

IMPORTANT NOTICE

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the attached exchange offer memorandum (the “**Exchange Offer Memorandum**”) and you are therefore required to read this disclaimer carefully before accessing, reading or making any other use of the Exchange Offer Memorandum. By accessing the Exchange Offer Memorandum, you shall be deemed to agree (in addition to giving the representations below) 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 D.F. King & Co., Inc. (the “**Exchange and Information Agent**”), and BCP Securities, Inc. (the “**Dealer Manager**”) or any other person in connection with the Exchange Offer Memorandum, as a result of such access. Terms used in this notice and defined in the Exchange Offer Memorandum are used in this notice as so defined and a reference to “herein” is to the content of the Exchange Offer Memorandum.

THE EXCHANGE OFFERS ARE BEING MADE SOLELY BY THE FINANCIERA INDEPENDENCIA, S.A.B. DE C.V., SOCIEDAD FINANCIERA DE OBJETO MÚLTIPLE, ENTIDAD NO REGULADA (THE “**COMPANY**”). NO OTHER PERSON IS MAKING ANY INVITATION TO ANY NOTEHOLDER, INCLUDING AN ELIGIBLE HOLDER (AS DEFINED BELOW).

THIS EXCHANGE OFFER MEMORANDUM DOES NOT CONSTITUTE AN OFFER OR SOLICITATION TO PARTICIPATE IN THE EXCHANGE OFFERS IN ANY JURISDICTION IN WHICH, OR TO OR FROM ANY PERSON TO OR FROM WHOM, IT IS UNLAWFUL TO PARTICIPATE IN THE EXCHANGE OFFERS UNDER APPLICABLE SECURITIES LAWS OR OTHERWISE. THE DISTRIBUTION OF THE EXCHANGE OFFER MEMORANDUM IN CERTAIN JURISDICTIONS MAY BE RESTRICTED BY LAW. SEE “**TRANSFER RESTRICTIONS**” AND “**OFFER AND DISTRIBUTION RESTRICTIONS**” IN THE EXCHANGE OFFER MEMORANDUM. PERSONS INTO WHOSE POSSESSION THE EXCHANGE OFFER MEMORANDUM COMES ARE REQUIRED TO INFORM THEMSELVES ABOUT, AND TO OBSERVE, ANY SUCH RESTRICTIONS.

THIS ELECTRONIC TRANSMISSION DOES NOT CONTAIN OR CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO EXCHANGE, BUY OR SUBSCRIBE FOR SECURITIES TO OR FROM ANY PERSON IN ANY JURISDICTION TO WHOM OR IN WHICH SUCH OFFER OR SOLICITATION IS UNLAWFUL.

THE STEP-UP NOTES (AS DEFINED IN THE EXCHANGE OFFER MEMORANDUM) HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “**U.S. SECURITIES ACT**”) OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES OR IN ANY OTHER JURISDICTION. THE EXCHANGE OFFER AND CONSENT SOLICITATION (AS EACH SUCH TERM IS DEFINED IN THE EXCHANGE OFFER MEMORANDUM) IS DIRECTED, AND THE STEP-UP NOTES DESCRIBED HEREIN WILL BE ISSUED, ONLY OUTSIDE THE UNITED STATES TO HOLDERS OF THE EXISTING NOTES (AS DEFINED IN THE EXCHANGE OFFER MEMORANDUM) WHO ARE PERSONS OTHER THAN “U.S. PERSONS” AS DEFINED IN REGULATION S (OR REGULATION S) UNDER THE U.S. SECURITIES ACT, WHO ARE NOT ACQUIRING STEP-UP NOTES FOR THE ACCOUNT OR BENEFIT OF A U.S. PERSON AND WHO ARE “NON-U.S. QUALIFIED OFFEREEES” (AS DEFINED UNDER “TRANSFER RESTRICTIONS” IN THE EXCHANGE OFFER MEMORANDUM), IN OFFSHORE TRANSACTIONS IN COMPLIANCE WITH REGULATION S UNDER THE U.S. SECURITIES ACT. THE HOLDERS OF EXISTING NOTES WHO HAVE CERTIFIED TO THE COMPANY THAT THEY ARE ELIGIBLE TO PARTICIPATE IN THE EXCHANGE OFFER AND CONSENT SOLICITATION PURSUANT TO THE FOREGOING CONDITIONS ARE REFERRED TO AS “**ELIGIBLE HOLDERS.**” ONLY ELIGIBLE HOLDERS ARE AUTHORIZED TO RECEIVE OR REVIEW THIS EXCHANGE OFFER MEMORANDUM AND TO PARTICIPATE IN THE EXCHANGE OFFER AND CONSENT SOLICITATION. ELIGIBLE HOLDERS ARE REQUIRED TO REPRESENT AND WARRANT AS TO THEIR STATUS AS ELIGIBLE HOLDERS PRIOR TO RECEIVING THIS EXCHANGE OFFER MEMORANDUM AND, UPON TENDERING ANY EXISTING NOTES, WILL BE DEEMED TO REPRESENT AND WARRANT AS TO THEIR STATUS AS ELIGIBLE HOLDERS.

THE STEP-UP NOTES DESCRIBED IN THE EXCHANGE OFFER MEMORANDUM ARE NOT INTENDED TO BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO AND SHOULD NOT BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO ANY RETAIL INVESTOR IN A MEMBER STATE OF THE EUROPEAN ECONOMIC AREA (“**EEA**”). FOR THE PURPOSES OF THIS PARAGRAPH, A RETAIL INVESTOR MEANS A PERSON WHO IS ONE (OR MORE) OF: (I) A RETAIL CLIENT AS DEFINED IN POINT (11) OF ARTICLE 4(1) OF DIRECTIVE 2014/65/EU (AS AMENDED, “**MIFID II**”); OR (II) A CUSTOMER WITHIN THE MEANING OF DIRECTIVE (EU) 2016/97 (AS AMENDED, THE “**INSURANCE DISTRIBUTION DIRECTIVE**”), WHERE THAT

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CUSTOMER WOULD NOT QUALIFY AS A PROFESSIONAL CLIENT AS DEFINED IN POINT (10) OF ARTICLE 4(1) OF MIFID II. CONSEQUENTLY, NO KEY INFORMATION DOCUMENT REQUIRED BY REGULATION (EU) NO 1286/2014 (AS AMENDED, THE “**PRIIPS REGULATION**”) FOR OFFERING THE STEP-UP NOTES OR OTHERWISE MAKING THEM AVAILABLE TO RETAIL INVESTORS IN THE EEA, HAS BEEN PREPARED AND THEREFORE OFFERING THE STEP-UP NOTES OR OTHERWISE MAKING THEM AVAILABLE TO ANY RETAIL INVESTOR IN THE EEA MAY BE UNLAWFUL UNDER THE PRIIPS REGULATION.

IN ANY MEMBER STATE OF THE EEA, THE EXCHANGE OFFER IS DIRECTED ONLY TO, AND THE EXCHANGE OFFER MEMORANDUM IS ONLY ADDRESSED TO, QUALIFIED INVESTORS IN THAT MEMBER STATE WITHIN THE MEANING OF THE PROSPECTUS REGULATION.

THE EXCHANGE OFFER MEMORANDUM HAS BEEN PREPARED ON THE BASIS THAT ANY OFFER OF STEP-UP NOTES IN ANY MEMBER STATE OF THE EEA THAT IS SUBJECT TO THE PROSPECTUS REGULATION WILL BE MADE PURSUANT TO AN EXEMPTION UNDER THE PROSPECTUS REGULATION FROM THE REQUIREMENT TO PUBLISH A PROSPECTUS FOR OFFERS OF THE STEP-UP NOTES. ACCORDINGLY, ANY PERSON MAKING OR INTENDING TO MAKE AN OFFER IN A MEMBER STATE OF THE STEP-UP NOTES WHICH ARE THE SUBJECT OF THE OFFERING CONTEMPLATED IN THE EXCHANGE OFFER MEMORANDUM MAY ONLY DO SO IN CIRCUMSTANCES IN WHICH NO OBLIGATION ARISES FOR THE COMPANY OR THE DEALER MANAGER TO PUBLISH A PROSPECTUS PURSUANT TO ARTICLE 3 OF THE PROSPECTUS REGULATION, IN EACH CASE, IN RELATION TO SUCH OFFER. NEITHER THE COMPANY NOR THE DEALER MANAGER HAVE AUTHORIZED, NOR DO THEY AUTHORIZE, THE MAKING OF ANY OFFER OF THE STEP-UP NOTES IN CIRCUMSTANCES IN WHICH AN OBLIGATION ARISES FOR THE COMPANY OR THE DEALER MANAGER TO PUBLISH A PROSPECTUS FOR SUCH OFFER.

THE STEP-UP NOTES DESCRIBED IN THIS EXCHANGE OFFER MEMORANDUM ARE NOT INTENDED TO BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO AND SHOULD NOT BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO ANY RETAIL INVESTOR IN THE UNITED KINGDOM. FOR THE PURPOSES OF THIS PARAGRAPH, A RETAIL INVESTOR MEANS A PERSON WHO IS ONE (OR MORE) OF: (I) A RETAIL CLIENT, AS DEFINED IN POINT (8) OF ARTICLE 2 OF REGULATION (EU) NO 2017/565 AS IT FORMS PART OF DOMESTIC LAW BY VIRTUE OF THE EUROPEAN UNION (WITHDRAWAL) ACT 2018 (“**EUWA**”); OR (II) A CUSTOMER WITHIN THE MEANING OF THE PROVISIONS OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (AS AMENDED, THE “**FSMA**”) AND ANY RULES OR REGULATIONS MADE UNDER THE FSMA TO IMPLEMENT THE INSURANCE DISTRIBUTION DIRECTIVE (EU), WHERE THAT CUSTOMER WOULD NOT QUALIFY AS A PROFESSIONAL CLIENT, AS DEFINED IN POINT (8) OF ARTICLE 2(1) OF REGULATION (EU) NO 600/2014 AS IT FORMS PART OF DOMESTIC LAW BY VIRTUE OF THE EUWA. CONSEQUENTLY, NO KEY INFORMATION DOCUMENT REQUIRED BY REGULATION (EU) NO 1286/2014 AS IT FORMS PART OF DOMESTIC LAW BY VIRTUE OF THE EUWA (THE “**UK PRIIPS REGULATION**”) FOR OFFERING THE STEP-UP NOTES OR OTHERWISE MAKING THEM AVAILABLE TO RETAIL INVESTORS IN THE UNITED KINGDOM HAS BEEN PREPARED AND THEREFORE OFFERING THE STEP-UP NOTES OR OTHERWISE MAKING THEM AVAILABLE TO ANY RETAIL INVESTOR IN THE UNITED KINGDOM MAY BE UNLAWFUL UNDER THE UK PRIIPS REGULATION.

THE EXCHANGE OFFER MEMORANDUM IS FOR DISTRIBUTION ONLY TO PERSONS WHO (I) HAVE PROFESSIONAL EXPERIENCE IN MATTERS RELATING TO INVESTMENTS FALLING WITHIN ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005 (AS AMENDED, THE “**ORDER**”), (II) ARE PERSONS FALLING WITHIN ARTICLE 49(2)(A) TO (D) (“HIGH NET WORTH COMPANIES, UNINCORPORATED ASSOCIATIONS ETC.”) OF THE ORDER OR (III) ARE PERSONS TO WHOM AN INVITATION OR INDUCEMENT TO ENGAGE IN INVESTMENT ACTIVITY (WITHIN THE MEANING OF SECTION 21 OF THE FSMA) IN CONNECTION WITH THE ISSUE OR SALE OF ANY STEP-UP NOTES MAY OTHERWISE LAWFULLY BE COMMUNICATED OR CAUSED TO BE COMMUNICATED (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS “**RELEVANT PERSONS**”). THE EXCHANGE OFFER MEMORANDUM IS DIRECTED ONLY AT RELEVANT PERSONS AND MUST NOT BE ACTED ON OR RELIED ON BY PERSONS WHO ARE NOT RELEVANT PERSONS. ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS EXCHANGE OFFER MEMORANDUM RELATES IS AVAILABLE ONLY TO AND WILL BE ENGAGED IN ONLY WITH RELEVANT PERSONS. ANY PERSON WHO IS NOT A RELEVANT PERSON SHOULD NOT ACT OR RELY ON THIS EXCHANGE OFFER MEMORANDUM OR ANY OF ITS CONTENTS.

OTHER THAN AS PROVIDED IN THE EXCHANGE OFFER MEMORANDUM, YOU MAY NOT FORWARD OR DISTRIBUTE THE EXCHANGE OFFER MEMORANDUM IN WHOLE OR IN PART TO ANY OTHER PERSON

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OR REPRODUCE THE EXCHANGE OFFER MEMORANDUM IN ANY MANNER WHATSOEVER AND ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE EXCHANGE OFFER MEMORANDUM IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS INSTRUCTION MAY RESULT IN A VIOLATION OF THE U.S. SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THE EXCHANGE OFFER MEMORANDUM CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORIZED AND WILL NOT BE ABLE TO PARTICIPATE IN THE EXCHANGE OFFERS OR ANY OF THE TRANSACTIONS DESCRIBED HEREIN.

Confirmation of your representation: In order to be eligible to receive or view the Exchange Offer Memorandum or make an investment decision with respect to the Exchange Offer and Consent Solicitation (including to participate in the exchange of the Existing Notes for Step-Up Notes, all as further described in the Exchange Offer Memorandum), you must be an Eligible Holder. The Exchange Offer Memorandum was provided to you at your request and by accessing the Exchange Offer Memorandum you shall be deemed to have represented to the Company that:

- (1) you are a holder or a beneficial owner of the Existing Notes;
- (2) you are an Eligible Holder;
- (3) you consent to delivery of the Exchange Offer Memorandum by electronic transmission; and
- (4) you are a person to whom it is lawful to send the Exchange Offer Memorandum in accordance with the laws of the jurisdiction in which you are located or resident.

The Exchange Offer Memorandum has been provided to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently, none of the Company, the Dealer Manager, the Exchange and Information Agent (or any of their respective directors, officers, employees, agents, affiliates or advisers) accepts any liability or responsibility whatsoever in respect of any difference between the Exchange Offer Memorandum distributed to you in electronic format and the hard copy version available to you on request from the Company, the Dealer Manager or the Exchange and Information Agent.

The Exchange Offer Memorandum contains important information which should be read carefully before any decision is made with respect to the Exchange Offer and Consent Solicitation. If any holder is in any doubt as to the action it should take, such holder should seek its own financial advice, including as to any tax consequences, from its stockbroker, bank manager, legal adviser, accountant or other independent financial, legal or other professional adviser. Any investor whose Existing Notes are held on its behalf by a broker, dealer, bank, custodian, trust company or other nominee must contact such entity if it wishes to participate in the Exchange Offer and Consent Solicitation.

NOT FOR DISTRIBUTION TO ANY U.S. PERSON (AS DEFINED IN REGULATION S UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED) (“U.S. PERSON”) OR IN OR INTO THE UNITED STATES, ITS TERRITORIES AND POSSESSIONS (INCLUDING PUERTO RICO, THE U.S. VIRGIN ISLANDS, GUAM, AMERICAN SAMOA, WAKE ISLAND AND THE NORTHERN MARIANA ISLANDS), ANY STATE OF THE UNITED STATES OR THE DISTRICT OF COLUMBIA (TOGETHER, THE “UNITED STATES”) OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DISTRIBUTE THIS DOCUMENT.



FINANCIERA
INDEPENDENCIA

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

Offer to Exchange Any and All of its Outstanding 8.000% Senior Notes due 2024
(CUSIP Nos. P4173S AF1/31770B AC2 and ISIN Nos. USP4173SAF13/ US31770BAC28)
Held by Eligible Holders for its newly issued 10.000% Step-Up Senior Notes due 2028
plus a cash payment, as described below
and
Related Solicitation of Consents

THE EXCHANGE OFFER (AS DEFINED BELOW) AND RELATED CONSENT SOLICITATION (AS DEFINED BELOW) WILL EXPIRE AT 5:00 P.M., NEW YORK CITY TIME, ON FEBRUARY 17, 2023, UNLESS EXTENDED BY US (SUCH TIME AND DATE, AS THE SAME MAY BE EXTENDED, THE “EXPIRATION DATE”). IN ORDER TO BE ELIGIBLE TO RECEIVE THE EARLY EXCHANGE PAYMENT (WHICH IS INCLUDED IN THE TOTAL EXCHANGE CONSIDERATION), ELIGIBLE HOLDERS (AS DEFINED BELOW) MUST VALIDLY TENDER AND NOT VALIDLY WITHDRAW THEIR EXISTING NOTES (AS DEFINED BELOW) ON OR PRIOR TO 5:00 P.M., NEW YORK CITY TIME, ON FEBRUARY 3, 2023, UNLESS EXTENDED BY US (SUCH TIME AND DATE, AS THE SAME MAY BE EXTENDED, THE “EARLY EXPIRATION DATE”). ELIGIBLE HOLDERS WHO TENDER THEIR EXISTING NOTES MUST ALSO DELIVER THEIR CONSENTS (AS DEFINED BELOW) AND CANNOT DELIVER CONSENTS WITHOUT TENDERING THE RELATED EXISTING NOTES. EXISTING NOTES THAT HAVE BEEN VALIDLY TENDERED MAY BE WITHDRAWN AND RELATED CONSENTS MAY BE REVOKED AT ANY TIME PRIOR TO 5:00 P.M., NEW YORK CITY TIME, ON FEBRUARY 3, 2023, UNLESS EXTENDED BY US (SUCH DATE AND TIME, AS THE SAME MAY BE EXTENDED, THE “WITHDRAWAL DATE”), BUT NOT THEREAFTER, EXCEPT AS MAY BE REQUIRED BY APPLICABLE LAW.

The Exchange Offer and Consent Solicitation

Financiera Independencia, S.A.B. de C.V., *Sociedad Financiera de Objeto Múltiple, Entidad No Regulada* (the “Company”), an unregulated multiple purpose financial company (a “Sofom, E.N.R.”), is offering to Eligible Holders, upon the terms and subject to the conditions set forth in this exchange offer memorandum and consent solicitation statement (as it may be supplemented and amended from time to time, the “Exchange Offer Memorandum”) to exchange (the “Exchange Offer”) any and all of its outstanding 8.000% Senior Notes due 2024 (the “Existing Notes”) for its newly issued 10.000% Step-Up Senior Notes due 2028 (the “Step-Up Notes”) plus a cash payment, as described below.

Simultaneously with the Exchange Offer, the Company is conducting a solicitation (the “Consent Solicitation”) of consents (the “Consents”) with respect to certain amendments (the “Proposed Amendments”) to the Existing Notes and the indenture governing the Existing Notes (the “Existing Notes Indenture”) to eliminate substantially all of the restrictive covenants and certain events of default and related provisions therein, as further described herein. If you tender your Existing Notes into the Exchange Offer, you will be deemed to have delivered your Consents to the Proposed Amendments with respect to such Existing Notes tendered. The Exchange Offer and Consent Solicitation are subject to certain conditions as described in “Description of the Exchange Offer and Consent Solicitation—Conditions to the Exchange Offer and Consent Solicitation.” These conditions may be asserted or waived by us in full or in part in our sole discretion.

The following table sets forth certain terms of the Exchange Offer:

CUSIP No. / ISIN No.	Existing Notes	Outstanding Principal Amount Existing Notes	Step-Up Notes	Exchange Offer Consideration ⁽⁵⁾		+ Early Exchange Payment ⁽³⁾	= Total Exchange Consideration ⁽⁵⁾
				Step-Up Notes ⁽¹⁾	Cash Payment ⁽²⁾		Step-Up Notes ⁽¹⁾
P4173S AF1; 31770B AC2 / USP4173SAF13; US31770BAC28	8.000% Senior Notes due 2024	U.S.\$161,637,000	10.000% Step- Up Senior Notes due 2028	U.S.\$800	U.S.\$200	U.S.\$10	U.S.\$800
							U.S.\$210

- (1) Consideration in the form of principal amount of Step-Up Notes per U.S.\$1,000 principal amount of Existing Notes that are validly tendered (and not validly withdrawn).
(2) Consideration in the form of a cash payment per U.S.\$1,000 principal amount of Existing Notes that are validly tendered (and not validly withdrawn).
(3) The Early Exchange Payment will be payable to holders who validly tender (and not validly withdraw) Existing Notes on or prior to the Early Expiration Date.
(4) Includes the Early Exchange Payment for Existing Notes validly tendered (and not validly withdraw) on or prior to the Early Expiration Date.
(5) The Exchange Consideration and the Total Exchange Offer Consideration do not include accrued and unpaid interest on Existing Notes accepted for exchange

You should consider the risk factors beginning on page 27 of this Exchange Offer Memorandum before deciding whether to participate in the Exchange Offer and Consent Solicitation.

The Dealer Manager and Solicitation Agent for the Exchange Offer and the Consent Solicitation is:

BCP Securities, Inc.

The date of this Exchange Offer Memorandum is January 24, 2023.

The Exchange Offer and Consent Solicitation is being made, and the Step-Up Notes are being offered and will be issued, only outside the United States to holders of the Existing Notes who are persons other than “U.S. persons” as defined in Regulation S (or Regulation S) under the U.S. Securities Act of 1933, as amended (the “Securities Act”), who are not acquiring Step-Up Notes for the account or benefit of a U.S. person and who are “non-U.S. qualified offerees” (as defined under “Transfer Restrictions”), in offshore transactions in compliance with Regulation S under the Securities Act. The holders of Existing Notes who have certified to the Company that they are eligible to participate in the Exchange Offer and Consent Solicitation pursuant to the foregoing conditions are referred to as “Eligible Holders.” Only Eligible Holders are authorized to receive or review this Exchange Offer Memorandum and to participate in the Exchange Offer and Consent Solicitation. Eligible Holders are required to represent and warrant as to their status as Eligible Holders prior to receiving this Exchange Offer Memorandum and, upon tendering any Existing Notes, will be deemed to represent and warrant as to their status as Eligible Holders.

The Exchange Consideration

Eligible Holders who validly tender and do not validly withdraw Existing Notes on or prior to the Early Expiration Date will receive the Total Exchange Consideration, which includes the Early Exchange Payment. As used herein, “Total Exchange Consideration” means, for each U.S.\$1,000 principal amount of Existing Notes validly tendered (and not validly withdrawn) and accepted by us: (1) U.S.\$800 principal amount of Step-Up Notes and (2) a cash payment of U.S.\$210. The Total Exchange Consideration includes a cash exchange premium of U.S.\$10 per U.S.\$1,000 principal amount of Existing Notes tendered (the “Early Exchange Payment”). Eligible Holders who validly tender (and do not validly withdraw) Existing Notes after the Early Expiration Date but prior to the Expiration Date will receive the Exchange Offer Consideration, but not the Early Exchange Payment. As used herein, “Exchange Offer Consideration” means, for each U.S.\$1,000 principal amount of Existing Notes validly tendered (and not validly withdrawn) and accepted by us: (1) U.S.\$800 principal amount of Step-Up Notes, and (2) a cash payment of U.S.\$200. The Total Exchange Consideration and the Exchange Offer Consideration do not include accrued and unpaid interest on Existing Notes accepted for exchange. Accrued and unpaid interest on the Existing Notes accepted for purchase from the last interest payment date of the Existing Notes up to but excluding the Settlement Date (as defined below) will be paid in cash on the Settlement Date.

The Existing Notes may be tendered only in minimum denominations of U.S.\$200,000 principal amount and integral multiples of U.S.\$1,000 in excess thereof. The Step-Up Notes will be issued in minimum denominations of U.S.\$160,000 and any integral multiple of U.S.\$1,000 in excess thereof. Subject to the minimum denomination, the aggregate principal amount of Step-Up Notes issued to each participating Eligible Holder for all Existing Notes properly tendered (and not withdrawn) and accepted by the Company will be rounded down, if necessary, to U.S.\$1,000. The rounded amount will be the principal amount of Step-Up Notes the Eligible Holder will receive and any principal amount of Step-up Notes not received as a result of rounding will be paid in cash by the Company on the Settlement Date.

The “Settlement Date” will be the date on which Step-Up Notes will be issued to Eligible Holders in exchange for Existing Notes accepted in the Exchange Offer, which is expected to occur on the seventh business day following the Expiration Date, or as promptly as practicable thereafter, subject to all conditions to the Exchange Offer and Consent Solicitation having been satisfied or waived by the Company.

The Step-Up Notes

The Step-Up Notes will be issued under an indenture (the “New Indenture”), to be entered into among the Company, Apoyo Económico Familiar, S.A. de C.V., Sofom, E.N.R., and Apoyo Financiero, Inc., as guarantors (collectively, the “Subsidiary Guarantors”), and The Bank of New York Mellon, as trustee (in such capacity, the “Trustee”), registrar, paying agent and transfer agent. The Step-Up Notes will bear interest at a rate of 10.000% per annum from and including the Settlement Date, to (but excluding) March 1, 2026 (the “Interest Step-Up Date”). Thereafter, from and including the Interest Step-Up Date to (but excluding) March 1, 2028 (the “Maturity Date”), the Step-Up Notes will bear interest at a rate of 12.000% per annum. Interest on the Step-Up Notes will be payable semiannually in arrears on each March 1 and September 1, commencing on September 1, 2023. The Step-Up Notes will be unconditionally and irrevocably guaranteed, jointly and severally, by the Subsidiary Guarantors (the “Note Guarantee”).

On or after March 1, 2024, we may redeem the Step-Up Notes, in whole or in part, at a redemption price equal to 100.00% of their principal amount, plus accrued and unpaid interest to, but excluding, the date of redemption. Furthermore, if tax laws currently in effect are modified and the change results in higher withholding taxes in respect of certain payments on the Step-Up Notes, we may redeem the Step-Up 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 Step-Up Notes.

The Step-Up Notes and related Note Guarantees will (1) rank equally in right of payment with all other existing and future unsubordinated indebtedness of the Company and of each Subsidiary 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 Company’s and each Subsidiary Guarantor’s existing and future subordinated obligations, if any, and (3) be effectively subordinated to the Company’s and each Subsidiary Guarantor’s existing and future secured indebtedness, to the extent of the value of the assets securing such secured indebtedness. In addition, the Note Guarantees will be structurally subordinated to all existing and future indebtedness of the Company’s direct and indirect subsidiaries (other than the Subsidiary Guarantors).

The Consent Solicitation

Simultaneously with the Exchange Offer and on the terms and subject to the conditions set forth in this Exchange Offer Memorandum, the Company is soliciting Consents to the Proposed Amendments to the Existing Notes Indenture to eliminate substantially all of the restrictive covenants, the additional note guarantees covenant and certain events of default and related provisions therein, as further described herein. The Proposed Amendments require the consents (the “Requisite Consents”) of holders of a majority in aggregate principal amount of the Existing Notes outstanding (excluding any Existing Notes held by us or our affiliates). The Proposed Amendments constitute a single proposal with respect to the Existing Notes Indenture, and a tendering Eligible Holder must consent to the Proposed Amendments as an entirety and may not consent selectively or conditionally with respect to the Proposed Amendments. See “Description of the Exchange Offer and Consent Solicitation—Proposed Amendments.”

If you tender your Existing Notes into the Exchange Offer, you will be deemed to have given your Consent to the Proposed Amendments with respect to those tendered Existing Notes. In addition to the foregoing, delivery of a Consent will constitute an express waiver with respect to all claims against us of any breach that may otherwise arise under the Existing Notes Indenture. We expect to execute with The Bank of New York

Mellon, as trustee under the Existing Notes Indenture (the “Existing Notes Trustee”), a supplemental indenture to the Existing Notes Indenture providing for the Proposed Amendments (the “Existing Notes Supplemental Indenture”) promptly after receipt of the Requisite Consents. The Existing Notes Supplemental Indenture will be effective immediately upon execution thereof, but the provisions thereof will not be operative until the Settlement Date.

The consummation of the Exchange Offer and the Consent Solicitation is subject to the satisfaction or waiver of a number of conditions as set forth in this Exchange Offer Memorandum, including the authorization by our board of directors and our extraordinary general shareholders’ meeting. See “Description of the Exchange Offer and Consent Solicitation—Conditions to the Exchange Offer and Consent Solicitation.” Subject to applicable law, we have the right to terminate or withdraw the Exchange Offer and the Consent Solicitation at any time and for any reason, including if any of the conditions described under “Description of the Exchange Offer and Consent Solicitation—Conditions to the Exchange Offer and Consent Solicitation” are not satisfied.

The Step-Up Notes have not been and will not be registered under the Securities Act, and may not be offered or sold in the United States or to or for the account or benefit of U.S. persons except pursuant to an exemption from such registration. The Step-Up Notes are being offered for exchange only outside the United States, to holders of Existing Notes outside of the United States who are persons other than “U.S. persons” as defined in Regulation S under the Securities Act, who are not acquiring Step-Up Notes for the account or benefit of a U.S. person and who are “non-U.S. qualified offerees” (as defined under “Transfer Restrictions”), in offshore transactions in compliance with Regulation S under the Securities Act. For a description of eligible offerees and certain restrictions on transfer of the Step-Up Notes, see “Transfer Restrictions.” The Step-Up Notes are being offered pursuant to an exemption from the requirement to publish a prospectus under Regulation (EU) 2017/1129 (as amended and supplemented from time to time, or the “Prospectus Regulation”), of the European Union, and this Exchange Offer Memorandum has not been approved by a competent authority within the meaning of the Prospectus Regulation. The Step-Up Notes are not intended to be offered, sold, or otherwise made available to and should not be offered, sold, or otherwise made available to any retail investor in the European Economic Area or the United Kingdom.

No public market currently exists for the Step-Up Notes. We do not intend to apply for listing of the Step-Up Notes on any securities exchange or for inclusion of the Step-Up Notes in any automated quotation system.

THE EXCHANGE OFFER AND CONSENT SOLICITATION IS NOT BEING MADE IN MEXICO. THE STEP-UP 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 MEXICAN NATIONAL BANKING AND SECURITIES COMMISSION (*COMISIÓN NACIONAL BANCARIA Y DE VALORES*), OR THE CNBV, AND, THEREFORE, MAY NOT BE OFFERED OR SOLD PUBLICLY IN MEXICO. THE INFORMATION CONTAINED IN THIS EXCHANGE OFFER MEMORANDUM IS EXCLUSIVELY THE RESPONSIBILITY OF THE COMPANY AND HAS NOT BEEN REVIEWED OR AUTHORIZED BY THE CNBV. AS REQUIRED UNDER THE MEXICAN SECURITIES MARKET LAW (*LEY DEL MERCADO DE VALORES*), OR THE LMV, AND REGULATIONS THEREUNDER, WE WILL NOTIFY THE CNBV OF THE TERMS AND CONDITIONS OF THE OFFERING OF THE STEP-UP NOTES MADE OUTSIDE OF THE UNITED MEXICAN STATES (“MEXICO”), ON THE BUSINESS DAY FOLLOWING THE SETTLEMENT DATE. SUCH NOTICE WILL BE DELIVERED TO THE CNBV TO COMPLY WITH THE LMV AND REGULATIONS THEREUNDER, AND FOR STATISTICAL AND INFORMATIONAL PURPOSES ONLY, WHICH DOES NOT AND WILL NOT IMPLY NOR CONSTITUTE ANY CERTIFICATION AS TO THE INVESTMENT QUALITY OF THE STEP-UP NOTES, OUR SOLVENCY, LIQUIDITY OR CREDIT QUALITY OR THE ACCURACY OR COMPLETENESS OF THE INFORMATION INCLUDED IN THIS EXCHANGE OFFER MEMORANDUM. IN MAKING AN INVESTMENT DECISION, ALL INVESTORS, INCLUDING ANY MEXICAN INVESTORS WHO MAY ACQUIRE STEP-UP NOTES FROM TIME TO TIME, MUST RELY ON THEIR OWN REVIEW AND EXAMINATION OF THE COMPANY. THE ACQUISITION OF THE STEP-UP NOTES BY AN INVESTOR WHO IS A RESIDENT OF MEXICO WILL BE MADE UNDER SUCH INVESTOR’S OWN RESPONSIBILITY.

None of the Exchange Offer nor the Step-Up Notes has been approved or recommended by any regulatory authority. Furthermore, no regulatory authority has been requested to confirm the accuracy or adequacy of this Exchange Offer Memorandum. Any representation to the contrary is a criminal offense. The Step-Up Notes have not been registered under the Securities Act, or any state securities laws. Accordingly, the Step-Up Notes will be subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act and other applicable securities laws, pursuant to registration or exemption therefrom. See “Transfer Restrictions” for a description of restrictions on resale or transfer of the Step-Up Notes.

THIS EXCHANGE OFFER MEMORANDUM IS NOT FOR DISTRIBUTION TO ANY U.S. PERSON (AS DEFINED IN REGULATION S UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED) OR IN OR INTO THE UNITED STATES, ITS TERRITORIES AND POSSESSIONS (INCLUDING PUERTO RICO, THE U.S. VIRGIN ISLANDS, GUAM, AMERICAN SAMOA, WAKE ISLAND AND THE NORTHERN MARIANA ISLANDS), ANY STATE OF THE UNITED STATES OR THE DISTRICT OF COLUMBIA (TOGETHER, THE “UNITED STATES”) OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DISTRIBUTE THIS DOCUMENT.

TIMETABLE FOR THE EXCHANGE OFFER AND CONSENT SOLICITATION

Please take note of the following important dates and times in connection with the Exchange Offer and Consent Solicitation. We reserve the right to extend any of these dates.

Date	Calendar Date	Event
Launch Date	January 24, 2023.	Commencement of the Exchange Offer and the Consent Solicitation.
Early Expiration Date.....	5:00 p.m., New York City time, February 3, 2023.	The deadline for Eligible Holders to validly tender their Existing Notes and deliver Consents in order to receive the Total Exchange Consideration, which includes the Early Exchange Payment.
Withdrawal Date.....	5:00 p.m., New York City time, February 3, 2023.	The deadline for Eligible Holders to withdraw validly tendered Existing Notes and revoke related Consents. Eligible Holders will be permitted to withdraw validly tendered Existing Notes and revoke related Consents at any time prior to the Withdrawal Date, but not thereafter, except as may be required by applicable law.
Expiration Date.....	5:00 p.m., New York City time, February 17, 2023.	The deadline for Eligible Holders to validly tender their Existing Notes and deliver Consents in order to receive the Exchange Offer Consideration.
Settlement Date	Within seven business days after the Expiration Date, or as promptly as practicable thereafter.	The date on which Step-Up Notes will be issued to Eligible Holders in exchange for Existing Notes accepted in the Exchange Offer.

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This Exchange Offer Memorandum is being made available to Eligible Holders of Existing Notes for use solely in connection with their evaluation of the Exchange Offer. You should rely only on the information contained in this Exchange Offer Memorandum or in any public announcement made by the Company in connection with the Exchange Offer. The Company has not authorized anyone to provide you with information that is different. The information in this document may only be accurate on the date of this Exchange Offer Memorandum.

IMPORTANT INFORMATION

THIS EXCHANGE OFFER MEMORANDUM DOES NOT CONSTITUTE AN OFFER OR SOLICITATION TO PARTICIPATE IN THE EXCHANGE OFFER IN ANY JURISDICTION IN WHICH, OR TO OR FROM ANY PERSON TO OR FROM WHOM, IT IS UNLAWFUL TO PARTICIPATE IN THE EXCHANGE OFFER UNDER APPLICABLE SECURITIES LAWS OR OTHERWISE. THE DISTRIBUTION OF THIS EXCHANGE OFFER MEMORANDUM IN CERTAIN JURISDICTIONS IS RESTRICTED BY LAW. SEE “OFFER AND DISTRIBUTION RESTRICTIONS” AND “TRANSFER RESTRICTIONS”. PERSONS INTO WHOSE POSSESSION THIS EXCHANGE OFFER MEMORANDUM COMES ARE REQUIRED BY THE ISSUER TO INFORM THEMSELVES ABOUT, AND TO OBSERVE, ANY SUCH RESTRICTIONS.

This Exchange Offer Memorandum is being made available on a confidential basis to Eligible Holders outside the U.S. for informational use solely in connection with the consideration of the Exchange Offer and Consent Solicitation. Its use for any other purpose is not authorized. Distribution of this Exchange Offer Memorandum to any person other than Eligible Holders and any person retained to advise any Eligible Holder with respect to its participation in the Exchange Offer and Consent Solicitation is unauthorized, and any disclosure of any of its contents, without the Company’s prior written consent, is prohibited. Each prospective participant in the Exchange Offer and Consent Solicitation, by accepting delivery of this Exchange Offer Memorandum, agrees to the foregoing and to make no copies or reproductions of this Exchange Offer Memorandum or any documents referred to herein in whole or in part (other than publicly available documents).

This Exchange Offer Memorandum is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire any of the Step-Up Notes. Each person receiving this Exchange Offer Memorandum represents that such person’s investment decision is based solely on this Exchange Offer Memorandum and that such person is not relying on any other information it may have received from us except as acknowledged below. Each recipient, by accepting delivery of this Exchange Offer Memorandum, agrees to the foregoing and, if the offeree is not eligible to participate in the Exchange Offer and Consent Solicitation, to return this Exchange Offer Memorandum and all such documents delivered herewith to: D.F. King & Co., Inc. (the “Information and Exchange Agent”) and/or BCP Securities, Inc. (“BCP Securities” or the “Dealer Manager and Solicitation Agent”) at the addresses set forth on the back cover of this Exchange Offer Memorandum.

The Company is furnishing this Exchange Offer Memorandum solely for use in connection with the Exchange Offer and Consent Solicitation. The Company has not authorized the making or provision of any representation or information regarding the Exchange Offer and Consent Solicitation other than as contained in this Exchange Offer Memorandum. None of the Company, the Dealer Manager and Solicitation Agent, the Information and Exchange Agent or the Existing Notes Trustee (nor any of their respective directors, officers, employees, agents, affiliates or advisers) is acting for, or owes any duty to, any holder, nor will any of them be responsible for providing legal, tax, financial or other advice to any holder in relation to the Exchange Offer or the Consent Solicitation. **Accordingly, none of the Company, the Dealer Manager and Solicitation Agent, the Information and Exchange Agent nor the Existing Notes Trustee (nor their respective directors, officers, employees, agents, affiliates or advisers) makes any recommendation whatsoever as to whether any holder should take any of the actions contemplated in this Exchange Offer Memorandum regarding the Exchange Offer or the Consent Solicitation.** None of the Dealer Manager and Solicitation Agent, the Information and Exchange Agent nor the Existing Notes Trustee (nor their respective directors, officers, employees, agents, affiliates or advisers) accepts any responsibility for this Exchange Offer Memorandum or owes any duty to any holder, including with regard to any losses a holder may incur in connection with the Exchange Offer. Accordingly, holders who are in any doubt as to the impact of the Exchange Offers should seek their own independent professional advice. The Existing Notes Trustee will assess any direction it is given hereunder in accordance with its rights and duties under the Existing Notes Indenture.

All inquiries relating to this Exchange Offer Memorandum and the Exchange Offer and Consent Solicitation contemplated herein should be directed to the Information and Exchange Agent and/or BCP Securities. Holders may obtain additional information that they may reasonably require in connection with the decision to participate in the Exchange Offer and/or the Consent Solicitation from Information and Exchange Agent, BCP Securities or from us.

Nothing contained in this Exchange Offer Memorandum is or shall be relied upon as a promise or representation, whether as to the past or the future. This Exchange Offer Memorandum contains summaries that we believe to be accurate of certain terms of certain documents, but reference is made to the actual documents, copies of which may

be made available upon request, for the complete information contained therein. All such summaries are qualified in their entirety by this reference.

The information contained herein is as of the date hereof and subject to change, completion or amendment without notice. Neither the delivery of this Exchange Offer Memorandum at any time nor any subsequent commitment to enter into any exchange shall, under any circumstances, create any implications that there has been no change in the information set forth in this Exchange Offer Memorandum or in our affairs or those of our subsidiaries since the date of this Exchange Offer Memorandum.

You should read this entire Exchange Offer Memorandum, any public announcement made by the Company in connection with the Exchange Offer, and any amendments or supplements to this Exchange Offer Memorandum carefully before making your decision to participate in the Exchange Offer and Consent Solicitation.

The Company is making copies of this Exchange Offer Memorandum available only in electronic form to Eligible Holders, subject to the Transfer Restrictions. By participating in the Exchange Offers, Eligible Holders will be consenting to electronic delivery of this Exchange Offer Memorandum.

Other than as provided in this Exchange Offer Memorandum, recipients of this Exchange Offer Memorandum may not forward or distribute this Exchange Offer Memorandum in whole or in part to any other person or reproduce this Exchange Offer Memorandum in any manner whatsoever. Any forwarding, distribution or reproduction of this Exchange Offer Memorandum in whole or in part is unauthorized. Failure to comply with this directive may result in a violation of the U.S. Securities Act or the applicable laws of other jurisdictions.

How to Exchange your Existing Notes

Only custodial entities that are participants in DTC may tender the Existing Notes through DTC's Automated Tender Offer Program, known as "ATOP."

Eligible Holders holding Existing Notes through a custodian or intermediary will need to contact their custodian or intermediary in order to offer their Existing Notes for exchange in the Exchange Offer. Such custodians or intermediaries may impose their own deadlines for instructions to be received from Eligible Holders in the Existing Notes with respect to the Exchange Offer and Consent Solicitation, which may be earlier than the Early Expiration Date or the Expiration Date, as applicable. Eligible Holders holding Existing Notes through custodians or intermediaries should therefore contact their custodians or intermediaries prior to these dates to ensure that they validly tender their Existing Notes for exchange in the Exchange Offer or deliver their Consents in the Consent Solicitation. None of the Company, the Dealer Manager and Solicitation Agent nor the Information and Exchange Agent (nor any of their respective directors, officers, employees, agents, affiliates or advisers) shall be liable for any errors or delays made by, or due to, such custodians and intermediaries.

If an Eligible Holder of Existing Notes desires to participate in the Exchange Offer, such Eligible Holder should review the directions contained in this Exchange Offer Memorandum under "Description of the Exchange Offer and Consent Solicitation — Procedures for Tendering Existing Notes and Delivering Consents" and arrange for the delivery of its Existing Notes through ATOP by the Expiration Date.

Processing Dealer Fees

With respect to Existing Notes validly tendered (and not validly withdrawn) accepted by us, we will also pay a dealer fee of U.S.\$2.50 per U.S.\$1,000 principal amount of Existing Notes accepted by us (the "Processing Dealer Fee"), to brokers and dealers that submit a properly completed and executed processing dealer form attached hereto as Annex A (the "Processing Dealer Form"). In order to be eligible to receive the Processing Dealer Fee, the relevant instruction must be validly delivered and received by the Exchange and Information Agent via DTC prior to the Expiration Date. The Company shall, in its sole discretion, determine whether a broker has satisfied the criteria for receiving a Processing Dealer Fee (including, without limitation, the submission of the appropriate documentation without defects or irregularities and in respect of *bona fide* tenders). See "Description of the Exchange Offer and Consent Solicitation — Processing Dealer Fees."

General

We reserve the right to reject any tender not received in the appropriate form. None of BCP Securities, the Information and Exchange Agent nor we, assume any responsibility for the failure of you or the direct participant that holds your Existing Notes to deliver the Existing Notes via ATOP on time or in the appropriate form.

We have not provided guaranteed delivery procedures in connection with the Exchange Offer.

FOR FURTHER INFORMATION YOU MAY CONTACT D.F. KING & CO., INC. AND BCP SECURITIES, INC. AT THE TELEPHONE NUMBERS LISTED ON THE BACK COVER OF THIS EXCHANGE OFFER MEMORANDUM.

NOTICE TO CERTAIN INVESTORS

United States

None of the U.S. Securities and Exchange Commission, any state securities commission or any other regulatory authority has approved or disapproved of the Step-Up Notes (as defined below), and none of the foregoing authorities have passed upon or endorsed the merits of the Exchange Offers or the accuracy or adequacy of this Exchange Offer Memorandum. Any representation to the contrary could be a criminal offense in certain jurisdictions.

The Company will not accept offers of Existing Notes for exchange with respect to book-entry interests held in any Rule 144A Existing Notes. Each holder acquiring the Step-Up Notes in the Exchange Offer will be deemed to have made the representations, warranties and acknowledgements that are described in this Exchange Offer Memorandum under “Description of the Exchange Offer and Consent Solicitation — Holders’ Representations, Warranties and Undertakings” and “Transfer Restrictions”. The Step-Up Notes have not been and will not be registered under the U.S. Securities Act or the securities laws of any state of the United States and are subject to certain restrictions on transfer. For a description of certain further restrictions on resale or transfer of the Step-Up Notes, see “Transfer Restrictions.”

Mexico

The Exchange Offer and Consent Solicitation is not being made in Mexico. The Step-Up Notes have not and will not be registered with the RNV maintained by the CNBV and, therefore, the Step-Up Notes may not be offered or sold publicly in Mexico. The Step-Up Notes may only be offered or sold in Mexico, on a private placement basis, to institutional and qualified investors pursuant to the registration exemption set forth in article 8 of the LMV. The information contained in this Exchange Offer Memorandum is exclusively the responsibility of the Company and has not been reviewed or authorized by the CNBV. As required under the LMV and regulations thereunder, we will notify the CNBV of the terms and conditions of the offering of the Step-Up Notes made outside of Mexico on the business day following the Settlement Date. Such notice will be delivered to the CNBV to comply with the LMV and regulations thereunder, and for statistical and informational purposes only, which does not constitute or imply any certification as to the investment quality of the Step-Up Notes, our solvency, liquidity or credit quality or the accuracy or completeness of the information set forth in this Exchange Offer Memorandum. In making an investment decision, all investors, including any Mexican investor, who may acquire Step-Up Notes must rely on their own examination of us.

European Economic Area

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

to retail investors in the EEA, has been prepared and therefore offering the Step-Up Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

In any Member State of the EEA (each, a “Relevant Member State”); this communication is only addressed to and is only directed at qualified investors in that Member State within the meaning of the Prospectus Regulation.

This Exchange Offer Memorandum has been prepared on the basis that any offer of Step-Up Notes in any Relevant Member State will be made pursuant to an exemption under the Prospectus Regulation from the requirement to publish a prospectus for offers of Step-Up Notes. Accordingly, any person making or intending to make any offer within the EEA of Step-Up Notes which are the subject of the offering contemplated in this Exchange Offer Memorandum may only do so in circumstances in which no obligation arises for us to publish a prospectus pursuant to Article 3 of the Prospectus Regulation in relation to such offer. “Prospectus Regulation” means Regulation (EU) 2017/1129 on the prospectus to be published when the securities are offered to the public or admitted to trading on a regulated market.

We have not authorized the making of any offer (other than permitted public offers) of Step-Up Notes in circumstances in which an obligation arises for us to publish a prospectus for such offer.

United Kingdom

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

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

ENFORCEMENT OF CIVIL LIABILITIES

The Company and the Subsidiary Guarantors (other than Apoyo Financiero, Inc.) are organized under the laws of Mexico. Most of our directors and executive officers and the directors and executive officers of the Subsidiary Guarantors (other than Apoyo Financiero, Inc.) reside in Mexico. The majority of our assets and substantially all of the assets of our directors and officers are located in Mexico. As a result, it may not be possible for investors to effect service of process outside Mexico upon us or upon the Subsidiary Guarantors (other than Apoyo Financiero, Inc.), 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 securities laws of any jurisdiction where any holder of the Existing Notes is located or upon New York law with respect to the Step-Up Notes Indenture and the Step-Up Notes.

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, 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, would be subject to meeting several requirements set forth by Mexican laws and judicial precedents, which could cause the enforceability of any such actions more difficult to obtain.

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 Step-Up 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 Step-Up Notes offered in the Exchange Offer, (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 Exchange Offer 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 Exchange Offer and investment in our debt securities, including the Existing Notes and the Step-Up Notes, such as the effects of our level of debt, payments of any judgments against us, and any bankruptcy of the issuer or our subsidiaries;
- statements about our future economic performance or that of Mexico (including any depreciation or appreciation of the *Peso*) or other countries where we operate;
- 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 federal governmental policies, legislation or regulation;
- statements of assumptions underlying these statements; and
- prospective statements regarding the microfinance industry in Mexico and in the United States.

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 United States and any significant economic, political, regulatory or social developments in those countries;
- changes in economic, political, social and other conditions in Mexico, the United States and elsewhere as a result of the pandemic caused by the coronavirus identified as SARS-CoV- 2 that causes the disease known as COVID-19 (“COVID-19”);
- the ongoing impact of the COVID-19 pandemic and of other pandemics on our business and on our results of operations, financial situation and cash flows;
- our ability to implement our operating strategy and business plan;
- our ability to successfully expand into new markets in Mexico and the United States;
- 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 United States-Mexico-Canada Agreement, or USMCA, 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 and the United States;
- 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 Exchange Offer 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 Exchange Offer Memorandum are made as of the date on the front cover of this Exchange Offer 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

Consolidated Financial Statements

This Exchange Offer Memorandum includes:

- our unaudited condensed consolidated interim financial statements as of and for the nine-month period ended September 30, 2022, together with the notes thereto, which we refer to as “our unaudited condensed consolidated interim financial statements;” and
- our audited consolidated financial statements as of and for the years ended December 31, 2021 and 2020, together with the notes thereto, which have been prepared, in all material respects, in accordance with Mexican Banking GAAP (as defined below) and which we refer to as “our audited consolidated financial statements.”

Our unaudited condensed consolidated interim financial statements and our audited consolidated financial statements are collectively referred to herein as “our consolidated 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*) (“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 a 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*). 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.*) (“CINIF”), modified in certain areas based on the judgment of the CNBV in order to take into consideration the specialized operations of financial institutions.

Changes in accounting standards

The CNBV published in the Official Gazette of the Federation on December 4, 2020, and December 30, 2021, Resolutions requiring institutions that prepare their financial statements under Mexican Banking GAAP to adopt certain new accounting standards effective as of January 1, 2022. As a result, commencing on January 1, 2022, we were required to adopt the following accounting standards:

- NIF B-17 — “Fair value measurement;”
- NIF C-2 — “Investments in financial instruments;”
- NIF C-3 — “Accounts receivable;”
- NIF C-9 — “Provisions, contingencies and commitments;”
- NIF C-10 — “Derivative financial instruments and hedging relationships;”
- NIF C-14 — “Derecognition and transfer of financial assets;”
- NIF C-16 — “Impairment of financial instruments receivables;”
- NIF C-19 — “Financial instruments payable;”
- NIF C-20 — “Financial instruments to collect principal and interest;”

- NIF D-1 — “Revenue from contracts with clients;”
- NIF D-2 — “Cost from contracts with clients;”
- NIF D-5 — “Leases.”

The CNBV rules and regulations adopting these new accounting standards allow institutions required to adopt them to recognize on the date of initial application (January 1, 2022), the cumulative effect on their financial statements of the adoption of the new accounting standards. Furthermore, pursuant to the rules of the CNBV, quarterly and annual consolidated financial statements for the year ended December 31, 2022 published by institutions that prepare their financial statements under Mexican Banking GAAP (including us) should not be presented with comparative figures for each of the quarters in 2021 and for the year ended December 31, 2021.

In addition, in connection with the implementation of NIF C-16 — “Impairment of financial instruments receivables” the CNBV adopted certain modifications to NIF B-6 — “Loan Portfolio,” which also became effective on January 1, 2022. The modifications to NIF B-6, included modifications to the standard methodologies for rating and calculation of portfolio reserves and recalibration of the standard methodologies for recognition and valuation of the loan portfolio.

On September 23, 2021, the CNBV published in the Official Gazette of the Federation a Resolution modifying the transition regime for the application of the new accounting standards, allowing institutions required to implement NIF C-16, to continue using during 2022 the contractual interest rate for the accrual of interest on their loan portfolio, as well as the application of the straight line method for the recognition of origination fees and the accrual of transaction costs, as provided by NIF B-6 as in effect on December 31, 2021.

As a result of the adoption of the new accounting standards listed above, our financial information as of and for the year ended December 31, 2022 (including any interim period in 2022) will not be comparable with our financial information as of and for the year ended December 31, 2021 (including any interim period in 2021). Therefore, our consolidated financial information as of and for the nine-month period ended September 30, 2022, is not comparable with our consolidated financial information as of December 31, 2021, and for the nine-month period ended September 30, 2021, in each case, presented in this Exchange Offer Memorandum.

For a detail description of the new accounting standards in effect as of January 1, 2022 and the amendments to NIF B-6 — “Loan Portfolio,” see note 25 to our audited consolidated financial statements included elsewhere in this Exchange Offer Memorandum.

Currencies

Certain financial information appearing in this Exchange Offer Memorandum is presented in Mexican *Pesos*. In this Exchange Offer Memorandum references to “*Pesos*” or “Ps.” are to Mexican *Pesos*, references to “U.S. dollars,” “dollars,” “U.S.\$” or “\$” are to United States dollars.

This Exchange Offer Memorandum contains translations of certain *Peso* amounts into U.S. dollars at specified rates solely for the convenience of the reader. These translations should not be construed as representations that the *Peso* amounts actually represent such U.S. dollar amounts or could be converted into U.S. dollars at the rate indicated. Unless otherwise indicated (i) U.S. dollar amounts as of September 30, 2022 that have been translated from *Pesos* have been so translated at an exchange rate of Ps.20.1271 per U.S. dollar, the exchange rate published by the Mexican Central Bank in the Federal Official Gazette on September 30, 2022 as the rate for the payment of obligations denominated in currencies other than *Pesos* and payable within Mexico and (ii) U.S. dollar amounts as of December 31, 2021 that have been translated from *Pesos* have been so translated at the rate of Ps.20.5075 per U.S.\$1.00, the exchange rate published by the Mexican Central Bank on December 31, 2021 as the rate for the payment of obligations denominated in non-Mexican currency payable in Mexico.

Rounding

Certain figures included in this Exchange Offer Memorandum and our financial statements have been rounded for ease of presentation. Percentage figures included in this Exchange Offer 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 Exchange Offer 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 Exchange Offer 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 Exchange Offer 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*, “CONDUSEF”), (3) the Mexican Association of Specialized Financial Entities (*Asociación Mexicana de Entidades Financieras Especializadas*, “AMFE”), (4) the Mexican National Institute of Statistics and Geography (*Instituto Nacional de Estadística y Geografía*, “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., “AMAI”), (7) the Mexican National Population Board (*Consejo Nacional de Población*, “Conapo”), (8) ACCION International, a Boston-based NGO leader in the area of microfinance technology and investment, (9) ProDesarrollo, Finanzas y Microempresa, A.C. (“ProDesarrollo”), and (10) the IMF International Monetary Fund (“IMF”). 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 Exchange Offer Memorandum, the following terms relating to our loan portfolio and other credit assets have the meanings set forth below, unless otherwise indicated.

References to “Total performing loans” and “total performing loan portfolio” are to the items “total current loans” and “total current loan portfolio”, respectively, as set forth in our consolidated financial statements, which comprise 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 current loan portfolio in our consolidated financial statements until it is paid or becomes part of the total past-due 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 Exchange Offer Memorandum, do not include total non-performing loans.

The terms “total non-performing loans” and “total non-performing loan portfolio” correspond to the items “total past-due loans” and “total past-due loan portfolio”, respectively, as set forth in our consolidated financial statements, and include past-due principal and past-due interest. References in this Exchange Offer 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.

As of January 1, 2022, and in compliance with current CNBV’s guidelines, loan portfolio is reported under three credit risk stages, based on number of days past-due. The term “Stage 1 Loan Portfolio” considers loans less than 29 days past-due, “Stage 2 Loan Portfolio” consists of loans that are between 30 and 89 days past-due, while “Stage 3 Loan Portfolio” comprises loans 90 days or more past-due. The terms “total loans,” “total loan portfolio” and “loan portfolio” include total performing loans *plus* total non-performing loans, each as defined above.

References in this Exchange Offer 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:

- References to the “Company” or “FISA” are to Financiera Independencia, S.A.B. de C.V., Sofom, E.N.R.
- All references to “we,” “us,” “our” or “Financiera Independencia” are to 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 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 Independencia de Mexico” means Financiera Independencia de México, S.A. de C.V., Sofom, E.N.R. (formerly Apoyo Económico Familiar de México, S.A. de C.V., Sofom, E.N.R.).
- “Finsol Servicios” means Finsol, S.A. de C.V.
- “Serfincor” means Serfincor, S.A. de C.V.
- “Servicios Corporativos Findep” means Servicios Corporativos Findep, S.A. de C.V. (formerly Servicios Corporativos AEF, S.A. de C.V.).
- “SICOA” means Sistemas Corporativos COA, S.A. de C.V.
- “Servicios en SITIO” means Servicios de Captación en SITIO, S.A. de C.V.

SUMMARY

This summary highlights selected information contained in this Exchange Offer Memorandum and may not include all of the information that is important to you. For a more complete understanding of us, our business and the Exchange Offer and Consent Solicitation, you should read this entire Exchange Offer 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 our consolidated financial statements appearing elsewhere in this Exchange Offer 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. 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 September 30, 2022, 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 September 30, 2022, we operated 345 branch offices (318 in Mexico and 27 in the state of California in the U.S.).

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 September 30, 2022, our average loan balance was approximately Ps.\$26,587 (U.S.\$1,321)) with high frequency of repayments.

We believe that our success is attributable to a number of factors, including our unique business model, which has proven to be stable and profitable throughout the different economic cycles; our balanced risk and growth, product of our continuous investment in analytics, our expertise, and management of all dimensions of risk; growth in the US market, through a proven digital business model on a promising addressable market, enhancing overall asset quality; achieving efficiencies through technology, addressing opportunities with digital solutions from origination to collection, and lifecycle management; 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 13.3% and 8.2% during the nine-month period ended September 30, 2022 and the year ended December 31, 2021, respectively. As of September 30, 2022, our loan portfolio amounted to Ps.8,641 million, compared to Ps.7,709 million as of December 31, 2021, and Ps.7,015.5 million as of December 31, 2020, representing an increase of 9.9% and 12.1% 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 4.9% as of September 30, 2022 and 4.4% as of December 31, 2021, compared to our non-performing loan ratio of 3.8% as of September 30, 2021 and 5.1% as of December 31, 2020. It is important to note that the aforementioned non-performing loan ratio has been calculated under our legacy methodology for comparison purposes. Under the recently adopted CNBV’s methodology, our Stage 3 Loan portfolio to total portfolio stood at 6.0%. We believe that our policies for provisioning past due loans are conservative, having provisioned 31.9% and 21% of financial margin for the nine-month periods ended September 30, 2022 and 2021, respectively, and 22.9% and 41.9% for the years ended December 31, 2021 and 2020, respectively.

In addition, we believe that we are adequately capitalized, with a ratio of equity to assets of 39% as of September 30, 2022.

In the nine-month period ended September 30, 2022, our provisions for loan losses increased 72.1% to Ps.979.1 million (U.S.\$48.6million), compared to Ps.568.8 million (U.S.\$27.7 million) in the corresponding period in 2021, primarily as a result of the adoption of CNBV's provisioning methodology effective as of January 1st, 2022. In 2021, our provisions for loan losses decreased 50.5% to Ps.849.7 million (U.S.\$41.4 million), compared to Ps.1,716.0 million (U.S.\$86.2 million) in 2020, also primarily as a result of a consistently higher quality loan portfolio compared to the performance throughout the COVID-19 Pandemic. We believe that the overall portfolio performance reflects the improvements on our risk management, while provisions are somewhat tainted by the adoption of new methodologies adhering to the CNBV's guidelines.

During the nine-month period ended September 30, 2022, our net financial margin after provision for loan losses was Ps.2,089.3 million (U.S.\$103.8 million), reflecting a 2.1% decrease compared to the corresponding period of 2021, namely impacted by the divestments of payroll lending business and the sale of our operations in Brazil. On a comparable basis, the net financial margin after provisions posted a 3.9% year-on-year expansion.

Our net income was Ps.451.5 million (U.S.\$22.4 million) during the nine-month period ended September 30, 2022, compared to net income of Ps.355.6 million (U.S.\$17.3 million) during the corresponding period of 2021. For the nine-month period ended September 30, 2022 and 2021, our net interest margin after provisions, including commissions, was 34.1% and 39.1%, respectively. In 2021, our net financial margin after provision for loan losses was Ps.2,856.2 million (U.S.\$139.3 million), reflecting a 19.9% increase compared to 2020, and our net income was Ps.346.9 million (U.S.\$16.9 million), compared to a Ps.412.7 million loss (U.S.\$20.7 million) in 2020, negatively impacted by a non-cash Ps.448 million write down related to Finsol's goodwill, as well as the creation of excess discretionary reserves for Ps.311 million. In 2021 and 2020, our net interest margin after provisions, including commissions was 38.1% and 30.1%, respectively.

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

	As of and for the Nine-Month Period Ended September 30,			As of and for the Year Ended December 31,		
	2022 ⁽¹⁾	2021		2021	2021	2020
	(in millions of U.S.\$, unless otherwise indicated) ⁽²⁾	(in millions of Ps., unless otherwise indicated)		(in millions of U.S.\$, unless otherwise indicated) ⁽³⁾	(in millions of Ps., unless otherwise indicated)	
Net income (loss)	22.4	451.5	355.6	16.9	346.97	(412.7)
Stockholders' Equity	228.8	4,605.8	4,489.7	217.2	4,454.4	4,050.9
Other Financial Data and Ratios						
Profitability and Efficiency:						
Return on average stockholders' equity ⁽⁴⁾	13.3%	13.3%	11.1%	8.2%	8.2%	(9.9%)
Return on average total assets ⁽⁵⁾	5.4%	5.4%	4.5%	3.3%	3.3%	(3.6%)
Net interest margin after provisions ⁽⁶⁾	34.1%	34.1%	39.1%	38.8%	38.8%	30.1%
Efficiency ratio ⁽⁷⁾	76.7%	76.7%	82.9%	80.4%	80.4%	98%
Capitalization:						
Stockholders' equity as a percentage of total assets	39.0%	39.0%	42.1%	42.0%	42.0%	38.1%
Credit Quality Data:						
Stage 1 Loan Portfolio	370.9	7,466.1	—	—	—	—
Stage 2 Loan Portfolio	32.8	660.3	—	—	—	—
Stage 3 Loan Portfolio	25.6	515.0	—	—	—	—
Total performing loans	—	—	7,240.1	359.5	7,371.8	6,656.5
Total non-performing loans	—	—	288.5	16.5	337.6	359.1
Total loan portfolio	429.3	8,641.3	7,528.6	375.9	7,709.3	7,015.5
Allowance for loan losses	(55.2)	(1,111.6)	(615.8)	(31.9)	(653.9)	(687.7)
Credit Quality Ratios:						
Allowance for loan losses as a percentage of total loan portfolio	12.9%	12.9%	8.1%	8.5%	8.5%	9.8%
Allowance for loan losses as a percentage of total non-performing loan portfolio ⁽⁸⁾	263.9%	263.9%	213.4%	193.7%	193.7%	191.5%
Total non-performing loan portfolio as a percentage of total loan portfolio ⁽⁹⁾	4.9%	4.9%	3.8%	4.4%	4.4%	5.1%
Total Stage 3 Loan Portfolio as a percentage of total loan portfolio	6.0%	6.0%	—	—	—	—

- (1) As a result of the adoption of the new accounting standards and the modifications to existing ones which became effective as of January 1, 2022: (a) our consolidated financial information as of September 30, 2022 is not comparable with our consolidated financial information as of December 31, 2021 and (b) our consolidated financial information for the nine-month period ended September 30, 2022 is not comparable with our consolidated financial information for the nine-month period ended September 31, 2021. See "Presentation of Financial and Other Information — Accounting Principles — Changes in accounting standards" and "Risk Factors — Risks Relating to Our Business — Changes in accounting standards could impact our financial reporting and the comparability of our historical financial information."
- (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.20.1271 per U.S.\$1.00, based on the Mexican Central Bank exchange rate published on September 30, 2022.
- (3) 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.20.5075 per U.S.\$1.00, the exchange rate published by the Mexican Central Bank on December 31, 2021 as the rate for the payment of obligations denominated in non-Mexican currency payable in Mexico.
- (4) Return on average stockholders' equity for the years ended December 31, 2021 and 2020 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 nine-month periods ended September 30, 2022 and 2021 consists of annualized net income for the period divided by the quarterly average of stockholders' equity for the period.
- (5) Return on average total assets for the years ended December 31, 2021 and 2020 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 nine-month periods ended September 30, 2022 and 2021 consists of annualized net income for the period divided by the quarterly average of total assets for the period.
- (6) Represents financial margin adjusted by credit risk plus commission and fee income and commission and fee expense divided by average interest-earning assets. Average interest-earning assets are determined based on the quarterly average balance of the period.
- (7) Efficiency ratio consists of administrative and promotional expenses for the period divided by the sum of (i) financial margin adjusted by credit risk for the period and (ii) the difference between (x) commission and fee income and (y) commission and fee expense.
- (8) Solely for comparison purposes, we have calculated our total non-performing loan portfolio as of September 30, 2022, by applying the loan portfolio classification in effect as of December 31, 2021 (which we refer to as the "legacy methodology") to our loan portfolio as of September 30, 2022. We have calculated allowance for loan losses pursuant to the accounting standards in effect as of January 1, 2022.
- (9) Solely for comparison purposes, we have calculated our total non-performing loan portfolio as of September 30, 2022, by applying the legacy methodology to our loan portfolio as of September 30, 2022.

