conditions.
- e. When utilized amounts are restructured or renewed independently of the underlying credit line, the characteristics and conditions applicable to the restructured or renewed amount or amounts must be evaluated.

If this evaluation concludes that one or more amounts granted under the terms of a credit line must be transferred to the non-performing portfolio based on their restructuring or renewal and when they individually or jointly represent at least 40% of the total credit line amount utilized at the restructuring or renewal date, this balance and the previously utilized amounts must be transferred to the non-performing portfolio until such time as evidence is obtained regarding the sustained payment of the amounts that gave rise to the transfer to the non-performing portfolio. Likewise, all the amounts utilized under the terms of the credit line must have fulfilled the respective obligations at the date of the transfer to the performing portfolio.

- f. The restructuring of loans with principal and interest payments that must be settled in periods equal to or less than 60 days and for which the payment frequency is reduced to shorter periods, must consider the number of payments equal to three consecutive payments under the original loan payment scheme.
- g. In the case of consolidated loans, if two or more loans have resulted in the transfer of the total consolidated loan balance to the non-performing portfolio, the number of payments required for sustained payment purposes must be based on the original loan payment scheme in which payments must be made over a longer period. The total balance of the restructuring or renewal was previously subject to the treatment applied to the worst of the loans.
- h. The advance settlement of restructured or renewed loan payments other than those with a single principal payment at maturity are not considered as sustained payment, regardless of whether interest is paid periodically or at maturity. This is the case of restructured or renewed loan payments that are made before the equivalent number of calendar days of loans with payments covering periods of more than 60 calendar days has elapsed.
- i. The extension of the loan payment period has been included as a restructuring situation.
- j. Commissions and fees other than those collected for loan granting purposes must be recognized in results on the date when they are incurred. If a commission or fee payment is partially or totally received prior to the accrual of the respective income, this advance must be recognized as a liability.

- k. Loans granted under the terms of a credit line, whether revolving or otherwise, and which are restructured or renewed at any time can be maintained in the performing portfolio as long as elements justifying the borrower's payment capacity are obtained. Furthermore, the borrower must have:
 - i. Settled all payable interest;
 - ii. Settled all amounts payable under the terms of the contract at the restructuring or renewal date.
- l. The amounts utilized under the terms of a credit line that are restructured or renewed independently of the underlying credit line, must be evaluated based on the characteristics and conditions applicable to the restructured or renewed amounts.

When this evaluation concludes that one or more amounts utilized under the terms of a credit line must be transferred to the non-performing portfolio due to their restructuring or renewal and when they individually or jointly represent at least 25% of the total utilized amount of the credit line at the restructuring or renewal date, this balance and any subsequent utilized amounts must be transferred to the non-performing portfolio until evidence of the sustained payment of the amounts that gave rise to the transfer to the non-performing portfolio is obtained, and when the total amounts utilized under the terms of the credit line have fulfilled the obligations in effect at the date of their transfer to the performing portfolio.

- m. The requirement whereby the borrower must have settled all accrued interest at the renewal or restructuring date in order to consider the loan as performing will be deemed to have been fulfilled when, having settled the interest accrued at the most recent cutoff date, the period elapsed between that date and the restructuring or renewal date does not exceed the lesser of half of the current payment period and 90 days.
- n. Performing loans with partial principal and interest payments that are restructured or renewed on more than one occasion may remain in the performing portfolio if elements exist to justify the borrower's payment capacity. In the case of commercial loans, these elements must be properly documented and included in the loan file.
- o. If different loans granted by the same entity to the same borrower are consolidated due to restructuring or renewal, each of the consolidated loans must be analyzed, as though individually restructured or renewed. If this analysis concludes that one or more of these loans would have been transferred to the non-performing portfolio based on the restructuring or renewal, then the total consolidated loan balance must be transferred to the non-performing portfolio.
- p. With regard to presentation standards on the balance sheet and the statement of income, it is now established that commissions received prior to the accrual of the related revenue will be presented under "Deferred loans and advance collections".
- q. Related parties are now considered as the individuals or entities which, directly or indirectly, through one or more intermediaries have significant influence over, are significantly influenced by or are subject to the significant joint influence of the entity, as well as the joint control agreements in which the entity participates.
- r. As part of earned capital presented in the Consolidated Statements of Changes in Stockholders' Equity, a heading denominated "Remeasurement of defined employee benefits" has been added as part of the implementation of NIF D-3, *Employee Benefits*.

At December 31, 2016, the Company presents in its balance sheet the balance corresponding to this account.

Company's consolidated financial statements at December 31, 2016 were not subject to any material effects as a result of the changes on those reporting standards.

Reclassifications - Certain amounts in the consolidated financial statements as of and for the years ended as of December 31, 2015 and 2014 have been reclassified to conform to the presentation of the 2016 consolidated financial statements.

Recognition of the effects of inflation in the financial information- Beginning on January 1, 2008, the Institution suspended the recognition of the effects of inflation in its financial statements. However, non-monetary assets and liabilities and stockholders' equity include the restatement effects recognized through December 31, 2007.

Cumulative inflation rates over the three-year periods ended December 31, 2016, 2015 and 2014 were 10.52%, 12.08% and 11.80%, respectively. Accordingly, the economic environment is not inflationary in either such year and no inflationary effects were recognized in the accompanying consolidated financial statements. Inflation rates for the years ended December 31, 2016, 2015 and 2014 were 3.36%, 2.13% and 4.08%, respectively.

Funds available- Are recorded at face value. Funds available in foreign currency are valued at the closing exchange rate issued by Banco de México (Central Bank) at year end.

Financial derivatives- All the financial derivatives contracted are included on the balance sheet as assets and/or liabilities at fair value. The accounting for changes in the fair value of a derivative depends on its intended use and the risk management strategy adopted. In fair value hedges the fluctuations in valuation are recorded in results in the same line item for the position hedged; in cash flow hedges, the effective portion is temporarily kept in comprehensive income as part of stockholders' equity and is reclassified to results when the position it covers affects results. The ineffective portion is recognized immediately in results. While certain financial derivatives are contracted to obtain a hedge from an economic standpoint, these are not considered as hedge instruments because they do not comply with all requirements. Such instruments are classified as trading instruments for accounting purposes.

Fair value is determined based on market prices and, when involving instruments not listed on an active market, fair value is determined based on valuation techniques accepted by market practices.

The Company has the following transactions with financial derivatives:

Swaps - Foreign currency swaps are contracts which establish the bilateral obligation to exchange, over a given period, a series of flows based on a notional amount denominated in different currencies for each of the parties, which are in turn referenced to different interest rates. In some cases, apart from interchanging exchange rate flows in different currencies, it may be agreed to exchange flows based on the notional amount over the effective term of the contract.

The rights and obligations of the swap contract are valued at the fair value determined based on a mathematical model which estimates the net present value of the cash flows of the positions to be received and delivered.

Loan portfolio - Represents the amounts disbursed to borrowers plus uncollected accrued interest. The "allowance for loan losses" is presented as a deduction from the portfolio's balances.

Loan is granted based on a loan analysis which uses the internal policies and operating manuals established by the Company.

The unpaid balance of the loans is recorded as non-performing portfolio when the respective installments have not been fully paid under the original terms established, considering the following:

- If the borrowings consist of loans with partial periodic payments of principal and interest and are 90 or more calendar days in arrears.
- If the borrowings consist of revolving loans and are two monthly billing periods overdue, or, when the billing period is not monthly, when the loans are 60 or more calendar days overdue.

When a loan is considered non-performing, the related interest accrual is suspended. As long as the loan is classified within non-performing portfolio, the control of the uncollected accrued interest or accrued financial revenue is maintained in memorandum accounts. With regard to uncollected accrued interest on the non-performing portfolio, an estimated allowance is recorded for an amount equivalent to the total of such interest at the time it is transferred to non-performing portfolio. If overdue interest is collected, it is recognized directly in results for the year.

Non-performing loans in which the unpaid balances (principal and interest, among others) are fully settled are returned to performing portfolio, in accordance with the Provisions.

Restructured loans are classified and presented as non-performing portfolio, as long as there is no evidence of sustained payment, which is considered to occur when there is timely payment of three consecutive repayments. Additionally, the probability of default of this portfolio in the reserve model is 100%.

Annual fee commissions collected from customers are recognized as revenues on a deferred basis and are amortized using the straight-line method over a year or the loan term. The commissions collected for the initial granting of the loan and its associated costs are not deferred over the term of the loan, because management believes that their effect is not material or significant given that the loans have short-term maturities. Commissions for borrowings on lines of loan and collection expenses are recognized in results at the time they are collected.

Allowance for loan losses - In official notice 310-85406/2009 dated March 2, 2009, the Commission informed the Company that it must calculate the establishment of loan reserves based on the different methodologies established by the Commission for credit institutions, using the general methodology or the internal methodologies established in the Provisions, which, in the case of the latter, does not require approval by the Commission.

The Company rates its loan portfolio using an internal methodology based on the probability of default by the borrowers and on the severity of the loan loss, as established in article 124 of the Provisions.

The Probability of Default (PD) is the probability that a debtor will fall into arrears within the next six months. The Company determines the PI by applying calculations of loan exposure rotating indexes. The loan exposure rotating indexes consider the possibility that a loan may go from its current category to eventual write off (based on the days that it has been overdue). The Company uses the average of the calculations of the loan exposure rotating indexes for the previous 3 year periods as its PD.

The Loss Derived from Default (LDD) is an estimate of the amount that the Company would expect to lose in the event of nonperformance by a borrower. Given that all the Company's loans are unsecured, there is no collateral; consequently, the Company determines its LDD as the average of the net losses after considering the present value of the amounts recovered over the previous 3 year period.

The Company rates its commercial loan portfolio by using an internal methodology based on the number of days in arrears of the loans granted, reserving 100% of such portfolio; the internal methodology requires the creation of additional estimates for any compliance with covenants requested by its funders.

The allowance for the commercial portfolio is determined based on the number of payment periods observed in arrears at the rating date and a 100% severity of loss, by applying the following procedure:

- i. The loan portfolio is stratified based on the number of days in arrears of payments due established by the Company at the rating date, as indicated in the following table.
- ii. For each stratum, allowances for loan losses are determined by applying the percentages of loan losses indicated below to the total amount of the unpaid balance of the loans in each stratum:

Days in arrears	(%)
1-30	-
31-60	-
61-90	-
91-120	100
121-150	100
151-180	100
+180	100

Loans are written-off for accounting purposes when overdue by 180 or more calendar days. Write-offs are performed by applying the outstanding loan balance to the allowance for loan losses account. AFI writes-off loans when all possible collection options are exhausted, thus resulting from an effective legal collection process.

Recoveries associated with loans written off or eliminated from the balance sheet are recognized in result of the year when realized.

Other accounts receivable- Accounts receivable different from the Company's loan portfolio represent recoverable tax balances, among others. The accounts receivable related to identified debtors with more than 90 calendar days and 60 calendar days for unidentified debtors in arrears require the creation of an allowance that reflects the degree of non-collectability. This allowance is not created for recoverable tax balances.

Property, plant and equipment- Are recorded at acquisition cost. The assets derived from acquisitions up to December 31, 2007 were restated by applying factors derived from the Investment Unit (UDI) up to that date. The related depreciation and amortization is recorded by applying a percentage determined based on the estimated useful life of the assets to the cost restated up to that date.

Depreciation is determined on the cost or restated cost up to 2007 by using the straight-line method, as of the following month of the respective purchase, applying the rates detailed below:

	Rate
Real property	5%
Computers	25%
Automatic cash dispensers	15%
Furniture and fixtures	10%
Vehicles	25%
Leasehold improvements	20%

Other assets- Technology-related development costs and intangible assets are initially recorded at the nominal value paid. The amortization of technology-related development costs and intangible assets with a definite life are calculated using the straight-line method, applying the respective rates to the restated expense.

Goodwill - Goodwill is mainly attributable to the excess of the purchase price paid over the fair value of the net assets of Financiera Finsol, S.A. de C.V., Sofom, E.N.R., Finsol, S.A. de C.V. and Instituto Finsol – IF, acquired on February 19, 2010; Apoyo Económico Familiar, S.A. de C.V., Sofom, E.N.R. and Servicios Corporativos AEF, S.A. de C.V., acquired on March 15, 2011 and Apoyo Financiero Inc., acquired on February 28, 2011 and December 18, 2013, which is not amortized but is subject to impairment tests at least once a year.

Impairment of long-lived assets in use- The Company revises the book value of long-lived assets in use, in the presence of any indicator of impairment that might show that the book value may not be recoverable, considering the higher of the present value of the future net cash flows or the net selling price in the case of their eventual disposal. Impairment is recorded if the book value exceeds the higher of the aforementioned values. The indicators of impairment considered for these purposes are, among others, operating losses or negative cash flows in the period if they are combined with a history or projection of losses, depreciation and amortization charged to results which, in percentage terms, in relation to revenues, are substantially superior to those from previous years, services rendered, competition and other economic and legal factors. The Company has carried out an evaluation in accordance with NIF C-15, “Impairment in the Value of Long-lived Assets and their Disposal”, and no impairment was identified in the value of long-lived assets.

Income taxes - Income Tax (“ISR”), is recorded in results of the year in which it is incurred. The Company determines deferred tax by considering temporary differences, tax losses and credits, when these items are initially recognized and at the end of each period. The deferred tax derived from temporary differences is recognized by the asset and liability method, which compares the accounting and tax values of assets and liabilities.

Securitization certificates - They are represented by the issuance of debt instruments known as Securitized Certificates (Cebures), and are measured based on outstanding principal and unpaid accrued interest for the days elapsed to the date of preparation of the consolidated financial statements in results of the year.

Issuance expenses are recognized initially as deferred charges and are amortized against results for the year, taking the term of their underlying instruments as their basis.

Borrowings from banks and from other entities- Refer to credit lines and other loans obtained from other entities, which are recorded at the contractual value of the obligation, with interest recognized in results as it is accrued.

Provisions- Are recognized when there is a present obligation derived from a past event which will probably result in the outlay of economic resources and can be reasonably estimated.

Transactions in foreign currency- Transactions denominated in foreign currency are recorded at the exchange rate at the transaction date. Monetary assets and liabilities denominated in foreign currency are valued in Mexican pesos at the exchange closing rate at the end of each period, issued by the Central Bank. Exchange differences incurred in relation to assets or liabilities contracted in foreign currency are recorded in results.

Financial margin- The Company's financial margin is composed of the difference between total interest income and total interest expense.

The interest income on the loans granted is recognized in the income statement as it is accrued, using the unpaid balances method, based on the terms and interest rates established in the contracts signed with the borrowers. The interest on overdue portfolio is recognized in results only when it is actually collected.

Interest expense refers to bank loans, as well as issuance expenses and the discount on debt placement. The amortization of the costs and expenses associated with the initial credit granted forms part of the interest expense.

Memorandum accounts - Memorandum accounts record assets or commitments which do not form part of the Company's balance sheet because the related rights are not acquired or such commitments are not recognized as a liability of the entities until such eventualities materialize, respectively. The accumulated amounts in the memorandum accounts have only been subject to audit testing when an accounting record derives from their information.

Employee benefits - Employee benefits are those granted to personnel and/or their beneficiaries in exchange for the services rendered by the employee, which include all kinds of remuneration earned, as follows:

- i. **Direct employee benefits** - Direct employee benefits are calculated based on the services rendered by employees, considering their most recent salaries. The liability is recognized as it accrues. These benefits include mainly statutory employee profit sharing (PTU) payable, compensated absences, such as vacation and holiday bonus, and incentives.
- ii. **Employee benefits from termination, retirement and other** - The liability for seniority premium, pensions and severance for termination of the employment relationship is recorded as accrued, which is calculated by independent actuaries based on the projected unit credit method using nominal interest rates.

