

## IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QUALIFIED INSTITUTIONAL BUYERS (“QIBs”) (WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT, AS AMENDED (THE “SECURITIES ACT”)) OR (2) NON-US PERSONS (WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT) OUTSIDE THE U.S.

**IMPORTANT: You must read the following before continuing.** The following applies to the Offering Memorandum following this page, and you are advised to read this carefully before reading, accessing or making any other use of the Offering Memorandum. In accessing the Offering Memorandum, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OF THE U.S. OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE U.S. OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE LAWS OF OTHER JURISDICTIONS. THE OFFERING MEMORANDUM AND THE OFFER OF THE NOTES ARE ONLY ADDRESSED TO AND DIRECTED AT PERSONS IN MEMBER STATES OF THE EUROPEAN ECONOMIC AREA WHO ARE “QUALIFIED INVESTORS” WITHIN THE MEANING OF ARTICLE 2(1)(E) OF THE PROSPECTUS DIRECTIVE (DIRECTIVE 2003/71/EC) AND RELATED IMPLEMENTATION MEASURES IN MEMBER STATES (“QUALIFIED INVESTORS”). IN ADDITION, IN THE UNITED KINGDOM THE OFFERING MEMORANDUM IS ONLY BEING DISTRIBUTED TO PERSONS WHO 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, AND OTHER PERSONS TO WHOM IT MAY OTHERWISE LAWFULLY BE COMMUNICATED (ALL SUCH PERSONS TOGETHER REFERRED TO AS “RELEVANT PERSONS”). ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS OFFERING MEMORANDUM RELATES IS AVAILABLE ONLY TO (I) IN THE UNITED KINGDOM, RELEVANT PERSONS, AND (II) IN ANY MEMBER STATE OF THE EUROPEAN ECONOMIC AREA OTHER THAN THE UNITED KINGDOM, QUALIFIED INVESTORS, AND WILL BE ENGAGED IN ONLY WITH SUCH PERSONS. IN ADDITION, NO PERSON MAY COMMUNICATE OR CAUSE TO BE COMMUNICATED ANY INVITATION OR INDUCEMENT TO ENGAGE IN INVESTMENT ACTIVITY, WITHIN THE MEANING OF SECTION 21 OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (THE “FSMA”), RECEIVED BY IT IN CONNECTION WITH THE ISSUE OR SALE OF THE NOTES OTHER THAN IN CIRCUMSTANCES IN WHICH SECTION 21(1) OF THE FSMA DOES NOT APPLY TO US.

THE FOLLOWING OFFERING MEMORANDUM MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

**Confirmation of your Representation:** In order to be eligible to view this Offering Memorandum or make an investment decision with respect to the securities, investors must be either (1) QIBs or (2) non-US persons (within the meaning of Regulation S under the Securities Act) outside the U.S. This Offering Memorandum is being sent at your request and by accepting the e-mail and accessing this Offering Memorandum, you shall be deemed to have represented to us that (1) you and any customers you represent are either (a) QIBs or (b) non-U.S. persons (within the meaning of Regulation S under the Securities Act), and (2) that you consent to delivery of such Offering Memorandum by electronic transmission.

You are reminded that this Offering Memorandum has been delivered to you on the basis that you are a person into whose possession this Offering Memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorized to, deliver this Offering Memorandum to any other person.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Initial Purchasers or any affiliate of the Initial Purchasers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Initial Purchasers or such affiliate on behalf of the issuer in such jurisdiction.

This Offering Memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission, and consequently neither the Initial Purchasers, nor any person who controls them nor any of their directors, officers, employees nor any of their agents nor any affiliate of any such person accept any liability or responsibility whatsoever in respect of any difference between this Offering Memorandum distributed to you in electronic format and the hard copy version available to you on request from the Initial Purchasers.



FINANCIERA  
INDEPENDENCIA

U.S.\$200,000,000

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

**7.500% Senior Notes due 2019**

Financiera Independencia, S.A.B. de C.V., *Sociedad Financiera de Objeto Múltiple, Entidad No Regulada*, or the issuer, an unregulated multiple purpose financial company, or Sofom E.N.R., is offering U.S.\$200,000,000 aggregate principal amount of its 7.500% senior notes due 2019, or the notes. We will pay interest on the notes semi-annually in arrears on June 3 and December 3 of each year, beginning on December 3, 2014. The notes will mature on June 3, 2019. The notes will be unconditionally and irrevocably guaranteed by Financiera Finsol, S.A. de C.V., Sofom E.N.R., and Apoyo Económico Familiar, S.A. de C.V., Sofom E.N.R., or the subsidiary guarantors.

We may redeem the notes, in whole or in part, at any time on or after June 3, 2017, at the applicable redemption prices set forth in this offering memorandum, plus accrued and unpaid interest to the date of redemption. Prior to June 3, 2017, we may also redeem the notes, in whole or in part, at a redemption price based on a “make-whole” premium plus accrued and unpaid interest to the date of redemption. In addition, at any time on or prior to June 3, 2017, we may redeem up to 35% of the aggregate principal amount of the notes at a redemption price equal to 107.500% of their principal amount, plus accrued and unpaid interest to the date of redemption, using the proceeds of certain equity sales. Furthermore, if tax laws currently in effect are modified and the change results in higher withholding taxes in respect of certain payments on the notes, we may redeem the notes in whole, but not in part, at 100% of their principal amount, plus accrued and unpaid interest to the date of redemption. There is no sinking fund for the notes.

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

Currently, there is no public market for the notes. Application has been made to list the notes on the Official List of the Luxembourg Stock Exchange and for trading on the Euro Multilateral Trading Facility, or MTF, market of the Luxembourg Stock Exchange. The notes will be issued only in registered form in minimum denominations of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof.

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

**PRICE: 98.980% PLUS ACCRUED INTEREST, IF ANY, FROM JUNE 3, 2014.**

The notes have not been registered under the U.S. Securities Act of 1933, as amended, or the Securities Act, and are being offered only (1) to qualified institutional buyers, or QIBs (as defined in Rule 144A under the Securities Act, or Rule 144A), and (2) outside the United States in compliance with Regulation S under the Securities Act, or Regulation S. Prospective purchasers that are QIBs are hereby notified that the sellers of the notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For more information about the restrictions on transfer of the notes, see “Transfer Restrictions” beginning on page 201.

**The information contained in this offering memorandum is exclusively the responsibility of the issuer and has not been reviewed or authorized by the Mexican National Banking and Securities Commission (*Comisión Nacional Bancaria y de Valores*), or the CNBV. The notes have not been and will not be registered with the Mexican National Securities Registry (*Registro Nacional de Valores*), or the RNV, maintained by the CNBV and therefore may not be publicly offered or sold in Mexico, except that the notes may be offered and sold to Mexican institutional and accredited investors pursuant to a private placement exemption set forth in Article 8 of the Mexican Securities Market Law (*Ley del Mercado de Valores*) and the regulations issued thereunder, as amended. As required under the Mexican Securities Market Law, we will notify the CNBV of the terms and conditions of the offering of the notes outside of the United Mexican States, or Mexico. Such notice will be delivered to the CNBV to comply with a legal requirement and for statistical and information purposes only; therefore, the delivery to and the receipt by the CNBV of such notice does not and will not imply nor constitute any certification as to the investment quality of the notes, our solvency, liquidity or credit quality or the accuracy or completeness of the information included in this offering memorandum. In making an investment decision, all investors, including any Mexican investors who may acquire notes from time to time, must rely on their own review and examination of the issuer. The acquisition of the notes by an investor who is a resident of Mexico will be made under its own responsibility.**

Delivery of the notes is expected to be made to investors in book-entry form only through the facilities of The Depository Trust Company, or DTC, and its participants, including Euroclear Bank S.A./N.V., or Euroclear, and Clearstream Banking, société anonyme, Luxembourg, or Clearstream, on or about June 3, 2014.

*Joint Book-Running Managers*

**Barclays**

**HSBC**

**BCP Securities**

*Co-Manager*

**Actinver Securities**

The date of this confidential offering memorandum is May 28, 2014

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

The notes have not been and will not be registered with the RNV maintained by the CNBV. As required under the Mexican Securities Market Law, the issuer will notify the CNBV of the terms and conditions of the offering of the notes outside of Mexico. Such notice will be delivered to the CNBV to comply with a legal requirement and for statistical and information purposes only; therefore, the delivery to and the receipt by the CNBV of such notice does not and will not imply nor constitute any certification as to the investment quality of the notes, the solvency, liquidity or credit quality of the issuer or the accuracy or completeness of the information included in this offering memorandum.

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

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This offering memorandum has been prepared by us solely for use in connection with the proposed offering of the notes. We reserve the right to reject any offer to purchase, in whole or in part, for any reason, or to sell less than all of the notes offered by this offering memorandum. Barclays Capital Inc., HSBC Securities (USA) Inc., BCP Securities, LLC and Actinver Securities, Inc. will act as initial purchasers with respect to the offering of the notes. This offering memorandum is personal to you and does not constitute an offer to any other person or to the public in general to subscribe for or otherwise acquire the notes.

Distribution of this offering memorandum by you to any person other than those persons retained to advise you is unauthorized, and any disclosure of any of the contents of this offering memorandum without our prior written consent is prohibited. By accepting delivery of this offering memorandum, you agree to the foregoing and to make no photocopies of this offering memorandum, and, if you do not purchase the notes or the offering is terminated for any reason, to return this offering memorandum to: Barclays Capital Inc., 745 Seventh Avenue, New York, New York 10019, Attention: Syndicate Registration; HSBC Securities (USA) Inc., 452 Fifth Avenue, New York, NY 10018, Attention: Transaction Management Group; BCP Securities, LLC, 289 Greenwich Avenue, Greenwich, CT 06830, Attention: Debt Capital Markets; and Actinver Securities, Inc., 5075 Westheimer, #650, Houston, TX, 77056, Attention: F. Xavier Maza/Ivan A. Golac.

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

You acknowledge that:

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

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

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

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

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

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

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

To ensure compliance with Treasury Department Circular 230, holders of the notes are hereby notified that: (a) any discussion of federal tax issues in this document is not intended or written to be relied upon, and cannot be relied upon, by holders of the notes for the purpose of avoiding penalties that may be imposed on holders of the notes under the Internal Revenue Code; (b) such discussion is included herein by the issuer in connection with the promotion or marketing (within the meaning of Circular 230) by the company of the transactions addressed herein; and (c) holders of the notes should seek advice based on their particular circumstances from an independent tax advisor.

## **NOTICE TO INVESTORS**

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

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

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

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

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

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

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

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

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

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## **NOTICE TO NEW HAMPSHIRE RESIDENTS**

**NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES, or RSA 421-B, WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF THE STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH**

**FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE OF THE STATE OF NEW HAMPSHIRE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CUSTOMER ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.**

#### **NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED KINGDOM**

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

#### **NOTICE TO PROSPECTIVE INVESTORS IN THE EEA**

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

#### **AVAILABLE INFORMATION**

We are not subject to the information requirements of the U.S. Securities Exchange Act of 1934, as amended, or the Exchange Act. To permit compliance with Rule 144A under the Securities Act in connection with resales of notes, we will be required under the indenture under which the notes are issued, or the indenture, upon the request of a holder of Rule 144A notes or Regulation S notes (during the restricted period, as defined in the legend included under “Transfer Restrictions”), to furnish to such holder and any prospective purchaser designated by such holder the information required to be delivered under Rule 144A(d)(4) under the Securities Act, unless we either furnish information to the SEC in accordance with Rule 12g3-2(b) under the Exchange Act or furnish information to the SEC pursuant to Section 13 or 15(d) of the Exchange Act. Any such request may be made to us in writing at our main office located at Prolongación Paseo de la Reforma 600-301, Col. Santa Fe Peña Blanca, Delegación Alvaro Obregón, Distrito Federal, México, C.P. 01210, Attention: Investor Relations.

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

## SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

We and our subsidiary guarantors are corporations organized under the laws of Mexico. All of our directors and executive officers and the directors and executive officers of our subsidiary guarantors reside outside the United States. The majority of our assets and substantially all of the assets of our directors and officers who reside outside of the United States are located in Mexico or elsewhere outside of the United States. As a result, it may not be possible for investors to effect service of process outside Mexico upon us or upon our subsidiary guarantors, directors or executive officers, or to enforce against such parties judgments of courts located outside Mexico predicated upon civil liabilities under the laws of jurisdictions other than Mexico, including judgments predicated upon the civil liability provisions of the U.S. federal securities laws or other laws of the United States. We have appointed CT Corporation System, at 111 Eighth Avenue, New York, New York 10011, as an agent to receive service of process with respect to any action brought against us in any federal or state court in the State of New York arising from this offering.

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

Although our obligations to pay in U.S. dollars outside Mexico are valid, pursuant to Article 8 of the Mexican Monetary Law (*Ley Monetaria de los Estados Unidos Mexicanos*) in the event that proceedings are brought in Mexico seeking to enforce our obligations under our or our subsidiary guarantors' outstanding debt, including the notes offered hereby, payment of obligations in foreign currency to be made in Mexico may be satisfied by delivering the equivalent in the currency of Mexico, or Mexican judgment currency. Pursuant to Mexican law, an obligation in a currency other than Mexican currency, which is payable in Mexico, may be satisfied in Mexican currency at the rate of exchange in effect on the date on which payment is made. Such rate of exchange is currently determined by the Mexican Central Bank (*Banco de Mexico*) every business day in Mexico and published the following business banking day in the Federal Official Gazette (*Diario Oficial de la Federación*), or the Official Gazette. Provisions purporting to limit our liability to discharge our obligations in Mexican currency as described above, or purporting to give any party a course of action seeking indemnity or compensation for possible deficiencies arising out of or resulting from variations in rates of exchange are unlikely to be enforceable in Mexico under Mexican law.

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



## DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

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

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

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

- general economic, political and business conditions in Mexico and internationally;
- our ability to implement our operating strategy and business plan;
- our ability to freely determine the interest rates we charge to our customers;
- our level of capitalization and reserves;
- 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;
- inflation, devaluation of the Peso and interest rate fluctuations in Mexico;
- changes to accounting principles, laws, regulations, taxation and governmental policies related to our activities, including, but not limited to, usury and consumer protection laws;
- adverse legal proceedings;
- our customers' ability to pay their loans and the stability of their sources of income;
- potential risk factors presented under "Risk Factors" in this offering memorandum; and
- other developments, factors or trends affecting our financial condition and our operating results.

Our future results may differ materially from those expressed in forward-looking statements. Many of the factors that will determine these results and values are beyond our ability to control or predict. All forward-looking statements and risk factors included in this offering memorandum are made as of the date on the front cover of this offering memorandum, based on information available to us as of such date, and we assume no obligation to update any forward-looking statement or risk factor.

## PRESENTATION OF FINANCIAL AND OTHER INFORMATION

### Financial Statements

This offering memorandum includes:

- our unaudited condensed consolidated interim financial statements as of and for the three-month periods ended March 31, 2014 and 2013, together with the notes thereto, which we refer to as the unaudited interim financial statements; and
- our audited consolidated financial statements as of December 31, 2013 and 2012 and for the years ended December 31, 2013, 2012 and 2011, together with the notes thereto, which we refer to as the audited financial statements. Our audited consolidated financial statements as of and for the years ended December 31, 2013 and 2012 were audited by Galaz, Yamazaki, Ruiz Urquiza, S.C., a member of Deloitte Touche Tohmatsu Limited, independent auditors, as stated in their audit report appearing herein, while our audited consolidated financial statements as of and for the year ended December 31, 2011 were audited by PricewaterhouseCoopers, S.C., independent auditors, as stated in their audit report appearing herein.

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

### Accounting Principles

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

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

### Currencies

Certain financial information appearing in this offering memorandum is presented in Mexican Pesos, while certain other monetary information is presented in Brazilian Reais. In this offering memorandum references to “Pesos” or “Ps.” are to Mexican Pesos, references to “U.S. dollars,” “dollars,” “U.S.\$” or “\$” are to United States dollars and references to “R\$,” “Real” or “Reais” are to Brazilian Reais.

This offering memorandum contains translations of certain Peso and Real amounts into U.S. dollars at specified rates solely for the convenience of the reader. These translations should not be construed as representations that the

Peso or Real amounts actually represent such U.S. dollar amounts or could be converted into U.S. dollars at the rate indicated. Unless otherwise indicated:

- U.S. dollar amounts that have been translated from Pesos have been so translated at an exchange rate of Ps.13.0841 per U.S. dollar, the exchange rate published by the Mexican Central Bank in the Federal Official Gazette on March 31, 2014 as the rate for the payment of obligations denominated in currencies other than Pesos and payable within Mexico; and
- U.S. dollar amounts that have been translated from Reais have been so translated at an exchange rate of R\$2.2630 per U.S. dollar, based on the selling rate as reported by the Central Bank of Brazil (*Banco Central do Brasil*) as of March 31, 2014.

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

### **Rounding**

Certain figures included in this offering memorandum and our financial statements have been rounded for ease of presentation. Percentage figures included in this offering memorandum have not in all cases been calculated on the basis of such rounded figures but on the basis of such amounts prior to rounding. For this reason, percentage amounts in this offering memorandum may vary from those obtained by performing the same calculations using the figures in our financial statements. Certain other amounts that appear in this offering memorandum may not sum due to rounding.

### **Industry and Market Data**

Market data and other statistical information (other than in respect of our financial results and performance) used throughout this offering memorandum are based on independent industry publications, government publications, reports by market research firms or other published independent sources, including: (1) the CNBV, (2) the Mexican National Commission for the Protection of Users of Financial Services (*Comisión Nacional para la Protección y Defensa de los Usuarios de Servicios Financieros*), or CONDUSEF, (3) the Mexican Association of Specialized Financial Entities (*Asociación Mexicana de Entidades Financieras Especializadas*), or the AMFE, (4) the Mexican National Institute of Statistics and Geography (*Instituto Nacional de Estadística y Geografía*), or INEGI, (5) the Mexican Central Bank, (6) FactSet, a provider of global financial and economic information, (7) Consultative Group to Assist the Poor, or CGAP, a consortium of over 30 development agencies and private foundations that is part of the World Bank, (8) the Mexican Association of Market Research and Public Opinion Agencies (*Asociación Mexicana de Agencias de Investigación de Mercado y Opinión Pública*), or AMAI, (9) the Mexican National Population Board (*Consejo Nacional de Población*), or Conapo, (10) ACCION International, a Boston-based NGO leader in the area of microfinance technology and investment and (11) ProDesarrollo, Finanzas y Microempresa, A.C., or ProDesarrollo. Some data are also based on our estimates, which are derived from our review of internal surveys, as well as independent sources. Although we believe these sources are reliable, we have not independently verified the information and cannot guarantee its accuracy or completeness. You should not place undue reliance on estimates as they are inherently uncertain.

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

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

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

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

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

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

The loan portfolio information provided under the heading “Selected Statistical Information” was determined in accordance with the manner in which we have presented the components of our loan portfolio in other sections of this offering memorandum as described above. See “Selected Statistical Information—Loan Portfolio” and the footnotes to the tables included therein.

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

### **Other Terms**

Unless the context otherwise requires or except when indicated:

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

- “Serfincor” means Serfincor, S.A. de C.V.
- “Servicios AEF” means Servicios Corporativos AEF, S.A. de C.V.

In addition:

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

## SUMMARY

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

### Overview

We are in the business of providing microcredit loans to low-income individuals from the formal and self-employed sectors of the Mexican and U.S. economies and working capital group loans in rural areas of Mexico and Brazil. We provide products and services to individuals who might otherwise have no, or limited, access to loans and related services from other financial institutions. Our goals are to create economic value for our customers and shareholders and social value for our customers and the community, as well as to develop long-term relationships with our customers to establish their credit history. As of March 31, 2014, we were the largest microfinance lender of personal loans to individuals in Mexico based on the number of loans outstanding, according to data published by ProDesarrollo and our internal estimates. As of March 31, 2014, we operated 561 branch offices (522 in Mexico, 25 in Brazil and 14 in the state of California in the United States).

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 (*Bolsa Mexicana de Valores, S.A.B. de C.V.*) (ticker symbol: FINDEP) since November 2007, and our market capitalization as of March 31, 2014 was approximately U.S.\$257.7 million. We operate based on a specialized business model that relies on providing large volumes of small loans (as of March 31, 2014, our average loan balance was approximately Ps.5,987 (U.S.\$458.00)) with high frequency of repayments (over 90% of our loans are repaid either weekly or bi-weekly).

Since our inception in 1993, we have experienced significant growth and earned a leading role in the personal loan sector of the Mexican microfinance market, achieving a 63.4% compound annual growth rate in our number of loans granted from our inception on July 22, 1993 through December 31, 2013. As of March 31, 2014, we had 1,119,228 loans outstanding and reported a return on average total assets of 3.9% for the three-month period then ended. We believe that our success is attributable to a number of factors, including our recent focus on the quality and profitability of our loan portfolio rather than its volume; our geographic coverage and extensive distribution network; our understanding of the market we service and the know-how we have developed through our exclusive focus on our well-defined target market; our risk management policies; our effective collection practices; the efficiencies afforded by our information technology systems; the loyalty fostered by the personalized customer service that we provide; and the leadership of our experienced and skilled management team. We believe that we are strategically positioned to achieve additional growth and further strengthen our competitive position.