Products and Services

The following graphic illustrates the distribution of our clients and portfolio in Mexico and the United States as of the date of this Exchange Offer Memorandum:



We offer a single type of loan products, namely individual loans both simple and revolving. Source of income of our customers may be formal (e.g. employees receiving a payroll), a micro business or self-employed. Our customers use our loans to finance consumption, as working capital for their micro business and to grow their micro business, among others. In the past we offered both group loans through our subsidiaries Finsol México and Finsol Brazil and Payroll lending through Más Nómina (Fisofo). These subsidiaries have been divested and their portfolio is only reported in historical figures.

Our portfolio is highly fragmented, with the largest 1,000 loans representing roughly 5% of our total portfolio in Mexico and roughly 7% in the United States.

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

- *Simple Credits.* Offered to individuals with formal and informal sources of income with differentiated underwriting process depending on the source of income. Loan amounts and conditions vary depending on the source of income. In September 2022 simple credits represented 35% of FISA's portfolio.
- *Revolving Credits.* This product is a revolving credit line available only to individual customers in good credit standing, mostly focused to renewal customers with good performance. Our customers may use these credit lines to acquire assets or services. The amount of this revolving credit line varies depending upon the customer's profile, credit history and payment track record with FISA and is managed though periodic line increases based on behavior. In September 2022 revolving credits represented 65% of FISA's portfolio.

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.\$74.05 to U.S.\$2,484.2) 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 Premier.* This product was launched in 2018, and is targeted to an intermediate segment between the Regular and the Preferente clients, who have demonstrated a good credit standing. These loans range from Ps.15,000 to Ps.80,000 (approximately U.S.\$745.3 to U.S.\$3,974.7), a maximum term of 3 years, and a lower rate than the regular loans.
- *Crédito Preferente.* These personal loans, which range from Ps.25,000 to Ps.150,000 (approximately U.S.\$1,242.1 to U.S.\$7,452.6) 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.
- *PymEfectivo.* This product was launched in 2019, and is targeted to small and medium business owners in the formal or informal sector of the Mexican economy. These loans range from Ps.50,000 to Ps.500,000 (approximately U.S.\$2,484.2 to U.S.\$24,842.1), offering preferential and competitive rates in the market. Our customers may use these loans for working capital purposes.

We also offer individual loans through the operations of our subsidiary AFI in the United States. Personal loans, which are directed primarily to the Hispanic population of the states of California, Arizona, and Texas, range from U.S.\$750 to U.S.\$10,000 and are available to individuals who can certify income derived from employment. We are recently testing the market for business loans that range from U.S.\$10,000 to U.S.\$20,000, and are available only in the state of California. These loans have terms ranging from 12 to 48 months. Business loans represent a negligible fraction of our portfolio.

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 September 30, 2022		As of December 31, 2021		2020	
	Loan Amount ⁽¹⁾	% of Total	Loan Amount ⁽¹⁾	% of Total	Loan Amount ⁽¹⁾	% of Total
<i>(in millions of Pesos, except percentages)</i>						
FISA loans	2,783.0	32.2%	2,477.3	32.1%	2,097.5	29.9%
Finsol (Mexico and Brazil).....	0.0	0.0%	0.0	0.0%	335.7	4.8%
AEF loans	2,023.2	23.4%	1,879.2	24.4%	1,695.5	24.2%
AFI loans	3,835.1	44.4%	2,352.8	43.5%	2,023.9	28.8%
Others.....	0.8	0.0%	0.0	0.0%	862.9	12.3%
Total loan portfolio.....	8,641.3	100.0%	7,709.3	100.0%	7,015.5	100.0%
Allowance for loan losses.....	1,111.6		653.9		687.7	
Total Loan portfolio, net	7,529.7		7,055.4		6,327.8	

(1) Includes principal and interest.

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 September 30, 2022			
	Number of Loans Outstanding		Interest Income	
	Amount	% of Total	Amount	% of Total
<i>(in millions of Pesos, except percentages)</i>				
FISA loans.....	183,938	56.6%	1,526.5	44.0%
Finsol (Mexico and Brazil)	0	0.0%	0.0	0.0%
AEF loans	105,000	32.3%	1,074.3	31.0%
AFI loans	36,081	11.1%	867.3	25.0%
Total.....	325,019	100.0%	3,468.0	100.0%

	As of December 31, 2021			
	Number of Loans Outstanding		Interest Income	
	Amount	% of Total	Amount	% of Total
	(in millions of Pesos, except percentages)			
FISA loans.....	187,083	57.7%	1,929.9	45.8%
AEF loans	105,947	32.7%	1,308.0	31.0%
AFI loans	31,094	9.6%	848.9	20.2%
Finsol loans.....	0	0.0%	126.2	3.0%
Total.....	324,124	100.0%	4,213.0	100.0%

	As of December 31, 2020			
	Number of Loans Outstanding		Interest Income	
	Amount	% of Total	Amount	% of Total
	(in millions of Pesos, except percentages)			
FISA loans.....	188,758	51.9 %	1,884.7	39.2%
AEF loans	92,255	25.4%	1,212.8	25.2%
AFI loans	24,758	6.8%	746.1	15.6%
Other loans.....	58,020	15.9%	963.8	20.0%
Total.....	363,791	100.0%	4,807.5	100.0%

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 two times the Mexico City minimum monthly wage (between Ps.7,812.0 and Ps.15,624.0 per month, or between approximately U.S.\$388.80 and U.S.\$777.60 per month, as of September 2022). Based on information compiled by INEGI in November 2020, 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. If Latin Americans living in the U.S. were an independent country, its gross domestic product, or GDP, would have been the fifth largest in the world during 2020, according to the 2022 LDC US Latino GDP Report, moreover, the dynamics witnessed throughout the last couple years highlight a faster paced economy. Likewise, roughly 30% of Hispanic population in the US are "unbanked" o "underbanked".

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 September 30, 2022 and December 31, 2021 was 4.9% and 4.4%, 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 September 30, 2022 and December 31, 2021, 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.\$24.88 million) in Mexico as of September 30, 2022, 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 13.3% in the nine-

month period end September 30, 2022 compared to 11.1% in the corresponding period in 2021. 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.

Effective Risk Management

Our consistent focus on the quality and profitability of our loan portfolio has allowed us to achieve historic levels within our non-performing loan ratios, under our legacy methodology. Our non-performing loan ratio as of September 30, 2022 was 4.9% for our overall portfolio, under our legacy methodology, of which individual loans in Mexico and individual loans in the U.S. stood at 6.2% and 3.3%, respectively.

- *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 through digital enabled solutions. We currently use a staged analysis process that can be fully executed in mobile devices. In this risk-based workflow: a decision machine determines the requirements for the specific customer based on its risk profile. Furthermore, verifications have self-service and remotely assisted alternatives.
- *Revamped collection processes.* Accounts are assigned daily to collectors while defining daily smart routes. Currently we have over 360 customer information and collection tools available in mobile applications, and all collection channels are now connected in real-time. We have enhanced our collection channels, with over 54,000 affiliate stores, intelligent autopay, electronic transfers, credit/debit cards. Collectors can receive cash emitting digital receipts and deposit to any point of our payments network. In addition, our systematic monitoring of loans in default at an earlier stage allowed us to improve FISA'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.* In the last couple of years, we made the strategic decision to focus on our businesses where we held high expertise, better risk control, improved profitability, and could achieve synergies from digital transformation. As such, we divested our group lending, payroll lending, and Brazil operations, and focused our efforts and resources into individual unsecured lending.

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 29 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 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 and United States 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. We also launched our CrediInmediato Revolvente product, a revolving line of credit that allows our customers increased financial flexibility.
- 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 2010, we acquired Financiera Finsol, the second largest “group loans” in Mexico to offer new financial products with a different methodology than traditional loans. In October 2020, in line with the Company’s strategic view to focus on unsecured individual lending in North America, this operation’s loan portfolio – worth Ps.587.8 million (U.S.\$26.5 million) as of September 30, 2020– was sold to Te Creemos Holding.
- 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. In accordance with our strategic view to focus on unsecured individual lending in North America, this subsidiary was sold—with a loan portfolio worth Ps.862.9 million (U.S.\$43.3 million) as of December 30, 2020—was sold to Grupo Consupago, S.A. de C.V.
- In 2011, we acquired a 77% stake in Apoyo Financiero, Inc (AFI), a specialty finance company offering unsecured loans to the Hispanic community in the State of California.
- In 2013, Financiera Independencia acquired the remaining stake in Apoyo Financiero Inc’s. Furthermore, its footprint had expanded in California to San Jose, San Pablo, South San Francisco, Hayward, Santa Rosa, Napa, San Jose-Blossom Hill, Tracy, and Gilroy.
- In 2014, we launched our Micronegocio product 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.\$238 to U.S.\$714), have terms ranging from 26 to 78 weeks and may be renewed.
- In 2016, we tested 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. In June 2016, we relaunched the Micronegocio product with a more in-depth evaluation of the applicant, which guaranteed a successful credit screening process. In addition, we launched an online credit application targeted to our sales force. 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.
- By 2017, we made important operational and financial decisions for our transition to a business model that has taken advantage of new technologies to strengthen efficiencies and profitability. On the corporate side, we consolidated the corporate functions of the group for the financial, risk management, compliance, audit and technology areas to optimize synergies, facilitate the exchange of best practices and ensure a homogeneous implementation of risk policies and strategies between subsidiaries.

- In March 2017, we launched Plan Celular, a product that financed a package of a mobile phone and a 18-month service plan. In addition, our online credit application evolved to our first mobile application used by the sales force.
- In 2018, we continued the transformation but now on our branches or agencies. In March 2018 the project “Nuevo Modelo” started, which consisted of consolidation of roles, application of new technologies and redefinition of process flows. On the risk management side, we implemented new technologies such as Experian and different credit score models.
- In 2019, we continued working on the consolidation of centralized and standardized processes of the Operations Center in Aguascalientes (COA); more functions were assigned to it, with the purpose of turning it into an integral support of operations, under the same platform, which would allow us to increase the quality, safety and efficiency indices in the service.
- In January 2019, we started with KFacilDigital product, to explore credit origination with joint efforts with third parties. In July 2019, we launched our first mobile application specifically for customers. This application allows access to account information and status, online loan renewal, bill payments, online loan payment with debit card and for the revolving line execute withdraws thru different methods. Finally, in November 2019 we originated our first PymEfectivo loan, which offers a productive credit to small businesses for which access to a Bank loan is unattainable. PymEfectivo loans range from Ps.50,000 to Ps.250,000 (approximately U.S.\$2,381 to U.S.\$11,905), have terms ranging from 12 to 36 months and can be renewed.
- In 2020, AFI began a digital transformation with the launch of their mobile application, centralized collection processes in Findep’s operation center in Aguascalientes, and enhancing a robust credit risk department.
- During 2020, we implemented a strategy to address the COVID-19 pandemic. Also, we focused on our core business and divested from our group loans portfolio, strengthening Financiera Independencia on a structural level. We announced the sale of Más Nómina, our payroll lending business. In January 2020, we revamped our mobile application used by the sales force with state of the art technology and added functionalities.
- In 2021, we obtained the CNBV’s authorization to grant personal unsecured loans on a fully remote basis of up to 60,000 UDIs (Ps.458.8 thousand or U.S.\$23,518). Likewise, in November, the Arizona Department of Insurance and Financial Institutions granted AFI a license to operate as a “Consumer Lender” in the State of Arizona. This would allow AFI to grant credits of up to \$10,000. On the corporate front, we announced an agreement for the sale of Finsol Brazil, formalized our payroll business divestiture, and ramped up origination, witnessing an accelerated growth in our U.S. portfolio.
- In 2022, AFI obtained from the Office of Consumer Credit Commissioner in Texas a license to operate as a “Regulated Lender” in the State of Texas. This will allow AFI to grant credits of up to U.S.\$20,000.

The development of new products together with our organic and inorganic growth have been fundamental in our ability to serve 325,019 customers and attain a loan portfolio totaling Ps.8,641.3 million (U.S.\$429.3), in each case, as of September 30, 2022.

Strategic Network of Technologically-Enabled Branch Offices with Extensive Geographic Coverage

We believe we have one of the most efficient and extensive microfinance distribution networks in Mexico. As of September 30, 2022, we had 345 branch offices providing loans, of which 318 were located in Mexico, 27 were located in the state of California in the United States and operated by AFI. Of our 345 branch offices in Mexico, 162 are operated under the name “Independencia” and 156 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 September 30, 2022, 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, except for Pymefectivo, 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

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 Customer 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, which 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 customer assistance telephone operations, service quality monitoring, our credit card, debit card and checking account payment systems, and telemarketing for our FISA, AEF and AFI operations. We also manage our credit analysis (ACC), which is responsible for telephone verification, and the approval of loans. Likewise, COA handles our telephone collection operations, our remote sales operations, and our help desk.

In 2022 COA implemented a new capability called “Crowdsourcing Platform”, which was developed in-house during the COVID-19 pandemic to increase process efficiency, greater client information security, and better quality of services. Given that the platform allows intelligent task assignment for our crowdworkers with minimum customer information, it requires low training, and enables simultaneous execution of different tasks optimizing time, resources, and effective process automation. The platform is capable of connecting to different sources, such as, microservices, emails, databases, sheets, and forms to ingest different tasks based on priority, availability, and roles of our crowdworkers. Our Crowdsourcing Platform is in continuous training with machine learning to identify different types of documents. Through OCR it extracts or hides information not needed to be seen by our crowdworkers while performing a certain microtask complying with information security. Our Crowdsourcing Platform received 3 awards, one from Forbes Mexico (Transformation Digital Genius 2022), Netmedia (Most Innovative Companies) and CIO Mexico (Best 100 CIO 2022).

Effective Collection Process

We have developed an advanced collection process that comprises 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. While our best field collectors 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 field collectors perform site visits to borrowers shortly after only one default. These accounts are also contacted through our field collectors at our call centers. Our systematic monitoring of loans in default at an earlier stage has allowed us to improve FISA’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 18 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 a next-generation platform based on micro services that enables our companies to deploy ad-hoc processes, risk models, and digital and hybrid customer journeys dramatically reducing back office times and reducing operating costs.

Our platform leverages *state machines* and *decision engines* that allow us to use a diverse set of tools that define ad-hoc origination processes, specifically selected based on customers' calculated risk. Our customers can interact with multiple channels including mobile applications, web-based systems, call-centers, and branches in which we always put the customer first and maximize our TCOs.

Our platform is cloud native; it follows an event-driven architecture and defines over 800 databases both relational and non-relational fully managed by micro services. Processes are driven from business events defined in streams, which allow maintaining a continuous process of innovation, and experimentation that results in a very large set of tools that can be leveraged by all our channels. With security built at its core, and by leveraging a multi-cloud approach, we leverage multiple service including GCP, AWS, Azure, Kafka, Spark, Flink, Mongo, PSQL, BigQuery, any many other technologies.

We have also invested in AI-based processes focused on risk management, customer profiling, and contact management that provide a tactical advantage in all of our business 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.

Access to Diverse Sources of Funding

As of September 30, 2022, our consolidated debt comprised an aggregate Ps.3,315.4 million in USD-denominated debt securities maturing in 2024, and an aggregate Ps.2,665.9 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, and cash on hand.

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:

- *FISA*: continue our efforts to adapt FISA's business model to increase its efficiencies by focusing on lower risk clients; increase the percentage of revolving loans in the FISA 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; expand to new markets; and launch our revolving loans in order to reduce churn, and improve life-cycle management. This should translate into better non-performing loans ratios closer to those witnessed in FISA.
- *AFI*: consolidate our digital offering and expertise in our latest geographies; grow our footprint in other states that match our target market; further strengthen AFI's support operations to increase AFI's efficiency and independence following its acquisition by us.

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. We also continue to seek new credit lines and facilities from commercial and development banks and other financial entities, in the last twelve months we have obtained credit facilities from Banco Santander México, Institución de Banca Múltiple, Grupo Financiero Santander México, and Banco Sabadell, S.A., Institución de Banca Múltiple. Going forward, we may participate in securitized structures in order to monetize our US, and or Mexico, loan portfolios.

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 products closer to our customers through our hybrid model and (3) leveraging our services through our digital toolkit.

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. We have continued to expand our customer base in rural and suburban regions of Mexico through the leveraging of our digital channels. 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 have entered new markets through our digital tools, and plan to increase our market share among the Hispanic population in the United States.

Offer More Payment Channels to Our Customers

We have developed connections with multiple payment entities abroad all sort of channels that not only enables us to accept loan repayments in any of our branch offices but also in convenient stores including OXXO, Walmart,

and a vast network that comprises over 54,000 locations. We have also enabled electronic payments that allows us to receive instant payments through debit cards and electronic transfers from any bank and we have built an intelligent engine that can debit accounts automatically from several banks to which we have built direct connections with including: Grupo Financiero HSBC Mexico, S.A. de C.V., BBVA México, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA México, or BBVA, 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”). All of these options 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 relied heavily on door-to-door sales to potential customers, which is our primary sales method. We have successfully entered the digital arena, allowing our customers to interact with us through additional channels that do not require them to visit our branch offices.

Attract, Retain and Develop Human Capital

One of the greatest challenges of our Human Resources Department is to supply the talent we need for specific duties throughout every area of the company: in headquarters and branches, for business generation and operating support functions; to create the management team and general staff. Talent management must adapt dynamically to business performance.

We have updated and improved onboarding programs and material for new hires, reinforcing the Group’s organizational philosophy and offering concrete practical content for all job levels. In the case of our corporate offices, these programs include branch visits to learn and be more aware of the operating needs of the business. Development programs have been designed and implemented for all operational positions, which strengthened both technical and soft skills for participants. In the case of our corporate offices, general management skill programs have been offered to team leaders.

Financiera Independencia conducts itself on the basis of principles and values that center on respect, commitment, honesty, cooperation and service to suppliers and clients inside and outside of the organization. We also maintain our efforts to promote inclusion and respect for diversity of all kinds.

Recent Developments

Preliminary Results for the Three Months and Year Ended December 31, 2022

As of the date of this Exchange Offer Memorandum, we have not finalized our results for the three-month period and year ended December 31, 2022 and financial position as of December 31, 2022. The following unaudited preliminary financial information estimates, and is not intended to be a comprehensive statement of, our financial or operational results for the three-month period or year ended December 31, 2022 and our financial position as of December 31, 2022. The preliminary financial results for the year and for the three months ended December 31, 2022 and financial position as of December 31, 2022 presented below have not been audited or reviewed by our independent auditors, nor have any procedures been performed by our independent auditors with respect thereto. Such information has been derived from management accounts rather than our consolidated financial statements, is preliminary and is subject to our financial closing procedures, which have not yet been completed. We expect to complete our financial closing procedures and release our figures by March 2023. Our expectations with respect to our preliminary results discussed below are based upon management estimates and are the responsibility of management. While we believe this preliminary financial information reasonably estimates our financial or operational results and financial position, our actual results and financial position could vary from these estimates and such differences could be material. As such, you should not place undue reliance on the preliminary financial information set forth below and these preliminary financial results may not be indicative of our performance in any future period or financial positions as of any future date. See “Disclosure Regarding Forward-Looking Statements” and “Risk Factors” for a more complete discussion of certain of the factors that could affect our future performance, results of operation and financial position.

The CNBV published in the Official Gazette of the Federation on December 4, 2020, and December 30, 2021, Resolutions requiring institutions that prepare their financial statements under Mexican Banking GAAP to adopt

certain new accounting standards effective as of January 1, 2022. In addition, the CNBV adopted certain modifications to NIF B-6 — “Loan Portfolio,” which also became effective on January 1, 2022. For a detail description of the new accounting standards in effect as of January 1, 2022 and the amendments to NIF B-6, see note 25 to our audited consolidated financial statements included elsewhere in this Exchange Offer Memorandum. As a result of the adoption of the new accounting standards listed above, our financial information as of and for the year ended December 31, 2022 (including any interim period in 2022) is not comparable with our financial information as of and for the year ended December 31, 2021 (including any interim period in 2021). Furthermore, pursuant to the rules of the CNBV, quarterly and annual consolidated financial statements for the year ending December 31, 2022 published by institutions that prepare their financial statements under Mexican Banking GAAP (including us) should not be presented with comparative figures for each of the quarters in 2021 and for the year ended December 31, 2021. See “Presentation of Financial and Other Information — Accounting Principles — Changes in accounting standards” and “Risk Factors — Risks Relating to Our Business — Changes in accounting standards could impact our financial reporting and the comparability of our historical financial information.”

Interest Income

We estimate interest income for the three months ended December 31, 2022 was between Ps.1.25 billion (U.S.\$64.1 million) and Ps.1.27 billion (U.S.\$65.1 million), an increase of 11.5% at the midpoint of the range as compared to Ps.1.13 billion (U.S.\$55.1 million) for the three months ended December 31, 2021. This on the back of a year-on-year expansion in the loan portfolio ranging between 10 and 12%.

We estimate interest income for the year ended December 31, 2022 was between Ps.4.73 billion (U.S.\$242.7 million) and Ps.4.75 billion (U.S.\$243.7 million), a 12.1% increase at the midpoint of the range compared to Ps.4.23 billion (U.S.\$206.4 million) for the year ended December 31, 2021. It is important to note that 2021 full year operations include one quarter of Más Nómina results, and three quarters of Finsol Brazil; as such, when we strip this effect the interest income could post a 17.1% increase, on a comparable basis.

Financial Margin

We estimate financial margin for the three months ended December 31, 2022 was between Ps.1.08 billion (U.S.\$55.4 million) and Ps.1.117 billion (U.S.\$56.9 million), an increase of 9.1% at the midpoint of the range as compared to Ps.1.00 billion (U.S.\$48.9 million) for the three months ended December 31, 2021.

We estimate financial margin for the year ended December 31, 2022 was between Ps.4.15 billion (U.S.\$212.6 million) and Ps.4.18 billion (U.S.\$214.2 million), a 12.3% increase at the midpoint of the range compared to Ps.3.71 billion (U.S.\$180.7 million) for the year ended December 31, 2021. It is important to note that on a comparable basis, only considering FISA's, AEF's, and AFI's operations, financial margin could have increased 16.9% YoY.

Allowance for Loan Losses

We estimate allowance for loan losses for the three months ended December 31, 2022 was between Ps.395 million (U.S.\$20.2 million) and Ps.405.0 million (U.S.\$20.8 million), an increase of 42.3% at the midpoint of the range as compared to Ps.280.9 million (U.S.\$13.7 million) for the three months ended December 31, 2021. It is important to bear in mind that the provision reflects an impact from the adoption of CNBV's methodology as of January 1, 2022.

We estimate allowance for loan losses for the year ended December 31, 2022 was between Ps.1.37 billion (U.S.\$70.4 million) and Ps.1.38 billion (U.S.\$70.9 million), an increase of 62.3% at the midpoint of the range compared to Ps.849.7 million (U.S.\$41.4 million) for the year ended December 31, 2021. On a comparable basis, contemplating FISA's, AEF's, and AFI's operations, allowance for loan losses could have posted a 66.6% expansion for the whole year.

Administrative and promotional expenses

We estimate administrative and promotional expense for the three months ended December 31, 2022 was between Ps.600 million (U.S.\$30.8 million) and Ps.620.0 million (U.S.\$31.8 million), an 11.1% contraction at the midpoint of the range as compared to Ps.675.8 million (U.S.\$33 million) for the three months ended December 31, 2021. This

reflects the Company's efficiencies achieved by a larger portfolio, as well as leveraging on digital transformation, and a tight control on expenses.

We estimate administrative and promotional expense for the year ended December 31, 2022 was between Ps.2.56 billion (U.S.\$131.1 million) and Ps.2.58 billion (U.S.\$132.1 million), a 5.0% contraction at the midpoint of the range compared to Ps.2.70 billion (U.S.\$131.8 million) for the year ended December 31, 2021. It is important to note that on a comparable basis, considering only FISA's, AEF's, and AFI's, administrative and promotional expenses would have posted a mere 0.2% increase.

Net income

We estimate net income for the three months ended December 31, 2022 was between Ps.137 million (U.S.\$7.0 million) and Ps.179 million (U.S.\$9.1 million), comparing favorably with the Ps.8.8 million loss (U.S.\$0.4 million) for the three months ended December 31, 2021.

We estimate net income for the year ended December 31, 2022 was between Ps.588 million (U.S.\$30.1 million) and Ps.630 million (U.S.\$32.3 million), a 75.6% increase at the midpoint of the range compared to Ps.346.9 million (U.S.\$16.9 million) for the year ended December 31, 2021.

Total Loan Portfolio

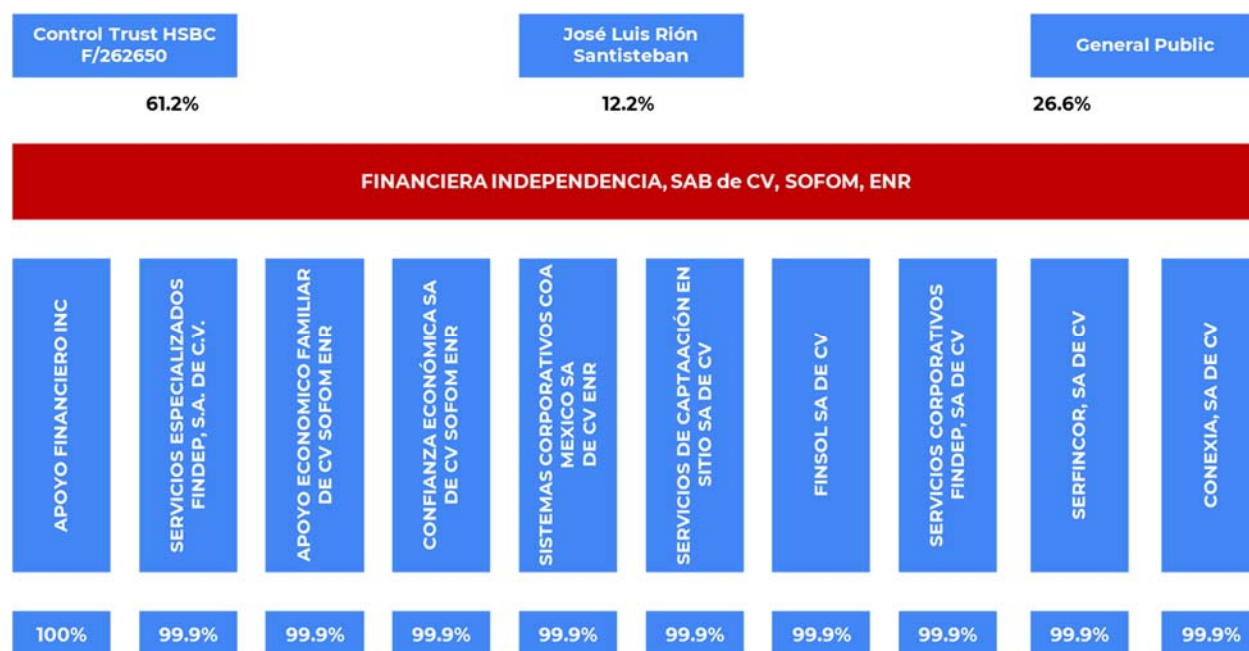
As of December 31, 2022, we estimate our total loan portfolio reached between Ps.8.54 billion (U.S.\$437.7 million) and Ps.8.58 billion (U.S.\$439.8 million), an increase of 11% at the midpoint of the range as compared to Ps.7.71 billion (U.S.\$375.9 million) as of December 31, 2021.

Cash & Cash Equivalents

As of December 31, 2022, we estimate our cash and cash equivalents was between Ps.1.00 billion (U.S.\$51.3million) and Ps.1.10 billion (U.S.\$56.4 million), an increase of 132.1% at the midpoint of the range as compared to Ps.452.5 million (U.S.\$22.1 million) as of December 31, 2021.

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, Int 420, 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.findep.mx. None of the information available on our website or elsewhere will be deemed to be included or incorporated by reference into this Exchange Offer Memorandum.

THE EXCHANGE OFFER

The following is a brief summary of the material terms of the Exchange Offer and Consent Solicitation. For a more complete description of the Exchange Offer and Consent Solicitation, see “Description of the Exchange Offer and Consent Solicitation” in this Exchange Offer Memorandum.

Exchange Offer	Financiera Independencia, S.A. de C.V., Sofom, E.N.R., is offering to exchange newly issued 10.000% Step-Up Senior Notes due 2028 (the Step-Up Notes) for any and all of its validly tendered and accepted outstanding 8.000% Senior Notes due 2024 (the Existing Notes).
Total Exchange Consideration	Eligible Holders who validly tender their Existing Notes and deliver their Consents prior to 5:00 p.m., New York City time, on February 3, 2023 (such time and date may be extended by us), and do not validly withdraw their tender and revoke their Consents prior to 5:00 p.m., New York City time, on February 3, 2023, will receive the Total Exchange Consideration for Existing Notes accepted in the Exchange Offer. “ Total Exchange Consideration ” means, for each U.S.\$1,000 principal amount of Existing Notes validly tendered (and not validly withdrawn) and accepted by the Company: (1) U.S.\$800 principal amount of Step-Up Notes and (2) a cash payment of U.S.\$210. The Total Exchange Consideration includes an Early Exchange Payment equal to \$10 for each \$1,000 principal amount of Existing Notes tendered and accepted by us. The Total Exchange Consideration does not include Accrued Interest (as defined below), which will be paid in cash on the Settlement Date.
Exchange Offer Consideration	Eligible Holders who validly tender Existing Notes after the Early Expiration Date but on or prior to 5:00 p.m., New York City time, on February 17, 2023 (such time and date may be extended by us), and do not validly withdraw their tender and revoke their Consents prior to the Withdrawal Date will receive the Exchange Offer Consideration for Existing Notes accepted in the Exchange Offer. “ Exchange Offer Consideration ” means, for each \$1,000 principal amount of Existing Notes tendered and accepted by us: (1) U.S.\$800 principal amount of Step-Up Notes and (2) a cash payment of U.S.\$200. The Exchange Consideration does not include Accrued Interest, which will be paid in cash on the Settlement Date.
Minimum Denominations.....	The Existing Notes may be tendered only in minimum denominations of U.S.\$200,000 principal amount and integral multiples of U.S.\$1,000 in excess thereof. The Step-Up Notes will be issued in minimum denominations of U.S.\$160,000 and any integral multiple of U.S.\$1,000 in excess thereof. Subject to the minimum denomination, the aggregate principal amount of Step-Up Notes issued to each participating Eligible Holder for all Existing Notes properly tendered (and not withdrawn) and accepted by the Company will be rounded down, if necessary, to U.S.\$1,000. The rounded amount will be the principal amount of Step-Up Notes the Eligible Holder will receive and any principal amount of Step-up Notes not received as a result of rounding will be paid by the Company in cash on the Settlement Date.
Consent Solicitation	Upon the terms and subject to the conditions described in this Exchange Offer Memorandum, we are soliciting Consents of holders of Existing Notes to the Proposed Amendments. Holders may not tender their Existing Notes without delivering a Consent with respect to the Existing Notes tendered, and holders may not deliver a Consent with respect to any Existing Notes without tendering the related Existing Notes. See

	<p>“Description of the Exchange Offer and Consent Solicitation—Procedures for Tendering Existing Notes and Delivering Consents” for more information.</p>
Proposed Amendments.....	<p>The Proposed Amendments would, among other things, eliminate substantially all of the restrictive covenants, the additional note guarantees covenant, and certain events of default and related provisions contained in the Existing Notes Indenture and the Existing Notes. For a detailed description of the Proposed Amendments for which Consents are being sought pursuant to the Consent Solicitation, see “Description of the Exchange Offer and Consent Solicitation—Proposed Amendments.”</p>
Requisite Consents; Existing Notes Supplemental Indenture.....	<p>In order to be adopted, the Proposed Amendments require the consents (the “Requisite Consents”) of holders of a majority in aggregate principal amount of the outstanding Existing Notes (excluding any Existing Notes held by us or our affiliates) to the Proposed Amendments. See “Description of the Exchange Offer and Consent Solicitation—Proposed Amendments.”</p> <p>We expect to execute with the trustee an Existing Notes Supplemental Indenture to the Existing Notes Indenture, providing for the Proposed Amendments, promptly after receipt of the Requisite Consents. The Existing Notes Supplemental Indenture will be effective immediately upon execution thereof, but the provisions thereof will not be operative until the Settlement Date.</p>
Early Expiration Date.....	<p>To tender by the Early Expiration Date, holders must validly tender (and not withdraw) their Existing Notes and deliver their Consents on or prior to 5:00 p.m., New York City time, on February 3, 2017, unless extended by us.</p>
Expiration Date	<p>The Exchange Offer and the Consent Solicitation will expire at 5:00 p.m., New York City time, on February 17, 2023, unless extended by us.</p>
Settlement Date	<p>Subject to the terms and conditions of the Exchange Offer and Consent Solicitation, the Settlement Date for the Exchange Offer is expected to be within seven business days after the Expiration Date, or as promptly as practicable thereafter.</p>
Step-Up Notes	<p>For a description of the terms of the Step-Up Notes, see “Description of the Step-Up Notes.”</p>
Accrued and Unpaid Interest.....	<p>The Total Exchange Consideration and the Exchange Consideration will be paid together with the payment, in cash, of accrued and unpaid interest on Existing Notes accepted for exchange from the last interest payment date of the Existing Notes up to but excluding the Settlement Date (the “Accrued Interest”).</p>
Eligible Holders.....	<p>The Exchange Offer and Consent Solicitation is being made, and the Step-Up Notes are being offered and will be issued, only outside the United States to holders of Existing Notes who are persons other than U.S. persons in reliance upon Regulation S under the Securities Act, who are not acquiring Step-Up Notes for the account or benefit of a U.S. person and who are “non-U.S. qualified offerees” (as defined under “Transfer Restrictions”). The holders of Existing Notes who have certified to us that they are eligible to participate in the Exchange Offer and Consent Solicitation pursuant to the foregoing conditions are referred</p>

to as “Eligible Holders.” Only Eligible Holders are authorized to receive or review this Exchange Offer Memorandum and to participate in the Exchange Offer and Consent Solicitation.

Furthermore, Eligible Holders will be required to make certain acknowledgments, representations, warranties and undertakings to us, the Dealer Manager and Solicitation Agent and the Information and Exchange Agent. See “Description of the Exchange Offer and Consent Solicitation—Holders’ Representations, Warranties and Undertakings.

Procedure for Tenders and Delivery
of Consents.....

If an Eligible Holder wishes to participate in the Exchange Offer and Consent Solicitation, and such holder’s Existing Notes are held by a custodial entity such as a bank, broker, dealer, trust company or other nominee, such holder must instruct such custodial entity (pursuant to the procedures of the custodial entity) to tender the Existing Notes and deliver the related Consents on such holder’s behalf. Custodial entities that are participants in The Depository Trust Company (“DTC”) must tender Existing Notes and deliver the related Consents through DTC’s Automated Tender Offer Program (“ATOP”), by which the custodial entity and the beneficial owner on whose behalf the custodial entity is acting agree to be bound to the terms and conditions set forth herein. For further information, see “Description of the Exchange Offer and Consent Solicitation—Procedures for Tendering Notes and Delivering Consents.”

Withdrawal and Revocation Rights.....

Tenders of Existing Notes may be withdrawn at any time prior to the Withdrawal Date. A valid withdrawal of tendered Existing Notes prior to the Withdrawal Date will constitute the concurrent valid revocation of a holder’s related Consent. To revoke Consents delivered in connection with tendered Existing Notes, holders must withdraw the related tendered Existing Notes. Any Existing Notes that are tendered prior to the Withdrawal Date but not validly withdrawn prior to the Withdrawal Date may not, subject to limited exceptions, be withdrawn thereafter. Under no circumstances may Consents be revoked after the Withdrawal Date. We may extend the Early Expiration Date or the Expiration Date without extending the Withdrawal Date, unless required by law. For withdrawal procedures, see “Description of the Exchange Offer and Consent Solicitation—Withdrawal of Tenders and Revocations of Consents.”

Consequences of Failure to Tender

If the Proposed Amendments become operative, holders of Existing Notes left outstanding following the consummation of the Exchange Offer and Consent Solicitation will no longer be entitled to the benefits of the restrictive covenants, the additional note guarantees covenant and certain events of default and other provisions that are eliminated pursuant to the Proposed Amendments.

For a description of the consequences of failing to tender your Existing Notes pursuant to the Exchange Offer, see “Risk Factors—Risks Relating to the Exchange Offer and Consent Solicitation.”

Conditions to Exchange Offer and Consent Solicitation	Notwithstanding any other statement in this Exchange Offer Memorandum, the obligation to accept for exchange any Existing Notes validly tendered (and not validly withdrawn) in the Exchange Offer is conditioned upon the satisfaction or waiver, prior to the Settlement Date, of the conditions described under “Description of the Exchange Offer and Consent Solicitation—Conditions to the Exchange Offer and Consent Solicitation”. We have the right to waive any of the conditions to the Exchange Offer and Consent Solicitation, in our sole and absolute discretion, but subject to applicable law.
Amendment; Waiver and Termination	Subject to applicable law, we have the right to terminate or withdraw, in our sole discretion, the Exchange Offer and the Consent Solicitation at any time and for any reason, including if the conditions to the Exchange Offer and the Consent Solicitation are not met by the Expiration Date. We reserve the right, subject to applicable law, (i) to waive any and all of the conditions of the Exchange Offer and the Consent Solicitation, in whole or in part, at any time and from time to time on or prior to the Settlement Date and (ii) to amend the terms of the Exchange Offer and the Consent Solicitation. In the event that the Exchange Offer and the Consent Solicitation are terminated, withdrawn or otherwise not consummated, no consideration will be paid or become payable to holders who have properly tendered their Existing Notes pursuant to the Exchange Offer. In any such event, the Existing Notes previously tendered pursuant to the Exchange Offer will be promptly returned to the tendering holders and any executed supplemental indentures will not become operative with respect to the Existing Notes and the related Consents will be deemed voided. See “Description of the Exchange Offer and Consent Solicitation—Expiration Date; Extensions; Termination; Amendments.”
Information Agent and Exchange Agent	D.F. King & Co., Inc. is serving as Information and Exchange Agent in connection with the Exchange Offer and Consent Solicitation.
Further Information	Requests for additional copies of this Exchange Offer Memorandum and any other documents referred to in this Exchange Offer Memorandum should be directed to the Information and Exchange Agent at one of its addresses set forth on the back cover page of this Exchange Offer Memorandum. The telephone number of the Information and Exchange Agent is U.S. toll at +1 (212) 269-5550 and toll free at +1 (877) 478-5040. The e-mail address of the Information and Exchange Agent is findep@dfking.com .
Risk Factors	Holders of Existing Notes should consider carefully all of the information included in this Exchange Offer Memorandum and, in particular, the information set forth under “Risk Factors — Risks Relating to the Exchange Offer and Consent Solicitation” before making a decision to participate in the Exchange Offer and Consent Solicitation.

THE STEP-UP NOTES

The following is a brief summary of certain terms of the Step-Up Notes and the Note Guarantees. Certain of the terms and conditions described below are subject to important limitations and exceptions. The “Description of the Step-Up Notes” section of this Exchange Offer Memorandum contains a more detailed description of the terms and conditions of the Step-Up Notes.

Issuer.....	Financiera Independencia, S.A.B. de C.V., <i>Sociedad Financiera de Objeto Múltiple, Entidad No Regulada</i> .
Notes Offered.....	10.000% Senior Notes due 2028.
Subsidiary Guarantors.....	Apoyo Económico Familiar, S.A. de C.V., <i>Sociedad Financiera de Objeto Múltiple, Entidad No Regulada</i> , and Apoyo Financiero Inc. will guarantee the Step-Up Notes.
Maturity Date.....	March 1, 2028.
Interest Rate	Interest on the Step-Up Notes will accrue at a rate of 10.000% per annum from and including March 1, 2023 (the “Issue Date”) to (but excluding) March 1, 2026 (the “Interest Step-Up Date”). Thereafter, from and including the Step-Up Date to (but excluding) March 1, 2028, the Step-Up Notes will bear interest at a rate of 12.000% per annum
Interest Payment Dates	March 1 and September 1 of each year, beginning on September 1, 2023.
Minimum Denominations	The Step-Up Notes will be issued in minimum denominations of U.S.\$160,000 and any integral multiple of U.S.\$1,000 in excess thereof.
Ranking.....	<p>The Step-Up Notes will:</p> <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 Step-Up Notes.
Change of Control.....	Upon the occurrence of a Change of Control Triggering Event (as defined under “Description of the Step-Up Notes”), we will be required to make an offer to purchase the Step-Up Notes at a purchase price equal to 101% of

	<p>their principal amount, plus any Additional Amounts (as defined under “Description of the Step-Up Notes”), if any, plus any accrued and unpaid interest to, but excluding, the purchase date. See “Description of the Step-Up Notes — Change of Control Triggering Event.”</p>
Optional Redemption	<p>On or after March 1, 2024, we may, at our option, redeem the Step-Up Notes, in whole or in part, at any time at a redemption price equal to 100% of their principal amount, plus any Additional Amounts, if any, plus accrued and unpaid interest to, but excluding, the date of redemption. See “Description of the Step-Up Notes—Optional Redemption—Optional Redemption at Par.”</p>
Tax Redemption.....	<p>We may redeem the Step-Up 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 Step-Up Notes. See “Description of the Note 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 Step-Up Notes in respect of principal, interest or other payments on the Step-Up Notes, after any withholding or deduction of tax, will not be less than the amount each holder of notes would have received if such withholding or deduction had not applied. See “Description of the Step-Up Notes—Additional Amounts.”</p>
Certain Covenants.....	<p>The indenture governing the Step-Up Notes (the “New Indenture”) 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 the Step-Up Notes—Certain Covenants.”</p>
Events of Default	<p>The New Indenture sets forth the events of default applicable to the Step-Up Notes. See “Description of the Step-Up Notes—Events of Default.”</p>
Further Issuances	<p>Subject to the limitations contained in the New Indenture, we may from time to time and without providing notice to or obtaining the consent of the holders of the Step-Up Notes issue an unlimited principal amount of</p>

	Additional Notes of the same series as the Step-Up Notes initially issued in the Exchange Offer.
Use of Proceeds	We will not receive any cash proceeds from the Exchange Offer. See “Use of Proceeds.”
Taxation	For a summary of the Mexican federal income tax consequences of an investment in the Step-Up Notes, see “Certain Mexican Tax Considerations.”
Book-Entry; Delivery and Form	The Step-Up 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. See “Book-Entry; Delivery and Form.”
Settlement	The Step-Up Notes will be delivered in book-entry form through the facilities of DTC for the accounts of its direct and indirect participants.
Transfer Restrictions	The Step-Up Notes are being offered for exchange only outside the United States, to holders of Existing Notes other than “U.S. persons” (as defined in Rule 902 under the Securities Act), who are not acquiring Step-Up Notes for the account or benefit of a U.S. person, and who are “non-U.S. qualified offerees” (as defined under “Transfer Restrictions”), in offshore transactions meeting the requirements of Rule 903 of Regulation S. The Step-Up 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 the offering of the Step-Up Notes outside of Mexico. The Step-Up 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. See “Transfer Restrictions.”
Governing Law	The New Indenture and the Step-Up 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
Risk Factors	Eligible Holders participating in the Exchange Offer should consider carefully all of the information included in this Exchange Offer Memorandum and, in particular, the information set forth under “Risk Factors” before making an investment in the Step-Up 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 Exchange Offer 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” and our financial statements and related notes included elsewhere in this Exchange Offer Memorandum. Certain amounts and percentages included in this Exchange Offer 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 CNBV published in the Official Gazette of the Federation on December 4, 2020, and December 30, 2021, Resolutions requiring institutions that prepare their financial statements under Mexican Banking GAAP to adopt certain new accounting standards effective as of January 1, 2022. In addition, the CNBV adopted certain modifications to NIF B-6 — “Loan Portfolio,” which also became effective on January 1, 2022. For a detail description of the new accounting standards in effect as of January 1, 2022 and the amendments to NIF B-6, see note 25 to our audited consolidated financial statements included elsewhere in this Exchange Offer Memorandum. As a result of the adoption of the new accounting standards and the modifications to existing ones, our financial information as of and for the year ended December 31, 2022 (including any interim period in 2022) are not be comparable with our financial information as of and for the year ended December 31, 2021 (including any interim period in 2021). See “Presentation of Financial and Other Information — Accounting Principles — Changes in accounting standards” and “Risk Factors — Risks Relating to Our Business — Changes in accounting standards could impact our financial reporting and the comparability of our historical financial information.”

The consolidated balance sheet data as of September 30, 2022 and the consolidated income statement data for the nine-month period ended September 30, 2022 are derived from our unaudited interim consolidated financial statements included elsewhere in this Exchange Offer Memorandum. Pursuant to the rules of the CNBV, quarterly and annual consolidated financial statements for the year ended December 31, 2022 published by institutions that prepare their financial statements under Mexican Banking GAAP (including us) should not be presented with comparative figures for each of the quarters in 2021 and for the year ended December 31, 2021. The consolidated income statement data for the nine-month period ended September 30, 2021 are derived from our unaudited interim consolidated financial statements as of September 30, 2021 and for the nine-month periods ended September 31, 2021 and 2020, which are not included in this Exchange Offer Memorandum. The consolidated balance sheet data as of and for the year ended December 31, 2021 and 2020 are derived from our audited consolidated financial statements included elsewhere in this Exchange Offer Memorandum. Our consolidated financial statements are presented in thousands of *Pesos*, whereas all other figures presented in this Exchange Offer Memorandum are presented in millions of *Pesos*, unless otherwise indicated.

Our consolidated financial statements have been prepared in accordance with Mexican Banking GAAP.

	For the Nine-Month Period Ended September 30,			For the Year Ended December 31,		
	2022	2022 ⁽¹⁾	2021	2021	2021	2020
	<i>(in millions of U.S.\$, unless otherwise indicated) ⁽²⁾</i>	<i>(in millions of Ps., unless otherwise indicated)</i>		<i>(in millions of U.S.\$, unless otherwise indicated) ⁽³⁾</i>	<i>(in millions of Ps., unless otherwise indicated)</i>	
Statement of Income:						
Interest income	173.1	3,484.1	3,102.3	206.4	4,232.7	4,827.2
Interest expense	(20.7)	(415.8)	(399.9)	(25.7)	(526.8)	(729.9)
Financial margin	152.4	3,068.3	2,702.4	180.7	3,705.9	4,097.3
Allowance for loan losses ⁽⁴⁾	(48.6)	(979.1)	(568.8)	(41.4)	(849.7)	(1,716.0)
Financial margin adjusted by credit risks	103.8	2,089.3	2,133.6	139.3	2,856.2	2,381.3
Commission and fee income	22.1	445.4	334.9	21.2	434.6	296.5
Commission and fee expense	(3.0)	(59.8)	(51.1)	(3.3)	(68.2)	(77.1)
Financial intermediation, net	2.8	56.1	(23)	(1.3)	(26.2)	380.8
Other operating income, net	3.9	77.9	120.8	8.1	165.9	130.9
Administrative and promotional expenses ..	(97.3)	(1,957.5)	(2,027.8)	(131.8)	(2,703.5)	(3,048.8)
Net operating income	32.4	651.3	487.4	32.1	658.7	63.5
Equity in results of associated companies ..	—	—	—	—	—	37.2
Net income before taxes	32.4	651.3	487.4	32.1	658.7	100.7
Current income taxes	(3.4)	(68.7)	(33.7)	(2.4)	(50.2)	21.9
Deferred income taxes, net	(6.4)	(127.9)	(98.1)	(6.3)	(128.3)	(76.9)
Net income before discontinued operations	22.6	454.7	355.6	23.4	480.3	45.8
Discontinued operations	(0.2)	(3.2)	—	(6.5)	(133.4)	(458.4)
Net income (loss)	22.4	451.5	355.6	16.9	346.9	(412.7)
Weighted average number of shares (millions)	337.5	337.5	337.5	309.7	309.7	249.6
Earnings (loss) per share	US\$.0665	Ps.1.3378	Ps.1.0536	U.S.\$0.0546	Ps.1.1201	Ps.1.6533

- (1) As a result of the adoption of the new accounting standards and the modifications to existing ones which became effective as of January 1, 2022: (a) our consolidated financial information as of September 30, 2022 is not comparable with our consolidated financial information as of December 31, 2021 and (b) our consolidated financial information for the nine-month period ended September 30, 2022 is not comparable with our consolidated financial information for the nine-month period ended September 31, 2021.
- (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.20.1271 per U.S.\$1.00, based on the Mexican Central Bank exchange rate published on September 30, 2022.
- (3) 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.20.5075 per U.S.\$1.00, the exchange rate published by the Mexican Central Bank on December 31, 2021 as the rate for the payment of obligations denominated in non-Mexican currency payable in Mexico.
- (4) Allowance 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 Nine-Month Period Ended September 30,			As of and for the Year Ended December 31,		
	2022 <i>(in millions of U.S.\$, unless otherwise indicated)⁽²⁾</i>	2022 ⁽¹⁾ <i>(in millions of Ps., unless otherwise indicated)</i>	2021	2021 <i>(in millions of U.S.\$, unless otherwise indicated)⁽³⁾</i>	2021 <i>(in millions of Ps., unless otherwise indicated)</i>	2020
Balance Sheet Data:						
Cash and cash equivalents.....	50.9	1,024.8	685.3	22.1	452.4	858.9
Derivatives	8.8	177.8	298.5	14.2	292.1	239.7
Total loan portfolio, net.....	374.1	7,529.7	6,912.9	344.0	7,055.4	6,327.8
Other accounts receivable, net.....	23.9	481.1	395.8	27.1	555.8	612.6
Property, furniture and equipment, net	7.1	143.2	154.6	7.2	147.4	180.3
Deferred income taxes and employee statutory profit sharing, net	38.1	766.4	769.6	34.6	710.4	930.9
Permanent investments	2.2	43.5	43.5	2.1	43.5	43.5
Long-live assets available for sale	—	—	137.0	6.7	137.0	-
Goodwill	50.1	1,008.8	1,187.3	49.2	1,008.8	1,187.3
Right of use asset.....	19.0	381.9	—	—	—	—
Deferred changes, prepaid expenses and intangibles.....	12.8	258.1	68.4	9.6	196.1	247.8
Total assets	587.0	11,815.3	10,652.9	516.8	10,599.0	10,628.8
International bonds ⁽⁴⁾	164.7	3,315.4	3,709.0	184.6	3,786.2	3,860.6
Bank and other borrowings	132.5	2,665.9	1,705.7	79.0	1,620.8	2,050.2
Lease liability	19.7	397.0	—	—	—	—
Other accounts payable	39.6	797.5	738.7	34.7	710.7	627.9
Income tax payable.....	1.4	29.0	4.3	1.1	21.6	15.0
Deferred credits and prepayments.....	0.2	4.7	5.5	0.3	5.2	24.1
Total liabilities	358.2	7,209.5	6,163.2	299.6	6,144.6	6,577.9
Capital stock	7.8	157.2	157.2	7.7	157.2	157.2
Share premium.....	78.2	1,574.7	1,574.7	76.8	1,574.7	1,574.7
Statutory reserves	0.7	14.3	14.3	0.7	14.3	14.3
Retained earnings	118.1	2,377.3	2,292.4	111.8	2,292.3	2,714.1
Results from valuation of cash flow hedge instruments.....	1.1	22.3	41.8	2.8	57.2	(30.1)
Cumulative translation adjustment....	0.6	11.2	56.4	0.7	14.5	36.1
Remeasurements employee's defined benefits.....	0.1	(2.7)	(2.7)	0.1	(2.7)	(2.7)
Net income.....	22.4	451.5	355.6	16.9	346.9	(412.7)
Total stockholders' equity	228.8	4,605.8	4,489.7	217.2	4,454.4	4,050.9
Total liabilities and stockholders' equity.....	587.0	11,815.3	10,652.9	516.8	10,599.0	10,628.8

(1) As a result of the adoption of the new accounting standards and the modifications to existing ones which became effective as of January 1, 2022: (a) our consolidated financial information as of September 30, 2022 is not comparable with our consolidated financial information as of December 31, 2021 and (b) our consolidated financial information for the nine-month period ended September 30, 2022 is not comparable with our consolidated financial information for the nine-month period ended September 31, 2021.

(2) Solely for the convenience of the reader, consolidated statement of income and consolidated balance sheet data expressed in U.S. dollars have been translated at the rate of Ps.20.1271 per U.S.\$1.00, based on the Mexican Central Bank exchange rate published on September 30, 2022.

(3) Solely for the convenience of the reader, consolidated statement of income and consolidated balance sheet data expressed in U.S. dollars have been translated at the rate of Ps.20.5075 per U.S.\$1.00, the exchange rate published by the Mexican Central Bank on December 31, 2021 as the rate for the payment of obligations denominated in non-Mexican currency payable in Mexico.

(4) Corresponds to the Existing Notes, which in our audited consolidated financial statements appear under the line item "securitization liabilities."

RISK FACTORS

An investment in our securities involves a high degree of risk. You should carefully consider the risks and uncertainties described below and the other information in this Exchange Offer Memorandum before deciding to participate in the Exchange Offer and Consent Solicitation. 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 Step-Up Notes and under other existing or future indebtedness.

This Exchange Offer 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 Exchange Offer Memorandum.

Risks Relating to the Exchange Offer and Consent Solicitation

No recommendation is being made concerning the Exchange Offer and Consent Solicitation.

None of the Company, the Dealer Manager and Consent Solicitation, the Information and Exchange Agent or the trustees makes any recommendation to any Eligible Holder whether to tender for exchange or refrain from tendering any or all of such Eligible Holder's Existing Notes, or to deliver or refrain from delivering any Consents, and neither the Company nor any such other person has authorized any person to make any such recommendation. In addition, neither our board of directors nor our management has made any determination that the consideration to be received in the Exchange Offer and Consent Solicitation represents a fair valuation of the Existing Notes. The Company has not obtained a fairness opinion from any financial advisor or other person about the fairness to the Company or to you of the consideration to be received by Eligible Holders of Existing Notes who validly tender, and do not validly withdraw (and whose tenders are accepted for exchange), their Existing Notes in the Exchange Offer and Consent Solicitation.

Eligible Holders are urged to evaluate carefully all information in this Exchange Offer Memorandum, including the expiration deadlines included herein, consult their own investment and tax advisors and make their own decisions whether to tender Existing Notes and, if so, the principal amount of Existing Notes to tender for exchange, and whether to deliver any Consent.

The Exchange Offer and Consent Solicitation is subject to conditions, and it may be cancelled or delayed.

The consummation of the Exchange Offer and the Consent Solicitation is subject to the satisfaction or waiver of a number of conditions as set forth in this Exchange Offer Memorandum. We have the right to terminate or withdraw, in our sole discretion, subject to applicable law, the Exchange Offer and the Consent Solicitation at any time and for any reason, including failure to satisfy any condition to the Exchange Offer and Consent Solicitation. We may also decide to terminate the Consent Solicitation and continue the Exchange Offer, or to terminate the Exchange Offer and continue with the Consent Solicitation. Even if the Exchange Offer is consummated, it may not be consummated on the timetable set forth at the beginning of this Exchange Offer Memorandum. Accordingly, holders participating in the Exchange Offer may have to wait longer than expected to receive their Step-Up Notes, during which time such holders will not be able to effect transfers or sales of their Existing Notes tendered pursuant to the Exchange Offer or their Step-Up Notes to be issued in the Exchange Offer.

You must comply with the Exchange Offer procedures to receive Step-Up Notes.

Delivery of Step-Up Notes in exchange for Existing Notes tendered and accepted for exchange pursuant to the Exchange Offer will be made only after timely receipt by the Information and Exchange Agent of book-entry confirmation of a book-entry transfer (a "Book-Entry Confirmation") of Existing Notes into the Information and Exchange Agent's account at DTC, as a depository, including an Agent's Message (as defined herein), and any other documents required by us or the Exchange Agent.

Therefore, holders of Existing Notes who would like to tender Existing Notes in exchange for Step-Up Notes should be sure to allow enough time for the necessary documents to be timely received by the Information and Exchange Agent. We are not required to notify you of defects or irregularities in tenders of Existing Notes for exchange.

Effects of Withdrawal Rights.

The Exchange Offer and Consent Solicitation expire on the Expiration Date, and at or following the Withdrawal Date, withdrawal rights will only be provided as may be required by applicable law. As a result, there may be a long period of time during which participating holders may be unable to effect transfers or sales of their Existing Notes.

Holders who fail to exchange their Existing Notes may have reduced liquidity after the Exchange Offer.

To the extent that Existing Notes are tendered and accepted for purchase in the Exchange Offer, the trading market, if any, for the Existing Notes that remain outstanding thereafter will become more limited than the current trading market for the Existing Notes. A debt security with a smaller outstanding aggregate principal amount available for trading, or a float, may command a lower price than would a comparable debt security with a greater float. Therefore, the market price for Existing Notes not tendered and accepted for purchase may be affected adversely to the extent the amount of Existing Notes tendered and accepted for purchase pursuant to the Exchange Offer reduces the liquidity of the Existing Notes.

To the extent a market continues to exist for the Existing Notes following consummation of the Exchange Offer, the Existing Notes may trade at a discount compared to present trading prices depending on prevailing interest rates, the market for debt instruments with similar credit features, our operating and financial performance and other factors.

If the Proposed Amendments become operative, holders of Existing Notes will no longer benefit from the protections provided by substantially all of the existing restrictive covenants, certain events of default and other provisions in the Existing Notes Indenture.

The Proposed Amendments would, among other things, eliminate substantially all of the restrictive covenants, the additional note guarantees covenant and certain events of default and related provisions in the Existing Notes Indenture, including, among other things, covenants that limit our ability to incur indebtedness, make restricted payments, create or incur liens and engage in mergers or consolidations or transfers of all or substantially all of our property and assets. The elimination of these protections could permit us, subject to restrictions in our other debt instruments (including the New Indenture), to take certain actions that could materially increase our credit risk or could otherwise be materially adverse to holders, and could adversely affect the market prices and credit ratings of the remaining Existing Notes. See “Description of the Exchange Offer and Consent Solicitation—Proposed Amendments.”

The Proposed Amendments will not relieve the Company from its obligation to make scheduled payments of principal and accrued interest on Existing Notes not tendered and accepted for purchase pursuant to the Exchange Offer in accordance with the terms of the Existing Notes Indenture currently in effect. Although the Company and the guarantors of the Existing Notes may be subject to restrictive covenants contained in our other debt instruments (including the New Indenture), holders of Existing Notes who do not tender their Existing Notes will not be able to enforce those covenants, and those covenants will be subject to change without the consents of such holders.

Your decision to tender your consents and Existing Notes for Step-Up Notes exposes you to the risk of nonpayment for a longer period of time.

The Existing Notes mature on July 19, 2024. The Step-Up Notes will mature in March 2028. If, following the maturity date of the Existing Notes but prior to the maturity date of the Step-Up Notes, we were to become subject to a bankruptcy or similar proceeding, the holders of Existing Notes who did not exchange their Existing Notes for Step-Up Notes could have been paid in full and there would exist a risk that holders of Existing Notes who exchanged their Existing Notes for Step-Up Notes would not be paid in full, if at all. Your decision to tender your Existing Notes should be made with the understanding that the lengthened maturity of the Step-Up Notes exposes you to the risk of nonpayment for a longer period of time.

We may acquire Existing Notes in other transactions.

From time to time, we may acquire Existing Notes that are not tendered in the Exchange Offer and Consent Solicitation through open-market purchases, privately negotiated transactions, tender offers, exchange offers or otherwise, upon such terms and at such prices as we may determine, which may be more or less than the price to be paid pursuant to the Exchange Offer and Consent Solicitation and could be for cash, securities or other consideration. Alternatively, we may, subject to certain conditions, redeem any or all Existing Notes not exchanged pursuant to an Exchange Offer and Consent Solicitation at any time pursuant to the terms of the Existing Notes Indenture. There can be no assurance as to which, if any, of these other alternatives (or combinations thereof) we will choose to pursue. Any of these transactions, may be on terms more or less favorable from those contemplated in the Exchange Offer and Consent Solicitation, and such transactions could be for cash or other consideration, as applicable.

Risks relating to the Step-Up Notes and the Note Guarantees

See “—Risks Relating to the Step-Up Notes and the Note Guarantees” for a discussion of certain risks relating to the Step-Up Notes and the guarantee provided by Subsidiary Guarantors.

Risks Relating to Our Business

Our operations and results have been materially and adversely impacted by the COVID-19 pandemic.

Since December 2019, a novel strain of coronavirus has spread throughout the world, including Mexico. Such events have caused disruption of regional and global economic activity, which affected our operations and financial results in 2020 and 2021, and continue to impact our operations and financial results in 2022, mainly due to worsen global economic conditions in the aftermath of the COVID pandemic.

During the first quarter of 2020, the Mexican government implemented a nationwide shutdown of non-essential economic activities, as well as confinement and social distancing measures and a sentinel epidemiological surveillance system, instead of a massive testing strategy to count and report cases, while borders and international flights remained open. On March 30, 2020, the Mexican Federal Government declared a health emergency based on force majeure as a result of the COVID-19 pandemic and announced several measures to address it, including enhancement of sanitary measures and the suspension of all non-essential activities. Further into the year, national lockdowns were phased-out and replaced by the implementation of different measures at the local level. Furthermore, the government provided only a very modest recovery package for some of the country’s poorest citizens without applying the major fiscal measures seen in other countries to face the economic turmoil caused by the COVID-19 pandemic in the economy.

As of the date of this Exchange Offer Memorandum, the extent of the COVID-19 pandemic (including its variants) remains uncertain. The virus continues to spread globally and to cause significant social and market disruption. The extent of the impact of the COVID-19 on our operational and financial performance will depend on future developments, including the duration and spread of new variants, and the availability and effectiveness of vaccines.

Although recently some segments of the global economy have experienced a moderate recovery, there is uncertainty about the future economic environment and we cannot be sure when the current economic conditions will improve. In the event of an economic downturn or insufficient recovery, the negative effects that such economic and market conditions have on us and other participants in the financial services industry could worsen.

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 and U.S. 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 four times the Mexico City minimum monthly wage (Ps.5,186.1 and Ps.20,744.4 per month (U.S.\$259.3 and U.S.\$1,037.2 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 and U.S. particularly savings institutions, cooperatives, credit unions, retailers, consumer loan and informal loan providers, 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 (“NGOs”). In addition, we face competition from the public sector, as the Mexican and U.S. 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 in the U.S. and as our business becomes increasingly well known. The extensive competition we face is also stressed 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 and U.S. 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, and the U.S. 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 comprised of lines of credit with HSBC Mexico, Nacional Financiera, Sociedad Nacional de Crédito, Institución de Banca de Desarrollo, or Nafinsa, BBVA, Bridge Bank, Banco Monex, S.A., Institución de Banca Múltiple, Monex Grupo Financiero, Banco del Bajío, S.A., Institución de Banca Múltiple, Banco Ve por Más, S.A., Institución de Banca Múltiple, Grupo Financiero Ve por Más, Banco Santander México, Institución de Banca Múltiple, Grupo Financiero Santander México, and Banco Sabadell, S.A., Institución de Banca Múltiple. We have also in the past offered and sold senior notes in the international capital markets, including the Existing Notes. 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.

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.

A sustained increase in interest rates could 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 and U.S. economies 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 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 Step-Up 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 and the U.S., 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 in Mexico, changes to Mexican governmental regulations, including the possibility of 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.