The Company has no plans of benefits to the employees, with the exception of the benefits required by applicable laws.

- iii. **Statutory employee profit sharing (PTU)** - PTU is recorded in the results of the year in which it is incurred. Deferred PTU is derived from temporary differences that result from comparing the accounting and tax bases of assets and liabilities and is recognized only when it can be reasonably assumed that a liability may be settled or a benefit is generated, and there is no indication that circumstances will change in such a way that the liabilities will not be paid or benefits will not be realized.

As result of the *2014 Tax Reform*, as of December 31, 2016 and 2015, PTU is determined based on taxable income, according to Section II of Article 9 of the Income Tax Law.

Earnings per share- Earnings per basic, common share is the result of dividing net income for the year by the weighted average of shares outstanding during 2016, 2015 and 2014.

Stock Option Plan (SOP) - The Company has an SOP plan for certain eligible employees and officers. The SOP plan was implemented through a trust administered by a Mexican bank as trustee, in accordance with Mexican laws. This plan allows for qualifying employees to acquire common stock shares through the trust. The Company finances the trust through contributions, so that the trust in turn acquires common stock shares by means of purchases on the open market through the BMV. The options awarded under the plan are generally acquired in equivalent partial distributions over a five-year period. The trust purchases sufficient shares on the stock market to handle all the awards of shares at the time they are granted, not when they are acquired. If an employee forfeits the right to an option before it is acquired, the shares represented by such options will be held in the trust until the requirements are fulfilled for their allocation to another beneficiary. The trust currently has 27,984,565 ordinary common stock shares. Historically, no share contributions have ever been made to the trust through the issuance of new shares and currently there are no plans to do so. The share price as of December 31, 2016, 2015 and 2014 was \$3.48, \$2.99 and \$5.58, respectively.

4. Funds available

The heading of funds available is composed mainly of excess cash, bank deposits and immediately realizable investments, which are highly liquid and with little risk of changes in their value, as shown below:

	2016	2015	2014
Cash on hand	\$ 72,143	\$ 61,385	\$ 49,144
Mexican banks	268,861	259,596	97,649
Immediately realizable investments	<u>259,881</u>	<u>278,960</u>	<u>317,097</u>
	<u>\$ 600,885</u>	<u>\$ 599,941</u>	<u>\$ 463,890</u>

Immediately realizable investments refer to the investment of treasury surpluses with the purpose to obtain a better short-term return. These investments are made through securities firms and investment funds which trade on the Mexican market.

As of December 31, 2016, 2015 and 2014, the average rates of the investments were 4.7%, 3.9% and 3.7%, respectively. Furthermore, for the years ended December 31, 2016, 2015 and 2014, interest income on the investments was \$19,354, \$11,589 and \$12,418, respectively. In 2016, 2015 and 2014 the maturities of these investments were between one and three days. As of December 31, 2016, restricted investments are \$69,877 and for 2015 and 2014 are \$65,000.

5. Transactions with financial derivatives

The Company's activities expose it to a wide range of financial risks: market risks (including exchange risk and interest rate risk, principally), credit risk and liquidity risk. The risk management practice take into account the unpredictable nature of the financial markets and seeks to minimize the potential negative effects in the Company's financial performance. Based on the guidelines issued by the Board of Directors, the Company has been implementing the use of financial derivatives to hedge certain exposures to market risks.

The Company's policy is not to carry out speculative transactions with financial derivatives. Below is a summary of the transactions performed with financial derivatives:

Type of instrument	2016							
	Notional amount hedged		Annual interest rate					Fair value
	Receives	Pays	Starting date	Maturity	Exchange rate agreed	Receives	Pays	
Swap								
Currency and interest rate hedge	US\$74,937	MXN\$971,633	4-Jun-14	3-Jun-19	12.966	7.50%	10.85%	\$ 713,391
Currency and interest rate hedge	US\$11,400	MXN\$147,755	4-Jun-14	3-Jun-19	12.961	7.50%	10.85%	108,346
Interest rate hedge (Brazilian real)	\$118,300	RS26,118	3-Mar-16	3-Mar-17	4.5294		10.05%	(1,349)
							Total	<u>\$ 820,388</u>

Type of instrument	2015							
	Notional amount hedged		Annual interest rate					Fair value
	Receives	Pays	Starting date	Maturity	Exchange rate agreed	Receives	Pays	
Swap								
Currency and interest rate hedge	US\$125,000	MXN\$1,620,750	4-Jun-14	3-Jun-19	12.966	7.50%	10.85%	\$ 636,220
Currency and interest rate hedge	US\$50,000	MXN\$653,500	4-Jun-14	3-Jun-19	12.961	7.50%	10.85%	253,759
Interest rate hedge	\$74,700	RS15,000	30-Jun-15	30-Jun-16	4.9800	8.00%	10.15%	(47)
Interest rate hedge	\$41,434	RS9,800	20-Oct-15	30-Jun-16	4.2280	8.00%	9.00%	(210)
Interest rate hedge	\$26,614	RS6,000	23-Nov-15	30-Jun-16	4.4357	8.00%	8.25%	(60)
Interest rate hedge	\$31,066	RS7,250	22-Dec-15	30-Jun-16	4.2850	8.00%	9.00%	(124)
							Total	<u>\$ 889,538</u>

Type of instrument	2014							
	Notional amount hedged		Annual interest rate					Fair value
	Receives	Pays	Starting date	Maturity	Exchange rate agreed	Receives	Pays	
Swap								
Currency and interest rate hedge	US\$125,000	MXN\$1,620,750	4-Jun-14	3-Jun-19	12.966	7.50%	10.85%	\$ 257,438
Currency and interest rate hedge	US\$50,000	MXN\$653,500	4-Jun-14	3-Jun-19	12.961	7.50%	10.85%	102,927
Currency and interest rate hedge	\$98,366	RS18,000	29-Dec-14	30-Jun-15	-	TIEE+400	8.63%	(567)
							Total	<u>\$ 359,798</u>

Swaps

Foreign Currency Bond

In June 2014, the Company entered into exchange swaps as part of the strategy implemented by the Company to mitigate the exchange risk on the placement of bonds in the amount of 200 million US dollars, issued under Rule 144/ Reg S, which have a term of five years, annual interest rate of 7.5% payable semiannually and may be paid in advance starting from the third year. The exchange swaps were contracted with HSBC and Barclays (counterparties), in which the Company receives semiannual cash flows at a fixed rate of 7.5% on a notional amount of 125,000 and 50,000 thousand US dollars, respectively, and pays monthly cash flows at a fixed rate of 10.85% to both counterparties on the same notional amounts in pesos, with completion tied to the expiration of the Bond; additionally, at the maturity of the Bond issue, the counterparties will carry out an exchange of securities contracted for the sole purpose of fixing the exchange rate in 2014 at \$ 12,966 and 12,961, respectively, Mexican pesos per dollar, thereby eliminating currency risk.

In August 2016, the Company carried out the early settlement of 80 million dollars of the hedged position, it means a "Partial Unwind" of the two interest rate swaps acquired with HSBC and Barclays (counterparts), reducing the amount of notional amount to 120 million dollars. This partial unwind did not affect the terms and conditions of the hedging agreements.

The Company has entered into an interest rate swap transactions due to related parties operations in Brazil, where the Company receives on a monthly basis an interest rate of 9.25% in Mexican pesos and pay 10.05% Brazilian real.

Hedge of interest rate in securitized bank certificates (Cebures)

The new issue of Senior Trust Bonds for \$1,500,000 took place as part of a Revolving Program authorized by the Commission for up to \$5,000 million during a period of up to five years. The issue received AAA and AA (mex) ratings with a stable outlook from HR Ratings de México and Fitch México, respectively; it was placed at face value with a return of TIEE28+220 basis points over a four-year period.

In order to fix the maximum interest rate of the Cebures issued for \$1,500,000, the Company contracted a CAP with BBVA Bancomer at the 7% rate, with maturity on the same date as that of the FIDEPCB14 Securitization Certificate. As of December 31, 2016, 2015 and 2014, fair value is \$0 for the three years.

Although the aforementioned transactions are not of a speculative nature, in order to ensure compliance with accounting standards, they are valued at fair value. Accordingly, the Company periodically applies effectiveness tests based on the hypothetical derivative method, which involves matching the change in fair value of a hypothetical derivative reflecting the primary position with the fair value of hedging swaps. Consequently, at December 31, 2016, 2015 and 2014, the hedging relationship is considered to be highly effective.

The result of these fair value valuations is recognized in comprehensive income under the Company's stockholders' equity. However, these valuations may change due to market conditions during the swap period. At its maturity, the gain or loss derived from valuing the primary position based on the hedged risk is recognized in the results of the period.

As swaps are negotiated with financial institutions with good credit ratings, the Company considers that the risk of counterpart noncompliance with acquired obligations and rights is low.

6. Loan portfolio

The classification of the performing and non-performing loan portfolio is composed as follows:

	2016	2015	2014
Performing loans:			
Consumer loans	\$ 6,948,862	\$ 6,507,540	\$ 6,561,979
Commercial loans	<u>88,863</u>	<u>128,273</u>	<u>-</u>
Total performing loans	7,037,725	6,635,813	6,561,979
Non-performing loans:			
Consumer loans	<u>410,044</u>	<u>480,156</u>	<u>511,363</u>
Total non-performing loans	<u>410,044</u>	<u>480,156</u>	<u>511,363</u>
	<u>\$ 7,447,769</u>	<u>\$ 7,115,969</u>	<u>\$ 7,073,342</u>

Loan portfolio, net:

Consumer loans:

	2016	2015	2014
Performing principal	\$ 6,673,931	\$ 6,217,962	\$ 6,241,953
Accrued interest	<u>274,931</u>	<u>289,578</u>	<u>320,026</u>
Performing consumer loans	6,948,862	6,507,540	6,561,979
Non-performing principal	343,302	396,792	422,794
Non-performing accrued interest	<u>66,742</u>	<u>83,364</u>	<u>88,569</u>
Non-performing consumer loans	410,044	480,156	511,363
Allowance for consumer loan losses	<u>(410,044)</u>	<u>(480,156)</u>	<u>(511,363)</u>
Total consumer loans, net	<u>\$ 6,948,862</u>	<u>\$ 6,507,540</u>	<u>\$ 6,561,979</u>

Commercial loans:

	2016	2015	2014
Performing principal	\$ <u>88,863</u>	\$ <u>128,273</u>	\$ -
Performing commercial loans	<u>88,863</u>	<u>128,273</u>	-
Total commercial loans, net	<u>88,863</u>	<u>128,273</u>	-
Total loans, net	<u>\$ 7,037,725</u>	<u>\$ 6,635,813</u>	<u>\$ 6,561,979</u>

As of December 31, 2016, 2015 and 2014, the restricted portfolio amounts to \$3,357,082, \$3,295,866 and \$2,751,845, respectively.

At December 31, 2016 the restructured and renewed portfolio is as follows:

Restructured portfolio	Current	Overdue	Total
Consumer loans	\$ <u>13,334</u>	\$ <u>8,690</u>	\$ <u>22,024</u>

The loan portfolio segmented by loan type is detailed below:

Loan type	2016		2015		2014	
	Amount	%	Amount	%	Amount	%
Performing portfolio:						
CrediInmediato	\$ 1,881,962	27	\$ 2,124,447	32	\$ 2,468,857	38
Grupal	1,331,605	19	1,159,512	17	1,193,209	18
CrediPopular	481,423	7	557,962	8	725,098	11
Tradicional	1,491,462	22	1,419,131	22	1,327,389	20
CrediMamá	29,782	-	36,901	1	49,076	1
CrediConstruye	1,106	-	2,369	-	5,293	-
Plan celular	13,425	-	4,407	-	-	-
AFI	1,152,045	16	716,444	11	426,521	6
Más Nómina	566,052	8	486,367	7	366,536	6
Commercial loans						
(Siempre Creciendo)	<u>88,863</u>	<u>1</u>	<u>128,273</u>	<u>2</u>	-	-
	<u>7,037,725</u>	<u>100</u>	<u>6,635,813</u>	<u>100</u>	<u>6,561,979</u>	<u>100</u>

Loan type	2016		2015		2014	
	Amount	%	Amount	%	Amount	%
Non-performing portfolio:						
CrediInmediato	133,942	33	250,556	52	253,457	50
Grupal	53,422	13	40,305	8	56,875	11
CrediPopular	42,855	11	70,079	15	96,195	19
Tradicional	126,705	31	82,172	17	82,022	16
CrediMamá	1,675	-	2,930	1	4,735	1
CrediConstruye	120	-	264	-	860	-
PlanCelular	216	-	220	-	-	-
AFI	30,285	7	17,743	4	7,853	2
Más Nómina	20,824	5	15,887	3	9,366	2
	<u>410,044</u>	<u>100</u>	<u>480,156</u>	<u>100</u>	<u>511,363</u>	<u>100</u>
Total loan portfolio	<u>\$ 7,447,769</u>	<u>100</u>	<u>\$ 7,115,969</u>	<u>100</u>	<u>\$ 7,073,342</u>	<u>100</u>

At 31 December 2016, 2015 and 2014, the types of loans that each entity has are the following:

Financiera Independencia loans

CrediInmediato: is a revolving loan line of between \$3 and \$20, which is available to individuals earning at least the minimum wage in effect in Mexico City. At December 31, 2016, 2015 and 2014, the amount of unused loan lines was (unaudited) \$437 million, \$383 million and \$471 million, respectively.

CrediPopular: is a loan focused on the informal sector of the Mexican economy. Loans are granted for amounts ranging from \$1.8 to \$4.8, for an average 26-week period, which can be renewed based on the borrower's loan behavior.

CrediMamá: is a loan intended for mothers with at least one child under the age of 18. These loans are initially granted for amounts ranging from \$1.8 to \$2.4, for an average 26-week period, which can be renewed based on the borrower's loan behavior.

CrediConstruye: is a loan available to individuals earning at least the monthly minimum wage in effect in the Mexico City, which is intended to finance housing improvements. These loans are initially granted for amounts ranging from \$3 to \$20, for a maximum two-year period.

MásNómina: is a loan which is discounted via the payroll and is intended for the employees of public or private institutions affiliated with the Company. These loans are granted for amounts ranging from \$3 to \$80, for a maximum three-year period.

PlanCelular: is a loan available for individuals who are formally self-employed, and is intended to finance a cell phone and/or cell phone plan, for an amount of up to \$6. It has a maximum term of 18 monthly installments.

Commercial loans

On December 14, 2015, the Company and Siempre Creciendo, S.A. de C.V., SOFOM, E.N.R. (Siempre Creciendo) entered into a Trust contract with Banco Regional de Monterrey, S.A. de C.V., Institución de Banca Múltiple, Banregio Grupo Financiero, División Fiduciaria (BANREGIO) whereby the Trust may acquire the Initial Collection Rights relating to a portion of the commercial portfolio of Siempre Creciendo. The Trust will remain in full force and effect until such date as the Trust's expenses and the amounts owed to the Company have been fully settled. The Company will receive monthly distributions until the total amount distributed is reached. Such payments include principal plus the portfolio returns. These acquired loans comprise a factoring portfolio and, pursuant to the accounting criteria of the Commission, is presented as part of the commercial portfolio.

Finsol loans

Grupal: is a loan offered to micro-entrepreneurs with their own independent productive, commercial or services activity. This product is granted to groups of between 4 and 60 members for amounts ranging from \$0.5 to \$24, for an average 16-week period. Based on each group's loan behavior, the loan amount can be increased at the end of each cycle.