### Financial Highlights

In September 2012, we adopted a new strategic focus that emphasizes the quality and profitability of our loan portfolio rather than its volume. In connection with this new focus, we implemented new 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, and (4) emphasizing our focus on quality and profitability with our sales and collections teams. As a result of these efforts, we were able to achieve a return on average shareholders’ equity of 12.8% and 8.6% during the three-month period ended March 31, 2014 and the year ended December 31, 2013, respectively. As of March 31, 2014, our loan portfolio amounted to Ps.6,700.9 million, compared to Ps.6,836.6 million as of December 31, 2013, and Ps.6,722.8 million as of December 31, 2012, representing a decrease of 2.0% and an increase of 1.7% respectively.

Maintaining the quality of our loan portfolio is one of our key priorities. Our risk management and effective collection policies have allowed us to achieve a non-performing loan ratio of 6.3% as of March 31, 2014 and 7.3% as of December 31, 2013, compared to our non-performing loan ratio of 7.7% as of March 31, 2013 and 5.5% as of

December 31, 2012 (our non-performing loan ratio would have been 9.5% without including the effect of a one-time Ps.300.0 million loan write-off in December 2012 we undertook to strengthen the quality and profitability of our loan portfolio). We believe that our policies for provisioning past due loans are conservative, having provisioned 26.8% and 24.0% of financial margin for the three-month periods ended March 31, 2014 and 2013, respectively, and 29.6% and 45.7% for the years ended December 31, 2013 and 2012, respectively. In addition, we believe that we are adequately capitalized, with a ratio of equity to assets of 31.1% as of March 31, 2014.

In the three-month period ended March 31, 2014, our provisions for loan losses increased 13.9% to Ps.273.6 million, compared to Ps.240.2 million in the corresponding period in 2013, primarily as a result of lower provisions required in the three-month period ended March 31, 2013 (compared to the corresponding period in 2014) following our loan write-off of Ps.300.0 million in December 2012. In 2013, our provisions for loan losses decreased 38.1% to Ps.1,209.1 million, compared to Ps.1,952.4 million in 2012, primarily as a result of this loan write-off. Excluding the effects of our loan-write off, our provisions for loan losses would have decreased by 34.1% for the three-month period ended March 31, 2014 as compared to the corresponding period in 2013, and 32.0% in 2013 as compared to 2012, reflecting improvements in our loan portfolio achieved by the new and stricter lending policies we implemented beginning in September 2012.

During the three-month period ended March 31, 2014, our net financial margin after provision for loan losses was Ps.746.4 million, reflecting a 1.7% decrease compared to the corresponding period of 2013, and our net income was Ps.100.7 million during the three-month period ended March 31, 2014, compared to net income of Ps.50.8 million during the corresponding period of 2013. For the three-month period ended March 31, 2014, our net interest margin after provisions, including commissions, and return on average stockholders' equity were 52.5% and 12.8%, respectively. During the year ended December 31, 2013, our net financial margin after provision for loan losses was Ps.2,873.4 million, reflecting a 24.1% increase compared to 2012, and our net income was Ps.254.1 million, compared to net loss of Ps.116.5 million in 2012. For the year ended December 31, 2013, our net interest margin after provisions, including commissions, and return on average stockholders' equity were 50.4% and 8.6%, respectively.

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



	As of and for the Three-Month Period Ended March 31,			As of and for the Year Ended December 31,			
	2014	2014	2013	2013	2013	2012	2011
	<i>(In millions of U.S.\$, unless otherwise indicated) (1)</i>	<i>(in millions of Ps., unless otherwise indicated)</i>		<i>(In millions of U.S.\$, unless otherwise indicated) (1)</i>	<i>(in millions of Ps., unless otherwise indicated)</i>		
Net income .....	7.7	100.7	50.8	19.4	254.1	(116.5)	185.8
Stockholders' equity.....	244.1	3,193.7	2,871.8	235.5	3,081.6	2,858.9	3,052.9
<b>Other Financial Data and Ratios</b>							
<b>Profitability and Efficiency:</b>							
Return on average stockholders' equity (2) .....	12.8%	12.8%	7.1%	8.6%	8.6%	(3.9)%	6.2%
Return on average total assets (3)....	3.9%	3.9%	2.0%	2.5%	2.5%	(1.1)%	1.9%
Net interest margin after provisions (4).....	52.5%	52.5%	52.8%	50.4%	50.4%	43.1%	44.2%
Efficiency ratio (5).....	85.7%	85.7%	92.2%	90.9%	90.9%	105.1%	90.6%
<b>Capitalization:</b>							
Stockholders' equity as a percentage of total assets.....	31.1%	31.1%	28.9%	30.0%	30.0%	28.4%	27.7%
<b>Credit Quality Data:</b>							
Total performing loans .....	479.7	6,276.8	6,063.2	484.9	6,335.8	6,352.8	6,653.6
Total non-performing loans .....	32.4	424.0	508.3	38.3	500.8	370.0	694.1
Total loan portfolio .....	512.1	6,700.9	6,571.4	523.3	6,836.6	6,722.8	7,347.7
Allowance for loan losses .....	(32.4)	(424.0)	(548.7)	(38.3)	(500.8)	(434.8)	(530.5)
<b>Credit Quality Ratios:</b>							
Allowance for loan losses as a percentage of total loan portfolio .....	6.3%	6.3%	8.4%	7.3%	7.3%	6.5%	7.2%
Allowance for loan losses as a percentage of total non-performing loan portfolio.....	100.0%	100.0%	101.8%	100.0%	100.0%	117.5%	76.4%
Total non-performing loan portfolio as a percentage of total loan portfolio.....	6.3%	6.3%	7.7%	7.3%	7.3%	5.5%	9.4%

- (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.13.0841 per U.S.\$1.00, based on the Mexican Central Bank exchange rate published on March 31, 2014. See "Presentation of Financial and Other Information" and "Exchange Rates."
- (2) Return on average stockholders' equity for the years ended December 31, 2013, 2012 and 2011 consists of net income for the year divided by the daily average of stockholders' equity for the year. Return on average stockholders' equity for the three-month periods ended March 31, 2014 and 2013 consists of annualized net income for the period divided by the daily average of stockholders' equity for the period.
- (3) Return on average total assets for the years ended December 31, 2013, 2012 and 2011 consists of net income for the year divided by the daily average of total assets for the year. Return on average total assets for the three-month periods ended March 31, 2014 and 2013 consists of annualized net income for the period divided by the daily average of total assets for the period.
- (4) Represents financial margin (including commissions) after provision for loan losses divided by average interest-earning assets. Average interest-earning assets are determined based on the daily average balance of the period.
- (5) Efficiency ratio consists of non-interest expense for the period divided by the sum of (i) financial margin after provision for loan losses for the period and (ii) the difference between (x) commission and fee income and (y) commission and fee expense.

## Products and Services

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



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

### Individual Loans

We have been an active participant in the microfinance market in Mexico and the U.S., providing individual loans since 1993. In 2004, we expanded our operations to provide microfinance products to individuals who are not required to provide proof of income or formal employment. This target market, which we service through our Independencia, AEF and AFI operations, is generally referred to as the informal or self-employed sector of the economy and is characterized by little to no participation in the formal banking system. Our expansion into this market enabled us to increase the profitability of our loan portfolio as a result of the higher interest rates we are able to charge to these individuals as compensation for the increased risk associated with these loans. As of March 31, 2014 and December 31, 2013, loans originating from the self-employed segment of the economies in which we operate totaled Ps.2,945.2 million and Ps.3,077.0 million, respectively, representing 44.0% and 45.0%, respectively, of our total loan portfolio. We serve our individual loan customers through 351 branch offices in 204 cities in Mexico and 14 branch offices in California. In 2013, the average balance of our individual loans was Ps.9,832 (U.S.\$717.05). As of March 31, 2014, our individual loans comprised 80.2%, or Ps.5,376 million, of our total loan portfolio, and the non-performing loan ratio of our individual loan portfolio was 7.0%. We do not require collateral or other forms of security in connection with our individual loan products.

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

- *CrediInmediato*. Our CrediInmediato loan products were first introduced in 2004 and are primarily targeted to the formal sector of the Mexican economy.
  - *CrediInmediato Simple*. This product is offered to individuals who (1) earn at least the monthly minimum wage in Mexico City, (2) work in the formal sector, (3) are affiliated with the Mexican Social Security Institute (*Instituto Mexicano del Seguro Social*), or IMSS, the Security and Social Services Institute for State Workers (*Instituto de Seguridad y Servicios Sociales de los Trabajadores del Estado*) or Petróleos Mexicanos, or PEMEX, and (4) are able to provide proof of income. These loans are granted in amounts ranging from Ps.3,000 to Ps.20,000 (approximately U.S.\$229.29 to U.S.\$1,528.57) for the purpose of acquiring assets or services, and have terms ranging from 12 to 48 biweekly payments.

- *CrediInmediato Revolvente*. This product is a revolving line of credit available only to individual customers in good credit standing with us that have renewed more than two credit cycles of loans with impeccable performance. Our customers may use these credit lines to acquire assets or services. The amount of this revolving line of credit varies depending upon the customer's profile, credit history and payment track record with Independencia.
- *CrediPopular*. Our CrediPopular loan products were first introduced in 2004 and are targeted to the self-employed sector of the Mexican economy.
  - *CrediPopular Simple*. These loans range from Ps.2,500 to Ps.4,400 (approximately U.S.\$191.07 to U.S.\$336.29), have an average term of nine months and may be renewed based on the credit behavior of the borrower. Our customers may use these loans for working capital purposes.
  - *CrediPopular Revolvente*. As with CrediInmediato Revolvente, this product is a revolving line of credit available only to customers in good credit standing with us. At a minimum, they must have renewed their loans for more than two credit cycles with an impeccable performance throughout. The amount of this revolving line of credit varies depending upon the customer's profile, credit history and payment track record with Independencia.
- *CrediConstruye*. This product, which we launched in 2006, is available to individuals earning at least the minimum monthly wage in Mexico City and is intended to finance home improvements. These loans initially range from Ps.3,000 to Ps.20,000 (approximately U.S.\$229.29 to U.S.\$1,528.57) and are disbursed in the form of vouchers for home construction materials. CrediConstruye loans have terms of up to two years.
- *Micronegocio*. We introduced this product, which targets a specific segment of the self-employed market, in March 2014. While our CrediPopular product is open to self-employed customers who may engage in the provision of independent services or commercial activities, our Micronegocio product caters to individuals who have established a microbusiness 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.\$382 to U.S.\$1,146), have terms ranging from 26 to 78 weeks and may be renewed.
- *Más Nómina*. We first introduced our Más Nómina loan product in 2011. This product is primarily targeted to the formal sector of the Mexican economy. Más Nómina loans range from Ps.3,000 to Ps.100,000 (approximately U.S.\$229.29 to U.S.\$7,642.86) and are available to individuals between 18- and 68-years-old who had been employed for a minimum of six months with a participating company at the time of contracting the loan. These loans are established through fixed payments directly deducted from the employee's payroll check and have terms ranging from six to 48 months.

In addition to the above-listed loan products offered through our Independencia operations, our CrediMamá product, which we ceased offering in October 2012 to improve the profitability and quality of our loan portfolio, was available to mothers with at least one child under the age of 18. These loans, which were targeted to the self-employed sector of the Mexican economy, had an initial balance of Ps.2,500 (approximately U.S.\$191.07) to be paid within six and nine months.

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.\$114.64 to U.S.\$3,821.43) and are available to individuals who can certify income derived from employment or business ownership. The average term for these loans is 18 months and our customers may use them to acquire assets or services or for working capital.
- *Crédito Preferente*. These personal loans, which are granted in amounts of up to Ps.80,000 (approximately U.S.\$6,114.29), are available to higher-income individuals or small businesses who require short-term

loans with maturities of approximately 18 months. These loans are offered at rates similar to credit cards in the market and may be used to acquire assets or services or for working capital.

We also offer individual loans through the operations of our subsidiary AFI in the United States. These loans, which are directed primarily to the Hispanic population of the state of California, range from U.S.\$3,000 to U.S.\$10,000 and are available to individuals who can certify income derived from employment. The average term of these loans is 15 months.

#### *Working Capital Group Loans*

We offer working capital loans to groups of entrepreneurs through 171 branch offices in 30 states in Mexico and through 25 branch offices and six states in Brazil under our Finsol Mexico and Finsol Brasil operations, respectively. In contrast to individual lending, which focuses on one customer and does not require other individuals to provide collateral or provide payment assurances in respect of the loan, group lending involves loaning money to a group of individuals who provide a group repayment pledge. The incentive of the individuals in the group to repay the loan is based on pressure from the group because if one person in the group defaults, the other members must make up for the deficiency. Group lending has generally proven to be both profitable and less sensitive to economic downturns, which has in turn reduced our own earnings volatility. In 2013, the average balance of our group loans was Ps.9,382 (U.S.\$717.10). As of March 31, 2014, our group loans comprised 19.8%, or Ps.1,325 million, of our total loan portfolio, and the non-performing loan ratio of our group loan portfolio was 3.6%.

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

- *Microcrédito Comunal.* These loans are available to micro-entrepreneurs who have their own independent productive, commercial or services activity in self-selected groups of between eight and 60 members. Loans range from Ps.500 to Ps.60,000 (approximately U.S.\$38.21 to U.S.\$4,585.72) per member, have terms ranging between 16 and 26 weeks, and may be utilized for working capital or for the purchase of goods in connection with their respective businesses. Each micro-entrepreneur within a group is generally required to have been in business for at least six months, although micro-entrepreneurs that intend to establish a business may also participate as a member of a group.
- *Microcrédito Solidario.* These loans are available to micro-entrepreneurs with their own independent productive, commercial or services activity, in self-selected groups of between four and six members and range from Ps.7,000 to Ps.60,000 (approximately U.S.\$535.00 to U.S.\$4,585.72) per member. These loans may be utilized for working capital or for the purchase of goods in connection with their respective businesses and have terms ranging between 12 and 26 weeks. Each micro-entrepreneur within a group is required to have been in business for at least one year.
- *Microcrédito Oportunidad.* This supplemental loan product is offered exclusively to our Microcrédito Comunal and Microcrédito Solidario customers that have excellent credit histories. It enables them to take advantage of opportunities that may arise in connection with their respective business operations. These loans, which must be repaid on or prior to the maturity of the customer's Microcrédito Comunal or Microcrédito Solidario loan, are granted (1) in amounts of up to 30% of the aggregate amount of the corresponding group's Microcrédito Comunal or Microcrédito Solidario loan, and (2) to at least two members and up to a maximum of half of the members of the group. Microcredito Oportunidad loans must mature on or prior to the maturity date of the group's corresponding Microcrédito Comunal or Microcrédito Solidario loan.

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

- *Crédito Comunal.* These guaranteed loans are available to micro-entrepreneurs with their own independent productive, commercial or services activity in self-selected groups of between 11 and 30 members and range from R\$300 to R\$8,000 (approximately U.S.\$132.57 to U.S.\$3,535.13) per member. These loans may be utilized for working capital, the purchase of goods, or capital improvements. These loans have terms that range from 12 months (for the funding of working capital) to up to 24 months (for the purchase of assets or capital improvements).

- *Crédito Solidário*. These guaranteed loans are available to micro-entrepreneurs with their own independent productive, commercial or services activity in self-selected groups of between three and 10 members and range from R\$300 to R\$20,000 (approximately U.S.\$132.57 to U.S.\$8,837.83) per member. These loans may be utilized for working capital, the purchase of goods or capital improvements. These loans have terms that range from 12 months (for the funding of working capital) to up to 24 months (for the purchase of assets or capital improvements).

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

	As of March 31,		As of December 31,					
	2014		2013		2012		2011	
	Loan Amount <sup>(1)</sup>	% of Total	Loan Amount <sup>(1)</sup>	% of Total	Loan Amount <sup>(1)</sup>	% of Total	Loan Amount <sup>(1)</sup>	% of Total
	<i>(in millions of Pesos, except percentages)</i>							
CrediInmediato.....	2,559.6	38.2%	2,607.5	38.1%	2,566.2	38.2%	2,986.8	40.7%
MásNómina.....	269.3	4.0%	248.9	3.6%	53.6	0.8%	20.7	0.3%
CrediPopular (2).....	906.7	13.5%	987.0	14.4%	1,192.1	17.7%	1,454.3	19.8%
CrediMamá (3).....	69.5	1.0%	79.4	1.2%	118.3	1.8%	169.2	2.3%
CrediConstruye.....	20.5	0.3%	33.1	0.5%	108.3	1.6%	126.9	1.7%
Finsol (Mexico and Brazil).....	1,325.1	19.8%	1,346.9	19.7%	1,435.5	21.4%	1,592.9	21.7%
AEF Loans.....	1,313.7	19.6%	1,311.6	19.2%	1,124.0	16.7%	943.0	12.8%
AFI Loans.....	236.4	3.5%	222.1	3.2%	124.8	1.9%	53.9	0.7%
Total loan portfolio.....	6,700.9	100.0%	6,836.6	100.0%	6,722.8	100.0%	7,347.7	100.0%
Allowance for loan losses.....	(424.0)		(500.8)		(434.8)		(530.5)	
Loan portfolio, net.....	<u>6,276.8</u>		<u>6,335.8</u>		<u>6,288.1</u>		<u>6,817.2</u>	

(1) Includes principal and interest.

(2) Includes our recently introduced Micronegocio loan product.

(3) We ceased offering this loan product in October 2012.

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

	As of March 31, 2014			
	Number of Loans Outstanding		Interest Income	
	Amount	% of Total	Amount	% of Total
	<i>(in millions of Pesos, except percentages)</i>			
CrediInmediato.....	449,595	40.2%	459.1	38.5%
MásNómina.....	24,074	2.2%	26.0	2.2%
CrediPopular (1).....	234,673	21.0%	185.1	15.5%
CrediMamá (2).....	17,808	1.6%	13.3	1.1%
CrediConstruye.....	8,057	0.7%	4.0	0.3%
Finsol (Mexico and Brazil).....	220,233	19.7%	230.1	19.3%
AEF Loans.....	158,150	14.1%	253.9	21.3%
AFI Loans.....	6,638	0.6%	19.8	1.7%
Total.....	<u>1,119,228</u>	<u>100.0%</u>	<u>1,191.2</u>	<u>100.0%</u>

(1) Includes our recently introduced Micronegocio loan product.

(2) We ceased offering this loan product in October 2012.

	As of December 31, 2013			
	Number of Loans Outstanding		Interest Income	
	Amount	% of Total	Amount	% of Total
	<i>(in millions of Pesos, except percentages)</i>			
CrediInmediato .....	457,387	39.5%	1,831.8	38.2%
MásNómina .....	22,480	1.9%	48.2	1.0%
CrediPopular (1) .....	253,296	21.9%	834.9	17.4%
CrediMamá (2) .....	20,246	1.8%	69.3	1.4%
CrediConstruye.....	10,851	0.9%	40.6	0.8%
Crédito Grupal.....	228,379	19.7%	909.8	19.0%
AEF Loans.....	158,216	13.7%	996.8	20.8%
AFI Loans.....	6,007	0.5%	58.5	1.2%
Total.....	<u>1,156,862</u>	<u>100.0%</u>	<u>4,789.8</u>	<u>100.0%</u>

(1) Includes our recently introduced Micronegocio loan product.

(2) We ceased offering this loan product in October 2012.

Even though we offer our customers the convenience of different payment venues, our business model is designed such that the vast majority of our customers make their loan payments directly at one of our branch offices. We believe that this personal interaction with our current customers provides us additional opportunities to promote and sell other products and services to these customers, as well as to design bundling and pricing strategies to increase our share of customers' wallets and improve our operating margins and returns to our shareholders.

We offer basic unemployment 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 currently offer our customers 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 eight times the Mexico City minimum monthly wage (between Ps.2,018.70 and Ps.16,149.60 per month, or between approximately U.S.\$154.29 and U.S.\$1,234.29 per month, as of January 2014). We estimate that as of March 31, 2014, this population segment represents over 54.3 million, or more than 82.2% of Mexico's working population, based on data provided by INEGI, and that we had penetrated less than 3% of this entire target market as of that date. We believe that the low financial services penetration rate, in combination with the strong expected growth of the Mexican economy, will support growth in the microfinance sector and create further demand for our products.

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

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

### **Our Competitive Strengths**

We believe that our main competitive strengths are the following:

#### ***Strategic Focus on the Quality and Profitability of our Loan Portfolio***

In September 2012, we adopted a new strategic focus by which we emphasize the quality and profitability of our loan portfolio rather than its volume, and implemented new operational policies to adapt our business model to market conditions and the competitive environment. As a result of this shift in strategy, the volume of our loan portfolio decreased 2.0% and increased 1.7% in the three-month period ended March 31, 2014 and in the year ended December 31, 2013, respectively, as compared to the same period in the immediately prior year. However, the quality of our loan portfolio, as measured by non-performing loans, has offset this decrease. Our non-performing loan ratio as of March 31, 2014 and December 31, 2013 was 6.3% and 7.3%, respectively, each of which was lower

than the non-performing loan ratio for the individual loan portfolio held by the Mexican banking system as a whole (7.7% and 7.5%, as of March 31, 2014 and December 31, 2013, respectively, according to the CNBV) and also lower than the average non-performing loan ratio of 13 of the largest microfinance companies with assets in excess of Ps.500.0 million in Mexico as of March 31, 2014, based upon information we compiled from Prodesarrollo, the CNBV, our internal estimates and other third-party sources. We believe that our focus on the quality and profitability of our loan portfolio rather than its volume has strengthened our balance sheet and will enable us to maintain our leadership position in the origination of individual loans and take advantage of the growth potential of the microfinance industry in Mexico.