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 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. Moreover, on September, 2022, the Mexican Supreme Court of Justice issued an additional ruling of mandatory application setting forth that, in the event a judge determines that an interest rate is effectively excessive pursuant to the foregoing, the reduction thereof should apply retroactively with respect to interests already paid, as such reduction arises as a dissuasive measure to prevent future credits or loans from including notoriously excessive interests which violate the human right to property. 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 and cloud-based 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 28 trademarks and 12 commercial advertisements registered with the Mexican Institute for Intellectual Property (*Instituto Mexicano de la Propiedad Industrial*) and one trademark duly registered with the United States Patent and Trademark Office. 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 U.S. markets. We cannot assure you that all of the steps we have taken to protect our trademarks in Mexico and in the U.S. 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 September 30, 2022, 67% of our labor force is 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, our ability to conduct our operations could be impaired and, therefore, our business, results of operations, prospects and financial position could be adversely affected. The Company shares profits with its employees according to Mexican law.

We may be exposed to certain employee risks

Employee risks, like any other business risk, are inevitable in any company. Employees are the most valuable asset but concurrently a vulnerability of any company. These employee risks fall into the following categories: (a) Employment Practices Liability Risks - Employment practices are activities the employees carry out in the workplace. These risks result from the interactions among the employees, and arise mainly from unethical or illicit activities carried out in the workplace, and include the following: sexual harassment, defamation, discrimination; (b) Professional Liability Risks - Professional risks result from employee mistakes, negligence or errors serving our customers. These risks exist in the employee-customer interactions and include: compromising a customer's data, and

delivering incomplete information of products; and (c) Fraud or Financial Mismanagement Risk - The Company must delegate certain essential financial activities to some employees, bearing the risk of fraud, embezzlement and mismanagement of business finances. These Fraud risk can put a company at the risk of losing money or revenue. All employee risks can lead to claims and lawsuits that can also impact the company's reputation

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 issued by Mexican governmental authorities, particularly CONDUSEF and CNBV.

However, we could become subject to additional regulation applicable to specific financial institutions in the event we (i) issue debt securities registered with the RNV, (ii) voluntarily adopt this regime, or (iii) we become financially connected to, among other financial entities, a Mexican bank. 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 together with an interest of at least 51% of the banking institution, 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

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 volatility and has been adversely affected by a worldwide increase in inflation, loss of confidence in the financial sector, disruptions in the credit markets, reduced business activity, and erosion of consumer confidence. The rising inflationary pressures as the aftermath of the COVID crisis, have set the tone for the U.S. Federal Reserve, and Central Banks around the world, to tighten their monetary policies at a fast pace throughout 2022.

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 USMCA, and there are high levels of economic activity between the two countries.

Furthermore, current 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.

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 and U.S. 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 and in the U.S. 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.

Servicing our indebtedness, including the Step-Up 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 Step-Up 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.

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

Throughout our history, we have made significant acquisitions, including our acquisition of AFI and AEF in 2011, and we 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 our securities, including the Step-Up 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 Step-Up 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 interest rates;
- 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 Step-Up Notes.

Class actions may be initiated against us by CONDUSEF, which 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 has standing 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 regulations 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 and the United States. These laws and regulations require us and our subsidiaries that are financial entities, 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 material fines or other material 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.

Changes in accounting standards could impact our financial reporting and the comparability of the comparability of our historical financial information.

The organizations that set accounting standard and other regulatory bodies periodically change the financial accounting and reporting standards that govern the preparation of our consolidated financial statements, including those included elsewhere in this Exchange Offer Memorandum. Changes in accounting standards can materially impact how we recognize and report our financial condition and results as well as the comparability of the financial information presented in this Exchange Offer Memorandum. See “Presentation of Financial and Other Information — Accounting Principles.”

For instance, pursuant to the rules of the CNBV, commencing on January 1, 2022, we were required to adopt the following accounting standards:

- NIF B-17 — “Fair value measurement;”
- NIF C-2 — “Investments in financial instruments;”
- NIF C-3 — “Accounts receivable;”
- NIF C-9 — “Provisions, contingencies and commitments;”
- NIF C-10 — “Derivative financial instruments and hedging relationships;”
- NIF C-14 — “Derecognition and transfer of financial assets;”
- NIF C-16 — “Impairment of financial instruments receivables;”
- NIF C-19 — “Financial instruments payable;”
- NIF C-20 — “Financial instruments to collect principal and interest;”
- NIF D-1 — “Revenue from contracts with clients;”
- NIF D-2 — “Cost from contracts with clients;”
- NIF D-5 — “Leases.”

In addition, in connection with the implementation of NIF C-16 — “Impairment of financial instruments receivables” the CNBV adopted certain modifications to NIF B-6 — “Loan Portfolio,” which also became effective on January 1, 2022. The modifications to NIF B-6, included modifications to the standard methodologies for rating and calculation of portfolio reserves and recalibration of the standard methodologies for recognition and valuation of the loan portfolio.

As a result of the adoption of these accounting standards, our financial information as of and for the year ended December 31, 2021 (including any interim period in 2021) will not be comparable with our financial information as of and for the year ending December 31, 2022 (including any interim period in 2022). Therefore, our consolidated

financial information as of and for the nine-month period ended September 31, 2022, is not comparable with our consolidated financial information for the nine-month period ended September 2021, in each case, presented in this Exchange Offer Memorandum.

For a detail description of the new accounting standards in effect as of January 1, 2022 and the amendments to NIF B-6, see note 25 to our audited consolidated financial statements included elsewhere in this Exchange Offer Memorandum.

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, and with significant operations in the United States. As such, our business may be significantly affected by the general conditions of the Mexican and U.S. economies.

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.

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 financially 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.

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.

Our US operations, through AFI, have reached significant importance as its loan portfolio represents 44% of our total consolidated loan portfolio as of September 30, 2022. As such, economic and financial drawbacks in the United States could have an impact on our consolidated financial condition and results of operations.

Moreover, 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 USMCA, and increased economic activity between the two countries. Therefore, adverse economic conditions in the United States 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.

While the Peso has had a relatively stable performance against the U.S. dollar in the recent past, historically it has recorded volatility episodes in times of economic distress in the global markets. For instance, in 2016, 2018 and 2020, the *Peso* devalued the worst since the financial crisis of 2008.

Because a majority of our revenues are, and are expected to continue to be, denominated in *Pesos*, if the value of the *Peso* decreases against the U.S. dollar, as has been the case in the recent past, our cost of financing may increase for U.S. dollar-denominated debt that we may incur or have outstanding, including the Step-Up 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 Step-Up Notes, and any other U.S. dollar-denominated debt that we may incur.

Furthermore, given the structure from our current hedging instruments, we may be subject to margin calls, if volatility translates into a large appreciation of the Mexican *Peso*.

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 was 2.8% in 2019, 7.6% in 2020 and 7.6% in 2021. Inflation has been more of an issue recently than in the recent past.

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.

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 Step-Up Notes and the Note Guarantees

Our substantial level of debt could impair our financial condition.

We currently have, and after the Exchange Offer and Consent Solicitation will have, a substantial amount of debt. As of September 30, 2022, we had Ps.3,315.4 million (U.S.\$164.7 million) in USD-denominated debt securities maturing in 2024, and an aggregate Ps.2,665.9 million (U.S.\$132.4 million) in loans (from both commercial and development banks) and senior notes. 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 the Subsidiary Guarantors or future guarantors may incur substantially more debt, which could further exacerbate the risks associated with our indebtedness.

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

The New 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 New 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 Step-Up Notes. Under the New Indenture, if a Change of Control occurs, we must offer to buy back the Step-Up Notes for a price equal to 101% of the principal amount of the Step-Up Notes, plus any accrued and unpaid interest. For more information on the Change of Control covenant, see “Description of the Step-Up Notes—Change of Control Triggering Event.” We may not have sufficient funds available to us to make any required repurchases of the Step-Up Notes upon a Change of Control. If we fail to repurchase the Step-Up Notes in those circumstances, we will be in default under the New Indenture, which may, in turn, trigger cross default provisions in our other debt instruments.

The Step-Up Notes may not be transferred freely.

The Step-Up 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 Step-Up 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 Step-Up 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 Step-Up Notes may not develop.

Currently there is no market for the Step-Up Notes. We do not intend to apply for listing of the Step-Up Notes on any securities exchange or for inclusion of the Step-Up Notes in any automated quotation system. A trading market for the Step-Up Notes may not develop, or if a market for the Step-Up Notes were to develop, the Step-Up Notes may trade at a discount from their principal amount, depending upon many factors, including prevailing interest rates, the market for similar securities, general economic conditions and our financial condition. The Dealer Manager and Consent Solicitation is under no obligation to make a market with respect to the Step-Up 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 Step-Up Notes. If an active market for the Step-Up Notes does not develop or is interrupted, the market price and liquidity of the Step-Up Notes may be adversely affected.

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

If proceedings are brought in Mexico seeking to enforce our obligations in respect of the Step-Up 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 Step-Up Notes would release us from our obligations under the Step-Up 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 New 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 Step-Up Notes against exchange losses may not be enforceable under Mexican law.

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

Under Mexico's current bankruptcy law (*Ley de Concursos Mercantiles*, the "Bankruptcy Law"), if we or any of the Subsidiary Guarantors incorporated in Mexico are declared bankrupt (*en quiebra*) or in *concurso mercantil*, our obligations and the obligations of any Subsidiary Guarantor incorporated in Mexico under the Step-Up 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 any Subsidiary Guarantor incorporated in Mexico are declared bankrupt or become subject to *concurso mercantil*, any amount by which the stated principal amount of the Step-Up Notes exceeds their accreted value may be regarded as not matured and, therefore, claims of holders of the Step-Up Notes may only be allowed to the extent of the accreted value of the Step-Up 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 Step-Up Notes.

The Step-Up Notes and the Note Guarantees will be effectively subordinated to our secured debt and to certain claims preferred by statute.

Our obligations under the Step-Up Notes, and the obligations of the guarantors under the guarantees, are unsecured. As a result, the Step-Up 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 September 30, 2022, we had Ps.3,253.3 million (U.S.\$161.6 million) of unsecured debt outstanding (excluding accrued interest). 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 Step-Up 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 Step-Up Notes. Additionally, the claims of holders of the Step-Up 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 Step-Up Notes will be effectively subordinated to all liabilities of these non-guarantor subsidiaries.

Only AEF and AIF will be guarantors of the Step-Up Notes. However, our financial information (including our financial statements included herein) is presented on a consolidated basis. For the year ended December 31, 2021 or in the nine-month period ended September 30, 2022, our non-guarantor subsidiaries did not make a material contribution to our net margin or net income. As of September 30, 2022, our non-guarantor subsidiaries had consolidated total liabilities of Ps.313.98 million (U.S.\$15.6 million). 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 Step-Up 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 Note Guarantees of our Mexican subsidiaries may not be enforceable in the event of bankruptcy.

The Note Guarantees provide a basis for a direct claim against the Subsidiary Guarantors incorporated in Mexico; however, it is possible that the guarantees, under the 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 granting of upstream guarantees and, as a result, does not prevent the guarantees of the Step-Up Notes from being valid, binding and enforceable against the Subsidiary Guarantors incorporated in Mexico, in the event that a Subsidiary Guarantor becomes subject to *concurso mercantil* or to bankruptcy (*quiebra*), the granting 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 Mexican residents and substantially all of the assets of such persons and a majority of our assets are located in Mexico. As a result, it may not be possible for investors to effect service of process outside of Mexico upon such persons or us or to enforce against them or us in courts of any jurisdiction outside Mexico, judgments predicated upon the securities laws of any jurisdiction other than Mexico or under New York law, including any judgment under the New Indenture. We have been advised by our Mexican counsel, White & Case, S.C., that 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 foreign securities laws, would be subject to meeting several requirements set forth by Mexican laws and judicial precedents, which could cause the enforceability of any such actions more difficult to obtain.

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 Company 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 Company 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 Step-Up 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 Step-Up Notes may be unenforceable in Mexico.

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

The credit ratings of the Step-Up Notes may change after issuance. Such ratings are limited in scope, and do not address all material risks relating to an investment in the Step-Up 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 Step-Up Notes.

The New Indenture 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 securities regulators outside of Mexico.

We do not presently file periodic reports and other information with any securities regulator outside of Mexico, and the New Indenture will not require us to file such reports or other information with any regulator in Mexico or elsewhere. The New Indenture will require us to provide annual and quarterly financial information, including English language translations, to the holders of Step-Up Notes and the Trustee. The requirements of the New Indenture, however, will be more limited in certain respects than those applicable to public companies outside of Mexico. See “Description of the Step-Up Notes—Certain Covenants—Reports to Holders.”

USE OF PROCEEDS

We will not receive any cash proceeds from the issuance of the Step-Up Notes in exchange for the Existing Notes. Any Existing Notes that are validly tendered, and not validly withdrawn, in connection with the Exchange Offer, will be retired and cancelled and will not be reissued.

CAPITALIZATION

The following table sets forth our total capitalization as of September 30, 2022, as follows:

- on an actual basis;
- as adjusted to reflect the issuance of Step-Up Notes, cancellation of the outstanding Existing Notes and the payment of Accrued Interest, assuming holders representing 100% of the aggregate principal amount of the Existing Notes participate in the Exchange Offer on or prior to the Early Expiration Date.

You should read this information in conjunction with the “Use of Proceeds,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and other financial information contained in this Exchange Offer Memorandum.

	As of September 30, 2022			
	Actual		As Adjusted	
	<i>(in millions of U.S.\$)⁽¹⁾</i>	<i>(in millions of Ps.)</i>	<i>(in millions of U.S.\$)⁽¹⁾</i>	<i>(in millions of Ps.)</i>
Cash and cash equivalents	50.9	1,024.8	18.0	361.7
International bonds ⁽²⁾	164.7	3,315.4	-	-
Step-up Notes	-	-	131.0	2652.3
Bank and other borrowings	132.5	2,665.9	132.5	2,665.9
Total debt	297.2	5,981.3	264.3	5,318.2
Stockholders’ equity:				
Total stockholders’ equity	233.3	4,605.8	233.3	4,695.8
Total capitalization⁽³⁾	530.5	10,677.1	497.6	10,014.0

- (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.20.1271 per U.S.\$1.00, the exchange rate published by the Mexican Central Bank on September 30, 2022 as the rate for the payment of obligations denominated in non-Mexican currency payable in Mexico. See “Presentation of Financial and Other Information”.
- (2) Corresponds to the Existing Notes.
- (3) Total debt plus stockholders’ equity.

DESCRIPTION OF THE EXCHANGE OFFER AND CONSENT SOLICITATION

General

Upon the terms and subject to the conditions set forth in this Exchange Offer Memorandum, the Company is offering to exchange validly tendered (and not validly withdrawn) and accepted outstanding Existing Notes listed in the below table for its Step-Up Notes described below.

CUSIP No. / ISIN No.	Existing Notes	Outstanding Principal Amount Existing Notes	Step-Up Notes	Exchange Offer Consideration ⁽⁵⁾		+ Early Exchange Payment ⁽³⁾	=	Total Exchange Consideration ⁽⁵⁾	
				Step-Up Notes ⁽¹⁾	Cash Payment ⁽²⁾			Step-Up Notes ⁽¹⁾	Cash ⁽²⁾⁽⁴⁾
P4173S AF1; 31770B AC2 / USP4173SAF13; US31770BAC28	8.000% Senior Notes due 2024	U.S.\$161,637,000	10.000% Step-Up Senior Notes due 2028	U.S.\$800	U.S.\$200	U.S.\$10		U.S.\$800	U.S.\$210

- (1) Consideration in the form of principal amount of Step-Up Notes per U.S.\$1,000 principal amount of Existing Notes that are validly tendered (and not validly withdrawn).
(2) Consideration in the form of a cash payment per U.S.\$1,000 principal amount of Existing Notes that are validly tendered (and not validly withdrawn).
(3) The Early Exchange Payment will be payable to holders who validly tender (and not validly withdraw) Existing Notes on or prior to the Early Expiration Date.
(4) Includes the Early Exchange Payment for Existing Notes validly tendered (and not validly withdraw) on or prior to the Early Expiration Date.
(5) The Exchange Consideration and the Total Exchange Offer Consideration do not include accrued and unpaid interest on Existing Notes accepted for exchange

The Step-Up Notes will mature on March 1, 2028 and will be our direct senior obligations. The Step-Up Notes will bear interest at a rate of 10.000% per annum from and including the Settlement Date, to (but excluding) the Step-Up Date. Thereafter, from and including the Interest Step-Up Date to (but excluding) the Maturity Date, the Step-Up Notes will bear interest at a rate of 12.000% per annum. Interest on the Step-Up Notes will be payable semiannually in arrears on each March 1 and September 1, commencing on September 1, 2023. The Step-Up Notes will be unconditionally and irrevocably guaranteed, jointly and severally, by the Subsidiary Guarantors. Eligible Holders must tender their Existing Notes in order to participate in the Exchange Offer and Consent Solicitation. On the Settlement Date, the Step-Up Notes will be delivered in exchange for outstanding Existing Notes accepted in the Exchange Offer.

Simultaneously with the Exchange Offer, the Company is soliciting Consents to the Proposed Amendments to the Existing Notes Indenture. The purpose of the Consent Solicitation is to obtain the Consents required to adopt the Proposed Amendments, which would, among other things, eliminate substantially all of the restrictive covenants, the additional note guarantees covenant and certain events of default and related provisions contained in the Existing Notes Indenture, as further described below in “—Proposed Amendments. The Proposed Amendments with respect to the Existing Notes will be set forth in the Existing Notes Supplemental Indenture. We expect that the Existing Notes Supplemental Indenture will be executed promptly after receipt of the Requisite Consents. The Existing Notes Supplemental Indenture will be effective immediately upon execution thereof, but the provisions thereof will not be operative until the Settlement Date.

The consummation of the Exchange Offer and Consent Solicitation is conditioned on the satisfaction or waiver of the conditions described under the “—Conditions to the Exchange Offer and Consent Solicitation,” including the authorization by our board of directors and our shareholders of the issuance of the Step-Up Notes. There can be no assurance that any or all of such conditions will be satisfied or waived. Subject to applicable law, we have the right to terminate or withdraw the Exchange Offer and the Consent Solicitation at any time and for any reason, including if any of the conditions described under the “—Conditions to the Exchange Offer and Consent Solicitation” are not satisfied. The Exchange Offer and Consent Solicitation will expire on the Expiration Date.

Eligible holders may not tender their Existing Notes without delivering a Consent with respect to the Existing Notes tendered, and Eligible Holders may not deliver a Consent without tendering the related Existing Notes. Existing Notes may be tendered and related Consents may be delivered only in principal amounts equal to minimum denominations of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof. The Step-Up Notes will be issued in minimum denominations of U.S.\$160,000 and any integral multiple of U.S.\$1,000. Subject to the minimum denomination, the aggregate principal amount of Step-Up Notes issued to each participating Eligible Holder for all Existing Notes properly tendered (and not withdrawn) and accepted by the Company will be rounded down, if necessary, to U.S.\$1,000. The rounded amount will be the principal amount of Step-Up Notes the Eligible Holder will receive and any principal amount of Step-up Notes not received as a result of rounding will be paid by the Company in cash on the Settlement Date.

No alternative, conditional or contingent tenders will be accepted.

Tendered Existing Notes may not be withdrawn and Consents may not be revoked subsequent to the Withdrawal Date, except as required by applicable law. Prior to the Withdrawal Date, if a holder withdraws its tendered Existing Notes, such holder will be deemed to have revoked its Consents and may not deliver Consents without re-tendering its Existing Notes.

Holders may not withdraw previously tendered Existing Notes without revoking any Consents relating to such Existing Notes. In each instance, any revocation is subject to the procedures described under “—Withdrawal of Tenders and Revocations of Consents.” **For the avoidance of doubt, to the extent that a holder has tendered its Existing Notes and delivered its corresponding Consent, in order for such holder to either withdraw the tender of its Existing Notes or revoke its Consent with respect to such Existing Notes, the holder must withdraw both its previously delivered tender and Consent.**

All Existing Notes properly tendered in accordance with the procedures set forth under “—Procedures for Tendering Existing Notes and Delivering Consents” and not properly withdrawn in accordance with the procedures set forth under “—Withdrawal of Tenders and Revocations of Consents” prior to the Withdrawal Date, will, upon the terms and subject to the conditions hereof, be accepted by us.

The Existing Notes Supplemental Indenture will be effective immediately upon execution thereof, but the provisions thereof will not be operative until the Settlement Date. In order to be adopted, the Proposed Amendments require the consent of the holders of a majority in aggregate principal amount of outstanding Existing Notes not owned by us or any of its affiliates. See “—Proposed Amendments.” **If the Requisite Consents are received and the Existing Notes Supplemental Indenture has become operative, the Proposed Amendments will be binding on all holders of such Existing Notes. Accordingly, consummation of the Exchange Offer and the adoption of the Proposed Amendments may have adverse consequences for holders who elect not to tender Existing Notes affected thereby in the Exchange Offer. See “—Proposed Amendments.”**

From time to time after the Expiration Date, we or our affiliates may acquire any Existing Notes that are not tendered and accepted in the Exchange Offer or any Step-Up Notes issued in the Exchange Offer through open market purchases, privately negotiated transactions, tender offers, exchange offers, redemption or otherwise, upon such terms and at such prices as we may determine (or as may be provided for in the Existing Notes Indenture or the Notes Indenture), which with respect to the Existing Notes may be more or less than the consideration to be received by Eligible Holders in the Exchange Offer and, in either case, could be for cash or other consideration. There can be no assurance as to which, if any, of these alternatives or combinations thereof we or our affiliates may choose to pursue in the future.

This Exchange Offer Memorandum contains various terms and conditions that are part of the Exchange Offer and Consent Solicitation. Accordingly, holders should read this Exchange Offer Memorandum carefully.

Total Exchange Consideration and Exchange Offer Consideration

Eligible Holders who validly tender and do not validly withdraw Existing Notes on or prior to the Early Expiration Date will receive the Total Exchange Consideration, which includes the Early Exchange Payment. The Total Exchange Consideration for each U.S.\$1,000 principal amount of Existing Notes validly tendered (and not validly withdrawn) and accepted by us, will consist of (1) U.S.\$800 principal amount of Step-Up Notes and (2) a cash payment of U.S.\$210. The Total Exchange Consideration includes the Early Exchange Payment, which consists of a cash payment of U.S.\$10 per U.S.\$1,000 principal amount of Existing Notes tendered. Eligible Holders who validly tender (and do not validly withdraw) Existing Notes after the Early Expiration Date but prior to the Expiration Date will receive the Exchange Offer Consideration. The Exchange Offer Consideration for each U.S.\$1,000 principal amount of Existing Notes validly tendered (and not validly withdrawn) and accepted by us, will consist of (1) U.S.\$800 principal amount of Step-Up Notes, and (2) a cash payment of U.S.\$200. The Total Exchange Consideration and the Exchange Offer Consideration do not include accrued and unpaid interest on Existing Notes accepted for exchange. Accrued and unpaid interest on the Existing Notes accepted for purchase from the last interest payment date of the Existing Notes up to but excluding the Settlement Date will be paid in cash on the Settlement Date.

Proposed Amendments

The following summarizes the Proposed Amendments to the Existing Notes Indenture for which consents are being sought pursuant to the Consent Solicitation. The summary set forth below of the provisions of the Existing Notes Indenture that are affected by the Proposed Amendments is qualified in its entirety by reference to the full and complete terms in the Existing Notes Indenture, copies of which are available upon request without charge from the Information and Exchange Agent. The Proposed Amendments, if adopted by the holders, would, among other things, eliminate substantially all of the restrictive covenants, the additional note guarantees covenant and certain events of default and related provisions contained in the Existing Notes Indenture.

Pursuant to the terms of the Existing Notes Indenture, the Proposed Amendments set forth below require the Requisite Consents. The Proposed Amendments constitute a single proposal, and a tendering and consenting Eligible Holder must consent to the Proposed Amendments as an entirety and may not consent selectively with respect to certain of the Proposed Amendments. If the Proposed Amendments become effective, the holders of any Existing Notes that are not tendered and accepted for purchase pursuant to the Exchange Offer will be bound by the Proposed Amendments.

The valid tender of Existing Notes by an Eligible Holder pursuant to the Exchange Offer and Consent Solicitation will be deemed to constitute a consent by such Eligible Holder to the Proposed Amendments. We are not soliciting and will not accept consents from Eligible Holders who are not tendering their Existing Notes pursuant to the Exchange Offer and Consent Solicitation.

The Proposed Amendments will, in substance, eliminate the following sections and subsections from the Existing Notes Indenture:

- Section 3.04 — Payment of Taxes.
- Section 3.05 — Further Instruments and Acts.
- Section 3.06 — Waiver of Stay, Extension or Usury Laws.
- Section 3.07 — Change of Control Triggering Event.
- Section 3.08 — Limitation on Incurrence of Additional Indebtedness.
- Section 3.09 — Limitation on Guarantees.
- Section 3.10 — Limitation on Restricted Payments.
- Section 3.11 — Limitation on Asset Sales and Sales of Subsidiary Stock.
- Section 3.12 — Limitation on Securitization.
- Section 3.13 — Limitation on Designation of Unrestricted Subsidiaries.
- Section 3.14 — Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries.
- Section 3.15 — Limitation on Layered Indebtedness.
- Section 3.16 — Limitation on Liens.
- Section 3.17 — Limitation on Transactions with Affiliates.
- Section 3.18 — Conduct of Business.
- Section 3.19 — Report to Holders.
- Section 3.20 — Listing.

- Section 4.01(a)(ii), (a)(iii), (a)(v), and (b) — Merger, Consolidation and Sale of Assets.
- Section 6.01(a)(iv), (a)(v), (a)(vi) and (a)(vii) — Events of Default (with respect to events of default specified in such subsections; for clause (a)(vii), solely with respect to the event of default specified in such subsection relating to any Significant Subsidiary).
- Section 10.05 — Additional Note Guarantees.

The Proposed Amendments to the Existing Notes Indenture would eliminate any references in the Existing Notes Indenture and the Existing Notes to the deleted sections or subsections and any defined terms in the Existing Notes Indenture that are used solely in those deleted sections or subsections.

The foregoing is qualified in its entirety by reference to the Existing Notes Indenture and the form of Existing Notes Supplemental Indenture, copies of which are available upon request without charge from the Information and Exchange Agent.

Expiration Date; Extensions; Termination; Amendments

The Exchange Offer and Consent Solicitation will expire at 5:00 p.m., New York City time, on February 17, 2023, unless extended or earlier terminated. We expressly reserve the right to extend the Exchange Offer and/or the Consent Solicitation, from time to time, in our sole discretion, in which event the term “Expiration Date” shall mean the latest time and date at which the Exchange Offer and/or the Consent Solicitation, as the case may be, as so further extended, shall expire. We will notify the Information and Exchange Agent of any extension by oral or written notice and will make a public announcement thereof by press release or other appropriate means of such extension to the extent required by law. Such announcement would state that the Company is extending the Expiration Date for a specified period.

We expressly reserve the right, at any time or from time to time, regardless of whether or not the conditions set forth in “Conditions to the Exchange Offer and Consent Solicitation” shall have been satisfied,

- (i) to amend the Exchange Offer and/or the Consent Solicitation in any respect,
- (ii) to waive any and/or all unsatisfied conditions, or
- (iv) to terminate the Exchange Offer and/or the Consent Solicitation prior to the Expiration Date;

in each, case by giving written notice of such amendment, waiver or termination to the Information and Exchange Agent. If we modify or extend the terms of the Exchange Offer and Consent Solicitation, withdrawal rights will only be provided as may be required by applicable law.

Any waiver, amendment or modification of the Exchange Offer or the Consent Solicitation will apply to all Existing Notes tendered pursuant to the Exchange Offer and all Consents delivered pursuant to the Consent Solicitation. If we determine that any such waiver, amendment or modification to the terms or conditions of the Exchange Offer or the Consent Solicitation is material, we will give oral or written notice to the Information and Exchange Agent and disseminate amendments or supplements to the Exchange Offer documents, and extend the Exchange Offer or the Consent Solicitation and withdrawal rights, as we determine necessary and to the extent required by law. Any such waiver, amendment or modification will not result in the reinstatement of any withdrawal or revocation rights if those rights had previously expired, except as specifically provided above.

There can be no assurance that we will exercise our right to extend, terminate or amend the Exchange Offer and the Consent Solicitation. During any extension and irrespective of any amendment to the Exchange Offer or the Consent Solicitation, all Existing Notes previously tendered and not withdrawn will remain subject to the Exchange Offer and all Consents previously delivered and not revoked will remain subject to the Consent Solicitation and may be accepted thereafter by us, subject to compliance with applicable law. In addition, we may waive certain conditions without extending the Exchange Offer and the Consent Solicitation in accordance with applicable law.

Announcements

Any extension, termination or amendment of the Exchange Offer or the Consent Solicitation will be followed as promptly as practicable by announcement thereof, such announcement in the case of an extension to be issued no later than 9:00 a.m., New York City time, on the next business day following the previously scheduled Expiration Date. Without limiting the manner in which we may choose to make such announcement, we will not, unless otherwise required by law, have any obligation to publish, advertise or otherwise communicate any such announcement other than by making a release to an appropriate news agency or another means of announcement that we deem appropriate. See also “—Expiration Date; Extensions; Termination; Amendments.”

Procedures for Tendering Existing Notes and Delivering Consents

General

In order to participate in the Exchange Offer and Consent Solicitation, you must validly tender your Existing Notes and validly deliver your Consents to the Information and Exchange Agent as further described below. It is your responsibility to properly tender your Existing Notes and deliver your Consents. We have the right to waive any defects. However, we are not required to waive defects and are not required to notify you of defects in your tender or delivery. We have the right, which may be waived by us, to reject the defective tender of Existing Notes as invalid and ineffective.

Holders may not tender their Existing Notes without delivering a Consent with respect to the Existing Notes tendered, and holders may not deliver a Consent with respect to any Existing Notes without tendering the related Existing Notes.

If you have any questions or need help tendering the Existing Notes, please contact the Information and Exchange Agent whose address and telephone number is listed on the back cover of this Exchange Offer Memorandum.

Tender of and Delivery of Consents for Existing Notes Held in Physical Form

We do not believe that any Existing Notes exist in physical form. If you believe that you hold Existing Notes in physical form, please contact the Information and Exchange Agent regarding procedures for participating in the Exchange Offer and delivering Consents.

Tendering and Consenting With Respect to Existing Notes Held through a Custodian

Any Eligible Holder who wishes to tender Existing Notes should contact its broker, dealer, commercial bank, trust company or other custodial entity promptly and instruct such custodial entity to tender the Existing Notes or deliver Consents on such Eligible Holder's behalf.

Valid Tender of Existing Notes and Delivery of Consents

Except as set forth below with respect to ATOP procedures, for an Eligible Holder to properly tender Existing Notes pursuant to the Exchange Offer and Consent Solicitation, an Agent's Message (as defined below) must be received by the Information and Exchange Agent at the address or facsimile number set forth on the back cover of this Exchange Offer Memorandum prior to the Expiration Date (or the Early Expiration Date, if the holder wishes to receive the Total Exchange Consideration), and the Existing Notes must be transferred pursuant to the procedures for book-entry transfer described below and a Book-Entry Confirmation must be received by the Information and Exchange Agent, in each case on or prior to the Expiration Date (or the Early Expiration Date, if the holder wishes to receive the Total Exchange Consideration).

In all cases, exchange of Existing Notes tendered and accepted pursuant to the Exchange Offer and Consent Solicitation will be made only after timely receipt by the Information and Exchange Agent of:

1. a Book-Entry Confirmation with respect to such Existing Notes; and
2. an Agent's Message.

Book-Entry Transfer

The Information and Exchange Agent intends to establish an account with respect to the Existing Notes at DTC for purposes of the Exchange Offer, and any financial institution that is a participant in the DTC system and whose name appears on a security position listing as the record owner of the Existing Notes may make book-entry delivery of Existing Notes by causing DTC to transfer the Existing Notes into the Information and Exchange Agent's account at DTC in accordance with DTC's procedure for transfer. Although delivery of Existing Notes may be effected through book-entry transfer into the Information and Exchange Agent's account at DTC, an Agent's Message, along with any required signature guarantees and any other required documents, must be transmitted to and received by the Information and Exchange Agent at one of the addresses set forth on the back cover of this Exchange Offer Memorandum on or prior to the Expiration Date (or the Early Expiration Date, if the holder wishes to receive the Total Exchange Consideration).

Tender of Existing Notes through ATOP

DTC participants must electronically transmit their acceptance of the Exchange Offer through DTC's ATOP, for which the transaction is expected to be eligible. In accordance with ATOP procedures, DTC will then verify the acceptance of the Exchange Offer and send an Agent's Message (as defined herein) to the Information and Exchange Agent for its acceptance. Any such tender must be received by the Information and Exchange Agent at or prior to the Expiration Date (or the Early Expiration Date, if the holder wishes to receive the Total Exchange Consideration). If you desire to tender your Existing Notes and deliver your Consent on the day that the Early Expiration Date or the Expiration Date occurs, you must allow sufficient time for completion of the ATOP procedures during the normal business hours of DTC on such date.

An "Agent's Message" is a message transmitted by DTC, received by the Information and Exchange Agent and forming part of the book-entry confirmation, which states that DTC has received an express acknowledgement from you that you have received this Exchange Offer Memorandum and agree to be bound by the terms thereof, and that we may enforce such agreement against you.

Unless an Eligible Holder delivers (either physically or by book-entry delivery) the Existing Notes being tendered to the Information and Exchange Agent, we may, at our option, treat such tender as defective for purposes of delivery of acceptance for exchange and for the right to receive Step-Up Notes. Delivery of documents to DTC (physically or by electronic means) does not constitute delivery to the Information and Exchange Agent.

The exchange of Existing Notes pursuant to the Exchange Offer by the procedures set forth above will constitute an agreement among the tendering holder and the Company in accordance with the terms and subject to the conditions to the Exchange Offer and Consent Solicitation.

Holders May Not Exchange Their Existing Notes by Guaranteed Delivery

There is no provision for holders to exchange their Existing Notes via guaranteed delivery. Delivery of the Existing Notes through ATOP must be made by the Expiration Date. Existing Notes tendered in the Exchange Offer after the Expiration Date will not constitute a valid tender of Existing Notes and will be rejected as an invalid and ineffective tender.

Determination of Validity

All questions as to the validity, form, eligibility (including time of receipt) and acceptance for exchange, as the case may be, of any tendered Existing Notes and delivery of Consents pursuant to any of the procedures described above, and the form and validity (including time of receipt of notices of withdrawal) of all documents will be determined by us in our sole discretion, which determination will be final and binding. We reserve the absolute right to reject any or all tenders of any Existing Notes or delivery of Consents determined by us not to be in proper form, or if the acceptance, exchange of such Existing Notes may, in the opinion of our counsel, be unlawful. We also reserve the right to waive any conditions to the Exchange Offer and Consent Solicitation that we are legally permitted to waive.

Your tender and/or delivery of Consents will not be deemed to have been validly made until all defects or irregularities in your tender have been cured or waived. All questions as to the form and validity (including time of receipt) of any delivery or withdrawal of a tender or consent will be determined by us in our sole discretion, which determination shall be final and binding. Neither we, the Information and Exchange Agent nor any other person or entity is under any duty to give notification of any defects or irregularities in any tender or withdrawal of any Existing Notes or revocation of Consents, or will incur any liability for failure to give any such notification.

Alternative, conditional or contingent tenders will not be considered valid. We reserve the right to reject any or all tenders of Existing Notes that are not in proper form or the acceptance of which would, in our opinion, be unlawful.

Withdrawal of Tenders and Revocations of Consents

An Eligible Holder may withdraw the tender of such Eligible Holder's Existing Notes or the delivery of its Consents at any time prior to the Withdrawal Date by submitting a notice of withdrawal to the Information and Exchange Agent using ATOP procedures or upon compliance with the other procedures described below. Any Existing Notes tendered and Consents delivered prior to the Withdrawal Date that are not validly withdrawn prior to the Withdrawal Date may not be withdrawn on or after the Withdrawal Date, and Existing Notes validly tendered and Consents validly delivered on or after the Withdrawal Deadline may not be withdrawn, in each case, except as required by applicable law.

An Eligible Holder may not revoke a Consent without withdrawing the previously tendered Existing Notes to which such Consent relates. Existing Notes that have been validly tendered may be withdrawn, and related Consents may be revoked at any time prior to the Withdrawal Date, but not thereafter. A valid withdrawal of tendered Existing Notes effected prior to the Withdrawal Date will constitute the concurrent valid revocation of such holder's Consent. In order for a holder to revoke a Consent, such holder must withdraw the related tendered Existing Notes prior to the Withdrawal Date. Prior to the Withdrawal Date, if an Eligible Holder withdraws its tendered Existing Notes, such holder will be deemed to have revoked its Consents and may not deliver Consents without re-tendering its Existing Notes.

Existing Notes validly withdrawn may thereafter be retendered and Consents thereby given at any time on or prior to the Early Expiration Date or the Expiration Date, as the case may be, by following the procedures described herein; *provided, however*, that if an Eligible Holder's Existing Notes are not properly retendered and related Consents properly delivered pursuant to the Exchange Offer and Consent Solicitation on or prior to the Early Expiration Date or the Expiration Date, such holder will not receive the Total Exchange Consideration or the Exchange Offer Consideration, as applicable.

If, for any reason whatsoever, acceptance for exchange of, or exchange of, any Existing Notes tendered pursuant to the Exchange Offer or any Consents delivered pursuant to the Consent Solicitation, as applicable, is delayed (whether before or after our acceptance for exchange of Existing Notes) or we extend the Exchange Offer or Consent Solicitation, or we are unable to accept for exchange, or exchange, the Existing Notes tendered pursuant to the Exchange Offer, we may instruct the Information and Exchange Agent to retain tendered Existing Notes, and those Existing Notes may not be withdrawn, and all Consents previously delivered and not revoked will remain subject to the Consent Solicitation, except to the extent that you are entitled to the withdrawal and revocation rights set forth herein.

For the avoidance of doubt, to the extent that an Eligible Holder has tendered its Existing Notes and thereby delivered its corresponding Consent, in order for such holder to either withdraw the tender of its Existing Notes or revoke its Consent with respect to such Existing Notes, the holder must withdraw both its previously delivered tender and Consent.

For a withdrawal of a tender of Existing Notes to be effective, a written or facsimile transmission notice of withdrawal must be timely received by the Information and Exchange Agent at its address set forth on the back cover page of this Exchange Offer Memorandum at or prior to the Withdrawal Date, by mail, fax or hand delivery or by a properly transmitted "Request Message" through ATOP. Any such notice of withdrawal must:

- (1) specify the name of the Eligible Holder who tendered the Existing Notes to be withdrawn and, if different, the name of the registered holder of such Existing Notes (or, in the case of Existing Notes tendered by book-entry transfer, the name of the DTC participant whose name appears on the security position as the owner of such Existing Notes); and
- (2) contain the description of the Existing Notes to be withdrawn (including the principal amount of the Existing Notes to be withdrawn).

If the Existing Notes to be withdrawn have been delivered or otherwise identified to the Information and Exchange Agent, a signed notice of withdrawal or revocation, as applicable, is effective immediately upon receipt by the Information Exchange Agent of written or facsimile transmission of the notice of withdrawal (or receipt of a Request Message) even if physical release is not yet effected. A withdrawal of Existing Notes and the revocation of Consents can only be accomplished in accordance with the foregoing procedures.

If the Existing Notes to be withdrawn are held through the clearing systems, you must contact your custodian to arrange for the withdrawal of previously tendered Existing Notes. No such withdrawal will be effective unless the Request Message described above is received through DTC's ATOP system. The clearing systems may impose additional deadlines in order to process these withdrawal instructions to ATOP.

If you withdraw Existing Notes, you will have the right to re-tender them on or prior to the Expiration Date (or on or prior to the Early Expiration Date, if you wish to receive the Total Exchange Consideration) in accordance with the procedures described above for tendering Existing Notes. If we amend or modify the terms of the Exchange Offer or the Consent Solicitation, or the information concerning the Exchange Offer or Consent Solicitation in a manner determined by us to constitute a material change to holders of Existing Notes, we will disseminate additional Exchange Offer materials and extend the period of the Exchange Offer and Consent Solicitation, including any withdrawal or revocation rights, to the extent required by law and as we determine necessary. An extension of the Early Expiration Date or the Expiration Date will not affect a holder's withdrawal rights unless otherwise provided herein or in any additional Exchange Offer and Consent Solicitation materials or as required by applicable law.

The Dealer Manager and Solicitation Agent

BCP Securities, Inc. has been engaged to act as Dealer Manager and Solicitation Agent in connection with the Exchange Offer and Consent Solicitation. In such capacity, the Dealer Manager and Solicitation Agent may contact Eligible Holders regarding the Exchange Offer and Consent Solicitation and may request brokers, dealers, commercial banks, trust companies and other nominees to forward this Exchange Offer Memorandum and related materials to beneficial owners that are Eligible Holders of Existing Notes. We will pay the Dealer Manager and Solicitation Agent reasonable compensation for soliciting tenders and consents in the Exchange Offer and Consent Solicitation. We will also reimburse the Dealer Manager and Solicitation Agent for certain reasonable expenses.

The obligations of the Dealer Manager and Solicitation Agent to perform such functions are subject to certain conditions. We have agreed to indemnify the Dealer Manager and Solicitation Agent against certain liabilities, including liabilities under the U.S. federal securities laws. From time to time, the Dealer Manager and Solicitation Agent and one or more of its respective affiliates have provided, and in the future the Dealer Manager or one or more of its respective affiliates may provide, investment banking, commercial banking and advisory and other services for the Company and its subsidiaries for customary compensation. In the ordinary course of their business, the Dealer Manager and Solicitation Agent or its affiliates may at any time hold long or short positions, and may trade for their own accounts or the accounts of customers, in securities of the Company and its affiliates, including, to the extent that the Dealer Manager and Solicitation Agent or its affiliates own Existing Notes during the Exchange Offer and Consent Solicitation, they may tender such Existing Notes and/or deliver Consents pursuant to the terms of the Exchange Offer and Consent Solicitation. If the Dealer Manager and Solicitation Agent or its affiliates have a lending relationship with the Company and its subsidiaries, then the Dealer Manager and Solicitation Agent or its affiliates may routinely hedge their credit exposure to the Company and its subsidiaries, consistent with their customary risk management policies. In addition, it is likely that the Dealer Manager and Solicitation Agent and/or its affiliates will hedge its credit exposure. Typically, the Dealer Manager and Solicitation Agent and its 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 the Company's securities, including potentially the Step-Up Notes offered hereby. Any such credit default swaps or short positions could adversely affect future trading prices of the Step-Up Notes offered hereby.

Any Eligible Holder that has questions concerning the terms of the Exchange Offer and Consent Solicitation may contact the Dealer Manager and Solicitation Agent at its address and telephone numbers set forth on the back cover of this Exchange Offer Memorandum. The Dealer Manager and Solicitation Agent does not assume any responsibility for the accuracy or completeness of the information concerning the Company or its affiliates or the Existing Notes or Step-Up Notes contained or referred to in this Exchange Offer Memorandum (except to the extent they have provided such information to the Company) or for any failure by the Company to disclose events that may have occurred and may affect the significance or accuracy of such information.

Information and Exchange Agent

D.F. King & Co., Inc. has been appointed as Information and Exchange Agent for the Exchange Offer. Questions and requests for assistance, and all correspondence in connection with the Exchange Offer, or requests for copies of any required documents, may be directed to the Information and Exchange Agent at one of its addresses and telephone numbers set forth on the back cover of this Exchange Offer Memorandum. The Information and Exchange Agent will also assist with the dissemination of this Exchange Offer Memorandum and related materials to Eligible Holders, respond to inquiries of and provide information to Eligible Holders in connection with the Exchange Offer and Consent Solicitation, and provide other similar services as the Company may request from time to time.

Subject to certain terms and conditions set forth in the agreement between the Company and the Information and Exchange Agent, the Company has agreed to pay the Information and Exchange Agent customary fees for its services in connection with the Exchange Offer and Consent Solicitation. The Company has also agreed to reimburse the Information and Exchange Agent for its reasonable out-of-pocket expenses and to indemnify it against certain liabilities.

All materials should be sent to the Information and Exchange Agent and not to us.

Processing Dealer Fees

With respect to Existing Notes validly tendered (and not validly withdrawn) accepted by us, we will also pay a Processing Dealer Fee of U.S.\$2.50 per U.S.\$1,000 principal amount of Existing Notes accepted by us, to brokers and dealers that submit a properly completed and executed Processing Dealer Form. In order to be eligible to receive the Processing Dealer Fee, the relevant Processing Dealer Form must be validly delivered and received by the Exchange and Information Agent via DTC prior to the Expiration Date. The Company shall, in its sole discretion, determine whether a broker or dealer has satisfied the criteria for receiving a Processing Dealer Fee. The Company reserves the right to request additional information from any person who submits a Processing Dealer Form in order to validate any processing fee payment claims.

Only a broker or dealer in securities which is a member of any national securities exchange or that is a bank or a trust company legally authorized to receive such fees will qualify to receive a Processing Dealer Fee. No Processing Dealer Fee will be paid with respect to Existing Notes tendered, directly or indirectly, by brokers or dealers for their own account and under no circumstances will such fee be remitted, in whole or in part, by a broker or a dealer to the relevant beneficial owner of the tendered Existing Notes. The fees in respect of the Exchange Offer will be paid only if the Exchange Offer and Consent Solicitation is consummated and only if the Processing Dealer Form is received by the Exchange and Information Agent on or prior to the applicable Expiration Date, and will be paid to the applicable brokers and dealers as promptly as practicable after the Settlement Date. Inquiries regarding the Processing Dealer Fee may be directed to the Exchange and Information Agent by telephoning +1 (212) 269-5550.

Eligibility to Participate in the Exchange Offer

You may not copy or distribute this Exchange Offer Memorandum in whole or in part to anyone without our prior consent. This Exchange Offer Memorandum is a confidential document that is being provided for informational use solely in connection with the consideration of the Exchange Offer and Consent Solicitation and an investment in the Step-Up Notes to holders of Existing Notes outside the United States that are Non-U.S. Persons and who are not acquiring Step-Up Notes for the account or benefit of a U.S. person, in offshore transactions in compliance with Regulation S under the Securities Act, and who are non-U.S. qualified offerees (as defined under “Transfer Restrictions”).

Only holders of Existing Notes who have returned a duly completed Eligibility Letter certifying that they are within the categories described in the immediately preceding paragraph, are authorized to receive and review this Exchange Offer Memorandum and participate in the Exchange Offer. If you are not an Eligible Holder, you should dispose of this Exchange Offer Memorandum. Each Eligible Holder that tenders its outstanding Existing Notes and/or delivers its Consents in this Exchange Offer and Consent Solicitation will be agreeing with and making the representations, warranties and agreements as set forth under “Holders’ Representations, Warranties and Undertakings” and “Transfer Restrictions.”

Beneficial Owners

Beneficial owners of Existing Notes who do not hold their Existing Notes and wish to tender their Existing Notes and/or deliver their Consents must either:

- contact the holder of the Existing Notes and instruct such holder to tender the Existing Notes on the beneficial owner’s behalf; or
- effect a record transfer of the Existing Notes at or prior to the Expiration Date (or the Early Expiration Date, if the beneficial owner wishes to receive the Total Exchange Consideration) from the holder of Existing Notes to the beneficial owner and comply with the requirements applicable to holders generally for tendering Existing Notes. In such instance, the holder should effect the record transfer in a timely manner so as to allow sufficient time for completion of the transfer.

Neither we nor the Information and Exchange Agent have any obligation to effect the transfer of any Existing Notes from the name of the holder if we do not accept for exchange any of the principal amounts of those Existing Notes.

Holders’ Representations, Warranties and Undertakings

Subject to, and effective upon, the acceptance of, and the issuance of the Step-Up Notes in exchange for, the principal amount of Existing Notes tendered in accordance with the terms and subject to the conditions of the Exchange Offer and Consent Solicitation, a tendering Eligible Holder, by submitting or sending an Agent’s Message to the Information and Exchange Agent in connection with the tender of Existing Notes and delivery of Consents, will have represented, warranted and agreed that:

- (1) it has received a copy of this Exchange Offer Memorandum and acknowledges that it has had access to such financial and other information and has been afforded an opportunity to ask such questions of our representative and receive answers thereto as it has deemed necessary in connection with its decision to exchange its Existing Notes for Step-Up Notes;
- (2) it has not relied on the Dealer Manager and Solicitation Agent or its agents or any person affiliated with the Dealer Manager and Solicitation Agent or its agents in connection with its investigation of the accuracy of such information or its investment decision;
- (3) no person has been authorized to give any information or to make any representation concerning us, the Exchange Offer and Consent Solicitation or the Step-Up Notes other those as set forth in this Exchange Offer Memorandum, and if given or made, any such other information or representation should not be relied upon as having been authorized by us, the Dealer Manager and Solicitation Agent or its agents;
- (4) it is the beneficial owner of, or a duly authorized representative of one or more beneficial owners of, the Existing Notes tendered for exchange thereby;
- (5) the Existing Notes being tendered for exchange in the Exchange Offer were owned as of the date of tender, free and clear of any liens, charges, claims, encumbrances, interests and restrictions of any kind, and we will acquire good, indefeasible and unencumbered title to those Existing Notes, free and clear of all liens, charges, claims, encumbrances, interests and restrictions of any kind, when we accept the same;

- (6) it will not sell, pledge, hypothecate or otherwise encumber or transfer any Existing Notes tendered for exchange in the Exchange Offer, and any purported sale, pledge, hypothecation or other encumbrance or transfer will be void and of no effect;
- (7) it is, or in the event that it is acting on behalf of a beneficial owner of the Existing Notes tendered for exchange in the Exchange Offer, it has received a written certification from such beneficial owner (dated as of a specific date on or since the close of such beneficial owner's most recent fiscal year) to the effect that such beneficial owner is a Non-U.S. Person or acquiring for the account of a U.S. person (other than as a distributor) and is acquiring Step-Up Notes in an offshore transaction in accordance with Rule 903 of Regulation S, and is a non-U.S. qualified offeree (as defined under "Transfer Restrictions");
- (8) it is not located or resident in the United Kingdom or, if it is located or resident in the United Kingdom:
 - a) it is a qualified investor within the meaning of the UK Prospectus Regulation;
 - b) it is a person (i) who has professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "Order"), (ii) falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Order or (iii) to whom an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) in connection with the issue or sale of any Step-Up Notes may otherwise lawfully be communicated or caused to be communicated;
 - c) it is not a retail investor in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive (EU), where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; and
 - d) it acknowledges that no key information document required by the UK PRIIPs Regulation for offering the Step-Up Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering the Step-Up Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation;
- (9) it is not an investor resident in a Member State of the EEA, or, if it is resident in a Member State of the EEA:
 - a) it is a qualified investor within the meaning of the Prospectus Regulation;
 - b) it is not a retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of the Insurance Distribution Directive, where the customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II, and
 - c) it acknowledges that no key information document required by the PRIIPs Regulation for offering the Step-Up Notes or otherwise making them available to retail investors in the EEA, has been prepared and therefore offering the Step-Up Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation;
- (10) if it is located in Mexico, it is:
 - a) an institutional investor. For these purposes, an institutional investor in Mexico is a person that pursuant to Mexican federal laws has such capacity or is a financial entity, including when acting as trustee under trusts, in each case, that pursuant to Mexican laws are considered as institutional investors; or

- b) at least, a basic qualified investor. For these purposes, a basic qualified investor in Mexico is a person that, as of the date of determination, (i) held in average investments in securities for an amount equal to or greater than 1,500,000 Mexican investment units during the last 12 months, or (ii) obtained gross annual income equal to or greater than 500,000 Mexican investment units¹ during each of the last 2 year;
- (11) it and the person receiving Step-Up Notes have observed the laws of all relevant jurisdictions, obtained all requisite governmental, exchange control or other required consents, complied with all requisite formalities and paid any issue, transfer or other taxes or requisite payments due from any of them in each respect in connection with any offer or acceptance in any jurisdiction, and that it and such person or persons have not taken or omitted to take any action in breach of the terms of the Exchange Offer and Consent Solicitation or which will or may result in the Company or any other person acting in breach of the legal or regulatory requirements of any such jurisdiction in connection with the Exchange Offer and Consent Solicitation, the tender of Existing Notes or delivery of Consents in connection therewith;
 - (12) it is otherwise a person to whom it is lawful to make available this Exchange Offer Memorandum or to make the Exchange Offer and Consent Solicitation in accordance with applicable laws (including the transfer restrictions set out in this Exchange Offer Memorandum);
 - (13) in evaluating t and making its decision whether to participate in the Exchange Offer and Consent Solicitation and tendering for exchange its Existing Notes, it has made its own independent appraisal of the matters referred to in this Exchange Offer Memorandum and in any related communications, and it is not relying on any statement, representation or warranty, express or implied, made to it by us, the Information and Exchange Agent, the Trustee or the Dealer Manager and Solicitation Agent, other than those contained in this Exchange Offer Memorandum, as amended or supplemented through the Expiration Date;
 - (14) it has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of acquiring the Step-Up Notes and that it and any accounts for which it is acting are each able to bear the economic risks of its or their investment;
 - (15) it is not acquiring the Step-Up Notes with a view toward any distribution thereof in a transaction that would violate the Securities Act or the securities laws of any state of the United States or any other applicable jurisdiction; *provided* that the disposition of its property and the property of any accounts for which it is acting as fiduciary will remain at all times within its control;
 - (16) it acknowledges that the Cpmpny, the Dealer Manager and Consent Solicitation and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of the acknowledgements, representations and warranties made by its submission of a tender in accordance with the procedures set forth herein, are, at any time prior to the consummation of the Exchange Offer and Consent Solicitation, no longer accurate, it shall promptly notify the Company and the Dealer Manager and Solicitation Agent. If it is tendering the Existing Notes and/or delivering Consents as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgements, representations and agreements on behalf of such account; and
 - (17) neither it nor the person receiving Step-Up Notes is acting on behalf of any person who could not truthfully make the foregoing representations, warranties and undertakings.

Each Eligible Holder exchanging Existing Notes for Step-Up Notes will also be required to represent, warrant and agree to the terms described under “Transfer Restrictions.”

¹ The value of a Mexican investment unit (*unidad de inversión*) is published periodically by the Mexican Central Bank (or Banxico) in the Mexican Official Gazette of the Federation. As of the date hereof, a Mexican Investment Unit is equal to MX\$7.672330 or U.S.\$144.44465521, based on the exchange rate published by Banxico on the date hereof in the Mexican Official Gazette of the Federation.

Issuance of Step-Up Notes

Assuming the conditions to the Exchange Offer are satisfied or waived, we will issue the Step-Up Notes in book-entry form on the Settlement Date in exchange for Existing Notes that are validly tendered and accepted in the Exchange Offer.

We reserve the right, in our sole discretion, but subject to applicable law, to (a) delay acceptance of Existing Notes tendered under the Exchange Offer or the issuance of Step-Up Notes in exchange for validly tendered Existing Notes (or (b) terminate the Exchange Offer or the Consent Solicitation at any time on or prior to the Expiration Date if the conditions thereto are not satisfied or waived by us.

For purposes of the Exchange Offer, we will have accepted for exchange validly tendered Existing Notes (or defectively tendered Existing Notes with respect to which we have waived such defect) if, as and when we give oral (promptly confirmed in writing) or written notice thereof to the Information and Exchange Agent. We will pay any applicable cash amounts by depositing such payment with the Information and Exchange Agent or, at the direction of the Information and Exchange Agent, with DTC. Subject to the terms and conditions of the Exchange Offer, delivery of the Step-Up Notes and payment of any cash amounts will be made by the Information and Exchange Agent on the Settlement Date upon receipt of such notice. The Information and Exchange Agent will act as agent for participating Eligible Holders of the Existing Notes for the purpose of receiving Existing Notes and/or Consents from, and transmitting Step-Up Notes and any cash payments to, such Eligible Holders. With respect to tendered Existing Notes that are to be returned to Eligible Holders, such Existing Notes will be returned by credit to the account at DTC.

If, for any reason, acceptance for exchange of tendered Existing Notes, or issuance of Step-Up Notes or delivery of any cash amounts in exchange for validly tendered Existing Notes, pursuant to the Exchange Offer is delayed, or we are unable to accept tendered Existing Notes for exchange or to issue Step-Up Notes or deliver any cash amounts in exchange for validly tendered Existing Notes pursuant to the Exchange Offer, then the Information and Exchange Agent may, nevertheless, on behalf of us, retain the tendered Existing Notes, without prejudice to our rights described under “Expiration Date; Extensions; Terminations; Amendments,” “Conditions to the Exchange Offer and Consent Solicitation” and “Withdrawal of Tenders and Revocations of Consents.”

If any tendered Existing Notes (and related delivered Consents) are not accepted for exchange for any reason pursuant to the terms and conditions of the Exchange Offer, such Existing Notes will be credited to an account maintained at DTC from which such Existing Notes were delivered promptly following the Expiration Date or the termination of the Exchange Offer.

Eligible Holders of Existing Notes tendered for exchange and accepted by us pursuant to the Exchange Offer will be entitled to accrued and unpaid interest from the last interest payment date of the Existing Notes up to but excluding the Settlement Date, which interest shall be payable on the Settlement Date. Under no circumstances will any additional interest be payable as a result of any delay by the Information and Exchange Agent or DTC in the transmission of funds to Eligible Holders of accepted Existing Notes or otherwise.

Tendering Eligible Holders of Existing Notes accepted in the Exchange Offer will not be obligated to pay brokerage commissions or fees to us, the Dealer Manager and Solicitation Agent, the Information and Exchange Agent or, except as set forth below, to pay transfer taxes with respect to the exchange of their Existing Notes.

Transfer Taxes

We will pay all transfer taxes, if any, applicable to the transfer and exchange of Existing Notes in the Exchange Offer. If transfer taxes are imposed for any reason other than the transfer and tender to us, the amount of those transfer taxes, whether imposed on the registered holders or any other persons, will be payable by the tendering Eligible Holder. Transfer taxes that will not be paid by us include taxes, if any, imposed:

- if Step-Up Notes in book-entry form are to be registered in the name of any person other than the person on whose behalf an Agent’s Message was sent;
- if tendered Existing Notes are to be registered in the name of any person other than the person on whose behalf an Agent’s Message was sent; or

- if any cash payment in respect of the Exchange Offer is being made to any person other than the person on whose behalf an Agent's Message was sent.

If satisfactory evidence of payment of, or exemption from, transfer taxes that are not required to be borne by us is not submitted with the Agent's Message, the amount of those transfer taxes will be billed directly to the tendering Eligible Holder and/or withheld from any payments due with respect to the Existing Notes tendered by such Eligible Holder.

Eligible Holders are advised to consult their own tax advisors as to the tax consequences, under the tax laws of the country in which they are resident, of the tender of their Existing Notes including, without limitation, the consequences of receipt of the Total Exchange Consideration or the Exchange Offer Considerations, as applicable.

Conditions to the Exchange Offer and Consent Solicitation

The Exchange Offer and Consent Solicitation and the effectiveness of the Existing Notes Supplemental Indenture containing the Proposed Amendments are subject to the satisfaction or waiver of the conditions, in each case, described below.

In order to be adopted, the Proposed Amendments require the Consents of holders of a majority in aggregate principal amount of the outstanding Existing Notes (excluding any Existing Notes held by us or our affiliates) to the Proposed Amendments.

In addition, subject to applicable law, we have the right to terminate or withdraw the Exchange Offer and the Consent Solicitation at any time and for any reason, including if any of the conditions described below are not satisfied. We also have the right to waive any of the conditions to the Exchange Offer and Consent Solicitation, at our sole and absolute discretion, as described below.

Notwithstanding any other provisions of the Exchange Offer and the Consent Solicitation, we will not be required to accept for exchange or to exchange Existing Notes properly tendered (and not withdrawn) pursuant to the Exchange Offer and the Consent Solicitation, issue any Step-Up Notes in exchange for validly tendered Exchange Notes or pay any cash amounts or complete the Exchange Offer, unless each of the following conditions is satisfied at or prior to the Expiration Date, as the case may be:

- (1) the board of directors and the extraordinary general shareholders' meeting of the Company shall have approved the issuance of the Step-Up Notes and the consummation of the Exchange Offer and Consent Solicitation;
- (2) there shall not have been instituted, threatened or be pending any action, proceeding, application, claim, counterclaim or investigation (whether formal or informal) (or there shall not have been any material adverse development to any action, application, claim, counterclaim or proceeding currently instituted, threatened or pending) before or by any court, governmental, regulatory or administrative agency or instrumentality, domestic or foreign, or by any other person, domestic or foreign, in connection with the Exchange Offer and Consent Solicitation that, in our judgment, either (i) is, or is reasonably likely to be, materially adverse to our business, operations, properties, condition (financial or otherwise), income, assets, liabilities or prospects, (ii) would, or is reasonably likely to, prohibit or prevent, or significantly restrict or delay, consummation of the Exchange Offer or the Consent Solicitation or (iii) would require a modification to the terms of the Exchange Offer and Consent Solicitation that would materially impair the contemplated benefits of the Exchange Offer to us or be material to holders in deciding whether to participate in the Exchange Offer or provide their Consents;
- (3) no order, statute, rule, regulation, executive order, stay, decree, judgment or injunction shall have been proposed, enacted, entered, issued, promulgated, enforced or deemed applicable by any court or governmental, regulatory or administrative agency or instrumentality that, in our judgment, either (i) would, or is reasonably likely to, prohibit or prevent, or significantly restrict or delay, consummation of the Exchange Offer or the Consent Solicitation or (ii) is, or is reasonably likely to be, materially adverse to our business, operations, properties, condition (financial or otherwise), income, assets, liabilities or prospects;

- (4) there shall not have occurred or be likely to occur any event or condition affecting our or its subsidiaries' business or financial affairs that, in our judgment, (a) is, or is reasonably likely to be, materially adverse to our business, operations, properties, condition (financial or otherwise), income, assets, liabilities or prospects, (b) would or might prohibit, prevent, restrict or delay consummation of the Exchange Offer or the Consent Solicitation, (c) would materially impair the contemplated benefits of the Exchange Offer or the Consent Solicitation or (d) would result in a default under any of our material agreements; and
- (5) there shall not have occurred (i) any general suspension of, or limitation on prices for, trading in securities in the U.S. or Mexican securities or financial markets, (ii) any significant adverse change in the price of securities in the United States or other major securities or financial markets, (iii) a material impairment in the trading market for debt securities, (iv) a declaration of a banking moratorium or any suspension of payments in respect of banks in the United States, Mexico or other major financial markets, (v) a commencement of a war, armed hostilities, terrorist acts or other national or international calamity directly or indirectly involving the United States or Mexico or (vi) in the case of any of the foregoing existing on the date hereof, a material acceleration or worsening thereof.

In addition, our obligation to pay any Total Exchange Consideration or Exchange Offer Consideration is conditioned upon our acceptance of Existing Notes for exchange.

The conditions are for our benefit and may be asserted by us or may be waived by us, including any action or inaction by us giving rise to any condition, in whole or in part at any time and from time to time, in our sole discretion. We may additionally, subject to applicable law, terminate the Exchange Offer and the Consent Solicitation if any condition is not satisfied on or after the Expiration Date. Under the Exchange Offer and the Consent Solicitation, if any of these events occur, subject to the termination rights described above, we may (i) return Existing Notes tendered thereunder to you, (ii) extend the Exchange Offer or the Consent Solicitation and retain all tendered Existing Notes until the expiration of the extended Exchange Offer or the Consent Solicitation (as applicable), or (iii) amend the Exchange Offer or the Consent Solicitation in any respect by giving oral or written notice of such amendment to the Exchange Agent and making public disclosure of such amendment to the extent required by law.

We have not made a decision as to what circumstances would lead us to waive any condition, and any such waiver would depend on circumstances prevailing at the time of such waiver. Although we have no present plans or arrangements to do so, we reserve the right to amend, at any time, the terms of the Exchange Offer and the Consent Solicitation. We will give holders notice of such amendments as may be required by applicable law.

Miscellaneous

Other than with respect to the Information and Exchange Agent and the Dealer Manager and Solicitation Agent, none of the Company or any of its affiliates has engaged, or made any arrangements for, and authorized any person to provide any information or to make any representations in connection with the Exchange Offer and Consent Solicitation, other than those expressly set forth in this Exchange Offer Memorandum, and, if so provided or made, such other information or representations must not be relied upon as having been authorized by the Company, or any of its affiliates. The delivery of this Exchange Offer Memorandum shall not, under any circumstances, create any implication that the information set forth herein is correct as of any time subsequent to the date hereof.