AEF loans

Tradicional: is a loan intended for individuals who can certify their income as employees or based on their own businesses. This product involves a loan of between \$1.5 and \$50. The average loan period is 18 months, which can be renewed based on the loan behavior of each customer.

Preferencial: is a loan intended for individuals who can certify their income through payroll receipts or a micro-enterprise; they must also demonstrate an excellent loan history as a loan amount of up to \$80 can be granted for a maximum 36-month period.

AFI loans

These loans are granted for amounts ranging from US\$ 3,000 and US\$ 10,000 to individuals who can certify their income as employees. In this case, the average loan period is 15 months.

At December 31, 2016, 2015 and 2014, loan portfolio aging based on the number of days of maturity is as follows:

	2016							
	0 days	01-30 days	31-60 days	61-90 days	91-120 days	121-150 days	151-180 days	Total
Performing	\$ 4,966,311	\$ 1,647,271	\$ 252,098	\$ 172,045	\$ -	\$ -	\$ -	\$ 7,037,725
Non-performing	-	95	1,750	24,790	144,236	131,025	108,148	410,044
Total	<u>\$ 4,966,311</u>	<u>\$ 1,647,366</u>	<u>\$ 253,848</u>	<u>\$ 196,835</u>	<u>\$ 144,236</u>	<u>\$ 131,025</u>	<u>\$ 108,148</u>	<u>\$ 7,447,769</u>
	2015							
	0 days	01-30 days	31-60 days	61-90 days	91-120 days	121-150 days	151-180 days	Total
Performing	\$ 4,641,090	\$ 1,532,569	\$ 272,619	\$ 189,535	\$ -	\$ -	\$ -	\$ 6,635,813
Non-performing	-	-	-	27,664	174,950	159,019	118,523	480,156
Total	<u>\$ 4,641,090</u>	<u>\$ 1,532,569</u>	<u>\$ 272,619</u>	<u>\$ 217,199</u>	<u>\$ 174,950</u>	<u>\$ 159,019</u>	<u>\$ 118,523</u>	<u>\$ 7,115,969</u>
	2014							
	0 days	01-30 days	31-60 days	61-90 days	91-120 days	121-150 days	151-180 days	Total
Performing	\$ 4,361,836	\$ 1,726,178	\$ 286,758	\$ 187,207	\$ -	\$ -	\$ -	\$ 6,561,979
Non-performing	-	-	-	36,552	193,934	159,594	121,283	511,363
Total	<u>\$ 4,361,836</u>	<u>\$ 1,726,178</u>	<u>\$ 286,758</u>	<u>\$ 223,759</u>	<u>\$ 193,934</u>	<u>\$ 159,594</u>	<u>\$ 121,283</u>	<u>\$ 7,073,342</u>

Ordinary and penalty interest income associated with the loan portfolio and detailed by product is comprised as follows:

Loan type	2016		2015		2014	
	Amount	%	Amount	%	Amount	%
CrediInmediato	\$ 1,542,777	33	\$ 1,885,198	39	\$ 1,902,338	39
Grupal	948,948	20	862,999	18	931,282	19
CrediPopular	522,084	11	648,852	13	724,379	15
Tradicional	1,071,291	23	1,021,947	21	1,030,078	21
CrediMamá	26,927	1	35,221	1	47,078	1
CrediConstruye	1,566	-	3,041	-	9,803	-
AFI	300,428	6	189,844	4	111,784	2
MásNómina	259,274	6	190,035	4	131,583	3
	<u>\$ 4,673,295</u>	<u>100</u>	<u>\$ 4,837,137</u>	<u>100</u>	<u>\$ 4,888,325</u>	<u>100</u>

7. Allowance for loan losses

The Company classifies its loan portfolio by using an internal methodology based on the probability of borrower noncompliance and the severity of the loss associated with the loans.

The following table indicates the percentages used to generate the allowance for loan losses at December 31, 2016, 2015 and 2014, which were determined according to the probability of noncompliance and severity of the loan portfolio loss.

Period	2016			2015			2014		
	Amount	Allowance (%)	Amount	Amount	Allowance (%)	Amount	Amount	Allowance (%)	Amount
Weekly									
0	\$ 76,530	0.5	\$ 361	\$ 123,915	0.4	\$ 551	\$ 156,864	0.6	\$ 1,007
1	18,792	1.9	354	32,396	1.7	536	41,790	2.2	934
2	11,231	1.9	216	19,229	1.8	352	25,672	3.4	877
3	10,329	5.9	605	17,943	6.1	1,092	15,428	9.0	1,386
4	8,127	10.7	867	11,129	10.3	1,148	23,236	13.3	3,092
5	4,653	14.6	681	5,338	13.3	709	10,149	15.3	1,553
6	3,697	16.8	623	4,248	16.5	700	4,683	19.4	909
7	3,896	27.1	1,055	5,107	27.2	1,388	4,367	29.6	1,292
8	5,240	32.6	1,706	8,283	31.3	2,591	8,531	32.6	2,780
9	4,034	36.5	1,473	5,977	33.5	2,001	10,727	33.1	3,549
10	1,933	34.9	676	2,516	35.6	895	2,483	37.7	937
11	2,587	45.3	1,172	3,789	46.0	1,744	3,985	47.7	1,900
12	4,358	49.9	2,173	6,419	48.6	3,121	5,428	49.0	2,658
13	6,136	52.6	3,228	7,006	49.9	3,499	12,736	48.1	6,132
14	1,062	54.0	573	1,646	52.3	861	1,735	52.8	915
15	2,000	61.4	1,227	2,610	60.8	1,586	2,752	61.6	1,695
16	3,177	65.2	2,070	4,723	62.9	2,969	4,171	62.7	2,616
17	4,237	65.7	2,783	6,380	63.1	4,027	8,997	61.8	5,559
18 or more	<u>19,455</u>	<u>88.2</u>	<u>17,160</u>	<u>28,785</u>	<u>88.7</u>	<u>25,526</u>	<u>33,927</u>	<u>90.3</u>	<u>30,652</u>
	191,474	20.4	39,003	297,439	18.6	55,296	377,661	18.7	70,443

	Period	2016			2015			2014		
		Amount	Allowance (%)	Amount	Amount	Allowance (%)	Amount	Amount	Allowance (%)	Amount
Biweekly	0	1,494,699	0.3	5,028	1,501,558	0.4	5,331	\$1,762,041	0.3	\$ 6,007
	1	280,167	1.2	3,308	337,229	1.2	3,936	328,751	1.4	4,633
	2	106,710	5.8	6,137	133,451	5.3	7,078	281,619	5.1	14,364
	3	42,583	10.7	4,572	53,667	10.3	5,529	41,984	9.6	4,038
	4	59,630	20.7	12,364	78,123	19.6	15,330	114,947	17.0	19,501
	5	20,763	26.9	5,576	38,319	26.5	10,150	30,150	24.5	7,397
	6	48,583	37.5	18,208	68,796	36.6	25,147	80,438	33.1	26,590
	7	12,663	45.1	5,713	29,978	43.2	12,944	31,877	41.1	13,096
	8	33,148	53.8	17,833	60,792	52.1	31,687	68,293	48.9	33,362
	9	12,192	57.0	6,948	24,525	54.7	13,407	16,188	54.1	8,752
	10	29,045	64.9	18,844	51,100	63.0	32,175	75,587	61.4	46,426
	11	8,868	69.8	6,188	28,378	68.4	19,404	11,348	69.9	7,933
	12	22,134	76.0	16,823	32,479	74.6	24,220	36,140	74.8	27,034
	13 or more	-	-	-	9	88.9	8	-	-	-
		<u>2,171,185</u>	<u>5.9</u>	<u>127,542</u>	<u>2,438,404</u>	<u>8.5</u>	<u>206,346</u>	<u>2,879,363</u>	<u>7.6</u>	<u>219,133</u>
Monthly	0	236,610	0.4	843	236,600	0.3	790	244,382	0.3	749
	1	31,685	3.7	1,179	39,673	3.3	1,305	52,762	3.1	1,641
	2	10,486	17.0	1,785	11,615	15.8	1,833	13,143	13.6	1,786
	3	7,064	34.6	2,444	7,409	33.8	2,503	7,297	29.8	2,176
	4	4,483	52.5	2,354	6,471	50.8	3,290	7,140	46.5	3,323
	5	3,767	53.1	2,377	4,770	61.3	2,925	6,260	59.0	3,691
	6	1,022	73.8	754	3,869	72.3	2,796	3,001	72.6	2,178
	7	-	-	-	-	-	-	-	-	-
	8	-	-	-	-	-	-	-	-	-
	9 or more	-	-	-	-	-	-	-	-	-
		<u>295,117</u>	<u>4.0</u>	<u>11,737</u>	<u>310,407</u>	<u>5.0</u>	<u>15,442</u>	<u>333,985</u>	<u>4.7</u>	<u>15,544</u>
Other types of loans	Restructured portfolio	\$ 22,024	88.2	\$ 19,425	\$ 49,502	88.7	\$ 43,898	\$ 53,562	90.3	\$ 48,392
	Commercial portfolio	88,863	-	-	128,272	-	-	-	-	-
	Mas Nomina portfolio	586,876	3.5	20,824	502,254	3.2	15,887	375,902	2.5	9,366
	Group portfolio	1,385,027	3.8	53,422	1,199,817	3.4	40,305	1,250,084	4.7	56,875
	AEF portfolio	1,524,873	7.6	116,806	1,455,687	5.3	76,844	1,368,411	5.7	77,991
	AFI portfolio	<u>1,182,330</u>	<u>2.5</u>	<u>30,285</u>	<u>734,187</u>	<u>2.4</u>	<u>17,743</u>	<u>434,374</u>	<u>1.8</u>	<u>7,853</u>
	Total	7,447,769		419,044	7,115,969		471,761	7,073,342		505,597
	Additional allowance			<u>(9,000)</u>			<u>8,395</u>			<u>5,766</u>
	Total allowance			<u>\$ 410,044</u>			<u>\$ 480,156</u>			<u>\$ 511,363</u>
	Hedge ratio			<u>100%</u>			<u>100%</u>			<u>100%</u>

The movements of the allowance for loan losses during the years ended December 31, 2016, 2015 and 2014 were as follows:

	2016	2015	2014
Opening balance of the year	\$ 480,156	\$ 511,363	\$ 500,771
Add:			
Allowance for loan losses charged to income statement	1,177,678	1,449,044	1,375,723
Less:			
Loans written-off during the period	<u>(1,247,790)</u>	<u>(1,480,251)</u>	<u>(1,365,131)</u>
Closing balance of the year	<u>\$ 410,044</u>	<u>\$ 480,156</u>	<u>\$ 511,363</u>

At December 31, 2016, 2015 and 2014, the restructured portfolio was \$22,024, \$49,502 and \$53,562, respectively. While the loan portfolio remains restructured, the Company classifies and presents it as the non-performing portfolio.

8. Other accounts receivable - net

At December 31, 2016, 2015 and 2014, the other accounts receivable heading is comprised as follows:

	2016	2015	2014
Recoverable ISR	\$ 97,324	\$ 73,934	\$ 77,991
Receivable and creditable Value Added Tax (IVA)	194,164	207,734	136,358
Recoverable flat tax (IETU)	2,790	2,790	3,121
Debtors from portfolio sales	9,998	10,497	11,431
Sundry debtors	25,048	27,105	38,374
Other recoverable taxes	565	2,158	921
OXXO collection	61,536	11,173	9,893
Mas Nomina correspondents	47,200	36,261	38,039
SWAP Instituto Finsol Brasil and AFI	-	-	(8)
Insurance receivable	<u>65,210</u>	<u>78,274</u>	<u>-</u>
	<u>\$ 503,835</u>	<u>\$ 449,926</u>	<u>\$ 316,120</u>

9. Property, plant and equipment

At December 31, 2016, 2015 and 2014, property, plant and equipment are comprised as follows:

	2016	2015	2014
Assets:			
Leasehold adaptations and improvements	\$ 726,008	\$ 648,043	\$ 606,723
Computer equipment	322,653	308,003	294,524
Office furniture and fixtures	204,737	191,006	179,857
Building	47,644	47,644	47,644
Vehicles	28,014	30,077	30,382
ATMs	<u>10,138</u>	<u>14,304</u>	<u>14,304</u>
	1,339,194	1,239,077	1,173,434

	2016	2015	2014
Less: accumulated depreciation and amortization	<u>(1,007,854)</u>	<u>(923,342)</u>	<u>(844,837)</u>
	331,340	315,735	328,597
Land	<u>865</u>	<u>865</u>	<u>865</u>
	<u>\$ 332,205</u>	<u>\$ 316,600</u>	<u>\$ 329,462</u>

For the years ended December 31, 2016, 2015 and 2014, the depreciation and amortization recognized to the results of those years was \$93,423, \$94,731 and \$98,522, respectively.

At December 31, 2016, 2015 and 2014, certain assets have been totally depreciated amounting \$655,250, \$590,542 and \$515,665, respectively.

10. Goodwill and intangibles assets

This heading is composed as follows:

	2016	2015	2014	Annual amortization rate (%)
With a defined life:				
Customer relations	\$ 63,467	\$ 71,400	\$ 79,333	7
With an indefinite life:				
Trademarks	44,847	44,847	44,847	
Goodwill	<u>1,587,035</u>	<u>1,587,035</u>	<u>1,587,035</u>	
	<u>\$ 1,695,349</u>	<u>\$ 1,703,282</u>	<u>\$ 1,711,215</u>	

The Company has performed a study to detect the impairment of its long-lived assets, as required by NIF C-15 "Impairment of Long-lived Assets and their Disposal" and did not identify any impaired assets.

For the years ended December 31, 2016, 2015 and 2014, the amortization charged to the results of those years was \$7,934 in the three years.

11. Securitization certificates

At December 31, 2016, 2015 and 2014, securitized liabilities are composed as follows:

	Program Amount	Issuance Amount	Date of issuance	Period	Interest rate	2016	2015	2014
Cebures (Bursa)	\$ 5,000,000	\$ 1,500,000	Mar-2014	Feb-2018	TIIE + 220 bp	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000
					Accrued interest	<u>1,731</u>	<u>716</u>	<u>1,148</u>
					Total	<u>\$ 1,501,731</u>	<u>\$ 1,500,716</u>	<u>\$ 1,501,148</u>

On March 3, 2014, the Company issued Senior Trust Bonds (Ticker Symbol FIDEPCB 14) for the amount of \$1,500,000 as part of a revolving program authorized by the Commission for up to \$5,000 million over a period of up to five years. The issue received AAA and AA (mex) ratings with a stable outlook from HR Ratings de México and Fitch México, respectively; it was placed at face value with a return equal to the 28-day TIE rate plus 220 basis points over a four-year period. The bonds were issued by Banco Invex, S.A., in its capacity as trustee, and are backed by loans pertaining to the Company and AEF, which will act as the primary administrators of the assigned portfolio throughout the issue period.

During 2016, 2015 and 2014, the securitization certificates accrued interest of \$100,253, \$83,814 and \$94,478, respectively.