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

Our recent focus on the quality and profitability of our loan portfolio rather than its volume has allowed us to achieve our relatively low total non-performing loan ratios. Our non-performing loan ratio as of March 31, 2014 was 6.3% for our overall portfolio, of which group loans and individual loans reported non-performing loan ratios of 3.6% and 7.0%, respectively. We attribute our relatively low default rates to the operational policies we implemented in September 2012 in connection with our new strategic focus on the quality and profitability of our loan portfolio rather than its volume:

- *Improved customer selection processes.* To enhance the quality of our loan portfolio, we improved the criteria by which we rate our customers, applying new analytical methods, segmentation and selection of customers in order to eliminate high risk customers and less profitable products from our loan portfolio. These efforts, together with strict monitoring of the credit history of our customers, have resulted in a lower incidence of non-performing loans and a greater proportion of formal sector customers.
- *Robust credit origination and operational policies.* We strengthened our origination processes by requiring more robust documentation, identification and references in connection with our customers' credit applications. In addition, we transformed our customer verification processes into an analysis of risk, increasing site visits and telephone outreach, and applying the same credit authorization criteria for customers entering into new loan agreements with us and customers seeking to renew their existing loans.
- *Revamped collection processes.* In 2013, we significantly modified our collection policies for the recovery of loans in default. While previously our seasoned recovery agents focused on loans that had been in default for extended periods of time, they are now focused on loans that have been in default for only a few days. Under our new policy, our agents perform site visits to borrowers shortly after default on a single payment. These borrowers are also contacted through our agents at our call centers. Following the implementation of our new operating policies in September 2012, our systematic monitoring of loans in default at an earlier stage allowed us to improve Independencia's collection rates and reduce the number of customers in default by an average of 30% over the subsequent 12-month period.
- *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.

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

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

As a result of our strategy to focus on the quality and profitability of our loan portfolio rather than its volume, our interest income grew at a compounded annual rate of 4.8%, from Ps.4,378.1 million during 2011 to Ps.4,805.0 million during 2013, despite the decrease in the number of our loans outstanding during this period from 1,617,170 as of December 31, 2011 to 1,156,862 as of December 31, 2013. This growth in our interest income has resulted in improvements in our financial margin after provision for loan losses, which grew at a compounded annual rate of 12.4% over the three-year period ended December 31, 2013.

For the three-month period ended March 31, 2014, our net interest margin after provisions, including commissions, and return on average stockholders' equity were 52.5% and 12.8%, respectively (calculated based upon annual net income divided by our average stockholders' equity for the period). For the year ended December 31, 2013, our net interest margin after provisions, including commissions, and return on average stockholders' equity were 50.4% and 8.6%, respectively.

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

We have over 20 years of experience providing unsecured loans to individuals in the low-income segments in Mexico. We also have expertise in the microfinance markets in Mexico and Brazil, and providing unsecured loans to low-income individuals in the United States. Our cost structure, product offerings, technology, systems and branch office network are all specifically designed to serve our target markets while maintaining profitability. We believe that this provides a significant competitive advantage over banks and other institutions within the traditional financial sector that have historically focused their lending practices on middle- and high-income customers and that engage in microcredit lending only as a secondary activity. We believe that our current position among the leading Sofoms and limited purpose financial companies (*sociedades financieras de objeto limitado*), or Sofols, in the microfinance industry in Mexico reflects this competitive advantage.

### ***Product Innovation***

We are focused on remaining at the forefront of product innovation, and we continue to develop new ways to reach customers through new products tailored to the needs of individuals in the lower income segments of the Mexican, Brazilian 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. As of March 31, 2014, 44.0% of our total loan portfolio was represented by loans to self-employed individuals in the Mexican economy.
- In 2004, we also launched our CrediInmediato Revolvente product, a revolving line of credit that allows our customers increased financial flexibility. In addition, during 2006, we added two new loan products to our loan portfolio, CrediConstruye, for financing home improvements, and CrediMamá, tailored to mothers with at least one child under the age of 18.
- In 2007, we implemented a program to install automated teller machines, or ATMs, in our branch offices, which allows our customers to withdraw their loan proceeds with a debit card issued by us. As of March 31, 2014, we had 83 ATMs installed in our branch office network.
- In 2009, we launched CrediSeguro, a life and disability (partial or permanent) insurance policy. We developed CrediSeguro for low-income populations in order to meet these insurance needs at a reasonable cost. We offer CrediSeguro to our customers through the partnerships that we have developed with insurance companies such as Mapfre Tepeyac, S.A., ACE Seguros, S.A. and AXA Seguros, S.A.
- In 2011, we began granting Más Nómina loans, which range from Ps.3,000 to Ps.100,000 (approximately U.S.\$229.29 to U.S.\$7,642.86) and are available to individuals between 18- and 68-years-old who have been employed for a minimum of six months at the time of contracting the loan. As of March 31, 2014, our Más Nomina loans totaled Ps.269.3 million.
- In 2014, we launched our Micronegocio to target a specific segment of the self-employed market for individuals who have established a microbusiness requiring capital investment. Examples of these microbusinesses include “mom and pop” stores, corner bakeries and self-owned taxi operations. Micronegocio loans range from Ps.5,000 to Ps.15,000 (approximately U.S.\$382 to U.S.\$1,146), have terms ranging from 26 to 78 weeks and may be renewed.



In an effort to improve the quality of our loan portfolio, we ceased selling our CrediMamá loan product in October 2012. While the CrediMamá loan product was a successful product in the past, we eliminated this product from our portfolio given its low profitability, increased defaults, low percentage participation in our loan portfolio, and the fact that we can continue to service CrediMamá's target market more efficiently through our CrediPopular loan product. In 2012, we also elected to discontinue our CrediConstruye Plus product in favor of our CreditConstruye product, which is more profitable.

The development of new products together with our organic and inorganic growth have been fundamental in our ability to serve 1,119,228 customers and attain a loan portfolio totaling Ps.6,700.9 million, in each case, as of March 31, 2014.

### ***Strategic Network of Branch Offices with Extensive Geographic Coverage***

We believe we have one of the most efficient and extensive microfinance distribution networks in Mexico. As of March 31, 2014, we had 561 branch offices providing loans, of which 522 were located in Mexico, 25 were located in Brazil and operated under the name Finsol Brasil, and 14 were located in the state of California in the United States and operated by AFI. Of our 522 branch offices in Mexico, 208 are operated under the name "Independencia," 171 under "Financiera Finsol," and 143 under the name "Apoyo Económico Familiar." We believe that our diversified operations mitigate the risk of regional economic slowdowns and other region-specific risks, including natural disasters. As of March 31, 2014, no borrower represented more than 10.0% of our loan portfolio.

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

### ***Centralized Processes that Facilitate Efficient Growth***

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

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

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

We seek to strengthen our relationships with existing customers and attract new customers by focusing on superior customer service. We believe that our close proximity to our customers through our extensive distribution network enhances our ability to provide high-quality, personalized customer service, fosters customer loyalty and facilitates the expansion of our customer base. In 2013, we increased the efficiency of our operation and call center in the city of León, or COL, and in the city of Aguascalientes, or COA. From these centers, 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. Through these centers, we also manage our customer assistance telephone operations, service quality monitoring, our credit card, debit card and checking account payment systems, and telemarketing for our Independencia, Finsol México and AEF operations. Our COL and COA centers, which employ 395 and 277 workers, respectively, made more than 22.8 million calls annually in furtherance of our customer service operations. In 2013, these centers, which function 24 hours a day throughout the year, experienced minimal downtime.

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

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

We have developed an advanced collection process that is comprised of both remote and in-person activities. Most of our remote collection activities are conducted at COL and COA, where we have call stations and agents dedicated to telephone collections and to performing other collection-related activities. In 2013, we radically changed our collection policies for the recovery of amounts under loans in default. While our best recovery agents previously focused on loans that had been in default for extended periods of time, they are now also focused on loans that have been in default for only a few days. Under our new policy, our agents perform site visits to borrowers shortly after only one default. These accounts are also contacted through our agents at our call centers. Following the implementation of our new operating policies in September 2012, our systematic monitoring of loans in default at an earlier stage allowed us to improve Independencia's collection rates and reduce the number of clients in default by an average of 30% over the subsequent 12-month period.

### ***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 advanced information technology systems and software to support our information management and risk management policies. These systems have helped us to (1) better serve our customers, (2) support our growth strategy, (3) enhance the quality and development of our products and services, and (4) successfully reduce the cost and time associated with our loan approval, monitoring and collection practices.

We believe that our information technology systems allow us to rapidly and efficiently (1) monitor and analyze the credit behavior of our customers, (2) adjust our credit policies, (3) make informed decisions regarding new products in connection with their development and marketing and (4) optimize our credit approval and collection processes.

Because these proprietary systems are designed to meet our specific needs, we believe that our information technology systems and practices are more specialized and effective than many systems currently used by traditional financial institutions, and that they have contributed substantially to increase our efficiency and differentiate us from our competitors. In addition, we have developed our own on-line, readily available Management Information Systems, or MIS, which provides us with the ability to access real-time data on-line, including digitalized images and files relating to our customers, collection processes and other loan statistics. Since the installation of our MIS, we have been able to improve our business model by more efficiently adjusting credit policies, analyzing credit behavior of customers resulting in the implementation of our behavioral scoring model, entering into new markets, developing new products, and optimizing the loan approval and collection processes.

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.

During 2013, we invested approximately Ps.32.1 million in technology improvements. In particular, we continued to implement our strategy of consolidating our information technology systems, platforms and databases within our Independencia and Financiera Finsol operations in order to attain the same level of automatization within both operations. We believe that this initiative will allow us to support our business objectives, standardize the level of technology within both operations and more efficiently utilize our resources. We will continue to invest in new management information tools to allow us to better serve and understand our customers' needs.

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

As of March 31, 2014, our consolidated debt comprised (1) an aggregate Ps.1,501.5 million in Peso-denominated credit-backed debt securities (*certificados bursátiles respaldados por créditos*), and (2) an aggregate Ps.5,077.5 million in loans (from both commercial and development banks) and senior notes.

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

For example:

- On March 30, 2010, we offered and sold senior notes in the aggregate amount of U.S.\$200 million due 2015 that bear interest at the rate of 10.0% per annum, or the 2015 senior notes. The 2015 senior notes are guaranteed by our subsidiaries Financiera Finsol and AEF and mature in 2015. See “—Concurrent Tender Offer and Consent Solicitation” below.
- On May 18, 2011, we issued our FINDEP 11 debt securities under our 2011 Peso-denominated debt securities program in the aggregate amount of Ps.1.5 billion and which were scheduled to mature in May 2014. On March 3, 2014, we repaid these notes in their entirety using the proceeds of our FINDEPCB 14 Peso-denominated credit-backed debt securities in the aggregate amount of Ps.1.5 billion that we issued on this date under our 2014 Peso-denominated debt securities program.

In addition, in 2013 we furthered our objective of strengthening and diversifying our sources of funding and today we have 12 lines of credit from commercial and development banks. For example, our subsidiary AEF secured a revolving line of credit from Scotiabank Inverlat, S.A., Institución de Banca Múltiple, Grupo Financiero Scotiabank Inverlat, or Scotiabank Inverlat, in the aggregate amount of Ps.195.0 million for four years. Likewise, we renegotiated our line of credit with HSBC México, S.A., Institución de Banca Múltiple, Grupo Financiero HSBC, or HSBC Mexico, in order to substitute our previously existing line of credit with a new revolving loan for up to an aggregate amount of Ps.750.0 million in 2014, Ps.500.0 million in 2015 and Ps.250.0 million in 2016 that matures in December 2016 and that bears interest at a rate dependent upon our credit rating.

### ***Operations Independent from Third-Party Banking Services***

As of the date of this offering memorandum, we benefit from a distribution network that, together with our centralized collection processes, allows us to efficiently monitor our operations with our customers without depending on third-party banks to process payments from our customers. We believe this arrangement makes our operations more efficient. We originate loans through our own branch offices and through our network of ATMs for individual customers, and payments are predominantly made directly in our branch offices. Likewise, we have also entered into commercial agreements with convenience stores and other financial institutions for the collection of loan payments. We believe that our distribution and collection network enhances our ability to provide high-quality service to our customers and increases the strength and recognition of our brand as an integrated solution for their financing needs.

## **Our Strategy**

Within our operations, we implement the following business strategies:

### ***Continued improvement in the quality and profitability of our portfolios***

Our four-fold strategy of (1) improving customer selection, (2) improving our credit origination and operational policies, (3) strengthening our collections process, and (4) emphasizing our focus on quality and profitability with our sales and collections teams 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 four-fold strategy within each of our operating subsidiaries:

- Independencia: increase our origination of loans to individuals within the formal sector of the economy; increase the percentage of revolving loans in the Independencia loan portfolio; and relaunch our insurance products and define our insurance product strategy for the entire group.
- AEF: improve our collection processes for loans that are past due between 90 and 180 days; implement new risk analysis tools at the branch level; and expand to new markets.
- AFI: continue our expansion efforts and consolidate the operations of newly-opened branch offices; and further strengthen AFI's support operations to increase AFI's efficiency and independence following its acquisition by us.
- Finsol Mexico: explore implementing the best practices of our Finsol Brasil operations within our Finsol Mexico operations; and focus our efforts on profitable branch offices that present less risk.
- Finsol Brasil: continue to focus on our growth in the northeastern states; and continue to improve efforts to monitor market trends and economic expectation.

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

We continually seek to obtain additional sources of financing in order to support the sustainable growth of our business. In recent years, we have expanded our access to lines of credit from financial institutions and to the capital markets. We plan to continue to expand, responsibly and as necessary, our access to these sources of funding. Additionally, we are exploring opportunities to increase our financial stability and stable access to funding both at the corporate group level as well as for each of the companies that comprise our corporate group. To this end, we will continue to seek to strengthen the financial position of each of our subsidiaries in order for each subsidiary to have access to funding independently from us. For example, on March 3, 2014, we issued fiduciary medium-term notes in the aggregate amount of Ps.1.5 billion under our CNBV-authorized program for the issuance of up to Ps.5.0 billion in fiduciary medium-term notes secured by loans issued by Independencia, AEF and Findependencia.

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

When we began operating in 1993, we were the only company in Mexico operating within our specific market. Over the last several years, a considerable number of local and regional players have emerged as competitors, presenting our potential customers with several loan alternatives. We plan to differentiate ourselves from our competitors by offering a broader array of products and services that will meet all of our customers' financial needs. The key differentiators we intend to pursue in connection with this strategy are (1) attention to our customers' needs, (2) bringing our branch network closer to our customers and (3) providing financial consulting and education to our customers regarding the microfinance market.

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

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

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

We are currently capable of accepting loan repayments from our customers in our branch offices and at our customers' homes, when necessary. We also currently have commercial agreements with convenience stores and other financial institutions, including OXXO, Super Bara, HSBC Mexico, 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, which allow our customers to make payments to us in the branch offices of these companies. To compete more effectively with our competitors, many of whom accept payments in various locations, such as convenience stores, and to increase customer satisfaction, we plan to continue to increase the number of locations and channels through which we accept loan repayments from our customers.

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

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

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

We intend to continue to build on marketing efforts that we believe have proven successful. For example, in 2010, we began to invest in marketing and advertising in order to increase the recognition of our brand thereby increasing the number of loans we originate and distinguishing ourselves from our competitors. Likewise, in 2011, we implemented new strategies to optimize our sales processes, including improving the positioning of our brand through marketing campaigns in the local newspapers of smaller communities and conducting research into the implementation of loyalty programs. Through these efforts, we believe we will attract new customers to our branch offices. We intend to continue to invest in research in order to better understand our customers and our market as well as improve our customer service in order to generate greater customer loyalty. We also intend to increase the productivity of our operating centers, telemarketing efforts and customer services.

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

Meeting our growth and productivity goals will require us to attract, develop and retain human capital. We are currently focused on reducing our employee turnover rate, which will reduce our costs associated with training new employees and increase productivity, as experienced employees tend to be more efficient than new hires. We are closely reviewing and assessing our training techniques and results, and the profile of our typical sales and collection agents. We expect that these efforts will help us attract, develop and retain personnel according to our business needs, while reducing our turnover rate. For example, in 2013, we performed over 366,931 hours of training and development for 43,714 employees from Independencia and Finsol Mexico. We also utilize technology that enables us to increase the efficiency of our recruiting processes, including the ability to conduct video interviews with pre-recorded questions.

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

### Corporate Organization

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



### Concurrent Tender Offer and Consent Solicitation

On May 15, 2014, we commenced a cash tender offer, or the 2015 senior notes tender offer, for any and all of our 2015 senior notes, of which there was U.S.\$193,887,000 in aggregate principal amount outstanding. The total consideration to be paid per U.S.\$1,000 of 2015 senior notes validly tendered and accepted for purchase in the 2015 senior notes tender offer (including an early tender payment of U.S.\$30.00) is U.S.\$1,078.22 plus accrued and unpaid interest to the date of repurchase. We intend to fund the purchase of 2015 senior notes tendered pursuant to the 2015 senior notes tender offer with the net proceeds from this offering.

Concurrently with the 2015 senior notes tender offer, we are also soliciting consents to proposed amendments to eliminate substantially all of the restrictive covenants as well as various events of default and related provisions contained in the indenture governing the 2015 senior notes, or the 2015 senior notes indenture. Adoption of the proposed amendments to the 2015 senior notes requires the consents of holders of a majority in aggregate principal amount of the outstanding 2015 senior notes (excluding any 2015 senior notes held by us or our affiliates).

The 2015 senior notes tender offer and the related consent solicitation are being made on the terms and subject to the conditions set forth in an Offer to Purchase and Consent Solicitation Statement dated May 15, 2014, which is not being incorporated by reference in this offering memorandum.

The deadline for holders of the 2015 senior notes to validly tender the 2015 senior notes, deliver consents and be eligible to receive payment of the total consideration (including the early tender payment), will be 5:00 p.m., New York City time, on May 29, 2014, unless extended by us. The 2015 senior notes tender offer is scheduled to expire at midnight New York City time, on June 12, 2014, unless extended by Independencia.

**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 600-301, Col. Santa Fe Peña Blanca, Delegación Alvaro Obregón, Distrito Federal, Mexico, C.P. 01210. Our telephone number is +52 (55) 5229-0200. Our website address is [www.independencia.com.mx](http://www.independencia.com.mx). None of the information available on our website or elsewhere will be deemed to be included or incorporated by reference into this offering memorandum.

## THE OFFERING

The following is a brief summary of certain terms of the notes and this offering. Certain of the terms and conditions described below are subject to important limitations and exceptions. The "Description of Notes" section of this offering memorandum contains a more detailed description of the terms and conditions of the notes.

Issuer .....	Financiera Independencia, S.A.B. de C.V., <i>Sociedad Financiera de Objeto Múltiple, Entidad No Regulada.</i>
Notes Offered .....	U.S.\$200.0 million aggregate principal amount of 7.500% Senior Notes due 2019.
Offering Price .....	98.980%, plus accrued interest, if any, from June 3, 2014.
Maturity Date.....	June 3, 2019.
Interest Rate.....	Interest on the notes will accrue at a rate of 7.500% per annum.
Interest Payment Dates .....	June 3 and December 3 of each year, beginning on December 3, 2014.
Ranking .....	The notes will: <ul style="list-style-type: none"><li>• be general unsecured obligations of the Company;</li><li>• 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);</li><li>• rank senior in right of payment to all existing and future Subordinated Indebtedness of the Company, if any;</li><li>• 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;</li><li>• 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, Mexican law or regulations applicable to such Restricted Subsidiary); and</li><li>• be structurally subordinated to all existing and future Indebtedness and trade payables of the Company's Subsidiaries that do not Guarantee the notes.</li></ul>

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

As of March 31, 2014, after giving pro forma effect to the offer and sale of the notes and the application of the net proceeds from this offering as described under "Use of Proceeds," we had total indebtedness of Ps.7,293.2 million (U.S.\$557.4 million), of which



	Ps.2,214.3 million (U.S.\$162.9 million) was secured by collateral.
Change of Control .....	Upon the occurrence of a Change of Control Triggering Event (as defined under “Description of Notes”), we will be required to make an offer to purchase the notes at a purchase price equal to 101% of their principal amount, plus any Additional Amounts (as defined under “Description of Notes”), if any, plus any accrued and unpaid interest to, but excluding, the purchase date. See “Description of Notes — Change of Control Triggering Event.”
Optional Redemption.....	<p>On or after June 3, 2017, we may, at our option, redeem the notes, in whole or in part, at any time at the redemption prices set forth in “Description of Notes—Optional Redemption,” plus any Additional Amounts, if any, plus accrued and unpaid interest to, but excluding, the date of redemption.</p> <p>Prior to June 3, 2017, we may, at our option, redeem the notes, in whole or in part, at a redemption price equal to 100% of their principal amount, plus a Make-Whole Amount, any Additional Amounts, if any, and any accrued and unpaid interest to, but excluding, the date of redemption.</p> <p>See “Description of Notes—Optional Redemption.”</p>
Optional Redemption upon Equity Sales.....	<p>At any time, and from time to time, on or prior to June 3, 2017, we may, at our option, use the net cash proceeds of certain Equity Sales to redeem up to 35% of the aggregate principal amount of the notes at a redemption price equal to 107.500% of their principal amount, plus any Additional Amounts, if any, and any accrued and unpaid interest to, but excluding, the date of redemption, <i>provided</i>, that:</p> <ul style="list-style-type: none"> <li>• after giving effect to any such redemption at least 65% of the aggregate principal amount of the notes (including any Additional Notes) issued under the indenture remains outstanding; and</li> <li>• we make such redemption not more than 90 days after the consummation of such Equity Sale.</li> </ul> <p>See “Description of Notes—Optional Redemption—Optional Redemption upon Equity Sales.”</p>
Tax Redemption .....	We may redeem the notes, in whole but not in part, at a redemption price equal to 100% of their principal amount, plus any Additional Amounts, if any, and any accrued and unpaid interest to the date of redemption, if tax laws currently in effect are modified and the change results in us becoming obligated to pay Additional Amounts in excess of current withholding tax rates of 4.9% with respect to the notes. See “Description of Notes— Optional Redemption—Optional Redemption for Changes in Withholding Taxes.”
Additional Amounts .....	Payments of interest on the notes (and amounts deemed interest, such as any discount on the principal amount of the notes) to investors that are non-residents of Mexico for tax purposes will generally, if the applicable requirements are met, be subject to Mexican withholding taxes at a rate of 4.9%. See “Taxation—Mexican Federal Tax Considerations—Payments of Interest.” Subject to certain specified exceptions, we will pay such additional amounts as may be required

so that the net amount received by the holders of the notes in respect of principal, interest or other payments on the notes, after any such withholding or deduction, will not be less than the amount each holder of notes would have received if such withholding or deduction had not applied. See “Description of Notes—Additional Amounts.”