Offer and Distribution Restrictions

The Exchange Offer is being made solely to Eligible Holders. We have not filed this Exchange Offer Memorandum with, and it has not been reviewed by, any federal or state securities commission or regulatory authority of any country. No authority has passed upon the accuracy or adequacy of this Exchange Offer Memorandum, and it is unlawful and may be a criminal offense to make any representation to the contrary. For a description of the offer and distribution restrictions applicable to this Exchange Offer and Consent Solicitation, see "Offer and Distribution Restrictions", and for transfer restrictions applicable to the Step-Up Notes, see "Transfer Restrictions."

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 Exchange Offer Memorandum are not necessarily indicative of our future performance. This data is qualified in its entirety by reference to, and should be read together with “Presentation of Financial and Other Information,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our financial statements and related notes included elsewhere in this Exchange Offer Memorandum. Certain amounts and percentages included in this Exchange Offer 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 CNBV published in the Official Gazette of the Federation on December 4, 2020, and December 30, 2021, Resolutions requiring institutions that prepare their financial statements under Mexican Banking GAAP to adopt certain new accounting standards effective as of January 1, 2022. In addition, the CNBV adopted certain modifications to NIF B-6 — “Loan Portfolio,” which also became effective on January 1, 2022. For a detail description of the new accounting standards in effect as of January 1, 2022 and the amendments to NIF B-6, see note 25 to our audited consolidated financial statements included elsewhere in this Exchange Offer Memorandum. As a result of the adoption of the new accounting standards and the modifications to existing ones, our financial information as of and for the year ended December 31, 2022 (including any interim period in 2022) are not be comparable with our financial information as of and for the year ended December 31, 2021 (including any interim period in 2021). See “Presentation of Financial and Other Information — Accounting Principles — Changes in accounting standards” and “Risk Factors — Risks Relating to Our Business — Changes in accounting standards could impact our financial reporting and the comparability of our historical financial information.”

The consolidated balance sheet data as of September 30, 2022 and the consolidated income statement data for the nine-month periods ended September 30, 2022 are derived from our unaudited interim consolidated financial statements included elsewhere in this Exchange Offer Memorandum. Pursuant to the rules of the CNBV, quarterly and annual consolidated financial statements for the year ended December 31, 2022 published by institutions that prepare their financial statements under Mexican Banking GAAP (including us) should not be presented with comparative figures for each of the quarters in 2021 and for the year ended December 31, 2021. The consolidated income statement data for the nine-month period ended September 30, 2021 are derived from our unaudited interim consolidated financial statements as of September 30, 2021 and for the nine-month periods ended September 31, 2021 and 2020, which are not included in this Exchange Offer Memorandum. The consolidated balance sheet data as of and for the year ended December 31, 2021 and 2020, are derived from our audited consolidated financial statements included elsewhere in this Exchange Offer Memorandum. Our consolidated financial statements are presented in thousands of *Pesos*, whereas all other figures presented in this Exchange Offer Memorandum are presented in millions of *Pesos*, unless otherwise indicated.

Our consolidated financial statements have been prepared in accordance with Mexican Banking GAAP.

	For the Nine-Month Period Ended September 30,			For the Year Ended December 31,		
	2022	2022 ⁽¹⁾	2021	2021	2021	2020
	<i>(in millions of U.S.\$, unless otherwise indicated) ⁽²⁾</i>	<i>(in millions of Ps., unless otherwise indicated)</i>		<i>(in millions of U.S.\$, unless otherwise indicated) ⁽³⁾</i>	<i>(in millions of Ps., unless otherwise indicated)</i>	
Statement of Income Data:						
Interest income	173.1	3,484.1	3,102.3	206.4	4,232.7	4,827.2
Interest expense	(20.7)	(415.8)	(399.9)	(25.7)	(526.8)	(729.9)
Financial margin	152.4	3,068.3	2,702.4	180.7	3,705.9	4,097.3
Allowance for loan losses ⁽⁴⁾	(48.6)	(979.1)	(568.8)	(41.4)	(849.7)	(1,716.0)
Financial margin adjusted by credit risks	103.8	2,089.3	2,133.6	139.3	2,856.2	2,381.3
Commission and fee income	22.1	445.4	334.9	21.2	434.6	296.5
Commission and fee expense	(3.0)	(59.8)	(51.1)	(3.3)	(68.2)	(77.1)
Financial intermediation, net	2.8	56.1	(23)	(1.3)	(26.2)	380.8
Other operating income, net	3.9	77.9	120.8	8.1	165.9	130.9
Administrative and promotional expenses ..	(97.3)	(1,957.5)	(2,027.8)	(131.8)	(2,703.5)	(3,048.8)
Net operating income	32.4	651.3	487.4	32.1	658.7	63.5
Equity in results of associated companies ..	—	—	—	—	—	37.2
Net income before taxes	32.4	651.3	487.4	32.1	658.7	100.7
Current income taxes	(3.4)	(68.7)	(33.7)	(2.4)	(50.2)	21.9
Deferred income taxes, net	(6.4)	(127.9)	(98.1)	(6.3)	(128.3)	(76.9)
Net income before discontinued operations	22.6	454.7	355.6	23.4	480.3	45.8
Discontinued operations	(0.2)	(3.2)	—	(6.5)	(133.4)	(458.4)
Net income (loss)	22.4	451.5	355.6	16.9	346.9	(412.7)
Weighted average number of shares (millions)	337.5	337.5	337.5	309.7	309.7	249.6
Earnings (loss) per share	US.\$0.0665	Ps.1.3378	Ps.1.0536	U.S.\$0.0546	Ps.1.1201	Ps.1.6533

- (1) As a result of the adoption of the new accounting standards and the modifications to existing ones which became effective as of January 1, 2022: (a) our consolidated financial information as of September 30, 2022 is not comparable with our consolidated financial information as of December 31, 2021 and (b) our consolidated financial information for the nine-month period ended September 30, 2022 is not comparable with our consolidated financial information for the nine-month period ended September 31, 2021.
- (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.20.1271 per U.S.\$1.00, based on the Mexican Central Bank exchange rate published on September 30, 2022.
- (3) 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.20.5075 per U.S.\$1.00, the exchange rate published by the Mexican Central Bank on December 31, 2021 as the rate for the payment of obligations denominated in non-Mexican currency payable in Mexico.
- (4) Allowance 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 Nine-Month Period Ended			As of and for the Year Ended December 31,		
	2022	2022 ⁽¹⁾	2021	2021	2021	2020
	(in millions of U.S.\$, unless otherwise indicated) ⁽²⁾	(in millions of Ps., unless otherwise indicated)		(in millions of U.S.\$, unless otherwise indicated) ⁽³⁾	(in millions of Ps., unless otherwise indicated)	
Balance Sheet Data:						
Cash and cash equivalents	50.9	1,024.8	685.3	22.1	452.4	858.9
Derivatives	8.8	177.8	298.5	14.2	292.1	239.7
Total portfolio loans, net	374.1	7,529.7	6,912.9	344.0	7,055.4	6,327.8
Other accounts receivable, net	23.9	481.1	395.8	27.1	555.8	612.6
Property, furniture and equipment, net...	7.1	143.2	154.6	7.2	147.4	180.3
Deferred income taxes and employee statutory profit sharing, net	38.1	766.4	769.6	34.6	710.4	930.9
Permanent investments	2.2	43.5	43.5	2.1	43.5	43.5
Long-live assets available for sale	—	—	137.0	6.7	137.0	—
Goodwill	50.1	1,008.8	1,187.3	49.2	1,008.8	1,187.3
Right of use asset.....	19.0	381.9	—	—	—	—
Deferred changes, prepaid expenses and intangibles	12.8	258.1	68.4	9.6	196.1	247.8
Total assets	587.0	11,815.3	10,652.9	516.8	10,599.0	10,628.8
International bonds ⁽⁴⁾	164.7	3,315.4	3,709.0	184.6	3,786.2	3,860.6
Bank and other borrowings	132.5	2,665.9	1,705.7	79.0	1,620.8	2,050.2
Lease liability	19.7	397.0	—	—	—	—
Other accounts payable	39.6	797.5	738.7	34.7	710.7	627.9
Income tax payable.....	1.4	29.0	4.3	1.1	21.6	15.0
Deferred credits and prepayments	0.2	4.7	5.5	0.3	5.2	24.1
Total liabilities	358.2	7,209.5	6,163.2	299.6	6,144.6	6,577.9
Capital stock	7.8	157.2	157.2	7.7	157.2	157.2
Share premium.....	78.2	1,574.7	1,574.7	76.8	1,574.7	1,574.7
Statutory reserves	0.7	14.3	14.3	0.7	14.3	14.3
Retained earnings	118.1	2,377.3	2,292.4	111.8	2,292.3	2,714.1
Results from valuation of cash flow hedge instruments.....	1.1	22.3	41.8	2.8	57.2	(30.1)
Cumulative translation adjustment.....	0.6	11.2	56.4	0.7	14.5	36.1
Remeasurements employee's defined benefits.....	0.1	(2.7)	(2.7)	0.1	(2.7)	(2.7)
Net income.....	22.4	451.5	355.6	16.9	346.9	(412.7)
Total stockholders' equity	228.8	4,605.8	4,489.7	217.2	4,454.4	4,050.9
Total liabilities and stockholders' equity.....	587.0	11,815.3	10,652.9	516.8	10,599.0	10,628.8

- (1) As a result of the adoption of the new accounting standards and the modifications to existing ones which became effective as of January 1, 2022: (a) our consolidated financial information as of September 30, 2022 is not comparable with our consolidated financial information as of December 31, 2021 and (b) our consolidated financial information for the nine-month period ended September 30, 2022 is not comparable with our consolidated financial information for the nine-month period ended September 31, 2021.
- (2) Solely for the convenience of the reader, consolidated statement of income and consolidated balance sheet data expressed in U.S. dollars have been translated at the rate of Ps.20.1271 per U.S.\$1.00, based on the Mexican Central Bank exchange rate published on September 30, 2022.
- (3) Solely for the convenience of the reader, consolidated statement of income and consolidated balance sheet data expressed in U.S. dollars have been translated at the rate of Ps.20.5075 per U.S.\$1.00, the exchange rate published by the Mexican Central Bank on December 31, 2021 as the rate for the payment of obligations denominated in non-Mexican currency payable in Mexico.
- (4) Corresponds to the Existing Notes, which in our audited consolidated financial statements appear under the line item "securitization liabilities."

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. 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 September 30, 2022, 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 September 30, 2022, we operated 345 branch offices (318 in Mexico and 27 in the state of California in the U.S.).

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 September 30, 2022, our average loan balance was Ps.26,587 (U.S.\$1,321) with high frequency of repayments.

As of September 30, 2022, we had 325,019 customers and reported a return on average total assets of 5.4% for the nine-month period then ended.

We believe that our success is attributable to a number of factors, including our unique business model, which has proven to be stable and profitable throughout the different economic cycles; our balanced risk and growth, product of our continuous investment in analytics, our expertise, and management of all dimensions of risk; growth in the US market, through a proven digital business model on a promising addressable market, enhancing overall asset quality; achieving efficiencies through technology, addressing opportunities with digital solutions from origination to collection, and lifecycle management; 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.

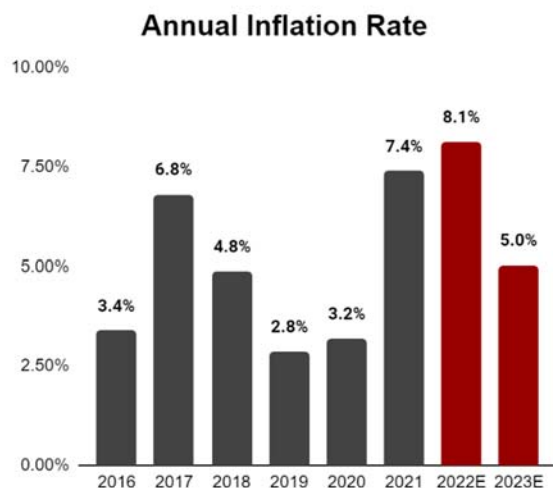
Prior to 2019, the Mexican economy faced high uncertainty. In 2019, this uncertainty was driven by the risks to the global economy associated with commercial tensions between the United States and China, the BREXIT, and geopolitical and social conflicts across the globe. These drivers lead to less investment flows to emerging markets which were felt in the Mexican economy. Throughout 2019, the Mexican economy experienced an annual contraction of 0.10% with a dovish monetary policy forced by an outlook of low inflation at the beginning of 2020 despite the 20% increase to minimum wage effective by 2020.

During 2020, the Mexican economy faced significant shocks. This was mainly due to the impact of the COVID-19 pandemic and the measures implemented to contain its spread. Economic activity, inflation, and financial conditions in Mexico were affected by this environment. Revised data of GDP revealed that the Mexican economy fell by 8.2% at the end of 2020. By the second quarter of 2020 inflation rate went below the 3.0% target rate as a result of supply and demand shocks and the measures adopted to contain the COVID-19 spread. At the end of the year inflation converged to 3.52% and the Mexican economy observed an increase of 12.40% and 3.26% by third and fourth quarter respectively.

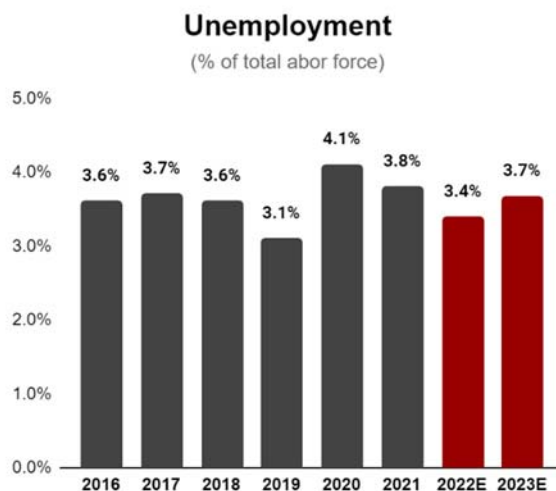
Regarding the external environment, world economic activity continued recovering during the fourth quarter of 2021 but because of the bottlenecks in supply chains and lesser mobility associated to the resurgence of infections caused by new variants of COVID-19, this recovery was lower than expected. World inflation was exacerbated by all

affectations to supply chains and reallocation of investment flows to economies whose central banks had continuing increasing their reference rates, like Mexico. At the end of 2021 Mexican economy grew at a 1.1% rate with inflation at a 20 years maximum of 7.36% and an overnight interest rate of 5.5%

The following charts show certain economic information in respect of Mexico:



Source: Banxico, Encuesta sobre las expectativas de los especialistas en economía del sector privado (Dec 2022)



Source: Banxico, Encuesta sobre las expectativas de los especialistas en economía del sector privado (Dec 2022)

Factors Affecting Our Results of Operations

Interest Rates

As of September 30, 2022, our net loan portfolio represented 63.7% of our total assets and all of the loans we originated bear interest at fixed rates. On our liabilities, 55% of our indebtedness is composed of our Existing Notes, with a fix rate in USD. However, we also borrow funds in *Pesos*, primarily on a floating rate basis.

As of September 30, 2022, we had two full cross currency swaps to hedge U.S.\$60.7 million of the aggregate principal amount of the Existing Notes, with the uncovered balance mitigated through a natural hedge deriving from

AFI's U.S. dollar-denominated loan portfolio and the subsidiary's intercompany loan with FISA. 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 a maturity of 28 days; and (2) 28-day Interbank Interest Rate (*Tasa de Interés Interbancaria de Equilibrio*), or TIIE, 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 TIIE interest rates for the periods indicated.

Period	Average Interest Rates	
	CETES 28 days maturity (1)	TIIE 28 days maturity (2)
2017	6.7%	7.0%
2018	7.6%	8.0%
2019	7.8%	8.3%
2020	5.3%	5.7%
2021	4.4%	4.6%
2022 (through September 30)	7.0%	7.2%

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 income or deduction, therefore increasing or 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. Uncollectible 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. Uncollectible accounts that have an unpaid balance in excess of 30,000 UDIs and which have not received a payment within the last year are considered a deduction subject to obtaining a final resolution from the court declaring that debtor has no assets to pay.

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 consolidated financial statements.

Inflation for the years ended December 31, 2021 and 2020 was 7.36% and 3.15%, respectively.

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.

As of January 1, 2022, and in compliance with current CNBV's guidelines, loan portfolio is reported under three stages, based on number of days past-due. The term "Stage 1 Loan portfolio" considers loans with under 29 days past-

due, “Stage 2 Loan Portfolio” consists of loans that have between 30 and 89 days past-due, while “Stage 3 Loan Portfolio” comprises loans 90 days past-due or higher.

When a loan is considered in the “Stage 3”, the related interest accrual is suspended. As long as the loan is classified within the Stage 3 loan portfolio, the control of the uncollected accrued interest or accrued financial revenue is maintained in memorandum accounts. With regard to uncollected accrued interest on this portfolio, an estimated allowance is recorded for an amount equivalent to the total of such interest at the time it is transferred. If overdue interest is collected, it is recognized directly in results for the year.

“Stage 3” loans which unpaid balances (principal and interest, among others) are fully settled are returned to the “Stage 1” portfolio, in accordance with Mexican Banking GAAP as prescribed by the CNBV.

Restructured loans are classified and presented as Stage 2 or Stage 3 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

As of 2022, Financiera Independencia adopted the methodology of the CNBV in accordance with the General Provisions Applicable to Credit Institutions (“CUB”) issued by the CNBV.

- We rate our loan portfolio in three stages.
- Each stage has his probability of default and the severity of the credit loss.

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.

Recoveries associated with loans written off or eliminated from the balance sheet are recognized in the 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.

Changes in accounting standards

The CNBV published in the Official Gazette of the Federation on December 4, 2020, and December 30, 2021, Resolutions requiring institutions that prepare their financial statements under Mexican Banking GAAP to adopt certain new accounting standards effective as of January 1, 2022. As a result, commencing on January 1, 2022, we were required to adopt the following accounting standards:

- NIF B-17 — “Fair value measurement;”

- NIF C-2 — “Investments in financial instruments;”
- NIF C-3 — “Accounts receivable;”
- NIF C-9 — “Provisions, contingencies and commitments;”
- NIF C-10 — “Derivative financial instruments and hedging relationships;”
- NIF C-14 — “Derecognition and transfer of financial assets;”
- NIF C-16 — “Impairment of financial instruments receivables;”
- NIF C-19 — “Financial instruments payable;”
- NIF C-20 — “Financial instruments to collect principal and interest;”
- NIF D-1 — “Revenue from contracts with clients;”
- NIF D-2 — “Cost from contracts with clients;”
- NIF D-5 — “Leases.”

The CNBV rules and regulations adopting these new accounting standards allow institutions required to adopt them to recognize on the date of initial application (January 1, 2022), the cumulative effect on their financial statements of the adoption of the new accounting standards. Furthermore, pursuant to the rules of the CNBV, quarterly and annual consolidated financial statements for the year ended December 31, 2022 published by institutions that prepare their financial statements under Mexican Banking GAAP (including us) should not be presented with comparative figures for each of the quarters in 2021 and for the year ended December 31, 2021.

In addition, in connection with the implementation of NIF C-16 — “Impairment of financial instruments receivables” the CNBV adopted certain modifications to NIF B-6 — “Loan Portfolio,” which also became effective on January 1, 2022. The modifications to NIF B-6, included modifications to the standard methodologies for rating and calculation of portfolio reserves and recalibration of the standard methodologies for recognition and valuation of the loan portfolio.

On September 23, 2021, the CNBV published in the Official Gazette of the Federation a Resolution modifying the transition regime for the application of the new accounting standards, allowing institutions required to implement NIF C-16, to continue using during 2022 the contractual interest rate for the accrual of interest on their loan portfolio, as well as the application of the straight line method for the recognition of origination fees and the accrual of transaction costs, as provided by NIF B-6 as in effect on December 31, 2021.

As a result of the adoption of the new accounting standards listed above, our financial information as of and for the year ended December 31, 2022 (including any interim period in 2022) will not be comparable with our financial information as of and for the year ended December 31, 2021 (including any interim period in 2021). Therefore, our consolidated financial information as of and for the nine-month period ended September 31, 2022, is not comparable with our consolidated financial information as of December 31, 2021, and for the nine-month period ended September 2021, in each case, presented in this Exchange Offer Memorandum.

For a detail description of the new accounting standards in effect as of January 1, 2022 and the amendments to NIF B-6 — “Loan Portfolio,” see note 25 to our audited consolidated financial statements included elsewhere in this Exchange Offer Memorandum.

Results of Operations for the nine-month Period Ended September 30, 2022, Compared to the Nine-Month Period Ended September 30, 2021

The following table sets forth certain of our income statement information relating to the nine-month periods ended September 30, 2022 and 2021:

	For the nine-month Period Ended September 30,		
	2022	2022	2021
	(in millions of U.S.\$) ⁽¹⁾	(in millions of Ps.)	
Interest income	173.1	3,484.1	3,102.3
Interest expense	20.7	415.8	399.9
Financial margin	152.4	3,068.3	2,702.4
Allowance for loan losses	48.6	979.1	568.8
Financial margin after provision for loan losses	103.8	2,089.3	2,133.6
Commission and fee income	22.1	445.4	334.9
Commission and fee expense	3.0	59.8	51.1
Trade income (expense)	2.8	56.1	(23)
Other operating income, net	3.9	77.9	120.8
Administrative and promotional expenses	97.3	1,957.5	2,027.8
Net operating income	32.4	651.3	487.4
Current income taxes	3.4	68.7	33.7
Deferred income taxes, net	6.4	127.9	98.1
Net income	22.4	451.5	355.6

- (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.20.1271 per U.S.\$1.00, the exchange rate published by the Mexican Central Bank on September 30, 2022 as the rate for the payment of obligations denominated in non-Mexican currency payable in Mexico.

Financial Margin

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

	For the nine-month Period Ended September 30,		
	2022	2022	2021
	(in millions of U.S.\$) ⁽¹⁾	(in millions of Ps.)	
Interest income:			
Interest on loans	172.1	3,464.7	3,085.7
Interest from investments in securities	1.0	19.4	16.6
Total interest income	173.1	3,484.1	3,102.3
Interest expense:			
Interest on funding	(20.7)	(415.8)	(399.9)
Total interest expense	(20.7)	(415.8)	(399.9)
Financial margin	152.4	3,068.3	2,702.4

- (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. 20.1271 per U.S.\$1.00, the exchange rate published by the Mexican Central Bank on September 30, 2022 as the rate for the payment of obligations denominated in non-Mexican currency payable in Mexico.

Financial margin increased by 13.5% to Ps.3,068.3 million in the nine-month period ended September 30, 2022 from Ps.2,702.4 million in the corresponding period in 2021. This increase was driven by an increase in our interest income of Ps.382 million, or 12.3%, and an increase in our interest expense of Ps.15.9 million, or 4%.

Interest Income

We recorded interest income of Ps.3,484.1 million in the nine-month period ended September 30, 2022, compared to Ps.3,102.3 million in the corresponding period in 2021, representing an increase of Ps.381.8 million, or 12.3%. This increase was mainly the result of a 14.8% expansion in our loan portfolio, notwithstanding the divestments of Más Nómina and Finsol Brazil.

- AFI's loan portfolio reached Ps. 3.84 billion (U.S.\$191 million) as of September 2022, with a 29% expansion versus last year's. When removing the foreign exchange effect, AFI's loan portfolio 32% in the twelve-month period.
- FISA's loan portfolio closed 3Q22 with a balance of Ps. 2.78 billion. The individual unsecured loan portfolio increased 16% on a yearly basis.
- AEF's loan portfolio closed 3Q22 with a balance of Ps. 2.02 billion, posting a 10% expansion YoY.

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 39.5% as of September 30, 2021 to 44.5% as of September 30, 2022, and (2) our ongoing focus on the formal segment; and,
- a decrease in our average effective lending rate (interest income divided by average balance of our total loan portfolio) to 57.5% for the nine-month period ended September 30, 2022 from 59.4% for the corresponding period in 2021, reflecting the adjustments to the composition of our loan portfolio referenced above;

See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Composition of Our Loan Portfolio and Interest on Loans by Company" for a breakdown of our interest income by company.

Interest Expense

Interest expense increased Ps.15.9 million, or 4.0%, to Ps.415.8 million in the nine-month period ended September 30, 2022 from Ps.399.9 million in the corresponding period of 2021, primarily due to an increase in the company's leverage in the same proportion. Despite witnessing higher rates in the markets, where the average 28-day CETES and TIIE rates reached 7.05% and 7.21%, respectively, for the nine-month period ended September 30, 2022 from 4.21% and 4.44%, respectively, for the corresponding period in 2021. Our average interest rate paid remained practically unchanged for the nine-month period ended September 30, 2022 to 9.40% for the corresponding period in 2021.

As a result of the foregoing, our net financial margin decreased by 2.1% to Ps.2,089.3 million in the nine-month period ended September 30, 2022, compared to Ps.2,133.6 million in the corresponding period of 2021.

Provisions for Loan Losses

Provisions for loan losses increased by Ps.410.3 million, or 72.1%, to Ps.979.1 million in the nine-month period ended September 30, 2022 from Ps.568.8 million in the corresponding period in 2021, which is not fully comparable given the change of methodology that requires higher reserves for growth, the impact of prudential reserves, and favorable portfolio composition after the crisis and reduced origination during 2020.

Loan write-offs increased by Ps.165.9 million, or 22.9%, to Ps.892.2 million in the nine-month period ended September 30, 2022 from Ps.726.2 million in the corresponding period in 2021. For the nine-month period ended September 30, 2022, our allowance for loan losses as a percentage of our total loan portfolio was 12.9%, compared to 8.2% during the nine-month period ended September 30, 2021. Our allowance for loan losses as a percentage of non-performing loans was 263.9% as of September 30, 2022 and 213.4% of the same period in 2021. When compared to our Stage 3 Loan Portfolio the ratio was 215.8%. Our total non-performing loan portfolio totaled Ps.421.2 million as of September 30, 2022, compared to Ps.288.5 million as of September 30, 2021, representing an increase of Ps.132.7 million, or 46.0%, 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 nine-month Period Ended September 30,		
	2022	2022	2021
	(in millions of U.S.\$) ⁽¹⁾	(in millions of Ps.)	
Commission and fee income	22.1	445.4	334.9
Commission and fee expense	3.0	59.8	51.1
Trade income (expense)	2.8	56.1	(23)
Other operating income	3.9	77.9	120.8
Total non-interest income	25.8	519.6	381.6

(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.20.1271 per U.S.\$1.00, the exchange rate published by the Mexican Central Bank on September 30, 2022 as the rate for the payment of obligations denominated in non-Mexican currency payable in Mexico. See "Presentation of Financial and Other Information".

Total non-interest income increased by Ps.138 million, or 36.2%, to Ps.519.6 million in the nine-month period ended September 30, 2022 from Ps.381.6 million in the corresponding period in 2021.

This increase was principally due to:

- a Ps.110.5 million, or 33% 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.445.4 million for the nine-month period ended September 30, 2022 from Ps.334.9 million in the corresponding period in 2021, primarily due to changes in the composition of our loan portfolio;
- trade income of Ps.56.1 million for the nine-month period ended September 30, 2022, compared to trade losses of Ps.23.0 million for the corresponding period in 2021; and
- a Ps.42.9 million, or 35.5%, decrease in other operating income to Ps.77.9 million in the nine-month period ended September 30, 2022 from Ps.120.8 million in the corresponding period in 2021,

The combined effects of these increases were partially offset by an Ps.8.7 million, or 17% 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.59.8 million in the nine-month period ended September 30, 2022 from Ps.51.1 million in the corresponding period in 2021.

Administrative and Promotional Expenses

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

	For the nine-month Period Ended September 30,		
	2022	2022	2021
	(in millions of U.S.\$) ⁽¹⁾	(in millions of Ps.)	
Salaries and employee benefits	58.8	1,183.0	1,223.2
Other administrative and operational expenses:			
Leases	2.2	45.2	179.7
Promotional expenses	7.3	147.5	65.8
Repair and maintenance	3.3	66.2	66.7
Depreciation and amortization	7.9	158.9	44.3
Telecommunications	1.7	33.5	38.6
Security and relocation of cash	1.5	30.0	28.3
Miscellaneous	14.6	293.3	381.2
Total other administrative and operational expenses	38.5	774.5	804.6

	For the nine-month Period Ended September 30,		
	2022	2022	2021
	(in millions of U.S.\$) ⁽¹⁾	(in millions of Ps.)	
Total administrative and promotional expenses	97.3	1,957.5	2,027.8

(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.20.1271 per U.S.\$1.00, the exchange rate published by the Mexican Central Bank on September 30, 2022 as the rate for the payment of obligations denominated in non-Mexican currency payable in Mexico.

Our administrative and promotional expenses decreased Ps.70.2 million, or 3.5%, to Ps.1,957.5 million in the nine-month period ended September 30, 2022 from Ps.2,027.8 million in the corresponding period in 2021. Our administrative and promotional expenses comprise:

- salaries and employee benefits, the largest component of administrative and promotional expenses, which decreased Ps.40.1 million, or 3.3%, to Ps.1,183 million (60.4% of total administrative and promotional expenses) in the nine-month period ended September 30, 2022, compared to Ps.1,223.2 million (60.3% of administrative and promotional expenses) in the corresponding period in 2021, 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 FISA, Finsol Mexico and Finsol Brazil) 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 decreased Ps.134.5 million, or 74.8%, to Ps.45.2 million in the nine-month period ended September 30, 2022 from Ps.179.7 million in the corresponding period in 2021, primarily as a result of Finsol Brazil divestment and AEF's 9 branches reconfiguration.
- promotional expenses, which increased Ps.81.7 million, or 124.1%, to Ps.147.5 million in the nine-month period ended September 30, 2022 from Ps.65.8 million in the corresponding period in 2021, primarily due to expenses incurred in connection with digital advertising to promote our products;
- repair and maintenance expenses, which decreased Ps.0.4 million, or 0.7%, to Ps.66.2 million in the nine-month period ended September 30, 2022 from Ps.66.7 million in the corresponding period in 2021 consistent with the increase in our operations;
- depreciation and amortization spiked Ps.114.6 million, or 258.8%, to Ps.158.9 million in the year ended September 30, 2022 from Ps.44.3 million in the corresponding period in 2021
- telecommunication expenses, which decreased Ps.5.2 million, or 13.4%, to Ps.33.5 million in the nine-month period ended September 30, 2022 from Ps.38.6 million in the corresponding period in 2021,
- security and relocation of cash, which primarily comprises fees charged by independent security companies for transporting cash to and from our branch offices, which increased Ps.1.6 million, or 5.8%, to Ps.30 million in the nine-month period ended September 30, 2022 from Ps.28.3 million in the corresponding period in 2021.
- miscellaneous expenses, which decreased Ps.87.9 million, or 23.1%, to Ps.293.3 million in the nine-month period ended September 30, 2022 from Ps.381.2 million in the corresponding period in 2021, principally due to spending on fees for consulting and other professional service providers.

Income Tax

Income tax increased by Ps.64.8 million, or 49.2%, to Ps.196.6 million in the nine-month period ended September 30, 2022 from Ps.131.8 million in the corresponding period in 2021.

Net Income

As a result of the foregoing, our net income increased Ps.95.9 million, or 27%, to Ps.451.5 million in the nine-month period ended September 30, 2022, compared to net income of Ps.355.6 million in the corresponding period in 2021. Earnings per share for the nine-month periods ended September 30, 2022 and 2021 was Ps.1.3378 and Ps.1.0536, respectively.

Results of Operations for the Year Ended December 31, 2021, Compared to the Year Ended December 31, 2020

The following table sets forth certain of our consolidated income statement information relating to the years ended December 31, 2021 and 2020:

	For the Year Ended December 31,		
	2021	2021	2020
	(in millions of U.S.\$) ⁽¹⁾	(in millions of Ps.)	
Interest income	206.4	4,232.7	4,827.2
Interest expense	25.7	526.8	729.9
Financial margin	180.7	3,705.9	4,097.3
Allowance for loan losses	41.4	849.7	1,716.0
Financial margin adjusted by credit risk	139.3	2,856.2	2,381.3
Commission and fee income	21.2	434.6	296.5
Commission and fee expense	3.3	68.2	77.1
Financial intermediation, net.....	(1.3)	(26.2)	380.8
Other operating income, net.....	8.1	165.9	130.9
Administrative and promotional expenses.....	131.8	2,703.5	3,048.8
Net operating income	32.1	658.7	63.5
Equity in the results of associated companies.....	0.0	0.0	37.2
Income before income taxes	32.1	658.7	100.7
Current income taxes.....	2.4	50.2	(21.9)
Deferred income taxes, net.....	6.3	128.3	76.9
Net income before discontinued operations	23.4	480.3	45.8
Discontinued operations	6.5	133.4	458.4
Net income (loss)	16.9	346.9	(412.7)

- (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.20.5075 per U.S.\$1.00, the exchange rate published by the Mexican Central Bank on December 31, 2021 as the rate for the payment of obligations denominated in non-Mexican currency payable in Mexico. See "Presentation of Financial and Other Information".

Financial Margin

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

	For the Year Ended December 31,		
	2021	2021	2020
	(in millions of U.S.\$) ⁽¹⁾	(in millions of Ps.)	
Interest income:			
Interest on loans.....	205.4	4,213.0	4,807.5
Interest from investments in securities.....	1.0	19.7	19.7
Total interest income	206.4	4,232.7	4,827.2
Interest expense:			
Interest on funding	(25.7)	(526.8)	(729.9)
Total interest expense	(25.7)	(526.8)	(729.9)
Financial margin	180.7	3,705.9	4,097.3

- (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.20.5075 per U.S.\$1.00, the exchange rate published by the Mexican Central Bank on December 31, 2022 as the rate for the payment of obligations denominated in non-Mexican currency payable in Mexico.

Interest Income

Interest income decreased Ps.594.5 million, or 12.3%, to Ps.4,232.7 million in the year ended December 31, 2021, compared to Ps.4,827.2 million in the year ended December 31, 2020. This decrease was mainly the result of:

- (1) a 12.1% contraction in the average loan portfolio from 2020 to 2021 going down from Ps.8,068 million to Ps.7,090 million, and (2) 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 28.8% as of December 31, 2020 to 43.5% as of December 31, 2021;
- a decrease in our average effective lending rate (interest income divided by average balance of our total loan portfolio) to 59.7% for the year ended December 31, 2021 from 59.8% for the year ended December 31, 2020, reflecting the adjustments to the composition of our loan portfolio referenced above; and
- At the end of 2021, the total portfolio closed at Ps.7,709.3 million, from Ps.7,015.4 as of December 31, 2020. It is important to note that the loan portfolio at the end of 2020 included Ps.335.6 million from Finsol Brazil, and Ps.862.9 million from Más Nómina.
- AFI's loan portfolio reached Ps.3.84 billion (U.S.\$191 million) as of September 2022, with a 29% expansion versus last year's.
- FISA's loan portfolio closed 3Q22 with a balance of Ps. 2.78 billion. The individual unsecured loan portfolio increased 16% on a yearly basis.
- AEF's loan portfolio closed 3Q22 with a balance of Ps. 2.02 billion, posting a 10% expansion YoY.

See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Composition of Our Loan Portfolio and Interest on Loans by Company" for a breakdown of our interest income by company.

Interest Expense

Interest expense decreased Ps.203.1 million, or 27.8%, to Ps.526.8 million in the year ended December 31, 2021 from Ps.729.9 million in the year ended December 31, 2020. This came on the back of a lower leverage, average interest-bearing liabilities retreated from Ps.6,162.8 million in 2020 to Ps.5,059.4 million during 2021 (17.9% lower). Moreover, a reduced use of CCS for hedging, due to an increase in the natural hedge of our liabilities yielded a 140 basis point decrease in the average interest rate paid on liabilities to 10.41% for the year ended December 31, 2021 from 11.84% for the year ended December 31, 2020. Likewise, the average 28-day CETES and THIE rates decreased to 4.4% and 4.6%, respectively, for the year ended December 31, 2021 from 5.3% and 5.7%, respectively, for the year ended December 31, 2020

As a result of the foregoing, our net financial margin increased by 19.9% to Ps.2,856.2 million in the year ended December 31, 2021, compared to Ps.2,381.3 million in the year ended December 31, 2020.

Allowance for Loan Losses

Allowance for loan losses decreased Ps.866.3 million, or 50.5%, to Ps.849.7 million in the year ended December 31, 2021 from Ps.1,716.0 million in the year ended December 31, 2020, which primarily reflected the continuous improvements to the quality of our loan portfolio.

Loan write-offs decreased by Ps.874.8 million, or 47.5%, to Ps.968.4 million in the year ended December 31, 2021 from Ps.1,843.2 million in the year ended December 31, 2020. For the year ended December 31, 2021, our allowance for loan losses as a percentage of our total loan portfolio was 8.5%, compared to 9.8% during the year ended December 31, 2020. Our allowance for loan losses as a percentage of non-performing loans was 193.7% as of December 31, 2021 and 191.5% at the end of 2020. Our total non-performing loan portfolio totaled Ps.337.6 million as of December 31, 2021, compared to Ps.359.1 million as of December 31, 2020, representing a decrease of Ps.21.5 million, or 6%.

Commissions and fee income, Commission and fee expenses, Financial intermediation, net and Other operating income, net

The following table sets forth the composition of our Commissions and fee income, Commission and fee expenses, Financial intermediation, net and Other operating income, net for the periods presented.

	For the Year Ended December 31,		
	2021	2021	2020
	<i>(in millions of U.S.\$) ⁽¹⁾</i>	<i>(in millions of Ps.)</i>	
Commission and fee income	21.2	434.6	296.5
Commission and fee expense	3.3	68.2	77.1
Financial intermediation, net	(1.3)	(26.2)	380.8
Other operating income, net	8.1	165.9	130.9
Total	24.7	506.1	731.0

(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.20.5075 per U.S.\$1.00, the exchange rate published by the Mexican Central Bank on December 31, 2021 as the rate for the payment of obligations denominated in non-Mexican currency payable in Mexico. See "Presentation of Financial and Other Information".

Total Commissions and fee income, Commission and fee expenses, Financial intermediation, net and Other operating income, net decreased Ps.225.0 million, or 30.8%, to Ps.506.1 million in the year ended December 31, 2021 from Ps.731.0 million in the year ended December 31, 2020.

This decrease was principally due to:

- a Ps.26.2 million loss in trading income during 2021, largely contrasting with a Ps.380.8 million profit registered during 2020, on the back of gains related to buybacks of Findep 2024 Unsecured Notes at a discount.
- a Ps.138.1 million, or 46.6%, 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.434.6 million for the year ended December 31, 2021 from Ps.296.5 million in the year ended December 31, 2020, primarily due to the ramp up in origination after a downbeat performance during 2020 given the COVID-19 pandemic; and
- an Ps.8.9 million, or 11.5%, 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.68.2 million in the year ended December 31, 2021 from Ps.77.1 million in the year ended December 31, 2020. Other operating income, net increased Ps.35 million, or 0.8%, to Ps.165.9 million in the year ended December 31, 2021 from Ps.130.9 million in the year ended December 31, 2020. This increase comes on the back of services provided to Fisofo and Finsol Brazil, which used to be part of the group during 2020, but were divested on 2021.

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,		
	2021	2021	2020
	<i>(in millions of U.S.\$) ⁽¹⁾</i>	<i>(in millions of Ps.)</i>	
Salaries and employee benefits	79.2	1,624.0	1,921.9
Other administrative and operational expenses:			
Leases	11.7	240.4	284.5
Promotional expenses	5.2	106.3	44.2
Repair and maintenance	4.1	84.3	93.4
Depreciation and amortization	2.8	56.8	80.0
Telecommunications	2.4	48.3	57.7
Security and relocation of cash	1.8	36.9	36.9
Miscellaneous	24.7	506.3	530.2
Total other administrative and operational expenses	52.6	1,079.5	1,126.9

	For the Year Ended December 31,		
	2021	2021	2020
	(in millions of U.S.\$) ⁽¹⁾	(in millions of Ps.)	
Total administrative and promotional expenses	131.8	2,703.5	3,048.8

- (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.20.5075 per U.S.\$1.00, the exchange rate published by the Mexican Central Bank on December 31, 2021 as the rate for the payment of obligations denominated in non-Mexican currency payable in Mexico. See "Presentation of Financial and Other Information".

Our administrative and promotional expenses decreased Ps.345.3 million, or 11.3%, to Ps.2,703.3 million in the year ended December 31, 2021 from Ps.3,303.8 million in the year ended December 31, 2020. Our administrative and promotional expenses comprise:

- salaries and employee benefits, the largest component of administrative and promotional expenses, which decreased Ps.297.9 million, or 15.5%, to Ps.1,624.0 million (60.1% of total administrative and promotional expenses) in the year ended December 31, 2021, compared to Ps.1,921.9 million (63.0% of administrative and promotional expenses) in the year ended December 31, 2020. This, on the back of a 13.8% reduction in headcount, mainly related to Más Nómina and Finsol Brazil divestitures;
- lease expenses, which decreased Ps.44.1 million, or 15.5%, to Ps.240.4 million in the year ended December 31, 2021 from Ps.284.5 million in the year ended December 31, 2020. This, on the back of an 8.8% reduction in branches, mainly related to Más Nómina and Finsol Brazil divestitures
- promotional expenses, which increased Ps.62.1 million, or 140.5%, to Ps.106.3 million in the year ended December 31, 2021 from Ps.44.2 million in the year ended December 31, 2020, 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.9.1 million, or 9.7%, to Ps.84.3 million in the year ended December 31, 2021 from Ps.93.4 million in the year ended December 31, 2020, principally due to the replacement of certain of our third-party maintenance suppliers in line with our efforts to increase our operating efficiencies;
- depreciation and amortization, which decreased Ps.23.2 million, or 29.0%, to Ps.56.8 million in the year ended December 31, 2021 from Ps.80.0 million in the year ended December 31, 2020;
- telecommunication expenses, which decreased Ps.9.4 million, or 16.3%, to Ps.48.3 million in the year ended December 31, 2021 from Ps.57.7 million in the year ended December 31, 2020, primarily as a result of lower rates we obtained from telecommunication suppliers and the replacement of certain of these suppliers; and
- miscellaneous expenses, which decreased Ps.23.9 million, or 4.5%, to Ps.506.3 million in the year ended December 31, 2021 from Ps.530.2 million in the year ended December 31, 2020, principally due to spending on fees for consulting, lawyers and other professional third-party service providers.

Income Tax

Income tax increased by Ps.123.5 million, or 224.6%, to Ps.178.4 million in the year ended December 31, 2021 from Ps.55.0 million in the year ended December 31, 2020.

This following table shows the items comprising the amount:

	2021	2020
Income current tax	50.2	(22.0)
Income deferred tax	128.2	77.0
Total income tax	178.4	55.0

This increase is primarily due to the 328.9% increase in our income from operations in the year ended December 31, 2021 compared to the year ended December 31, 2020.

Net Income

As a result of the foregoing, our net income increased Ps.759.6 million, or 184.1%, to Ps.346.9 million in the year ended December 31, 2021, compared to net loss of Ps.412.7 million in the year ended December 31, 2020. It is important to note that the net loss incurred during 2020 came on the back of a Ps.458.4 million, non-cash impact due to Finsol Mexico goodwill impairment recognition

Composition of Our Loan Portfolio and Interest on Loans by Company

The following table shows our interest-earning loans and interest on loans by company as of and for the nine-month periods ended September 30, 2022 and 2021 and as of and for the years ended December 31, 2021 and 2020:

	As of September 30, 2022		As of December 31,			
			2021		2020	
	Loan Amount ⁽¹⁾	% of Total	Loan Amount ⁽¹⁾	% of Total	Loan Amount ⁽¹⁾	% of Total
	(in millions of Pesos, except percentages)					
FISA loans	2,783.0	32.2%	2,477.3	32.1%	2,097.5	29.9%
Finsol (Mexico and Brazil)	0.0	0.0%	0.0	0.0%	335.7	4.8%
AEF loans	2,023.2	23.4%	1,879.2	24.4%	1,695.5	24.2%
AFI loans	3,835.1	44.4%	2,352.8	43.5%	2,023.9	28.8%
Others	0.0	0.0%	0.0	0.0%	862.9	12.3%
Total loan portfolio.....	8,641.3	100.0%	7,709.3	100.0%	7,015.5	100.0%
Allowance for loan losses	1,111.6		653.9		687.7	
Loan portfolio, net.....	7,529.7		7,055.4		6,327.8	

1. Includes principal and interest.

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 September 30, 2022			
	Number of Loans Outstanding		Interest Income	
	Amount	% of Total	Amount	% of Total
<i>(in millions of Pesos, except percentages)</i>				
FISA loans.....	183,938	56.6%	1,526.5	44.0%
Finsol (Mexico and Brazil)	0	0.0%	0.0	0.0%
AEF loans	105,000	32.3%	1,074.3	31.0%
AFI loans	36,081	11.1%	867.3	25.0%
Total.....	325,019	100.0%	3,468.0	100.0%

	As of December 31, 2021			
	Number of Loans Outstanding		Interest Income	
	Amount	% of Total	Amount	% of Total
<i>(in millions of Pesos, except percentages)</i>				
FISA loans.....	187,083	57.7%	1,929.9	45.8%
AEF loans	105,947	32.7%	1,308.0	31.0%
AFI loans	31,094	9.6%	848.9	20.2%
Finsol loans.....	0	0.0%	126.2	3.0%
Total.....	324,124	100.0%	4,213.0	100.0%

	As of December 31, 2020			
	Number of Loans Outstanding		Interest Income	
	Amount	% of Total	Amount	% of Total
	(in millions of Pesos, except percentages)			
FISA loans	188,758	51.9 %	1,884.7	39.2%
AEF loans	92,255	25.4%	1,212.8	25.2%
AFI loans	24,758	6.8%	746.1	15.6%
Other loans.....	58,020	15.9%	963.8	20.0%
Total.....	363,791	100.0%	4,807.5	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.7,397.1 million as of September 30, 2022), 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 0.87% of interest income in the nine-month period September 30, 2022, and 0.42% of interest income in the corresponding period in 2021. Interest from investments in securities represented 0.47% of interest income in 2021, and 0.41% of interest income in 2020.

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

Bank and other borrowings and International Bonds

As of September 30, 2022, we had liabilities from the placement of international bonds and loans from commercial and development banks totaling Ps.5,906.9 million, compared to Ps.5,185.0 million as of September 30, 2021, representing an increase of Ps.796.3 million, or 15.4%.

The following table sets forth the outstanding balances of our borrowings from banks and other entities as of September 30, 2022.

September 30, 2022			
	Amount of Debt	Currency	Maturity
	<i>(in millions of Pesos)</i>		
Banco del Bajío	100.0	Pesos	June 2023
Banco Ve por Más	66.8	Pesos	August 2023
BBVA	100.0	Pesos	July 2023
Bridge Bank.....	195.2	U.S. dollars	March 2023
FINDEP24-Notes	3,253.3	U.S. dollars	July 2023
HSBC.....	1,000.0	Pesos	April 2023
HSBC.....	403.9	U.S. dollars	June 2023
HSBC.....	100.0	Pesos	April 2023
MONEX.....	75.0	Pesos	December 2023
NAFINSA.....	215.2	Pesos	Indefinite
NAFINSA.....	155.8	Pesos	Indefinite
Sabadell	100.0	Pesos	June 2023
Santander	141.7	Pesos	January 2023
Accrued Interest.....	74.4	Pesos	-
Total	5,981.3		

As set forth in the table below, Ps.2,288.6 million, or 38.34%, of our indebtedness is secured as of September 30, 2022:

For the nine-month Period Ended September 30, 2022		
	Secured	Unsecured
	(in millions of Pesos)	
Existing Notes.....	—	3,315.4
Loans from commercial and sovereign banks.....	2,288.6	377.3
Total	2,288.6	3,692.6

The following table sets forth the outstanding balances of our borrowings from banks and other entities as of December 31, 2021:

December 31, 2021			
	Amount of Debt	Currency	Maturity
	(in millions of Pesos)		
Banco del Bajío	100.0	Pesos	June 2022
Banco Ve por Más.....	90.9	Pesos	August 2024
BBVA	100.0	Pesos	August 2022
Western Alliance (Bridge Bank).....	198.9	U.S. dollars	March 2022
FINDEP24-Notes	3,628.0	U.S. dollars	July 2024
HSBC.....	220.0	Pesos	March 2023
HSBC.....	220.0	Pesos	November 2022
HSBC.....	139.3	U.S. dollars	June 2022
MONEX	75.0	Pesos	December 2022
NAFINSA.....	113.3	Pesos	Indefinite
NAFINSA.....	181.0	Pesos	Indefinite
Scotiabank	177.9	Pesos	May 2022
Accrued Interest	162.5	Pesos	-
Total	5,406.9		

As set forth in the table below, Ps.1,328.2 million, or 25.33%, of our indebtedness is secured as of December 31, 2021:

December 31, 2021		
	Secured	Unsecured
	(in millions of Pesos)	
Existing Notes	—	3,628.0
Loans from commercial and sovereign banks	1,328.2	450.6
Total.....	1,328.2	4,078.7

The following table sets forth the outstanding balances of our borrowings from banks and other entities as of December 31, 2020

December 31, 2020			
	Amount of Debt	Currency	Maturity
	(in millions of Pesos)		
Banco del Bajío	100.0	Pesos	June 2022
Banco Ve por Más.....	20.0	Pesos	October 2021
BBVA	150.0	Pesos	August 2022
Western Alliance (Bridge Bank).....	153.3	U.S. dollars	March 2021
FINDEP24-Notes	3670.5	U.S. dollars	July 2024
HSBC.....	253.5	Pesos	December 2020
HSBC.....	276.5	Pesos	November 2022
HSBC.....	199.1	U.S. dollars	January 2021
MONEX	—	Pesos	September 2021
NAFINSA.....	111.2	Pesos	Indefinite
NAFINSA.....	431.8	Pesos	Indefinite
Scotiabank	137	Pesos	May 2022
Safra.....	5.7	Pesos	February 2021
Safra.....	5.7	Pesos	March 2021
Safra.....	7.7	Pesos	December 2021

Caixa Economica Federal	76.6	<i>Pesos</i>	August 2024
Sofisa	114.9	<i>Pesos</i>	December 2021
Accrued Interest	197.3	<i>Pesos</i>	-
Total	5,910.8		

As set forth in the table below, Ps.1,545.9 million, or 25.33%, of our indebtedness is secured as of December 31, 2021:

	December 31, 2020	
	Secured	Unsecured
	<i>(in millions of Pesos)</i>	
International bonds ⁽¹⁾	—	3,670.5
Loans from commercial and sovereign banks.....	1,545.9	694.4
Total	1,545.9	4,364.9

(1) Corresponds to the Existing Notes, which in our audited consolidated financial statements appear under the line item “securitization liabilities.”

Existing Notes

On July 19, 2017, we offered and sold the Existing Notes in the aggregate amount of U.S.\$250.0 million. These Existing Notes are currently guaranteed by our subsidiaries AEF and AFI and mature in July 2024. As of September 30, 2022, the outstanding principal amount of the Existing Notes was U.S.\$161.6 million.

Lines of Credit with Nafinsa

FISA and AEF have entered into two separate lines of credit with Nafinsa. As of September 30, 2022, the outstanding balance under these lines of credit was Ps.371.0 million. These lines of credit have an indefinite term, and disbursements of up to 36 months, depending on the use of proceeds.

NAFINSA Lines

On February 18, 2009, FISA 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.750 million, carries an interest rate of TIIE 28 days plus 250 basis points and has no maturity date.

On September 22, 2011, AEF entered into a secured revolving line of credit with Nafinsa for which FISA provided a guarantee. This line of credit was increased to Ps.500.0 million on June 26 2020, bears interest at the rate of TIIE 28 days plus 250 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.50.0 million.

Line of Credit of FISA with BBVA

On April 26, 2012, FISA obtained a Ps.260.0 million unsecured revolving line of credit from BBVA, 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 TIIE 28 days plus the spread determined in each promissory note currently 300 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 BBVA entered into a credit agreement for \$12.0 million, maturing in 36 months.

On August 15, 2019, this line of credit was amended to Ps.\$180.0 million, maturing on August 15, 2022. On July 29, 2022, this line of credit was amended to Ps.\$100.0 million, maturing on August 30, 2023. As of September 30, 2022, the outstanding balance under this line of credit was Ps.100 million.

Lines of Credit of FISA with HSBC Mexico

On November 30, 2016, FISA obtained a Ps.464.5 million secured revolving line of credit from HSBC Mexico, for which AEF, Financiera Finsol, Fisofo and AFI were joint obligors. To secure compliance with their obligations under the agreement, FISA, 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, FISA 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, FISA obtained a Ps.615.0 million secured revolving line of credit from HSBC Mexico, for which AEF, Financiera Finsol, Fisofo and AFI were joint obligors. To secure compliance with their obligations under the agreement, FISA, 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, FISA may not pay dividends in the event it is in default, including with respect to the financial ratios set forth in the agreement.

On April 4, 2022, the aforementioned FISA's revolving lines of credit with HSBC merged into one Ps.1,200 million, for which AEF and AFI are joint obligors. This line matures on April 4, 2024

On January 10, 2020, FISA obtained a U.S.\$25 million secured revolving line of credit from HSBC Mexico, for which AEF, Financiera Finsol, Fisofo and AFI were joint obligors. This line of credit was amended on January 6, 2021, in order to extend its maturity until June 10, 2022, and in June 2022 it was once more amended, leaving its maturity on June 10, 2023.

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, this line has been amended through the last years being the last amendment on June 8, 2022, having a term of six years bearing interest at the rate of TIIE plus 300 basis points.

Line of Credit with Banco Monex

On December 8, 2021 we entered into a secured revolving line of credit with Banco Monex, S.A. Institución de Banca Múltiple, Monex Grupo Financiero in the aggregate amount of Ps.\$75.0 million and bearing interest at the rate of TIIE plus 350 basis points.

Line of Credit with Bridge Bank

In November 2012, 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.\$4.75 million. On April 3, 2014 there was an amendment increasing the principal amount to U.S.\$9.7 million. In March 2022 the revolving line was modified to reach U.S.\$18.0 million, maturing in March 2023 and bearing interest at the Lender's Prime Rate.

Lines of Credit with Banco Ve por Más

In August 2021, FISA obtained a secured line of credit with Banco Ve por Más, S.A., Institución de Banca Múltiple, Grupo Financiero Ve por Más in the aggregate amount of Ps.\$100.0 million; having a term of three years and bearing interest at the rate of TIIE plus 300 basis points, on September 30, 2022 increasing the principal amount to Ps. 140 million. In September 2022, AEF entered into a secured line of credit with Banco Ve por Más, S.A., Institución de Banca Múltiple, Grupo Financiero Ve por Más in the aggregate amount of Ps.\$45.0 million; having a term of three years and bearing interest at the rate of TIIE plus 350 basis points.

In September 2022, AEF entered into a secured line of credit with Banco Ve por Más, S.A., Institución de Banca Múltiple, Grupo Financiero Ve por Más in the aggregate amount of Ps.\$45.0 million; having a term of three years and bearing interest at the rate of TIIE plus 350 basis points.

Simple Credit with Santander

In January 2022, we entered into a simple credit with Banco Santander México, S.A. Institución de Banca Múltiple, Grupo Financiero Santander México, in the aggregate amount for Ps.\$200.0 million, having a term of three years and bearing interest at the rate of TIIE plus 352 basis points.

Line of Credit with Sabadell

In June 2022, we obtained a secured line of credit with Banco Sabadell, S.A. Intitución de Banca Múltiple, in the aggregate amount for Ps.\$100.0 million, having a term of two years and bearing interest at the rate of THIE plus 335 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, distributions or other returns 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 September 30, 2022, 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 2x and 2.5x;
- Credit Default Rate (past due portfolio divided by total portfolio) of at least 8% and 12%;
- Credit Default Rate + Write-offs (sum of past due portfolio plus write-offs divided by total portfolio) of at least 21%;
- 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 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;
- Consolidated Leverage (Total Debt/ Consolidated Net Worth) of at least 3.5:1;
- 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 13.5%, 20% and 25%;

- Maximum Default Rate ((Loans over 30 days past due divided by Total Notes Receivables) of not greater than 10%;
- Minimum Adjusted Net Income of not less than 1,000:1;
- Debt Coverage (sum of cash, asset investments and performing loan divided by Total Debt) of at least 1.10:1;
- Indebtedness Ratio ((Unencumbered Assets / Unsecured Indebtedness) of not less than 110%.

As of September 30, 2022, we complied with these financial ratios and/or have obtained necessary waivers.

Contractual Obligations and Commercial Commitments

The table below sets forth information related to our contractual obligations and commercial commitments as of September 30, 2022.

	Payments Due By Period			Total
	October 2022 through December 2022	January 2023 through December 2023	After December 2023	
	<i>(in millions of Pesos)</i>			
Borrowings from banks and other entities -short term	447.2	1,389.8	816.7	2,653.7
FINDEP24-Notes			3,253.3	3,253.3
Interest	12.3	62.1		74.4
Leases	49.5	165.6	287.1	502.2
Total contractual obligations	509	1,617.5	4,357.1	6,483.6

Contractual obligations decreased by 9.3% from Ps.5,910.8 million as of December 2020 to Ps.5,407.0 million as of December 31, 2021, and increased by 9.6% to Ps.5,981.3 million as of September 30, 2022.

Investment Portfolio

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

	As of September 30, 2022		As of December 31,			
	Amount	% of Total	2021		2020	
			Amount	% of Total	Amount	% of Total
	<i>(in millions of Pesos, except percentages)</i>					
Investments in securities	651.7	100.0%	87.5	100.0%	435.5	100.0%

- (1) Include securities purchased under resale agreements.

Our total investments as of September 30, 2022 totaled Ps.651.74 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 Exchange 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 three types of bank accounts: ones for disbursement of our loans, ones for the payment of suppliers and management expenses, and ones 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.

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. 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 September 30, 2022, 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 September 30, 2022, we operated 345 branch offices (318 in Mexico and 27 in the state of California in the U.S.).

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 September 30, 2022, our average loan balance was approximately Ps.\$26,587 (U.S.\$1,321) 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. As of September 30, 2022, we had 325,019 loans outstanding and reported a return on average total assets of 2.3% for the nine-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.

We have been an active participant in the microfinance market in Mexico, providing individual loans since 1993, and the U.S. since 2011. 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 FISA, AEF and AFI operations, is characterized by little to no participation in the formal banking system. We serve our individual loan customers through 318 branch offices in 32 states in Mexico and 27 branch offices in California. In 2021, the average balance of our individual loans was Ps.\$23,785.08, (U.S.\$1,159.82). As of September 30, 2022, our individual loans comprised 100% or Ps.\$8,641.3 million (U.S.\$429.3 million), of our total loan portfolio, and the non-performing loan ratio of our individual loan portfolio was 4.9%. We do not require collateral or other forms of security in connection with our individual loan products.

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 13.3% and 8.2% during the nine-month period ended September 30, 2022 and the year ended December 31, 2021, respectively. As of September 30, 2022, our loan portfolio amounted to Ps.8,641 million, compared to Ps.7,709 million as of December 31, 2021, and Ps.7,015.5 million as of December 31, 2020, representing an increase of 9.9% and 12.1% 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 4.9% as of September 30, 2022 and 4.4% as of December 31, 2021, compared to our non-performing loan ratio of 3.8% as of September 30, 2021 and

5.1% as of December 31, 2020. It is important to note that the aforementioned non-performing loan ratio has been calculated under our legacy methodology for comparison purposes.

In the nine-month period ended September 30, 2022, our provisions for loan losses increased 72.1% to Ps.979.1 million (U.S.\$48.6million), compared to Ps.568.8 million (U.S.\$27.7 million) in the corresponding period in 2021, primarily as a result of the adoption of CNBV's provisioning methodology as of January 1st, 2022. In 2021, our provisions for loan losses decreased 50.5% to Ps.849.7 million (U.S.\$41.4 million), compared to Ps.1,716.0 million (U.S.\$86.2 million) in 2020; this on the back of provisions in excess generated during 2020; the divestiture of Finsol Mexico's portfolio and Más Nómina; and, primarily, as a result of a consistently higher quality loan portfolio compared to the performance throughout the COVID-19 Pandemic. We believe that the overall portfolio performance reflects the improvements on our risk management, while provisions are somewhat tainted by the adoption of new methodologies adhering to the CNBV's guidelines.

During the nine-month period ended September 30, 2022, our net financial margin after provision for loan losses was Ps.2,089.3 million (U.S.\$103.8 million), reflecting a 2.1% decrease compared to the corresponding period of 2021, impacted by the divestments of payroll lending business and Finsol Brazil. On a comparable basis, the net financial margin after provisions posted a 3.9% YoY expansion.

Our net income was Ps.451.5 million (U.S.\$22.4 million) during the nine-month period ended September 30, 2022, compared to net income of Ps.355.6 million (U.S.\$17.3 million) during the corresponding period of 2021. For the nine-month period ended September 30, 2022 and 2021, our net interest margin after provisions, including commissions, was 34.1% and 39.1%, respectively. During the year ended December 31, 2021, our net financial margin after provision for loan losses was Ps.2,856.2 million (U.S.\$139.3 million), reflecting a 19.9% increase compared to 2020, and our net income was Ps.346.9 million (U.S.\$16.9 million), compared to a Ps.412.7 million loss (U.S.\$20.7 million) in 2020, pressured by a non-cash Ps.448 million write down related to Finsol Mexico's goodwill, as well as the creation of excess discretionary reserves for Ps.311 million. For the year ended December 31, 2021 and 2020, our net interest margin after provisions, including commissions, were 38.8% and 30.1%, respectively.

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

	As of and for the Nine-Month Period Ended September 30,			As of and for the Year Ended December 31,		
	2022	2022 ⁽¹⁾	2021	2021	2021	2020
	(in millions of U.S.\$, unless otherwise indicated) ⁽²⁾	(in millions of Ps., unless otherwise indicated)		(in millions of U.S.\$, unless otherwise indicated) ⁽³⁾	(in millions of Ps., unless otherwise indicated)	
Net income (loss)	22.4	451.5	355.6	16.9	346.97	(412.7)
Stockholders' Equity	228.8	4,605.8	4,489.7	217.2	4,454.4	4,050.9
Other Financial Data and Ratios						
Profitability and Efficiency:						
Return on average stockholders' equity ⁽⁴⁾	13.3%	13.3%	11.1%	8.2%	8.2%	(9.9%)
Return on average total assets ⁽⁵⁾	5.4%	5.4%	4.5%	3.3%	3.3%	(3.6%)
Net interest margin after provisions ⁽⁶⁾	34.1%	34.1%	39.1%	38.8%	38.8%	30.1%
Efficiency ratio ⁽⁷⁾	76.7%	76.7%	82.9%	80.4%	80.4%	98%
Capitalization:						
Stockholders' equity as a percentage of total assets	39.0%	39.0%	42.1%	42.0%	42.0%	38.1%
Credit Quality Data:						
Stage 1 Loan Portfolio	370.9	7,466.1	—	—	—	—
Stage 2 Loan Portfolio	32.8	660.3	—	—	—	—
Stage 3 Loan Portfolio	25.6	515.0	—	—	—	—
Total performing loans	—	—	7,240.1	359.5	7,371.8	6,656.5
Total non-performing loans	—	—	288.5	16.5	337.6	359.1
Total loan portfolio	429.3	8,641.3	7,528.6	375.9	7,709.3	7,015.5
Allowance for loan losses	(55.2)	(1,111.6)	(615.8)	(31.9)	(653.9)	(687.7)
Credit Quality Ratios:						
Allowance for loan losses as a percentage of total loan portfolio	12.9%	12.9%	8.1%	8.5%	8.5%	9.8%
Allowance for loan losses as a percentage of total non-performing loan portfolio ⁽⁸⁾	263.9%	263.9%	213.4%	193.7%	193.7%	191.5%
Total non-performing loan portfolio as a percentage of total loan portfolio ⁽⁹⁾	4.9%	4.9%	3.8%	4.4%	4.4%	5.1%
Total Stage 3 Loan Portfolio as a percentage of total loan portfolio	6.0%	6.0%	—	—	—	—

- (1) As a result of the adoption of the new accounting standards and the modifications to existing ones which became effective as of January 1, 2022: (a) our consolidated financial information as of September 30, 2022 is not comparable with our consolidated financial information as of December 31, 2021 and (b) our consolidated financial information for the nine-month period ended September 30, 2022 is not comparable with our consolidated financial information for the nine-month period ended September 31, 2021. See "Presentation of Financial and Other Information — Accounting Principles — Changes in accounting standards" and "Risk Factors — Risks Relating to Our Business — Changes in accounting standards could impact our financial reporting and the comparability of our historical financial information."
- (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.20.1271 per U.S.\$1.00, based on the Mexican Central Bank exchange rate published on September 30, 2022.
- (3) 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.20.5075 per U.S.\$1.00, the exchange rate published by the Mexican Central Bank on December 31, 2021 as the rate for the payment of obligations denominated in non-Mexican currency payable in Mexico.
- (4) Return on average stockholders' equity for the years ended December 31, 2021 and 2020 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 nine-month periods ended September 30, 2022 and 2021 consists of annualized net income for the period divided by the quarterly average of stockholders' equity for the period.
- (5) Return on average total assets for the years ended December 31, 2021 and 2020 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 nine-month periods ended September 30, 2022 and 2021 consists of annualized net income for the period divided by the quarterly average of total assets for the period.
- (6) Represents financial margin adjusted by credit risk plus commission and fee income and commission and fee expense divided by average interest-earning assets. Average interest-earning assets are determined based on the quarterly average balance of the period.
- (7) Efficiency ratio consists of administrative and promotional expenses for the period divided by the sum of (i) financial margin adjusted by credit risk for the period and (ii) the difference between (x) commission and fee income and (y) commission and fee expense.
- (8) Solely for comparison purposes, we have calculated our total non-performing loan portfolio as of September 30, 2022, by applying the loan portfolio classification in effect as of December 31, 2021 (which we refer to as the "legacy methodology") to our loan portfolio as of September 30, 2022. We have calculated allowance for loan losses pursuant to the accounting standards in effect as of January 1, 2022.
- (9) Solely for comparison purposes, we have calculated our total non-performing loan portfolio as of September 30, 2022, by applying the legacy methodology to our loan portfolio as of September 30, 2022.