12. Borrowings for banks and from other entities

At December 31, 2016, 2015 and 2014, this heading is composed as follows:

Entity	Credit line amount	Maturity date	Guarantee	2016	2015	2014
International Bond ¹	USD 120,000	Jun-2019	No guarantee	\$ 2,473,029	\$ 3,449,740	\$ 2,948,280
HSBC México, S. A., Institución de Banca Múltiple, Grupo Financiero (HSBC)						
Revolving credit line	615,000	Dec-2016	1.3 to 1.0	-	615,000	440,000
Revolving credit line	464,500	Nov-2018	1.3 to 1.0	462,000	-	-
Revolving credit line	615,000	Dec-2018	1.3 to 1.0	80,000	-	-
	USD 60,000	Dec-2016	1.3 to 1.0	-	203,196	338,325
Bradescos N/A	USD 15,000	Dec-2017	Corporate Guarantee/FISA	67,481	-	-
Nacional Financiera, S. N. C. (NAFINSA) ² :						
Revolving credit line	850,000	Indefinite period	No guarantee	642,863	199,818	646,020
	250,000	Indefinite period	10% settlement	245,125	221,250	236,000
	400,000	Indefinite period	10% settlement	394,729	161,458	265,625

Entity	Credit line amount	Maturity date	Guarantee	2016	2015	2014
Fideicomisos Instituidos en Relación con la Agricultura						
(FIRA)	600,000	Indefinite period	No guarantee	316,000	313,000	280,000
RSA Seguros	17,000	Mar-2018	No guarantee	-	1,359	-
RSA Seguros	8,000	Mar-2018	No guarantee	-	2,356	-
OIKO CREDIT	Eur 3,000	Oct-2021	No guarantee	83,323	58,176	-
BBVA Bancomer	300,000	Jul-2017	No guarantee	216,000	300,000	300,000
BBVA Bancomer	12,000	Sep-2017	No guarantee	-	12,000	-
Bridge Bank N.A.	USD 9,700	Feb-2016	Standby Letter of Credit	200,008	167,312	8,993
ScotiaBank Inverlat, S.A.	295,000	May-2017	1.2 to 1.0	242,537	286,659	194,975
Banco del Bajío, S.A.	100,000	May-2022	1.25 to 1.0	100,000	-	-
Banco Monex, S.A.	100,000	Apr-2019	1.25 to 1.0	50,000	-	-
Grupo Jorisa, S.A.	400,000	Apr-2019	No guarantee	<u>330,000</u>	<u>-</u>	<u>-</u>
				5,903,095	5,991,324	5,658,218
			Accrued interest	<u>21,005</u>	<u>16,537</u>	<u>26,296</u>
			Total	<u>\$ 5,924,100</u>	<u>\$ 6,007,861</u>	<u>\$ 5,684,514</u>

1. In August 2016, an advance payment of US\$80.7 million was made on the bonds placed in May 2014 for US\$200 million in the international market, at a five year term and an annual interest rate of 7.5%, payable semiannually, and can be paid in advance as of the third year. The balance of the bond at the close of December 31, 2016 is US \$120.13 million.
2. The Company has three revolving credit lines; the first of these was used to finance informal market micro-credits, the second was utilized to finance the group product, while the third credit line was contracted to fund the operations of AEF.
3. In May 2014, the Company placed bonds for US\$ 200 million on the international market, which were issued according to rule 144A/Reg S. for a five-year period with a 7.5% annual interest rate payable semiannually, which can be paid in advance as of the third year.
4. A revolving credit line for the amount of \$615 million and US\$60,000, with maturity in December 2016. These loans accrue interest ranging from the THIE rate + 300 bp and a weighted rate of 12.36%, respectively.
5. A revolving credit line with ScotiaBank for the amount of \$295,000, with maturity in May 2017. This loan accrues interest ranging from the THIE rate + 300 bp.

13. Sundry creditors and other accounts payable

At December 31, 2016, 2015 and 2014, this heading balance is composed as follows:

	2016	2015	2014
Other taxes	\$ 259,513	\$ 261,852	\$ 205,931
Payable ISR	19,550	21,920	26,826
Sundry creditors	140,540	123,572	44,096
Other provisions	127,276	35,252	32,540
Provision for labor obligations	48,116	54,354	48,745
Mapfre Seguros	54,719	25,609	24,844
Reimbursement commission (cash back)	-	-	2,192
Payable PTU	<u>7,240</u>	<u>6,705</u>	<u>7,569</u>
	<u>\$ 656,954</u>	<u>\$ 529,264</u>	<u>\$ 392,743</u>

14. Employee benefits

- a. Reconciliation of opening and closing balances of the current value of Defined Benefit Obligations (OBD) for 2016, 2015 and 2014:

	2016			2015			2014		
	Legal retirement compensation (IL)	Seniority premium (PA) before retirement	Legal retirement compensation (IL)	Seniority premium (PA) before retirement	PA at retirement	PA at retirement	Legal retirement compensation (IL)	Seniority premium (PA) before retirement	PA at retirement
OBD at									
January 1	\$ 42,030	\$ 8,642	\$ 526	\$ 39,307	\$ 7,377	\$ 447	\$ 35,054	\$ 6,699	\$ 988
Add (less):									
Labor cost of current service	3,824	1,516	1	3,863	1,453	77	4,830	1,149	235
labor cost of past service	(379)	(622)	-	-	-	-	-	-	-
Financial cost	2,835	480	1	2,575	425	20	1,803	370	60
Early deduction of liabilities	(12,133)	-	-	-	-	-	(979)	-	(635)
Actuarial gains (losses) generated during the period and paid	(6,866)	(1,842)	-	(3,715)	(613)	(18)	(1,401)	(841)	(201)
OBD at									
December, 31	<u>\$ 29,311</u>	<u>\$ 8,174</u>	<u>\$ 528</u>	<u>\$ 42,030</u>	<u>\$ 8,642</u>	<u>\$ 526</u>	<u>\$ 39,307</u>	<u>\$ 7,377</u>	<u>\$ 447</u>

- b. At December 31, 2016, 2015 and 2014, the value of acquired benefit obligations related to seniority premiums was \$(467), \$1,344 and \$821 respectively.
- c. Reconciliation of OBD, Plan Assets (AP) and the Net Projected Liability (PNP).

The reconciliation of the current value of the OBD and fair value of the AP and PNP recognized in the balance sheet is detailed below:

	IL before retirement			PA before retirement			PA at retirement		
	2016	2015	2014	2016	2015	2014	2016	2015	2014
Labor liabilities:									
OBD	<u>\$ 29,311</u>	<u>\$ 42,030</u>	<u>\$ 39,307</u>	<u>\$ 8,174</u>	<u>\$ 8,642</u>	<u>\$ 7,377</u>	<u>\$ 528</u>	<u>\$ 526</u>	<u>\$ 447</u>
Finance situation	29,311	42,030	39,307	8,174	8,642	7,377	528	526	447
Less:									
Unapplied									
Actuarial losses	-	1,935	(597)	-	(1,018)	-	-	140	-
Additional reserve	4,500	-	271	-	-	-	-	-	186
Transition liability	-	(3,493)	(3,836)	-	-	-	-	(11)	(13)
PNP	<u>\$ 33,811</u>	<u>\$ 40,472</u>	<u>\$ 35,145</u>	<u>\$ 8,174</u>	<u>\$ 7,624</u>	<u>\$ 7,377</u>	<u>\$ 528</u>	<u>\$ 655</u>	<u>\$ 620</u>

The Company and some of its subsidiaries recognized labor liabilities as follows:

	2016	2015	2014
The Company	\$ 2,756	\$ 2,756	\$ 1,497
Fisofo	1,107	1,107	1,107
Conexia	679	679	679
SACSA	-	-	1,259
Financiera Finsol	1,061	1,061	1,061
	<u>\$ 5,603</u>	<u>\$ 5,603</u>	<u>\$ 5,603</u>

d. CNP

An analysis of the Net Projected Cost (CNP) by plan type is presented below:

	IL before retirement			PA before retirement			PA at retirement		
	2016	2015	2014	2016	2015	2014	2016	2015	2014
CNP:									
Labor cost of current service	\$ 3,824	\$ 3,863	\$ 4,830	\$ 1,516	\$ 1,453	\$ 1,149	\$ 1	\$ 77	\$ 235
Labor cost of past service	(379)	-	1,803	(622)	-	370	-	-	60
Financial cost	2,835	2,575	-	480	425	-	1	20	-
Actuarial gain or loss, net	(4,700)	(2,469)	(2,167)	(1,585)	(1,113)	(460)	-	(3)	(168)
Total	<u>\$ 1,580</u>	<u>\$ 3,969</u>	<u>\$ 4,466</u>	<u>\$ (211)</u>	<u>\$ 765</u>	<u>\$ 1,059</u>	<u>\$ 2</u>	<u>\$ 94</u>	<u>\$ 127</u>

e. Main actuarial hypotheses

SERFINCOR

Expressed in absolute terms, the main actuarial hypotheses, discount rates, AP returns, salary increases and changes to ratios or other variables at December 31, 2016, 2015 and 2014 are as follows:

Seniority premium plan and benefit plan at the end of the work relationship

Mortality table: National Employment and Occupation Survey at the second quarter of 2010.
 Disability table: American Experience (G.B.B.)
 Turnover table: The turnover table was constructed with historical information from the real turnover experience of the customer portfolio of VITALIS, adjusted with parameters which represent the historical turnover of Serfincor, S.A. de C.V.

	2016 (%)	2015 (%)	2014 (%)
Discount rate:	7.90	7.40	6.00
Salary increase rate:	5.80	5.80	5.31
Minimum wage increase rate:	4.00	4.00	4.12

SCAEF and AEF

Expressed in absolute terms, the main actuarial hypotheses, discount rates, AP returns, salary increases and changes to ratios or other variables at December 31, 2016, 2015 and 2014, are as follows:

Biometric:

Mortality table (active): Experience EMSSAH
 Disability table: Experience EISS-97
 Turnover table: Experience Boke 87-89 + 150%
 Dismiss factor: 25%
 Retirement: Age 65

Additionally, at December 31, 2016, 2015 and 2014 the other variables are as follows:

Financial:

	2016 (%)	2015 (%)	2014 (%)
Discount rate used to reflect the current value of obligations	7	6	6
Future salary level increase rate	4	5	5
Workers' average remaining working life (applicable to retirement benefits)	6	32	31

f. Value of the OBD, AP and plan situation of the last five annual periods of Serfincor:

The value of the OBD, the fair value of the AP, the plan situation and experience adjustments of the last five years are detailed below:

Seniority premium plan

Year	Historical values and OBD plan situation
2016	\$ 4,995
2015	6,082
2014	5,196
2013	5,418
2012	4,927

Benefit plan at the end of the work relationship

Year	Historical values and OBD plan situation
2016	\$ 10,052
2015	24,023
2014	18,886
2013	16,073
2012	16,269

The value of the OBD, AP and plan situation of the last five annual periods of SCAEF and AEF:

Seniority premium plan

Year	Historical values and OBD plan situation
2016	\$ 3,707
2015	3,086
2014	2,630
2013	2,269
2012	1,924

Benefit plan at the end of the work relationship

Year	Historical values and OBD plan situation
2016	\$ 19,259
2015	18,007
2014	20,420
2013	15,926
2012	13,116

g. PTU

The PTU provisions created for 2016, 2015 and 2014 are analyzed below:

	2016	2015	2014
Deferred PTU	\$ 868	\$ (951)	\$ (274)
Current PTU	<u>5,471</u>	<u>6,009</u>	<u>6,028</u>
	<u>\$ 6,340</u>	<u>\$ 5,058</u>	<u>\$ 5,754</u>

The Company is subject to the payment of PTU, which is calculated by applying the procedures contained in the Income Tax Law (LISR).

The main temporary differences for which deferred PTU was recognized are analyzed below:

	2016	2015	2014
Provision for labor obligations	\$ 42,535	\$ 44,979	\$ 34,304
Sundry provisions	13,585	4,539	3,403
Prepaid expenses	<u>(4,095)</u>	<u>(6,180)</u>	<u>(3,873)</u>
	52,025	43,338	33,834
Applicable PTU rate	<u>10%</u>	<u>10%</u>	<u>10%</u>
Deferred PTU asset	<u>\$ 5,202</u>	<u>\$ 4,334</u>	<u>\$ 3,383</u>

15. Balances and transactions with related parties

At December 31, 2016, 2015 and 2014, the transactions performed with unconsolidated related parties, during the normal course of business primarily involve the rentals and administrative services paid to related companies for the amount of \$23,387, \$24,061 and \$25,170, together with wages and benefits of \$71,347, \$67,641 and \$57,483, paid to the Company's main officers. Other balances and transactions were not material according to Bulletin C-3 issued by the Commission.

16. Income taxes

The Company is subject to income tax. The rate for 2016, 2015 and 2014 was 30%, and will remain at 30% for subsequent years.

ISR is calculated by considering certain effects of inflation, such as depreciation calculated according to values at constant prices, as taxable or deductible, while also accruing or deducting the effect of inflation and certain monetary assets and liabilities through the annual adjustment for inflation.

The provision of ISR results is as follows:

	2016	Year ended December 31 2015	2014
Current:			
ISR	\$ (126,978)	\$ (140,164)	\$ (126,318)
Deferred:			
ISR	<u>32,977</u>	<u>65,698</u>	<u>\$ 6,476</u>
	<u>\$ (94,001)</u>	<u>\$ (74,466)</u>	<u>\$ (119,842)</u>

The ISR incurred during the year ended December 31, 2016, 2015 and 2014, mainly derived from the tax results of AEF for an amount of \$62,263, \$71,153 and \$60,245, of Serfincor for \$20,088, \$21,668 and \$21,321, of Finsol for \$3,142, \$22,542 and \$38,942, and of Fisofo for \$16,730 and \$12,993, respectively.

As of December 31 2016, 2015 and 2014, the deferred tax balance is as follows

	2016	Year ended December 31 2015	2014
Allowance for loan losses	\$ 1,088,912	\$ 1,301,130	\$ 967,527
Accrued penalty interest	766,150	379,745	976,879
Tax loss carry forwards	769,407	1,097,572	1,031,246
Valuation of derivative financial instruments	(261,583)	(266,497)	(286,008)
Fixed assets	501,420	387,953	323,519
Liability provisions	128,103	79,019	51,064
Prepaid expenses	(120,058)	(84,847)	(50,333)
Non accrued commissions	27,577	15,055	27,417
Others	<u>(46,020)</u>	<u>(159,817)</u>	<u>(32,431)</u>
	2,853,908	2,749,313	3,008,880
Applicable ISR rate	<u>30%</u>	<u>30%</u>	<u>30%</u>
Deferred ISR asset	856,172	824,794	902,664
Deferred ISR AFI	13,637	9,081	2,720
Deferred PTU	<u>5,202</u>	<u>4,334</u>	<u>3,383</u>
Total	<u>\$ 875,012</u>	<u>\$ 838,209</u>	<u>\$ 908,767</u>

At December 31, 2016, the Company has accrued tax losses of \$769,407, which can be applied to future profits within the deadlines detailed below:

Year of loss	Restated amount	Year of expiration
2012	\$ 130,958	2022
2013	254,984	2023
2014	226,051	2024
2015	34,511	2025
2016	<u>122,903</u>	2026
	<u>\$ 769,407</u>	

The reconciliation of the legal and effective ISR rates expressed as a percentage of profit before income tax, is as follows:

	2016	2015	2014
Legal rate	30%	30%	30%
Add (less) -			
Effect of nondeductible differences	9%	2%	2%
Annual adjustment for inflation	(10%)	2%	2%
Other effects	<u>-</u>	<u>(8%)</u>	<u>(7%)</u>
Effective rate	<u>29%</u>	<u>26%</u>	<u>27%</u>

Recovery of income tax

In August 2014, the Company filed a supplemental tax return for 2008 seeking the refund of income tax of \$51,251, which mainly derived from an error involving the calculation of taxable interest for that year. The Company received this tax refund in November 2014. The receipt of this recoverable income tax balance was recognized in stockholders' equity as it was based on an error dating from prior years. The resulting effect was offset by applying this amount to the deferred taxes determined for this entry.