Certain Covenants..... The indenture governing the notes will limit, among other things, our ability and the ability of our restricted subsidiaries to:

- 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.

These covenants are subject to a number of important exceptions and qualifications. See “Description of Notes—Certain Covenants.”

Events of Default..... The indenture governing the notes sets forth the events of default applicable to the notes. See “Description of Notes—Events of Default.”

Further Issuances ..... Subject to the limitation contained in the indenture, we may from time to time and without providing notice to or obtaining the consent of the holders of the notes issue an unlimited principal amount of Additional Notes of the same series as the notes initially issued in this offering, provided, that unless such Additional Notes are issued under a separate CUSIP number, either such Additional Notes are part of the same “issue” for U.S. federal income tax purposes or are issued pursuant to a “qualified reopening” for U.S. federal income tax purposes.

Use of Proceeds ..... We estimate that we will receive net proceeds from the offer and sale of the notes, after deducting discounts and commissions to the initial purchasers but before the payment of other offering expenses, of approximately US\$195.7 million.

We intend to use the net proceeds from this offering (1) to pay the consideration for the 2015 senior notes tender offer and consent solicitation, including accrued and unpaid interest, (2) to repay certain indebtedness and (3) to the extent any proceeds remain, for general corporate purposes.

See “Use of Proceeds.”

Taxation..... For a summary of the U.S. federal income tax consequences and the Mexican federal income tax consequences of an investment in the notes, see “Taxation.”

Book-Entry; Delivery and Form.....	The notes will be issued in the form of global notes in registered, global form without interest coupons. The global notes will be exchangeable or transferable, as the case may be, for definitive notes in registered certificated form without interest coupons only in limited circumstances. The notes will be issued in registered form in denominations of US\$200,000 and integral multiples of US\$1,000 in excess thereof. See “Book-Entry; Delivery and Form.”
Settlement.....	The notes will be delivered in book-entry form through the facilities of DTC for the accounts of its direct and indirect participants, including Euroclear and Clearstream.
Transfer Restrictions.....	We have not and will not register the notes under the Securities Act or the securities laws of any other jurisdiction. The notes are subject to restrictions on transfer and may only be offered in transactions exempt from or not subject to the registration requirements of the Securities Act. As required under Article 7 of the Mexican Securities Market Law, we will notify the CNBV of the terms and conditions of this offering of the notes outside of Mexico. The notes have not been and will not be registered with the RNV maintained by the CNBV and may not be offered or sold publicly in Mexico, except that the notes may be offered privately in Mexico pursuant to the private placement exemption set forth in Article 8 of the Mexican Securities Market Law to institutional and accredited investors. See “Transfer Restrictions.”
Listing of the Notes .....	Application has been made to admit the notes to listing on the Official List of the Luxembourg Stock Exchange and to trading on the EuroMTF Market of the Luxembourg Stock Exchange.
Governing Law .....	The indenture and the notes will be governed by, and construed in accordance with, the laws of the State of New York.
Trustee, Registrar, Transfer Agent and Paying Agent .....	The Bank of New York Mellon
Luxembourg Paying Agent, Transfer Agent and Listing Agent.....	The Bank of New York Mellon (Luxembourg) S.A.

## SUMMARY CONSOLIDATED FINANCIAL INFORMATION

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

The balance sheet data as of March 31, 2014, and the income statement data for the three-month periods ended March 31, 2014 and 2013, are derived from our unaudited interim financial statements included elsewhere in this offering memorandum. The balance sheet data as of December 31, 2013 and 2012, and the income statement data for the years ended December 31, 2013, 2012 and 2011, are derived from our audited financial statements included elsewhere in this offering memorandum. Our financial statements are presented in thousands of Pesos, whereas all other figures presented in this offering memorandum are presented in millions of Pesos, unless otherwise indicated.

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

	For the Three-Month Period Ended March 31,			For the Years Ended December 31,			
	2014	2014	2013	2013	2013	2012	2011
	<i>(In millions of U.S.\$, unless otherwise indicated) (1)</i>			<i>(In millions of U.S.\$, unless otherwise indicated) (1)</i>			
	<i>(in millions of Ps., unless otherwise indicated)</i>			<i>(in millions of Ps., unless otherwise indicated)</i>			
<b>Statement of Income Data:</b>							
Interest income.....	91.4	1,195.8	1,179.8	367.2	4,805.0	5,032.0	4,378.1
Interest expense .....	(13.4)	(175.9)	(180.0)	(55.2)	(722.5)	(763.9)	(734.9)
<b>Financial margin</b> .....	<b>77.9</b>	<b>1,019.9</b>	<b>999.9</b>	<b>312.0</b>	<b>4,082.5</b>	<b>4,268.1</b>	<b>3,643.2</b>
Provision for loan losses (2).....	(20.9)	(273.6)	(240.2)	(92.4)	(1,209.1)	(1,952.4)	(1,368.0)
<b>Financial margin after provision for loan losses</b> .....	<b>57.0</b>	<b>746.4</b>	<b>759.6</b>	<b>219.6</b>	<b>2,873.4</b>	<b>2,315.8</b>	<b>2,275.2</b>
Commission and fee income .....	11.1	145.8	157.4	47.7	623.5	812.2	823.9
Commission and fee expense .....	(1.5)	(20.1)	(15.8)	(5.2)	(68.1)	(72.7)	(61.1)
Trading income (expense).....	(0.5)	(6.9)	—	—	(0.1)	10.4	24.1
Other revenue from operations.....	7.0	91.4	35.9	16.5	215.3	190.3	168.9
Non-interest expenses.....	(62.7)	(819.9)	(863.9)	(253.3)	(3,314.1)	(3,420.9)	(2,926.2)
<b>Income (loss) from operations</b> .....	<b>10.5</b>	<b>136.8</b>	<b>73.3</b>	<b>25.2</b>	<b>330.0</b>	<b>(164.8)</b>	<b>304.8</b>
Current income tax expense .....	(2.4)	(31.7)	(33.9)	(8.4)	(110.1)	(85.8)	(196.8)
Deferred income tax benefit (expense).....	(0.3)	(4.3)	10.7	2.5	33.3	132.1	79.1
Net income attributable to:							
Controlling interests.....	7.7	100.7	50.1	19.4	253.2	(118.5)	187.1
Non-controlling interests.....	—	—	0.7	0.1	0.9	2.0	(1.3)
<b>Net income</b> .....	<b>7.7</b>	<b>100.7</b>	<b>50.8</b>	<b>19.4</b>	<b>254.1</b>	<b>(116.5)</b>	<b>185.8</b>
Weighted average number of shares (millions).....	54.7	715.9	715.9	715.9	715.9	715.9	715.9
Income (loss) per share.....	0.0108	0.1407	0.0709	0.0271	Ps.0.3550	Ps.(0.1627)	Ps.0.2596

- (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.13.0841 per U.S.\$1.00, the exchange rate published by the Mexican Central Bank in the Federal Official Gazette on March 31, 2014 as the rate for the payment of obligations denominated in non-Mexican currency payable in Mexico. See “Presentation of Financial and Other Information” and “Exchange Rates.”
- (2) Provision for loan losses is recorded in a separate account under allowance for loan losses on our balance sheet and all write-offs of uncollectible loans are charged against this balance sheet account.

	As of March 31,			As of December 31,			
	2014	2014	2013	2013	2013	2012	2011
	<i>(In millions of U.S.\$, unless otherwise indicated) (1)</i>			<i>(In millions of U.S.\$, unless otherwise indicated) (1)</i>			<i>(in millions of Ps., unless otherwise indicated)</i>
<b>Balance Sheet Data:</b>							
Cash and cash equivalents .....	41.0	536.6	532.7	39.1	511.0	382.5	641.2
Derivatives .....	—	—	—	—	—	—	153.4
Total loans-net .....	479.7	6,276.8	6,022.7	484.2	6,335.8	6,288.1	6,817.2
Other accounts receivable-net .....	23.0	301.4	255.0	22.3	291.3	250.0	344.0
Property, furniture and equipment-net.....	25.1	328.7	370.6	26.0	340.8	393.6	437.8
Deferred taxes-net.....	75.7	990.2	988.1	76.1	995.4	960.7	814.7
Other assets-net.....	141.2	1,847.8	1,781.0	138.5	1,811.9	1,780.7	1,817.9
<b>Total assets.....</b>	<b>785.8</b>	<b>10,281.6</b>	<b>9,950.1</b>	<b>786.2</b>	<b>10,286.1</b>	<b>10,055.5</b>	<b>11,026.2</b>
Commercial paper <sup>(2)</sup> .....	114.8	1,501.5	1,503.6	114.8	1,501.6	1,501.6	1,500.9
Borrowings from banks and other entities .....	388.1	5,077.5	4,949.6	399.4	5,225.5	5,236.8	5,976.6
Derivatives .....	5.8	75.6	256.8	5.8	76.3	94.0	—
Other accounts payable.....	33.1	433.3	368.4	30.6	401.0	364.1	495.8
<b>Total liabilities.....</b>	<b>541.7</b>	<b>7,087.9</b>	<b>7,078.4</b>	<b>550.6</b>	<b>7,204.5</b>	<b>7,196.6</b>	<b>7,973.3</b>
Total stockholders' equity .....	244.1	3,193.7	2,871.8	235.5	3,081.6	2,858.9	3,052.9
<b>Total liabilities and stockholders' equity .....</b>	<b>785.8</b>	<b>10,281.6</b>	<b>9,950.1</b>	<b>786.2</b>	<b>10,286.1</b>	<b>10,055.5</b>	<b>11,026.2</b>

- (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.13.0841 per U.S.\$1.00, the exchange rate published by the Mexican Central Bank in the Federal Official Gazette on March 31, 2014 as the rate for the payment of obligations denominated in non-Mexican currency payable in Mexico. See "Presentation of Financial and Other Information" and "Exchange Rates."
- (2) Comprises our Peso-denominated credit-backed debt securities (*certificados bursátiles respaldados por créditos*) issued on March 3, 2014 under our 2014 Peso-denominated debt securities program, which are considered "commercial paper" and given on-balance sheet treatment under Mexican Banking GAAP. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources."

## **RISK FACTORS**

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

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

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

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

We provide microcredit loans to individuals in the low-income segments of the Mexican, U.S. and Brazilian populations, which may pose risks not generally associated with other forms of lending. Our target market in Mexico is primarily individuals earning between one and eight times the Mexico City minimum monthly wage (between Ps.2,018.7 and Ps.16,149.6 per month, or between approximately U.S.\$154.29 and U.S.\$1,234.29 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 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 nonperforming 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 microfinance 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, Brazilian and U.S. populations, particularly savings institutions, cooperatives, credit unions, retailers, consumer loan and informal loan providers, Sofols and other Sofoms (in Mexico), savings and lending associations, banks and other financial institutions comprising the traditional financial sectors in the markets in which we operate and non-governmental organizations, or NGOs. In addition, we face competition from the public sector, as the Mexican, Brazilian 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 abroad and as our business becomes increasingly well known. The extensive competition we face is also extenuated by the low-level of customer loyalty within the low-income segment. Institutions with which we may compete may have significantly greater assets and capital, name recognition, geographic penetration, access to experienced management and other resources than we have. In addition, our competitors may be better able than we are to anticipate, and respond to market trends. Competition in our markets may result in an adverse effect on our business, results of operations, prospects and financial condition.

***Our expansion into international markets may not be successful.***

There can be no assurance that our expansion into the U.S. and Brazilian markets following our acquisition of our Finsol and AFI operations will positively impact our results of operations due to a variety of factors, including, but not limited to, our lack of experience in these markets, adverse changes in economic and political conditions in

these markets, our ability to originate loans on terms and subject to conditions we deem acceptable and our ability to hire and retain qualified personnel. Any difficulties we encounter in our expansion efforts may result in a delay or impede our ability to generate revenue from these operations and thereby materially adversely affect our business, results of operations, prospects and financial condition.

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

The success of our operations and our profitability depend, in part, on the success of new products and services we offer our customers. As part of our business strategy, we plan to continue developing and introducing products and services that complement our current microfinance lending activities, such as additional types of loans or insurance products through alliances with third party insurance companies, in each case tailored to the low-income segments of the Mexican, U.S. and Brazilian populations. However, we cannot guarantee that we will develop any such products or services or that these new products and services will be attractive or successful once they are offered to our target customers or in the future or that we would be able to enter into agreements on acceptable terms with third party insurance companies. We may not be able to adequately anticipate our target customers' needs or desires, and these may also change over time, which could render certain of our products and services obsolete. We may face difficulties in achieving profitability from offering these products and services and incur significant costs in connection with such products. Moreover, the introduction of additional financial products or services could subject us to additional or different regulation or regulatory oversight by governmental authorities. All of these may result in an adverse effect on our business, results of operations, prospects and financial condition.

We may not be successful in our plans for growth and the diversification of our business, and we may need to incur additional costs in order to carry out these plans. Any failure to execute our plans or incurrence of additional costs could have an adverse effect on our business, results of operations, prospects and financial condition.

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

Our ability to obtain additional funding in the future on acceptable terms is subject to a variety of uncertainties, including credit ratings, our future capitalization levels, our future financial position, results of operations and cash flows; any necessary government regulatory approvals; general market conditions for capital-raising activities by financial institutions; and macroeconomic, political and other conditions in Mexico, the U.S. and Brazil. We may not be able to obtain needed additional funding in a timely manner or on acceptable terms or at all. Currently our funding is through lines of credit with HSBC Mexico, Nacional Financiera, Sociedad Nacional de Crédito, Institución de Banca de Desarrollo, or Nafinsa, BBVA Bancomer, Scotiabank Inverlat, the Mexican Central Bank as fiduciary for the Mexican Government for Agricultural Trusts (*Fiduciario del Gobierno Federal en los Fideicomisos Instituidos en Relación con la Agricultura*), or Fira, Nacional Financiera, Sociedad Nacional de Crédito, as Fiduciary for the National Program for the Financing of Microbusiness Owners (*Fiduciaria en el Fideicomiso del Programa Nacional de Financiamiento al Microempresario*), or Pronafim, Bridge Bank, National Association, and credit-backed debt securities that are registered with the RNV and traded on the Mexican Stock Exchange. We have also offered and sold senior notes that are listed on the Luxemburg Stock Exchange. If we are not able to obtain needed funding or borrowings on acceptable terms from these institutions and investors or other sources, it may result in an adverse effect on our business, results of operations, prospects and financial condition.

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

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

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

Currently our income is materially dependent on our ability to originate new loans on terms attractive to us. If we are unable to originate new loans on favorable terms, our results of operations and financial position may be

adversely affected, since we do not engage in full banking lines of business that could compensate for a decrease of the income derived from our loan origination business.

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

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

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

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

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

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

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

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

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



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

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

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. However, Mexican authorities responsible for administering and promulgating such laws and regulations 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.

Under recent changes to the Law for the Transparency and Ordering of Financial Services, the Mexican Central Bank has broad authority to determine that no reasonable competitive conditions exist and to issue temporary regulations that relate to interest rates and fees, as a means to ensure competition, free access, no discrimination and protection of the interest of users. We cannot predict what impact the issuance of any such regulations may have on our business and results of operations, although it is likely to require amendments to the way in which we operate and may adversely impact our financial results.

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.

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

Our success is heavily dependent on the efficient and uninterrupted operation of our computer and communications hardware systems, including systems relating to the operation of our operations centers in the cities of León and Aguascalientes. Our computer and communications systems and operations could be damaged or interrupted by fire, flood, power loss, telecommunications failure, computer viruses, physical or electronic break-ins or other similar events or disruptions. Any of these events could cause system interruptions, delays and losses of critical data and could prevent us from operating at optimal levels or at all. Furthermore, our disaster recovery planning may not be sufficient for all eventualities, and we may have inadequate insurance coverage or insurance limitations that could prevent us from being fully compensated for losses from a major interruption or other damage to our systems. If any of these events were to occur, we could incur 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.

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

We own 30 trademarks and 21 commercial advertisements, each duly registered with the Mexican Institute for Intellectual Property (*Instituto Mexicano de la Propiedad Industrial*). We believe that our commercial advertisements, trademarks and other intellectual property are fundamental to our name recognition and the continued success of our business. Any infringement of our intellectual or industrial property rights or any failure to register or maintain these rights in the international jurisdictions in which we operate may result in (1) litigation requiring that we dedicate substantial time and resources to defend our intellectual and industrial property and/or (2) the potential loss of our ability to use our trademarks. We rely on trademark laws to protect our proprietary rights. The success of our business depends in part upon our continued ability to use our trademarks to increase brand awareness and further develop our brand in both the Mexican and international markets. We cannot assure you that all of the steps we have taken to protect our trademarks in Mexico and other countries will be adequate to prevent infringement of our trademarks by others. The unauthorized reproduction of our trademarks could diminish the value of our brand and its market acceptance, competitive advantages or goodwill, which could adversely affect our business, results of operations, prospects and financial condition.

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

We depend on the services of our principal officers and key employees. The loss of any of our experienced principal officers, key employees or senior managers could negatively affect our ability to execute our business strategy. In addition, in line with our planned expansion, our future success also depends on our continuing ability to identify, hire, train and retain other qualified sales, marketing, collections and managerial personnel. Competition for such qualified personnel is intense and we may be unable to attract, integrate or retain qualified personnel at levels of experience or compensation that are necessary to maintain our quality and reputation or to sustain or expand our operations. For example, we have experienced and 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 March 31, 2014, 79.0% of our labor force employed through our subsidiaries Serfincor and Servicios AEF, are affiliated with labor unions. Wages, salaries, benefits, staffing levels and other terms are negotiated pursuant to collective bargaining agreements. Wages and salaries are adjusted annually, while other employment terms are adjusted every two years. Accordingly, the results of such negotiations could lead to increases in our labor costs and restrict our ability to maximize the efficiency of our operations. In addition, in the event of a labor disruption or strike in any of the outsourcing companies, our ability to conduct our operations could be impaired and, therefore, our business, results of operations, prospects and financial position could be adversely affected.

Because individuals employed by our subsidiaries, Serfincor and Servicios AEF, are employees of those subsidiaries, the Company is not required to share any profits with those individuals, other than profits made at those subsidiaries. However, there can be no assurance that a Mexican labor court would support our determination that

these individuals are not our employees. In such event, we could be required to share our profits with such individuals to the same extent as if they were employed directly by us. Serfincor and Servicios AEF share profits with their employees as required by Mexican law.

In the event that we were compelled to provide profit sharing benefits in respect of the personnel or the employees of our subsidiaries, our business, results of operations, prospects and financial condition could be adversely affected.

***We will become subject to increased regulatory burdens and expenses if we voluntarily convert ourselves into a bank, or if a certain amount of our capital stock is acquired by certain entities.***

We are a non-regulated Sofom (*sociedad financiera de objeto múltiple, entidad no regulada*), and, other than the requirement that we report our financial results in Mexican Banking GAAP, we are generally not subject to the requirements and regulations applicable to regulated Sofoms, banks and other regulated financial institutions in Mexico, except for anti-money laundering regulations and other regulations directly applicable to Sofoms. However, even though we are a non-regulated Sofom, we are subject to certain regulation by Mexican governmental authorities. In the event that we were to voluntarily apply for a banking license to operate as a bank, we would be subject to supervision by the CNBV, the Mexican Central Bank, and the Bank Savings Protection Institute (*Instituto para la Protección al Ahorro Bancario*), or IPAB, and, additional regulatory burdens and other requirements applicable to banks, including capital adequacy requirements, reserve requirements, reporting requirements and limitations on related-party transactions. Similarly, if we were to become directly affiliated with a Mexican bank or holding company of a financial group that holds a bank, we would be treated as a regulated Sofom, subject to the same regulation as a licensed bank.