Products and Services

The following graphic illustrates the distribution of our clients and portfolio in Mexico and the United States as of the date of this Exchange Offer Memorandum:



We offer a single type of loan products, namely individual loans both simple and revolving. Source of income of our customers may be formal (e.g. employees receiving a payroll), a micro business or self-employed. Our customers use our loans to finance consumption, as working capital for their micro business and to grow their micro business, among others. In the past we offered both group loans through our subsidiaries Finsol México and Finsol Brazil and Payroll lending through Más Nómina (Fisofo). These subsidiaries have been divested and their portfolio is only reported in historical figures.

Our portfolio is highly fragmented, with the largest 1,000 loans representing roughly 5% of our total portfolio in Mexico and roughly 7% in the United States.

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

- *Simple Credits*. Offered to individuals with formal and informal sources of income with differentiated underwriting process depending on the source of income. Loan amounts and conditions vary depending on the source of income. In September 2022 simple credits represented 35% of FISA's portfolio.
- *Revolving Credits*. This product is a revolving credit line available only to individual customers in good credit standing, mostly focused to renewal customers with good performance. Our customers may use these credit lines to acquire assets or services. The amount of this revolving credit line varies depending upon the customer's profile, credit history and payment track record with FISA and is managed though periodic line increases based on behavior. In September 2022 revolving credits represented 65% of FISA's portfolio.

As of September 30, 2022 we 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 (U.S.\$74.05 to U.S.\$2,484.2) 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 Premier*. This product was launched in 2018, and is targeted to an intermediate segment between the Regular and the Preferente clients, who have demonstrated a good credit standing. These loans range

from Ps.15,000 to Ps.80,000 (U.S.\$745.3 to U.S.\$3,974.7), a maximum term of 3 years, and a lower rate than the regular loans.

- *Crédito Preferente*. These personal loans, which range from Ps.25,000 to Ps.150,000 (U.S.\$1,242.1 to U.S.\$7,452.6) 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.
- *PymEfectivo*. This product was launched in 2019, and is targeted to small and medium business owners in the formal or informal sector of the Mexican economy. These loans range from Ps.50,000 to Ps.500,000 (U.S.\$2,484.2 to U.S.\$24,842.1), offering preferential and competitive rates in the market. Our customers may use these loans for working capital purposes.

We also offer individual loans through the operations of our subsidiary AFI in the United States. Personal loans, which are directed primarily to the Hispanic population of the states of California, Arizona, and Texas, range from U.S.\$750 to U.S.\$10,000 and are available to individuals who can certify income derived from employment. We are recently testing the market for business loans that range from U.S.\$10,000 to U.S.\$20,000, and are available only in the state of California. These loans have terms ranging from 12 to 48 months. Business loans represent a negligible fraction of our portfolio.

	As of September 30,		As of December 31,			
	2022		2021		2020	
	Loan Amount (1)	% of Total	Loan Amount (1)	% of Total	Loan Amount (1)	% of Total
<i>(in millions of Pesos, except percentages)</i>						
FISA loans	2,783.0	32.2%	2,477.3	32.1%	2,097.5	29.9%
Finsol (Mexico and Brazil)	0.0	0.0%	0.0	0.0%	335.7	4.8%
AEF loans	2,023.2	23.4%	1,879.2	24.4%	1,695.5	24.2%
AFI loans	3,835.1	44.4%	2,352.8	43.5%	2,023.9	28.8%
Others	0.0	0.0%	0.0	0.0%	862.9	12.3%
Total loan portfolio.....	8,641.3	100.0%	7,709.3	100.0%	7,015.5	100.0%
Allowance for loan losses	1,111.6		653.9		687.7	
Loan portfolio, net.....	7,529.7		7,055.4		6,327.8	

1. Includes principal and interest.

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 September 30, 2022			
	Number of Loans Outstanding		Interest Income	
	Amount	% of Total	Amount	% of Total
<i>(in millions of Pesos, except percentages)</i>				
FISA loans.....	183,938	56.6%	1,526.5	44.0%
Finsol (Mexico and Brazil)	0	0.0%	0.0	0.0%
AEF loans	105,000	32.3%	1,074.3	31.0%
AFI loans	36,081	11.1%	867.3	25.0%
Total.....	325,019	100.0%	3,468.0	100.0%

1. Includes the Micronegocio loan product.

	As of December 31, 2021			
	Number of Loans Outstanding		Interest Income	
	Amount	% of Total	Amount	% of Total
<i>(in millions of Pesos, except percentages)</i>				
FISA loans.....	187,083	57.7%	1,929.9	45.8%
AEF loans	105,947	32.7%	1,308.0	31.0%
AFI loans	31,094	9.6%	848.9	20.2%
Finsol loans.....	0	0.0	126.2	3.0%
Total.....	324,124	100.0%	4,213.0	100.0%

As of December 31, 2020				
	Number of Loans Outstanding		Interest Income	
	Amount	% of Total	Amount	% of Total
	<i>(in millions of Pesos, except percentages)</i>			
FISA loans.....	188,758	51.9 %	1,884.7	39.2%
AEF loans	92,255	25.4%	1,212.8	25.2%
AFI loans	24,758	6.8%	746.1	15.6%
Other loans.....	58,020	15.9%	963.8	20.0%
Total.....	363,791	100.0%	4,807.5	100.0%

We offer unemployment, disability and life insurance to all of our customers in Mexico, 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 two times the Mexico City minimum monthly wage (between Ps.7,812.0 and Ps.15,624.0 per month, or between approximately U.S.\$388.80 and U.S.\$777.60 per month, as of September 2022). Based on information compiled by INEGI in November 2020, 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. If Latin Americans living in the U.S. were an independent country, its GDP would have been the fifth largest in the world during 2020, according to the 2022 LDC US Latino GDP Report, moreover, the dynamics witnessed throughout the last couple years highlight a faster paced economy. Likewise, roughly 30% of Hispanic population in the US are “unbanked” or “underbanked”.

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 September 30, 2022 and December 31, 2021 was 4.9% and 4.4%, 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 September 30, 2022 and December 31, 2021, 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.\$24.88 million) in Mexico as of September 30, 2022, 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 13.3% in the nine-month period end September 30, 2022 compared to 11.1% in the corresponding period in 2021. 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 consistent focus on the quality and profitability of our loan portfolio has allowed us to achieve historic levels within our non-performing loan ratios, under our legacy methodology. Our non-performing loan ratio as of September 30, 2022 was 4.9% for our overall portfolio, under our legacy methodology, of which individual loans in Mexico and individual loans in the U.S. stood at 6.2% and 3.3%, respectively.

- *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 through digital enabled solutions. We currently use a staged analysis process that can be fully executed in mobile devices. In this risk-based workflow: a decision machine determines the requirements for the specific customer based on its risk profile. Furthermore, verifications have self-service and remotely assisted alternatives.
- *Revamped collection processes.* Accounts are assigned daily to collectors while defining daily smart routes. Currently we have over 360 customer information and collection tools available in mobile applications, and all collection channels are now connected in real-time. We have enhanced our collection channels, with over 54,000 affiliate stores, intelligent autopay, electronic transfers, credit/debit cards. Collectors can receive cash emitting digital receipts and deposit to any point of our payments network. In addition, our systematic monitoring of loans in default at an earlier stage allowed us to improve FISA'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.* In the last couple of years, we made the strategic decision to focus on our businesses where we held high expertise, better risk control, improved profitability, and could achieve synergies from digital transformation. As such, we divested our group lending, payroll lending, and Brazil operations, and focused our efforts and resources into individual unsecured lending.

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 29 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 microfinance industry in Mexico reflects this competitive advantage.

Focused business model

We have focused our business on unsecured small loans to individuals, complemented with insurance, building a sound knowledge of the segment and the risk and IT abilities to serve this segment profitably.

The development of new products together with our organic and inorganic growth have been fundamental in our ability to serve 325,019 customers and attain a loan portfolio totaling Ps.8,641.3 million (U.S.\$429.3), in each case, as of September 30, 2022.

Strategic Network of Technologically-Enabled Branch Offices with Extensive Geographic Coverage

We believe we have one of the most efficient and extensive microfinance distribution networks in Mexico. As of September 30, 2022, we had 345 branch offices providing loans, of which 318 were located in Mexico, 27 were located in the state of California in the United States and operated by AFI. Of our 345 branch offices in Mexico, 162 are operated under the name “Independencia” and 156 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 September 30, 2022, 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, except for Pymefectivo, 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 through Remotely-Enabled Capabilities

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 Customer 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, which 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 FISA and AEF operations.

Effective Collection Process

We have developed an advanced collection process that comprises 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. While our best field collectors 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 field collectors perform site visits to borrowers shortly after only

one default. These accounts are also contacted through our field collectors at our call centers. Our systematic monitoring of loans in default at an earlier stage has allowed us to improve FISA'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 18 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 a next-generation platform based on *microservices* that enables our companies to deploy ad-hoc processes, risk models, and digital and hybrid customer journeys dramatically reducing back office times and reducing operating costs.

Our platform leverages *state machines* and *decision engines* that allow us to use a diverse set of tools that define ad-hoc origination processes, specifically selected based on customers' calculated risk. Our customers can interact with multiple channels including mobile applications, web-based systems, call-centers, and branches in which we always put the customer first and maximize our TCOs.

Our platform is cloud native; it follows an event-driven architecture and defines over 800 databases both relational and non-relational fully managed by microservices. Processes are driven from business events defined in streams, which allow maintaining a continuous process of innovation, and experimentation that results in a very large set of tools that can be leveraged by all our channels. With security built at its core, and by leveraging a multi-cloud approach, we leverage multiple services including GCP, AWS, Azure, Kafka, Spark, Flink, Mongo, PSQL, BigQuery, any many other technologies.

We have also invested in AI-based processes focused on risk management, customer profiling, and contact management that provide a tactical advantage in all of our business 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.

Access to Diverse Sources of Funding

As of September 30, 2022, our consolidated debt comprised (1) an aggregate Ps.3,315.4 million in USD-denominated debt securities maturing in 2024, and (2) an aggregate Ps.2,665.9 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, and cash on hand.

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:

- FISA: continue our efforts to adapt FISA's business model to increase its efficiencies by focusing on lower risk clients; increase the percentage of revolving loans in the FISA 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; launch our revolving loans in order to reduce churn, and improve life-cycle management; this should translate into better NPL ratios closer to those witnessed in FISA.
- AFI: consolidate our digital offering and expertise in our latest geographies; grow our footprint in other states that match our target market; further strengthen AFI's support operations to increase AFI's efficiency and independence following its acquisition by us.

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 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. We also continue to seek new credit lines and facilities from commercial and development banks and other financial entities, in the last twelve months we have obtained credit facilities from Banco Santander México, Institución de Banca Múltiple, Grupo Financiero Santander México, and Banco Sabadell, S.A., Institución de Banca Múltiple. Going forward, we may participate in securitized structures in order to monetize our US, and or Mexico, loan portfolios.

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 products closer to our customers through our hybrid model and (3) leveraging our services through our digital toolkit.

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. We have continued to expand our customer base in rural and suburban regions of Mexico through the leveraging of our digital channels. 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 have entered new markets through our digital tools, and plan to increase our market share among the Hispanic population in the United States.

Offer More Payment Channels to Our Customers

We have developed connections with multiple payment entities abroad all sort of channels that not only enables us to accept loan repayments in any of our branch offices but also in convenient stores including OXXO, Walmart, and a vast network that compromises over 54,000 locations. We have also enabled electronic payments that allows us to receive instant payments through debit cards and electronic transfers from any bank and we've built an intelligent engine that can debit accounts automatically from several banks to which we have built direct connections with including: 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"). All of these options 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 relied heavily on door-to-door sales to potential customers, which is our primary sales method. We have successfully entered the digital arena, allowing our customers to interact with us through additional channels that do not require them to visit our branch offices.

Attract, Retain, and Develop Human Capital

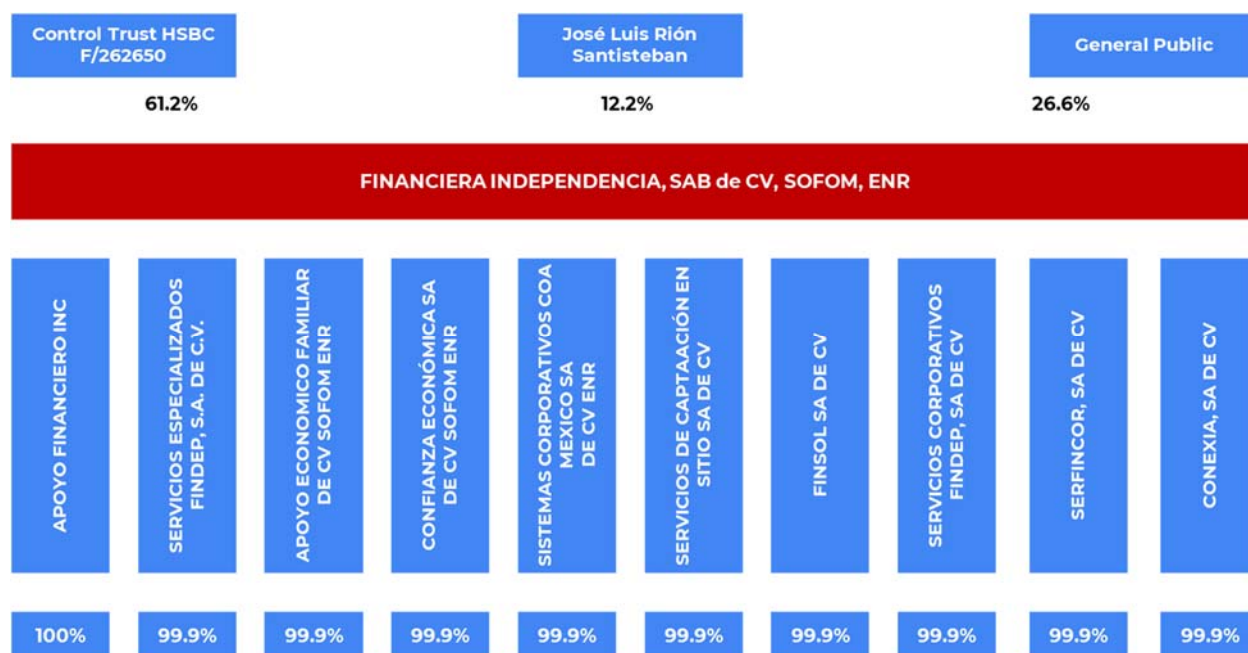
One of the greatest challenges of our Human Resources Department is to supply the talent we need for specific duties throughout every area of the company: in headquarters and branches, for business generation and operating support functions; to create the management team and general staff. Talent management must adapt dynamically to business performance.

We have updated and improved onboarding programs and material for new hires, reinforcing the Group's organizational philosophy and offering concrete practical content for all job levels. In the case of our corporate offices, these programs include branch visits to learn and be more aware of the operating needs of the business. Development programs have been designed and implemented for all operational positions, which strengthened both technical and soft skills for participants. In the case of our corporate offices, general management skill programs have been offered to team leaders.

Financiera Independencia conducts itself on the basis of principles and values that center on respect, commitment, honesty, cooperation and service to suppliers and clients inside and outside of the organization. We also maintain our efforts to promote inclusion and respect for diversity of all kinds.

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 Participações (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 FISA, 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 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.

By 2017, we made important operational and financial decisions for our transition to a business model that has taken advantage of new technologies to strengthen efficiencies and profitability. On the corporate side, we consolidated the corporate functions of the group for the financial, risk management, compliance, audit and technology areas to optimize synergies, facilitate the exchange of best practices and ensure a homogeneous implementation of risk policies and strategies between subsidiaries. On the financial side, we refinanced most of our debt through the early amortization of portfolio securitization and the dollar bond with maturities in 2018 and 2019 respectively. These were replaced by a US \$ 250 million bond due in 2024, which increased the average maturity of the Company's debt from 1.2 to 5.2 years, and we canceled our American Depositary Receipt (ADR) program.

In 2018, we celebrated our 25th anniversary as a microfinance company with utmost commitment and respect towards our customers, whom we consider part of our family. We continued the transformation but now on our branches or agencies. In March 2018 the project "Nuevo Modelo" started, which consisted of consolidation of roles, application of new technologies and redefinition of process flows. On the risk management side, we implemented new technologies such as Experian and different credit score models.

In 2019, we continue working on the consolidation of centralized and standardized processes of the Operations Center in Aguascalientes (COA); more functions were assigned to it, with the purpose of turning it into an integral support of operations, under the same platform, which would allow us to increase the quality, safety and efficiency indices in the service. We started with KFacilDigital product, to explore credit origination with joint efforts with third parties. In July 2019, we launched our first mobile application specifically for customers. This application allows access to account information and status, online loan renewal, bill payments, online loan payment with debit card and

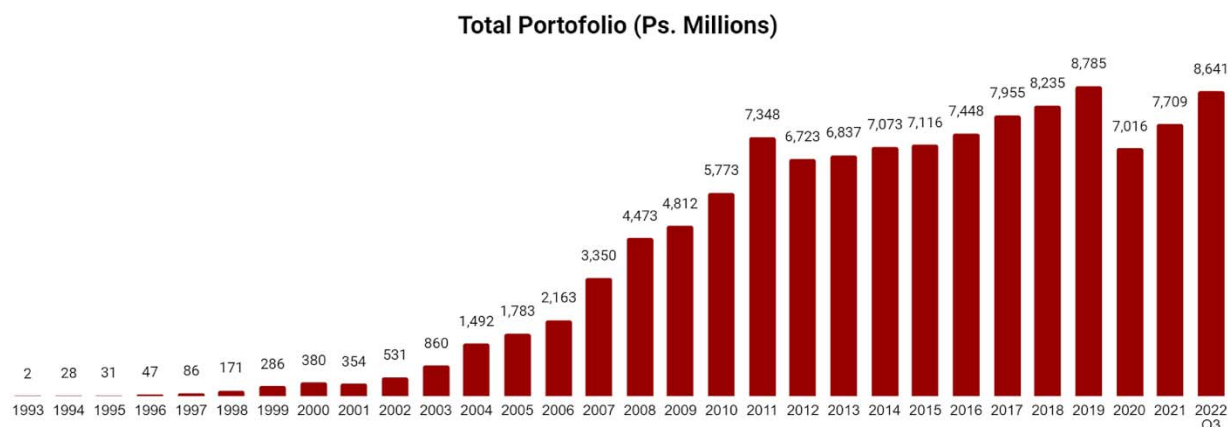
for the revolving line execute withdraws thru different methods. Finally, in November 2019 we originated our first PymEfectivo loan, which offers a productive credit to small businesses for which access to a Bank loan is unattainable. PymEfectivo loans range from Ps.50,000 to Ps.250,000 (approximately U.S.\$2,381 to U.S.\$11,905), have terms ranging from 12 to 36 months and can be renewed

By 2020, we implemented a strategy to confront the Covid-19 pandemic. In addition, we focused on our core business and divested from our group loans portfolio, strengthening itself on a structural level. An agreement on the sale of Más Nómina, our payroll lending business, was announced. In January 2020, we revamped our mobile application used by the sales force with state of the art technology and added functionalities. AFI began a digital transformation with the launch of their Mobile APP, centralized collection processes in Findep's Operation Center in Aguascalientes, and enhancing a robust Credit Risk department

In 2021, we obtained CNBV's authorization to grant personal unsecured loans on a fully remote basis of up to 60,000 UDIs (Ps.458.8 thousand or U.S.\$23,518). Likewise, in November, the Arizona Department of Insurance and Financial Institutions granted to Apoyo Financiero Inc. (AFI) a license to operate as a "Consumer Lender" in the State of Arizona. This will allow AFI to grant credits of up to \$10,000. On the corporate front, we announced an agreement for the sale of Finsol Brazil, formalized our payroll business divestiture, and ramped up origination, witnessing an accelerated growth in our US portfolio.

In 2022, AFI obtained from the Office of Consumer Credit Commissioner in Texas a license to operate as a "Regulated Lender" in the State of Texas. This will allow AFI to grant credits of up to U.S.\$20,000

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



Products and Services

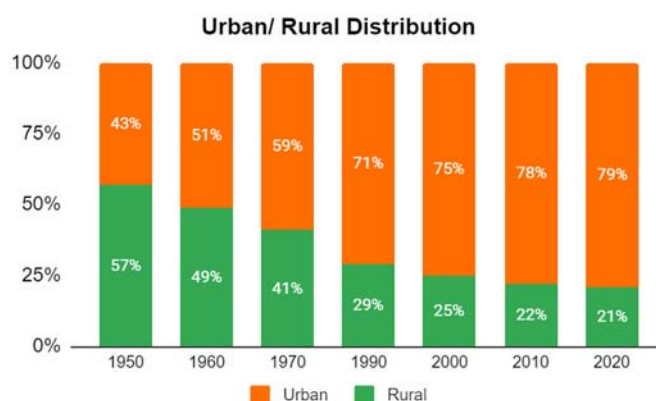
We provide unsecured loans to individuals in Mexico, both simple and revolving, focusing on small tickets. We also offer insurance products to our credit customers. Our customers may have formal or informal sources of income. We provide loans to individuals with and without credit history.

We provide simple unsecured loans to individuals in the US, focusing mostly in the Hispanic community. We provide loans to individuals with and without credit history. We focus mostly in California (>98% of the portfolio), with recent entry to Texas and Arizona. We have recently started to test small business loans in California, but represent a neglectable fraction of our portfolio.

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. As of September 30, 2022 we had 345 branch offices, 318 of which were located in all 31 Mexican states and Mexico City, and 27 in the United States. 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.

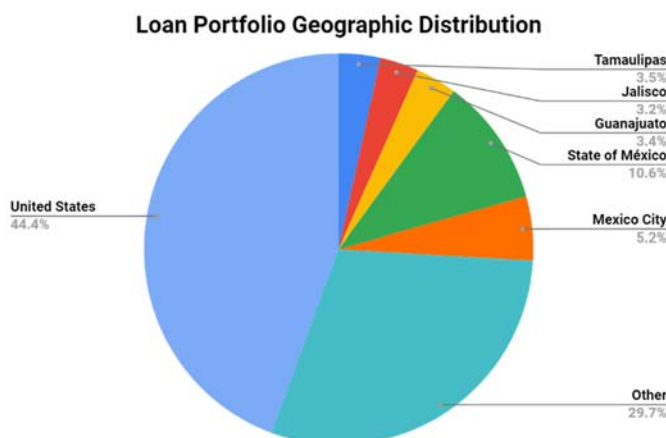
Targeting urban areas has provided several advantages to our business model, including a large target market. Based on the most recent data provided by the INEGI in 2020, approximately 79% of the Mexican population lived in urban areas and urban concentration has consistently increased over the past 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 September 30, 2022, no Mexican federal entity represented more than 10.6% 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 and macroeconomic events.

As of September 30, 2022, our loan portfolio is distributed geographically as follows:



We expect to continue reducing our network by closing additional branch offices as needed in each of the countries in which we operate. In the nine-month period ended September 30, 2022, we closed a net total of thirty seven branches and served a total of 325,019 customers, 288,938 of which were in Mexico, and 36,081 in the United States.

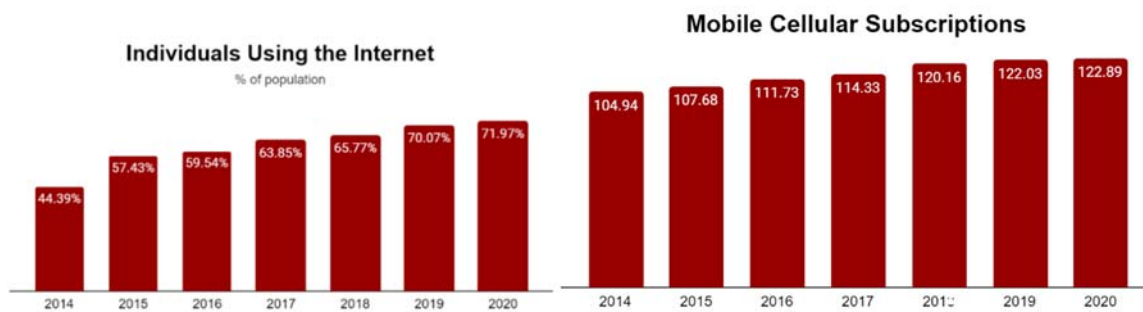
We believe that our extensive geographic coverage makes us more accessible to our customers and differentiates us from our competitors.

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:



Source: World development Indicators

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, financial technology institutions and Sofoms.

The principal financial authorities that regulate financial institutions are the Ministry of Finance and Public Credit (*Secretaría 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 and Terrorist Financing 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 mainly 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. The Company 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 publicly listed companies generally, as well as to regulated financial entities issued by the CNBV when preparing our financial statements. Non-regulated Sofoms are subject to CNBV inspection and vigilance 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 or such other financial institutions, (2) the holding company of a financial group, which includes a banking institution, holds an interest of at least 51% in the Sofom together with an interest of at least 51% of the banking institution, 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 laws governing the financial institutions with which they are related and other rules and regulations applicable thereto, 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 terrorist financing 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, and issued additional regulations (the General Provisions related to Collection Agents Applicable to Financial Entities (*Disposiciones de Carácter General Aplicables a las Entidades Financieras en Materia de Despachos de Cobranza*)) related to the engagement of third-party collection agents, setting forth several obligations for Sofoms that decide to retain such services, including keeping detailed records of their collection agents, supervising that such collection agents abide by certain rules included in the aforementioned regulations and register such collection agents in the Collection Agents Registry (*Registro de Despachos de Cobranza*).

CONDUSEF may 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 and October 14, 2022 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 account statements 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 (1) the applicable ordinary and default interest rates and the applicable methodology for purposes of calculating such interest rates, which shall be expressed in annual terms; (2) that 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) that 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 and those issued on October 14, 2022 related to all registrations that must be completed by Sofoms, 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, is 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 and Terrorist Financing 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 AntiMoney 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 concerning transactions, among other obligations.

Pursuant to the Federal Law for the Identification and Prevention of Transactions with Illegal Funds, SHCP has 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 (*Fiscalía 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 unsecured *Peso*-denominated obligations are converted into UDIs while foreign currency-denominated unsecured 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) will continue to accrue interest on their loans, which will remain denominated in their original currency. 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.

California, Texas and Arizona, United States

AFI is licensed and supervised by the California Department of Financial Protection and Innovation, by the Arizona Department of Insurance and Financial Institutions, and by the Texas Office of Consumer Credit Commissioner. 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, Arizona and Texas 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 Financing 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 10 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 26, 2022. 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 principal occupation and their business experience.

Name	Position	Independent	Years as a Board Member of Financiera Independencia
José Luis Rión Santisteban.....	President	No	29
José Rión Cantú.....	Vice- President	No	13
Eduardo Bernhart Messmacher Henríquez.....	CEO	No	6
Roberto Alfredo Cantú López.....	Non-Executive Director	No	28
Carlos Morodo Santisteban.....	Non-Executive Director	No	27
Héctor Ángel Rodríguez Acosta.....	Non-Executive Director	Yes	26
Ana Paula Rión Cantú.....	Non-Executive Director	No	15
José Ramón Elizondo Anaya.....	Non-Executive Director	Yes	16
Carlos Javier de la Paz Mena.....	Non-Executive Director	Yes	27
Maite Rión Cantú.....	Non-Executive Director	No	10

José Luis Rión Santisteban is our founder and the chairman of our board of directors. Mr. Rión also serves as chairman of the board of Grupo Jorisa, S.A. de C.V., or Jorisa, as a member of the board of HSBC Mexico, Corporación Zapata, S.A. de C.V., Unión de Crédito Empresarial, and U-Storage, S.A. de C.V., and as member of the valuation committee of AGROS, S.A. de C.V. and Agrosid, S.A. de C.V. Mr. Rión also served as chief executive officer of InverMéxico, S.A. de C.V., Casa de Bolsa, executive president of the board 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. Mr. Rión has a Bachelor's degree in Industrial Engineering from the Universidad Iberoamericana and attended a Senior Management Seminar (Curso de Alta Dirección AD-2) at Instituto Panamericano de Alta Dirección de Empresa—IPADE.

Roberto Alfredo Cantú López is a member of our board of directors. He is also a board member of El Camarón Dorado, S.A. de C.V. and Ensamblados de Madera, S.A. de C.V. Mr. Cantú holds a Bachelor's degree in Mechanical Engineering from the Instituto Tecnológico y de Estudios Superiores de Monterrey and a Master's degree in Mechanical Engineering from Purdue University.

Carlos Morodo Santisteban is a member of our board of directors. Mr. Morodo currently serves as the chief executive officer of Morysan, S.A. de C.V. and Papelera Veracruzana, S.A. de C.V. and as a board member of Morodo Santisteban, S.A. de C.V., Almacénadora del Valle de México, S.A. de C.V., Cámaras Industriales y Asociaciones and Financiera. He also serves as president of Cámaras Industriales y Asociaciones and vice president of the Confederación de Cámaras Industriales. Mr. Morodo has a Bachelor's degree in Industrial Engineering from Universidad Iberoamericana and a master's in business administration (M.B.A.) from Instituto Tecnológico y de Estudios Superiores de Monterrey.

Héctor Ángel Rodríguez Acosta is a non-executive member of our board of directors. Mr. Rodríguez serves on the board of Unión de Crédito Altamira (financiero), Envases Laminados, S.A. de C.V., Zeus Digital, S.A. de C.V. and Mexicana de Transferencias, S.A. de C.V. Mr. Rodríguez currently serves as chairman and chief executive officer of Mexicana de Transferencias, S.A. de C.V. He holds a Bachelor's degree from Instituto Politécnico Nacional and a Master's degree from Instituto Panamericano de Alta Dirección de Empresa—IPADE.

Ana Paula Rión Cantú is a member of our board of directors. Ms. Rión Cantú worked for our company from January 2005 to February 2011. Prior to becoming Project Evaluation Manager, she held several positions in the Commercial Department. Ms. Rión 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 also serves as a board member for Grupo Vasconia, S.A.B., Industrias Voit, S.A. de C.V., Editorial Premiere, S.A. de C.V., Organización Cultiba, S.A.B. de C.V., Grupo Azucarero México, Grupo Martí, Q.B. Industrias, S.A. de C.V. and Unefon, S.A. de C.V. Mr. Elizondo is also a member of Unefon, S.A. de C.V.'s audit committee. Mr. Elizondo currently serves as chairman of Fomento de Capital, S.A. de C.V. He holds a C.P.A. from Universidad La Salle and a masters in business administration (M.B.A.) from the Instituto Tecnológico y de Estudios Superiores de Monterrey.

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

José Rión Cantú has been a member of our board of directors for over 13 years. He holds a Bachelor's degree in Industrial Engineering from Universidad Iberoamericana and a masters in business administration (M.B.A.) degree at Stanford University. Mr. Rión Cantú is the son of José Luis Rión Santisteban, chairman of our board of directors, the grandson of Mr. Roberto Alfredo Cantú López, 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 granted by the Universidad Iberoamericana as well as studies from Kellogg Graduate School of Management and Booth University. She also holds a Finance Diploma from the Universidad Iberoamericana. Ms. Rión has been member of our Board since April 2012. 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.

Eduardo Bernhart Messmacher Henríquez, is our chief executive officer. Mr. Messmacher has more than 21 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. Francisco José Vázquez Vázquez. Mr. Vázquez was designated the non-member secretary of our board of directors at our general shareholders' meeting on April 18, 2022. Mr. Vázquez is our Legal Director. Our non-member alternate secretary of the board of directors is Ms. Brenda Hernández Velázquez.

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 July 13, 2022. 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 Ramón Elizondo Anaya	Member	Yes

Héctor Ángel Rodríguez Acosta	Member	Yes
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Secretary of the Audit Committee

Our non-member secretary of the audit committee is Mr. Juan García Madrigal.

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 and Terrorist Finance 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.

Name	Position	Years with Financiera Independencia	Age	Experience in the Financial Sector
Eduardo Bernhart Messmacher Henríquez	Chief Executive Officer	7	50	21
Iván Barona González	Chief Financial Officer	1	40	18
Juan García Madrigal	Corporate Audit Director	19	54	29
Adrián Orocio Barreto	Corporate Controller Director	21	46	21
Gloria Gabriela Moncayo Cisneros	Corporate Director of Systems and Operations	3	56	12
María Teresa Garza Guerra	Human Resources Corporate Director	8	57	20
Rogelio Flores Estrada	Strategic Services Corporate Director	15	54	27
José María Cid Michavila	CEO of AFI	3	54	5
Francisco José Vázquez Vázquez	Legal Director	13	43	17
Juan Román Escamilla Montes	Fintech Corporate Director	3	42	3
	Corporate Director of Unsecured Individual			
Carlos Enrique Ramírez Macías	Business	5	51	26
Jorge Kenji Inukai Salazar	Product and CRM Director	7	51	12
Fernando Rodríguez García	Director of Operational Risk and Compliance	4	44	22

On average, our principal officers have over 16 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.”

Iván Barona González is our Chief Financial Officer. Iván Barona has a bachelor degree in Administration and Finance at Universidad Panamericana, where he also studied a speciality in Risk Management. Mr. Barona has over 16 years of experience in the financial sector, and has collaborated in different companies of the private sector, including Grupo Bursátil Mexicano (GBM, by its initials in Spanish), as well as an independent consultant for companies in various industries.

Rogelio Flores Estrada is our strategic services corporate director. Rogelio Flores has over 26 years of experience in the microfinance sector, of which 14 years spent in Financiera Independencia and/or any of its subsidiaries; being responsible for the Expansion and Infrastructure of the companies and having in charge more than 330 branches. Mr. Flores has a degree in Finance at Universidad Tecnológica de México, and a master’s degree in Financial Administration from the same institution.

Adrián Orocio Barreto is our corporate controller director. Mr. Orocio has 20 years of experience in Financiera Independencia and/or any of its subsidiaries, in the areas of controllership and finance. Adrián Orocio has a bachelor’s degree in Accounting and a master’s degree in Economics and Business from Anáhuac México Norte.

María Teresa Garza Guerra is our human resources corporate 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.

Carlos Enrique Ramírez Macías is our corporate director of unsecured individual business. Carlos Ramírez has a professional experience of more than 25 years in the financial sector, both in national and international companies such as HSBC and Banco Azteca. He has distinguished himself by his focus on business profitability, increasing credit origination and collection, developing high performance teams with a strong outcome. Carlos is currently responsible for the branch operations at Financiera Independencia and AEF. Its main commitment is credit origination and collection with a focus on business profitability. Mr. Ramírez has a degree in Business Administration at the Instituto Tecnológico de Estudios Superiores de Monterrey (ITESM). He also has an MBA at Instituto Panamericano de Alta Dirección de Empresas (IPADE) and diplomas in International Business and Socio-Cultural Values in Madrid, Spain.

José María Cid Michavila is our CEO at AFI. José María has more than 33 years of experience. For the last 3 years, the CEO has led all the AFI's business strategies and plans, reviewing them with the Board of Directors to establish related goals, plans and policies. The CEO, along with the team of directors, drive the company towards its main goals and objectives. The CEO is engaged in hands-on management of all aspects of the business and oversees the financial structure of the Company, ensuring adequate and sound funding for the Company's mission and goals as well as monitors the results of business operations and activities to ensure they produce desired results, taking appropriate action to drive and direct performance.

Francisco José Vázquez Vázquez is our legal director. Francisco Vázquez has over 16 years of experience in the financial sector and compliance. He holds a Law Degree from the Universidad Iberoamericana, a Master in Corporate Law from the Universidad Anahuac and a Certification from the CNBV in anti-money laundering and terrorist financing.

Juan García Madrigal is our corporate audit director. Juan García has over 28 years of experience in the microfinance sector, of which 18 years spent in Financiera Independencia and/or any of its subsidiaries. Juan has a bachelor's degree in Public Accounting by the Instituto Politécnico Nacional, a master's degree in Business Administration by the Instituto Politécnico Nacional, and a master's degree on High Management (MEDEX) by the Instituto Panamericano de Alta Dirección de Empresas (IPADE).

Gloria Gabriela Moncayo Cisneros is our corporate director of systems and operations. Gloria Moncayo has more than 25 years of professional experience at both national and international levels (Latin America and Asia). She has been successful in the public and private sectors. In these fields, she has been responsible for the design and implementation of strategies in the Information Technologies, Process Improvement and Strategic Planning areas, among others. Her most recent responsibilities were developed at Citibanamex as IT Solutioning and Transformation Director for the Digital Division and before that, as Chief Operations and Technology Services Officer at the Social Security Mexican Institute (IMSS, by its initials in Spanish). Gloria has a Bachelor's Degree in Computer Science and Administration, at Monterrey Institute of Technology and Higher Education (ITESM, by its initials in Spanish). Gloria has a Master Degree in Administration, Finance Program, by the same institution; and also she has a Master Degree in Business Administration, Sloan Fellows Program, at the Massachusetts Institute of Technology.

Juan Román Escamilla Montes is our Fintech corporate director. Juan Escamilla has more than 15 years of experience in the design and development of systems that allow transforming the needs of customers in technological solutions. He has worked both inside and outside our country with multidisciplinary teams from Europe, Asia and the United States. His most recent responsibility was the Technical Direction at IUSA, where among other achievements, he designed and implemented more than 2 million devices and applications for the Mexican Government. Juan is a Systems Engineer graduated from the Monterrey Institute of Technology and Higher Education (ITESM, by its initials in Spanish) and he has more than 50 courses and certifications in related topics such as data science for executives, Fintech Law, computer architecture, programming, etc.

Jorge Kenji Inukai Salazar is our product and CRM director. Jorge Inukai is an executive who has over 11 years of experience in the microfinance sector of Mexico as well as 10 years of experience in professional services related to Value Chain processes and strategic planning in Latin America. Jorge has a bachelor's degree in International Commerce by the Instituto Tecnológico de Estudios Superiores de Monterrey (ITESM, by its initials in Spanish), a masters in Business and Leadership (MBL) from Duxx Graduate School of Business Leadership (DUXX),

as well as a diploma in Digital Transformation in Microfinances by the Boulder Institute of Microfinance and a certification in Best Practices for Contact Centers from Customer Operations Performance Center (COPC).

Fernando Rodríguez García is our director of operational risk and compliance. Fernando Rodríguez has more than 20 years of experience in operational risk, internal control, audit, and process analysis, both in the financial sector and national government. Mr. Rodríguez has a bachelor's degree in Public Accounting by the Instituto Politécnico Nacional, and two diplomas: one in Management Core Programme at Universidad Anahuac, and the other in Electronic Government by the Instituto Tecnológico y de Estudios Superiores de Monterrey (ITESM). He also has courses and seminars in Risk Management, Risk and Control Assessment, Basilea II, and Anti-money Laundering.

Compensation of Directors, Principal Officers and their Related Persons

In 2021, the aggregate compensation paid to our directors, principal officers and their related persons was Ps.77.5 million, including both fixed (wages and salaries) and variable (performance and legal year-end bonuses) compensation. As of September 30, 2022 this figure stands at of Ps.92.8 million.

At a meeting held on February 16, 2022, members of our board of directors approved the aggregate compensation for its members. Members of our board of directors, including the chairman, receive compensation per meeting attended in the average amount equivalent to Ps.70,000.

Stock Option Plan

We have a stock option plan, or SOP, for our employees and management, which is implemented through a dedicated trust, or the SOP Trust. The SOP Trust is a trust created with a Mexican banking institution pursuant to Mexican law. The identity and number of officers and other employees included as beneficiaries under our 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.

Share Ownership

Mr. José Luis Rión Santisteban is the only member of the board of directors that is a beneficial indirect holder of more than 1% of our capital stock. As of September 30, 2022, he was the beneficial indirect holder of approximately 48.5% of our capital stock.

PRINCIPAL SHAREHOLDERS

Share Ownership

As of September 30, 2022, the Company's issued and outstanding share capital was comprised of 337,500,000 common shares, with no par value, of our "*serie única*" shares, of which 100,000,000 Class I shares represent the fixed portion of our capital stock, and 237,500,000 Class II shares represent the variable portion of our capital stock. As of September 30, 2022, the Company's authorized share capital totaled 237,500,000, and none of the Company's Class I and Class II shares were held in treasury.

The following table sets forth certain information about the ownership of the Company's Class I and Class II shares as of September 30, 2022:

Shareholder	Capital Stock	
	Class I	Class II
Control Trust.....	87,372,500	119,342,500
José Luis Rión Santisteban.....	12,627,500	26,976,166
Public Investors.....	0	91,181,334
Subtotal	100,000,000	237,500,000
Total		337,500,000

Control Trust

The control trust is a Mexican trust originally created with Banco J.P. Morgan, S.A. Institución de Banca Múltiple, J.P. Morgan, Grupo Financiero, División Fiduciaria, a Mexican banking institution, 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.

Management

The only member of our executive management or member of our board of directors that indirectly hold more than 1% of the Company's capital stock is Mr. José Luis Rión Santisteban. As of September 30, 2022, he was the beneficial indirect holder of approximately 48.5% of the Company's capital stock.

Dividends

The Company has not paid any dividends since 2010.

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.

Over the past three fiscal years there has not been any material transaction with a related party or which remains in force as of the date of this Exchange Offer Memorandum.

DESCRIPTION OF THE STEP-UP NOTES

The Company will issue its 10.000% Step-Up Senior Notes due 2028 (the “notes”) under an indenture (the “Indenture”), to be dated March 1, 2023 (the “Issue Date”), among the Company, as issuer, Apoyo Económico Familiar, S.A. de C.V., Sofom, E.N.R., and Apoyo Financiero, Inc., as guarantors, 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 at the corporate trust office of the Trustee.

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 Múltiple, 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.

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.\$160,000 and integral multiples of U.S.\$1,000 in excess thereof. The notes will mature on March 1, 2028, 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 10.000% per annum from and including the Issue Date, to (but excluding) March 1, 2026 (the “Interest Step-Up Date”). Thereafter, from and including the Step-Up Date to (but excluding) March 1, 2028, the notes will bear interest at a rate of 12.000% per annum. Interest on the notes will be payable semi-annually in arrears on each March 1 and September 1, commencing on September 1, 2023. Payments will be made to the persons who are registered holders at the close of business on February 15 and August 15, 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.

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 (but not limited to) 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 notes, 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 notes to a holder that is a fiduciary or partnership or a person other than the sole beneficial owner of any such payment, to the extent that a beneficiary or settlor with respect to such fiduciary, a member of such a partnership or the beneficial owner of the payment would not have been entitled to the Additional Amounts had the beneficiary, settlor, member or beneficial owner been the holder of the note,
- any Taxes 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"), or any amended or successor version that is substantially comparable and not materially more onerous to comply with, any treaty, law, regulation or other official guidance issued thereunder 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 (including any intergovernmental agreements), and
- any combination of the foregoing items.

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 Restricted 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 New Notes— The Step-Up Notes and the Note Guarantees will be effectively subordinated to our secured debt and to certain claims preferred by statute.”

On the Issue Date, Apoyo Económico Familiar, 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 at Par

On and after March 1, 2024, the Company may, at its option, redeem the notes, in whole or in part, at a redemption price equal to 100.000% of the principal amount thereof, plus any Additional Amounts then due, if any, plus accrued and unpaid interest to the date of the redemption.

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, administration, or application of such laws, rules, rulings (including a holding by a court of competent jurisdiction), or regulations, which amendment to or change of such laws, rulings, 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 (provided that for this purpose reasonable measures shall not include any change in our jurisdiction of organization or location of its principal executive office), 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 “Certain Mexican Tax Considerations”), then, at our option, all, but not less than all, of the notes may be redeemed at any time on giving not less than 10 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 60 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. The Trustee will accept this notice as sufficient evidence of the satisfaction of the conditions precedent, in which event they will be conclusive and binding on the holders.

We will give notice to DTC pursuant to the provisions described under “—Notices” of any redemption we propose to make at least 10 days (but not more than 60 days) before the redemption date.

The foregoing provision will apply *mutatis mutandis* to the laws and official positions of any jurisdiction in which any successor to the Company or a Guarantor is organized or otherwise considered to be a resident for tax purposes or any political subdivision or taxing authority or agency thereof or therein. The foregoing provisions will survive any termination, defeasance or discharge of the Indenture.

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 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.\$160,000 or less may be redeemed in part and notes of a principal amount in excess of U.S.\$160,000 may be redeemed in multiples of U.S.\$1,000 only.

Notice of any redemption will be delivered at least 10 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. A new note in a principal amount equal to the unredeemed portion thereof (if any, but not less than U.S.\$160,000) 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.\$160,000 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"). 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;
 - (o) Indebtedness Incurred by a Securitization Vehicle in connection with a Loan-Related Securitization permitted under “—Certain Covenants— Limitations on Securitizations;” and
 - (p) 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 or for use in working capital in a Permitted Business (including the making of personal loans and small business loans in the ordinary course of 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 of notes, 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. 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.\$160,000 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 Exchange Offer 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 financial statements and the related notes thereto for the Company and its subsidiaries for the two most recent fiscal years in accordance with GAAP, 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), unaudited consolidated financial statements and the related notes thereto, for the Company and its subsidiaries, for the quarterly period then ended and the corresponding quarterly period in the prior fiscal year and prepared in accordance with GAAP, 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 or Regulation S-X as promulgated by the U.S. Securities and Exchange Commission.

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).

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.

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 redeemed notes pursuant to an optional redemption or to purchase notes pursuant to a 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 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 the New 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 any 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 sells, conveys, assigns, transfers, leases or otherwise disposes (other than by way of a merger or consolidation) 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.

“*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 in the case of a Loan-Related Securitization, “Fair Market Value” shall mean that the financing is effected on terms that would be obtained in a similar financing with an unaffiliated third party; and *provided further*, 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, 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.

“Interest Step-Up Date” has the meaning set forth under “Principal, Maturity and Interest.”

“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.

“*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.

“*Note Guarantee*” means any guarantee of the Company’s Obligations under the notes and the Indenture provided by a Restricted Subsidiary pursuant to the Indenture.

“*Obligations*” means, with respect to any Indebtedness, any principal, interest (including, without limitation, Post-Petition Interest), penalties, fees, indemnifications, reimbursements, damages, and other liabilities payable under the documentation governing such Indebtedness, including in the case of the notes and the Note Guarantees, the Indenture.

“*Officer*” means, when used in connection with any action to be taken by the Company or a 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 or any Restricted Subsidiary;
- (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, Loan Receivables or related assets (including cash proceeds from such receivables or cash collateral) 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 or other capital contribution 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 (including cash collateral or cash proceeds from such receivables or securities) 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 Standard & Poor’s Ratings Services and its successors and assigns.

“*Sale and Leaseback Transaction*” means any direct or indirect arrangement with any Person or to which any such Person is a party providing for the leasing to the Company or a Restricted Subsidiary of any property, whether owned by the Company or any Restricted Subsidiary at the Issue Date or later acquired, which has been or is to be sold or transferred by the Company or such Restricted Subsidiary to such Person or to any other Person by whom funds have been or are to be advanced on the security of such property.

“*Secured Indebtedness*” means any Indebtedness secured by a Lien upon the property or assets of the Company and/or its Restricted Subsidiaries.

“*Securitization Securities*” has the meaning set forth in the definition of “Securitization Vehicle”.

“*Securitization Vehicle*” means (i) any Person (whether or not a Restricted Subsidiary of the Company) established for the purpose of issuing asset-backed securities of any kind or issuing any other Indebtedness (whether or not in the form of securities) backed by 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 representations, warranties, covenants, agreements and indemnities (and guarantee obligations in respect thereto) customarily entered into by an originator or sponsor 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 Restricted Subsidiary of the Company (other than a Securitization Vehicle) 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 Step-Up Notes are being offered for exchange only outside the United States, in offshore transactions in reliance on Regulation S (the “Regulation S notes”). Regulation S notes will be represented by one or more notes in registered, global form without interest coupons.

The Regulation S 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.

The Step-Up Notes initially will be represented by a temporary note in registered, global form without interest coupons (the “Temporary Global Note”). Through and including the 40th day after the later of the commencement of this offering and the closing of the Exchange Offer (such period through and including such 40th day, the “Restricted Period”), beneficial interests in the Temporary Global Note may be held only through DTC and its direct or indirect participants (including, if applicable, those of Euroclear and Clearstream). Within a reasonable time period after the expiration of the Restricted Period, the Temporary Global Note will be exchanged for a permanent note in registered, global form (the “Permanent Global Note”).

Beneficial interests in a Temporary Global Note will be exchangeable for beneficial interests in a Permanent Global Note only upon the expiration of the Restricted Period and certification on behalf of the beneficial owner that such beneficial owner is a U.S. person (as such term is defined in Regulation S).

Except as set forth below, the Regulation S 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 Regulation S 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 Regulation S notes will not be entitled to receive physical delivery of Step-Up Notes in certificated form.

Regulation S notes will be subject to certain restrictions on transfer and will bear the legend as described under “Transfer Restrictions.” In addition, transfers of beneficial interests in the Regulation S 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 Regulation S notes, DTC will credit the accounts of participants designated by the Eligible Holders participating in the Exchange Offer with portions of the principal amount of the Regulation S notes; and
- (2) ownership of these interests in the Regulation S 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 Regulation S notes).

Investors in the Regulation S notes who are participants in DTC's system may hold their interests therein directly through DTC. Investors in the Regulation S 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 Regulation S 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. and Clearstream Banking, S.A. All interests in a Regulation S 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 Regulation S 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 Regulation S 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 Regulation S notes will not have Step-Up Notes registered in their names, will not receive physical delivery of Step-Up Notes in certificated form and will not be considered the registered owners or "holders" thereof under the New Indenture for any purpose.

Payments in respect of the principal of, and interest and premium and additional interest, if any, on a Regulation S note registered in the name of DTC or its nominee will be payable to DTC in its capacity as the registered holder under the New Indenture. Under the terms of the New Indenture, the Company and the Trustee will treat the persons in whose names the Step-Up Notes, including the Regulation S notes, are registered as the owners of the Step-Up Notes for the purpose of receiving payments and for all other purposes. Consequently, neither the Company, the Trustee, the transfer agent, registrar, the paying agent nor any agent of the Company 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 Regulation S 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 Regulation S 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 Step-Up 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 Step-Up 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 Company 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 Step-Up Notes, and the Company 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 Step-Up Notes described herein, cross-market transfers between the participants in DTC, on the one hand, and Euroclear or Clearstream participants, on the other hand, will be effected through DTC in accordance with DTC’s rules on behalf of Euroclear or Clearstream, as the case may be, by its respective depositary; *however*, such cross market transactions will require delivery of instructions to Euroclear or Clearstream, as the case may be, by the counter-party in such system in accordance with the rules and procedures and within the established deadlines (Brussels time) of such system. Euroclear or Clearstream, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depositary to take action to effect final settlement on its behalf of delivering or receiving interests in the Regulation S 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 Step-Up Notes only at the direction of one or more participants to whose account DTC has credited the interests in the Regulation S notes and only in respect of such portion of the aggregate principal amount of the Regulation S notes as to which such participant or participants has or have given such direction. However, if there is an event of default under the Step-Up Notes, DTC reserves the right to exchange the Regulation S notes for legended notes in certificated form, and to distribute such Step-Up Notes to its participants.

Although DTC, Euroclear and Clearstream have agreed to the foregoing procedures to facilitate transfers of interests in the Regulation S 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 Company 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 Regulation S note is exchangeable for definitive Step-Up Notes in registered certificated form, or certificated notes, if:

- (1) DTC (a) notifies the Company that it is unwilling or unable to continue as depositary for the Regulation S notes and DTC fails to appoint a successor depositary or (b) has ceased to be a clearing agency registered under the Exchange Act;
- (2) The Company, 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 Step-Up Notes.

In addition, beneficial interests in a Regulation S 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 New Indenture. In all cases, certificated notes delivered in exchange for any Regulation S note or beneficial interests in Regulation S notes will be registered in the names, and issued in any approved denominations, requested by or on behalf of the depositary (in accordance with its customary procedures) and will bear the applicable restrictive legend referred to in “Transfer Restrictions,” unless that legend is not required by applicable law.

CERTAIN MEXICAN TAX CONSIDERATIONS

Prospective investors in the Step-Up Notes are advised to consult their own tax advisors as to the Mexican 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 Step-Up 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.

The following is a general summary of the principal Mexican federal income tax consequences of the purchase, ownership and disposition of the Step-Up 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 Step-Up Notes is attributable; for purposes of this summary, each such holder is referred to as a nonresident 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 thereunder 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 nonresident holders of the Step-Up 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 Step-Up 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 income tax law 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 Step-Up 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.

General

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 nonresident 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 Mexico and in another country, the individual will be deemed a resident in Mexico if his/her center of vital interests (*centro de intereses vitales*) is located in Mexican territory. This will be deemed to occur if (i) more than 50.0% of the aggregate income earned by such individual in the calendar year is from a Mexican sources, or (ii) the principal center of his/her professional activities is located in Mexico. Mexican residents who change of tax residence to a country or jurisdiction that does not have a comprehensive exchange of information agreement with Mexico as well as a treaty allowing the mutual administrative assistance on tax notifications and collections and where his/her income is subject to a preferential tax regime as defined by Mexican law, will continue to be considered Mexican residents for tax purposes during the fiscal year of the filing of notice of such residency change and during the following five 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, irrespective of the location of the individual's home or center 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.

Nonresidents are deemed to have a permanent establishment in Mexico if in Mexico they have a place of business through which they carry out entrepreneurial activities in whole or in part.

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 basis irrespective 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 tax liabilities (including withholding taxes) applicable to nonresident holders. Prospective purchasers of the Step-Up Notes should consult their own tax advisers as to the tax consequences, if any, of such treaties.

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 the Step-Up Notes—Additional Amounts.”

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 from loans 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 Step-Up 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 Step-Up 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.

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 Gains

Pursuant to the Mexican Income Tax Law, gains resulting from the sale or other disposition of the notes by a nonresident to another nonresident, should not be subject to Mexican withholding taxes. Gains resulting from the sale of the Step-Up Notes by a nonresident holder to a Mexican resident for tax purposes or to a nonresident holder deemed to have a permanent establishment in Mexico for tax purposes, should be subject to the Mexican withholding taxes pursuant to the rules described above applicable to interest payments, on the excess of the price obtained upon sale by the seller over the nominal value (or the face value) or the acquisition price of the notes, 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 Step-Up Notes by a nonresident 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, franchise, value added, issue registration or similar taxes or duties payable by non-resident holders of the notes with respect to the notes.

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.

The above description is not intended to constitute a complete analysis of all tax consequences relating to the ownership of notes. Prospective investors in the Step-Up Notes should consult their own independent tax advisors concerning the tax consequences of their particular situations and their tax jurisdiction.

TRANSFER RESTRICTIONS

The Step-Up Notes offered pursuant to this Exchange Offer Memorandum have not been and will not be registered under the Securities Act, or any state securities laws, 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 Step-Up Notes are being offered for exchange only outside the United States, to holders of Existing Notes other than “U.S. persons” (as defined in Rule 902 under the Securities Act) (“Non-U.S. Persons”, 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)) who are non-U.S. qualified offerees, in offshore transactions meeting the requirements of Rule 903 of Regulation S, and who are not acquiring Step-Up Notes for the account or benefit of a U.S. person. Only holders who have returned a duly completed Eligibility Letter certifying that they are Non-U.S. Persons and are otherwise a “non-U.S. qualified offeree” are authorized to receive and review this Exchange Offer Memorandum and to participate in the Exchange Offer and Consent Solicitation. As used herein, the terms “offshore transactions,” “United States” and “U.S. person” have the respective meanings given to them in Regulation S.

“non-U.S. qualified offeree” means:

- (1) in relation to each Member State of the European Economic Area (the “EEA”), a person that is not a retail investor. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “MiFID II”); or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the “Insurance Distribution Directive”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II;
- (2) in relation to investor in Member State of the EEA, it is a qualified investor within the meaning of the Prospectus Regulation;
- (3) in relation to the United Kingdom, a person that is not a retail investor in the United Kingdom. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“EUWA”); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (as amended, the “FSMA”) and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA;
- (4) in relation to an investor in the United Kingdom, persons who are “qualified investors” (as defined in the UK Prospectus Regulation) who are (i) persons having professional experience in matters relating to investments falling within Article 19(5) of the FSMA Order 2005 (as amended, the “Order”), or (ii) high net worth entities falling within Article 49(2)(a) to (d) of the Order, or (iii) persons to whom it would otherwise be lawful to distribute them, all such persons together being referred to as “Relevant Persons;”
- (5) in relation to an investor located in Mexico, persons who are institutional or, at least, basic qualified investors. For these purposes, (i) an institutional investor in Mexico is a person that pursuant to Mexican federal law has such capacity or is a financial entity, including when acting as trustees under trusts that pursuant to Mexican laws are considered as institutional investors, and (ii) a basic qualified investor is a person that, as of the date of determination, (i) held in average investments in securities for an amount equal to or greater than 1,500,000 Mexican investment units during the last 12 months, or (ii) obtained gross annual income equal to or greater than 500,000 Mexican investment units² during each of the last 2 years;

² The value of a Mexican investment unit (*unidad de inversión*) is published periodically by the Mexican Central Bank (or Banxico) in the Mexican Official Gazette of the Federation. As of the date hereof, a Mexican Investment Unit is equal to MX\$7.672330 or U.S.\$144.44465521, based on the exchange rate published by Banxico on the date hereof in the Mexican Official Gazette of the Federation.

- (5) any entity outside the United States, the United Kingdom and the EEA to whom the offers related to the Step-Up Notes may be made in compliance with all other applicable laws and regulations of any applicable jurisdiction.

The Exchange Offer and Consent Solicitation is not being made in Mexico. The Step-Up Notes have not been and will not be registered with the RNV maintained by the CNBV and, therefore, the Step-Up Notes may not be offered or sold publicly in Mexico. The Step-Up Notes may only be offered or sold in Mexico, on a private placement basis, to institutional and qualified investors pursuant to the registration exemption set forth in article 8 of the LMV. The information contained in this Exchange Offer Memorandum is exclusively the responsibility of the Company and has not been reviewed or authorized by the CNBV. As required under the LMV and regulations thereunder, we will give notice to the CNBV of the terms and conditions of the offering of the Step-Up Notes made outside of Mexico, on the business day following the Settlement Date. Such notice will be delivered to the CNBV to comply with the LMV and regulations thereunder, and for statistical and informational purposes only, which does not certify the investment quality of the Step-Up Notes, our solvency, liquidity or credit quality or the accuracy or completeness of the information included in this Exchange Offer Memorandum.

Each Holder of Existing Notes tendering Existing Notes for exchange will be deemed to have represented and agreed with us as follows:

- (1) it is tendering Existing 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 Non-U.S. Person who is a non-U.S. qualified offeree 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 Step-Up 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 Step-Up Notes have not been and will not be registered under the Securities Act, and that the Step-Up Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. Persons;
- (3) it shall not resell or otherwise transfer any of the Step-Up Notes except:
 - to the Company or any of its subsidiaries;
 - 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 an 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 Step-Up Notes to each person to whom it transfers the Step-Up Notes;
- (5) it understands that the certificates evidencing the Step-Up Notes will bear a legend substantially to the following effect unless otherwise determined by us:

THE NOTES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THE NOTES NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION. BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE HOLDER OF THIS NOTE BY ITS ACCEPTANCE HEREOF (1) REPRESENTS THAT IT, AND ANY ACCOUNT FOR WHICH IT IS ACTING, IS NOT A U.S. PERSON AND IS ACQUIRING THIS NOTE

IN AN "OFFSHORE TRANSACTION" PURSUANT TO RULE 903 OR 904 OF REGULATION S AND EXERCISES SOLE INVESTMENT DISCRETION WITH RESPECT TO SUCH ACCOUNT, (2) AGREES FOR THE BENEFIT OF THE COMPANY THAT, ON OR PRIOR TO THE DATE (THE

“RESALE RESTRICTION TERMINATION DATE”) WHICH IS 40 DAYS AFTER THE LATER OF THE COMMENCEMENT OF THE OFFER OF THIS NOTE AND THE ISSUE DATE OF THIS NOTE (OR SUCH SHORTER PERIOD OF TIME PERMITTED BY REGULATION S UNDER THE SECURITIES ACT OR ANY SUCCESSOR PROVISION THEREUNDER) IT WILL NOT OFFER, SELL, PLEDGE OR OTHERWISE TRANSFER THIS NOTE OR ANY BENEFICIAL INTEREST HEREIN EXCEPT (A) (I) TO THE COMPANY OR ANY SUBSIDIARY THEREOF, (II) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BECOME EFFECTIVE UNDER THE SECURITIES ACT, (III) TO A NON-U.S. PERSON IN AN OFFSHORE TRANSACTION COMPLYING WITH THE REQUIREMENTS OF RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT OR (IV) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT (IF AVAILABLE), AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND OTHER JURISDICTIONS, AND (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS NOTE IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. 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. AFTER THE RESALE RESTRICTION TERMINATION DATE, THIS NOTE AND ANY INTEREST HEREIN MAY BE TRANSFERRED ONLY IN ACCORDANCE WITH THE U.S. SECURITIES ACT AND ALL APPLICABLE LAWS OF ANY OTHER JURISDICTION.

PRIOR TO THE REGISTRATION OF ANY TRANSFER IN ACCORDANCE WITH PARAGRAPH 2(IV) ABOVE, THE COMPANY AND THE TRUSTEE RESERVE THE RIGHT TO REQUIRE THE DELIVERY OF SUCH LEGAL OPINIONS, CERTIFICATIONS, OR OTHER EVIDENCE SATISFACTORY TO EACH OF THEM 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 COMPANY.

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED WITH THE NATIONAL SECURITIES REGISTRY (*REGISTRO NACIONAL DE VALORES*) MAINTAINED BY THE MEXICAN NATIONAL BANKING AND SECURITIES COMMISSION (*COMISIÓN NACIONAL BANCARIA Y DE VALORES*, OR “CNBV”), AND MAY NOT BE OFFERED OR SOLD PUBLICLY IN MEXICO. THIS NOTE MAY BE OFFERED OR SOLD IN MEXICO, ON A PRIVATE PLACEMENT BASIS, TO INSTITUTIONAL AND QUALIFIED INVESTORS PURSUANT TO THE EXEMPTION SET FORTH IN ARTICLE 8 OF THE MEXICAN SECURITIES MARKET LAW (*LEY DEL MERCADO DE VALORES* OR “LMV”). THIS NOTE IS SOLELY RESPONSIBILITY OF THE COMPANY AND HAS NOT BEEN REVIEWED OR AUTHORIZED BY THE CNBV. AS REQUIRED UNDER THE LMV AND REGULATIONS THEREUNDER, THE COMPANY WILL NOTIFY THE CNBV OF THE TERMS AND CONDITIONS OF THE OFFERING OF THIS NOTE MADE OUTSIDE OF MEXICO. SUCH NOTICE WILL BE DELIVERED TO THE CNBV TO COMPLY WITH THE LMV AND REGULATIONS THEREUNDER, AND FOR STATISTICAL AND INFORMATIONAL PURPOSES ONLY, WHICH IS NOT A REQUIREMENT FOR THE VALIDITY OF THIS NOTE AND DOES NOT CONSTITUTE OR IMPLY A CERTIFICATION AS TO THE INVESTMENT QUALITY OF THIS NOTE, THE SOLVENCY, LIQUIDITY OR CREDIT QUALITY OF THE COMPANY. THE ACQUISITION OF THE NOTES BY AN INVESTOR WHO IS A RESIDENT OF MEXICO WILL BE MADE UNDER SUCH INVESTOR’S OWN RESPONSIBILITY.