On August 19, 2015, the Mexican Treasury Department, through the Tax Administration Service (SAT), approved for the Company a refund of recoverable income tax balance for fiscal year 2009, mainly due to an error in the determination of the accruable interest in such year. The deposit was received on August 24, 2015 for the amount of \$108,303. This recovery of income tax was recognized in stockholders' equity because it is an error from previous years, whose effect was offset with the cancellation of the deferred taxes constituted by this item.

17. Stockholders' equity

At December 31, 2016, 2015 and 2014, stockholders' equity is composed as follows:

Number of Shares	Description	Amount
200,000,000	Series "A" (Class I)	\$ 20,000
<u>515,884,712</u>	Series "A" (Class II)	<u>51,588</u>
<u>715,884,712*</u>		<u>71,588</u>
	Accrued increase due to restatement	<u>85,603</u>
	Common stock at December 31, 2016, 2015 and 2014	<u>\$ 157,191</u>

* Ordinary, nominative shares at no par value, fully subscribed and paid-in.

Series “A”, Class I shares represent fixed capital without withdrawal rights. Series “A”, Class II shares represent the Company's variable capital.

Pursuant to a resolution of the Stockholders' Special Meeting held on September 6, 2016, 45 million shares held in the Treasury were cancelled, which had been subscribed but not paid in, and which the Company did not intend to issue to the public.

A restriction is applicable to the declaration of dividends whenever this payment reduces the Company's capitalization level (defined as the ratio of stockholders' equity to total assets) to less than 25%.

According to the Stock Market Law and the Company's corporate bylaws, the latter is able to repurchase shares representing its common stock in the understanding that, while these shares are held by the Company, the respective voting or other related rights cannot be exercised at a Stockholders' Meeting or in any other way.

The Company has maintained a fund for repurchasing shares. During 2016, the total number of repurchased shares was de 64,230,144 (61,039,087 in 2015, 59,435,644 in 2014), of which 36,245,579 (33,054,522 in 2015, 31,451,079 in 2014) shares or 5.1% (4.6% in 2015, 4% in 2014) of total outstanding shares refers to the repurchase fund, while 27,984,565 (27,984,565 in 2015 and 2014) shares or 3.9% (3.9% in 2015 and 2014) of total outstanding shares refers to the trust created for the employee stock option plan.

During 2016, 2015 and 2014, the net amount of acquisitions and replacements involving the Company's own shares (repurchase fund and stock option plan) was \$10,782, \$5,572 and \$1,850, respectively. The dividends on the shares held in the repurchase fund and stock option trusts were returned to the Company.

At December 31, 2016, 2015 and 2014, the market price of the Company's shares reported by the BMV was \$3.48, \$2.99 and \$5.58 per share, respectively.

Stockholders' equity, except restated paid-in capital and tax retained earnings will be subject to ISR by the Company at the rate in effect upon distribution. The tax paid on such distribution may be credited against income tax for the year in which the tax on dividends and the following two years, against the tax for the year and interim payments thereof is paid.

In the case of a capital reduction, the procedures detailed in the LISR establish that the tax treatment given to dividends must also be applied to any amount by which stockholders' equity exceeds the balances of contributed capital accounts.

According to NIF B-14, the profit per share is the result of dividing the net profit of the year by the weighted average of outstanding shares during the same period, as detailed below:

<u>Profit per Share (UPA):</u>	2016	2015	2014
Net Profit	\$ 234,003	\$ 209,042	\$ 317,982
Divided by:			
Average weighted number of shares	<u>681,148,621</u>	<u>684,093,774</u>	<u>683,379,358</u>
UPA (pesos)	<u>\$ 0.3435</u>	<u>\$ 0.3056</u>	<u>\$ 0.4653</u>

18. Foreign currency position

At December 31, 2016, 2015 and 2014, the Company has assets and liabilities denominated in foreign currency, primarily US dollars, which are converted based on the exchange rate issued by the Central Bank of \$20.6194, \$17.2487 and \$14.7414 for one US dollar, respectively, as follows:

	Thousands of US dollars		
	2016	2015	2014
Assets	62	44	32
Liabilities	<u>(173)</u>	<u>(238)</u>	<u>(227)</u>
Liability position in US dollars, net	<u>(111)</u>	<u>(194)</u>	<u>(195)</u>
Liability position in Mexican pesos, net (face value)	<u>\$ (2,289)</u>	<u>\$ (3,346)</u>	<u>\$ (2,875)</u>

At June 19, 2017, the Company's foreign currency position (unaudited) is similar to its position at the yearend close; the exchange rate in effect at that date is \$17.9519 pesos for one US dollar.

19. Financial margin

At December 31, 2016, 2015 and 2014, the main items composing the Company's financial margin are as follows:

The interest income generated by the loan portfolio by product and investment income are detailed below:

	Year ended as of December 31,		
	2016	2015	2014
CrediInmediato	\$ 1,542,777	\$ 1,885,198	\$ 1,902,338
Grupal	948,948	862,999	931,282
CrediPopular	522,084	648,852	724,379
Tradicional	1,071,291	1,021,947	1,030,078
CrediMamá	26,927	35,221	47,078
CrediConstruye	1,566	3,041	9,803
AFI	300,428	189,844	111,784
MásNómina	<u>259,274</u>	<u>190,035</u>	<u>131,583</u>
	4,673,295	4,837,137	4,888,325
Securities investments	<u>19,354</u>	<u>11,589</u>	<u>12,418</u>
Total income	<u>\$ 4,692,649</u>	<u>\$ 4,848,726</u>	<u>\$ 4,900,743</u>

Interest expenses are as follows:

	Year ended as of December 31,		
	2016	2015	2014
Interest expenses			
HSBC	\$ (52,030)	\$ (54,254)	\$ (77,664)
NAFINSA	(55,521)	(51,277)	(79,340)
FIRA	(18,290)	(13,273)	(9,947)
FINAFIM	-	-	821
Grupo Jorisa	(11,764)	-	-
ScotiaBank Inverlat, S.A.	(20,202)	(13,788)	(13,625)
BBVA Bancomer	(19,712)	(19,862)	(18,338)
Monex	(1,538)	-	(52)
Banco del Bajío	(2,171)	-	-
OIKO Credit	(11,492)	(2,264)	-
Bridge Bank	<u>(11,222)</u>	<u>(9,359)</u>	<u>(4,931)</u>
Subtotal	<u>(203,942)</u>	<u>(164,077)</u>	<u>(204,718)</u>

	2016	Year ended as of December 31, 2015	2014
International bond	(324,983)	(370,340)	(375,518)
Securitization certificates	(98,766)	(82,025)	(94,478)
Others	-	-	(1,429)
Total	<u>\$ (627,691)</u>	<u>\$ (616,442)</u>	<u>\$ (676,143)</u>
Financial margin	<u>\$ 4,064,958</u>	<u>\$ 4,232,284</u>	<u>\$ 4,224,600</u>

20. Collected and paid commissions and fees

At December 31, 2016, 2015 and 2014, the main items for which the Company recorded collected and paid commissions in the statement of income are as follows:

Collected and paid commissions and fees

	2016	Year ended as of December 31, 2015	2014
Commissions and fee income:			
Withdrawal commissions	\$ 284,103	\$ 385,104	\$ 420,021
Collection expense commission	<u>211,767</u>	<u>202,368</u>	<u>237,007</u>
	<u>\$ 495,870</u>	<u>\$ 587,472</u>	<u>\$ 657,028</u>
Commissions and fee expense:			
Bank commissions	\$ (29,468)	\$ (32,104)	\$ (37,923)
Credit line commissions	(8,105)	(7,386)	(15,145)
Service commissions	<u>(46,429)</u>	<u>(36,838)</u>	<u>(27,134)</u>
	<u>\$ (84,002)</u>	<u>\$ (76,328)</u>	<u>\$ (80,202)</u>

21. Trading income

At December 31, 2016, 2015 and 2014, the main items composing the Company's trading income are as follows:

	2016	Year ended December 31, 2015	2014
Exchange rate fluctuation	\$ 83,033	\$ 2,217	\$ (5,219)
Derivative financial instruments	<u>7,073</u>	<u>(2,332)</u>	<u>(34,841)</u>
	<u>\$ 90,106</u>	<u>\$ (115)</u>	<u>\$ (40,060)</u>

22. Other operating income

Other operating income is as follows:

	2016	Year ended as of December 31, 2015	2014
Recovery of written-off loans	\$ 93,214	\$ 98,325	\$ 157,277
Trust Banregio	17,584	-	-
Other items	18,062	5,579	12,187
Service and insurance commissions	<u>161,845</u>	<u>189,178</u>	<u>174,201</u>
	<u>\$ 290,705</u>	<u>\$ 293,082</u>	<u>\$ 343,665</u>

23. Information by segments

The total loan portfolio and interest income by geographical region is detailed below:

Entity	Year ended as of December 31					
	2016		2015		2014	
	Total Portfolio	Interest Income	Total Portfolio	Interest Income	Total Portfolio	Interest Income
Aguascalientes	\$ 58,393	\$ 46,182	\$ 69,452	\$ 51,865	\$ 63,839	\$ 42,045
Baja California	131,831	99,564	154,410	130,682	204,654	157,818
Baja California Sur	70,662	51,528	63,523	49,767	70,839	55,459
Campeche	111,452	86,723	125,438	96,502	127,472	76,173
Chiapas	197,939	139,293	201,761	143,126	195,621	135,271
Chihuahua	27,707	21,878	36,573	30,544	50,213	62,323
Coahuila	215,376	197,551	228,850	229,881	247,641	180,652
Colima	64,454	45,662	63,646	49,236	68,675	48,909
Ciudad de México	799,148	416,679	454,340	380,133	622,981	97,406
Durango	49,504	36,928	51,798	40,467	60,201	299,331
Estado de México	754,498	539,737	1,090,599	522,339	700,831	117,737
Guanajuato	237,218	217,151	239,417	242,988	269,034	592,926
Guerrero	192,048	140,164	176,097	141,142	191,360	113,921
Hidalgo	119,407	88,237	124,045	91,254	120,549	78,182
Jalisco	266,482	189,911	273,440	210,929	290,385	255,841
Michoacán	167,287	91,913	167,626	98,481	186,401	144,240
Morelos	128,320	94,162	128,427	97,069	135,022	67,569
Nayarit	43,000	32,456	49,016	37,585	53,191	79,081
Nuevo León	29,710	19,063	19,135	15,070	19,805	16,936
Oaxaca	135,713	100,777	136,157	106,781	144,586	103,473
Puebla	149,028	114,196	163,325	132,588	185,467	136,315
Querétaro	126,948	92,904	127,517	100,628	138,024	77,504
Quintana Roo	190,953	143,824	184,601	147,380	193,893	126,854
San Luis Potosí	142,197	59,058	149,860	58,446	158,769	160,309
Sinaloa	101,279	70,198	109,669	82,253	130,079	101,236
Sonora	134,362	106,415	187,801	149,880	226,806	163,661
Tabasco	74,587	60,126	80,454	66,545	92,242	68,742
Tamaulipas	306,106	261,230	372,211	328,788	441,144	299,507
Tlaxcala	60,293	46,460	62,982	54,623	70,611	69,869
Veracruz	422,603	321,242	450,498	341,647	463,768	303,875
Yucatán	181,446	135,888	188,513	144,322	190,644	130,550
Zacatecas	45,995	34,681	49,864	40,955	52,881	92,224
Subtotal México	5,735,946	4,101,781	5,981,045	4,413,896	6,167,628	4,455,939
Brazil	529,493	271,085	400,737	233,397	471,341	320,602
United States	1,182,330	300,428	734,187	189,844	434,373	111,784
Total	\$ 7,447,769	\$ 4,673,294	\$ 7,115,969	\$ 4,837,137	\$ 7,073,342	\$ 4,888,325

24. Commitments and contingencies

At December 31, 2016, the Company is subject to certain labor, civil and criminal lawsuits. However, Company's management and its attorneys consider that these lawsuits arose during the normal course of business and that unfavorable verdicts would not significantly affect the Company's financial position and results. At December 31, 2016, 2015 and 2014, the provision for lawsuits is \$32,010, \$9,210 and \$7,143, respectively,

The Company has executed a series of lease contracts for the rental of the offices, ATMs and branches used for its operations. These contracts have terms of between 3 to 5 years. The total amount payable for rentals over the following five years is \$240,155 in 2017, \$154,528 in 2018, \$110,794 in 2019, \$81,365 in 2020 and \$46,916 in subsequent years.

25. New accounting principles

As of December 31, 2016, the CINIF has issued the following NIFs and Improvements to NIFs which may affect the financial statements of the Institution.

- a. Improvements to NIF 2017 - The following improvements were issued which generate accounting changes effective as of January 1, 2017

NIF D-3, *Employee Benefits* – Is modified to establish, as a basic principle, that the discount rate to be used in the determination of the present value of the long-term labor liability should be a free market rate with a very low credit risk, which represents the value of money over time. Consequently, either the *government bond market rate* or the *market rate for high-quality corporate bonds in absolute terms in a deep market*, could be used, indistinctly, provided that the latter complies with the requirements established in Appendix B– *Application guidance*, B1– *Guidance for the identification of issues of high-quality corporate bonds in absolute terms in a deep market*. Early application is allowed.

- b. Improvements to NIF 2017 – The following improvements do not generate accounting changes:

Bulletin C-15, *Impairment in the value of long-lived assets and their disposal*

The improvements consist of outlining the scopes and definitions of these NIF to clearly indicate the appropriate application and accounting treatment; consequently, no effective date was established for these improvements. Furthermore, improvements were made to different NIF to change the acronyms used to identify certain receivable financial instruments.

- c. The following NIF were issued and are effective January 1, 2018:

NIF C-9, *Provisions, contingencies and commitments*

NIF C-9, *Provisions, contingencies and commitments*: The term *probable* replaced the term *virtually unavoidable* in the definition of liabilities. The first-time application of this NIF does not generate accounting changes in the financial statements.

At the date of issuance of these consolidated financial statements, the Company has not completed its evaluation of the potential effects of adopting these new standards on its financial information.

26. Authorization to issue the consolidated financial statements

As the issuance of the accompanying consolidated financial statements was authorized on June 19, 2017 by Mr. Eduardo Bernhardt Messmacher Henríquez, the Company's General Director, they do not reflect any event arising after that date. Furthermore, the consolidated financial statements are subject to the approval of the ordinary meeting of the Company's stockholders, which may request their modification according to the General Corporate Law.