Furthermore, in the event that a person controlled or held a majority interest in us as well as in a credit institution, we would also be treated as a regulated Sofom, and thus the rules applicable to regulated Sofoms would be applicable to us, thereby significantly increasing our regulatory burden. Regulated Sofoms are subject to the rules and supervision of the CNBV and to most of the requirements applicable to banks, including capital adequacy requirements, reserve requirements, reporting requirements, limitations on related-party transactions and anti-money laundering rules.

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

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

The global economy has recently experienced a period of slowdown and unprecedented volatility and has been adversely affected by a significant lack of liquidity, loss of confidence in the financial sector, disruptions in the credit markets, reduced business activity, rising unemployment and erosion of consumer confidence. The global economic slowdown in general, and the U.S. and European economic slowdown in particular, have had, and may continue to have, a negative impact on the Mexican economy as well as on our business, financial condition and results of operations. In particular, a contraction in the credit markets may affect our ability to fund our operations.

In addition, a decline in interest rates for our products and an increase in our cost of funding could have a negative effect on our financial margins. Furthermore, the Mexican financial market is exposed to a certain extent to the ongoing social and political crisis in North Africa and the Middle East, which may result in increasing energy prices and volatility in the foreign currency exchange market and could negatively impact our results. A worsening of these conditions would likely exacerbate the adverse effects of these difficult market conditions on us and others in the markets in which we operate. In particular, we may face, among others, the following risks in connection with these events:

- The worsening of global economic conditions and continued disruptions in the credit markets could lead to increased government regulation of our industry. Compliance with such regulation may increase our costs, impose capital adequacy or reserve requirements, limit the interest rates, fees and commissions we may

charge, impose limitations on the terms of the standard agreements we use and limit our ability to implement our business strategies.

- The process we use to estimate losses inherent in our credit exposure requires subjective and complex judgments, including forecasts of economic conditions and how these economic conditions might impair the ability of our borrowers to repay their loans. The level of uncertainty concerning economic conditions may adversely affect the accuracy of our estimates which may, in turn, impact the reliability of such process.

The occurrence of any of these events may materially and adversely affect our business, financial condition and results of operations.

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

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

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

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

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

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

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

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

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

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

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

- place us at a competitive disadvantage with competitors who may have less indebtedness and other obligations or greater access to financing.

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

***The Mexican Federal Competition Commission, or the CFC, is required to investigate the Mexican financial system and to order measures to eliminate anti-competitive practices.***

Under the financial reform approved by the Mexican Congress that took effect in 2014, the CFC has been given a 180-day period within which to investigate whether competitive conditions exist in the Mexican financial system. Upon completion of the investigation, the CFC shall make recommendations seeking to improve competition in the Mexican financial system, including eliminating barriers to entry and competition, ordering asset sales and taking any other measures aimed at eliminating anti-competitive practices. Although we cannot predict what determinations, if any, will be made by the CFC as a result of the aforementioned investigations, any such determination may impact us, and may adversely impact our business, financial condition and results of operations.

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

As part of the financial reform approved in Mexico in 2014, the Mexican Congress approved changes to the Law for the Protection and Defense of Financial Services Users (*Ley de Protección y Defensa al Usuario de Servicios Financieros*) pursuant to which, among other things, CONDUSEF is entitled to initiate class actions against Mexican financial institutions, in connection with events affecting groups of users of financial services. Although there is limited experience in Mexico in connection with class actions, a class action initiated against us could adversely affect our business, financial condition and results of operations.

CONDUSEF has broad powers to regulate our activities and activities of Mexican financial institutions, which may have an adverse impact on us. Under recent changes approved by the Mexican Congress to the Law for the Protection and Defense of Financial Services Users, CONDUSEF is entitled (1) to order amendments to our standard form commercial documentation (such as loan and account agreements) if CONDUSEF deems that provisions included in such agreements are detrimental to users, and (2) to order the attachment of our assets for the benefit of our customers. CONDUSEF has broad and discretionary authority to take this and other similar actions, including the imposition of laws and the publication of information, such as imposing fines that may be detrimental to our business and reputation. Actions taken by CONDUSEF against us, whether on an isolated or recurrent basis, may have a material adverse impact on us, and we cannot predict the nature of any such actions at this time.

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

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

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

We are required to comply with applicable anti-money laundering, terrorism financing prevention and other laws and regulations. These laws and regulations require our subsidiaries, among other things, to adopt and enforce "know your customer" policies and procedures and to report suspicious and large transactions to the applicable authorities. Such regulations have become more complex and detailed over time and require an improvement in our

systems and highly qualified personnel for the supervision and compliance with such rules. In addition, such regulation is subject to increased surveillance by governmental authorities. While we have adopted policies and procedures aimed at detecting and preventing the use of our network for money laundering activities and related activities, such policies and procedures have in some cases only been recently adopted and 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. Additionally, it is possible that the personnel we hire to monitor such activities do not have as much experience as individuals in criminal organizations. While we have not been subject to fines or other sanctions as a result of money laundering activities in the past, to the extent we may fail to fully comply with applicable laws and regulations, the relevant government agencies to which we report have the power and authority to impose fines and other penalties. Furthermore, although we have not suffered damages to our business or our reputation as a result of money laundering activities in the past, our business and reputation could suffer if customers use us for money laundering or illegal or improper purposes.

### **Risks Relating to Mexico**

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

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

In 2008, the Mexican economy experienced a significant deterioration as a result of the global financial crisis. Foreign consumer demand deteriorated significantly, particularly in the manufacturing sector, which also affected domestic consumer demand, with lower investment and consumption. Mexico's GDP growth rate slowed to 1.3% and several supply side shocks affected price levels. The Peso was also adversely impacted by the economic downturn, and from September through the first quarter of 2009, the Peso depreciated significantly.

During 2009, the financial crisis that started in 2008 continued affecting the world economy, which experienced the sharpest decline in decades. Mexico suffered the sharpest decline in GDP since 1995, declining by 6.2% during 2009, mainly as a result of Mexico's close commercial ties with the United States. As a result of a sharp decline in foreign consumer demand, Mexican exports fell drastically in key industries such as the automotive and electrical equipment industries. The Mexican financial sector was strongly affected by volatility.

While market conditions improved in 2010, 2011 and 2012, there can be no guarantee that the Mexican economy will continue to grow or remain stable. In 2013, in contrast to previous years, Mexico's GDP decelerated to 1.1%. A continued 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.

#### ***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. Applicable Mexican law does not currently impose any limit on the interest rate we may charge a customer. However, Mexican law could change, and our loans could become subject to interest rate caps. If Mexican law were to change in these ways, or if other changes to Mexican law were to occur it could become financial impossible or impractical to continue offering loans to many of our customers and our business, financial

condition and results of operations could be materially and adversely affected. Political, economic and social conditions in Mexico could materially and adversely affect Mexican economic policy and, in turn, our operations.

Following Enrique Peña Nieto's election as President of Mexico in 2012, the Mexican Congress (*Congreso General de los Estados Unidos Mexicanos*) became politically divided, as his political party, the Institutional Revolutionary Party (*Partido Revolucionario Institucional*), or the PRI, did not have a majority in the Mexican Congress. While the PRI currently constitutes the majority of the Mexican Congress, there is no guarantee that the PRI will be able to fully implement its policy agenda in the face of political opposition. 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 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.

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

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

In addition, in recent years economic conditions in Mexico have become increasingly correlated with economic conditions in the United States as a result of the North American Free Trade Agreement, or NAFTA, and increased economic activity between the two countries. Therefore, adverse economic conditions in the United States, the termination or re-negotiation of NAFTA or other related events could have a significant adverse effect on the Mexican economy. We cannot assure you that events in other emerging market countries, in the United States or elsewhere will not adversely affect our business, financial condition or results of operations.

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

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

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



The Peso has been subject to significant devaluations against the U.S. dollar and may be subject to significant fluctuations in the future. For example, in 2008, as a result of the negative economic conditions in the United States and in other parts of the world, local and international markets experienced high volatility, which contributed to the devaluation of the Peso. The Mexican government has implemented a series of measures to limit the devaluation of the Peso and stabilize the local economy. However, we cannot assure you that such measures will be effective or ongoing or predict how they will impact the Mexican economy.

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

Mexico has a history of high levels of inflation and may experience high inflation in the future. Historically, inflation in Mexico has led to higher interest rates, depreciation of the Peso and the imposition of substantial government controls over exchange rates and prices. The annual rate of inflation for the last three years, as measured by changes in the National Consumer Price Index (*Índice Nacional de Precios al Consumidor*), as provided by INEGI and as published by the Mexican Central Bank, was 3.8% in 2011, 3.6% in 2012 and 4.0% in 2013. Although inflation is less of an issue recently than in past years, we cannot assure you that Mexico will not experience high inflation in the future, including in the event of a substantial increase in inflation in the United States.

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.

***Approved amendments to Mexican tax laws may adversely affect us.***

On December 11, 2013, certain reforms to Mexican tax laws were published in the Official Gazette, which became effective as of January 1, 2014. While the corporate income tax rate, which had previously been scheduled for reduction, remained at 30%, these tax reforms (i) resulted in several amendments to corporate tax deductions, among other things, by eliminating deductions that were previously allowed for related-party payments to certain foreign entities and limiting tax deductions on salaries paid to employees, (ii) imposed a 10% withholding income tax on dividends paid by the corporation to individuals or foreign residents, (iii) standardized the value-added tax, or VAT, in all areas of Mexico, (iv) required the use of electronic invoices and new monthly tax reports to be provided to governmental tax authorities, and (v) imposed a 10% income tax payable by individuals on the sale of stock listed on the Mexican Stock Exchange.

Our business, financial condition and results of operations may be adversely affected as a result of increased taxes on salaries and increased costs due to the additional compliance requirements. Furthermore, our shareholders may be required to pay higher taxes, and may not have the benefit of certain deductions, that they would have had prior to the implementation of these amendments.

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

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

***Developments in Mexican class action laws could adversely affect our operations.***

Recent amendments to Mexican law permit class action lawsuits. Furthermore, as a result of recent financial reforms, CONDUSEF has been empowered to initiate class actions related to financial services institutions. These new laws may cause borrowers and other market participants to initiate class action lawsuits against us. Due to the lack of judicial history in interpreting and applying these laws, we cannot predict the likelihood of any of these actions being initiated against us or the possible outcome of any actions initiated under such laws.

**Risks Relating to the Notes**

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

We currently have, and after this offering will have, a substantial amount of debt. As of March 31, 2014, after giving pro forma effect to the issuance of the notes and the use of the net proceeds of this offering, we would have had Ps.7,293.2 million (U.S.\$557.4 million) of outstanding debt, including Ps.2,214.3 million (U.S.\$169.2 million) of secured debt. See “Use of Proceeds” for an explanation of how we intend to use the proceeds of this offering. Our significant level of debt could have important consequences to you, including:

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

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

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

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

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

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

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

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

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

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

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

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

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

Currently there is no market for the notes. Application has been made to have the notes listed on the Official List of the Luxembourg Stock Exchange and traded on the EuroMTF Market. Even if the notes become listed on this exchange, we may delist the notes. A trading market for the notes may not develop, or if a market for the notes were to develop, the notes may trade at a discount from their initial offering price, depending upon many factors, including prevailing interest rates, the market for similar securities, general economic conditions and our financial

condition. The initial purchasers are not under any obligation to make a market with respect to the notes, and we cannot assure you that trading markets will develop or be maintained. Accordingly, we cannot assure you as to the development or liquidity of any trading market for the notes. If an active market for the notes does not develop or is interrupted, the market price and liquidity of the notes may be adversely affected.

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

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

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

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

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

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

Our obligations under the notes, and the obligations of the guarantors under the guarantees, are unsecured. As a result, the notes will be effectively subordinated to all of our and the guarantors' secured debt to the extent of the value of the collateral securing such debt. As of March 31, 2014, we had approximately Ps.2,214.3 million (U.S.\$169.2 million) of secured debt outstanding (excluding accrued interest) and we do not intend to use the proceeds of this offering to repay any secured debt. In the event that we or any of our subsidiaries is not able to repay amounts due under such secured debt obligations, creditors could proceed against the collateral securing such indebtedness. In that event, any proceeds upon a realization of the collateral would be applied first to amounts due under the secured debt obligations before any proceeds would be available to make payments on the notes. If there is a default, the value of this collateral may not be sufficient to repay both our secured creditors and the holders of the notes. Additionally, the claims of holders of the notes will rank effectively junior to certain obligations that are preferred by statute, including certain claims relating to taxes and labor.

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

Only the subsidiary guarantors are guarantors of the notes. However, our financial information (including our financial statements included herein) is presented on a consolidated basis. For the year ended December 31, 2013 or in the three-month period ended March 31, 2014, our non-guarantor subsidiaries did not make a material contribution to our net margin or net income. As of March 31, 2014, after giving pro forma effect to the issuance of the notes and the application of the proceeds thereof, our non-guarantor subsidiaries would have had total indebtedness and liabilities of Ps.1,752.3 million (U.S.\$133.9 million) (including trade payables). Any right that we or the guarantors have to receive assets of any of the non-guarantor subsidiaries upon the liquidation or reorganization of those subsidiaries, and the consequent rights of holders of notes to realize proceeds from the sale of any of those subsidiaries' assets, will be effectively subordinated to the claims of that subsidiary's creditors, including trade creditors and holders of debt of that subsidiary.

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

The guarantees provide a basis for a direct claim against the subsidiary guarantors; however, it is possible that the guarantees, under the Mexican bankruptcy law, may not be enforceable, primarily because of the lack of consideration received by the subsidiary guarantors. While Mexican law does not prohibit the giving of guarantees and, as a result, does not prevent the guarantees of the Notes from being valid, binding and enforceable against the subsidiary guarantors, in the event that a subsidiary guarantor becomes subject to *concurso mercantil* or to bankruptcy (*quiebra*), the giving of the relevant guarantee may be deemed to have been a fraudulent transfer and declared void based upon the subsidiary guarantor being deemed not to have received fair consideration in exchange for the giving of such guarantee.

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

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

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

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

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

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

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

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

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

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

## **USE OF PROCEEDS**

We expect the net proceeds from the sale of the notes will be approximately U.S.\$195.7 million after deducting discounts and commissions to the initial purchasers but before the payment of other offering expenses. We expect to use these net proceeds:

- to pay the consideration for the 2015 senior notes tender offer and consent solicitation, including accrued and unpaid interest;
- to repay certain indebtedness; and
- to the extent any proceeds remain, for general corporate purposes.

## EXCHANGE RATES

Mexico has had a free market for foreign exchange since the end of 1994 and the Mexican Central Bank allows the Peso to float freely against the U.S. dollar and other foreign currencies. As a result, policy has evolved toward an inflation targeting regime and the Mexican Central Bank intervenes directly in the foreign exchange market only to reduce excessive short-term volatility. The Mexican Central Bank, as an autonomous authority, recognizes price stability as its fundamental goal and implements monetary policy using a target for the overnight interest rate charged in the interbank market. An interest rate regime became effective on January 21, 2008, and substituted the regime based on daily balances known as the “*corto*.” As part of the interest rate target regime, open market operations (liquidity auctions) aim to provide the incentives for commercial banks to keep their accounts at the Mexican Central Bank with a balance of zero at the daily market closing, in an environment where the overnight rate equals the target rate. The Mexican Central Bank provides or withdraws liquidity as needed to meet its target rate through these operations. Positive balances in the accounts kept by the commercial banks at the Mexican Central Bank are not paid interest, while overdrafts or negative balances are charged twice the overnight interest rate target. An increase in interest rates can make domestic financial assets more attractive to investors than foreign financial assets, which could trigger an appreciation of the nominal exchange rate and vice versa.

The Mexican economy has suffered balance of payment deficits and shortages in foreign exchange reserves in the past. While the Mexican government, for more than 15 years, has not restricted the ability of Mexican and foreign individuals or entities to convert Pesos to U.S. dollars, we cannot assure you that the Mexican government will not institute restrictive exchange control policies in the future as it has done in the past. To the extent that any such restrictive exchange control policies were to be instituted in the future in the event of shortages of foreign currency, our ability to transfer or convert Pesos into U.S. dollars and other currencies to service our foreign currency obligations, and your ability to transfer or convert our dividends paid in Pesos into U.S. dollars and other currencies, would be adversely affected and foreign currency may not be available without substantial additional cost. There can be no assurance that the Mexican government will maintain its current policies with respect to the Peso or that the Peso will not depreciate significantly in the future.

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

<u>Year Ended</u>	<u>High</u>	<u>Low</u>	<u>Average<sup>(1)</sup></u>	<u>Period End</u>
December 31, 2009.....	15.3650	12.5969	13.5014	13.0437
December 31, 2010.....	13.1819	12.1575	12.6315	12.3817
December 31, 2011.....	14.2443	11.5023	12.4237	13.9787
December 31, 2012.....	14.3949	12.6299	13.1728	12.9880
December 31, 2013.....	13.4394	11.9807	12.7691	13.0652
<u>Month Ended</u>				
December 31, 2013.....	13.2372	12.8574	13.0088	13.0652
January 31, 2014.....	13.4930	12.9889	13.2097	13.3207
February 28, 2014.....	13.3928	13.1949	13.2881	13.3066
March 31, 2014.....	13.3201	13.0837	13.2042	13.0841
April 30, 2014.....	13.1371	12.9642	13.0691	13.1039
May 31, 2014 (through May 28).....	13.0901	12.8616	12.9440	12.8772

(1) Year or period average.

This offering memorandum contains translations of certain Peso amounts into U.S. dollars at specified rates solely for the convenience of the reader. The convenience translations should not be construed as a representation that the Peso amounts actually represent such U.S. dollar amounts or that they could be converted into U.S. dollars at the specified rate or at all. The exchange rate used for purposes of convenience translations is the exchange rate published by the Mexican Central Bank in the Federal Official Gazette on March 31, 2014 as the rate for the payment of obligations denominated in non-Mexican currency payable in Mexico. See “Presentation of Financial and Other Information.”



## CAPITALIZATION

The following table sets forth our cash and cash equivalents, commercial paper, short-term and long-term debt, stockholders' equity and capitalization:

- on an actual basis as of March 31, 2014; and
- as adjusted to give effect to the issuance of the notes and the application of the net proceeds therefrom, after deducting discounts and commissions to the initial purchasers but before the payment of other offering expenses.

The information set forth below on an actual basis as of March 31, 2014 is derived from our unaudited interim financial statements as of March 31, 2014.

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

	As of March 31, 2014			
	Actual	As Adjusted <sup>(1)</sup>	Actual	As Adjusted <sup>(1)</sup>
	(Ps. millions)		(U.S.\$ millions) <sup>(2)</sup>	
<b>Cash and cash equivalents</b> .....	<b>536.6</b>	<b>1,194.5</b>	<b>41.0</b>	<b>91.3</b>
Commercial paper <sup>(3)</sup> .....	1,501.5	1,501.5	114.8	114.8
Short-term debt <sup>(4)</sup> .....	4,825.5	2,922.9	368.8	223.4
Long-term debt <sup>(5) (6)</sup> .....	252.0	2,868.8	19.3	219.3
<b>Total debt</b> .....	<b>6,579.0</b>	<b>7,293.2</b>	<b>502.8</b>	<b>557.4</b>
Stockholders' equity:				
<b>Total stockholders' equity</b> .....	<b>3,193.7</b>	<b>3,193.7</b>	<b>244.1</b>	<b>244.1</b>
<b>Total capitalization<sup>(7)</sup></b> .....	<b>9,772.7</b>	<b>10,486.9</b>	<b>746.9</b>	<b>801.5</b>

- (1) As adjusted to give effect to this offering and the application of the net proceeds therefrom, after deducting discounts and commissions to the initial purchasers but before the payment of other offering expenses.
- (2) Solely for the convenience of the reader, statement of income and balance sheet data expressed in U.S. dollars have been translated at the rate of Ps.13.0841 per U.S.\$1.00, the exchange rate published by the Mexican Central Bank in the Federal Official Gazette on March 31, 2014 as the rate for the payment of obligations denominated in non-Mexican currency payable in Mexico. See "Presentation of Financial and Other Information" and "Exchange Rates."
- (3) Comprises our Peso-denominated credit-backed debt securities (*certificados bursátiles respaldados por créditos*) issued on March 3, 2014 under our 2014 Peso-denominated debt securities program, which are considered "commercial paper" and given on-balance sheet treatment under Mexican Banking GAAP. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources."
- (4) Includes Ps.14.2 million in accrued interest.
- (5) For as adjusted amounts, assumes (i) U.S.\$145.4 million of the aggregate principal amount of the outstanding 2015 senior notes are validly tendered at or before the early tender deadline, (ii) total tender consideration (including the early tender payment) of U.S.\$1,078.22 per U.S.\$1,000.00 in principal amount of the 2015 senior notes is paid to holders of such notes and (iii) no additional 2015 senior notes are tendered after the early tender deadline.
- (6) For as adjusted amounts, reflects the capitalization of estimated interest on the 2015 senior notes and other expenses to be paid in connection with the 2015 senior notes tender offer, which are deemed to be incremental and directly attributable to the notes.
- (7) Total debt plus stockholders' equity.