- (6) it acknowledges that the foregoing restrictions apply to holders of beneficial interests in the Step-Up Notes, as well as holders of the Step-Up Notes;

- (7) it acknowledges that the Company will not be required to accept for registration of transfer any Step-Up Notes acquired by it, except upon presentation of evidence satisfactory to the Company that the restrictions set forth herein have been complied with; and
- (8) it acknowledges that the Company, the Trustee, 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 for the exchange of the Existing Notes is no longer accurate, it shall promptly notify the Company and the Trustee. If it is exchanging the Existing 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.

OFFER AND DISTRIBUTION RESTRICTIONS

We have not filed this Exchange Offer Memorandum with, and it has not been reviewed by, any federal or state securities commission or regulatory authority of any country. No authority has passed upon the accuracy or adequacy of this Exchange Offer Memorandum, and it is unlawful and may be a criminal offense to make any representation to the contrary.

We are not making an offer to sell, or seeking offers to buy, the Step-Up 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 tender Existing Notes for exchange, acquire Step-Up Notes or possess or distribute this Exchange Offer Memorandum, and you must obtain any consent, approval or permission required for your tender, offer, or subscription of the Step-Up Notes under the laws and regulations in force in any jurisdiction to which you are subject or in which you make such tender, offer or subscription.

The delivery of this Exchange Offer Memorandum shall not under any circumstances create any implication that the information contained herein is correct as of any time subsequent to the date hereof or thereof, or that there has been no change in the information set forth herein or therein or in our or any of our subsidiaries or affiliates since the date hereof or thereof.

Only Eligible Holders that have previously completed and returned to the Information and Exchange Agent an Eligibility Letter are authorized to receive or review this Exchange Offer Memorandum or to participate in the Exchange Offer and Consent Solicitation. No action has been or will be taken in any jurisdiction by us, the Dealer Manager and Solicitation Agent or the Information and Exchange Agent that would constitute a public offering of the Step-Up Notes.

United States

The Step-Up 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 in certain transactions exempt from the registration requirements of the Securities Act. This Exchange Offer Memorandum may not be distributed in the United States or to U.S. Persons.

Mexico

The Exchange Offer and Consent Solicitation is not being made in Mexico. The Step-Up Notes have not and will not be registered with the RNV maintained by the CNBV and, therefore, may not be offered or sold publicly in Mexico. The Step-Up Notes may only be offered or sold in Mexico, on a private placement basis, to institutional and qualified investors pursuant to the registration exemption set forth in article 8 of the LMV. The information contained in this Exchange Offer Memorandum is exclusively the responsibility of the Company and has not been reviewed or authorized by the CNBV. As required under the LMV and regulations thereunder, we will notify the CNBV of the terms and conditions of the offering of the Step-Up Notes made outside of Mexico on the business day following the Settlement Date. Such notice will be delivered to the CNBV to comply with the LMV and regulations thereunder, and for statistical and informational purposes only, which does not constitute or imply any certification as to the investment quality of the Step-Up Notes, our solvency, liquidity or credit quality or the accuracy or completeness of the information set forth in this Exchange Offer Memorandum. In making an investment decision, all investors, including any Mexican investor, who may acquire Step-Up Notes must rely on their own examination of us.

European Economic Area

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

to retail investors in the EEA, has been prepared and therefore offering the Step-Up Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

In any Member State of the EEA (each, a “Relevant Member State”); this communication is only addressed to and is only directed at qualified investors in that Member State within the meaning of the Prospectus Regulation.

This Exchange Offer Memorandum has been prepared on the basis that any offer of Step-Up Notes in any Relevant Member State will be made pursuant to an exemption under the Prospectus Regulation from the requirement to publish a prospectus for offers of Step-Up Notes. Accordingly, any person making or intending to make any offer within the EEA of Step-Up Notes which are the subject of the offering contemplated in this Exchange Offer Memorandum may only do so in circumstances in which no obligation arises for us to publish a prospectus pursuant to Article 3 of the Prospectus Regulation in relation to such offer. We have not authorized the making of any offer (other than permitted public offers) of Step-Up Notes in circumstances in which an obligation arises for us to publish a prospectus for such offer.

Each person in a Relevant Member State who receives any communication in respect of, or who acquires any Step-Up Notes under, the offers contemplated in this Exchange Offer Memorandum will be deemed to have represented, warranted and agreed with us that:

- (a) it is a qualified investor within the meaning of the Prospectus Regulation; and
- (b) in the case of any Step-Up Notes acquired by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Regulation, (i) the Step-Up Notes acquired by it in the offer 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 that term is defined in the Prospectus Regulation; or (ii) where Step-Up Notes have been acquired by it on behalf of persons in any Relevant Member State other than qualified investors, the offer of those Step-Up Notes to it is not treated under the Prospectus Regulation as having been made to such persons.

For the purposes of this notice and representation, the expression “Prospectus Regulation” means Regulation (EU) 2017/1129, as amended

United Kingdom

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

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

will be engaged in only with relevant persons. Any person who is not a relevant person should not act or rely on this Exchange Offer Memorandum or any of its contents.

Notice to Prospective Investors in Switzerland

This Exchange Offer Memorandum, as well as any other material relating to the Step-Up Notes which are the subject of the offering contemplated by this Exchange Offer Memorandum, do not constitute an issue prospectus pursuant to Article 652a of the Swiss Code of Obligations. The Step-Up Notes will not be listed on the SWX Swiss Exchange and, therefore, the documents relating to the Step-Up Notes, including, but not limited to, this Exchange Offer Memorandum, do not claim to comply with the disclosure standards of the listing rules of the SWX Swiss Exchange and corresponding prospectus schemes annexed to the listing rules of the SWX Swiss Exchange. The Step-Up Notes are being offered in Switzerland by way of a private placement, i.e., to Eligible Holders only, without any public offer and only to investors who do not tender for exchange the Existing Notes with the intention to distribute the Step-Up Notes to the public. Eligible Holders will be individually approached by the Dealer Manager from time to time. This Exchange Offer Memorandum, as well as any other material relating to the Step-Up Notes, is personal and confidential and do not constitute an offer to any other person. This Exchange Offer Memorandum may only be used by those investors to whom it has been provided in connection with the offering described herein and may neither directly nor indirectly be distributed or made available to other persons without our express consent. It may not be used in connection with any other offer and shall in particular not be copied and/or distributed to the public in (or from) Switzerland.

Dubai International Financial Centre

This Exchange Offer Memorandum relates to an exempt offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority. This Exchange Offer Memorandum is intended for distribution only to persons of a type specified in those rules. It must not be delivered to, or relied on by, any other person. The Dubai Financial Services Authority has no responsibility for reviewing or verifying any documents in connection with exempt offers. The Dubai Financial Services Authority has not approved this Exchange Offer Memorandum nor taken steps to verify the information set out in it, and has no responsibility for it. The Step-Up Notes which are the subject of the offering contemplated by this Exchange Offer Memorandum may be illiquid and/or subject to restrictions on their resale. Eligible Holders of the Step-Up Notes offered should conduct their own due diligence on the Step-Up Notes. If you do not understand the contents of this Exchange Offer Memorandum you should consult an authorized financial adviser.

Hong Kong

This Exchange Offer 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 Step-Up 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 Step-Up 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 Step-Up 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.

Singapore

This Exchange Offer Memorandum has not been, and will not be, registered as a prospectus with the Monetary Authority of Singapore (the “MAS”). Accordingly, the Step-Up Notes will not be offered or caused to be made the subject of an invitation for subscription or purchase and this Exchange Offer Memorandum, or any other document or material in connection with the Exchange Offer for the Step-Up Notes, will not be circulated or distributed, whether directly or indirectly, to the public or any member of the public in Singapore other than (a) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore (the “SFA”)) pursuant to Section 274

of the SFA, (b) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018 of Singapore, or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Japan

The have not been and will not be registered under the Securities and Exchange Law of Japan and, accordingly, it will not be offered, 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 of Japan 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.

Peru

Neither this Exchange Offer Memorandum nor the Step-Up Notes have been registered with the Peruvian Securities Market Regulator (*Superintendencia del Mercado de Valores*).

The Step-Up Notes will not be registered in the Registro Público del Mercado de Valores (Peruvian Securities Registry). As a result, the offering of the Step-Up Notes is limited to the restrictions set forth in the Peruvian Securities Market Law. Holders of the Step-Up Notes are not permitted to transfer the Step-Up Notes in Peru unless such transfer involves an institutional investor or the Step-Up Notes are previously registered in the Registro Público del Mercado de Valores.

Chile

The offer of the Step-Up Notes is subject to General Rule No.336 issued by the Chilean Securities and Insurance Superintendency (*Superintendencia de Valores y Seguros de Chile*, or “SVS”). The commencement date of this offering is the one contained in the cover pages of this Exchange Offer Memorandum. The Step-Up Notes will not be registered in the Chilean Securities Registry (*Registro de Valores*) or the Chilean Foreign Securities Registry (*Registro de Valores Extranjeros*), both kept by the SVS and will not be subject to the supervision of the SVS.

As unregistered securities, we have no obligation to deliver/disclose public information about the Step-Up Notes in Chile. The Step-Up Notes cannot and will not be publicly offered in Chile unless registered in the Chilean Securities Registry or the Chilean Foreign Securities Registry, both maintained by the SVS. If the Step-Up Notes are offered within Chile, they will be offered and sold only pursuant to General Rule 336 of the SVS, an exemption to the registration requirements, or in circumstances which do not constitute a public offer of securities under Chilean law.

La oferta de los valores se acoge a la Norma de Carácter General N°336 de la Superintendencia de Valores y Seguros o “SVS”. La fecha de inicio de la presente oferta es la indicada en la portada de este Exchange Offer Memorandum. Los valores no estarán inscritos en el Registro de Valores o en el Registro de Valores Extranjeros que lleva la SVS, y tales valores no estarán sujetos a la fiscalización de la SVS. Por tratarse de valores no inscritos, no existe obligación por parte del emisor de entregar en Chile información pública respecto de los valores. Los valores no podrán ser objeto de oferta pública en Chile mientras no sean inscritos en el Registro de Valores o el Registro de Valores Extranjeros que lleva la SVS. Si los valores son ofrecidos dentro de Chile, serán ofrecidos y colocados sólo de acuerdo a la Norma de Carácter General N°336 de la SVS, una excepción a la obligación de inscripción o en circunstancias que no constituyan una oferta pública de valores en Chile de conformidad a la ley chilena.

INDEPENDENT AUDITORS

The consolidated financial statements of Financiera Independencia, S.A.B. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada, as of and for the year ended December 31, 2021, included elsewhere in this Exchange Offer Memorandum, have been audited by KPMG Cárdenas Dosal, S.C., independent auditors, as stated in their audit report appearing herein.

ANNEX A

PROCESSING DEALER FORM

As described in the Exchange Offer and Consent Solicitation, the Company has agreed to pay to each qualifying broker and dealer whose name appears in the appropriate space of a properly completed and executed processing dealer form a processing dealer fee equal to U.S.\$2.50 per U.S.\$1,000 principal amount of Existing Notes accepted by us validly tendered (and not validly withdrawn) by beneficial owners that are Eligible Holders of Existing Notes, except for any Existing Notes tendered by such broker dealer for its own account. Capitalized terms used in this Processing Dealer Form that are not defined shall have the respective meanings ascribed to them in the Exchange Offer Memorandum.

Only a broker or dealer in securities which is a member of any national securities exchange or that is a bank or a trust company legally authorized to receive such fees will qualify to receive a Processing Dealer Fee. In order to be eligible to receive the Processing Dealer Fee, this Processing Dealer Form must be properly completed and received by the Exchange and Information Agent on or prior to the Expiration Date.

Please send your signed, completed Processing Dealer Form by overnight delivery to:

D.F. King & Co., Inc.

48 Wall Street
New York, NY 10005
Banks and Brokers Call: +1 (212) 269-5550
Toll-Free: +1 (877) 478-5040
Attn: Michel Horthman
Email: findep@dfking.com

By facsimile:
(For Eligible Institutions only)
+1 (212) 709-3328

Confirmation:
+1 (212) 232-3233

Unless this Processing Dealer Form is signed by a firm (an "Eligible Institution") that is a broker, dealer, commercial bank or other entity and is a member in good standing of a stock transfer association's approved medallion program (such as STAMP, SEMP or MSP), the signature on this Processing Dealer Form must be guaranteed by an Eligible Institution.

This Processing Dealer Form is only to be submitted by the DTC direct participant that effected the book-entry transfer of the relevant securities. If you are eligible to receive a processing dealer fee but are not a DTC direct participant, you must contact the DTC direct participant through which the relevant tenders were made and arrange for them to submit this Processing Dealer Form.

By submitting this Processing Dealer Form, the undersigned agrees that, upon request by the Exchange and Information Agent, the undersigned shall provide the Exchange and Information Agent with an electronic copy of this Processing Dealer Form, including the list of beneficial owner account numbers, transaction code reference numbers, CUSIPS of securities tendered and aggregate principal amount tendered.

The Company shall, in its sole discretion, determine whether a broker has satisfied the criteria for receiving a retail processing fee (including, without limitation, the submission of the appropriate documentation without defects or irregularities and in respect of bona fide tenders). The Company will pay processing dealer fees as promptly as practicable after the settlement date of the Exchange Offer and Consent Solicitation. Tendering Eligible Holders are not obligated to pay brokerage fees or commissions to the Dealer Manager and Solicitation Agent, the Exchange and Information Agent or the Company. Processing dealer fees will be sent by check to the name and address provided below.

NAME AND ADDRESS OF BROKER, DEALER, COMMERCIAL BANK, TRUST COMPANY OR ANY OTHER ELIGIBLE RECIPIENT THAT PROCESSED RETAIL INSTRUCTIONS TO TENDER.

Name of Firm _____ (Please Print)

Attention of Individual at Firm _____ (Please Print)

Address: (Street) _____

(City, State/Province/Region and Zip/Postal Code) _____

(Country) _____

Telephone Number _____

Signature _____

Capacity _____

MEDALLION SIGNATURE GUARANTEE
(To be Completed by Eligible Institutions Only)

(Name of Eligible Institution Guaranteeing Signature)

(Address (including zip code) and Telephone Number (including area code) of Eligible Institution)

(Authorized Signature)

(Printed Name)

(Title)

Dated: _____, 2023

Tendered on behalf of beneficial owners who are Eligible Holders who tendered Existing Notes

DTC Participant Number _____

CUSIP Number	Principal Amount of Existing Notes Tendered	VOI Ticket Number
_____	_____	_____

(If necessary provide a separate list of any additional beneficial owners who are Eligible Holders and affix the list to this Processing Dealer Form)

Aggregate Processing Dealer Fee: _____

RETURN THIS PROCESSING DEALER FORM TO THE EXCHANGE AND INFORMATION AGENT

The acceptance of compensation by such retail processing dealer will constitute a representation by it that (a) it has complied with the applicable requirements applicable securities laws in connection with solicitations related to the Exchange Offer and Consent Solicitation; (b) it is entitled to such compensation for such processing under the terms and conditions of the Exchange Offer Memorandum, and will provide satisfactory evidence of such entitlement upon request; (c) it is (i) a bank or trust company legally authorized to receive such fee, (ii) a professional broker or dealer in securities which is a member of an national securities exchange; and (c) it has not and will not remit such fee, in whole or in part, to the relevant beneficial owner who is an Eligible Holder of the tendered Existing Notes.

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FINANCIERA INDEPENDENCIA, S.A.B. DE C.V. SOFOM, E.N.R.
Consolidated balance sheet as of September 30, 2022
(Unaudited figures in thousands of pesos)

Assets

Cash and cash equivalents	\$ 1,024,783	
Performing loans 1	7,466,052	
Performing loans 2	660,262	
Performing loans 3	514,982	
Total loan portfolio		8,641,296
Allowances for loan losses	(1,111,624)	
Total loan portfolio - Net		7,529,672
Other accounts receivable - Net	481,057	
Derivative financial instruments	177,772	
Property, plant & equipment - Net	143,187	
Deferred income tax	766,356	
Right of use asset	381,889	
Goodwil	1,008,796	
Other assets	301,752	
		3,260,809
Total assets		\$ 11,815,264

Liabilities

International bonds	\$ 3,315,371	
Bank and other entities loans	2,665,909	
Lease liability	397,042	
Other accounts payable	831,170	
Total liabilities		7,209,492

Stockholders' equity

Capital stock	157,191	
Additional paid-in capital	1,574,701	
Capital reserves	14,318	
Retained earnings	2,377,256	
Financial instruments - derivatives	22,332	
Foreign exchange effect	11,174	
Net income (Loss) for the year	451,496	
Other comprehensive income movement ent related to NIF D-3	(2,695)	
Minority interest	0	
Total stockholders' equity		4,605,772
Total liabilities and stockholders' equity		\$ 11,815,264

FINANCIERA INDEPENDENCIA, S.A.B. DE C.V. SOFOM, E.N.R.**Consolidated Income Statement****For the Nine Months Periods Ended September 30, 2022***(Unaudited figures in thousands of pesos)*

Interest income	3,484,111
Interest expense	<u>415,768</u>
Financial margin	3,068,343
Allowance for loan losses	<u>979,060</u>
Financial margin adjusted by credit risks	2,089,283
Commission and fee income	445,356
Commission and fee expense	59,788
Financial intermediation, net	56,112
Other operating income, net	77,864
Administrative and promotional expenses	<u>1,957,548</u>
Net operating income	651,278
Equity in the results of associated companies	2
Income before income taxes	651,281
Current income taxes	68,719
Deferred income taxes	<u>127,887</u>
	196,606
Net income before discontinued operations	454,673
Discontinued operations	<u>(3,177)</u>
Net income (loss)	\$ <u>451,496</u>

FINANCIERA INDEPENDENCIA, S.A.B. DE C.V. SOFOM, E.N.R.
Consolidated statements of changes in stockholders' equity as of September 30, 2022
(Unaudited figures in thousands of pesos)

	Paid-in capital		Earned capital							Total stockholders' equity
	Capital stock	Share Premium	Statutory reserves	Retained earnings	Result from valuation of cash flow hedge instruments	Cumulative translation adjustment	Net income (loss)	Remeasurements employee's defined benefits	Minority Interest	
Balances as of December 31, 2021	\$ 157,191	\$ 1,574,701	\$ 14,318	\$ 2,292,315	\$ 57,172	\$ 14,530	\$ 346,903	\$ (2,695)	\$ 0	\$ 4,454,435
Changes resulting from stockholders' resolutions:										
Appropriation of the prior year net income				346,903			(346,903)			-
Acquisition of proprietary shares and effect on reissuance of proprietary shares				(35,961)						(35,961)
Changes related to the recognition of comprehensive income:										
Net income							451,496			451,496
Valuation effects of cash flow hedge instruments					(34,840)					(34,840)
Initial recognition NIF D-5 subsidiaries				(10,630)						(10,630)
Initial recognition LLR NIF C-16				(215,372)						(215,372)
Cumulative translation adjustment						(3,356)				(3,356)
Minority interest									0	0
Balances as of September 30, 2022	157,191	1,574,701	14,318	2,377,256	22,332	11,174	451,496	(2,695)	0	4,605,772

FINANCIERA INDEPENDENCIA, S.A.B. DE C.V. SOFOM, E.N.R.

Consolidated statement of cash flow

For the Nine Months Periods Ended September 30, 2022

(Unaudited figures in thousands of pesos)

Operating activities

Net income (loss) **\$ 451,496**

Allowance for loan losses	1,042,191
Depreciation and amortization	34,981
Impairment loss on investing activities	3,177
Current and deferred income taxes	196,606
	1,728,451

Change in loan portfolio, net	(1,824,140)
Change in securitization liabilities	(470,842)
Change in bank and other borrowings	1,045,146
Change in hedging instruments (of hedged items related to operating activities)	79,494
Change in other accounts receivable and other accounts payable	4,884
	562,994

Net cash flows from operating activities **562,994**

Investing activities:

Payments for acquisition of property, furniture and equipment	(30,777)
Payments for disposal of other long-lived assets	74,911
	44,134

Net cash flows from investing activities **44,134**

Excess cash to apply in financing activities **607,128**

Financial activities:

Net cash flows from financing activities for payments associated with the repurchase of proprietary shares	(35,961)
Effects of changes in foreign currency translation	(3,356)
Initial recognition NIF D-5 subsidiaries	4,523
Minority interest	0
	(34,794)

Net cash flows from financial activities **(34,794)**

Net cash flow from cash and cash equivalents **572,334**

Cash and cash equivalents at beginning of the year **452,449**

Cash and cash equivalents at end of the period **\$ 1,024,783**

Financiera Independencia S.A.B. de C.V.

Sociedad Financiera de Objeto Múltiple, E.N.R.

Notes to the consolidated financial statements

For the period ended September 30, 2022 and 2021

(Thousands of Mexican pesos))

Note 1.- Nature and business activity of the Company

Creation and authorization

Financiera Independencia, S. A. B. de C. V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada (the Society), was established and began operations in accordance with Mexican laws on July 22, 1993, for an indefinite period, it has authorization from the Ministry of Finance and Public Credit (SHCP) to operate as a multiple purpose financial institution, unregulated entity, in accordance with the Mexican Credit Institutions Law (LIC).

Corporate Purpose

Its main activity is to grant loans to individuals for the consumption of goods and services. The necessary resources to fund its operation have been obtained from shareholders and through market operations, as well as the contracting of liabilities with national financial institutions..

Main operational guidelines

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 National Banking and Securities Commission (the Commission). Unregulated entities (E.N.R.) are entities which do not have equity relationships with credit institutions or holding societies 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, 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 Society 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 Society carried out a public offering share in Mexico.

The Society, in its capacity as an S.A.B., applies the provisions of the General Law of Business Corporations and, if applicable, the relevant provisions of the Stock Market Law, as well as General Rules Applicable to Issuers of Securities and Other Stock Market Participants.

The consolidated financial statements as of September 30, 2021 and 2020 and for the period ended on those dates include those of Financiera Independencia S. A. B. de C. V and its Subsidiaries.

Relevant events:

On January 17th, the company informed that Mr. Enrique Brockmann del Valle, who had been Chief Financial Officer since October 2, 2019, decided to leave the Company as of January 31, 2022 to pursue other professional and personal opportunities. The Financiera Independencia team thanks Mr. Brockmann for the valuable contribution and dedication shown during his tenure and wishes him every success in his new professional stage.

With the aim of ensuring continuity in the execution of the strategy that, during 2021, led the Company to register the highest net income of the past decade, despite the adverse context of the pandemic, Mr. Iván Barona González will become Chief Financial Officer from February 1st, 2022.

In the interest of further specializing the decision-making of key strategic issues, the Administration and Finance area will undergo an internal reorganization where functions will be divided by: strategy and financing on the one hand, and on the other, operational and financial control. The former will be under the responsibility of Mr. Barona, whilst the latter will be led by Mr. Adrián Orocio Barreto, who will hold the position of Corporate Director of the Comptroller's Office, adding the Financial Planning area to his responsibilities.

The two positions will report directly to the company's CEO. The specialized market knowledge and deep experience working within the company of those occupying the new management roles will ensure continuity in the strategic direction of FINDEP, which has led to outstanding results in recent quarters

On February 1st, the company informed it had received a loan commitment from Banco Santander México, S.A., Institución de Banca Múltiple, Grupo Financiero Santander México, for 200 million pesos, maturing on January 31 ,2025. This credit line represents an 8% increase in the commercial banks' credit facilities hired by the Company as of September 30, 2021.

On April 5th, the company announced that it formalized a credit line contract with HSBC México SA, I.B.M., Grupo Financiero HSBC, for an amount of up to Ps.1,200 million maturing in April 2024. This line replaces the current credit lines with HSBC for Ps. 462.5 and Ps. 615 million, with maturities in November 2022 and March 2023, respectively. This credit line

represents 74% of the outstanding balance of bank loans and other entities, reported by the Company on its consolidated balance sheet as of December 31, 2021.

On May 2nd, Financiera Independencia announced that, due to the fact that regulatory authorizations were obtained in Brazil from the Central Bank, the operations that were previously announced on October 1st, 2021 regarding the sale of its subsidiary INDEPENDÊNCIA PARTICIPAÇÕES S.A. to OMNI S.A. - CRÉDITO, FINANCIAMENTO E INVESTIMENTO (“Omni”) have taken effect INDEPENDÊNCIA PARTICIPAÇÕES S.A., is the owner of FINSOL SOCIEDADE DE CRÉDITO AO MICROEMPREENDEDOR E A EMPRESA DE PEQUENO PORTE S.A., which carries out Findep’s Microcredits operation in Brazil. This transaction means the exit of FINDEP from its operations in Brazil and does not qualify as a corporate restructuring in terms of the General Provisions applicable to Securities Issuers and other participants in the Securities Market.

On June 23rd, Findep announced that the Office of Consumer Credit Commissioner in Texas granted its subsidiary Apoyo Financiero Inc. (AFI) a license to operate as a “Regulated Lender” in the State of Texas. This will allow AFI to grant credits of up to \$20,000.

On June 27th, the Company announced that, through its subsidiary Apoyo Financiero Inc. (AFI), it has officially started operations in the state of Texas, with the placement of its first loan. This is another step in our growth plan in the US market, in the state with the highest concentration of Hispanic population (39.7% vs. 39.4% in California). Texas is the second state with the largest number of Hispanic inhabitants (11.7 million) only behind California (15.5 million) according to the US Census Bureau. The dynamics observed in the state of California, as well as sociodemographic factors, have supported the relevant performance of AFI, and have laid solid foundations to seek strategic growth in the United States.

On July 11th, the company announced that S&P Global Ratings revised its outlook on the company from negative to stable due to better performance. Additionally, it confirmed the 'B+' ratings.

On July 29th, Findep announced that HR Ratings revised its outlook on the company from stable to positive. This, on the expectation of a sustained recovery in profitability and portfolio quality after impacts related to the sale of subsidiaries and the implementation of support programs due to Covid-19. Additionally, it confirmed the ratings of 'HR A' and 'HR2'. The rating agency recognizes that FINDEP has robust solvency, portfolio growth, normalization of delinquency indicators, and has posted recovery in profitability levels. Additionally, it considers the company's growth strategy focused on the United States market, the high diversification of funding tools, as well as the strength in the quality of senior management and in transparency.

Note 2.- Basis of presentation

On January 12, 2015, the Official Journal of the Federation (DOF) published the resolution that modified the general provisions applicable to Regulated SOFOMES, where it is established that those SOFOMES that have debt securities registered in the National

Securities Registry, as is the case of the Society, for the registration of its operations, the accounting criteria for credit institutions in Mexico (the Accounting Criteria) established by the Commission in Appendix 33 of the general provisions applicable to credit institutions (the Accounting Criteria) will apply. (Provisions), except for series "D" of said criteria, since they must apply series "D", of the criteria related to the basic financial statements for SOFOMES, in force as of 2015.

The accounting criteria provide that in the absence of an specific accounting criterion of the Banking Commission for credit institutions, and in a wider context the Mexican Financial Reporting Standards (MFRS), issued by the Mexican Board of Financial Reporting Standards (Consejo Mexicano de Normas de Información Financiera, A. C. or CINIF), the suppletory process as established by MFRS A-8 shall be applicable, and only when the International Financial Reporting Standards (IFRS) referred to by MFRS A-8 do not resolve the accounting treatment, the suppletory application of an accounting standard pertaining to other regulatory framework may be opted for, providing all the requirements set out by the MFRS are met by the standard. The suppletory application shall be in the following order: U.S. Generally Accepted Accounting Principles (US GAAP), and later any other formal and recognized accounting standard, provided they do not contravene the accounting criteria of the Banking Commission.

Note 3.- Summary of significant accounting policies

Recognition of the effects of inflation - The accompanying financial statements were prepared in accordance with accounting criteria, which since the Society operate in a non-inflationary economic environment as established by MFRS B-10 "Effects of inflation", include the recognition of the effects of inflation until December 31, 2007 based on the value of the Investment Unit (UDI), which is a unit of account whose value is determined by the Bank of Mexico (Central Bank) in function of inflation. The cumulative inflation percentage of the three preceding years, the inflation for the year and the UDI values used for calculating inflation are shown below.

Cash and cash equivalents - This caption comprises, cash, bank accounts in local and foreign banks represented in cash and correspondents, revealing those items within the caption that have restrictions in terms of availability. The cash and cash equivalents are recognized at nominal value, and cash and cash equivalents in foreign currency are valued at the exchange rate issued by the Central Bank.

Earned interest is included in income for the year as it accrues as part of "Interest income." The results from valuation are recognized in the " Financial intermediation, net"..

Operations with derivative instruments financial and hedging accounting - Based on the intent of the Management, the Society classifies its derivative operations as shown below:

- For hedging purposes - Consists of buying or selling derivative financial instruments in order to mitigate the risk of a transaction or set of transactions.

The recognition in the consolidated financial statements of the assets and/or liabilities arising from operations with derivative financial instruments is made on the date on which the operation is arranged, regardless of the settlement date.



The result of the compensation of asset and liability positions, whether debtor or creditor, is presented separately from the hedged primary position as part of the "Derivatives" caption of the consolidated balance sheet and the accrued interest is recorded in the consolidated income statement. Said debit or credit balances are offset as long as they comply with the rules for offsetting financial assets and liabilities.

Transaction costs that are directly attributable to the acquisition of the derivative are recognized directly in income under "Financial intermediation, net".

All derivatives are subsequently valued at fair value without deducting the transaction costs incurred for their sale or other types of disposal; this valuation effect is then recognized in the results of the period under "Financial intermediation, net".

Derivatives must be presented under a specific asset or liability caption depending on whether their fair value (as a consequence of the rights and/or obligations they embody) results in a debit or credit balance, respectively.

- Hedging transactions - Hedging derivatives are valued at market value, and the effect is recognized depending on the type of hedge accounting, as follows:

If they are fair value hedges, the primary hedged position and the net effect of the derivative hedge instrument which is measured at fair value is recorded in results of the period under "Financial intermediation, net".

If they are cash flow hedges, the hedge derivative is measured at fair value and the valuation of the effective part of the hedge is recorded under "Result from valuation of cash flow hedges" in stockholders' equity. The ineffective portion is recorded in results of the period under the caption "Financial intermediation, net".

Loan Portfolio - Represents the outstanding balances of the amounts granted to borrowers plus uncollected accrued interest. The allowance for loan losses is presented deducting the loan portfolio balances.

Credit is granted based on a credit analysis in accordance with internal policies and operating manuals established by the Company

When a loan is transferred to the past-due portfolio, accrual of interest is discontinued and record thereof is kept in memorandum accounts. Once collected, such interest is recognized directly in consolidated income statement under "Interest income".

Past-due loans are reclassified as current when the unpaid balances have been fully paid by the debtor (principal and interest, etc.), except for restructured loans or renewed, which are transferred to current portfolio when sustained payment has been made. At the time the loan is reclassified to the "Current Portfolio", the accrued interest recorded in memorandum accounts is recognized in income.

The Society periodically evaluates if a past-due loan should remain in the consolidated balance sheet or be written-off, provided a provision has been created for 100% of the loan amounts. Such write-off is made by cancelling the unpaid loan balance against the allowance for loan losses previously created for each loan.

From 2022 onwards, the Society must identify and classify the Loan Portfolio, as defined in the General Provisions applicable to credit institutions, by level of credit risk, in accordance with what is indicated below:



- a) Stage 1 to loans that do not present evidence of an increase in the level of credit risk, when they do not show any of the assumptions to be classified in this stage in accordance with the corresponding General Standard Rating Methodology, in accordance with this Resolution.
- b) Stage 2, when at the time of rating the credits present evidence of an increase in the level of credit risk to be classified in this stage in accordance with the corresponding General Standard Rating Methodology, in accordance with this instrument.
- c) Stage 3 to the credits that at the time of qualification meet the requirements to be classified in Stage 3 in accordance with the General Standard Methodology of qualification that corresponds to them, in accordance with this Resolution.

Portfolio with stage 1 credit risk

Loans made and acquired by the entity will be recognized in this category, as long as they do not meet the categorization criteria referred to in the sections Transfer to loan portfolio with stage 2 credit risk and Transfer to loan portfolio with stage 3 credit risk.

Loans that meet the conditions to be considered stage 2 credit risk may remain in stage 1 when compliance with the requirements contained in the Banking Regulations is proven, which must be duly documented in the risk policies.

Transfer to loan portfolio with stage 2 credit risk

Loans must be recognized as a loan portfolio with stage 2 credit risk, in accordance with the provisions of the Banking Regulations, with the exception of the loans described in the paragraph corresponding to the guidelines for applying the registration of Transfer to loan portfolio with stage 3 credit risk.

Transfer to loan portfolio with stage 3 credit risk

The unpaid balance in accordance with the payment conditions in the loan agreement must be recognized as a loan portfolio with stage 3 credit risk, as provided in paragraph 91. It is worth mentioning that the revolving consumer portfolio product is modified to remain in this stage when it maintains 90 days of past due payments. (3 months).

Allowance for loan losses reserve – An allowance for loan losses is maintained, which, in the opinion of the Society's Management, is sufficient to cover any loss of the loans included in its credit portfolio.

The Criteria issued by the Commission integrate internal methodologies, which are methods that institutions use to calculate their preventive reserves based on the estimation of credit risk parameters. There are two approaches to internal methodologies: the basic approach and the advanced approach.

The Society has a methodology with an advanced approach, which incorporates the necessary basic elements, in accordance with the definitions stipulated by the Commission.

The internal rating system with an advanced approach is made up of the following three components:

- Probability of Default (PD)
- Severity of Loss (SL)
- Exposure to Default (ED)



These components of the model support the generation of a measure of credit risk, based on the portfolio, portfolio and days past due, for each of the loans in position. The foregoing helps to monitor and identify in a timely manner the detriment of borrowers' ability to pay.

The rating system was designed through the following stages:

- a) Collection of historical information on balances and days in arrears for each of the borrowers of the portfolios in position.
- b) Application of inferential statistical techniques to timely approximate the increase in credit risk associated with the portfolio, through the evolutionary analysis of the historical payment experience of the portfolio.
- c) Contrast analysis of reserve estimates for credit risk, with respect to the general standard methodology, proposed by the Commission.

The Company chose to apply The Standard methodology, which is applicable to consumer, commercial and mortgage loan portfolios. Institutions that opt for this approach to calculate their preventive reserves must abide by the requirements and procedures contained in Chapter V Bis, which describes the General Standard Methodologies by type of loan portfolio.

This approach introduces new criteria for the classification and measurement of financial instruments, which are based on the joint consideration of the Business Model (i.e. the way in which the Entity manages its assets to obtain the contractual cash flows) and the analysis of the characteristics of the contractual flows of said instruments (i.e. SPPI test for its acronym in English: "Solely Payments of Principal and Interests"). Likewise, it introduces the concept of "Significant Increase in Risk" for which the reserves must be estimated for the contractual life of the credit. For those who have not presented an increase in risk, the expected loss at 12 months can be estimated. The usual approach to estimate credit losses in collective loans is by estimating the Expected Loss (EL) that uses the parameters of Probability of Default (PD), Severity of Loss (SL) and Exposure to Default (ED). This calculation must also include the possible impact on credit risk due to prospective information.

The initial effect of the adoption of the new methodology for calculating reserves within "retained earnings" for a unfavorable amount of \$245.816, which was recorded on January 1, 2022.

Other accounts receivable, net - Accounts receivable other than the Society's credit portfolio represent, among others, balances in favor of taxes. For accounts receivable relating to identified debtors with a maturity greater than 90 calendar days and 60 days for unidentified debtors, an estimate is created that reflects their degree of irrecoverability. Said estimate is not constituted by balances in favor of taxes.

Property, furniture, equipment and improvements to leased premises, net - Premises, furniture and equipment are recorded at acquisition cost. Those assets acquired before December 31, 2007 were adjusted by using factors based on the UDI value from the date of acquisition through that date, which recognition of the effects of inflation on the financial information was suspended according to the MFRS. The components acquired in foreign currency are recorded at the historical exchange rate, that is, the exchange rates in force on the date the asset was acquired.

Depreciation is determined using the straight-line method, based on the estimated useful lives by the Society's Management of the corresponding assets. Improvements to leased premises are amortized considering the shorter of the lease term or useful period of the improvement.



Goodwill - Represents the future financial benefits arising from other acquired assets that are not individually identifiable or separately recognizable. Goodwill is subject to impairment tests at the end of the reporting period and when there is an indication of impairment.

The Society tests the net carrying value of long-live assets in order to determine the existence of impairment indicators that such value exceeds its recovery value. The recovery value represents the potential amount of net income that it is reasonably expected to be obtained as a consequence of the use or realization of such assets. If it is determined that net carrying value exceeds recovery value, the Group records the required allowances. When it is intended to sell the assets, these are recorded in the consolidated financial statements at the lower of net carrying value or realizable value.

Permanent investments - Investments in affiliated and associated companies are valued using the equity method, recognizing changes in results for the year. This item also includes other permanent investments in which there is no significant influence, which are recognized at acquisition cost.

Other assets - Deferred income charges, prepaid expenses and intangibles - They are originally recorded at the nominal value disbursed. The amortization of computer developments and intangible assets with a defined life is calculated on a straight line by applying the corresponding rates to the updated expense.

It includes deferred charges for costs and expenses associated with the making of the loan, expenses for issuing securities and other deferred charges. It also includes advance payments for interest, commissions, sales and others, as well as provisional tax payments. Additionally, computer developments and intangible assets are recognized, mainly for software licenses net of their amortization.

Income tax (IT) and employee statutory profit-sharing (ESPS) - IT and ESPS and recorded in the results of the year as incurred in accordance with current tax provisions.

Income taxes payable are presented as liability in the consolidated balance sheet; when the tax prepayments exceed the income tax payable, the difference corresponds to an account receivable.

Deferred IT and ESPS are recorded for under the asset and liability method. Deferred IT and PTU assets and liabilities are recognized for the future tax consequences attributable to differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and for operating loss carry forwards and other recoverable tax credits. Deferred IT and ESPS assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred IT and ESPS assets and liabilities of a change in tax rates is recognized on the statement of income in the period that includes the enactment date.

The IT and ESPS deferred asset is periodically valuated creating, where appropriate, valuation allowance for those temporary differences which might exist an uncertain recovery.

The IT and ESPS, current and deferred, are presented and classified in the results of the period, except those that originate from a transaction recognized under "Other



Comprehensive Income” (OCI) or directly in an item of stockholders' equity. ESPS accrued and deferred are recognized under the caption "Administration and promotion expenses" in the consolidated statement of income.

International bonds - They are represented by the issuance of debt instruments known as Securitized Certificates 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 costs are recognized initially as deferred charges and are amortized against results for the year, taking the term of their underlying instruments as their basis.

Bank and other borrowings - Refer to credit lines and other loans obtained from other entities, which are recorded at the contractual value of the obligation. Interest is recognized on an accrual basis under the caption “Interest expenses”.

Provisions - They are recognized when a present obligation exists as a result of a past event that is probable to result in an outflow of economic resources and can be reasonably estimated.

Cumulative currency translation effect - Represent the difference resulting from the translation of the functional currency of foreign operations into the reporting currency. This item is presented within the OCI.

Net Interest Income - The company's net interest margin is the difference between total interest income less interest expense

Interest on loans granted including the interbank loans fixed to a term less than or equal to three business days, is recorded in income as earned. Interest on past-due loans is recognized in income upon collection.

The interest and commissions collected in advance are recorded under the caption " Deferred credits and prepayments" and are applied to the results of the year as they accrue.

Annuity fees charged to customers are recognized as income on a deferred basis and are amortized using the straight-line method over one year or over the life of the loan. The commissions charged for the initial granting of the loan and its associated costs are not deferred during the term of the loan, since Management considers that its effect is not material or significant since the maturities of the loans are short-term.

Memorandum accounts - Assets or commitments that are not part of the Society's consolidated balance sheet are recorded in the memorandum accounts, since their rights are not acquired or said commitments are not recognized as liabilities of the entities as long as said eventualities do not materialize, respectively.

Employees' benefits - Short-term direct employee benefits were recognized in income of the period in which the services rendered are accrued. A liability is recognize for the amount expected to be paid if the Society has a legal or assumed obligation to pay this amount as a result of past services provided and the obligation can be reasonably estimated.

The Society's net obligation in relation to direct long-term benefits (except for deferred ESPS -



see subsection (k) Income taxes and employee statutory profit sharing), and which the Society is expected to pay at least twelve months after the date of the most recent balance sheet presented, is the amount of future benefits that employees have obtained in exchange for their service in the current and previous periods. This benefit is discounted to its present value. Remeasurements are recognized in income in the period in which they are accrued.

A liability is recognized for termination benefits along with a cost or expense when the Society has no realistic alternative other than to make the corresponding payments or when the offer of these benefits cannot be withdrawn or when the conditions that require the recognition of restructuring costs are met, whichever occurs first. If benefit are not expected to be settled wholly within 12 months of the end of the annual financial year, then they are discounted.

The Society's net obligation relating to defined benefit pension plans, seniority premiums, benefits upon death, sports club benefits and statutory severance payments, is calculated on a separate basis for each plan, estimating the amount of future benefits earned by employees and in the current and previous years, deducting and deducting the fair value of the plan assets from such amount.

The obligations for defined benefit plans are calculated annually by actuaries using the projected unit credit method. When the calculation results in a possible asset for the Society, the recognized asset is limited to the present value of the economic benefits available in the form of future refunds of the plan or reductions in future contributions thereto. To calculate the present value of economic benefits, any minimum financing requirement should be considered.

The labor cost of current service, which represents the periodic cost of retirees for having completed one more year of working life based on the benefit plans, is recognized in administrative and promotional expenses.

The Society determines the net interest expense (income) on the net defined benefit liability (asset) for the period by multiplying the discount rate used to measure the defined benefit obligation by the beginning balance of the net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of estimates of contributions and benefit payments.

Modifications to the plans that affect past service cost are recognized in income immediately in the year the modification occurs, with no possibility of deferral in subsequent years. Furthermore, the effects of events of liquidation or reduction of obligations in the period that significantly reduce future service cost and/or significantly reduce the population eligible for benefits, are recognized in income of the period.

Remeasurements (before actuarial gains and losses), resulting from differences between the projected and actual actuarial assumptions at the end of the period, are recognized when incurred as part of "Administrative and promotional expenses" in the consolidated income statement.



Earning per share - Represents the result of dividing the net result for the year by the weighted average number of shares outstanding at the end of the year.

Note 4.- Cash and cash equivalents

Cash and Cash equivalents consist mainly of cash and bank deposits, which are recognized at their nominal value as shown below:

Cash and cash equivalents	% Var.				
	3Q22	2Q22	3Q21	2Q22	3Q21
Cash	373,101.8	419,910.1	328,574.5	-11.1%	13.6%
* Cash equivalents	651,681.2	215,023.3	356,711.6	203.1%	82.7%

* Immediate realization investments correspond to the investment of treasury surpluses, in order to obtain a better return in the short term. These investments are made through brokerage houses and investment companies that operate in the Mexican financial market.

We recorded interest income of \$19,370 in the nine-month period ended September 30, 2022, compared to \$16,620 in the corresponding period in 2021.



Note 5.- Loan portfolio

The classification of the Loan Portfolio:

Total Loan Portfolio by Product Type	3Q22	% of Total	2Q22	% of Total	3Q21	% of Total	% Var.	
							2Q22	3Q21
-Formal Sector Loans (Independencia Loans)	2,005,431.6	23.2%	1,916,792.1	23.5%	1,796,272.1	23.9%	4.6%	11.6%
- CredilInmediato	2,005,431.6	23.2%	1,916,792.1	23.5%	1,780,112.0	23.6%	4.6%	12.7%
- Más Nómina	0.0	0.0%	0.0	0.0%	16,160.0	0.2%	n/a	-100.0%
Informal Sector Loans (Independencia)	777,583.8	9.0%	704,216.3	8.6%	596,079.1	7.9%	10.4%	30.4%
- CrediPopular	760,160.4	8.8%	687,158.6	8.4%	578,468.6	7.7%	10.6%	31.4%
- CrediMama	17,423.5	0.2%	17,057.8	0.2%	17,610.5	0.2%	2.1%	-1.1%
- CrediConstruye	0.0	0.0%	0.0	0.0%	0.0	0.0%	n/a	n/a
Finsol Loans	0.0	0.0%	0.0	0.0%	327,166.1	4.3%	n/a	-100.0%
- Finsol México	0.0	0.0%	0.0	0.0%	0.0	0.0%	n/a	n/a
- Finsol Brazil	0.0	0.0%	0.0	0.0%	327,166.1	4.3%	n/a	-100.0%
Apoyo Económico Familiar Loans	2,023,228.7	23.4%	1,929,640.0	23.7%	1,838,708.5	24.4%	4.9%	10.0%
Apoyo Financiero Inc Loans	3,835,051.9	44.4%	3,602,029.1	44.2%	2,970,411.0	39.5%	6.5%	29.1%
Other Loans	0.0	0.0%	0.0	0.0%	0.0	0.0%	n/a	n/a
Total Loan Portfolio	8,641,296.1	100.0%	8,152,677.5	100.0%	7,528,636.8	100.0%	6.0%	14.8%

The restricted and unrestricted loan portfolio is as follows:

Loan Portfolio	3Q22	% of Total	2Q22	% of Total	3Q21	% of Total	% Var.	
							2Q22	3Q21
- Encumbered	2,984,812.0	34.5%	2,185,706.8	26.8%	1,736,992.5	23.1%	36.6%	71.8%
- Unencumbered	5,656,484.1	65.5%	5,966,970.8	73.2%	5,791,644.2	76.9%	-5.2%	-2.3%
Total Loan Portfolio	8,641,296.1	100.0%	8,152,677.5	100.0%	7,528,636.8	100.0%	6.0%	14.8%

Clients segmented by product type are shown below:

Number of Clients by Product Type	3Q22	% of Total	2Q22	% of Total	3Q21	% of Total	% Var.	
							2Q22	3Q21
-Formal Sector Loans (Independencia Loans)	126,582	38.9%	126,284	39.6%	131,888	37.8%	0.2%	-4.0%
- CredilInmediato	126,582	38.9%	126,284	39.6%	130,278	37.4%	0.2%	-2.8%
- Más Nómina	0	0.0%	0	0.0%	1,610	0.5%	n/a	-100.0%
Informal Sector Loans (Independencia)	57,356	17.6%	55,992	17.6%	57,378	16.5%	2.4%	0.0%
- CrediPopular	55,356	17.0%	53,954	16.9%	55,187	15.8%	2.6%	0.3%
- CrediMama	1,997	0.6%	2,035	0.6%	2,188	0.6%	-1.9%	-8.7%
- CrediConstruye	3	0.0%	3	0.0%	3	0.0%	0.0%	0.0%
Finsol Loans	0	0.0%	0	0.0%	27,842	8.0%	n/a	-100.0%
- Finsol Brazil	0	0.0%	0	0.0%	27,842	8.0%	n/a	-100.0%
Apoyo Económico Familiar Loans	105,000	32.3%	102,365	32.1%	103,178	29.6%	2.6%	1.8%
Apoyo Financiero Inc Loans	36,081	11.1%	33,971	10.7%	28,178	8.1%	6.2%	28.0%
Total Number of Loans	325,019	100.0%	318,612	100.0%	348,464	100.0%	2.0%	-6.7%



Note 6.- Allowance for loan losses

The movement in the allowance for loan losses for the years ended September 30, 2022 and 2021 is summarized below:

Allowance for loan losses	9M22	9M21
Balance at beginning of the year	653,918	687,724
Plus: Provisions debited to results of operations	1,042,191	654,250
Initial recognition of CNBV methodology	307,674	-
Less: Loans written off during the period	(892,159)	(726,194)
Balance at the end of the year	1,111,624	615,780

Note 7.- Property, furniture, equipment and improvements to leased premises, net

As of September 30, 2022 and 2021, the Company's buildings, furnitures and equipments applied the following depreciation rate:

	Years	Depreciation rate
Building	20 years	5%
Automatic teller machine (ATMs)	6.66 years	15%
Transportation equipment	4 years	25%
Furniture and equipment	10 years	10%
Leasehold improvements	20 to 5 years	5% to 20%
Computer equipment	4 years	25%

Note 8.- Goodwill

Goodwill originated from the acquisition of the businesses shown and as of September 30, 2022 and 2021, is analyzed below:

	2022	2021
Indepar	\$ -	178,488
AEF	895,979	895,979
AFI	112,816	112,816
	\$ 1,008,795	1,187,283

The Society has carried out a study to determine whether there is impairment in its long-lived assets in accordance with the provisions of FRS C-15 (Impairment in the value of long-lived assets and their disposal), and for the year ended December 31, 2021, a written off of \$133,339 derived from the Indepar sale contract was recognized (operation subject to authorization by

the Central Bank of Brazil, whose approval was received on March 30, 2022) recorded in the caption “Administration and promotion expenses”.

Note 9.- International bonds

As of September 30, 2022 and 2021, the Company had the following International Bond:

Institution	Total amount In USD	Maturity	Interest rate	2022	2021
Bono Internacional ⁽²⁾	250,000	July 2024	8.0% USD (9.4376% swap weighted MXN)	3,253,284	3,637,738
			Subtotal	3,253,284	3,637,738
			Accrued interest	62,087	71,214
			Total	3,315,371	3,708,952

⁽¹⁾ On July 2017, the Society placed bonds in the international bond market for 250 million dollars, which were issued under rule 144A/Reg. with a term of seven years and an annual interest rate of 8.00%, payable semiannually and can be paid in advance as of July 2021. The bonds are unconditional and irrevocably guaranteed by AEF and AFI.



Note 10.- Bank and other borrowings

As of September 30, 2022 and 2021, short-term and long-term Bank and other borrowings are as follows:

Institution	Line of credit			Type	Maturity	Interest Rate	2022	2021
	Pesos	Dolares	Reales					
HSBC México S. A., Institución de Banca Múltiple, Grupo Financiero HSBC	462,500			Revolving line	June 2022	TIIE + 200 pb	-	220,000
HSBC México S. A., Institución de Banca Múltiple, Grupo Financiero HSBC	615,000			Revolving line	June 2022	TIIE + 200 pb	-	220,000
HSBC México S. A., Institución de Banca Múltiple, Grupo Financiero HSBC		25,000		Revolving line	June 2023	MXN TIIE + 550 pb USD SOFR 3M+ Margin	403,882	139,328
HSBC México S. A., Institución de Banca Múltiple, Grupo Financiero HSBC	1,200,000			Revolving line	April 2024	TIIE + 250 pb TIIE + 300 pb	1,100,000	-
Nacional Financiera, S. N. C. (NAFINSA)	750,000			Revolving line	Indefinite	TIIE + 250 pb	215,200	133,333
BBVA	100,000			Revolving line	July 2023	TIIE + 300 pb	100,000	100,000
Banco del Bajío	100,000			Revolving line	June 2028	TIIE + 300 pb	100,000	85,000
Banco Monex	75,000			Revolving line	December 2022	TIIE + 350 pb	75,000	-
Banco Ve por Más	140,000			Revolving line	August 2024	TIIE + 300 pb	66,818	90,909
Santander	200,000			Simple	January 2025	TIIE + 352 pb	141,667	
Sabadell	100,000			Revolving line	June 2024	TIIE + 335 pb	100,000	
Nacional Financiera, S. N. C. (NAFINSA)	500,000			Revolving line	Indefinite	TIIE + 250 pb	155,833	193,125
Scotiabank	295,000			Revolving line	May 2022	TIIE + 300 pb	-	91,414
Western Alliance (antes Bridge Bank N.A.)		18,000		Revolving line	March 2022	Prime Rate	195,233	199,454
SAFRA			2,000	Simple	December 2021	8.08%	-	3,780
SAFRA			4,000	Simple	January 2022	7.06%	-	15,121
SAFRA			1,000	Simple	August 2022	7.06%	-	3,465
SOFISA			30,000	Simple	December 2021	5.79%	-	113,408
CEF			20,000	Simple	August 2024	5.54%	-	63,681
CEF			7,700	Simple	July 2025	6.80%	-	29,108
Subtotal							2,653,633	1,701,127
Accrued interest							12,277	4,590
Total Bank and other borrowings							2,665,909	1,705,717



Note 11.- Stockholders' equity

As of September 30, 2022, the capital stock is made up of:

<u>Shares</u>	<u>Description</u>	<u>Amount</u>
100,000,000	Serie "A" (Clase I)	\$20,000
<u>237,500,000</u>	Serie "A" (Clase II)	<u>51,588</u>
<u>337,500,000</u> *		71,588
	The accumulated increase due to updating	<u>85,603</u>
		<u>\$157,191</u>

Note 12.- Additional Income Statement information

Financial Margin	3Q22	2Q22	3Q21	% Var.	
				2Q22	3Q21
Interest Income	1,236,703.8	1,138,465.1	1,095,014.9	8.6%	12.9%
Interest on Loans	1,225,965.7	1,134,306.9	1,090,403.3	8.1%	12.4%
Interest from Investment in Securities	10,738.1	4,158.2	4,611.6	158.2%	132.9%
Interest Expense	150,792.1	133,205.0	126,017.1	13.2%	19.7%
Net Interest Income	1,085,911.7	1,005,260.1	968,997.8	8.0%	12.1%
Provision for Loan Losses	380,827.6	313,705.5	232,633.9	21.4%	63.7%
Net Interest Income After Provision for Loan Losses	705,084.1	691,554.6	736,363.9	2.0%	-4.2%



				% Var.	
Net Operating Income	3Q22	2Q22	3Q21	2Q22	3Q21
Financial Margin	1,085,911.7	1,005,260.1	968,997.8	8.0%	12.1%
Provision for Loan Losses	380,827.6	313,705.5	232,633.9	21.4%	63.7%
Financial Margin After Provision for Loan Losses	705,084.1	691,554.6	736,363.9	2.0%	-4.2%
Non-Interest Income, net	141,204.3	130,763.0	97,700.1	8.0%	44.5%
- Commissions and Fees Collected	163,018.3	149,957.3	114,393.7	8.7%	42.5%
- Commissions and Fees Paid	21,814.0	19,194.3	16,693.6	13.6%	30.7%
Market Related Income	10,144.5	44,320.5	-12,046.0	-77.1%	-184.2%
Other Operating Income (expense)	-7,211.3	31,285.8	40,261.1	-123.0%	-117.9%
Net Operating Revenue	849,221.6	897,924.0	862,279.2	-5.4%	-1.5%
Non-Interest Expense	624,253.9	680,596.5	690,478.4	-8.3%	-9.6%
- Other Administrative & Operational Expenses	228,614.2	266,125.6	277,372.1	-14.1%	-17.6%
- Salaries & Employee Benefits	395,639.8	414,471.0	413,106.3	-4.5%	-4.2%
Net Operating Income (Loss)	224,967.6	217,327.4	171,800.8	3.5%	30.9%

Operational Data

Number of Offices	345	350	382	-1.4%	-9.7%
- Independencia	162	162	161	0.0%	0.6%
- Finsol México	0	0	0	n/a	n/a
- Finsol Brazil	0	0	29	n/a	-100.0%
- Apoyo Económico Familiar	156	161	165	-3.1%	-5.5%
- Apoyo Financiero Inc	27	27	27	0.0%	0.0%
Total Labor Force	4,672	4,671	4,892	0.0%	-4.5%
- Independencia	2,879	2,899	2,829	-0.7%	1.8%
- Finsol México	0	0	0	n/a	n/a
- Finsol Brazil	0	0	284	n/a	-100.0%
- Apoyo Económico Familiar	1,599	1,585	1,599	0.9%	0.0%
- Apoyo Financiero Inc	194	187	180	3.7%	7.8%



Note 13.- Key Ratios & Operating Data

The following are some of the company's main indexes and operating data:

	3Q22	2Q22	3Q21	% Var.		9M22	9M21	%
				QoQ %	YoY %			
Key Ratios								
Profitability & Efficiency								
NIM after Provisions Excl. Fees (1)	30.6%	31.8%	37.4%	-1.2 pp	-6.9 pp	31.3%	35.4%	-4.1 pp
NIM after Provisions Incl. Fees (2)	36.8%	41.2%	43.8%	-4.4 pp	-7 pp	39.0%	41.7%	-2.7 pp
Provisions / Financial Margin	35.1%	31.2%	24.0%	3.9 pp	11.1 pp	31.9%	21.0%	10.9 pp
ROAA (3)	5.4%	5.5%	4.7%	-0.1 pp	0.7 pp	5.4%	4.5%	0.9 pp
ROAE (4)	13.5%	13.8%	11.0%	-0.3 pp	2.5 pp	13.3%	11.1%	2.2 pp
Efficiency Ratio Incl. Provisions (5)	73.5%	75.8%	80.1%	-2.3 pp	-6.6 pp	75.0%	80.6%	-5.6 pp
Efficiency Ratio Excl. Provisions (6)	50.8%	56.2%	63.1%	-5.4 pp	-12.3 pp	54.6%	65.8%	-11.2 pp
Operating Efficiency (7)	21.8%	24.7%	26.7%	-2.8 pp	-4.9 pp	23.3%	25.4%	-2.1 pp
Fee Income (8)	16.6%	14.6%	11.3%	2.1 pp	5.3 pp	14.8%	11.3%	3.5 pp
Capitalization								
Equity to Total Assets	39.0%	40.6%	42.1%	-1.6 pp	-3.2 pp	39.0%	42.1%	-3.2 pp
Credit Quality Ratios								
NPL Ratio (9)	6.0%	5.8%	3.8%	0.1 pp	2.1 pp	6.0%	3.8%	2.1 pp
Coverage Ratio (10)	215.9%	215.2%	213.4%	0.7 pp	2.4 pp	215.9%	213.4%	2.4 pp
Operating Data								
Number of Clients	325,019	318,612	348,464	2.0%	-6.7%	325,019	348,464	-6.7%
- Financiera Independencia	183,938	182,276	189,266	0.9%	-2.8%	183,938	189,266	-2.8%
- Finsol Brazil	0	0	27,842	n/a	100.0%	0	27,842	-100.0%
- Apoyo Económico Familiar	105,000	102,365	103,178	2.6%	1.8%	105,000	103,178	1.8%
- Apoyo Financiero Inc	36,081	33,971	28,178	6.2%	28.0%	36,081	28,178	28.0%
Number of Offices	345	350	382	-1.4%	-9.7%	345	382	-9.7%
Total Labor Force	4,672	4,671	4,892	0.0%	-4.5%	4,672	4,892	-4.5%

(1) Net Interest Margin after Provisions (excluding Fees): Net Interest Margin after Provision for Loan Losses / Average Interest-Earning Assets

(2) Net Interest Margin after Provisions (including Fees): Net Interest Margin after Provision for Loan Losses + Fees Collected - Fees Paid / Average Interest-Earning Assets

(3) ROAA: Net Income / Average Total Assets

(4) ROAE: Net Income / Average Total Equity

(5) Efficiency Ratio: Non-Interest Expense / Net Operating Revenues

(6) Efficiency Ratio: Non-Interest Expense / Net Operating Revenues + Provision for Loan Losses

(7) Operating Efficiency: Non-interest Expense / Average Assets

(8) Commissions and Fees (Net) / Net Operating Revenue

(9) NPL Ratio: Non-Performing Loans / Total Loan Portfolio

(10) Coverage Ratio: Allowances for Loan Losses / Non-Performing Loans



Note 14.- New Accounting Pronouncements

In the Official Gazette of the Federation of December 4, 2020, through an Amending Resolution, the Commission established that NIF B-17, Determination of fair value, C-3, Accounts receivable, C-9, Provisions, contingencies and commitments, C -16, Impairment of financial instruments receivable, C-19, Financial instruments payable, C-20, Financial instruments to collect principal and interest, D-1, Income from contracts with customers, D-2, Costs from contracts with customers and D-5, Leases, issued by the Mexican Council of Financial Information Standards, A.C. and referred to in paragraph 3 of Criterion A-2 "Application of particular standards" of Annex 33 that is amended by this instrument, entered into force on January 1, 2022. The adoption of the aforementioned standards did not have a material impact in the consolidated financial statements, which was recognized in Stockholders' Equity under Retained Earnings.

As of January 1, 2022, the Company applies the new general methodology to determine Reserves for Credit Risks in accordance with the CNBV requirements applicable for 2022. The effect of the initial recognition of this new standard was Ps.215.4 million charged to Stockholders' Equity.



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

Consolidated Financial Statements

December 31, 2021

(With comparative amounts as of December 31, 2020)

(With Independent Auditor's Report thereon)
(Free translation from Spanish language original)

Independent Auditors' Report

(Translation from Spanish language original)

The Board of Directors and Stockholders

Financiera Independencia, S. A. B. de C. V., Sociedad Financiera

de Objeto Múltiple, Entidad No Regulada:

(Thousands of Mexican pesos)

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 Society), which comprise the consolidated balance sheet as of December 31, 2021, the consolidated statements of income, changes in stockholders' equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements of Financiera Independencia, S. A. B. de C. V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada and Subsidiaries, and subsidiaries, have been prepared, in all material respects, in accordance with the Accounting Criteria for Credit Institutions in Mexico (the Accounting Criteria), issued by the National Banking and Securities Commission (the Commission).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Society in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Mexico, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

(Continued)

Allowance for loan losses of \$653,918 in the consolidated balance sheet.

See notes 3(f) and 7(d) to the consolidated financial statements.

Key audit matter	How the key audit matter was addressed in our audit
<p>The calculation of the allowance for loan losses of the consumer portfolio involves the evaluation of various factors established in the methodology prescribed by the Commission, among which are included pas due days, the unpaid balance and recoveries, as well as the reliability in the documentation and updating of the information that use as input for the determination of the allowance for loan losses for the consumer loans portfolio.</p> <p>Therefore, we have determined that the allowance for loan losses of consumer portfolio as a key audit matter.</p>	<p>The audit procedures applied to the determination by the Management of the allowance for loan losses and its effect on the results of the year, included the evaluation, through the participation of our specialists and through selective tests, both of the inputs used as the mechanics of calculation of the current methodology prescribed by the Commission for the consumer portfolio.</p>

Goodwill impairment assessment of \$1,008,795 in the consolidated balance sheet.

See notes 3(q) and 11(a) to the consolidated financial statements.

Key audit matter	How the key audit matter was addressed in our audit
<p>The goodwill recognized by the Society corresponds to two Cash Generating Units (CGU's) Apoyo Economico Familiar, S. A. de C. V., SOFOM, E. N. R. for \$895,979 and Apoyo Financiero, Inc. for \$112,816.</p> <p>The recovery value of CGUs, which is based on the higher of value in use or fair value less costs of disposal, has been derived from discounted cash flow projection models. These models use several key assumptions including estimating projected cash flows, perpetual growth rate, and weighted average cost of capital (discount rate).</p> <p>Therefore, we have identified the evaluation of the goodwill impairment analysis as a key audit matter due to the complexity of the accounting requirements and the significant judgment required in determining the assumptions used to estimate the recovery value.</p>	<p>Our audit procedures included, among others, the following:</p> <ul style="list-style-type: none"> - We evaluate the reasonableness of the projections for the next 5 years based on the strategy of the Society's Management, in particular, i) those related to interest income growth ii) and profit margins, on which the model is based discounted cash flow. - With the involvement of our valuation specialists, we analyze the methodology and assumptions used to determine the discount rate and the perpetual growth rate. - We compare the addition of the discounted cash flows at the date of the evaluation against the book value of the total assets of the CGUs, which includes the value of goodwill.

(Continued)

Derivative financial instruments not listed on recognized markets with a debit balance of \$292,107 in the consolidated balance sheet.

See notes 3(d) and 6 to the consolidated financial statements.