* * * * *

**Financiera Independencia,
S.A.B. de C.V., Sociedad
Financiera de Objeto
Múltiple, Entidad no
Regulada and Subsidiaries**

Unaudited Condensed
Consolidated Financial
Statements for the Three
Months ended March 31, 2017
and 2016 and Report on
Review of Interim Financial
Information Dated June 19,
2017

Financiera Independencia, S.A.B. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad no Regulada and Subsidiaries

Unaudited Condensed Consolidated Balance Sheets

As of March 31, 2017 and December 31, 2016
(In thousands of Mexican pesos)

Assets	March 31, 2017	December 31, 2016	Liabilities and Stockholders' Equity	March 31, 2017	December 31, 2016
Funds available	\$ 491,832	\$ 600,885	Securitization certificates	\$ 1,501,473	\$ 1,501,731
Derivatives:			Borrowings from banks and from other entities		
For hedging purposes	532,952	820,388	Short-term	2,588,344	2,510,792
Performing loans:			Long-term	<u>2,976,172</u>	<u>3,413,308</u>
Consumer loans	6,910,132	6,948,862		5,564,516	5,924,100
Commercial loans	<u>79,409</u>	<u>88,863</u>	Other accounts payable:		
Total performing loans	6,989,541	7,037,725	Income taxes	-	19,550
Non-performing loans:			Sundry creditors and other	<u>631,794</u>	<u>637,404</u>
Consumer loans	<u>391,468</u>	<u>410,044</u>	631,794	631,794	656,954
Total non-performing loans	<u>391,468</u>	<u>410,044</u>	Deferred credits and advance collections	<u>21,409</u>	<u>22,234</u>
Total loans	7,381,009	7,447,769	Total liabilities	7,719,192	8,105,019
Allowance for loan losses	<u>(391,468)</u>	<u>(410,044)</u>	Stockholders' Equity:		
Total loans-net	6,989,541	7,037,725	Contributed capital:		
Other accounts receivable-net	535,059	503,835	Common stock	157,191	157,191
Property, plant and equipment-net	325,347	332,205	Share premium	<u>1,574,900</u>	<u>1,574,963</u>
Deferred taxes and profit sharing, net	887,170	875,012	1,732,091	1,732,091	1,732,154
Other assets:			Earned capital:		
Goodwill	1,587,035	1,587,035	Capital reserves	14,318	14,318
Intangibles	106,331	108,314	Result from prior years	2,119,615	1,899,233
Deferred charges and prepaid expenses	<u>287,096</u>	<u>289,877</u>	Result from valuation of cash flow hedging instruments	44,603	113,683
Total assets	<u>\$ 11,742,363</u>	<u>\$ 12,155,276</u>	Result from translation of foreign subsidiaries	45,060	57,746
			Remeasurement of defined employee benefits	(880)	(880)
			Net result	<u>68,364</u>	<u>234,003</u>
			2,291,080	<u>2,291,080</u>	<u>2,318,103</u>
			Total stockholders' equity	<u>4,023,171</u>	<u>4,050,257</u>
			Total liabilities and stockholders' equity	<u>\$ 11,742,363</u>	<u>\$ 12,155,276</u>

See accompanying notes to these unaudited condensed consolidated financial statements.

Financiera Independencia, S.A.B. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad no Regulada and Subsidiaries

Unaudited Condensed Consolidated Statements of Income

For the three months ended March 31, 2017 and 2016
(In thousands of Mexican pesos, except income per share)

	March 2017	March 2016
Interest income	\$ 1,199,763	\$ 1,162,324
Interest expense	<u>(159,798)</u>	<u>(156,962)</u>
Financial margin	1,039,965	1,005,362
Provision for loan losses	<u>(283,557)</u>	<u>(292,325)</u>
Financial margin after provision for loan losses	756,408	713,037
Commission and fee income	124,855	121,270
Commission and fee expense	(20,267)	(18,110)
Trading income (expense)	18,328	(530)
Other operating income	67,973	61,834
Administrative and promotional expenses	<u>(857,905)</u>	<u>(800,554)</u>
Operating result	89,392	76,947
Current and deferred income taxes	<u>(21,028)</u>	<u>(23,904)</u>
Net income	<u>\$ 68,364</u>	<u>\$ 53,043</u>
Earnings per share	<u>\$ 0.1010</u>	<u>\$ 0.0778</u>

See accompanying notes to these unaudited condensed consolidated financial statements.

Financiera Independencia, S.A.B. de C.V., Sociedad Financiera de Objeto
Múltiple, Entidad no Regulada and Subsidiaries

**Unaudited Condensed Consolidated Statements of Changes in
Stockholders' equity**

For the three months ended March 31, 2017 and 2016
(In thousands of Mexican pesos)

	Contributed capital		Earned capital					Remeasurement of defined employee benefits	Total stockholders' equity
	Common stock	Share premium	Capital reserves	Result from prior years	Result from valuation of cash flow hedging instruments	Result from translation of foreign subsidiaries	Net result		
Balances as of December 31, 2015	\$ 157,191	\$ 1,575,855	\$ 14,318	\$ 1,700,081	\$ 75,076	\$ 25,217	\$ 209,042	\$ -	\$ 3,756,780
Entries approved by stockholders -									
Transfer of prior year results	-	-	-	209,042	-	-	(209,042)	-	-
Acquisition of proprietary shares and effect on reissuance of proprietary shares	-	(90)	-	(3,381)	-	-	-	-	(3,471)
	-	(90)	-	205,661	-	-	(209,042)	-	(3,471)
Comprehensive income -									
Net income	-	-	-	-	-	-	53,043	-	53,043
Result from valuation of cash flow hedging instruments	-	-	-	-	114,392	-	-	-	114,392
Result from translation of foreign subsidiaries	-	-	-	-	-	3,759	-	-	3,759
Balances as of March 31, 2016	<u>\$ 157,191</u>	<u>\$ 1,575,765</u>	<u>\$ 14,318</u>	<u>\$ 1,905,742</u>	<u>\$ 189,468</u>	<u>\$ 28,976</u>	<u>\$ 53,043</u>	<u>\$ -</u>	<u>\$ 3,924,503</u>
Balances as of December 31, 2016	\$ 157,191	\$ 1,574,963	\$ 14,318	\$ 1,899,233	\$ 113,683	\$ 57,746	\$ 234,003	\$ (880)	\$ 4,050,257
Entries approved by stockholders -									
Transfer of prior year results	-	-	-	234,003	-	-	(234,003)	-	-
Acquisition of proprietary shares and effect on reissuance of proprietary shares	-	(63)	-	(13,621)	-	-	-	-	(13,684)
	-	(63)	-	220,382	-	-	(234,003)	-	(13,684)
Comprehensive income -									
Net income	-	-	-	-	-	-	68,364	-	68,364
Result from valuation of cash flow hedging instruments	-	-	-	-	(69,080)	-	-	-	(69,080)
Result from translation of foreign subsidiaries	-	-	-	-	-	(12,686)	-	-	(12,686)
Balances as of March 31, 2017	<u>\$ 157,191</u>	<u>\$ 1,574,900</u>	<u>\$ 14,318</u>	<u>\$ 2,119,615</u>	<u>\$ 44,603</u>	<u>\$ 45,060</u>	<u>\$ 68,364</u>	<u>\$ (880)</u>	<u>\$ 4,023,171</u>

See accompanying notes to these unaudited condensed consolidated financial statements.

Financiera Independencia, S.A.B. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad no Regulada and Subsidiaries

Unaudited Condensed Consolidated Statements of Cash Flows

For the three months ended March 31, 2017 and 2016
(In thousands of Mexican pesos)

	March 2017	March 2016
Net income	\$ 68,364	\$ 53,043
Adjustments for items not requiring cash flows:		
Depreciation and amortization	23,503	22,778
Current and deferred income taxes	<u>21,028</u>	<u>23,904</u>
	112,895	99,725
Operating activities:		
Loan portfolio	48,184	158,950
Bank loans and securities liabilities	(359,842)	(269,825)
Other accounts receivable and payable	<u>127,961</u>	<u>12,519</u>
Net cash flows from operating activities	(70,802)	1,369
Investing activities:		
Acquisitions of fixed assets	(14,662)	(17,357)
Deferred charges and prepaid expenses	<u>2,781</u>	<u>(1,899)</u>
Net cash flows from investing activities	(11,881)	(19,256)
Financing activities:		
Acquisition of proprietary shares, net	<u>(13,684)</u>	<u>(3,471)</u>
Net cash flows from financing activities	<u>(13,684)</u>	<u>(3,471)</u>
Net decrease in funds available	(96,367)	(21,358)
Effects from changes in value of funds available	(12,686)	3,759
Funds available at the beginning of the period	<u>600,885</u>	<u>599,941</u>
Funds available at the end of the period	<u>\$ 491,832</u>	<u>\$ 582,342</u>

See accompanying notes to these unaudited condensed consolidated financial statements.

Financiera Independencia, S.A.B. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad no Regulada and Subsidiaries

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2017 and 2016

(In thousands of Mexican pesos)

1. Operations

Financiera Independencia, S.A.B. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada (the "Company") was established and began operations in accordance with Mexican laws on July 22, 1993, for an indefinite period, and with headquarters in Mexico City. It has authorization from the Mexican Treasury Department ("SHCP") to operate as a multiple purpose financial institution, unregulated entity, in accordance with the Mexican Credit Institutions Law ("LIC").

Its primary activity is to grant loans to individuals for the consumption of goods and services. The resources necessary to fund its operation have been obtained from the stockholders and through market operations and contracting liabilities from domestic financial institutions.

The General Law on Credit Organizations and Auxiliary Activities ("LGOAAC"), applicable to Multiple Purpose Financial Institutions ("Sofom/Sofomes"), allows such entities to grant loans, factoring services and financing leases. The Sofomes may or may not be regulated by the Mexican National Banking and Securities Commission of Mexico (the "Commission"). Unregulated entities ("E. N. R.") are entities which do not have equity relationships with credit institutions or holding companies of financial groups of which credit institutions form part, and those which do not issue debt instruments or fiduciary certificates registered in the National Registry of Securities in accordance with the Stock Market Law for which they are liable, or when they are issued, the respective compliance with the obligations embodied in such securities or instruments does not depend partially or totally on such entities, for which reason they are not subject to oversight by the Commission.

On October 18, 2007 the stockholders approved the adoption of the legal form of Sociedad Anónima Bursátil (S.A.B.), for which reason, as of November 1, 2007, the Company was registered as a public stock corporation on the Mexican Stock Market (the "BMV"), and listed with the ticker symbol "FINDEP".

During the process of listing its shares on the BMV, the Company carried out a public share offering in Mexico.

The Company, in its capacity as an S.A.B., applies the provisions of the General Companies Law and, if applicable, the relevant provisions of the Stock Market Law, as well as general provisions applicable to issuers of securities and other stock market participants.

2. Basis for presentation

- a. **Explanation for translation into English-** The accompanying unaudited condensed consolidated financial statements have been prepared in English for use outside of Mexico. The accounting criteria to prepare the accompanying unaudited condensed consolidated financial statements of the Company conform to the financial reporting requirements prescribed by the Commission, but do not conform to Mexican Financial Reporting Standards ("MFRS or NIF"), and may differ in certain significant respects from the financial reporting standards accepted in the country of use.
- b. **Interim financial statements:** The accompanying condensed consolidated financial statements for the three-month periods ended March 31, 2017 and 2016, have not been audited. In the opinion of Company's management, all the adjustments (consisting mainly of ordinary, recurring adjustments) necessary for a fair presentation of the accompanying unaudited condensed consolidated financial statements are included. The results of the periods are not necessarily indicative of the results for the full year. These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements of the Company and the respective notes for the year ended December 31, 2016.

- c. **Monetary unit of the financial statements-** The unaudited condensed consolidated financial statements and notes as of March 31, 2017 and December 31, 2016 and for the period and year then ended, respectively include balances and transactions of different purchasing power.
- d. **Consolidation of financial statements** - The accompanying unaudited condensed consolidated financial statements include the financial statements of the Company and those of its subsidiaries in which control is exercised. All significant intercompany balances and transactions have been eliminated.
- e. **Conversion of foreign currency financial statements of subsidiaries** - To consolidate financial statements of foreign subsidiaries, the accounting policies of the foreign entity are converted to accounting criteria of the Commission. The financial statements are subsequently translated to Mexican pesos using the following methodology:

Foreign operations whose functional currency is the same as the currency in which transactions are recorded translate their financial statements using the following exchange rates: 1) the closing exchange rate in effect at the balance sheet date for assets and liabilities; 2) historical exchange rates for stockholders' equity, and 3) the rate on the date of accrual of revenues, costs and expenses. Translation effects are recorded in other comprehensive income (loss) within stockholders' equity.

3. Funds available

The heading of funds available is composed mainly of excess cash, bank deposits and immediately realizable investments, which are highly liquid and with little risk of changes in their value, as shown below:

	March 31, 2017	December 31, 2016
Cash on hand	\$ 88,708	\$ 72,143
Mexican banks	81,748	268,861
Immediately realizable investments	<u>321,376</u>	<u>259,881</u>
	<u>\$ 491,832</u>	<u>\$ 600,885</u>

Immediately realizable investments refer to the investment of treasury surpluses with the purpose to obtain a better short-term return. These investments are made through securities firms and investment funds which trade on the Mexican market.

As of March 31, 2017 and December 31, 2016, the average rates of the investments were 5.1% and 4.7%, respectively. Furthermore, for the periods ended March 31, 2017 and 2016, interest income on the investments was \$4,750 and \$3,922, respectively. As of March 31, 2017 and as of December 31, 2016 the maturities of these investments were between one and three days. As of March 31, 2017 and December 31, 2016, restricted investments are \$70,925 and \$69,877, respectively.

4. Transactions with financial derivatives

The Company's activities expose it to a wide range of financial risks: market risks (including exchange risk and interest rate risk, principally), credit risk and liquidity risk. The risk management practice take into account the unpredictable nature of the financial markets and seeks to minimize the potential negative effects in the Company's financial performance. Based on the guidelines issued by the Board of Directors, the Company has been implementing the use of financial derivatives to hedge certain exposures to market risks.

The Company's policy is not to carry out speculative transactions with financial derivatives. Below is a summary of the transactions performed with financial derivatives:

Type of instrument	Notional amount hedged		March 31, 2017						
	Receives	Pays	Starting date	Maturity	Exchange rate agreed	Annual interest rate		Fair value	
						Receives	Pays		
Swap									
Currency and interest rate hedge	US\$72,712	MXNS942,784	4-Jun-14	3-Jun-19	12.966	7.50%	10.85%	\$	512,220
Currency and interest rate hedge	US\$2,940	MXNS38,105	4-Jun-14	3-Jun-19	12.961	7.50%	10.85%		<u>20,732</u>
							Total	\$	<u>532,952</u>

Type of instrument	Notional amount hedged		December 31, 2016						
	Receives	Pays	Starting date	Maturity	Exchange rate agreed	Annual interest rate		Fair value	
						Receives	Pays		
Swap									
Currency and interest rate hedge	US\$74,937	MXNS971,633	4-Jun-14	3-Jun-19	12.966	7.50%	10.85%	\$	713,391
Currency and interest rate hedge	US\$11,400	MXNS147,755	4-Jun-14	3-Jun-19	12.961	7.50%	10.85%		108,346
Interest rate hedge (Brazilian real)	\$118,300	RS26,118	3-Mar-16	3-Mar-17	4.5294	9.25%	10.05%		<u>(1,349)</u>
							Total	\$	<u>820,388</u>

Swaps

Foreign Currency Bonds

As part of the strategy implemented by the Company, it was decided to conduct a "Tender Offer" of the bonds placed in 2014, in the amount of 200 million US dollars, which have a term of five years, annual interest rate of 7.5% payable semiannually and may be paid in advance starting from the third year. In August 2016, the Company carried out the early settlement of 80 million dollars of the hedged position, resulting in a "Partial Unwind" of the two interest rate swaps acquired with HSBC and Barclays (counterparties), reducing the amount of notional amount to 120 million dollars. This partial unwind did not affect the terms and conditions of the hedging agreements.

The Company receives semiannual cash flows at a fixed rate of 7.5%, and pays monthly cash flows at a fixed rate of 10.85% to both counterparties on the same notional amounts in pesos, with completion tied to the maturity of the bonds; additionally, at the maturity of the Bond issue, the counterparties will carry out an exchange of securities contracted for the sole purpose of fixing the exchange rate in 2019 at \$ 12.966 and \$12.961, respectively, Mexican pesos per dollar, thereby eliminating currency risk.