## SELECTED CONSOLIDATED FINANCIAL AND OTHER INFORMATION

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

The balance sheet data as of March 31, 2014, and the income statement data for the three-month periods ended March 31, 2014 and 2013, are derived from our unaudited interim financial statements included elsewhere in this offering memorandum. The balance sheet data as of December 31, 2013 and 2012, and the income statement data for the years ended December 31, 2013, 2012 and 2011, are derived from our audited financial statements included elsewhere in this offering memorandum. Our financial statements are presented in thousands of Pesos, whereas all other figures presented in this offering memorandum are presented in millions of Pesos, unless otherwise indicated.

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

	For the Three-Month Period Ended March 31,			For the Years Ended December 31,			
	2014	2014	2013	2013	2013	2012	2011
	<i>(In millions of U.S.\$, unless otherwise indicated) (1)</i>	<i>(in millions of Ps., unless otherwise indicated)</i>	<i>(in millions of Ps., unless otherwise indicated)</i>	<i>(In millions of U.S.\$, unless otherwise indicated) (1)</i>	<i>(in millions of Ps., unless otherwise indicated)</i>		
<b>Statement of Income Data:</b>							
Interest income.....	91.4	1,195.8	1,179.8	367.2	4,805.0	5,032.0	4,378.1
Interest expense .....	(13.4)	(175.9)	(180.0)	(55.2)	(722.5)	(763.9)	(734.9)
<b>Financial margin</b> .....	<b>77.9</b>	<b>1,019.9</b>	<b>999.9</b>	<b>312.0</b>	<b>4,082.5</b>	<b>4,268.1</b>	<b>3,643.2</b>
Provision for loan losses (2).....	(20.9)	(273.6)	(240.2)	(92.4)	(1,209.1)	(1,952.4)	(1,368.0)
<b>Financial margin after provision for loan losses</b> .....	<b>57.0</b>	<b>746.4</b>	<b>759.6</b>	<b>219.6</b>	<b>2,873.4</b>	<b>2,315.8</b>	<b>2,275.2</b>
Commission and fee income .....	11.1	145.8	157.4	47.7	623.5	812.2	823.9
Commission and fee expense .....	(1.5)	(20.1)	(15.8)	(5.2)	(68.1)	(72.7)	(61.1)
Trading income (expense).....	(0.5)	(6.9)	—	—	(0.1)	10.4	24.1
Other revenue from operations.....	7.0	91.4	35.9	16.5	215.3	190.3	168.9
Non-interest expenses.....	(62.7)	(819.9)	(863.9)	(253.3)	(3,314.1)	(3,420.9)	(2,926.2)
<b>Income (loss) from operations</b> .....	<b>10.5</b>	<b>136.8</b>	<b>73.3</b>	<b>25.2</b>	<b>330.0</b>	<b>(164.8)</b>	<b>304.8</b>
Current income tax expense .....	(2.4)	(31.7)	(33.9)	(8.4)	(110.1)	(85.8)	(196.8)
Deferred income tax benefit (expense).....	(0.3)	(4.3)	10.7	2.5	33.3	132.1	79.1
Net income attributable to:							
Controlling interests.....	7.7	100.7	50.1	19.4	253.2	(118.5)	187.1
Non-controlling interests.....	—	—	0.7	0.1	0.9	2.0	(1.3)
<b>Net income</b> .....	<b>7.7</b>	<b>100.7</b>	<b>50.8</b>	<b>19.4</b>	<b>254.1</b>	<b>(116.5)</b>	<b>185.8</b>
Weighted average number of shares (millions).....	54.7	715.9	715.9	715.9	715.9	715.9	715.9
Income (loss) per share.....	0.0108	0.1407	0.0709	0.0271	Ps.0.3550	Ps.(0.1627)	Ps.0.2596

- (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.13.0841 per U.S.\$1.00, the exchange rate published by the Mexican Central Bank in the Federal Official Gazette on March 31, 2014 as the rate for the payment of obligations denominated in non-Mexican currency payable in Mexico. See “Presentation of Financial and Other Information” and “Exchange Rates.”
- (2) Provision for loan losses is recorded in a separate account under allowance for loan losses on our balance sheet and all write-offs of uncollectible loans are charged against this balance sheet account.

	As of and for the Three-Month Period Ended March 31,			As of and for the Year Ended December 31,			
	2014 <i>(In millions of U.S.\$, unless otherwise indicated) (1)</i>	2014 <i>(in millions of Ps., unless otherwise indicated)</i>	2013	2013 <i>(In millions of U.S.\$, unless otherwise indicated) (1)</i>	2013	2012	2011
<b>Balance Sheet Data:</b>							
Cash and cash equivalents .....	41.0	536.6	532.7	39.1	511.0	382.5	641.2
Derivatives .....	—	—	—	—	—	—	153.4
Total loans-net .....	479.7	6,276.8	6,022.7	484.2	6,335.8	6,288.1	6,817.2
Other accounts receivable-net .....	23.0	301.4	255.0	22.3	291.3	250.0	344.0
Property, furniture and equipment-net.....	25.1	328.7	370.6	26.0	340.8	393.6	437.8
Deferred taxes-net.....	75.7	990.2	988.1	76.1	995.4	960.7	814.7
Other assets-net.....	141.2	1,847.8	1,781.0	138.5	1,811.9	1,780.7	1,817.9
<b>Total assets.....</b>	<b>785.8</b>	<b>10,281.6</b>	<b>9,950.1</b>	<b>786.2</b>	<b>10,286.1</b>	<b>10,055.5</b>	<b>11,026.2</b>
Commercial paper(2).....	114.8	1,501.5	1,503.6	114.8	1,501.6	1,501.6	1,500.9
Borrowings from banks and other entities .....	388.1	5,077.5	4,949.6	399.4	5,225.5	5,236.8	5,976.6
Derivatives .....	5.8	75.6	256.8	5.8	76.3	94.0	—
Other accounts payable.....	33.1	433.3	368.4	30.6	401.0	364.1	495.8
<b>Total liabilities.....</b>	<b>541.7</b>	<b>7,087.9</b>	<b>7,078.4</b>	<b>550.6</b>	<b>7,204.5</b>	<b>7,196.6</b>	<b>7,973.3</b>
Total stockholders' equity .....	244.1	3,193.7	2,871.8	235.5	3,081.6	2,858.9	3,052.9
<b>Total liabilities and stockholders' equity .....</b>	<b>785.8</b>	<b>10,281.6</b>	<b>9,950.1</b>	<b>786.2</b>	<b>10,286.1</b>	<b>10,055.5</b>	<b>11,026.2</b>

#### Other Financial Data and Ratios

##### Profitability and Efficiency:

Return on average stockholders' equity (3) .....	12.8%	12.8%	7.1%	8.6%	8.6%	(3.9)%	6.2%
Return on average total assets (4).....	3.9%	3.9%	2.0%	2.5%	2.5%	(1.1)%	1.9%
Net interest margin after provisions (5).....	52.5%	52.5%	52.8%	50.4%	50.4%	43.1%	44.2%
Efficiency ratio (6).....	85.7%	85.7%	92.2%	90.9%	90.9%	105.1%	90.6%

##### Capitalization:

Stockholders' equity as a percentage of total assets.....	31.1%	31.1%	28.9%	30.0%	30.0%	28.4%	27.7%
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##### Credit Quality Data:

Total performing loans .....	479.7	6,276.8	6,063.2	484.9	6,335.8	6,352.8	6,653.6
Total non-performing loans .....	32.4	424.0	508.3	38.3	500.8	370.0	694.1
Total loan portfolio.....	512.1	6,700.9	6,571.4	523.3	6,836.6	6,722.8	7,347.7
Allowance for loan losses.....	(32.4)	(424.0)	(548.7)	(38.3)	(500.8)	(434.8)	(530.5)

##### Credit Quality Ratios:

Allowance for loan losses as a percentage of total loan portfolio.....	6.3%	6.3%	8.4%	7.3%	7.3%	6.5%	7.2%
Allowance for loan losses as a percentage of total non- performing loan portfolio.....	100.0%	100.0%	108.0%	100.0%	100.0%	117.5%	76.4%
Total non-performing loan portfolio as a percentage of total loan portfolio.....	6.3%	6.3%	7.7%	7.3%	7.3%	5.5%	9.4%

- (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.13.0841 per U.S.\$1.00, the exchange rate published by the Mexican Central Bank in the Federal Official Gazette on March 31, 2014 as the rate for the payment of obligations denominated in non-Mexican currency payable in Mexico. See "Presentation of Financial and Other Information" and "Exchange Rates."
- (2) Return on average stockholders' equity for the years ended December 31, 2013, 2012 and 2011 consists of net income for the year divided by the daily average of stockholders' equity for the year. Return on average stockholders' equity for the three-month periods ended March 31, 2014 and 2013 consists of annualized net income for the period divided by the daily average of stockholders' equity for the period.
- (3) Comprises our Peso-denominated credit-backed debt securities (*certificados bursátiles respaldados por créditos*) issued on March 3, 2014 under our 2014 Peso-denominated debt securities program, which are considered "commercial paper" and given on-balance sheet treatment under Mexican Banking GAAP. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources."

- (3) Return on average total assets for the years ended December 31, 2013, 2012 and 2011 consists of net income for the year divided by the daily average of total assets for the year. Return on average total assets for the three-month periods ended March 31, 2014 and 2013 consists of annualized net income for the period divided by the daily average of total assets for the period.
- (4) Represents financial margin (including commissions) after provision for loan losses divided by average interest-earning assets. Average interest-earning assets are determined based on the daily average balance of the period.
- (5) Efficiency ratio consists of non-interest expense for the period divided by the sum of (i) financial margin after provision for loan losses for the period and (ii) the difference between (x) commission and fee income and (y) commission and fee expense.

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

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

### Overview

We are in the business of providing microcredit loans to low-income individuals from the formal and self-employed sectors of the Mexican and U.S. economies and working capital group loans in rural areas of Mexico and Brazil. We provide products and services to individuals who might otherwise have no, or limited, access to loans and related services from other financial institutions. Our goals are to create economic value for our customers and shareholders and social value for our customers and the community, as well as to develop long-term relationships with our customers to establish their credit history. As of March 31, 2014, we were the largest microfinance lender of personal loans to individuals in Mexico based on the number of loans outstanding, according to data published by ProDesarrollo and our internal estimates. As of March 31, 2014, we operated 561 branch offices (522 in Mexico, 25 in Brazil and 14 in the state of California in the United States).

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, and our market capitalization as of March 31, 2014 was approximately U.S.\$257.7 million. We operate based on a specialized business model that relies on providing large volumes of small loans (as of March 31, 2014, our average loan balance was approximately Ps.5,987 (U.S.\$458.00)) with high frequency of repayments (over 90% of our loans are repaid either weekly or bi-weekly).

Since our inception in 1993, we have experienced significant growth and earned a leading role in the personal loan sector of the Mexican microfinance market, achieving a 63.4% compound annual growth rate in our number of loans granted from our inception on July 22, 1993 through December 31, 2013. As of March 31, 2014, we had 1,119,228 loans outstanding and reported a return on average total assets of 3.9% for the three-month period then ended. We believe that our success is attributable to a number of factors, including our recent focus on the quality and profitability of our loan portfolio rather than its volume; our geographic coverage and extensive distribution network; our understanding of the market we service and the know-how we have developed through our exclusive focus on our well-defined target market; our risk management policies; our effective collection practices; the efficiencies afforded by our information technology systems; the loyalty fostered by the personalized customer service that we provide; and the leadership of our experienced and skilled management team. We believe that we are strategically positioned to achieve additional growth and further strengthen our competitive position.

### *Mexican Economic Environment*

Our business is closely tied to general economic conditions in Mexico. As a result, our economic performance and our ability to implement our business strategies may be affected by changes in national economic conditions, including as a result of changes in the global economy and financial markets that impact Mexico. Since the 1995 currency and banking crisis, Mexico's GDP has grown at an average real rate of 2.9% per year.

In 2010, global economic activity recovered from the lows observed in 2009 as measured by GDP, mainly driven by a sharp rebound in external demand. According to INEGI, GDP grew by 5.1% in 2010, with broad recoveries in all sectors, particularly in the manufacturing sector, which increased 8.4%, and the services sector.

Headline inflation reached 4.4% for the year, above the Mexican Central Bank's long-term objective of 3.0%. The consequences of the global financial crisis that began in 2008 continued to affect the economy in Mexico.

In 2011, the Mexican economy continued to grow despite various negative global events, including the earthquake and resulting tsunami in Japan, extreme weather conditions in several countries, turmoil in the Middle East, strong increases in commodity prices and fears of sovereign debt defaults in Europe that undermined the early stages of recovery. According to INEGI, Mexico's GDP grew by 4.0% in 2011, with strong growth rates in the industrial and services sectors. Manufacturing increased 4.1% in 2011 compared to 2010, while construction increased by 4.3% in 2011. At the same time, headline inflation decreased slightly to 3.8% for the year compared to 4.4% in 2010. In April 2011, the Peso strengthened to levels not reached since October 2008. However, global uncertainty increased volatility in the foreign exchange market.

In 2012, the global economy was affected by a recession in some regions of the Eurozone and the uncertainty of the possible exit from the Eurozone of some of its members. The adjustment programs implemented in countries like Greece, Italy and Spain affected the Eurozone. Emerging markets were affected by slower growth rates in Brazil and China. In spite of this uncertain global economic performance, according to INEGI, Mexico's GDP grew by 3.8% in 2012, with particularly strong growth rates in agricultural and services sectors. In 2012, headline inflation decreased to 3.6%.

While Mexico's GDP growth decelerated to 1.1% in 2013, GDP growth is expected to accelerate to 3.9% in 2014, according to the Mexican Ministry Finance's estimates, as a result of the structural reforms approved by the Mexican government and anticipated improvements in domestic and global economic conditions.

## **Effects of Changes in Interest Rates, Tax Legislation and Inflation**

### ***Interest Rates***

As of March 31, 2014, our loan portfolio represented 65.2% of our total assets and all of the loans we originated bear interest at fixed rates. However, we borrow funds in Pesos, primarily on a floating rate basis, and as a result we economically hedge our exposure to fluctuations in interest rates.

As of March 31, 2014, we have the following interest rate hedging instruments outstanding:

- In September 2010, we entered into two full cross currency swaps, maturing on March 30, 2015, to hedge the 2015 senior notes. Through these instruments, we receive half-yearly cash flows at a 10% fixed interest rate on notional amounts of U.S.\$150.0 million and U.S.\$50.0 million, while paying monthly cash flows at fixed rates of 14.67% and 14.64%, respectively, on the same notional amounts denominated in Pesos.
- In March 2014, we entered into an interest rate cap agreement to limit the floating interest rate on the notional amount of our Ps.1,500.0 million debt securities we issued on March 3, 2014. The maturity of this agreement is identical to the maturity of the underlying debt securities.

During the periods discussed below, we refer to the following benchmark interest rates in Mexico: (1) the annual interest rate paid in connection with the 28-day Mexican government treasury securities (*Certificados de la Tesorería de la Federación*), or CETES, which are Mexican government Peso-denominated treasury bills with 28-day maturities; and (2) 28-day Interbank Interest Rate (*Tasa de Interés Interbancaria de Equilibrio*), or TIEE, a benchmark 28-day interbank lending rate. Our interest expense has fluctuated from period to period, in part, as a result of these changes in Mexico's benchmark market interest rates.

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

Period	Average Interest Rates	
	CETES 28	TIE 28
	days maturity (1)	days maturity (2)
2009 .....	5.4%	5.9%
2010 .....	4.4%	4.9%
2011 .....	4.8%	4.8%
2012 .....	4.8%	4.9%
2013 .....	3.7%	4.3%
2014 (through March 31) .....	3.2%	3.8%

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**

On December 11, 2013, certain reforms to Mexican tax laws were published in the Official Gazette, or the tax reforms, which became effective as of January 1, 2014. While the corporate income tax rate, which had previously been scheduled for reduction, remained at 30%, the tax reforms (1) resulted in several amendments to corporate tax deductions, among other things, by eliminating deductions that were previously allowed for related-party payments to certain foreign entities and limiting tax deductions on salaries paid to employees, (2) imposed a 10% withholding income tax on dividends paid by a corporation to individuals or foreign residents, (3) standardized the VAT in all areas of Mexico, (4) required the use of electronic invoices and new monthly tax reports to be provided to governmental tax authorities, and (5) imposed a 10% income tax payable by individuals on the sale of stock listed on the Mexican Stock Exchange. The tax reforms also abolished the flat rate business tax law (*Impuesto Empresarial a Tasa Unica*), or IETU.

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

### **Inflation**

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

Accumulated inflation for the years ended December 31, 2013, 2012 and 2011 was 11.4%, 11.8%, and 15.2%, respectively, and the economic environment during these periods may therefore be considered non-inflationary. Inflation for the years ended December 31, 2013, 2012 and 2011 was 3.97%, 3.57% and 3.82%, respectively.

### **Critical Accounting Policies**

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

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

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

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

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

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

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

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

Beginning January 2013, our policy is to maintain an allowance for loan losses at or above 100% of the outstanding balance of our non-performing loan portfolio at all times.

### ***Fair Value of Financial Instruments***

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

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

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

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



### ***Deferred Income Tax***

We record deferred income tax using enacted tax rates to reflect the temporary differences between the book and tax basis of assets and liabilities. If enacted tax rates change, we adjust the deferred tax assets and liabilities through the provision for income tax and flat tax in the period of change to reflect the enacted tax rate expected to be in effect when the deferred tax items reverse. Should we determine that we would not be able to realize all or part of our net deferred tax asset in the future, an adjustment to the deferred tax asset would be charged to income in the period such determination was made.

### ***Impairment of Goodwill***

Goodwill and other indefinite lived intangible assets are tested for impairment on an annual basis, or more frequently if events or changes in circumstances, such as an adverse change in business climate or observable market data, indicate that these assets may be impaired. An impairment loss recognized for goodwill may not be reversed in a subsequent period. The fair value determination used in the impairment assessment requires estimates based on discounted cash flow or other valuation techniques, or a combination thereof, requiring management to make subjective judgments and assumptions. Events and factors that may significantly affect the estimates include, among others, competitive forces, changes in revenue growth trends, cost structures and technology, and changes in discount rates and specific industry or market sector conditions.

The main assumptions used in discounted cash flow analyses are: (i) earnings projections based on the financial budgets approved by the directors which normally cover a five-year period (unless a longer time horizon can be justified), (ii) discount rates determined as the cost of capital taking into account the risk-free rate of return plus a risk premium in line with the market and the business in which the units operate and (iii) constant growth rates used in order to extrapolate earnings to perpetuity which do not exceed the long-term average growth rate for the market in which the cash-generating unit in question operates.

Given the degree of uncertainty of these assumptions, we perform a sensitivity analysis thereof using reasonable changes in the key assumptions on which the recoverable amount of the cash-generating units is based in order to confirm whether their recoverable amount still exceeds their carrying amount. Following the sensitivity analysis performed, the value in use of all the cash-generating units still exceeds their recoverable amount.

## Results of Operations for the Three-Month Period Ended March 31, 2014 Compared to the Three-Month Period Ended March 31, 2013

The following table sets forth certain of our income statement information relating to the three-month periods ended March 31, 2014 and 2013:

	For the Three-Month Period Ended March 31,		
	2014	2014	2013
	<i>(in millions of U.S.\$) (1)</i>		
	<i>(in millions of Ps.)</i>		
Interest income .....	91.4	1,195.8	1,179.8
Interest expense .....	(13.4)	(175.9)	(180.0)
<b>Financial margin</b> .....	<b>77.9</b>	<b>1,019.9</b>	<b>999.9</b>
Provision for loan losses .....	(20.9)	(273.6)	(240.2)
<b>Financial margin after provision for loan losses</b> .....	<b>57.0</b>	<b>746.4</b>	<b>759.6</b>
Commission and fee income .....	11.1	145.8	157.4
Commission and fee expense .....	(1.5)	(20.1)	(15.8)
Trade payables .....	(0.5)	(6.9)	—
Other revenue from operations .....	7.0	91.4	35.9
Non-interest expense .....	(62.7)	(819.9)	(863.9)
<b>Income (loss) from operations</b> .....	<b>10.5</b>	<b>136.8</b>	<b>73.3</b>
Current income tax expense .....	(2.4)	(31.7)	(33.9)
Deferred income tax benefit (expense) .....	(0.3)	(4.3)	10.7
Net income attributable to:			
Controlling interests .....	7.7	100.7	50.1
Non-controlling interests .....	—	—	0.7
<b>Net income</b> .....	<b>7.7</b>	<b>100.7</b>	<b>50.8</b>

- (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.13.0841 per U.S.\$1.00, the exchange rate published by the Mexican Central Bank in the Federal Official Gazette on March 31, 2014 as the rate for the payment of obligations denominated in non-Mexican currency payable in Mexico. See "Presentation of Financial and Other Information" and "Exchange Rates."