Key audit matter	How the key audit matter was addressed in our audit
<p>The fair value determination at the date of the consolidated balance sheet of certain derivative financial instruments not listed on recognized markets in hedging transactions, is carried out through the use of valuation techniques that involve a significant Management's judgement, mainly when the use of inputs from various sources or unobservable markets data and complex valuation models is required.</p> <p>Therefore, we have determined the valuation of derivative financial instruments as a key audit matter.</p>	<p>As part of our audit procedures, we obtained evidence of the approval, by the Society's Risk area, of the valuation models for derivative financial instruments not listed on recognized markets in hedging transactions, used by Management. Likewise, with the involvement of our specialists, we evaluate the reasonableness of this models, the inputs used and the appropriate determination of the fair value of the hedging derivative financial instruments, as well as the appropriate compliance with the documentation requirements to be considered as such, and its effectiveness.</p>

Other information

Management is responsible for the other information. The other information comprises the information included in the Bank's Annual Report for the year ended December 31, 2021 which will be provided to the Banking Commission and the Mexican Stock Exchange (the Annual Report), but does not include the consolidated financial statements and our auditors' report thereon. The Annual Report is estimated to be available to us after the date of this auditors' report.

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

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

When we read the Annual Report, if we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

(Continued)

Responsibilities of Management and Those Charged with Governance for the consolidated financial statements

Management is responsible for the preparation of the consolidated financial statements in accordance with the Accounting Criteria issued by the Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, Management is responsible for assessing the Society'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 Society or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Society's financial reporting process.

Auditors' 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 auditors' 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Society's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

(Continued)

- 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 Society's ability to continue as a going concern. If we conclude that a material uncertainty exists, then 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 Bank to cease to continue as a going concern.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Society to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group's audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, actions taken to remove threats or safeguards applied.

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 auditors' 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.

Other Matters

The consolidated financial statements of Financiera Independencia, S. A. B. de C. V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada and Subsidiaries, as of December 31, 2020 and for the year ended on that date, were audited by other auditors, who, on the date of March 31, 2021, issued an unqualified opinion.

KPMG Cárdenas Dosal, S. C.

/s/ Ricardo Lara Uribe
Ricardo Lara Uribe

Mexico City, April 18, 2022.

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

Prol. Paseo de la Reforma 600 int. 420, Col. Peña Blanca Santa Fe, Álvaro Obregón, C.P. 01210, Ciudad de México.

Consolidated balance sheets

December 31, 2021

(With comparative amounts as of December 31, 2020)

(Thousands of Mexican pesos)

These consolidated financial statements have been translated from the Spanish language original solely for the convenience of foreign / English-speaking readers

Assets	2021	2020	Liabilities and stockholders' equity	2021	2020
Cash and cash equivalents (note 5)	\$ 452,449	858,944	Bank and other borrowings (note 13):	\$ 1,620,764	1,823,797
Derivatives (note 6):			Short-term	-	226,412
Hedging	292,107	239,676	Long-term	1,620,764	2,050,209
Current loan portfolio (note 7a):			Securitization liabilities (note 12)	3,786,213	3,860,622
Consumer loans	7,371,759	6,656,460	Other accounts payable (note 14)	710,741	627,880
Past-due loan portfolio (note 7b):			Income tax payable	21,620	15,021
Consumer loans	337,556	359,057		732,361	642,901
Loan portfolio	7,709,315	7,015,517	Deferred credits and prepayments	5,242	24,181
Less:			Total liabilities	6,144,580	6,577,913
Allowance for loan losses (note 7d)	(653,918)	(687,724)	Stockholders' equity (note 17):		
Total loan portfolio, net	7,055,397	6,327,793	Paid-in capital:		
Other accounts receivable, net (note 8)	555,787	612,620	Capital stock	157,191	157,191
Property, furniture and equipment, net (note 9)	147,391	180,319	Share premium	1,574,701	1,574,701
Permanent investments (note 10)	43,539	43,539		1,731,892	1,731,892
Long-live assets available for sale (note 1)	137,036	-	Earned capital:		
Deferred income taxes and employee statutory profit sharing, (ESPS) net (note 15)	710,426	930,911	Statutory reserves	14,318	14,318
Other assets:			Retained earnings	2,292,315	2,714,061
Goodwill (note 11a)	1,008,795	1,187,283	Result from valuation of cash flow hedge instruments	57,172	(30,115)
Deferred charges, prepaid expenses and intangibles (note 11b)	196,088	247,709	Cumulative translation adjustment	14,530	36,075
	1,204,883	1,434,992	Remeasurements employee's defined benefits	(2,695)	(2,695)
			Net income	346,903	(412,655)
				2,722,543	2,318,989
			Total stockholders' equity	4,454,435	4,050,881
			Commitments and contingent liabilities (note 23)		
			Subsequent events (note 24)		
Total assets	\$ 10,599,015	10,628,794	Total liabilities and stockholders' equity	\$ 10,599,015	10,628,794

Memorandum accounts (note 21):

	2021	2020
Interest earned but not collected arising from past-due loan portfolio	\$ 40,237	38,683
Tax losses	2,186,261	2,241,976
Loan portfolio written-off	169,005	448,952

See accompanying notes to consolidated financial statements.

"These consolidated balance sheets were prepared in accordance with the accounting criteria for credit institutions and the criteria related to the basic financial statements for regulated multiple purpose financial companies, issued by the National Banking and Securities Commission, based on Articles 99, 101 and 102 of the Law for Credit Institutions, which are of a general and mandatory, nature and have been applied on a consistent basis, accordingly they reflect the transactions carried out by the Institution through the dates noted above, these transactions were carried out and valued in accordance with sound banking practices and the applicable legal and administrative provisions."

These consolidated balance sheets were approved by the Board of Directors under the responsibility of the following officers.

/s/ Eduardo Messmacher Henríquez

Eduardo Messmacher Henríquez
General Director

/s/ Enrique Brockmann del Valle

Enrique Brockmann del Valle
Administration and Finance Director

/s/ Adrián Orocio Barreto

Adrián Orocio Barreto
Comptroller Director

/s/ Juan García Madrigal

Juan García Madrigal
Internal Audit Director

<https://www.findep.mx/>
<https://www.bmv.com.mx/es/emisoras/perfil/5321>

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

Prol. Paseo de la Reforma 600 int. 420, Col. Peña Blanca Santa Fe, Álvaro Obregón, C.P. 01210, Ciudad de México.

Consolidated statements of income

Year ended December 31, 2021

(With comparative amounts for the year ended December 31, 2020)

(Thousands of Mexican pesos, except earning per share)

These consolidated financial statements have been translated from the Spanish language original solely for the convenience of foreign / English-speaking readers

	<u>2021</u>	<u>2020</u>
Interest income (notes 5, 7 and 18)	\$ 4,232,682	4,827,218
Interest expense (notes 12, 13 and 18)	<u>(526,780)</u>	<u>(729,917)</u>
Financial margin	3,705,902	4,097,301
Allowance for loan losses (note 7)	<u>(849,742)</u>	<u>(1,716,027)</u>
Financial margin adjusted by credit risks	2,856,160	2,381,274
Commission and fee income	434,587	296,471
Commission and fee expense	(68,227)	(77,141)
Financial intermediation, net (note 19)	(26,225)	380,821
Other operating income, net (note 20)	165,928	130,876
Administrative and promotional expenses	<u>(2,703,518)</u>	<u>(3,048,820)</u>
Net operating income	658,705	63,481
Equity in the results of associated companies	<u>-</u>	<u>37,247</u>
Income before income taxes	658,705	100,728
Current income taxes (note 15)	(50,170)	21,920
Deferred income taxes, net (note 15)	<u>(128,264)</u>	<u>(76,897)</u>
Net income before discontinued operations	480,271	45,751
Discontinued operations	<u>(133,368)</u>	<u>(458,406)</u>
Net income (loss)	<u>\$ 346,903</u>	<u>(412,655)</u>
Earning per share (note 17a)	<u>\$ 1.1201</u>	<u>(1.6533)</u>

See accompanying notes to consolidated financial statements.

"These consolidated statements of income were prepared in accordance with the accounting criteria for credit institutions and the criteria related to the basic financial statements for regulated multiple purpose financial companies, issued by the National Banking and Securities Commission, based on Articles 99, 101 and 102 of the Law for Credit Institutions, which are of a general and mandatory, nature and have been applied on a consistent basis, accordingly they reflect the transactions carried out by the Institution through the dates noted above, these transactions were carried out and valued in accordance with sound banking practices and the applicable legal and administrative provisions."

These consolidated statements of income were approved by the Board of Directors under the responsibility of the following officers.

/s/ Eduardo Messmacher Henríquez

Eduardo Messmacher Henríquez
General Director

/s/ Enrique Brockmann del Valle

Enrique Brockmann del Valle
Administration and Finance Director

/s/ Adrián Orocio Barreto

Adrián Orocio Barreto
Comptroller Director

/s/ Juan García Madrigal

Juan García Madrigal
Internal Audit Director

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

Prol. Paseo de la Reforma 600 int. 420, Col. Peña Blanca Santa Fe, Álvaro Obregón, C.P. 01210, Ciudad de México.

Consolidated statements of changes in stockholders' equity

Year ended December 31, 2021

(With comparative amounts for the year ended December 31, 2020)

(Thousands of Mexican pesos)

These consolidated financial statements have been translated from the Spanish language original solely for the convenience of foreign / English-speaking readers

	Paid-in capital		Earned capital					Remeasurements	
	Capital stock	Share Premium	Statutory reserves	Retained earnings	Result from valuation of cash flow hedge instruments	Cumulative translation adjustment	Net income (loss)	employee's defined benefits	Total stockholders' equity
Balances as of December 31, 2019	\$ 157,191	1,574,701	14,318	2,398,263	(166,993)	16,573	323,947	(2,695)	4,315,305
Changes resulting from stockholders' resolutions:									
Appropriation of the prior year net income	-	-	-	323,947	-	-	(323,947)	-	-
Acquisition of proprietary shares and effect on reissuance of proprietary shares (note 17 (a))	-	-	-	(8,149)	-	-	-	-	(8,149)
Total	-	-	-	315,798	-	-	(323,947)	-	(8,149)
Changes related to the recognition of comprehensive loss (note 2 (e)):									
Net loss	-	-	-	-	-	-	(412,655)	-	(412,655)
Valuation effects of cash flow hedge instruments	-	-	-	-	136,878	-	-	-	136,878
Cumulative translation adjustment	-	-	-	-	-	19,502	-	-	19,502
Total	-	-	-	-	136,878	19,502	(412,655)	-	(256,275)
Balances as of December 31, 2020	157,191	1,574,701	14,318	2,714,061	(30,115)	36,075	(412,655)	(2,695)	4,050,881
Changes resulting from stockholders' resolutions:									
Appropriation of the prior year net income	-	-	-	(412,655)	-	-	412,655	-	-
Acquisition of proprietary shares and effect on reissuance of proprietary shares (note 17(a))	-	-	-	(9,091)	-	-	-	-	(9,091)
Total	-	-	-	(421,746)	-	-	412,655	-	(9,091)
Changes related to the recognition of comprehensive income:									
Net income	-	-	-	-	-	-	346,903	-	346,903
Valuation effects of cash flow hedge instruments	-	-	-	-	87,287	(21,545)	-	-	87,287
Cumulative translation adjustment	-	-	-	-	-	(21,545)	-	-	(21,545)
Total	-	-	-	-	87,287	(21,545)	346,903	-	412,645
Balances as of December 31, 2021	\$ 157,191	1,574,701	14,318	2,292,315	57,172	14,530	346,903	(2,695)	4,454,435

See accompanying notes to consolidated financial statements.

See accompanying notes to consolidated financial statements.

"These consolidated statements of changes in stockholders' equity were prepared in accordance with the accounting criteria for credit institutions and the criteria related to the basic financial statements for regulated multiple purpose financial companies, issued by the National Banking and Securities Commission, based on Articles 99, 101 and 102 of the Law for Credit Institutions, which are of a general and mandatory nature and have been applied on a consistent basis, accordingly they reflect the transactions carried out by the institution through the dates noted above, these transactions were carried out and valued in accordance with sound banking practices and the applicable legal and administrative provisions."

These consolidated statements of changes in stockholders' equity were approved by the Board of Directors under the responsibility of the following officers.

/s/ Eduardo Messmacher Henríquez Eduardo Messmacher Henríquez General Director	/s/ Enrique Brockmann del Valle Enrique Brockmann del Valle Administration and Finance Director	/s/ Adrián Oroclo Barreto Adrián Oroclo Barreto Comptroller Director	/s/ Juan García Madrigal Juan García Madrigal Internal Audit Director
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Financiera Independencia, S. A. B. de C. V.
Sociedad Financiera de Objeto Múltiple, Entidad No Regulada
and Subsidiaries

Prol. Paseo de la Reforma 600 int. 420, Col. Peña Blanca Santa Fe, Álvaro Obregón, C.P. 01210, Ciudad de México.

Consolidated statements of cash flows

Year ended December 31, 2021

(With comparative amounts for the year ended December 31, 2020)

(Thousands of Mexican pesos)

These consolidated financial statements have been translated from the Spanish language original solely for the convenience of foreign / English-speaking readers

	<u>2021</u>	<u>2020</u>
Net income (loss)	\$ 346,903	(412,655)
Items not requiring cash flow:		
Depreciation and amortization	143,855	115,363
Current and deferred income taxes	178,434	60,066
Discontinued operations	(137,036)	-
Impairment loss on investing activities	<u>133,368</u>	<u>458,406</u>
	665,524	221,180
Operating activities:		
Change in derivatives (asset)	(52,431)	(221,530)
Change in loan portfolio, net	(727,604)	1,778,414
Change in other accounts receivable and other accounts payable	214,525	194,375
Change in bank and other borrowings	(429,445)	(806,142)
Change in securitization liabilities	(74,409)	(841,798)
Change in hedging instruments (of hedged items related to operating activities)	<u>87,287</u>	<u>136,878</u>
Net cash flows from operating activities	<u>(316,553)</u>	<u>461,377</u>
Investing activities:		
Payments for acquisition of property, furniture and equipment	(23,921)	(34,281)
Payments for disposal of other long-lived assets	<u>(35,385)</u>	<u>(32,034)</u>
Net cash flows from investing activities	(59,306)	(66,315)
Net cash flows from financing activities for payments associated with the repurchase of proprietary shares	<u>(9,091)</u>	<u>(8,149)</u>
(Decrease) increase net in cash and cash equivalents	(384,950)	386,913
Effects of changes in foreign currency translation	(21,545)	19,502
Cash and cash equivalents at beginning of the year	<u>858,944</u>	<u>452,529</u>
Cash and cash equivalents at end of the year	<u>\$ 452,449</u>	<u>858,944</u>

See accompanying notes to consolidated financial statements.

"These consolidated statements of cash flows were prepared in accordance with the accounting criteria for credit institutions and the criteria related to the basic financial statements for regulated multiple purpose financial companies, issued by the National Banking and Securities Commission, based on Articles 99, 101 and 102 of the Law for Credit Institutions, which are of a general and mandatory, nature and have been applied on a consistent basis, accordingly they reflect the transactions carried out by the Institution through the dates noted above, these transactions were carried out and valued in accordance with sound banking practices and the applicable legal and administrative provisions."

These consolidated statements of cash flows were approved by the Board of Directors under the responsibility of the following officers.

/s/ Eduardo Messmacher Henríquez

Eduardo Messmacher Henríquez
General Director

/s/ Enrique Brockmann del Valle

Enrique Brockmann del Valle
Administration and Finance Director

/s/ Adrián Orocio Barreto

Adrián Orocio Barreto
Comptroller Director

/s/ Juan García Madrigal

Juan García Madrigal
Internal Audit Director

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

Notes to the consolidated financial statements

For the year ended December 31, 2021

(With comparative amounts for the year ended December 31, 2020)

(Thousands of Mexican pesos)

These consolidated financial statements have been translated from the Spanish language original solely for the convenience of foreign / English-speaking readers

(1) Activity and relevant events 2021-

Financiera Independencia, S. A. B. de C. V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada (the Society), was established and began operations in accordance with Mexican laws on July 22, 1993, for an indefinite period, located at Prolongación Paseo de la Reforma Avenue, No. Ext. 600 Int. 420 Col. Santa Fé Peña Blanca, town hall Álvaro Obregón, Mexico City, it has authorization from the Ministry of Finance and Public Credit (SHCP) to operate as a multiple purpose financial institution, unregulated entity, in accordance with the Mexican Credit Institutions Law (LIC).

The main 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 National Banking and Securities Commission (the Commission). Unregulated entities (E.N.R.) are entities which do not have equity relationships with credit institutions or holding societies 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, 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 Society 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 Society carried out a public offering share in Mexico.

The Society, in its capacity as an S.A.B., applies the provisions of the General Law of Business Corporations and, if applicable, the relevant provisions of the Stock Market Law, as well as General Rules Applicable to Issuers of Securities and Other Stock Market Participants.

The consolidated financial statements as of December 31, 2021 and 2020 and for the years ended on those dates include those of Financiera Independencia S. A. B. de C. V and its Subsidiaries. The description of the main activity of its subsidiaries and the percentage of its shareholding are described in the following page.

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

Notes to the consolidated financial statements

(Thousands of Mexican pesos)

Subsidiaries of Financiera Independencia-

The main subsidiaries of Financiera Independencia are the following:

	Shareholding		Main activity and location
	2021	2020	
Serfincor, S. A. de C. V. (Serfincor)	99.99%	99.99%	Service provider in Mexico.
Conexia, S. A. de C. V. (Conexia)	99.99%	99.99%	Call Center services, promotion and marketing in Mexico.
Fisofo, S. A. de C. V., SOFOM, E. N. R. (Fisofo)	-	99.99%	Granting consumer loans in Mexico.
Confianza Económica, S. A. de C. V., SOFOM, E.N.R. (Confianza Económica)	99.99%	99.99%	Granting consumer loans in Mexico.
Financiera Independencia de México, S. A. de C. V., SOFOM, E.N.R. (before Apoyo Económico Familiar de México, S. A. de C. V., SOFOM, E.N.R.)	99.99%	99.99%	Granting consumer loans in Mexico.
Finsol, S. A. de C. V. (Finsol)	99.99%	99.99%	Service provider in Mexico.
Independencia Participações, S. A. y subsidiaria (Indepar)	99.99%	99.99%	Granting consumer loans in Brazil.
Apoyo Económico Familiar, S. A. de C. V., SOFOM, E.N.R. (AEF)	99.99%	99.99%	Granting consumer loans in Mexico.
Servicios Corporativos FINDEP, S. A. de C. V. (SECOFI) (before Servicios Corporativos AEF, S. A. de C. V. (SCAEF))	99.99%	99.99%	Service provider in Mexico.
Apoyo Financiero, Inc. (AFI)	100.00%	100.00%	Granting consumer loans in USA.
Sistemas Corporativos COA, S. A., de C. V. (SICOA)	99.95%	99.95%	Service provider in Mexico.
Servicios de Captación en SITIO, S. A. de C. V.	99.99%	99.99%	Administrative services in Mexico.
Fideicomiso de administración número 851-01161	-	100.00%	Acquisition of collection rights of the consumer loan portfolio

Relevant events 2021

On March 5, 2021, the Society sales of Fisofo's entire individual credit portfolio with discount via payroll in favor of Grupo Consubanco, S. A. de C. V. (Consupago) and, therefore, the operations that were previously announced to the investing public on December 23, 2020 have taken effect. Likewise, the sale of all the shares representing the share capital of Fisofo in favor of Consupago. As a result of the transaction, as of this date, Fisofo ceased to be the guarantor of the FINDEP24 Bond.

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

Notes to the consolidated financial statements

(Thousands of Mexican pesos, except otherwise stated)

On June 2, 2021, as a result of the reforms published on April 23, 2021 in the Official Gazette of the Federation (DOF), to the Federal Labor Law, the Social Security Law, the Law of the National Workers Housing Fund Institute, the Federal Tax Code, the Income Tax Law and the Value Added Tax Law, as of June 2021, the Society carried out the transfer of the employees who were contracted by its subsidiary companies.

The main movements of personnel between the Society and its subsidiaries are shown below:

Origin company	Original Benefits	Destination company	New features scheme
SICOA	By law	Financiera Independencia	By law
SECOFI	By law	AEF	By law
SECOFI	By law	SECOFI	Higher
Serfincor	Higher	Financiera Independencia	Higher
Serfincor	Higher	SECOFI	Higher
SICOA	By law	Conexia	By law

On October 1, 2021, a contract was signed for the sale of Indepar shares to OMNI, S. A. - Crédito, financiamento e Investimento (Omni), Indepar owns Finsol Sociedade de Crédito ao Microempreendedor e a Empresa de Pequeno Porte, S.A., which carry out the Microcredit operation in Brazil. The sale agreement was closed at a value of 1.3 times the value of Indepar's stockholders' equity at the end of June 2021. The effects of the aforementioned transaction are subject, among other issues, to regulatory approvals by the Central Bank in Brazil. The aforementioned sale implies the exit of the Society from its operations in Brazil and does not qualify as a corporate restructuring in terms of the General Provisions applicable to Securities Issuers and other participants in the Stock Market. The effect from this operation as of December 31, 2021, an amount of \$137,036 was reclassified to the caption of "Long-lived assets available for sale". On March 30, 2022, the Central Bank of Brazil through official letter 7223/2022-BCB/Deorf/GTSP1 approved said operation.

Relevant events 2020

On October 9, 2020, the Society formalized the sale of the entire group loan portfolio, current and past due to 179 days, of the subsidiary as part of a corporate strategy to strengthen its business model and improve its profitability, the transmission of the loan portfolio and certain assets of Finsol Mexico (including the "Finsol" brand in Mexico) was made to Te Creemos Holding and some of its subsidiaries. As a result of the sale of Finsol Mexico's portfolio, \$450.3 million pesos of intangible assets were eliminated in the Society, including a Goodwill for the acquisition of Finsol Mexico in 2010, and the Finsol brand in Mexico. On December 3, 2020, the Society reported that by agreement of the Extraordinary General Assembly of Stockholders the subsidiary "Financiera Finsol, S.A. de C.V., SOFOM, E.N.R.", held that day, approved, among others, the change of its social name so that from this date it is "Apoyo Económico Familiar de México, S. A. de C. V., SOFOM, E. N. R.", restating to the effect the article of its social statutes.

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

Notes to the consolidated financial statements

(Thousands of Mexican pesos)

(2) Authorization and basis for presentation-

Authorization

On April 18, 2022, Eduardo Messmacher Henríquez (General Director), Enrique Brockmann del Valle (Administration and Finance Director), Juan García Madrigal (Internal Audit Director), and Adrián Orocio Barreto (Comptroller Director), authorized the issuance of the accompanying consolidated financial statements and related notes.

In accordance with the General Corporation Law, the provisions of the Commission and the Company's bylaws, the shareholders and the Commission have the power to modify the consolidated financial statements after their issuance. The unconsolidated financial statements for 2021, which are issued separately on this same date, will be submitted for approval at the next Shareholders' Meeting of the Society.

Basis of presentation

a) Statement of compliance

On January 12, 2015, the DOF published the resolution that modified the general provisions applicable to Regulated SOFOMES, where it is established that those SOFOMES that have debt securities registered in the National Securities Registry, as is the case of the Society, for the registration of its operations, the accounting criteria for credit institutions in Mexico (the Accounting Criteria) established by the Commission in Appendix 33 of the general provisions applicable to credit institutions (the Accounting Criteria) will apply. (Provisions), except for series "D" of said criteria, since they must apply series "D", of the criteria related to the basic financial statements for SOFOMES, in force as of 2015.

The accounting criteria provide that in the absence of an specific accounting criterion of the Banking Commission for credit institutions, and in a wider context the Mexican Financial Reporting Standards (MFRS), issued by the Mexican Board of Financial Reporting Standards (Consejo Mexicano de Normas de Información Financiera, A. C. or CINIF), the suppletory process as established by MFRS A-8 shall be applicable, and only when the International Financial Reporting Standards (IFRS) referred to by MFRS A-8 do not resolve the accounting treatment, the suppletory application of an accounting standard pertaining to other regulatory framework may be opted for, providing all the requirements set out by the MFRS are met by the standard. The suppletory application shall be in the following order: U.S. Generally Accepted Accounting Principles (US GAAP), and later any other formal and recognized accounting standard, provided they do not contravene the accounting criteria of the Banking Commission.

b) Use of estimates and judgments

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

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

Notes to the consolidated financial statements

(Thousands of Mexican pesos)

Judgments

Information about judgments made in applying of accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is described in the notes to the consolidated financial statements mentioned below.

- Note 6 – Derivatives: determination of whether the financial instruments are for trading or are designated for hedging purposes.

Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the following notes to the consolidated financial statements:

- Notes 3 (d) and 6 – Valuation of derivative financial instruments: key assumptions to determine the market value, especially those complex derivatives or without an active market.
- Notes 3(f), 3(g), 7(d) and 8 – Determination of allowance for loan losses and recoverability of accounts receivable: assumptions and inputs used in determination.
- Notes 3 (o) and 16 – Measurement of defined benefit obligations: key actuarial assumptions.
- Notes 3(k) and 15 – Recognition of deferred tax assets and employee profit sharing (ESP): availability of future taxable profits and the materialization of deferred taxes and ESPS.
- Notes 3(q), 3(r) and 11 – Impairment tests for the value of intangible assets and goodwill: key assumptions for the determining the recoverable, including the recoverability of development costs.

c) Functional and reporting currency

The aforementioned consolidated financial statements are presented in Mexican pesos, which is the same as the recording currency and the functional currency; Most of the subsidiaries have the Mexican peso as their functional currency.

The financial statements of the foreign subsidiaries were converted from their recording currency and functional currency to the reporting currency Mexican pesos, prior to their consolidation.

For purposes of disclosure in the notes to the consolidated financial statements, “pesos” or “\$” means thousands of Mexican pesos except where otherwise indicated and when reference is made to thousands of USD or dollars, it means United States of America.

d) Comprehensive income

Comprehensive income is made up of the net income for the year plus the increase and/or decrease in the Society's equity from those items that are presented directly in stockholders' equity in accordance with the Accounting Criteria, such as the result from valuation. of hedging financial instruments, remeasurements for defined benefits to employees and the cumulative translation adjustment.

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

Notes to the consolidated financial statements

(Thousands of Mexican pesos, except otherwise stated)

(3) Summary of significant accounting policies-

The accounting policies set out below have been applied consistently in the preparation of the consolidated financial statements:

Recognition of the effects of inflation-

The accompanying financial statements were prepared in accordance with accounting criteria, which since the Society operate in a non-inflationary economic environment as established by MFRS B-10 "Effects of inflation", include the recognition of the effects of inflation until December 31, 2007 based on the value of the Investment Unit (UDI), which is a unit of account whose value is determined by the Bank of Mexico (Central Bank) in function of inflation. The cumulative inflation percentage of the three preceding years, the inflation for the year and the UDI values used for calculating inflation are shown below:

<u>December 31</u>	<u>UDI</u>	<u>Inflation</u>	
		<u>Yearly</u>	<u>Cumulative</u>
2021	7.108233	7.61%	14.16%
2020	6.605597	3.23%	11.31%
2019	6.399018	2.77%	15.03%

(a) Principles of consolidation-

The consolidated financial statements include the accounts of the Society and those of its subsidiaries which it controls. All significant inter-company balances and transactions have been eliminated in consolidation. The consolidation was based on the financial statements of the issuing companies as of December 31, 2021 and 2020, which have been prepared in accordance with the Accounting Criteria established by the Commission for those entities regulated by it and in accordance with FRS for non-regulated entities, as appropriate. In those cases, in which the subsidiaries do not record their operations in accordance with the Accounting Criteria, the most important approvals were made in order to standardize the information.

(b) Translation of foreign currency financial statements-

The financial statements are translated to Mexican pesos, considering the following methodologies:

The recording and functional currencies of foreign operations are the same, so they convert their financial statements using the following exchange rates: 1) closing for assets and liabilities and 2) historical for stockholders' equity and 3) the the accrual date for income, costs and expenses. Translation effects are recorded in stockholders' equity.

The exchange rates used as of December 31, 2021 and 2020 in the translation process are those shown on the following page.

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

Notes to the consolidated financial statements

(Thousands of Mexican pesos)

Company	Currency	2021	2020
Indepar	Real/USD	5.5805	5.1967
AFI	USD	20.5075	19.9087

As the Society maintains investments in foreign operations, whose functional currency is not the Mexican peso, it is exposed to exchange fluctuation risk. It has contracted monetary liabilities in USD and, during the regular course of business, is exposed to an exchange fluctuation risk attributable to its commercial operations.

In order to manage the exchange fluctuation risk derived from its securitization liabilities in dollars, the Society has contracted derivative financial instruments which are detailed in note 6.

(c) Cash and cash equivalents-

This caption comprises, cash, bank accounts in local and foreign banks represented in cash and correspondents, revealing those items within the caption that have restrictions in terms of availability. The cash and cash equivalents are recognized at nominal value, and cash and cash equivalents in foreign currency are valued at the exchange rate issued by the Central Bank.

Earned interest is included in income for the year as it accrues as part of "Interest income." The results from valuation are recognized in the "Financial intermediation, net".

(d) Operations with derivative instruments financial and hedging accounting-

Based on the intent of the Management, the Society classifies its derivative operations as shown below:

- For hedging purposes - Consists of buying or selling derivative financial instruments in order to mitigate the risk of a transaction or set of transactions.

The recognition in the consolidated financial statements of the assets and/or liabilities arising from operations with derivative financial instruments is made on the date on which the operation is arranged, regardless of the settlement date.

The result of the compensation of asset and liability positions, whether debtor or creditor, is presented separately from the hedged primary position as part of the "Derivatives" caption of the consolidated balance sheet and the accrued interest is recorded in the consolidated income statement. Said debit or credit balances are offset as long as they comply with the rules for offsetting financial assets and liabilities.

Transaction costs that are directly attributable to the acquisition of the derivative are recognized directly in income under "Financial intermediation, net".

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All derivatives are subsequently valued at fair value without deducting the transaction costs incurred for their sale or other types of disposal; this valuation effect is then recognized in the results of the period under "Financial intermediation, net".

Derivatives must be presented under a specific asset or liability caption depending on whether their fair value (as a consequence of the rights and/or obligations they embody) results in a debit or credit balance, respectively.

Hedging transactions-

Hedging derivatives are valued at market value, and the effect is recognized depending on the type of hedge accounting, as follows:

If they are fair value hedges, the primary hedged position and the net effect of the derivative hedge instrument which is measured at fair value is recorded in results of the period under "Financial intermediation, net".

If they are cash flow hedges, the hedge derivative is measured at fair value and the valuation of the effective part of the hedge is recorded under "Result from valuation of cash flow hedges" in stockholders' equity. The ineffective portion is recorded in results of the period under the caption "Financial intermediation, net".

(e) Loan portfolio-

Represents the outstanding balances of the amounts granted to borrowers plus uncollected accrued interest. The allowance for loan losses is presented deducting the loan portfolio balances.

Credit is granted based on a credit analysis in accordance with internal policies and operating manuals established by the Society.

Special Accounting Criteria (SAC), derived from the health contingency due to COVID-19 applied in the year 2020

Through official communication number P-285/2020 and 026/2020 issued by the Commission, dated on March 26 and April 15, 2020, respectively, the Commission determined to issue on a temporary basis, the SAC applicable to the support programs granted by the Society. Subsequently, through official communication number P-325/2020 dated June 23, 2020, the Commission indicated the following:

- The SAC will be applied in a general way to customers who have been affected and whose credits were classified as current as of March 31, 2020.
- The deadline to carry out the restructuring or renewal procedures must conclude no later than July 31, 2020.

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The Society carried out during the second quarter of 2020 and in compliance with the SAC the following actions:

1. Capital and interest payment rest scheme for a period of 1 to maximum 3 months, for customers with individual credit products.
2. Capital payment rest scheme from 1 to maximum 6 amortizations, for customers with group credit products.
3. Other schemes previously used by the Society, such as time-extension restructurs to reduce interest payments and interest and accessory write-off programs.

As of June 30, 2020, 82% of the credit portfolio received no specific solutions to COVID-19; the remaining 18% of the portfolio was subject of a specific solution; and of which 12% ended their implementation period and the remaining 6% continued active at the end of the 2020.

Past-due loans and interest-

Outstanding loans and interest balances are classified as past-due according to the following criteria: If debts consist of loans with principal and interest periodic partial payments, including mortgage loans, have 90 or more calendar past-due days. If debts consist of revolving loans, and unpaid for two monthly normal billing periods or, where the billing period is other than monthly, when have 60 or more calendar past-due days;

When a loan is transferred to the past-due portfolio, accrual of interest is discontinued and record thereof is kept in memorandum accounts. Once collected, such interest is recognized directly in consolidated income statement under "Interest income".

Past-due loans are reclassified as current when the unpaid balances have been fully paid by the debtor (principal and interest, etc.), except for restructured loans or renewed, which are transferred to current portfolio when sustained payment has been made. At the time the loan is reclassified to the "Current Portfolio", the accrued interest recorded in memorandum accounts is recognized in income.

The Society periodically evaluates if a past-due loan should remain in the consolidated balance sheet or be written-off, provided a provision has been created for 100% of the loan amounts. Such write-off is made by cancelling the unpaid loan balance against the allowance for loan losses previously created for each loan.

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Sustained payments-

It is considered that there is sustained payment when the borrower shows compliance of the payment without delay for the total amount of principal and interest, for at least three consecutive amortizations of the loan payment scheme.

Restructuring and renewals-

A loan is considered restructured when the borrower makes any of the following requests to the Society:

- a) Loan guarantee extension or,
- b) Changes to the loan original conditions or payment scheme, among which are:
 - i. Change in the interest rate for the remaining term of the loan contract;
 - ii. Change in the currency;
 - iii. Granting of a waiting period for the compliance of payment obligations agreed upon in the original terms of the contract, or
 - iv. Credit term extension.

A renewal is a transaction which extends the loan duration at the maturity date or when the credit is paid at any time by using the proceeds generated by another loan contracted with the same entity in which one of the parties is the same debtor or another individual or entity with equity shareholding relationships thereby constituting a joint risk

Unless there is evidence of sustained payments, past-due loans restructured or renewed shall remain within the past-due loan portfolio.

Loans with a single payment of principal at maturity and periodic interest payments, as well as loans with a single payment of principal and interest at maturity being restructured during the term of the loan or renewed anytime shall be considered as past-due, while there is no evidence of sustained payment.

Loans granted under a credit line, revolving or not, that are restructured or renewed at any time, may be maintained in the performing portfolio provided that there are elements that justify the ability of the borrower to pay. Additionally, the borrower must have:

- a) Paid all accrued interest, and
- b) Covered the totality of the payments to which it committed under the terms of the contract at the date of the restructuring or renewal.

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(f) Allowance for loan losses-

An allowance for loan losses is maintained, which, in the opinion of the Society's Management, is sufficient to cover any loss of the loans included in its credit portfolio.

The Criteria issued by the Commission integrate internal methodologies, which are methods that institutions use to calculate their preventive reserves based on the estimation of credit risk parameters. There are two approaches to internal methodologies: the basic approach and the advanced approach.

The Society has a methodology with an advanced approach, which incorporates the necessary basic elements, in accordance with the definitions stipulated by the Commission.

The internal rating system with an advanced approach is made up of the following three components:

- Probability of Default (PD)
- Severity of Loss (SL)
- Exposure to Default (ED)

These components of the model support the generation of a measure of credit risk, based on the portfolio, portfolio and days past due, for each of the loans in position. The foregoing helps to monitor and identify in a timely manner the detriment of borrowers' ability to pay.

The rating system was designed through the following stages:

- a) Collection of historical information on balances and days in arrears for each of the borrowers of the portfolios in position.
- b) Application of inferential statistical techniques to timely approximate the increase in credit risk associated with the portfolio, through the evolutionary analysis of the historical payment experience of the portfolio.
- c) Contrast analysis of reserve estimates for credit risk, with respect to the general standard methodology, proposed by the Commission.

Risk Quantification

The model generates measurements about the Credit Risk associated with the portfolio in position; for this, it incorporates the estimation of historical Probabilities of Default, Severity of Loss and Exposure to default. The foregoing, based on a segmentation of the portfolio based on the following variables i) portfolio, ii) payment frequency, and iii) past due days.

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The model incorporates the use of historical information on borrowers' payment experience, which allows estimating medium and long-term Probabilities of Default. The approach of the methodology is inferential, so the expected payment dynamics will always depend on the performance observed in the periods prior to the analysis date.

The quantification of risk is highly sensitive with respect to the propensity to pay, so this consideration is essential for the rating system, since in its structure it incorporates transitions between default states, also called "Flow Rates".

The parameters that make up the rating system are mentioned below:

Probability of Default. This parameter is estimated according to the payment frequency of the borrowers, segmenting the portfolio by non-payment periods, to determine the "Flow Rates".

Based on the aforementioned, the probability of default is defined as the probability that one weight of the accounting portfolio becomes an accounting charge-off.

The considerations in the methodology for determining the Probability of Default are:

- i. The past-due portfolio is assigned a "Flow Rate" of 100%.
- ii. The restructured loans are isolated from the general portfolio, since their treatment for the calculation of the Probability of Default is based on an analysis of 24-month write-off harvests.

Severity of Loss. This parameter is determined considering the following assumptions:

- a. There is no guarantee or collateral associated with the credit.
- b. Accounting for the cash flows recovered after the accounting breach event.
- c. There are expenses and costs associated with the portfolio recovery management process for sale or collection.

The Severity of the Loss is the percentage of the portfolio classified as write-off that ends up being a loss after considering the recovery of the portfolio through different mechanisms (extrajudicial collection and sale of the portfolio), as well as the expenses incurred in said processes.

Exposure to default. Represents the accounting balance of the credits divided by payment frequencies and by the default period numbers.

(g) Other accounts receivable, net-

Accounts receivable other than the Society's credit portfolio represent, among others, balances in favor of taxes. For accounts receivable relating to identified debtors with a maturity greater than 90 calendar days and 60 days for unidentified debtors, an estimate is created that reflects their degree of irrecoverability. Said estimate is not constituted by balances in favor of taxes.

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(h) Property, furniture, equipment and improvements to leased premises, net-

Premises, furniture and equipment are recorded at acquisition cost. Those assets acquired before December 31, 2007 were adjusted by using factors based on the UDI value from the date of acquisition through that date, which recognition of the effects of inflation on the financial information was suspended according to the MFRS. The components acquired in foreign currency are recorded at the historical exchange rate, that is, the exchange rates in force on the date the asset was acquired.

Depreciation is determined using the straight-line method, based on the estimated useful lives by the Society's Management of the corresponding assets. The total useful lives and the annual depreciation rates of the main groups of assets are mentioned below

	Years	Depreciation rate
Building	20 years	5%
Automatic teller machine (ATMs)	6.66 years	15%
Transportation equipment	4 years	25%
Furniture and equipment	10 years	10%
Leasehold improvements	20 to 5 years	5% to 20%
Computer equipment	4 years	25%

Improvements to leased premises are amortized considering the shorter of the lease term or useful period of the improvement.

Maintenance and minor repair expenses are recorded in income when incurred.

(i) Permanent investments-

Investments in affiliated and associated companies are valued using the equity method, recognizing changes in results for the year. This item also includes other permanent investments in which there is no significant influence, which are recognized at acquisition cost.

Dividends, if any, received from these investments are recognized in consolidated of income caption, except if these relate to periods prior to the acquisition, in which case are decreased from the permanent investment.

(j) Other assets, Deferred income charges, prepaid expenses and intangibles-

They are originally recorded at the nominal value disbursed. The amortization of computer developments and intangible assets with a defined life is calculated on a straight line by applying the corresponding rates to the updated expense.

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It includes deferred charges for costs and expenses associated with the making of the loan, expenses for issuing securities and other deferred charges. It also includes advance payments for interest, commissions, sales and others, as well as provisional tax payments. Additionally, computer developments and intangible assets are recognized, mainly for software licenses net of their amortization.

(k) Income tax (IT) and employee statutory profit-sharing (ESPS)-

IT and ESPS are recorded in the results of the year as incurred in accordance with current tax provisions.

Income taxes payable are presented as liability in the consolidated balance sheet; when the tax prepayments exceed the income tax payable, the difference corresponds to an account receivable.

Deferred IT and ESPS are recorded for under the asset and liability method. Deferred IT and PTU assets and liabilities are recognized for the future tax consequences attributable to differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and for operating loss carry forwards and other recoverable tax credits. Deferred IT and ESPS assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred IT and ESPS assets and liabilities of a change in tax rates is recognized on the statement of income in the period that includes the enactment date.

The IT and ESPS deferred asset is periodically valuated creating, where appropriate, valuation allowance for those temporary differences which might exist an uncertain recovery.

The IT and ESPS, current and deferred, are presented and classified in the results of the period, except those that originate from a transaction recognized under "Other Comprehensive Income" (OCI) or directly in an item of stockholders' equity. ESPS accrued and deferred are recognized under the caption "Administration and promotion expenses" in the consolidated statement of income.

(l) Securitization certificates-

They are represented by the issuance of debt instruments known as Securitized Certificates 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 costs are recognized initially as deferred charges and are amortized against results for the year, taking the term of their underlying instruments as their basis.

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(m) Bank and other borrowings-

Refer to credit lines and other loans obtained from other entities, which are recorded at the contractual value of the obligation. Interest is recognized on an accrual basis under the caption "Interest expenses".

(n) Sundry creditors and other accounts payable-

Sundry creditors and other accounts payable include short-term and long-term employee benefit liabilities, provisions and other accounts payable, asset acquisition creditors, transferred value-added tax (VAT) and other taxes and duties payable.

The Society's liabilities are recognized in the consolidated balance sheet when they meet the characteristic of being a present obligation, where the transfer of assets or provision of services is virtually unavoidable, arises as a result of a past event and its amount and maturity are clearly established.

(o) Employees' benefits-

Short-term direct benefits

Short-term direct employee benefits were recognized in income of the period in which the services rendered are accrued. A liability is recognize for the amount expected to be paid if the Society has a legal or assumed obligation to pay this amount as a result of past services provided and the obligation can be reasonably estimated.

Long-term direct benefits

The Society's net obligation in relation to direct long-term benefits (except for deferred ESPS - see subsection (k) Income taxes and employee statutory profit sharing), and which the Society is expected to pay at least twelve months after the date of the most recent balance sheet presented, is the amount of future benefits that employees have obtained in exchange for their service in the current and previous periods. This benefit is discounted to its present value. Remeasurements are recognized in income in the period in which they are accrued.

Termination benefits

A liability is recognized for termination benefits along with a cost or expense when the Society has no realistic alternative other than to make the corresponding payments or when the offer of these benefits cannot be withdrawn or when the conditions that require the recognition of restructuring costs are met, whichever occurs first. If benefit are not expected to be settled wholly within 12 months of the end of the annual financial year, then they are discounted.

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Defined contribution plans

The Society's net obligation relating to defined benefit pension plans, seniority premiums, benefits upon death, sports club benefits and statutory severance payments, is calculated on a separate basis for each plan, estimating the amount of future benefits earned by employees and in the current and previous years, deducting and deducing the fair value of the plan assets from such amount.

The obligations for defined benefit plans are calculated annually by actuaries using the projected unit credit method. When the calculation results in a possible asset for the Society, the recognized asset is limited to the present value of the economic benefits available in the form of future refunds of the plan or reductions in future contributions thereto. To calculate the present value of economic benefits, any minimum financing requirement should be considered.

The labor cost of current service, which represents the periodic cost of retirees for having completed one more year of working life based on the benefit plans, is recognized in administrative and promotional expenses.

The Society determines the net interest expense (income) on the net defined benefit liability (asset) for the period by multiplying the discount rate used to measure the defined benefit obligation by the beginning balance of the net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of estimates of contributions and benefit payments.

Modifications to the plans that affect past service cost are recognized in income immediately in the year the modification occurs, with no possibility of deferral in subsequent years. Furthermore, the effects of events of liquidation or reduction of obligations in the period that significantly reduce future service cost and/or significantly reduce the population eligible for benefits, are recognized in income of the period.

Remeasurements (before actuarial gains and losses), resulting from differences between the projected and actual actuarial assumptions at the end of the period, are recognized when incurred as part of "Administrative and promotional expenses" in the consolidated income statement.

(p) Cumulative currency translation effect-

Represent the difference resulting from the translation of the functional currency of foreign operations into the reporting currency. This item is presented within the OCI.

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(q) Impairment of long-lived assets in use-

The Society tests the net carrying value of long-lived assets in order to determine the existence of impairment indicators that such value exceeds its recovery value. The recovery value represents the potential amount of net income that it is reasonably expected to be obtained as a consequence of the use or realization of such assets. If it is determined that net carrying value exceeds recovery value, the Group records the required allowances. When it is intended to sell the assets, these are recorded in the consolidated financial statements at the lower of net carrying value or realizable value.

(r) Goodwill-

Goodwill represents the future financial benefits arising from other acquired assets that are not individually identifiable or separately recognizable. Goodwill is subject to impairment tests at the end of the reporting period and when there is an indication of impairment.

(s) Revenue recognition -

Interest on loans granted including the interbank loans fixed to a term less than or equal to three business days, is recorded in income as earned. Interest on past-due loans is recognized in income upon collection.

The interest and commissions collected in advance are recorded under the caption "Deferred credits and prepayments" and are applied to the results of the year as they accrue.

Annuity fees charged to customers are recognized as income on a deferred basis and are amortized using the straight-line method over one year or over the life of the loan. The commissions charged for the initial granting of the loan and its associated costs are not deferred during the term of the loan, since Management considers that its effect is not material or significant since the maturities of the loans are short-term.

(t) Business and credit concentration-

The Society's credit portfolio as of December 31, 2021 and 2020, is made up of many clients, without significant concentration in any specific client. Interest and commission income represents 97% in 2021 and 91% in 2020 of the Society's total income.

The main funders of the Society are financial institutions, with whom it has contracted approximately 30% in 2021 and 35% in 2020 of the funding in national and foreign currency. The Society has a stock market liability that represents 70% in 2021 and 65% in 2020 of the funding in dollars.

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(u) Earning per share-

Represents the result of dividing the net result for the year by the weighted average number of shares outstanding at the end of the year. For the years ended December 31, 2021 and 2020, profit and loss per share is \$1.1201 pesos and \$1.6533 pesos, respectively.

(v) Memorandum accounts-

Assets or commitments that are not part of the Society's consolidated balance sheet are recorded in the memorandum accounts, since their rights are not acquired or said commitments are not recognized as liabilities of the entities as long as said eventualities do not materialize, respectively.

– *Uncollected accrued interest derived from past due-portfolio:*

The interest accrued in memorandum accounts is recorded from the time a loan is transferred to past due portfolio.

(w) Contingencies-

Liabilities or important losses related to contingencies are recorded when it is probable that a liability has been incurred and the amount thereof can be reasonably estimated. When a reasonable estimation cannot be made, qualitative disclosure is provided in the notes to the consolidated financial statements. Contingent income, earnings or assets are not recognized until their realization is assured.

(4) Foreign currency position-

As of December 31, 2021 and 2020, the foreign currency position of the Society and its subsidiaries is analyzed below:

	Millions of Dollars	
	2021	2020
Assets	163	99
Liabilities	(310)	(258)
Liability position, net in dollars	(147)	(159)
	Millions of Reales	
	2021	2020
Assets	133	128
Liabilities	(104)	(101)
Asset position, net in Reales	29	27

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The exchange rate relative to the U.S. dollar at December 31, 2021 and 2020, was \$20.5075 pesos per dollar and \$19.9087 pesos per dollar, respectively and \$5.5805 and \$5.1967 pesos per real, respectively, and on April 18, 2022, authorization issuance date of the accompanying consolidated financial statements, was \$19.7967 pesos per dollar and \$4.19131 pesos per real.

(5) Cash and cash equivalents

Cash and cash equivalents at December 31, 2021 and 2020 are as shown below:

		2021	2020
Cash in hand	\$	60,346	54,699
Deposits in banks of the country		304,589	368,731
Immediate realization investments		87,514	435,514
	\$	452,449	858,944

Immediate realization investments correspond to the investment of treasury surpluses, in order to obtain a better return in the short term. These investments are made through brokerage houses and investment companies that operate in the Mexican financial market.

As of December 31, 2021 and 2020, the average investment rates (unaudited) were 3.2% and 4.7%, respectively. Likewise, for the years ended December 31, 2021 and 2020, income from interest on investments was \$19,662 and \$19,722, respectively (note 18). During both years the maturity terms of these investments were from one to three days. As of December 31, 2021 and 2020, restricted investments amount to \$52,449 and \$50,211, respectively.

(6) Derivatives-

Derivatives for hedging purposes

The Society's activities expose it to a variety of financial risks: market risk (mainly including exchange risk and interest rate risk), credit risk and liquidity risk. Considering the unpredictability of the financial markets, Management seeks to minimize through risk management the potential negative effects on the financial performance of the Society. In accordance with the guidelines of the Board of Directors, the use of derivative financial instruments was implemented to hedge some exposures to market risks, specifically a significant rise in the exchange rate of the Mexican peso against the US dollar, as well as the Brazilian Real.

The Society's policy is not to carry out speculative operations with derivative financial instruments. As of December 31, 2021 and 2020, the Society carried out a cash flow hedging program, the designated derivative instruments are Cross Currency Swaps. The following page summarizes the operations with current derivative instruments.

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December 31, 2021		Notional amount hedged			Annual interest rate		
Hedge description	Nature of risks hedge	Receives	Pays	Starting date	Maturity	Exchange rate agreed	Fair value
Currency and interest rate hedge (a)	Exchange rate risk	2,880 USD	\$55,548	28-oct-21	19-jul-22	19.2875	3,696
Currency and interest rate hedge (a)	Exchange rate risk	30,747 USD	\$537,765	24-feb-20	19-jul-24	17.4900	127,436
Currency and interest rate hedge (a)	Exchange rate risk	42,410 USD	\$744,181	30-jun-20	19-jul-24	17.5473	172,377
Currency and interest rate hedge (a)	Exchange rate risk	139,328 USD	7,000 USD	11-jan-21	11-jan-22	19.9040 TIE + 5.50	(11,402)
							\$ 292,107

See explanation of (a) on page 23.

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December 31, 2020

Hedge description	Nature of risks hedge	Notional amount hedged			Maturity	Exchange rate agreed	Annual interest rate		
		Receives	Pays	Starting date			Receives	Pays	Fair value
Currency and interest rate hedge (a)	Exchange rate risk	53,633 USD	\$1,034,446	30-jun-20	19-jul-22	19.2875	8%	14.5680%	\$ 7,780
Currency and interest rate hedge (a)	Exchange rate risk	30,747 USD	\$537,765	24-feb-20	19-jul-24	17.4900	8%	13.9050%	79,224
Currency and interest rate hedge (a)	Exchange rate risk	42,410 USD	\$744,181	30-jun-20	19-jul-24	17.5473	8%	13.8650%	110,912
Interest rate hedge (a)	Exchange rate risk	10,000 USD	10,000 USD	10-jan-20	10-ene-21	N / A	LIBOR 3M + 3.20	5.0500%	(800)
Currency and interest rate hedge (a)	Exchange rate risk	10,000 USD	40,554 R	10-jan-20	10-ene-21	4.0672	5.9412%	9.6700%	42,560
									\$ 239,676

See explanation of (a) on page 23.

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Trading markets and eligible counterparties

The financial markets through which the Society performs derivative financial transactions are known as “over the counter” (OTC). The Society only utilizes commonly utilized financial derivatives on OTC markets, which can be listed with two or more financial institutions to ensure optimum contracting conditions. Given that swaps are traded with financial institutions with good credit ratings, the risk of default regarding the obligations and rights acquired with counterparties is deemed to be low.

Margin, collateral and credit line policies

Margin, collateral and credit line policies are defined by the Society according to applicable policies and procedures manuals, which adhere to the guidelines, terms and conditions detailed in outline agreements, establishing warranties for the settlement of agreed payments.

Considering the type of transactions, the Society has not faced any adverse situations such as changes to the value of the underlying asset or reference variables. These changes could mean that contracted financial derivatives differ from the situation for which they were originally considered, significantly modify their scheme, imply a partial or total hedge loss and require that the contracting parties assume new obligations, commitments or cash flow variances that could affect their liquidity (e.g., due to margin calls).

Regarding warranties or collaterals as of the date, the Society has not delivered collateral to its counterparties. Finally, no defaults have been reported as regards the contracts executed at that date.

The Society monthly values its derivative financial instruments contracts at fair value. The fair value of a swap is considered as the difference between the net present value of the asset and liability legs. In order to calculate the current net value of each leg, the Society initially determines future cash flows based on the interest rate detailed in the confirmation letter. These cash flows are subsequently discounted at their current value according to an interest rate (curve) that reflects the currency in which they are denominated. This fair value is reported by the institutions or counterparties with which contracts are executed. Valuations are determined according to the Society’s methodologies and by utilizing valuation procedures, techniques and models recognized by the market.

The Society periodically applies effectiveness tests through the hypothetical derivative method, which involves measuring the change in fair value of the hypothetical derivative reflecting the primary position against the change in fair value of hedge swaps. Accordingly, as of December 31, 2021 and 2010, the hedging relationship is highly effective.

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Hedging

(a) Hedging contracted for the foreign currency bonds issued in 2017

In order to mitigate foreign exchange risk on the international bond for USD \$250 million issued in 2017 (see note 12), the Society settled four exchange rate Cross Currency Swaps (CCSs), two of them in June 2020, with HSBC and with Barclays (the counterparties), through which the Society receives six-monthly fixed-rate flows of 8.00% and pays six-monthly 13.9050% fixed rate flows with HSBC, 14.5680% and 13.8650% with Barclays, on notional amounts equivalent in pesos. The third was settled with HSBC on January 11, 2021, from which it receives flows of 5.772% and pays flows on a rate of TIIE +5.5%. The fourth was settled on October 28, 2021, from which it receives flows of 14.5680% and pays flows on a fixed rate of 8.00%. The life of both derivative financial instruments is tied at the maturity of the Bond; In addition, at the expiration of the issuance of the bond, an exchange of the contracted securities will be made, with the sole purpose of setting the exchange rate in 2024 at \$17.49, \$19.2875, \$17.5473 and \$19.9040 Mexican pesos per dollar, respectively, eliminating the exchange risk.

During 2021 and 2020, repurchases of the bond issued for 250 million dollars were made, with 176.9 million dollars as a circulation amount (184.4 million dollars in 2020). For this reason, the Society made partial cancellations in one out three derivatives that it maintains for this coverage, maintaining the conditions agreed at the beginning, such as rates, payment dates and maturity. The derivative with Barclays decreased its notional by 24.22 million dollars, remaining at 2.88 million dollars (29.06 million dollars in 2020). These cancellations were made in order to maintain the risk management strategy where derivatives are used to cover approximately 70% of the bond and the rest is naturally covered with dollars that are kept in cash. Because the partial cancellation of derivatives corresponds to a decrease in the covered position, the net effect of the partial cancellation of the derivatives that was hosted in OCI was immediately recorded through results, at the same time that the covered position affected results.

Sensitivity analysis (unaudited):

The Society only contracts financial derivatives for hedging purposes. All these derivatives are intended to mitigate the risk for which they were contracted. The financial derivatives maintained in the Society's position do not lose their hedging effectiveness at any variance level. In this regard, any change to the fair value of the contracted instrument does not affect its nature, use or effectiveness level.

The periods where the cash flows are expected to occur and will affect the results are as follows: On July 2022 Barclays Swap, July 2024 Barclays Swap and July 2024 HSBC Swap.

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Market risk

As the acquired CCS are denominated in the same currency as the hedged primary position, the effectiveness ratio is high regardless of the sensitivity or stress scenario utilized. This is the case because changes to financial derivatives are offset by the cash flow changes of the primary position.

As an additional risk management measure, the Society applies sensitivity tests to the exchange risk factor to which it is exposed based on its market risk. The sensitivity percentages used are based on the scenarios that can reasonably be expected to arise, bearing in mind the historical volatility of this risk factor. As Management utilizes this sensitivity analysis, it does not have a policy for performing Value at Risk (VaR) calculations.

Under a scenario whereby the depreciation of the Mexican peso versus the USD adversely affects debt principal, however, the hedged portion would be covered with the exchange fluctuation by contracted swap coupons, so the effect in results derived from these coupons would be offset for an amount of up to the hedged debt percentage.

Liquidity risk

As of December 31, 2020, the Society is not exposed to liquidity risk for its derivative financial instruments because at the review date they show a surplus. The maturities of the related financial liabilities are shown in note 12.

Credit risk

The Society manages the credit risk related to its derivatives portfolio by only performing transactions with acknowledged counterparties with good credit ratings. As of December 31, 2021, the counterparty credit risk is immaterial.

(7) Loan portfolio-

a) Integration and analysis of the loan portfolio

The classification of the current and past due consumer credit portfolio as of December 31, 2021 and 2020, analyzed by type of currency, is presented on the following page.

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	2021		2020	
	Current	Past-due	Current	Past-due
<u>Local currency:</u>				
Consumer loans	\$ 4,076,132	280,386	4,386,592	269,333
<u>Valued foreign currency</u>				
Consumer loans	3,295,627	57,170	2,269,868	89,724
	7,371,759	337,556	6,656,460	359,057
	\$ 7,709,315		7,015,517	

As of December 31, 2021 and 2020, the restricted balance consumer portfolio amounted to \$1,690,145 and \$1,951,073, respectively.

The composition of the credit portfolio by product and its concentration percentage as of December 31, 2021 and 2020, is analyzed below:

Economic activity	2021		2020	
	Amount	Concentration	Amount	Concentration
<u>Current portfolio</u>				
Consumer loans				
CrediInmediato	\$ 1,758,846	24%	1,547,992	23%
Grupal	-	-	330,619	5%
CrediPopular	257,347	3%	269,544	4%
Tradicional	2,041,666	28%	1,698,133	26%
CrediMamá	16,792	-	17,540	-
PlanCelular	1,481	-	5,270	-
AFI	3,295,627	45%	1,939,248	29%
Más Nómina	-	-	848,114	13%
Subtotal current portfolio, to the next page	\$ 7,371,759	100%	6,656,460	100%

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	2021		2020	
Economic activity	Amount	Concentration	Amount	Concentration
Subtotal current portfolio, from the previous page	\$ 7,371,759	100%	6,656,460	100%
<i>Past-due portfolio:</i>				
Consumer loans				
Credilnmediato	78,844	23%	93,049	26%
Grupal	-	-	5,034	1%
CrediPopular	12,075	4%	19,639	6%
Tradicional	188,654	56%	140,586	39%
CrediMamá	762	-	827	-
PlanCelular	51	-	423	-
AFI	57,170	17%	84,690	24%
Más Nómina	-	-	14,809	4%
	337,556	100%	359,057	100%
Total loan portfolio	\$ 7,709,315		7,015,517	

As of December 31, 2021 and 2020, the types of credit that each entity are shown below:

Financiera Independencia loans

- Credilnmediato: is a revolving credit line of between \$3 and \$20, which is available to natural persons who earn at least the minimum wage in Mexico City. As of December 31, 2021 and 2020, the amount of unused credit lines was (unaudited) \$579 millions of Mexican pesos and \$419 millions of Mexican pesos, 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 of 26-week period, which can be renewed based on the borrower's credit behavior.
- CrediMamá: is a loan focused 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 credit behavior.

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- MásNómina: is a loan which is discounted via the payroll and is intended for the employees of public or private institutions affiliated with the Society. These loans are granted for amounts ranging from \$3 to \$80, for a maximum three-year period.

AEF loans

- Traditional: is a loan focused for natural persons who can certify their revenues 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 credit behavior of each customer.
- Preferential: is a loan available for natural persons who can certify their revenues through payroll receipts or by an independent account; they must also demonstrate an excellent credit 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 3,000 and 10,000 dollars to individuals who can certify their revenues as employees. In this case, the average loan period is 15 months.

Finsol oans

- Group Loans: until October2021, was a loan focused to clients which should their own and independent productive, commercial or service 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 credit behavior, the loan amount can be increased at the end of each cycle.

The distribution of the consumer loan portfolio at December 31, 2021 and 2020, by geographical region is shown as following page.

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Country/State:	2021		2020	
	Total portfolio	Interest income	Total portfolio	Interest Income
<i>Mexico</i>				
Aguascalientes	\$ 57,654	\$ 42,781	\$ 49,144	\$ 44,585
Baja California	120,686	102,093	130,420	102,183
Baja California Sur	59,131	44,328	61,049	51,774
Campeche	52,355	39,085	50,268	53,525
Chiapas	134,926	105,539	190,451	139,102
Chihuahua	19,086	14,396	18,027	16,917
Coahuila	157,953	119,603	151,071	130,178
Colima	58,940	44,493	53,510	42,892
Ciudad de México	421,232	309,348	674,635	403,724
Durango	35,829	27,364	29,800	35,850
Estado de México	839,470	594,209	752,673	591,582
Guanajuato	266,016	203,760	240,296	201,177
Guerrero	133,196	97,961	122,041	133,101
Hidalgo	115,177	82,634	140,530	101,816
Jalisco	237,497	167,436	190,528	171,527
Michoacán	130,835	100,116	110,866	110,265
Morelos	120,859	88,647	115,241	92,536
Nayarit	37,266	27,535	30,653	30,320
Nuevo León	3,030	374	-	28,505
Oaxaca	62,909	50,085	93,097	93,883
Puebla	76,236	57,912	73,064	97,924
Querétaro	117,802	89,163	112,077	100,728
Quintana Roo	137,420	101,566	144,423	135,695
San Luis Potosí	95,366	72,346	106,425	103,104
Sinaloa	63,569	47,688	70,516	59,262
Sonora	82,903	62,020	90,926	76,587
Tabasco	28,873	25,462	95,726	67,551
Tamaulipas	260,536	196,537	265,131	229,319
Tlaxcala	46,114	34,063	39,989	38,988
Veracruz	219,941	174,177	291,363	268,001
Yucatán	128,511	92,841	132,639	107,753
Zacatecas	35,202	26,199	29,347	28,356
Subtotal	4,356,520	3,241,761	4,655,926	3,888,710
Brazil	-	122,316	335,653	172,662
USA	3,352,795	848,943	2,023,938	746,124
Total	\$ 7,709,315	\$ 4,213,020	\$ 7,015,517	\$ 4,807,496

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Income from interest and arrears recorded in the financial margin for the years ended December 31, 2021 and 2020, segmented by type of credit, is analyzed as follows:

Type of credit	2021		2020	
	Amount	%	Amount	%
Credilnmediato	\$ 1,411,386	34	\$ 1,475,435	30
Grupal	122,436	3	618,194	13
CrediPopular	228,539	5	274,544	6
Tradicional	1,307,993	32	1,212,809	26
Micronegocios	222,805	5	116,623	2
CrediMamá	14,954	-	17,286	-
CrediConstruye	-	-	6	-
AFI	848,943	20	746,124	16
MásNómina	55,964	1	346,475	7
	\$ 4,213,020	100	\$ 4,807,496	100

b) Integration and analysis of the past-due loan portfolio

As of December 31, 2021 and 2020, aging of the past-due loan portfolio is as follows:

	1 to 30 days	31 to 60 days	61 to 89 days	90 to 120 days	121 to 150 days	151 to 180 days	Total
2021	\$ 26	259	22,864	126,136	102,232	86,039	337,556
2020	\$ 17	363	21,922	116,341	107,388	113,026	359,057

The movement in the past-due loan portfolio for the years ended December 31, 2021 and 2020, is summarized below:

	2021	2020
Balance at beginning of the year	\$ 359,057	517,737
Settlements	(162,347)	(229,126)
Write-offs and write-downs	(829,363)	(1,269,726)
Net increase, for transfers from and to current loans	969,054	1,340,573
Foreign exchange fluctuation	1,155	(401)
Balance at the end of the year	\$ 337,556	359,057

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The interest on the past-due loan portfolio not recognized in results of operations for the year ended December 31, 2021 amounted to \$40,237 (\$38,683 in 2020), which are recorded in memorandum accounts.

For the years ended December 31, 2021 and 2020, the Society obtained recoveries from written-off loans represented a profit of \$104,807 and \$136,534, respectively, which were recorded in the caption "Allowance for loan losses" in the consolidated statement of income.

c) Restructuring and renovations

Restructured and renewed consumer loans as of December 31, 2021 and 2020 are integrated as shown below:

Restructuring loans	Current	Past-due	Total
2021	\$ 1,271	\$ 907	\$ 2,178
2020	\$ 2,799	\$ 1,483	\$ 4,282

As long as the credit portfolio remains restructured, the Society classifies and presents this portfolio as past-due loans.