The Company has entered into an interest rate swap transactions due to related parties operations in Brazil, where the Company receives on a monthly basis an interest rate of 9.25% on Mexican pesos and pays 10.05% on Brazilian reales.

Hedge of interest rate in securitized bank certificates (Cebures)

The new issue of Senior Trust Bonds for \$1,500,000 took place as part of a Revolving Program authorized by the Commission for up to \$5,000 million during a period of up to five years. The issue received AAA and AA (mex) ratings with a stable outlook from HR Ratings de México and Fitch México, respectively; it was placed at face value with a return of THE28+220 basis points over a four-year period.

In order to fix the maximum interest rate of the Cebures issued for \$1,500,000, the Company contracted a CAP with BBVA Bancomer at the 7% rate, with maturity on the same date as that of the FIDEPCB14 Securitization Certificate. As of March 31, 2017 and December 31, 2016, the fair value is \$0.

Although the aforementioned transactions are not of a speculative nature, in order to ensure compliance with accounting standards, they are valued at fair value. Accordingly, the Company periodically applies effectiveness tests based on the hypothetical derivative method, which involves matching the change in fair value of a hypothetical derivative reflecting the primary position with the fair value of hedging swaps. Consequently, as of March 31, 2017 and December 31, 2016, the hedging relationship is considered to be highly effective.

The result of these fair value valuations is recognized in comprehensive income under the Company's stockholders' equity. However, these valuations may change due to market conditions during the swap period. At its maturity, the gain or loss derived from valuing the primary position based on the hedged risk is recognized in the results of the period.

As swaps are negotiated with financial institutions with good credit ratings, the Company considers that the risk of counterparty noncompliance with acquired obligations and rights is low.

5. Loan portfolio

The classification of the performing and non-performing loan portfolio is composed as follows:

	March 31, 2017	December 31, 2016
Performing loans:		
Consumer loans	\$ 6,910,132	\$ 6,948,862
Commercial loans	<u>79,409</u>	<u>88,863</u>
Total performing loans	6,989,541	7,037,725
Non-performing loans:		
Consumer loans	<u>391,468</u>	<u>410,044</u>
Total non-performing loans	<u>391,468</u>	<u>410,044</u>
	<u>\$ 7,381,009</u>	<u>\$ 7,447,769</u>

Loan portfolio, net:

Consumer loans:

	March 31, 2017	December 31, 2016
Performing principal	\$ 6,623,616	\$ 6,673,931
Accrued interest	<u>286,516</u>	<u>274,931</u>
Performing consumer loans	6,910,132	6,948,862
Non-performing principal	328,128	343,302
Non-performing accrued interest	<u>63,340</u>	<u>66,742</u>
Non-performing consumer loans	391,468	410,044
Allowance for consumer loan losses	<u>(391,468)</u>	<u>(410,044)</u>
Total consumer loans, net	<u>\$ 6,910,132</u>	<u>\$ 6,948,862</u>

Commercial loans:

	March 31, 2017	December 31, 2016
Performing principal	\$ 79,409	\$ 88,863
Performing commercial loans	<u>79,409</u>	<u>88,863</u>
Total commercial loans, net	<u>79,409</u>	<u>88,863</u>
Total loans, net	<u>\$ 6,989,541</u>	<u>\$ 7,037,725</u>

As of March 31, 2017 and December 31, 2016, the restricted portfolio amounts to \$3,304,484 and \$3,357,082, respectively.

As of March 31, 2017 the restructured and renewed portfolio is as follows:

Restructured portfolio	Current	Overdue	Total
Consumer loans	<u>\$ 11,262</u>	<u>\$ 7,874</u>	<u>\$ 19,136</u>

The loan portfolio segmented by loan type is detailed below:

Loan type	March 31, 2017		December 31, 2016	
	Amount	%	Amount	%
Performing portfolio:				
CrediInmediato	\$ 1,913,123	27	\$ 1,881,962	27
Grupal	1,305,758	19	1,331,605	19
CrediPopular	491,310	7	481,423	7
Tradicional	1,461,876	21	1,491,462	22
CrediMamá	30,049	-	29,782	-
CrediConstruye	914	-	1,106	-
Plan celular	20,728	-	13,425	-
AFI	1,089,976	17	1,152,045	16
Más Nómina	596,398	9	566,052	8
Commercial loans (Siempre Creciendo)	<u>79,409</u>	-	<u>88,863</u>	<u>1</u>
	<u>6,989,541</u>	<u>100</u>	<u>7,037,725</u>	<u>100</u>
Non-performing portfolio:				
CrediInmediato	129,665	33	133,942	33
Grupal	57,960	15	53,422	13
CrediPopular	38,646	10	42,855	11
Tradicional	114,230	29	126,705	31
CrediMamá	1,401	-	1,675	-
CrediConstruye	104	-	120	-
PlanCelular	331	-	216	-
AFI	32,761	9	30,285	7
Más Nómina	<u>16,370</u>	<u>4</u>	<u>20,824</u>	<u>5</u>
	<u>391,468</u>	<u>100</u>	<u>410,044</u>	<u>100</u>
Total loan portfolio	<u>\$ 7,381,009</u>	<u>100</u>	<u>\$ 7,447,769</u>	<u>100</u>

As of March 31, 2017 and December 31, 2016, loan portfolio aging based on the number of days of maturity is as follows:

	March 31, 2017							Total
	0 days	01-30 days	31-60 days	61-90 days	91-120 days	121-150 days	151-180 days	
Performing	\$4,938,260	\$1,587,556	\$ 311,470	\$ 152,255	\$ -	\$ -	\$ -	\$6,989,541
Non-performing	-	121	2,427	26,118	116,347	111,082	135,373	391,468
Total	<u>\$4,938,260</u>	<u>\$1,587,677</u>	<u>\$ 313,897</u>	<u>\$ 178,373</u>	<u>\$ 116,347</u>	<u>\$ 111,082</u>	<u>\$ 135,373</u>	<u>\$7,381,009</u>

	December 31, 2016							Total
	0 days	01-30 days	31-60 days	61-90 days	91-120 days	121-150 days	151-180 days	
Performing	\$4,966,311	\$1,647,271	\$ 252,098	\$ 172,045	\$ -	\$ -	\$ -	\$7,037,725
Non-performing	-	95	1,750	24,790	144,236	131,025	108,148	410,044
Total	<u>\$4,966,311</u>	<u>\$1,647,366</u>	<u>\$ 253,848</u>	<u>\$ 196,835</u>	<u>\$ 144,236</u>	<u>\$ 131,025</u>	<u>\$ 108,148</u>	<u>\$7,447,769</u>

Ordinary and penalty interest income associated with the loan portfolio and detailed by product is comprised as follows:

Loan type	March 31, 2017		December 31, 2016	
	Amount	%	Amount	%
CrediInmediato	\$ 375,185	31	\$ 1,542,777	33
Grupal	259,424	22	948,948	20
CrediPopular	106,711	9	522,084	11
Tradicional	276,216	23	1,071,291	23
CrediMamá	5,997	1	26,927	1
CrediConstruye	211	-	1,566	-
AFI	100,899	8	300,428	6
MásNómina	70,370	6	259,274	6
	<u>\$ 1,195,013</u>	<u>100</u>	<u>\$ 4,673,295</u>	<u>100</u>

6. Allowance for loan losses

The Company classifies its loan portfolio by using an internal methodology based on the probability of borrower noncompliance and the severity of the loss associated with the loans.

The following table indicates the percentages used to generate the allowance for loan losses as of March 31, 2017 and December 31, 2016, which were determined according to the probability of noncompliance and severity of the loan portfolio loss.

Weekly	Period	March 31, 2017			December 31, 2016		
		Amount	Allowance (%)	Amount	Amount	Allowance (%)	Amount
	0	102,420	0.5	\$ 494	76,530	0.5	\$ 361
	1	16,722	2.0	332	18,792	1.9	354
	2	11,951	2.0	237	11,231	1.9	216
	3	11,881	5.9	700	10,329	5.9	605
	4	9,687	10.7	1,034	8,127	10.7	867
	5	5,245	15.0	787	4,653	14.6	681
	6	3,205	16.6	531	3,697	16.8	623
	7	3,308	26.7	884	3,896	27.1	1,055
	8	5,696	32.2	1,833	5,240	32.6	1,706

Period	March 31, 2017			December 31, 2016		
	Amount	Allowance (%)	Amount	Amount	Allowance (%)	Amount
9	4,185	36.5	1,528	4,034	36.5	1,473
10	1,801	34.4	619	1,933	34.9	676
11	2,465	44.7	1,102	2,587	45.3	1,172
12	3,716	49.3	1,833	4,358	49.9	2,173
13	5,262	52.3	2,755	6,136	52.6	3,228
14	1,043	53.6	559	1,062	54.0	573
15	1,602	61.0	977	2,000	61.4	1,227
16	2,575	64.9	1,670	3,177	65.2	2,070
17	4,085	65.5	2,674	4,237	65.7	2,783
18 or more	<u>19,785</u>	<u>87.9</u>	<u>17,392</u>	<u>19,455</u>	<u>88.2</u>	<u>17,160</u>
	216,634	17.5	37,941	191,474	20.4	39,003
Biweekly						
0	1,417,550	0.3	4,718	1,494,699	0.3	5,028
1	301,998	1.2	3,709	280,167	1.2	3,308
2	143,242	5.9	8,389	106,710	5.8	6,137
3	60,027	10.9	6,568	42,583	10.7	4,572
4	84,779	20.8	17,613	59,630	20.7	12,364
5	23,674	27.9	6,595	20,763	26.9	5,576
6	45,076	37.5	16,907	48,583	37.5	18,208
7	11,649	46.5	5,422	12,663	45.1	5,713
8	27,283	54.1	14,748	33,148	53.8	17,833
9	9,346	58.4	5,455	12,192	57.0	6,948
10	25,520	65.1	16,601	29,045	64.9	18,844
11	7,999	70.5	5,640	8,868	69.8	6,188
12	28,446	75.3	21,427	22,134	76.0	16,823
13 or more	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	2,186,589	6.1	133,792	2,171,185	5.9	127,542
Monthly						
0	238,746	0.4	836	236,610	0.4	843
1	32,841	3.7	1,220	31,685	3.7	1,179
2	11,966	16.6	1,987	10,486	17.0	1,785
3	6,878	33.8	2,324	7,064	34.6	2,444
4	4,279	51.8	2,215	4,483	52.5	2,354
5	3,055	62.6	1,913	3,767	53.1	2,377
6	3,053	73.0	2,230	1,022	73.8	754
7	-	-	-	-	-	-
8	-	-	-	-	-	-
9 or more	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	300,818	4.2	12,725	295,117	4.0	11,737

	Period	March 31, 2017			December 31, 2016		
		Amount	Allowance (%)	Amount	Amount	Allowance (%)	Amount
Other types of loans	Restructured portfolio	\$ 19,136	87.9	\$ 16,823	\$ 22,024	88.2	\$ 19,425
	Commercial portfolio	79,409	-	-	88,863	-	-
	Más Nómina portfolio	612,768	2.7	16,370	586,876	3.5	20,824
	Group portfolio	1,363,718	4.3	57,960	1,385,027	3.8	53,422
	AEF portfolio	1,479,200	6.9	101,632	1,524,873	7.6	116,806
	AFI portfolio	<u>1,122,737</u>	2.9	<u>32,761</u>	<u>1,182,330</u>	2.5	<u>30,285</u>
	Total	7,381,009		410,004	7,447,769		419,044
	Additional allowance			<u>(18,536)</u>			<u>(9,000)</u>
	Total allowance			<u>\$ 391,468</u>			<u>\$ 410,044</u>
	Hedge ratio			<u>100%</u>			<u>100%</u>

The movements of the allowance for loan losses during the period ended March 31, 2017 and the year December 31, 2016 were as follows:

	March 31, 2017	December 31, 2016
Opening balance	\$ 410,044	\$ 480,156
Add:		
Allowance for loan losses charged to income statement	283,557	1,177,678
Less:		
Loans written-off during	<u>(302,133)</u>	<u>(1,247,790)</u>
Closing balance	<u>\$ 391,468</u>	<u>\$ 410,044</u>

As of March 31, 2017 and December 31, 2016, the restructured portfolio was \$19,136 and \$22,024, respectively. While the loan portfolio remains restructured, the Company classifies and presents it as the non-performing portfolio.

7. Securitization certificates

As of March 31, 2017 and December 31, 2016, securitized liabilities are composed as follows:

	Program amount	Issuance amount	Date of issuance	Period	Interest rate	March 31, 2017	December 31, 2016
Cebures (Bursa)	\$ 5,000,000	\$ 1,500,000	Mar-2014	Feb-2018	TIIE + 220 bp	\$ 1,500,000	\$ 1,500,000
					Accrued interest	<u>1,473</u>	<u>1,731</u>
					Total	<u>\$ 1,501,473</u>	<u>\$ 1,501,731</u>

On March 3, 2014, the Company issued Senior Trust Bonds (Ticker Symbol FIDEPCB 14) for the amount of \$1,500,000 as part of a revolving program authorized by the Commission for up to \$5,000 million over a period of up to five years. The issue received AAA and AA (mex) ratings with a stable outlook from HR Ratings de México and Fitch México, respectively; it was placed at face value with a return equal to the 28-day TIIE rate plus 220 basis points over a four-year period. The bonds were issued by Banco Invex, S.A., in its capacity as trustee, and are backed by credits pertaining to the Company and AEF, which will act as the primary administrators of the assigned portfolio throughout the issue period.

As of March 31, 2017 and during 2016, the securitization certificates accrued interest of \$31,878 and \$100,253, respectively.

8. Borrowings for banks and from other entities

As of March 31, 2017 and December 31, 2016, this heading is composed as follows:

Entity	Credit line amount	Maturity date	Guarantee	March 31, 2017	December 31, 2016
International Bond ¹	USD 120,000	Jun-2019	Unsecured	\$ 2,226,365	\$ 2,473,029
HSBC México, S. A., Institución de Banca Múltiple, Grupo Financiero (HSBC)					
Revolving credit line	464,500	Nov-2018	1.3 to 1.0	462,000	462,000
Revolving credit line	615,000	Dec-2018	1.3 to 1.0	80,000	80,000
Bradessco N/A	USD 15,000	Dec-2017	Corporate Guarantee/FIS A	31,630	67,481
Nacional Financiera, S. N. C. (NAFINSA) ² :					
Revolving credit line	850,000	Indefinite period	1.0 a 1.0	620,159	642,863
	250,000	Indefinite period	10% settlement	204,667	245,125
	400,000	Indefinite period	10% settlement	390,354	394,729
Fideicomisos Instituidos en Relación con la Agricultura (FIRA)	600,000	Indefinite period	1.0 a 1.0	311,000	316,000

Entity	Credit line amount	Maturity date	Guarantee	March 31, 2017	December 31, 2016
RSA Seguros	17,000	Mar-2018	Unsecured	17,000	-
RSA Seguros	8,000	Mar-2018	Unsecured	8,000	-
OIKO CREDIT	Eur 3,000	Oct-2021	1.0 a 1.0	78,127	83,323
BBVA Bancomer	300,000	Jul-2017	Unsecured	200,000	216,000
BBVA Bancomer	12,000	Sep-2017	1.2 a 1.0		-
Bridge Bank N.A.	USD 9,700	Feb-2017	Standby Letter of Credit	182,316	200,008
ScotiaBank Inverlat, S.A.	295,000	May-2017	1.2 to 1.0	266,607	242,537
Banco del Bajío, S.A.	100,000	May-2022	1.25 to 1.0	70,000	100,000
Banco Monex, S.A.	100,000	Apr-2019	1.25 to 1.0	50,000	50,000
Grupo Jorisa, S.A.	400,000	Apr-2019	Unsecured	<u>330,000</u>	<u>330,000</u>
				5,528,225	5,903,095
			Accrued interest	<u>36,291</u>	<u>21,005</u>
			Total	<u>\$ 5,564,516</u>	<u>\$ 5,924,100</u>

1. In August 2016 and in January 2017, the Company carried out advance payments for US\$80.06 and US\$1.49 million of the bonds placed in May 2014 for US\$200 million in the international market. Such bonds have a five year term and an annual interest rate of 7.5%, payable semiannually, and can be paid in advance as of the third year. The balance of the bonds at the close of March 31, 2017 and December 31, 2016 is US \$118.45 and US \$120.13 million, respectively.
2. The Company has three revolving credit lines; the first of these was used to finance informal market micro-credits, the second was utilized to finance the group product, while the third credit line was contracted to fund the operations of AEF.