### Financial Margin

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

	For the Three-Month Period Ended March 31,		
	2014	2014	2013
	<i>(in millions of U.S.\$) (1)</i>		
	<i>(in millions of Ps.)</i>		
<b>Interest income:</b>			
Interest on loans .....	91.0	1,191.2	1,176.0
Interest from investments in securities .....	0.4	4.6	3.9
Total interest income .....	91.4	1,195.8	1,179.8
<b>Interest expense:</b>			
Interest on funding .....	(3.7)	(49.0)	(51.0)
International bond .....	(7.3)	(96.1)	(95.8)
Securitization certificates .....	(2.1)	(27.3)	(29.2)
Others .....	(0.3)	(3.5)	(4.0)
Total interest expense .....	(13.4)	(175.9)	(180.0)
<b>Financial margin</b> .....	<b>77.9</b>	<b>1,019.9</b>	<b>999.9</b>

- (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.13.0841 per U.S.\$1.00, the exchange rate published by the Mexican Central Bank in the Federal Official Gazette on March 31, 2014 as the rate for the payment of obligations denominated in non-Mexican currency payable in Mexico. See "Presentation of Financial and Other Information" and "Exchange Rates."

Financial margin increased by 2.0% to Ps.1,019.9 million in the three-month period ended March 31, 2014, compared to Ps.999.9 million in the corresponding period in 2013. This increase was driven by an increase in our interest income of Ps.16.0 million, or 1.4%, and a decrease in our interest expense of Ps.4.1 million, or 2.3%.

#### *Interest Income*

We recorded interest income of Ps.1,195.8 million in the three-month period ended March 31, 2014, compared to Ps.1,179.8 million in the corresponding period in 2013, representing an increase of Ps.16.0 million, or 1.4%.

This increase was mainly the result of:

- a 12.0% increase in the formal segment of our total loan portfolio, to Ps.3,755.7 million as of March 31, 2014 (representing 56.0% of our total loan portfolio) from Ps.3,354.7 million as of March 31, 2013 (representing 51.0% of our total loan portfolio), reflecting our strategy of placing a greater emphasis on the quality and profitability of our loan portfolio than its volume. From March 31, 2013 to March 31, 2014, the formal segment of our Independencia loan portfolio increased by Ps.223.1 million, or 8.6%, and the formal segment of our AEF loan portfolio increased by Ps.105.4 million, or 11.8%, while the informal segment of our AEF loan portfolio grew by Ps.96.1 million, or 18.0%;
- an increase of Ps.72.6 million, or 80.5%, in our AFI loan portfolio;
- a Ps.138.4 million, or 33.0%, increase in our Finsol Brasil portfolio, reflecting the increased availability of credit lines to fund our loan portfolio growth and an increase in our customers' average loan maturity; and
- a Ps.0.7 million, or 17.9%, increase in our interest income from investments in securities to Ps.4.6 million in the three-month period ended March 31, 2014, compared to Ps.3.9 million in the corresponding period in 2013. This increase was primarily due to an 18.5% higher average balance of investments in securities as of March 31, 2014.

These increases were partially offset by:

- a 9.2% decrease in the informal segment of our total loan portfolio to Ps.2,945.2 million as of March 31, 2014 (representing 44.0% of our total loan portfolio) from Ps.3,216.7 million as of March 31, 2013 (representing 49.0% of our total loan portfolio), reflecting our strategy of emphasizing loan quality and profitability over volume. From March 31, 2013 to March 31, 2014, the informal segment of our Independencia loan portfolio decreased by Ps.351.5 million, or 26.1%.
- a 15.1%, or Ps.133.1 million, decrease in our Finsol Mexico loan portfolio; and
- a decrease in our average interest rate earned on total interest-earning assets to 70.7% in the three-month period ended March 31, 2014, compared to 71.0% in the corresponding period in 2013, reflecting the higher participation of formal segment loans in our portfolio in the 2014 period, which earn a lower average effective lending rate than the average lending rate of our total portfolio, reflecting our strategy as discussed above.

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

#### *Interest Expense*

Our interest expense was Ps.175.9 million in the three-month period ended March 31, 2014, compared to Ps.180.0 million in the corresponding period of 2013, representing a decrease of Ps.4.1 million, or 2.3%. This decrease was primarily due to a 0.3% decrease in the average balance on our interest-bearing liabilities during the three-month period ended March 31, 2014, compared to the corresponding period in 2013 and a 20 basis point decrease in the average interest rate paid on these liabilities from 10.90% as of March 31, 2013 to 10.70% as of

March 31, 2014. The average 28-day CETES and TIIE rates decreased to 3.15% and 3.79%, respectively, as of March 31, 2014 from 4.12% and 4.58%, respectively, as of March 31, 2013.

As a result of the foregoing, our net financial margin increased by 2.0% to Ps.1,019.90 million in the three-month period ended March 31, 2014, compared to Ps.999.9 million in the corresponding period of 2013.

### ***Provisions for Loan Losses***

We recorded provisions for loan losses of Ps.273.6 million in the three-month period ended March 31, 2014 compared to Ps.240.2 million in the corresponding period in 2013, representing an increase of Ps.33.3 million, or 13.9%. This increase primarily resulted from the lower provisions for loan losses we recorded in the three-month period ended March 31, 2013 (when compared to the corresponding period in 2014) mainly due to the clean-up of our loan portfolio in December 2012 in connection with which we recorded a loan write-off of Ps.300.0 million. The write-off was comprised of: (1) Ps.175.0 million in additional provisions for loan losses in our statement of income and (2) a write-off of Ps.125.0 million against the existing provision for loan losses in our balance sheet, resulting in a decrease in non-performing loans and, consequently, a decrease in the required provisions for loan losses in the three-month period ended March 31, 2013.

In the third quarter of 2013, we began recording under “other revenue from operations” both the recovery of our (1) loans written off using the fiscal method (for loans that are more than 364 days overdue) and (2) loans written off using the accounting method (for loans that are between 180-364 days overdue). Prior to this change, loans written off using the fiscal method were recorded under other revenue from operations; however, loans written off using the accounting method were recorded under provisions for loan losses. As a result, our provisions for loan losses during the three-month period ended March 31, 2014 are higher than in previous quarters, as our provisions for this period do not reflect the Ps.21.2 million of loan recoveries received during the three-month period ended March 31, 2014, which are now recorded under other revenue from operations.

Loan write-offs increased by Ps.224.0 million, or 177.5%, to Ps. 350.3 million in the three-month period ended March 31, 2014 from Ps.126.3 million in the corresponding period in 2013. As noted earlier, the clean-up of our loan portfolio in December 2012 resulted in a decrease in non-performing loans and, consequently, a decrease in the required provisions for loan losses and loan write-offs in the three-month period ended March 31, 2013. Excluding the effect of the December 2012 loan portfolio clean-up, loan write-offs for the three-month period ended March 31, 2014 would have decreased 17.8% when compared to the corresponding period of 2013.

For the 12-month period ended March 31, 2014, the ratio of provisions for loan losses to total loan portfolio was 18.5%, compared to the ratio of 26.4% during the 12-month period ended March 31, 2013. Our allowance for loan losses as a percentage of non-performing loans decreased to 100.0% as of March 31, 2014 from 108.0% as of March 31, 2013. As a result of the clean-up of our loan portfolio in December 2012, our allowance for loan losses increased from 84.4% as of September 30, 2012 to 117.5% as of December 31, 2012. Accordingly, the ratio of provisions for loan losses to total loan portfolio for the 12-month period ended March 31, 2013 was higher than our historical average and was gradually reduced over the 12-month period ended March 31, 2014. Beginning January 2013, our policy is to maintain an allowance for loan losses at or above 100% of the outstanding balance of our non-performing loan portfolio at all times.

Our total non-performing loan portfolio totaled Ps.424.0 million as of March 31, 2014, compared to Ps.508.3 million as of March 31, 2013, representing a decrease of Ps.84.2 million, or 16.6%, reflecting our strategic focus.

## Non-Interest Income

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

	For the Three-Month Period Ended March 31,		
	2014	2014	2013
	<i>(in millions of U.S.\$) (1)</i>	<i>(in millions of Ps.)</i>	
Commission and fee income.....	11.1	145.8	157.4
Commission and fee expense.....	(1.5)	(20.1)	(15.8)
Trade payables.....	(0.5)	(6.9)	—
Other revenue from operations.....	7.0	91.4	35.9
<b>Total non-interest income.....</b>	<b>16.1</b>	<b>210.2</b>	<b>177.5</b>

(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.13.0841 per U.S.\$1.00, the exchange rate published by the Mexican Central Bank in the Federal Official Gazette on March 31, 2014 as the rate for the payment of obligations denominated in non-Mexican currency payable in Mexico. See "Presentation of Financial and Other Information" and "Exchange Rates."

Total non-interest income increased to Ps.210.2 million in the three-month period ended March 31, 2014, compared to Ps.177.5 million in the corresponding period in 2013, representing an increase of Ps.32.7 million, or 18.4%.

In particular:

- Commission and fee income (which principally consist of commissions charged for disbursements of loans, annual loan servicing fees and collection fees) decreased by Ps.11.6 million, or 7.4%, to Ps.145.8 million for in three-month period ended March 31, 2014 from Ps.157.4 million in the corresponding period in 2013, primarily due to lower credit origination fees generated within our Independencia operations.
- 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) increased by Ps.4.3 million, or 27.2%, to Ps.20.1 million in the three-month period ended March 31, 2014 from Ps.15.8 million in the corresponding period in 2013, primarily due to (1) a shift in our loan portfolio mix to products that require that we pay higher commissions and (2) the payment of a Ps.1.0 million premium in connection with the early redemption of Peso-denominated bonds that were scheduled to mature in May 2014.
- We recorded trade payables of Ps.6.9 million in the three-month period ended March 31, 2014. In the corresponding period in 2013, we recorded neither trading income nor payables.
- Other revenue from operations increased by Ps.55.5 million, or 154.6%, to Ps.91.4 million in the three-month period ended March 31, 2014 from Ps.35.9 million in the corresponding period in 2013, primarily due to a 136.9% increase in premiums collected on insurance policies sold within our Independencia, AEF and Finsol Brasil operations.

## Non-interest expense

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

	<b>For the Three-Month Period Ended March 31,</b>		
	<b>2014</b>	<b>2014</b>	<b>2013</b>
	<i>(in millions of U.S.\$) (1)</i>	<i>(in millions of Ps.)</i>	
Salaries and employee benefits.....	44.1	577.5	620.5
Other administrative and operational expenses.....	18.5	242.4	243.4
Leases .....	4.7	61.5	56.2
Promotional expenses .....	1.0	12.6	14.4
Repair and maintenance .....	1.5	20.2	15.6
Depreciation and amortization .....	2.0	26.1	30.4
Telecommunications .....	1.3	16.9	27.2
Security and relocation of cash .....	0.8	10.0	11.4
Miscellaneous .....	7.3	95.1	88.1
<b>Total non-interest expense .....</b>	<b>62.7</b>	<b>819.9</b>	<b>863.9</b>

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We recorded non-interest expense of Ps.819.9 million in the three-month period ended March 31, 2014, compared to Ps.863.9 million in the corresponding period in 2013, representing a decrease of 5.1%.

In particular:

- Salaries and employee benefits, the largest component of non-interest expense, were Ps.577.5 million (or 70.4% of non-interest expense) in the three-month period ended March 31, 2014, compared to Ps.620.5 million (or 71.8% of non-interest expense) in the corresponding period in 2013, representing a decrease of Ps.43.0 million, or 6.9%. This decrease was primarily the result of reductions of 10.2% and 18.2% in the workforces of Independencia and Finsol Mexico, respectively.
- Lease expenses were Ps.61.5 million in the three-month period ended March 31, 2014, compared to Ps.56.2 million in the corresponding period in 2013, an increase of 9.3%. This increase was primarily the result of new branch office openings in the interim period.
- Promotional expenses were Ps.12.6 million in the three-month period ended March 31, 2014, compared to Ps.14.4 million in the corresponding period in 2013, a decrease of 12.4%. This decrease was primarily the result of a 45.3% decrease in Independencia's promotional expenses.
- Repair and maintenance expenses were Ps.20.2 million in the three-month period ended March 31, 2014, compared to Ps.15.6 million in the corresponding period in 2013, an increase of 29.8%. This increase was primarily the result of an increase in Finsol Brasil's repair and maintenance expenses mainly due to the implementation of a preventative maintenance plan for our branch offices.
- Depreciation and amortization was Ps.26.1 million in the three-month period ended March 31, 2014, compared to Ps.30.4 million in the corresponding period in 2013, a decrease of 14.1%. This decrease was mainly due to a reduced rate of our branch office openings.
- Telecommunication expenses were Ps.16.9 million in the three-month period ended March 31, 2014, compared to Ps.27.2 million in the corresponding period of 2013, a decrease of 38.0%, primarily due to successful negotiations with our telecommunication service providers that resulted in reduced fees for these services.

- Security and relocation of cash, which primarily comprises fees charged by independent security companies for transporting cash to and from our branch offices, amounted to Ps.10.0 million in the three-month period ended March 31, 2014, compared to Ps.11.4 million in the corresponding period in 2013, a decrease of 11.9%. This decrease was primarily a result of a decrease in third-party security personnel hired by our Independencia business units mainly as a result of our decision to increase the use our own security personnel.
- Miscellaneous expenses were Ps.95.1 million in the three-month period ended March 31, 2014, compared to Ps.88.1 million in the corresponding period in 2013, an increase of 7.9%. This increase was primarily due to the growth of our branch network.

### **Income Tax**

Income tax increased by Ps.12.8 million, or 55.1%, to Ps.36.0 million in the three-month period ended March 31, 2014 from Ps.23.2 million in the corresponding period in 2013. This increase is primarily due to the 86.7% increase in our income from operations in the three-month period ended March 31, 2014 compared to the corresponding period in 2013.

### **Net Income**

As a result of the foregoing, we recorded net income of Ps.100.7 million in the three-month period ended March 31, 2014, compared to net income of Ps.50.8 million in the corresponding period in 2013. Income per share for the three-month period ended March 31, 2014 was Ps.0.1407, compared to loss per share of Ps.0.0709 for the corresponding period of 2013.

### **Results of Operations for the Year Ended December 31, 2013 Compared to the Year Ended December 31, 2012**

The following table sets forth certain of our income statement information relating to the years ended December 31, 2013 and 2012:

	<b>For the Years Ended December 31,</b>		
	<b>2013</b>	<b>2013</b>	<b>2012</b>
	<i>(in millions of U.S.\$) (1)</i>	<i>(in millions of Ps.)</i>	
Interest income .....	367.2	4,805.0	5,032.0
Interest expense .....	(55.2)	(722.5)	(763.9)
Financial margin .....	312.0	4,082.5	4,268.1
Provision for loan losses .....	(92.4)	(1,209.1)	(1,952.4)
Financial margin after provision for loan losses .....	219.6	2,873.4	2,315.8
Commission and fee income .....	47.7	623.5	812.2
Commission and fee expense .....	(5.2)	(68.1)	(72.7)
Trading income (expense) .....	(0.0)	(0.1)	10.4
Other revenue from operations .....	16.5	215.3	190.3
Non-interest expense .....	(253.3)	(3,314.1)	(3,420.9)
Income (loss) from operations .....	25.2	330.0	(164.8)
Current income tax expense .....	(8.4)	(110.1)	(85.8)
Deferred income tax benefit .....	2.5	33.3	132.1
Net income attributable to:			
Controlling interests .....	19.4	253.2	(118.5)
Non-controlling interests .....	0.1	0.9	2.0
<b>Net income (loss) .....</b>	<b>19.4</b>	<b>254.1</b>	<b>(116.5)</b>

(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.13.0841 per U.S.\$1.00, the exchange rate published by the Mexican Central Bank in the Federal Official Gazette on March 31, 2014 as the rate for the payment of obligations denominated in non-Mexican currency payable in Mexico. See "Presentation of Financial and Other Information" and "Exchange Rates."

## Financial Margin

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

	<b>For the Year Ended December 31,</b>		
	<b>2013</b>	<b>2013</b>	<b>2012</b>
	<i>(in millions of U.S.\$) (1)</i>	<i>(in millions of Ps.)</i>	
<b>Interest income:</b>			
Interest on loans.....	366.1	4,789.8	5,013.4
Interest from investments in securities.....	1.2	15.1	18.6
Total interest income .....	367.2	4,805.0	5,032.0
<b>Interest expense:</b>			
Interest on funding.....	(16.2)	(212.2)	(251.7)
International bonds .....	(29.8)	(389.4)	(395.6)
Securitization certificates.....	(9.1)	(118.7)	(111.1)
Others .....	(0.2)	(2.2)	(5.5)
Total interest expense .....	(55.2)	(722.5)	(763.9)
<b>Financial margin</b> .....	<b>312.0</b>	<b>4,082.5</b>	<b>4,268.1</b>

(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.13.0841 per U.S.\$1.00, the exchange rate published by the Mexican Central Bank in the Federal Official Gazette on March 31, 2014 as the rate for the payment of obligations denominated in non-Mexican currency payable in Mexico. See "Presentation of Financial and Other Information" and "Exchange Rates."

Financial margin decreased by 4.3% to Ps.4,082.5 million in 2013, compared to Ps.4,268.1 million in 2012. This decrease was driven by a decrease in our interest income of Ps.227.0 million, or 4.5%, and partially offset by a decrease in our interest expense of Ps.41.4 million, or 5.4%.

### Interest Income

We recorded interest income of Ps.4,805.0 million in 2013, compared to Ps.5,032.0 million in 2012, representing a decrease of Ps.227.0 million, or 4.5%. This decrease was mainly the result of:

- a 9.2% decrease in the informal segment of our loan portfolio (which are more likely than loans in the formal segment to be non-performing) to Ps.3,077.0 million as of December 31, 2013 (representing 45.0% of our total loan portfolio) from Ps.3,388.7 million as of December 31, 2012 (representing 50.4% of our total loan portfolio), reflecting our strategy to focus on the quality and profitability of our loan portfolio, and particularly, our formal segment loan portfolio. From December 31, 2012 to December 31, 2013, the informal segment of our Independencia loan portfolio decreased by Ps.319.1 million, or 22.5%.
- a 22.3%, or Ps.227.0 million, decrease in our Finsol Mexico portfolio, also reflecting our strategic focus;
- a lower average balance of loans in our loan portfolio in 2013 compared to 2012, primarily due to our decision to write-off Ps.300.0 million in non-performing loans in the fourth quarter of 2012, allowing our loan portfolio to more clearly reflect the benefits of our new operating policies that prioritize loan portfolio quality and profitability over volume;
- a 65 basis point decrease in the average interest rate earned on total interest-earning assets in 2013 of 70.9%, compared to 71.5% in 2012. This decrease was partially due to our write-off of Ps.300.0 million in non-performing loans in the fourth quarter of 2012, which caused us to record a higher average loan balance in 2012 than in 2013 and, in turn, negatively impacted our average interest rate earned on total interest-earning assets on a comparative basis; and
- an 18.8%, or Ps.3.5 million, decrease in our interest income from investments in securities to Ps.15.1 million (or 0.3% of interest income) in 2013, compared to Ps.18.6 million (or 0.4% of interest income)



in 2012. This decrease was primarily due to a reduction in interest rates in Mexico that negatively impacted the interest income we earn on our investments.

These decreases were partially offset by:

- a 12.8% increase in the formal segment of our loan portfolio to Ps.3,759.5 million as of December 31, 2013 (representing 55.0% of our total loan portfolio) from Ps.3,334.1 million as of December 31, 2012 (representing 49.6% of our total loan portfolio), reflecting our strategy to focus on the quality and profitability of our loan portfolio, and particularly, to increase the formal segment of our loan portfolio. From December 31, 2012 to December 31, 2013, the formal segment of our Independencia loan portfolio increased by Ps.236.6 million, or 9.0% and the formal segment of our AEF loan portfolio increased by Ps.91.5 million, or 15.5%.
- a 78.0%, or Ps.97.3 million, and a 33.0%, or Ps.138.4 million, increase in our AFI and Finsol Brasil loan portfolios, respectively; and
- a Ps.96.1 million, or 18.0%, increase in the informal segment of our AEF loan portfolio, primarily due to an increased focus on small businesses.

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

### *Interest Expense*

Our interest expense was Ps.722.5 million in 2013 compared to Ps.763.9 million in 2012, representing a decrease of Ps.41.4 million, or 5.4%. This decrease in our interest expense was primarily due to a 5.1% decrease in the average balance on our interest-bearing liabilities from 2012 to 2013, which was partially offset by a seven basis point increase in the average interest rate paid on these liabilities to 10.93% in 2013 from 10.86% in 2012. The average 28-day CETES and THIE rates decreased to 3.8% and 4.3%, respectively, in 2013 from 4.8% and 4.9%, respectively, in 2012.

As a result of the foregoing, our net financial margin after monetary loss decreased by 4.3% to Ps.4,082.5 million in 2013, compared to Ps.4,268.1 million in 2012.

### *Provisions for Loan Losses*

In the third quarter of 2013, we began recording under “other revenue from operations” both the recovery of our (1) loans written off using the fiscal method (for loans that are more than 364 days overdue) and (2) loans written off using the accounting method (for loans that are between 180-364 days overdue). Prior to this change, loans written off using the fiscal method were recorded under other revenue from operations, however loans written off using the accounting method were recorded under provision for loan losses. As a result, provisions for loan losses during 2013 was higher than in previous years, as it did not reflect the Ps.28.1 million of loan recoveries received during the third quarter of 2013, which are now recorded under other revenue from operations.