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d) Allowance for loan losses

As of December 31, 2021 and 2020, the classification of the evaluated portfolio and the allowance for loan losses are analyzed as follows:

	Period	2021			2020		
		Evaluated portfolio	Weighted average	Allowance	Evaluated Portfolio	Weighted average	Allowance
Weekly	0	\$	0.5%	\$	493,990	0.3%	\$
	1	691,089	1.8%	3,719	65,298	0.9%	1,411
	2	82,144	4.9%	1,442	46,174	2.1%	587
	3	67,269	9.2%	3,273	23,076	4.7%	960
	4	37,560	14.6%	3,459	20,636	8.4%	1,092
	5	34,227	20.6%	4,985	12,926	11.8%	1,739
	6	22,986	34.7%	4,734	9,640	19.4%	1,523
	7	16,246	40.9%	5,635	8,660	27.0%	1,873
	8	16,107	48.7%	6,595	7,875	34.4%	2,334
	9	15,850	54.5%	7,721	7,390	38.6%	2,712
	10	14,459	73.2%	7,879	5,863	44.6%	2,850
	11	11,745	75.5%	8,598	5,322	52.9%	2,612
	12	11,624	77.5%	8,778	6,273	55.6%	2,815
	13	12,919	79.3%	10,007	6,088	57.6%	3,490
	14	11,835	97.1%	9,385	5,374	57.8%	3,509
	15	10,135	96.8%	9,839	4,815	66.2%	3,108
	16	10,852	96.8%	10,503	4,720	68.8%	3,185
	17	11,666	96.8%	11,296	5,410	69.5%	3,246
	18 or more	12,965	96.5%	12,516	35,051	94.6%	3,760
	Weekly subtotal, to the next page	\$		\$	774,581		\$
		1,173,390		209,363			75,968

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Period	2021			2020		
	Evaluated portfolio	Weighted average	Allowance	Evaluated Portfolio	Weighted average	Allowance
Weekly subtotal, from the previous page	\$ 1,173,390		\$ 209,363	\$ 774,581		\$ 75,968
<u>Biweekly</u>						
0	\$ 5,339,671	0.5%	\$ 25,093	\$ 3,713,892	0.6%	\$ 23,981
1	445,245	3.2%	14,054	432,951	3.8%	16,245
2	179,624	12.0%	21,572	170,337	12.0%	20,477
3	80,263	29.9%	24,001	82,387	23.1%	19,038
4	59,965	44.3%	26,555	57,834	29.2%	16,861
5	44,601	66.8%	29,794	36,468	46.1%	16,800
6	40,855	74.6%	30,459	37,359	50.5%	18,871
7	29,184	98.5%	28,754	29,400	60.1%	17,659
8	35,503	98.3%	34,904	28,968	66.6%	19,300
9	23,037	98.6%	22,708	22,995	75.8%	17,436
10	28,609	98.0%	28,027	29,135	78.1%	22,768
11	22,661	98.0%	22,209	29,598	85.7%	25,368
12	23,863	98.0%	23,381	35,362	89.9%	31,796
	\$ 6,353,081		\$ 331,511	\$ 4,706,686		\$ 266,600
<u>Monthly</u>						
0	\$ 579,693	0.6%	\$ 3,282	\$ 278,726	0.5%	\$ 1,417
1	46,270	7.8%	3,610	28,457	4.9%	1,384
2	14,563	40.1%	5,833	8,906	21.3%	1,893
3	8,529	72.1%	6,150	4,602	41.7%	1,918
4	4,568	97.5%	4,451	3,301	58.1%	1,919
5	4,163	97.9%	4,075	2,990	71.1%	2,125
6	3,831	97.4%	3,732	1,679	78.8%	1,323
	\$ 661,617		\$ 31,133	\$ 328,661		\$ 11,979
Subtotal, to the next page	\$ 8,188,088		\$ 572,007	\$ 5,809,928		\$ 354,547

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	2021			2020		
	Evaluated portfolio	Weighted average	Allowance	Evaluated Portfolio	Weighted average	Allowance
Subtotal, from previous page	\$ 8,188,088		\$ 572,007	\$ 5,809,928		\$ 354,547
Skip a Payment portfolio:						
Simple with arrears	-	-	-	98,831	-	91,783
Simple without arrears	-	-	-	79,216	-	41,999
Revolving with arrears	-	-	-	60,869	-	52,213
Revolving without arrears	-	-	-	142,984	-	60,100
Accelerated Punishments	-	-	-	11,972	-	10,815
	-		-	393,872		256,910
Restructuring	178,993	45.76%	81,911	100,655	46.1%	46,442
Total portfolio with credit limit	8,367,081		653,918	6,304,455		657,899
Undrawn line of revolving credit	(657,766)	-	-	(487,514)	-	-
Total portfolio	7,709,315		653,918	5,816,941		657,899
Más Nómina Grupal	-	-	-	862,923	0.5%	4,385
	-	-	-	335,653	7.6%	25,440
Total	\$ 7,709,315		\$ 653,918	\$ 7,015,517		\$ 687,724

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The movement in the allowance for loan losses for the years ended December 31, 2021 and 2020 is summarized below:

	2021	2020
Balance at the beginning of the year	\$ 687,724	577,673
Plus:		
Provisions debited to results of operations	954,549	1,852,561
Less:		
Loans written off during the period	(988,355)	(1,742,510)
Balance at the end of the year	\$ 653,918	687,724

(8) Other accounts receivable, net-

As of December 31, 2021 and 2020, the other accounts receivable account is comprised as follows:

	2021	2020
Recoverable ISR	\$ 173,836	164,803
VAT	117,013	203,402
Finsol Brasil (a)	153,138	-
Te creemos (b)	-	133,257
Sundry debtors	19,151	17,371
Other recoverable taxes	-	543
OXXO collections	7,346	7,629
Más Nómina correspondents	-	43,838
Insurance receivables	85,303	41,777
	\$ 555,787	612,620

(a) The account receivable with Finsol Brasil corresponds to a sale agreement with OMNI (See note 1).

(b) Account receivable with Te Creemos Holding and subsidiaries for the sale of Financial Finsol portfolio and trademark

(9) Property, furniture, equipment and improvements to leased premises, net-

As of December 31, 2021 and 2020, the analysis and integration of property, plant, equipment and improvements to leased premises is shown as following page.

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	2021	2020
Investment:		
Leasehold improvements	\$ 839,791	801,846
Computer equipment	269,006	307,159
Office furniture and equipment	199,985	201,282
Building	47,644	47,644
Transportation equipment	11,622	14,342
ATM	9,837	9,837
Land	865	865
	1,378,750	1,382,975
Accumulated depreciation and amortization	(1,231,359)	(1,202,656)
	\$ 147,391	180,319

For the years ended December 31, 2021 and 2020 the depreciation and amortization charged to results of those years amounted to \$56,849 and \$125,120, respectively.

As of December 31, 2020 and 2021, certain assets have been totally depreciated for the amounts of \$1,038,560 and \$925,433, respectively.

(10) Permanent investments-

The investment in associated companies is recognized at their acquisition cost.

As of December 31, 2021 and 2020, the associates are integrated as shown below:

	2021	2020
Investment:		
Se Listo Agente de Seguros y de Fianzas, S. A. de C. V.	\$ 43,538	43,538
MASA RSA (Acción preferente)	1	1
	\$ 43,539	43,539

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(11) Other assets-

a) Goodwill

Goodwill originated from the acquisition of the businesses shown and as of December 31, 2021 and 2020, is analyzed below:

	2021	2020
Indepar	\$ -	178,488
AEF	895,979	895,979
AFI	112,816	112,816
	\$ 1,008,795	1,187,283

The Society has carried out a study to determine whether there is impairment in its long-lived assets in accordance with the provisions of FRS C-15 (Impairment in the value of long-lived assets and their disposal), and for the year ended December 31, 2021, a written off of \$133,339 derived from the Indepar sale contract was recognized (operation subject to authorization by the Central Bank of Brazil, whose approval was received on March 30, 2022) recorded in the caption "Administration and promotion expenses" (see note 1), likewise, \$45,149 were reclassified to "Long-lived assets available for sale" in the consolidated balance sheet.

b) Deferred income charges, prepaid expenses and intangibles

As of December 31, 2021 and 2020, the captions of other assets, deferred income charges, prepaid expenses and intangibles are integrated, as follows:

	2021	2020
Insurance and bond	\$ 84,655	39,391
System developments, net	64,701	68,727
Deposits in guarantee	14,479	20,534
Prepaid expenses	18,530	20,982
Tax advances	8,981	10,613
Licenses and software, net	3,262	6,998
Commission lines of credit	1,480	562
Others	-	79,902
	\$ 196,088	247,709

Amortization charged to income for the year ended December 31, 2021 and 2020, was \$87,006 and \$72,416, respectively.

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(12) Securitization certificates-

	Total amount In USD	Issuance date	Maturity	Interest date	2021	2020
International Bond (1)	250,000,000	Jul-2017	Jul-2024	8.0% USD (9.819% swap weighted MXN)	\$ 3,628,044	\$ 3,670,487
				Accrued interest	158,169	190,135
Total					\$ 3,786,213	\$ 3,860,622

- (1) On July 2017, the Society placed bonds in the international bond market for 250 million dollars, which were issued under rule 144A/Reg. with a term of seven years and an annual interest rate of 8.00%, payable semiannually and can be paid in advance as of July 2021. The bonds are unconditional and irrevocably guaranteed by AEF and AFI.

The Society carried out repurchases during 2021 and 2020 of the "Senior Notes due 2024" issued in July 2017, for 7.5 and 50.1 million dollars, respectively.

For the years ended December 31, 2021 and 2020, interest expenses for secure certificates amount to \$405,502 and \$495,673, respectively, recorded in the caption "Interest expenses" in the consolidated income statement (note 18).

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(13) Bank and other borrowings-

As of December 31, 2021 and 2020, short-term and long-term Bank and other borrowings are as follows:

Institution	Total borrowing and Currency	Maturity date	Guarantee	2021	2020
Short-term					
Foreign currency loans:					
HSBC México, S. A. (HSBC)					
Revolving credit					
Banco Safra S/A (Safra)	25,000 USD	January 2022	1.3 to 1.0	\$ 141,112	\$ 200,467
Revolving credit	1,500 R\$	February 2021	2.0 to 1.0	-	5,750
Revolving credit	1,500 R\$	March 2021	2.0 to 1.0	-	5,750
Revolving credit	2,000 R\$	December 2021	1.5 a 1.0 in cash 15%	-	7,728
Western Alliance	9,700 USD	March 2022	Letter credit	199,479	153,572
Caixa Econômica Federal	20,000 R\$	August 2024	1.0 a 1.0 in cash 15%	-	34
Total short-term foreign currency				\$ 340,591	\$ 373,301
Local currency loans:					
HSBC					
Revolving credit	\$ 462,500	May 2022	1.3 to 1.0	\$ 220,000	\$ 277,879
Revolving credit	615,000	June 2022	1.3 to 1.0	220,000	254,879
BBVA Bancomer, S. A. (BBVA Bancomer)	168,000	March 2022	1.2 to 1.0	100,000	150,000
Banco del Bajío, S. A. (Banco del Bajío)	100,000	February 2022	1.25 to 1.0	100,204	100,185
Banco Monex, S. A. (Monex)	100,000	April 2022	1.25 to 1.0	75,273	-
Banco Sofisa, S.A. (Sofisa)	30,000	December 2021	1.2 a 1.0 in cash 15%	-	115,286
Scotiabank Inverlat, S. A. (Scotiabank)	295,000	May 2022	1.2 to 1.0	178,387	137,304
Banco Ve por Más (Ve por Más)	70,000	December 2022	1.3 to 1.0	90,998	20,013
Nacional Financiera, S. N. C. (NAFINSA)					
Revolving credit	750,000	May 2022	Unsecured	113,566	111,509
Revolving credit	500,000	November 2022	In cash 10%	181,745	283,441
Total short-term foreign currency				\$ 1,280,173	\$ 1,450,496
Total short-term				\$ 1,620,764	\$ 1,823,797
Long term					
Foreign currency loans:					
Caixa Econômica Federal	20,000 R\$	August 2024	1.0 to 1.0 in cash 15%	\$ -	\$ 76,621
Local currency loans:					
Nacional Financiera, S. N. C. (NAFINSA)					
Revolving credit	\$ 500,000	Undefined date	In cash 10%	-	149,791
Total long-term				\$ -	\$ 226,412
Total bank and other borrowings				\$ 1,620,764	\$ 2,050,209

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For the years ended December 31, 2021 and 2020, the balance of bank commissions, lines of credit and services paid amounts to \$68,227 and \$77,141, respectively.

For the years ended December 31, 2021 and 2020, interest expenses for bank loans amount to \$115,059 and \$232,497, respectively (note 18).

(14) Other accounts payable-

As of December 31, 2021 and 2020, the balance of this item is made up as follows:

	2021	2020
Other taxes	\$ 144,515	206,349
Sundry creditors	45,656	48,843
Other provisions	410,671	277,815
Provision for labor obligations	56,051	70,624
Insurance payable	26,303	20,241
Payable ESPS	27,545	4,008
	\$ 710,741	627,880

(15) Income taxes (IT) and Employee Profit Sharing (ESPS)-

IT Law establishes an IT rate of 30%

a) IT

The income tax expense (benefit) for the years ended December 31, 2021 and 2020 is comprised as follows:

	2021	2020
In the results of the period:		
Current	\$ 50,170	(21,920)
Deferred	128,264	76,897
	\$ 178,434	54,977
OCI:		
Deferred	\$ 37,408	58,662

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The tax expense (benefit) attributable to income from continuing operations before income tax and OCI was different from that which would result from applying the 30% IT rate to income before income tax from discontinued operations and OCI as a result of the items mentioned below:

The Society does not consolidate the tax result with its subsidiaries, therefore the information presented below is for informational purposes only.

Current IT

The following is the determination of the current income tax by Mexican entities, through the reconciliation between the accounting result and the tax result for the years ended December 31, 2021 and 2020:

	2021	2020
Income before income taxes	\$ 598,186	100,728
Minus (plus) reconciling items:		
Adjustment for effects of inflation, net	(99,186)	(11,344)
Commissions for granting credit, net	1,707	9,144
Allowance for loan losses	732,868	1,270,655
Deductible loan write-offs	(900,473)	(1,249,072)
Valuation of financial instruments	-	309,603
Other deferred charges and prepayments, net	18,143	(23,187)
Accounting depreciation of property, furniture and equipment	50,097	133,899
Investment tax deduction	(175,153)	(176,469)
ESPS current and deferred	29,148	2,515
Employee benefits provision	35,061	3,255
Provisions	1,095	3,441
Others, net	(46,346)	(22,913)
Tax profit	245,147	350,255
Amortization of tax losses	(138,431)	(350,255)
Tax profit	106,716	-
Applicable rate	30%	30%
Current IT in Mexico	32,015	-
Current IT foreign companies	18,155	-
Total current IT	\$ 50,170	-

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Deferred tax

The income tax effects of temporary differences that give rise to significant portions of deferred income tax assets and liabilities, as of December 31, 2021 and 2020, are detailed below:

	2021	2020
<i>Deferred tax</i>		
Allowance for loan losses	\$ 251,655	373,122
Property, furniture and equipment	84,694	112,988
ESPS payable	4,964	1,202
Deferred ESPS	19,199	(1,089)
Employee benefits provision	14,832	21,720
Provisions	63,514	69,354
Issuance expenses for debt placement	-	14,070
Other deferred credits and advance collections	3,073	4,167
Other deferred charges and prepayments	(28,643)	(40,914)
Tax loss carryforward	184,182	252,497
Valuation of financial instruments	(24,502)	12,906
Others	67,545	105,578
Deferred IT asset, net	\$ 640,513	925,601

During 2021, the deferred income tax asset of the subsidiaries that were sold for an amount of \$49,377 was written off.

The final realization of deferred assets depends on the generation of taxable income in the periods in which the temporary differences are deductible. In carrying out this evaluation, Management considers the expected reversal of deferred liabilities, projected taxable profits and planning strategies.

As of December 31, 2021, tax loss carryforwards expire as shown below:

Year	Updated amount as of December 31, 2021
2026	\$ 263,806
2027	5,007
2028	16,829
2029	18,361
2030	297,203
2031	127,556
	\$ 728,762

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b) ESPS

The ESPS expense for the years ended December 31, 2021 and 2020, is integrated as shown below:

	2021	2020
In the results of the period:		
Current	\$ 27,545	3,268
Deferred	2,351	804
	\$ 29,896	4,072

The temporary differences that originate significant portions of the assets and liabilities of deferred ESPS, as of December 31, 2021 and 2020, are detailed below:

	2021	2020
<u>Deferred ESPS</u>		
Allowance for loan losses	\$ 54,434	-
Property, furniture and equipment	17,451	-
Employee benefits provision	2,817	6,409
Provisions	439	349
Other deferred credits and advance collections	929	(428)
Other deferred charges and prepayments	(6,157)	(1,020)
Deferred ESPS asset, net	\$ 69,913	5,310

The changes in the determination of the ESPS caused by the decree published on April 23, 2021 by the Federal Government, the Institution determined the deferred ESPS applying to the temporary differences of the deferred ESPS, a proportional rate of ESPS caused of 6.49%, which in turn is the result of dividing the ESPS equivalent to the ESPS cap indicated in section III of article 127 of the Federal Labor Law for financial companies and the cap indicated in section VIII of the same numeral for non-financial companies, divided by ESPS caused determined following the procedure established in the IT Law.

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(16) Employees' benefits-

a) Direct benefits in the short and long term:

The Society offers its employees the benefits stipulated in the Federal Labor Law: the seniority premium that is equivalent to 12 days of salary for each year of service (the salary is capped at twice the minimum salary) and the legal compensation that consists of three months salary plus twenty days for each year of service.

b) Post-employment benefits

On April 23, 2021, a decree was issued by the Federal Government to regulate labor subcontracting. As a consequence of this decree and to comply with said regulation, the Society, on July 1, 2021, carried out an employer substitution with the subsidiaries that offered it personnel services, incorporating various employees into its workforce, so that in on that date, employee benefits were increased against their 2021 results as shown below:

Employee benefits		
Coming from employer substitution		2021
Seniority bonus	\$	11,496
Legal compensation and termination benefits		20,250
	\$	31,746

Detail by group company:

Concept	SICOA	Serfincor	SECOFI	AEF	Financiera Independencia	Conexia	Total
Transfers (cash in)	\$ -	-	14,011	9,109	7,169	1,457	31,746
Transfers (cash out)	(8,699)	(13,938)	(9,109)	-	-	-	(31,746)

Cash flows- The group does not have funds to finance the obligations. The payments of the valued benefits were charged directly to income.

The components of the defined benefits cost for the years ended December 31, 2021 and 2020, are shown on the following page.

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		Seniority premium		Legal compensation	
		2021	2020	2021	2020
Current service labor cost	\$	2,244	3,138	3,956	7,016
Net interest on the DBNL or (DBNA*)		730	937	1,278	2,369
Labor cost of the past service generated in the year		3,541	-	11,179	-
Recycling of PNBD remeasurements recognized in OCI		(5,404)	(1,135)	(11,713)	(3,589)
Net cost for the period	\$	1,111	2,940	4,700	5,796
Cost of defined benefits					
Beginning balance of DBNL or (DBNA) *	\$	17,378	14,438	32,862	27,066
Cost (income) of defined benefits		1,111	2,940	4,700	5,796
Ending balance of DBNL or (DBNA)*	\$	18,489	17,378	37,562	32,862

(*) Defined Benefit Net Liability (DBNL) or Defined Benefit Net Assets (DBNA).

Derived from the employer substitution, as of December 31, 2021, all remeasurement effects were recognized in results for the year.

The financing situation of the defined benefit obligation as of December 31, 2021 and 2020 is detailed below.

		Seniority premium		Legal compensation	
		2021	2020	2021	2020
Defined benefit obligations (DBO)	\$	18,489	17,378	37,562	32,862
Plan assets		-	-	-	-
	\$	18,489	17,378	37,562	32,862

As of December 31, 2021 and 2020, the most important assumptions used in determining the net liability for defined benefits and the net cost of the period of the plans are those shown on the following page.

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	2021	2020
Nominal discount rate used to reflect the present value of the obligations		
Servicios Corporativos FINDEP	7.30%	4.60%
Sistemas Corporativos COA	7.15%	4.35%
SerfinCor	7.15%	4.35%
Apoyo Económico Familiar	7.50%	NA
Financiera Independencia	7.25%	NA
Conexia	7.15%	NA
Nominal rate of increase in salary levels		
Servicios Corporativos FINDEP	5.50%	5.00%
Sistemas Corporativos COA	5.50%	5.50%
Serfincor	5.50%	5.50%
Apoyo Económico Familiar	5.50%	NA
Financiera Independencia	5.50%	NA
Conexia	5.50%	NA

(17) Stockholders' equity-

The main characteristics of the accounts that make up stockholders' equity are described below.

a) Structure of capital stock-

The capital stock as of December 31, 2021 and 2020, is made up of 337,500,000 nominative ordinary shares, without par value, fully subscribed and paid, divided into two series: 100,000,000 series "A" shares (Class I), which correspond to the fixed portion of the capital stock without withdrawal rights and 237,500,000 series "A" shares (Class II), which correspond to the variable portion of the capital stock, whose amounts for each series are \$20,000 and \$51,588, respectively, plus the accumulated increase due to updating as of December 31, 2007 of \$85,603; therefore, the capital stock as of December 31, 2021 and 2020 amounts to \$157,191.

A restriction is applicable to the declaration of dividends whenever this payment reduces the Society's capitalization level (defined as the ratio of stockholders' equity to total assets) less than 25%.

According to the Stock Market Law and the Society's corporate bylaws, it has the power to repurchase shares representing its common stock in the understanding that, while these shares are held by the Society, the respective voting or other related rights cannot be exercised at a Stockholders' Meeting or in any other way.

The Society has kept the share repurchase fund active. During 2021 and 2020, the total number of shares repurchased was 28,335,149 and 27,136,617, respectively, which are equivalent to 8.4% and 8%, respectively, of the total shares outstanding and correspond to the stock option plan trust, in both years.

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During fiscal years 2021 and 2020, the net amounts of the acquisitions and relocations of own shares (repurchase fund and stock option plan) were \$9,091 and \$8,149, respectively. The dividends paid corresponding to the shares held in the repurchase fund and in the trusts of the stock option plan are returned to the Society.

The market price of the Society's shares reported by the BMV as of December 31, 2021 and 2020 was \$8.00 and \$7.35 pesos per share, respectively.

Stockholders' equity distribution, except restated paid-in capital and tax retained earnings will be subject to IT by the Society 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 Law IT 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, the same tax treatment was the applicable for dividends.

According to FRS 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:

	2021	2020
<u>Earnings per Share (EPS):</u>		
Profit (loss) net	\$ 346,903	(412,655)
Divided by:		
Average weighted number of shares	309,707,935	249,596,632
EPS (Mexican pesos)	\$ 1.1201	(1.6533)

b) Restrictions on stockholders' equity-

The General Corporations Law requires Society to separate annually 5% of their profits to constitute the statutory reserve until it reaches 20% of the capital stock.

(18) Financial Margin-

For the years ended December 31, 2021 and 2020, the main concepts composing the financial margin correspond to interest income and expenses originated as shown on the following page.

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	2021	2020
Interest income:		
Loan portfolio (note 7):		
Credilnmediato	\$ 1,411,386	1,475,436
Grupal	122,436	618,194
CrediPopular	228,539	274,544
Tradicional	1,307,993	1,212,809
Micronegocios	222,805	116,623
CrediMamá	14,954	17,285
CrediConstruye	-	6
AFI	848,943	746,124
MásNómina	55,964	346,475
	4,213,020	4,807,496
Investments in securities (note 5)	19,662	19,722
Total Interest income	\$ 4,232,682	4,827,218
Interest expenses:		
Borrowings from banks:		
HSBC	\$ (46,508)	(92,488)
NAFINSA	(27,091)	(65,470)
FIRA	-	(5,322)
Ve por Más	(3,545)	(1,666)
Scotiabank	(7,423)	(21,169)
BBVA Bancomer	(8,100)	(15,182)
Pronafin	-	(39)
Monex	(273)	(6,015)
Banco del Bajío	(6,407)	(8,871)
Western Alliance	(6,801)	(8,011)
Saфра	(1,250)	(670)
Sofisa	(7,661)	(7,594)
Subtotal borrowings from banks (note 13)	(115,059)	(232,497)
International bond (note 12)	(405,502)	(495,673)
Securitization certificates	(6,219)	(1,747)
Total interest expenses	\$ (526,780)	(729,917)
Financial margin	\$ 3,705,902	4,097,301

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(19) Financial intermediation-

For the years ended December 31, 2021 and 2020, the main items that make up the financial intermediation are:

	2021	2020
Exchange rate fluctuation, net	\$ (16,479)	(5,151)
Derivatives	(9,746)	385,972
	\$ (26,225)	380,821

(20) Other operating income-

For the years ended December 31, 2021 and 2020, the main items that make up the other operating income item are:

	2021	2020
Income Finsol Brasil	\$ 3,419	-
Income Fisofo	25,236	-
Banregio trust	-	1,172
Other income	43,826	51,906
Service and insurance commissions	93,447	77,798
	\$ 165,928	130,876

(21) Memorandum accounts-

As of December 31, 2021 and 2020, the main items that make up the item of memorandum accounts are shown below:

	2021	2020
Uncollected accrued interest derived from past-due portfolio	\$ 40,237	38,683
Tax losses pending deduction	2,186,261	2,241,976
Written off portfolio	169,005	448,952

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(22) Related parties-

During the normal course of business, the Society carries out transactions with related parties

Related parties are defined as either individuals or entities holding direct or indirect control of 2% or more of the shares representing Society's capital and the members of the Board of Directors. Also considered as related parties are entities, as well as the advisors and officers of the subsidiaries.

As of December 31, 2021 and 2020, there are no balances with related parties.

(23) Commitments and contingent liabilities-

- (a) The Society rents the premises that occupy its administrative offices and warehouses, as well as computers and transportation equipment, in accordance with lease contracts with defined terms. The total rental expense is included in administrative expenses in the consolidated statement of income. The amount of the annual rents payable, derived from the lease contracts with a defined term until 2026, is as follows:

	Amount
2022	\$ 137,690
2023	82,994
2024	52,326
2025 and more	43,998
	\$ 317,008

- (b) In the normal course of their operations, some subsidiaries have commitments derived from service contracts and for the purchase of various goods, which, in some cases, establish conventional penalties in case of non-compliance.
- (c) There is a contingent liability derived from employee benefits, which is mentioned in note 3(o).
- (d) As of December 31, 2021, there are lawsuits against the Society for labor, civil and criminal lawsuits that, in the opinion of Management and its internal and external lawyers, said lawsuits are an ordinary part of the business and, in case of failures in against, they will not significantly affect its financial situation and results. As of December 31, 2021, and 2020, the provision for labor lawsuits decreases to \$19,113 and \$31,011, respectively, recorded in the caption "Other accounts payable".
- (e) In accordance with current tax legislation, the authorities have the power to review up to five fiscal years prior to the last IT.

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- (f) In accordance with the IT Law, companies that carry out operations with related parties are subject to tax limitations and obligations, regarding the determination of the agreed prices, since these must be comparable to those that would be used with or between independent parties. In comparable operations. In the event that the tax authorities review the prices and reject the determined amounts, they could demand, in addition to the collection of the corresponding tax and accessories (updating and surcharges), fines on the omitted contributions, which could be up to 100%. on the updated amount of contributions.

(24) Subsequent event-

In relation to the contract for the sale of Indepar shares to OMNI mentioned in note 1, authorization for the operation was obtained on March 30, 2022 from the Central Bank of Brazil through official letter 7223/2022-BCB/ Deorf/GTSP1.

(25) Regulatory pronouncements recently issued-

I. Regulatory changes in the adoption of FRSs

Pursuant to publications in the Official Gazette dated December 4, 2020 dated December 21, 2021, the National Surveillance Commissions announced the obligation, effective January 1, 2022, to adopt the following Mexican FRS issued by the CINIF: B-17 "Fair value measurement", C-3 "Accounts receivable", C-9 "Provisions, contingencies and commitments", C-16 "Impairment of financial instruments receivable", C-19 "Financial instruments payable", C-20 "Financial instruments to collect principal and interest", D-1 "Revenue from contracts with clients", D-2 "Costs from contracts with clients" and D-5 "Leases". Also the application of Mexican FRS C-2 "Investment in financial instruments", Mexican FRS C-10 "Derivative financial instruments and hedging relationships" and Mexican FRS C 14 "Derecognition and transfer of financial assets" replacing accounting criteria B-2 "Investments in securities", B-5 "Derivatives" and Accounting Criteria to Specific Criteria of the C series. Pursuant to the transitory articles mentioned in the Banking Regulations, and as a practical solution, credit institutions, in the application of the accounting criteria in exhibit 33, that are modified, may recognize on the date of initial application, that is, on January 1, 2022, the cumulative effect of the accounting changes. Also, the basic (consolidated) quarterly and annual financial statements required from institutions under the Banking Regulations relating to the period ended December 31, 2022, should not be presented with comparisons with each quarter of the year 2021 and for the year ended December 31, 2021.

It is worth mentioning that on September 23, 2021, the Official Gazette of the Federation issued the Resolution that modifies the General regulations applicable to Credit Institutions, published on March 13, 2020, to continue using, during 2022, the contractual interest rate for the accrual of interest on the loan portfolio, as well as the application of the straight-line method for the recognition of origination fees and the accrual of transaction costs, as provided by accounting criteria B-6 in force until December 31, 2021, with such circumstance required to be disclosed in the 2022 quarterly and annual financial statements.

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Also, it must apply the “Clarifications to Specific Rules”, which the Regulator considers necessary given the specialized transactions of the financial sector. Identifying, as the most relevant, that the loan portfolio should not be included in the scope of Mexican FRS C-20 and shall follow the guidelines and modifications of the new criterion B-6 “Loan portfolio”, the specifications to Mexican FRS C-16 in the scope and determination of the allowance for loan losses and clarifications to Mexican FRS D-5 “Leases”.

i) Below is a brief description of the Mexican FRS effective on January 1, 2022, which are incorporated into the accounting criteria of the previous amending resolutions, together with the application of the Clarification to Specific Rules of the Accounting Criteria of the regulators and the Accounting Bulletins of particular rules:

Mexican FRS B-17 “Fair value measurement” – FRS B-17 must be applied in determining the fair value. This FRS provides for the valuation and disclosure standards in the determination of the fair value, in its initial and subsequent recognition, if the fair value is required or permitted by other specific FRSs. Where applicable, changes in valuation or disclosure should be recognized prospectively. It defines fair value as the exit price that would be received for selling an asset or paid to transfer a liability in an orderly transaction between market participants at the valuation date. It is mentioned that fair value is a determination based on the market and not on a specific value of an asset or a liability and that when determining fair value, the entity must use assumptions that market participants would use when setting the price of an asset or a liability under current market conditions at a given date, including assumptions about the risk. As a result, the Society’s intention to hold an asset or liquidate, or otherwise satisfy a liability, is not relevant in the determination of fair value.

Clarifications adjusting the specific rules of recognition, valuation, presentation and, where appropriate, disclosure of this Mexican FRS, which are mandatory to the Society, are as follows:

In determining fair value, the following must be considered:

- a) Updated prices for valuation determined using internal valuation models cannot be classified as Level 1.
- b) With respect to the financial instruments referred to in sections I to III of Article 175 Bis 2 of the Banking Regulations, the provisions of this Mexican FRS shall not apply, and the provisions of Parts A and B of Chapter I, Section Two, Title Three, of the Banking Regulations.
- c) With respect to financial instruments other than those indicated in the preceding paragraph, as well as virtual assets, in addition to the provisions of Part C of Chapter I, Section Two, Title Three, of the Banking Regulations, the provisions of Mexican FRS B-17 must be considered.

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Additionally, the following disclosures are required:

- i. The type of virtual asset and/or financial instrument to which an internal valuation model is applicable.
- ii. When the volume or level of activity has decreased significantly, the adjustments that have been applied to the valuation adjusted price must be explained.
- d) With respect to assets or liabilities other than those indicated in the previous sections, Mexican FRS B-17 must be applied when other specific Mexican FRS requires or allows fair value valuations and/or disclosures thereon.

Management recognized the initial effect of the entry into force of this standard, which it considers immaterial for the purposes of the consolidated financial statements as a whole.

Mexican FRS C-2 “Investment in financial instruments” – The Accounting Criteria issued by the Commission “Investments in securities” (B-2) is repealed and it is provided that the Mexican FRS C-2 must be applied, in connection with the application of the rules related to the registration, valuation and presentation in the financial statements of its investments in financial instruments as follows:

- Eliminates the concept of intention for the classification of instruments.
- The business model concept is adopted for the classification and measurement of financial instruments as follows:
 - If the business model is to generate a profit through receiving cash flows of a contractual return on financial instruments, they are recognized at amortized cost, and are called financial instruments to collect principal and interest.
 - If the business model is to generate a profit through a contractual return and sell them at the right time, they are recognized at fair value through OCI and are called financial instruments to collect or sell.
 - If the business model is to generate a profit based on their purchase and sale, these instruments are recognized based on their fair value, but through net profit or loss, and are called negotiable financial instruments.
- The reclassification of investments in financial instruments between the categories of financial instruments receivable, financial instruments to collect or sell and negotiable financial instruments is not allowed, unless the entity’s business model changes.

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- Adopts the principle that all financial instruments are valued on initial recognition at fair value. Therefore, if there is an acquisition of a financial instrument at a price other than observable market prices, said value must be adjusted to observable market prices immediately.

Clarifications adjusting the specific rules of recognition, valuation, presentation and, where appropriate, disclosure of this Mexican FRS, which are mandatory to the Society, are as follows:

- The exception to irrevocably designate, in its initial recognition, a financial instrument to collect or sell to be subsequently valued at fair value with effects on net income referred to in Mexican FRS C-2 will not be applicable to the entities.
- Expected loan losses due to impairment of investments in financial instruments to collect or sell must be determined in accordance with the provisions of Mexican FRS C-16.

Reclassifications:

Entities that carry out reclassifications of their investments in financial instruments under the Mexican FRS C-2 must report it in writing to the Commission within 10 business days following the authorization issued for such purposes by their Risk Committee, stating in detail the change in the business model that justifies them.

Management recognized the initial effect of the entry into force of this standard, which it considers immaterial for the purposes of the consolidated financial statements as a whole.

Mexican FRS C-3 "Accounts receivable" – This FRS will only be applicable to the "other accounts receivable" referred to in paragraph 20.1 of said FRS. The main characteristics issued for this Mexican FRS, are shown below:

- It cancels Bulletin C-3 "Accounts receivable".
- Specifies that accounts receivable that are based on a contract represent a financial instrument, while some of the other accounts receivable generated by a legal or fiscal provision may have certain characteristics of a financial instrument, such as generating interest, but they are not financial instruments in themselves.
- It states that the allowance for collectability for trade accounts receivable is recognized from the moment in which the income accrues, based on the expected credit losses.

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- It states that, since the initial recognition, the value of money over time should be considered, so if the effect of the present value of the account receivable is important in consideration of its term, it should be adjusted based on said present value. The effect of the present value is material when the collection of the account receivable is agreed, totally or partially, for a term greater than one year, since in these cases there is a financing transaction. The accounting changes that arise must be recognized retrospectively; however, the valuation effects can be recognized prospectively.

Clarifications adjusting the specific rules of recognition, valuation, presentation and, where appropriate, disclosure of this Mexican FRS, which are mandatory to the Society, are as follows:

For the purposes of Mexican FRS C-3, accounts receivable from transactions that relate to the following should not be included:

Criteria B-3 "Repurchases", B-4 "Securities lending" and B-6 "Loan portfolio", issued by the Commission.

Those corresponding to acquired collection rights defined in Criterion B-6, and paragraph 72 of this criterion, relating to accounts receivable from operating leases.

This, since the applicable recognition, valuation, presentation and disclosure standards are already contemplated in them.

Transactions between the entity and its agencies and branches

Items resulting from transactions between the entity and its agencies and branches will be cleared at least at the end of each month, so they should not present any balance on that date.

Management recognized the initial effect of the entry into force of this standard, which it considers immaterial for the purposes of the consolidated financial statements as a whole.

Mexican FRS C-9 "Provisions, contingencies and commitments" – It cancels Bulletin C-9 "Liabilities, provisions, contingent assets and liabilities and commitments", its scope is reduced by relocating the topic related to the accounting treatment of financial liabilities in the Mexican FRS C-19 "Financial instruments payable" and the definition of liability is modified by eliminating the qualifier "virtually unavoidable" and including the term "probable".

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Clarifications adjusting the specific rules of recognition, valuation, presentation and, where appropriate, disclosure of this Mexican FRS, which are mandatory to the Society, are as follows:

- The provisions of Mexican FRS C-9 will not be applicable in determining the guarantees (*avales*) granted, in which case the provisions of B-8 "Guarantees" will apply.
- Credit Card

Letters of credit issued by the entity upon receipt of its amount are subject to Mexican FRS C-9.

The liability arising from the issuance of the letters of credit referred to in the preceding paragraph will be presented in the statement of financial position, under other accounts payable.

Management recognized the initial effect of the entry into force of this standard, which it considers immaterial for the purposes of the consolidated financial statements as a whole.

Mexican FRS C-13 "Related parties" – Clarifications adjusting the specific rules of recognition, valuation, presentation and, where appropriate, disclosure of this Mexican FRS, which are mandatory to the Society, are as follows:

For purposes of complying with the disclosure standards contained in Mexican FRS C-13, entities must additionally consider as related party:

- a) the members of the board of directors of the holding company or financial entities and companies that are members of the Institution to which, if applicable, it belongs;
- b) persons other than key management personnel or relevant executives or employees who, with their signature, may bind the entity;
- c) legal entities in which key management personnel or relevant executives of the entity are directors or administrators or hold any of the first three hierarchical levels in said legal entities, and
- d) legal entities in which any of the persons indicated in the preceding paragraphs, as well as in Mexican FRS C-13, have power of command, this being understood as the *de facto* capacity to decisively influence the resolutions adopted at shareholders' meetings or meetings of the board of directors or by the management, conduct and execute the business of the entity in question or of the legal entities it controls.

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In addition to the disclosures required by Mexican FRS C-13, entities must disclose, in aggregate form, through notes to the financial statements, information of any transactions between related parties, including:

- a) A generic description of the transactions, such as:
 - loans made or received,
 - transactions with financial instruments where the issuer and holder are related parties,
- b) any other information necessary to fully understand the transaction, and
- c) the full amount of employee benefits provided to key management personnel or relevant executives of the entity.

Disclosure is only required for transactions with related parties that represent more than 1% of the net capital of the month prior to the date of preparation of the relevant financial information. The net capital will be determined in accordance with the capital requirements in the Banking Regulations.

Management recognized the initial effect of the entry into force of this standard, which it considers immaterial for the purposes of the consolidated financial statements as a whole.

Mexican FRS C-14 “Derecognition and transfer of financial assets” – The main change in this standard related to the principle of transfer of risks and benefits of ownership of the financial asset, as a fundamental condition for derecognizing it. This means that when commercial, industrial and service entities discount accounts or documents receivable with recourse, they may not present the amount of the discount as a credit to the accounts and documents receivable, but rather as a liability. Similarly, financial entities may not derecognize the financial asset with a mere transfer of control over the asset.

Clarifications adjusting the specific rules of recognition, valuation, presentation and, where appropriate, disclosure of this Mexican FRS, which are mandatory to the Society, are as follows:

- With respect to the collateral received referred to in paragraph 44.7 of Mexican FRS C-14, the receiver is required to recognize the collateral received in memorandum accounts. In cases where the receiver has the right to sell or pledge the collateral, the transferor must reclassify the asset in its statement of financial position, presenting it as restricted.

Recognition of financial assets

Recognition rules exist for the receiving entity in cases where the transfer results in a derecognition of the financial asset by the transferor.

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Management recognized the initial effect of the entry into force of this standard, which it considers immaterial for the purposes of the consolidated financial statements as a whole.

Mexican FRS C-16 “Impairment of financial instruments receivable” – It states that, to determine the recognition of the expected loss, the historical experience of the credit loss entity, the current conditions and the reasonable and sustainable forecasts of the different quantifiable future events that could affect the amount of future cash flows to be recovered from financial instruments receivable (IFC) must be considered.

It also indicates that the expected loss should be recognized when, as the credit risk has increased, it is concluded that part of the financial instruments receivable’s future cash flows will not be recovered.

Clarifications adjusting the specific rules of recognition, valuation, presentation and, where appropriate, disclosure of this Mexican FRS, which are mandatory to the Society, are as follows:

- For the purposes of Mexican FRS C-16, assets derived from transactions referred to in B-6, issued by the Commission, should not be included, since the standards for the valuation, presentation and disclosure of such assets are contemplated in the aforementioned criterion.
- Allowance for expected loan losses. It states that for accounts receivable other than a credit portfolio, allowances must be established that reflect the degree of irrecoverability in accordance with Mexican FRS C-16.
- Overdrafts in checking accounts of the entity’s clients, who do not have a line of credit for such purposes, will be classified as past due debts and the entities are required to establish, simultaneously with said classification, an allowance for the full amount of said overdraft, at the time such an event occurs.
- Regarding transactions with uncollected documents for immediate collection referred to in B-1 “Cash and cash equivalents”, 15 calendar days following the date on which they have been transferred to the item that originated them, they will be classified as past due debts and their allowance must be established simultaneously for the full amount thereof.
- For purposes of determining the amount of the expected credit loss referred to in paragraph 45.1.1 of Mexican FRS C-16, the effective interest rate used to determine the present value of the cash flows to be recovered must be adjusted when it is decided to modify said rate in accordance with the provisions of paragraph 61 of this criterion. When the entity uses the practical solutions referred to in paragraph 42.6 of Mexican FRS C-16, the creation of allowances shall be for the full amount of the debt and shall not exceed the following terms:
 - a) 60 calendar days after their initial registration, when they relate to unidentified debtors, and

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- b) 90 calendar days after their initial registration, when they relate to identified debtors, no allowance for expected loan losses will be created for:
- balances for taxes payable, and
 - accreditable value added tax.

Expected loan losses due to the impairment of investments in financial instruments as indicated in section 45 of Mexican FRS C-2 must be determined in accordance with the provisions of Mexican FRS C-16. In this regard, although the Commission does not establish specific methodologies for their determination, it would be expected that the expected loan losses due to the impairment of securities issued by a counterparty are consistent with the impairment determined for loans made to the same counterparty.

With respect to the determination of the estimated impact on the Financial Statements on the transition date, the Society will apply the rating methodologies to make up the amount of reserves of financial assets under Bulletin B-6 "Loan Portfolio" and the guidelines for the Banking Regulations applicable as of January 1, 2022.

Regarding the determination of the impairment applicable to investments in financial instruments as indicated in section 45 of Mexican FRS C-2, the Management has determined the loan losses in accordance with the provisions of Mexican FRS C-16 and is consistent with the loan portfolio rating methodology. Management recognized the initial effect of the entry into force of this standard, which it considers immaterial for the purposes of the financial statements as a whole.

Management recognized the initial effect of the entry into force of this standard, which it considers immaterial for the purposes of the consolidated financial statements as a whole.

Mexican FRS C-19 "Financial instruments payable" – The main characteristics issued for this Mexican FRS are shown below:

- Provides for the possibility of valuing certain financial liabilities at fair value, upon satisfaction of certain conditions, after their initial recognition.
- Value long-term liabilities at their present value at initial recognition.
- When restructuring a liability, without substantially modifying the future cash flows to settle the same, the costs and commissions paid in this process will affect the amount of the liability and be amortized over a modified effective interest rate, instead of affecting directly the net profit or loss.
- Incorporates the provisions of IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments", a topic not included in the existing regulations.

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- The effect of extinguishing a financial liability must be presented as a financial result in the statement of comprehensive income.
- Introduces the concepts of amortized cost to value the financial liabilities and the effective interest method, based on the effective interest rate.

Clarifications adjusting the specific rules of recognition, valuation, presentation and, where appropriate, disclosure of this Mexican FRS, which are mandatory to the Society, are as follows:

- For the purposes of Mexican FRS C-19, the liabilities related to the transactions referred to in B-3 and B-4 are not included, as they are already contemplated in said criteria.

Initial recognition of a financial instrument payable

The provisions of paragraph 41.1.1, number 4, of Mexican FRS C-19 will not apply regarding the use of the market rate as the effective interest rate in the valuation of the financial instrument payable when both rates are substantially different.

Financial instruments payable valued at fair value.

The exception to irrevocably designate in its initial recognition a financial instrument payable to be subsequently valued at fair value with effects on the net result referred to in section 42.2 of Mexican FRS C-19 will not be applicable to entities.

Management recognized the initial effect of the entry into force of this standard, which it considers immaterial for the purposes of the consolidated financial statements as a whole.

Mexican FRS C-20 “Financial instruments to collect principal and interest” – The main characteristics issued for this Mexican FRS, are shown below:

- The manner of classifying financial instruments in assets is modified, as the concept of intention to acquire and hold them is discarded to determine their classification, instead the concept of management’s business model is adopted.
- This classification groups financial instruments the purpose of which is to collect the contractual cash flows and obtain a gain for the contractual interest they generate, having a loan characteristic.
- They include financial instruments generated by sales of goods or services, financial leases or loans, as well as those acquired in the market.

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Clarifications adjusting the specific rules of recognition, valuation, presentation and, where appropriate, disclosure of this Mexican FRS, which are mandatory to the Society, are as follows:

- For the purposes of Mexican FRS C-20, the assets originated by the transactions referred to in B-6, issued by the Commission, should not be included, since the recognition, valuation, presentation and disclosure standards for the initial and subsequent recognition of such assets are already contemplated in said criterion.
- Initial recognition of a financial instrument to collect principal and interest. The provisions of paragraph 41.1.1 number 4 of Mexican FRS C-20 will not apply regarding the use of the market rate as the effective interest rate in the valuation of the financial instrument to collect principal and interest when both rates are substantially different.

Fair Value Option

The option to irrevocably designate in its initial recognition a financial instrument to collect principal and interest, to be subsequently valued at fair value with effects on the net result referred to in paragraph 41.3.4 of the Mexican FRS C-20, will not be applicable.

Management recognized the initial effect of the entry into force of this standard, which it considers immaterial for the purposes of the consolidated financial statements as a whole.

Mexican FRS D-4 “Income Tax”

Clarifications adjusting the specific rules of recognition, valuation, presentation and, where appropriate, disclosure of this Mexican FRS, which are mandatory to the Society, are as follows:

Regarding the disclosure required under Mexican FRS D-4 of temporary differences, those differences related to the financial margin and the main transactions of the entities must also be disclosed.

Management recognized the initial effect of the entry into force of this standard, which it considers immaterial for the purposes of the consolidated financial statements as a whole.

Mexican FRS D-1 “Revenue from contracts with clients” – The main characteristics issued for this Mexican FRS are shown below:

- The transfer of control, basis for the opportunity of revenue recognition.
- The identification of the obligations to fulfill in a contract.
- The allocation of the transaction price between the obligations to be fulfilled based on the independent sale prices.

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- The introduction of the concept of conditioned account receivable.
- The recognition of collection rights.
- The valuation of income.

Management recognized the initial effect of the entry into force of this standard, which it considers immaterial for the purposes of the consolidated financial statements as a whole.

Mexican FRS D-5 “Leases” – The application for the first time of this Mexican FRS generates accounting changes in the financial statements mainly for the lessee and grants different options for recognition. Among the main changes are the following:

- Eliminates the classification of leases as operative or capitalizable for a lessee, and the latter must recognize a lease liability to the present value of the payments and an asset for the right of use for that same amount, of all the leases with a duration greater than 12 months, unless the underlying asset is of low value.
- An expense is recognized for depreciation or amortization of assets for right of use and an interest expense on lease liabilities.
- It modifies the presentation of the related cash flows since the cash flow outflows of the operating activities are reduced, with an increase in the outflows of cash flows from the financing activities.
- Modifies the recognition of the gain or loss when a seller-lessee transfers an asset to another entity and leases that asset back.

The accounting recognition by the lessor does not change in relation to the previous Bulletin D-5, and only some disclosure requirements are added.

Clarifications adjusting the specific rules of recognition, valuation, presentation and, where appropriate, disclosure of this Mexican FRS, which are mandatory to the Society, are as follows:

Finance leases

The provisions of this Mexican FRS will not be applicable to loans made by the entity for finance lease transactions, subject manner of B-6, with the exception of the provisions of paragraph 67 of B-6.

For the purposes of the provisions of paragraph 42.1.4, subsection c) and subsection d) of Mexican FRS D-5, it will be understood that the term of the lease covers most of the economic life of the underlying asset, if said lease covers the least 75% of its useful life. Also, the present value of the lease payments is substantially the entire fair value of the underlying asset, if said present value constitutes at least 90% of said fair value.

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Operating leases

Accounting for lessor

In the amount of amortizations that have not been settled within a period of 30 calendar days following the due date of the payment, lessor must create the relevant allowance, suspending the accumulation of income, including control thereof in memorandum accounts under "Other registration accounts".

Lessor must present in the statement of financial position the account receivable under "Other registration accounts", and the rental income under "Other income (expenses)" of the transaction in the statement of comprehensive income.

Regarding the estimated impact on the Financial Statements on the transition date, the Group has chosen to apply the provisions of Article Transitory Eight of the Resolutions (Official Gazette of the Federation, December 4, 2020), which consists of recognizing lease liabilities in an amount equal at the current value of the future payments committed as of January 1, 2022. With respect to the asset, it has been decided to record right-of-use assets in an amount equal to the lease liabilities. As a result, the Group has determined that the initial impact and recognized right of-use assets and lease liabilities amounted \$334,570 and \$297,418, respectively. from office and branch leases.

ii) The main amendments to the Standards regarding recognition, valuation, presentation and disclosure applicable to specific items of the financial statements are detailed below:

A. B-1 "Cash and cash equivalents"

It states to include within this item of the financial statements the "cash equivalents", which are short-term, highly liquid securities, easily convertible into cash, subject to immaterial risks of changes in their value and held to meet short-term commitments other than for investment purposes; they can be denominated in Mexican or foreign currency; for example, interbank loan transactions agreed for a term of less than or equal to three business days, the purchase of foreign currency that are not considered derivative financial instruments as provided by the Central Bank in the applicable regulation, as well as other cash equivalents such as correspondents, documents of immediate collection, precious metals and highly liquid financial instruments.

Highly liquid financial instruments are securities the disposal of which is expected within a maximum of 48 hours from their acquisition, generate returns and have immaterial risks of changes in value.

Management recognized the initial effect of the entry into force of this standard, which it considers immaterial for the purposes of the consolidated financial statements as a whole.

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B. B-6 "Loan portfolio"

The main amendments to B-6 are as follows

- Definitions. New accounting definitions are included to ensure the incorporation of international accounting criteria, such as: Portfolio with stage 1, 2 and 3 credit risk, amortized cost, transaction costs, effective interest rate, effective interest method.
- Standards of recognition and valuation:

Business Model:

- In determining the business model (BM) used by the Entity to administer and manage the loan portfolio and whether contractual cash flows will be obtained from the flows, from the sale of the loan portfolio, or both. It states that the BM is a question of facts and not of an intention or affirmation.
- It states that the loan portfolio must be recognized under B-6 if the objective of the BM is to keep it to collect the contractual cash flows and the terms of the contract provide for cash flows on pre-established dates that correspond only to payments of principal and interest on the principal amount outstanding. That if this is not fulfilled, it must be dealt with in accordance with the provisions of Mexican FRS C-2, "Investment in financial instruments".
- It provides for the criteria to identify the considerations to determine the realization of the contractual cash flows of the loan portfolio, either through collection or sale. Although it states that sales do not determine the BM, it clarifies that a historical analysis of past sales and expectations of future sales must be conducted.
- It states that the BM may be to keep the loan portfolio to collect its cash flows, even if the entity sells it when there is an increase in its credit risk and indicates that there is no inconsistency when sales are made of the high risk portfolio. In determining the business model (BM) used by the Entity to administer and manage the loan portfolio and whether the payments will come from contractual cash flows, from the sale of the loan portfolio, or from both. It states that the BM is a question of facts and not of an intention or affirmation.

Initial recognition:

- It states that the balance in the loan portfolio will be the amount effectively granted to the borrower and will be recorded separately from the transaction costs, as well as the items collected and defined in the bulletin, which will be recognized as a charge or deferred credit, as appropriate, and amortized against the results of the year during the life of the loan, according to the effective interest rate.

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- It provides for the mechanism for determining and recording the effective interest rate.
- Regarding reclassifications of the loan portfolio measured at amortized cost, it will be allowed if the BM is changed. It indicates that these changes must be infrequent and determined by the highest authority of the entity. The modification of the BM must be communicated to the Commission (within 10 business days following its determination) and must be registered prospectively without modifying previously recognized results.

Subsequent recognition:

- It states that the loan portfolio must be valued at its amortized cost, which includes increases due to effective interest accrued, decreases due to the amortization of transaction costs and items collected in advance, as well as decreases due to collections of principal and interest and for the allowance for loan losses.
- It states that the commissions recognized after the making of the loan, as part of the maintenance of said loans, and those of loans that have not been placed, will be recognized against the results of the year on the date they are accrued.

Loan portfolio renegotiations:

- It states that, if an Entity restructures a loan with credit risk stages 1 and 2, or partially liquidates it through a renewal, it must determine the profit or loss in the renegotiation as follows:
 - a) It determines the carrying value of the loan without considering the allowance of loan losses;
 - b) It determines the new future cash flows on the restructured or partially renewed amount, discounted at the original effective interest rate, and
 - c) It recognizes the difference between the carrying value and the cash flows determined in subparagraph b) above as a deferred charge or credit against the profit or loss from loan portfolio renegotiation in the statement of comprehensive income.

It provides for the categorization of the loan portfolio by level of credit risk:

Portfolio with stage 1 credit risk

Loans made and acquired by the entity will be recognized in this category, as long as they do not meet the categorization criteria referred to in the sections Transfer to loan portfolio with stage 2 credit risk and Transfer to loan portfolio with stage 3 credit risk.

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Loans that meet the conditions to be considered stage 2 credit risk may remain in stage 1 when compliance with the requirements contained in the Banking Regulations is proven, which must be duly documented in the risk policies.

Transfer to loan portfolio with stage 2 credit risk

Loans must be recognized as a loan portfolio with stage 2 credit risk, in accordance with the provisions of the Banking Regulations, with the exception of the loans described in the paragraph corresponding to the guidelines for applying the registration of Transfer to loan portfolio with stage 3 credit risk.

Transfer to loan portfolio with stage 3 credit risk

The unpaid balance in accordance with the payment conditions in the loan agreement must be recognized as a loan portfolio with stage 3 credit risk, as provided in paragraph 91. It is worth mentioning that the revolving consumer portfolio product is modified to remain in this stage when it maintains 90 days of past due payments. (3 months).

Regarding the determination of the impact on the Financial Statements on the transition date, Management has completed the implementation of this criterion and the results obtained are described below:

It turned out that the Amortized Cost Business Model corresponds to the administration and management of almost the entire loan portfolio. Also, it complies with the evaluation if the contractual flows correspond only to payments of principal and interest in order to maintain it until maturity.

On the other hand, it is necessary to comment that Management opted for the facility issued by the regulator, as indicated in the second paragraph of this Note, so that the Society during 2022 can continue to use the contractual interest rate for the accrual of the interest of the loan portfolio, as well as the application of the straight-line method for the recognition of origination fees and the accrual of transaction costs, as provided in accounting criteria B-6 in force until December 31, 2021, disclosing such circumstance in the quarterly and annual financial statements for said fiscal year. This situation that has already been notified to the authority.

C. "Allowance for loan losses"

The Society, for the purpose of calculating and establishing the allowance for loan losses, must qualify from their initial recognition the credits of their Credit Portfolio based on the criterion of significant increase in credit risk. This criterion will be applied from the moment of origination and throughout the life of the credit, even when it has been renewed or restructured.

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Society may choose one of the following approaches:

- I. The Standard Approach, which will be applicable to consumer, commercial and mortgage loan portfolios. Institutions that opt for this approach to calculate their preventive reserves must abide by the requirements and procedures contained in Chapter V Bis, which describes the General Standard Methodologies by type of loan portfolio.

This approach introduces new criteria for the classification and measurement of financial instruments, which are based on the joint consideration of the Business Model (i.e. the way in which the Entity manages its assets to obtain the contractual cash flows) and the analysis of the characteristics of the contractual flows of said instruments (i.e. SPPI test for its acronym in English: "Solely Payments of Principal and Interests"). Likewise, it introduces the concept of "Significant Increase in Risk" for which the reserves must be estimated for the contractual life of the credit. For those who have not presented an increase in risk, the expected loss at 12 months can be estimated. The usual approach to estimate credit losses in collective loans is by estimating the Expected Loss (EL) that uses the parameters of Probability of Default (PD), Severity of Loss (SL) and Exposure to Default (ED). This calculation must also include the possible impact on credit risk due to prospective information.

- II. The Internal Approach, which is applicable to all modelable portfolios, using the Internal Reserve Methodologies based on FRS C-16 referred to in Chapter V Bis 1, which refers to two models (Basic and Advanced) . In this case, the Institutions will comply with the requirements contained in the aforementioned chapter and in Annex 15 Bis."

Internal approach – Basic model, each credit institution will perform its own calculation of the Probability of Default (PD) considering its positions subject to credit risk, and in the case of Severity of Loss (SL) and Exposure to Default (ED) in accordance with the provisions of the Standard Methodology of the Commission (applicable only to Commercial Credit Portfolio).

Internal approach – Advanced model, in which the Institutions must estimate their own PD, SL and ED. (Applicable to Commercial Credit, Consumer and Mortgage Portfolios).

Loans belonging to portfolios that are not included in the relevant Modelable Portfolios will be rated according to the General Standard Methodology.

(Continued)

**Financiera Independencia, S. A. B. de C. V., Sociedad Financiera de Objeto Múltiple,
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(Thousands of Mexican pesos)

For the application of the internal approach, two main requirements are established in Annex 15 Bis, which are:

- 1) Implementation plan: Which establishes notifying the Banking Commission by free writing, 90 days in advance of the implementation, as well as stipulating within the writing the knowledge and authorization of the Council, it must be signed by the General Director or in his absence, by the legal representative empowered to commit the Institution's resources. Additionally, specific requirements are established for its monitoring and measurement.
- 2) Request some basic conditions such as having systems and infrastructures that support the applicability of the methodology, annual monitoring of reviews of the implemented models, among others.

Credit Society must identify and classify the Credit Portfolio, as defined in the General Provisions applicable to credit institutions, by level of credit risk, in accordance with what is indicated below:

- a) Stage 1 to loans that do not present evidence of an increase in the level of credit risk, when they do not show any of the assumptions to be classified in this stage in accordance with the corresponding General Standard Rating Methodology, in accordance with this Resolution.
- b) Stage 2, when at the time of rating the credits present evidence of an increase in the level of credit risk to be classified in this stage in accordance with the corresponding General Standard Rating Methodology, in accordance with this instrument.
- c) Stage 3 to the credits that at the time of qualification meet the requirements to be classified in Stage 3 in accordance with the General Standard Methodology of qualification that corresponds to them, in accordance with this Resolution.

Credit Society, in order to constitute the amount of preventive reserves for credit risks, may choose to:

- I. They will recognize in stockholders' equity, within retained earnings, as of January 31, 2022, the initial accumulated financial effect derived from applying the corresponding credit portfolio rating methodology for the first time, and will disclose it in quarterly and annual financial statements. the relevant data of this operation requested by the Commission.
- II. Constitute the amount of allowance loan losses at 100%, within a period of 12 months, counted from January 31, 2022. The institution will disclose in quarterly and annual financial statements the relevant data of this operation requested by the Commission.

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Management recognized the initial effect of the adoption of the new methodology for calculating reserves within "retained earnings" for a unfavorable amount of \$245,816, which was recorded on January 1, 2022.

Improvements to 2022 Mexican FRS

In September 2021, the CINIF issued the document called "Improvements to 2022 Mexican FRS", which contains specific amendments to some existing Mexican FRSs. The main improvements that generate accounting changes are as follows:

Mexican FRS B-15 "Foreign currency conversion" - This improvement consists of incorporating within the FRS the practical solution for the preparation of complete financial statements for legal and tax purposes when the recording and reporting currency is the same, even when both are different from the functional currency, without carrying out the conversion to the functional currency, indicating the entities that can opt for this solution. This improvement repeals the Interpretation to FRS 15 "Financial statements the reporting currency of which is the same as the recording currency, but different from the functional currency" and comes into effect for the years beginning on or after January 1, 2022, allowing early application for the year 2021. The accounting changes that arise must be recognized prospectively as provided in FRS B-1 "Accounting changes and error corrections".

Mexican RFS D-3 "Benefits to employee" - It considers the effects on the determination of the deferred employee profit sharing (profit sharing) derived from the changes in the determination of the profit sharing incurred by the decree published on April 23, 2021 by the Federal Government. This improvement comes into force for the years that start on January 1, 2022, allowing early application for the year 2021. The accounting changes that arise must be recognized prospectively as provided in FRS B-1 "Accounting changes and error corrections".

Mexican FRS B-1 "Accounting changes and error corrections" - It eliminates the requirement to disclose *pro forma* information when there is a change in the structure of the economic entity. This improvement comes into force for the years that start on January 1, 2022, allowing early application for the year 2021. The accounting changes that arise must be recognized prospectively as provided in FRS B-1 "Accounting changes and error corrections".

Mexican FRS B-10 "Effects of inflation" - It modifies the disclosure requirement when the entity operates in a non-inflationary economic environment to limit them to being made when the entity considers it relevant. This improvement comes into force for the years that start on January 1, 2022, allowing early application for the year 2021. The accounting changes that arise must be recognized prospectively as provided in FRS B-1 "Accounting changes and error corrections".

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Mexican FRS B-17 “Fair value measurement” – It eliminates the requirement of disclosures for changes in an accounting estimate derived from a change in a valuation technique or in its application. This improvement comes into force for the years that start on January 1, 2022, allowing early application for the year 2021. The accounting changes that arise must be recognized prospectively as provided in FRS B-1 “Accounting changes and error corrections”.

Mexican FRS C-6 “Property, plant and equipment” – It eliminates the requirement to disclose the planned time for construction in progress, when there are approved plans for it. This improvement comes into force for the years that start on January 1, 2022, allowing early application for the year 2021. The accounting changes that arise must be recognized prospectively as provided in FRS B-1 “Accounting changes and error corrections”.

The Society’s Management estimates that the effects of adopting the improvements to the FRS shall not be material for the consolidated financial statements as a whole.

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In order to exchange Existing Notes in the Exchange Offer and Consent Solicitation, an Eligible Holder should review the directions contained in this Exchange Offer Memorandum and arrange for the delivery of its Existing Notes through ATOP by the Expiration Date (or the Early Expiration Date, if such holder wishes to receive the Total Exchange Consideration). Please note that an Eligible Holder of Existing Notes desiring to participate in the Exchange Offer and Consent Solicitation must instruct its bank, broker, dealer, trust company or other custodial entity (pursuant to the procedures of the custodial entity) to tender its Existing Notes on such Eligible Holder's behalf.

The Information and Exchange Agent for the Exchange Offer is: D.F. King & Co., Inc.

By Mail/Overnight Courier/Hand:
D.F. King & Co., Inc.
48 Wall Street
New York, NY 10005

Telephone +1(212) 269-5550
or toll-free in the U.S. +1 (888) 478-5040

E-mail address for inquiries and to request materials:
findep@dfking.com

Website: www.dfking.com/findep

Any questions or requests for assistance or for additional copies of this Exchange Offer Memorandum, any public announcement made by the Company in connection with the Exchange Offer and Consent Solicitation, and any amendments or supplements to this Exchange Offer Memorandum may be directed to the Information and Exchange Agent at one of its telephone numbers, its e-mail address or its website set forth above.

Any questions regarding the terms of the Exchange Offer should be directed to the Dealer Manager and Solicitation Agent at the address and telephone numbers set forth below:

The Dealer Manager and Solicitation Agent for the Exchange Offer and Consent Solicitation is:

**BCP Securities, Inc.
289 Greenwich Avenue
Greenwich, CT 06830
United States
Attn: James Harper
+1 (203) 629-2186
Email: jharper@bcpsecurities.com**