9. Balances and transactions with related parties

For the three months ended March 31, 2017 and 2016, the transactions performed with related parties, unconsolidated, during the normal course of business primarily involve the rentals and administrative services paid to related companies for the amount of \$6,464 and \$5,609, together with wages and benefits of \$32,857 and \$34,226, respectively paid to the Company's main officers. Other balances and transactions were not material according to Bulletin C-3 issued by the Commission.

10. Income taxes

The Company is subject to income tax. The rate for 2017 and 2016 was 30%, and will remain at 30% for subsequent years.

ISR is calculated by considering certain effects of inflation, such as depreciation calculated according to values at constant prices, as taxable or deductible, while also accruing or deducting the effect of inflation and certain monetary assets and liabilities through the annual adjustment for inflation.

11. Profit per share

According to NIF, the profit per share is the result of dividing the net profit of the period by the weighted average of outstanding shares during the same period, as detailed below:

<u>Profit per Share (UPA):</u>	March 31, 2017	March 31, 2016
Net Profit	\$ 68,364	\$ 53,043
Divided by:		
Average weighted number of shares	<u>676,835,745</u>	<u>682,076,721</u>
UPA (pesos)	<u>\$ 0.1010</u>	<u>\$ 0.0778</u>

12. Information by segments

The total credit portfolio and the interest income by geographical region is detailed below (unaudited):

Entity	March, 2017 Total Portfolio	March, 2017 Interest Income	December, 2016 Total Portfolio	March, 2016 Interest Income
Aguascalientes	\$ 58,182	\$ 10,258	\$ 58,393	\$ 12,433
Baja California	136,125	24,451	131,831	26,662
Baja California Sur	70,650	13,451	70,662	12,280
Campeche	107,633	20,192	111,452	22,052
Chiapas	198,434	34,139	197,939	34,782
Chihuahua	28,259	5,086	27,707	5,984
Coahuila	219,244	49,256	215,376	51,373
Colima	69,725	12,414	64,454	11,208
Ciudad de México	782,844	103,627	799,148	97,901
Durango	50,232	9,837	49,504	9,347
Estado de México	739,418	133,398	754,498	131,270
Guanajuato	249,557	51,079	237,218	56,096
Guerrero	191,186	36,940	192,048	34,287
Hidalgo	117,350	21,474	119,407	22,198
Jalisco	276,687	48,411	266,482	48,473
Michoacán	165,758	23,639	167,287	23,350
Morelos	130,032	23,371	128,320	23,270
Nayarit	47,197	8,219	43,000	8,306
Nuevo León	29,677	6,150	29,710	4,590
Oaxaca	143,197	26,034	135,713	25,145
Puebla	150,078	28,087	149,028	29,131
Querétaro	124,267	23,305	126,948	24,051

Entity	March, 2017 Total Portfolio	March, 2017 Interest Income	December, 2016 Total Portfolio	March, 2016 Interest Income
Quintana Roo	190,634	37,281	190,953	35,743
San Luis Potosí	142,551	14,425	142,197	14,616
Sinaloa	105,701	18,068	101,279	18,294
Sonora	125,650	23,344	134,362	29,734
Tabasco	72,909	13,986	74,587	14,898
Tamaulipas	303,896	62,317	306,106	68,195
Tlaxcala	64,171	12,023	60,293	12,299
Veracruz	420,929	78,604	422,603	79,465
Yucatán	181,932	34,319	181,446	33,686
Zacatecas	48,446	9,174	45,995	9,033
Subtotal México	5,742,551	1,016,359	5,735,946	1,030,152
Brazil	515,721	77,755	529,493	62,443
United States	1,122,737	100,899	1,182,330	65,808
Total	<u>\$ 7,381,009</u>	<u>\$ 1,195,013</u>	<u>\$ 7,447,769</u>	<u>\$ 1,158,403</u>

13. Commitments and contingencies

As of March 31, 2017 and December 31, 2016, the Company is subject to certain labor, civil and criminal lawsuits. However, Company's management and its attorneys consider that these lawsuits arose during the normal course of business and that unfavorable verdicts would not significantly affect the Company's financial position and results. As of March 31, 2017 and December 31, 2016, the provision for lawsuits is \$33,510 and \$32,010, respectively.

As of March 31, 2017, the Company has executed a series of lease contracts for the rental of the offices, ATMs and branches used for its operations. These contracts have terms of between 3 to 5 years. The total amount payable for rentals over the following five years is \$188,112 in 2017, \$174,285 in 2018, \$131,298 in 2019, \$97,201 in 2020 and \$63,001 in subsequent years.

14. New accounting principles

As of December 31, 2016, the CINIF has issued the following NIFs and Improvements to NIFs which may affect the unaudited condensed consolidated financial statements of the Institution.

- a. Improvements to NIF 2017 - The following improvements were issued which generate accounting changes effective as of January 1, 2017

NIF D-3, *Employee Benefits* – Is modified to establish, as a basic principle, that the discount rate to be used in the determination of the present value of the long-term labor liability should be a free market rate with a very low credit risk, which represents the value of money over time. Consequently, either the *government bond market rate* or the *market rate for high-quality corporate bonds in absolute terms in a deep market*, could be used, indistinctly, provided that the latter complies with the requirements established in Appendix B– *Application guidance*, B1– *Guidance for the identification of issues of high-quality corporate bonds in absolute terms in a deep market*. Early application is allowed.

- b. Improvements to NIF 2017 – The following improvements do not generate accounting changes:

Bulletin C-15, Impairment in the value of long-lived assets and their disposal

The improvements consist of outlining the scopes and definitions of these NIF to clearly indicate the appropriate application and accounting treatment; consequently, no effective date was established for these improvements. Furthermore, improvements were made to different NIF to change the acronyms used to identify certain receivable financial instruments.

- c. The following NIF were issued and are effective January 1, 2018:

NIF C-9, Provisions, contingencies and commitments: The term probable replaced the term virtually unavoidable in the definition of liabilities. The first-time application of this NIF does not generate accounting changes in the financial statements.

At the date of issuance of these unaudited condensed consolidated financial statements, the Company has not completed its evaluation of the potential effects of adopting these new standards on its financial information.

15. Authorization to issue the unaudited condensed consolidated financial statements

The issuance of the accompanying unaudited condensed consolidated financial statements was authorized on June 19, 2017 by Mr. Eduardo Bernhart Messmacher Henríquez, the Company's General Director, they do not reflect any event arising after that date. Furthermore, the unaudited condensed consolidated financial statements are subject to the approval of the ordinary meeting of the Company's stockholders, which may request their modification according to the General Corporate Law.

* * * * *

ANNEX A

SUMMARY OF CERTAIN SIGNIFICANT DIFFERENCES BETWEEN MEXICAN BANKING GAAP AND U.S. GAAP

Our financial statements are prepared and presented in accordance with Mexican Banking GAAP as prescribed by the CNBV. Certain differences exist between Mexican Banking GAAP and U.S. GAAP, which might be material to the financial information contained herein. The matters described below summarize those differences that may be material. We have not prepared a reconciliation of our financial statements and related footnote disclosures, appearing in the offering memorandum, from 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 is complete. In making an investment decision, investors must rely upon their own examination of us, the terms of the offering and the financial information. Potential investors should consult their own professional advisors for an understanding of the differences between Mexican Banking GAAP and U.S. GAAP, and how those differences might affect the financial information herein.

Accounting for the Effects of Inflation

Mexico

Through December 31, 2007, Mexican Banking GAAP required that the comprehensive effects of inflation be recorded in financial information and that such financial statements be restated to constant *Pesos* as of the latest balance sheet date presented. Beginning January 1, 2008, Mexican Banking GAAP modified the accounting for inflationary effects and defines two economic environments, an “inflationary environment” and a “non-inflationary environment.” An inflationary environment is one in which the cumulative inflation of the three preceding years is 26% or more, in which case the comprehensive effects of inflation should be recognized in financial information; a non-inflationary environment is one in which the cumulative inflation of the three preceding years is less than 26%, in which case, no inflationary effects should be recognized in financial information.

United States

Under U.S. GAAP, companies are generally required to prepare financial statements on a historical cost basis. Specific rules and regulations established by the SEC allow for companies to maintain the effects of inflations in its reconciliation from local GAAP to U.S. GAAP for companies registering securities with the SEC for sale in the United States, when, for local purposes, such company prepares comprehensive price-level adjusted financial statements, as required or permitted by their home-country GAAP. This is because the SEC recognizes that presentation of price-level adjusted financial information in inflationary economies is more meaningful than historical-cost based financial reporting.

Pre-operating Costs

Mexico

Through December 31, 2002, under Mexican Banking GAAP, pre-operating costs incurred were permitted to be capitalized and amortized by us over the period of time estimated to generate the income necessary to recover such costs. Beginning January 1, 2003, only pre-operating costs incurred during the development stage are capitalized and all other pre-operating costs are expensed as incurred; previously capitalized amounts are permitted to continue to be amortized through December 31, 2008. Beginning January 1, 2009, any remaining unamortized pre-operating costs must be written off to retained earnings.

United States

Under U.S. GAAP, pre-operating costs should be treated as period expenses and may not be capitalized.

Deferred Income Tax and Statutory Employee Profit Sharing

Mexico

Mexican Banking GAAP is similar to U.S. GAAP with respect to accounting for deferred income taxes in that an asset and liability approach is required. Under Mexican Banking GAAP, deferred tax assets must be reduced by a valuation allowance if it is “highly probable” that all or a portion of the deferred tax assets will not be realized. The determination of

the need for a valuation allowance must consider future taxable income and the reversal of temporary taxable differences. Net deferred income tax assets or liabilities are presented within long-term assets or liabilities.

Mexican Banking GAAP requires the use of the balance sheet methodology when calculating deferred employee profit and that a related liability be recorded for all temporary differences. It also allows the recognition of a net statutory employee profit sharing asset.

United States

U.S. GAAP also requires the use of the balance sheet methodology when calculating deferred employee profit and requires that a related liability be recorded for all temporary differences. U.S. GAAP does not allow the recognition of net deferred employee profit sharing assets.

Impairment of Long-Lived Assets in Use

Mexico

Under Mexican Banking GAAP, long-lived assets with definite lives, such as property and equipment, are evaluated periodically in order to determine if a potential impairment indicator exists. The calculation of impairment losses requires the determination of the recoverable value of the assets. Recoverable value is defined as the greater of the net selling price of a cash generating unit and its value in use. Value in use is the present value of discounted future net cash flows.

In addition, under certain limited circumstances, the reversal of previously recognized impairment losses is permitted. Any recorded impairment losses are presented as non-ordinary expenses.

United States

U.S. GAAP requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The carrying amount of an asset is not recoverable when the estimated future undiscounted cash flows expected to result from the use of the asset are less than the carrying value of the asset. Impairment losses are measured as the difference between the carrying value of the asset and its fair value. Any impairment loss recorded for an asset to be held and used establishes a new cost basis and, therefore, cannot be reversed in the future. Impairment losses are classified within operating expenses in the statement of income.

Fair Value of Financial Instruments

Mexico

Mexican Banking GAAP defines fair value as the amount an interested and informed market participant would be willing to exchange for the purchase or sale of an asset or to assume or settle a liability in a free market. This definition can consider either an entry or an exit price.

United States

U.S. GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This definition only considers an exit price. Consideration must be given to the principal and most advantageous market and the highest and best use of the asset.

Furthermore, U.S. GAAP establishes a three-level hierarchy to be used when measuring and disclosing fair value in a company's financial statements. Categorization within the fair value hierarchy is based on the lowest level of significant input to its valuation. The following is a description of the three hierarchy levels:

- Level 1 — Quoted prices for identical instruments in active markets.
- Level 2 — Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.
- Level 3 — Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

Allowance for Loan Losses

Mexico

Mexican Banking GAAP requires a specific methodology to determine the allowance for loan losses, which take into consideration the value of the loan, the credit rating of the borrower (including country, financial and industry risk and payment experience) and any credit enhancements. Based on these factors, the CNBV prescribes a range of loss percentages that are to be applied to the value of the loan in order to determine the amount of the loan loss to be provisioned. Loan loss percentages are calculated by the CNBV based on either an expected loss model or an incurred loss model depending on the classification of the loan.

United States

U.S. GAAP accounting literature establishes that for larger, non-homogeneous loans, once an entity determines that a loan is impaired (meaning that it is probable that the entity will be unable to collect all amounts due (both principal and interest) according to the contractual terms of the loan agreement), the entity shall measure impairment based on the present value of expected future cash flows discounted at the loan's effective interest rate. The estimates surrounding credit losses for U.S. GAAP purposes are based on an incurred loss model. For practical purposes, entities may also measure impairment based on a loan's observable market price, or the fair value of the collateral if the loan is collateral dependent. Fair value of the collateral must be used when foreclosure is deemed probable.

For smaller-balance homogeneous loans, entities should collectively evaluate the loans for impairment, using a formula based on various factors to estimate an allowance for loan losses, including past loss experience, recent economic events and current conditions, geographical concentrations and portfolio delinquency rates.

ISSUER

Financiera Independencia, S.A.B. de C.V., Sofom, E.N.R.
Prolongación Paseo de la Reforma 600, Local 040-E
Col. Santa Fe Peña Blanca
Delegación Alvaro Obregón
01210 Ciudad de Mexico, Mexico

LEGAL ADVISORS

To the Issuer

As to U.S. Federal and New York law:

White & Case LLP
1221 Avenue of the Americas
New York, New York 10020
U.S.A.

As to Mexican law:

White & Case, S.C.
Torre del Bosque – PH
Blvd. Manuel Avila Camacho #24 Col.
Lomas de Chapultepec
11000 Mexico, Ciudad de Mexico,
Mexico

To the Initial Purchasers

As to U.S. Federal and New York law:

Paul Hastings LLP
200 Park Avenue
New York, New York 10166
U.S.A.

As to Mexican law:

Ritch, Mueller, Heather y Nicolau, S.C.
Avenida Pedregal 24
Piso 10
Colonia Molino del Rey
11040, Ciudad de Mexico
México

AUDITORS

Galaz, Yamazaki, Ruiz Urquiza, S.C.
a member of Deloitte Touche Tohmatsu Limited
Rio Lerma No. 232, piso 9
Colonia Cuauhtémoc
06500, Ciudad de Mexico, Mexico

TRUSTEE, REGISTRAR, PAYING AGENT AND TRANSFER AGENT

The Bank of New York Mellon
101 Barclay Street, 7th Floor East
New York, New York 10286
U.S.A

SINGAPORE LISTING AGENT

Colin Ng & Partners LLP
600 North Bridge Road
#13-01 Parkview Square
Singapore 188778



FINANCIERA
INDEPENDENCIA