Taking into account the effect of the clean-up of our loan portfolio (which consisted of the establishment of in an additional Ps.175.0 million in provisions for loan losses and our write-off of Ps.300.0 million in non-performing loans in the fourth quarter of 2012), we recorded provisions for loan losses of Ps.1,209.1 million in 2013, compared to Ps.1,952.4 million in 2012, representing a decrease of Ps.743.3 million, or 38.1%. Excluding the effect of our loan write-off, this decrease would have been Ps.568.3 million, or 32.0%. The decrease in provisions for loan losses year over year reflects the improvements in our loan portfolio achieved by the new and stricter lending policies we implemented beginning September 2012.

Loan write-offs decreased Ps.905.0 million, or 44.2%, to Ps.1,143.1 million in 2013 from Ps.2,048.1 million in 2012, partially as a result of the Ps.300.0 million loan write-off carried out in the fourth quarter of 2012. Excluding the effect of this write-off, total loan write-offs in 2013 would have decreased 34.5%, or Ps.605.0 million. This decrease in total loan write-offs also reflects the improvements in our loan portfolio achieved by the new and stricter lending policies we implemented beginning September 2012.

As of December 31, 2013, the ratio of provisions for loan losses to total loan portfolio was 17.7%, compared to a ratio of 29.0% as of December 31, 2012. The allowance for loan losses as a percentage of non-performing loans decreased to 100.0% as of December 31, 2013 from 117.5% as of December 31, 2012. This decrease was primarily due to a natural correction of the ratio unbalance created by our Ps.300.0 million non-performing loan write-off.

As a result of the Ps.300.0 million loan write-off carried out in the fourth quarter of 2012 that reduced our total non-performing loan portfolio from Ps.670.0 million to Ps.370.0 million, our total non-performing loan portfolio totaled Ps.500.8 million as of December 31, 2013, compared to Ps.370.0 million as of December 31, 2012, representing an increase of Ps.130.7 million, or 35.3%. Excluding the effect of this write-off, this increase in our non-performing loan portfolio would have been a decrease of Ps.169.3 million, or 25.3%.

### ***Non-Interest Income***

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

	<b>For the Year Ended December 31,</b>		
	<b>2013</b>	<b>2013</b>	<b>2012</b>
	<i>(in millions of U.S.\$) (1)</i>	<i>(in millions of Ps.)</i>	
Commission and fee income.....	47.7	623.5	812.2
Commission and fee expense.....	(5.2)	(68.1)	(72.7)
Trading income (expense).....	(0.0)	(0.1)	10.4
Other revenue from operations .....	16.5	215.3	190.3
<b>Total non-interest income.....</b>	<b>58.9</b>	<b>770.7</b>	<b>940.2</b>

(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.13.0841 per U.S.\$1.00, the exchange rate published by the Mexican Central Bank in the Federal Official Gazette on March 31, 2014 as the rate for the payment of obligations denominated in non-Mexican currency payable in Mexico. See "Presentation of Financial and Other Information" and "Exchange Rates."

Total non-interest income decreased to Ps.770.7 million in 2013, compared to Ps.940.2 million in 2012, representing a decrease of Ps.169.6 million, or 18.0%.

In particular:

- commission and fee income decreased by Ps.188.8 million, or 23.2%, to Ps.623.5 million in 2013 from Ps.812.2 million in 2012. This decrease was primarily due to a decrease in total loan origination fees generated by Independencia as a result of the new and stricter lending policies we implemented beginning in September 2012.
- other revenue from operations increased 25.0% to Ps.215.3 million in 2013 from Ps.190.3 million in 2012. This increase was primarily the result of (1) a 22.6% increase in income from the sale of securities and (2) a 21.0% increase in income from the sale, restructuring and recovery of written off loans. The increase was partially offset by a Ps.10.5 million reduction in trading income.

## Non-interest expense

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

	<b>For the Year Ended December 31,</b>		
	<b>2013</b>	<b>2013</b>	<b>2012</b>
	<i>(in millions of U.S.\$) (1)</i>		<i>(in millions of Ps.)</i>
Salaries and employee benefits.....	(178.8)	(2,339.0)	(2,341.6)
Other administrative and operational expenses.....	(74.5)	(975.0)	(1,079.3)
Leases .....	(17.6)	(230.8)	(219.1)
Promotional expenses .....	(4.4)	(58.2)	(104.6)
Repair and maintenance.....	(5.4)	(71.1)	(77.3)
Depreciation and amortization.....	(8.9)	(116.8)	(132.6)
Telecommunications.....	(6.6)	(86.9)	(105.0)
Security and relocation of cash .....	(3.1)	(40.2)	(48.4)
Miscellaneous .....	(28.4)	(371.0)	(392.4)
<b>Total non-interest expense .....</b>	<b>(253.3)</b>	<b>(3,314.1)</b>	<b>(3,420.9)</b>

(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.13.0841 per U.S.\$1.00, the exchange rate published by the Mexican Central Bank in the Federal Official Gazette on March 31, 2014 as the rate for the payment of obligations denominated in non-Mexican currency payable in Mexico. See "Presentation of Financial and Other Information" and "Exchange Rates."

We recorded non-interest expense of Ps.3,314.1 million in 2013, compared to Ps.3,420.9 million in 2012, representing a decrease of 3.1%. This decrease was primarily the result of (1) the improved quality of our loan portfolio, which allowed us to increase collection efficiencies across our Independencia, Finsol Mexico and Finsol Brasil operations, and (2) the achievement of operating synergies among our subsidiaries (such as the integration of Independencia's and Finsol Mexico's helpdesk operations).

In particular:

- Salaries and employee benefits, the largest component of non-interest expense, were Ps.2,339.0 million (or 70.6% of non-interest expense) in 2013, compared to Ps.2,341.6 million (or 68.4% of non-interest expense) in 2012, representing a decrease of Ps.2.6 million, or 0.1%. This decrease was (1) primarily due to the decrease in the number of collection agents within our Independencia operations and a reduction in the number of employees within our Finsol Mexico operations, and (2) partly offset by the expenses we incurred in connection the addition of 20 branch offices to our network in 2013.
- Lease expenses were Ps.230.8 million in 2013, compared to Ps.219.1 million in 2012, representing an increase of 5.3%. This increase was primarily the result of the addition of 20 branch offices to our network in 2013, as well as adjustments for inflation under our lease agreements.
- Promotional expenses were Ps.58.2 million in 2013, compared to Ps.104.6 million in 2012, a decrease of 44.8%. This decrease was primarily the result of cost savings achieved through efficiencies in our mass media advertising (television, radio and print) to promote our Independencia products.
- Repair and maintenance expenses were Ps.71.1 million in 2013, compared to Ps.77.3 million in 2012, a decrease of 8.0%. This decrease was primarily the result of our strategy to centralize our business units' maintenance expenses, including through the integration of Independencia's and Finsol Mexico's helpdesk operations.
- Depreciation and amortization were Ps.116.8 million in 2013, compared to Ps.132.6 million in 2012, a decrease of 11.9%. This decrease was mainly due to a reduced rate of our branch office openings from 2012 to 2013.

- Telecommunication expenses were Ps.86.9 million in 2013 compared to Ps.105.0 million in 2012, a decrease of 17.2%. This decrease was primarily due to successful negotiations with our main telecommunication service providers that resulted in fees that are based on volume and future use forecasts.
- Security and relocation of cash amounted to Ps.40.2 million in 2013 compared to Ps.48.4 million in 2012, a decrease of 16.9%. This decrease was primarily a result of a decrease in third-party security personnel hired by our Independencia business units mainly as a result of our decision to increase the use of our own security personnel.
- Miscellaneous expenses were Ps.371.0 million in 2013, compared to Ps.392.4 million in 2012, a decrease of 5.5%. This decrease was primarily the result of decreased spending on fees for consulting and other professional services and an increased use of remote technology for meetings which generated savings.

### **Income Tax**

Income tax paid increased by Ps.123.1 million, to Ps.76.8 million in 2013, when compared to a Ps.46.3 million tax benefit in 2012. This variation is primarily due to the effects of our write-off of Ps.300.0 million in non-performing loans in the fourth quarter of 2012, which resulted in an additional Ps.175.0 million in provisions for loan losses and a net operating loss of Ps.164.8 million in 2012.

### **Net Income (Loss)**

As a result of the foregoing, we recorded net income of Ps.254.1 million in 2013 compared to net loss of Ps.116.5 million in 2012. Income per share in 2013 was Ps.0.3735 compared to a loss per share of Ps.0.1711 in 2012.

### **Results of Operations for the Year Ended December 31, 2012 Compared to the Year Ended December 31, 2011**

The following table sets forth certain of our income statement information relating to the years ended December 31, 2012 and 2011:

	<b>For the Year Ended December 31,</b>		
	<b>2012</b>	<b>2012</b>	<b>2011</b>
	<i>(in millions of U.S.\$) (1)</i>	<i>(in millions of Ps.)</i>	
Interest income .....	384.6	5,032.0	4,378.1
Interest expense .....	(58.4)	(763.9)	(734.9)
<b>Financial margin</b> .....	<b>326.2</b>	<b>4,268.1</b>	<b>3,643.2</b>
Provision for loan losses .....	(149.2)	(1,952.4)	(1,368.0)
<b>Financial margin after provision for loan losses</b> .....	<b>177.0</b>	<b>2,315.8</b>	<b>2,275.2</b>
Commission and fee income .....	62.1	812.2	823.9
Commission and fee expense .....	(5.6)	(72.7)	(61.1)
Trading income (expense) .....	0.8	10.4	24.1
Other income (expense) of the operation .....	14.5	190.3	168.9
Non-interest expense .....	(261.5)	(3,420.9)	(2,926.2)
<b>Income (loss) from operations</b> .....	<b>(12.6)</b>	<b>(164.8)</b>	<b>304.8</b>
Current income tax expense .....	(6.6)	(85.8)	(196.8)
Deferred income tax benefit .....	10.1	132.1	79.1
Net income attributable to:			
Controlling interests .....	(9.1)	(118.5)	187.1
Non-controlling interests .....	0.2	2.0	(1.3)
<b>Net income (loss)</b> .....	<b>(8.9)</b>	<b>(116.5)</b>	<b>185.8</b>

(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.13.0841 per U.S.\$1.00, the exchange rate published by the Mexican Central Bank in the Federal Official Gazette on March 31, 2014 as the rate for the payment of obligations denominated in non-Mexican currency payable in Mexico. See "Presentation of Financial and Other Information" and "Exchange Rates."

## Financial Margin

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

	<b>For the Year Ended December 31,</b>		
	<b>2012</b>	<b>2012</b>	<b>2011</b>
	<i>(in millions of U.S.\$) (1)</i>	<i>(in millions of Ps.)</i>	
<b>Interest income:</b>			
Interest on loans.....	383.2	5,013.4	4,357.8
Interest from investments in securities.....	1.4	18.6	20.3
Total interest income .....	384.6	5,032.0	4,378.1
<b>Interest expense:</b>			
Interest on funding.....	(19.2)	(251.7)	(234.2)
International bond.....	(30.2)	(395.6)	(402.1)
Securitization certificates.....	(8.5)	(111.1)	(94.0)
Others .....	(0.4)	(5.5)	(4.6)
Total interest expense .....	(58.4)	(763.9)	(734.9)
<b>Financial margin.....</b>	<b>326.2</b>	<b>4,268.1</b>	<b>3,643.2</b>

(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.13.0841 per U.S.\$1.00, the exchange rate published by the Mexican Central Bank in the Federal Official Gazette on March 31, 2014 as the rate for the payment of obligations denominated in non-Mexican currency payable in Mexico. See "Presentation of Financial and Other Information" and "Exchange Rates."

Financial margin increased by 17.2% to Ps.4,268.1 million in 2012, compared to Ps.3,643.2 million in 2011. This increase was primarily the result of an increase in our interest income of Ps.653.9 million, or 14.9%, due to an increase in our interest on loans of Ps.655.6 million, or 15.0%. The increase in our interest on loans was primarily due to an increase in our average lending rate.

Our interest expense increased by 3.9% to Ps.763.9 million in 2012 compared to Ps.734.9 million in 2011. This increase was driven by an increase in the average balance on our interest-bearing liabilities.

### Interest Income

Interest income in 2012 increased 14.9% to Ps.5,032.0 million compared Ps.4,378.1 million in 2011, primarily as a result of the Ps.655.6 million, or 15.0%, increase in interest income on loans, which, in turn, was mainly the result of an increase in our average lending rate, which increased to 71.5% in 2012 from 66.7% in 2011. The increase in our average lending rate was primarily due to (1) AEF's higher share of our total loan portfolio, including a Ps.107.0 million, or 25.0%, increase in AEF's informal loan portfolio and to an increase in the average lending rate of Independencia's individual loan portfolio from 60.4% in 2011 to 70.4% in 2012.

These increases were partially offset by the impact of measures we implemented in 2012 to improve the quality of our loan portfolio:

- In 2012, we further enhanced our credit scoring model and implemented more restrictive credit procedures within Independencia's traditional individual loan business. These changes resulted in a decrease in the average approval rate of new loans to 38% from 40% in the previous year, with a consequent deceleration in loan growth, particularly for our CrediInmediato and CrediPopular loan products. In addition, beginning in 2012, in an effort to improve asset quality in a more challenging competitive environment, we implemented more restrictive policies within our group loan origination process that resulted in a contraction of loan origination in this segment.
- In 2012, to further improve asset quality, we wrote-off non-performing loans in an aggregate amount of Ps.300.0 million from our non-performing loan portfolio. This write-off, combined with a 16.2% decrease in the number of our customers, resulted in an 8.5% contraction of our total loan portfolio.

As a result of these policies, our total informal sector loan portfolio decreased 10.1% to Ps.3,388.7 million in 2012, (representing 50.4% of our total loan portfolio) from Ps.3,770.7 million in 2011 (representing 51.3% of our

total loan portfolio), reflecting (1) a Ps.331.6 million, or 18.9%, decrease in Independencia's informal sector loan portfolio; and (2) a Ps.124.2 million, or 22.8%, contraction in Finsol Brasil's group loans.

### *Interest Expense*

Our interest expense was Ps.763.9 million in 2012 compared to Ps.734.9 million in 2011, representing an increase of Ps.29.0 million, or 3.9%. This increase in our interest expense was primarily due to an increase in the average balance on interest-bearing liabilities, which increased by 6.4% to Ps.6,918.3 million in 2012, reflecting an increase in our borrowing to fund the 19.2% and 131.4% growth in our AEF and AFI's loan portfolio, respectively. The average interest rate we paid decreased to 10.86% in 2012 from the 11.17% in 2011. The average 28-day CETES and TIEE rates increased to 4.84% and 4.85%, respectively, in 2012 from 4.80% and 4.80%, respectively, in 2011.

As a result of the foregoing, our net financial margin after monetary loss increased by 17.2% to Ps.4,268.1 million in 2012, compared to Ps.3,643.2 million in 2011.

### *Provision for Loan Losses*

We recorded provisions for loan losses of Ps.1,952.4 million in 2012 compared to Ps.1,368.0 million in 2011, an increase of Ps.584.4 million, or 42.7%. The increase in provisions for loan losses was primarily the result of our write-off of Ps.300.0 million in non-performing loans following a rigorous analysis of our loan portfolio during the fourth quarter of 2012. Excluding the effect of this write-off, (1) provisions for loan losses totaled Ps.1,777.4 million, an increase of 29.9% from Ps.1,368.0 in 2011, and (2) total write-offs increased by Ps.494.1 million, or 39.5%, to Ps.1,746.4 million. Total non-performing loans were Ps.370.0 million as of December 31, 2012, a decrease of 46.7% from Ps.694.1 million as of December 31, 2011.

In 2012, the ratio of provisions for loan losses to total loan portfolio was 29.0%, compared to a ratio of 18.6% in 2011. Our allowance for loan losses as a percentage of non-performing loans increased to 117.5% as of December 31, 2012 from 76.4% in December 31, 2011.

### *Non-Interest Income*

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

	<b>For the Year Ended December 31,</b>		
	<b>2012</b>	<b>2012</b>	<b>2011</b>
	<i>(in millions of U.S.\$) (1)</i>		
	<i>(in millions of Ps.)</i>		
Commission and fee income.....	62.1	812.2	823.9
Commission and fee expense.....	(5.6)	(72.7)	(61.1)
Trading income.....	0.8	10.4	24.1
Other revenue from operations.....	14.5	190.3	168.9
<b>Total non-interest income.....</b>	<b>71.9</b>	<b>940.2</b>	<b>955.8</b>

(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.13.0841 per U.S.\$1.00, the exchange rate published by the Mexican Central Bank in the Federal Official Gazette on March 31, 2014 as the rate for the payment of obligations denominated in non-Mexican currency payable in Mexico. See "Presentation of Financial and Other Information" and "Exchange Rates."

Total non-interest income decreased to Ps.940.2 million in 2012, compared to Ps.955.8 million in 2011, representing a decrease of Ps.15.6 million, or 1.6%. This decrease was primarily due to

- a decrease in trading income of Ps.13.7 million, or 56.8%, to Ps.10.4 million in 2012 from Ps.24.1 million in 2011; and
- a decrease in commission and fee income mainly due to a lower level of origination fees generated by Independencia as a result of measures we implemented to improve portfolio quality and profitability throughout the year.

These effects were partially offset by (1) an increase in the recovery of written off credits of 74.7% to Ps.102.6 million in 2012 from Ps.58.7 million in 2011, mainly due to a higher level of loan portfolio written off during 2012 and (2) an increase in commission and fee expense, mainly due to payments for collection of non-performing loans resulting from the deterioration of our loan portfolio in 2012.

### *Non-interest expense*

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

	<b>For the Year Ended December 31,</b>		
	<b>2012</b>	<b>2012</b>	<b>2011</b>
	<i>(in millions of U.S.\$) (1)</i>	<i>(in millions of Ps.)</i>	
Salaries and employee benefits.....	(179.0)	(2,341.6)	(1,889.3)
Other administrative and operational expenses.....	(82.5)	(1,079.3)	(1,037.0)
Leases .....	(16.7)	(219.1)	(172.0)
Promotional expenses .....	(8.0)	(104.6)	(70.3)
Repair and maintenance.....	(5.9)	(77.3)	(68.3)
Depreciation and amortization .....	(10.1)	(132.6)	(137.1)
Telecommunications .....	(8.0)	(105.0)	(114.1)
Security and relocation of cash .....	(3.7)	(48.4)	(53.2)
Miscellaneous .....	(30.0)	(392.4)	(422.0)
<b>Total non-interest expense .....</b>	<b>(261.5)</b>	<b>(3,420.9)</b>	<b>(2,926.2)</b>

(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.13.0841 per U.S.\$1.00, the exchange rate published by the Mexican Central Bank in the Federal Official Gazette on March 31, 2014 as the rate for the payment of obligations denominated in non-Mexican currency payable in Mexico. See "Presentation of Financial and Other Information" and "Exchange Rates."

We recorded non-interest expense of Ps.3,420.9 million in 2012, compared to Ps.2,926.2 million in 2011, representing an increase of 16.9%.

In particular:

- During 2012, salaries and employee benefits increased Ps.452.3 million, or 23.9%, as a result of an increased number of collection agents within Independencia's operations and the increase in Finsol México and AEF's staff following the opening of six and 19 new branch offices, respectively, during 2012.
- Lease expenses were Ps.219.1 million in 2012, compared to Ps.172.0 million in 2011, an increase of 27.4%. This increase was primarily the result of the 27 branch offices that we added to our network in 2012, as well as adjustments for inflation under our lease agreements.
- Promotional expenses were Ps.104.6 million in 2012, compared to Ps.70.3 million in 2011, an increase of 48.4%. This increase was primarily the result of (1) marketing expenses we incurred in respect of the 27 branch offices that we added to our network in 2012 and (2) advertising campaigns aimed at promoting the awareness of our brands.
- Repair and maintenance expenses were Ps.77.3 million in 2012, compared to Ps.68.3 million in 2011, an increase of 13.2%. This increase was primarily the result of remodeling carried out at our business units.
- Depreciation and amortization were Ps.132.6 million in 2012, compared to Ps.137.1 million in 2011, a 3.3% decrease. This decrease was mainly due to a reduced rate of our branch office openings from 2011 to 2012.
- Telecommunication expenses were Ps.105.0 million in 2012, compared to Ps.114.1 million in 2011, a decrease of 7.9%. This decrease was primarily a result of the implementation of stricter policies for

the origination of personal loans within our Independencia and Finsol operations and an increase in direct negotiations with customers.

- Security and relocation of cash amounted to Ps.48.4 million in 2012, compared to Ps.53.2 million in 2011, a decrease of 9.1%. This decrease was primarily a result of a change in our security service provider.
- Miscellaneous expenses were Ps.392.4 million in 2012, compared to Ps.422.0 million in 2011, a decrease of 7.0%. This decrease was mainly due to expenses related to the issuance of an aggregate Ps.1,500 million of our FINDEP 11 debt securities in May 2011.

### **Income Tax**

We had a net income tax benefit of Ps.46,3 million in 2012, compared to an income tax expense of Ps.117.7 million in 2011. The net tax benefit was primarily due to the effects of our Ps.300.0 million loan portfolio write-off of non-performing loans performed during the fourth quarter of 2012, which resulted in an additional Ps.175.0 million in provisions for loan losses and an income (loss) from operations loss of Ps.164.8 million in 2012.

### **Net Income (Loss)**

As a result of the foregoing, we recorded a net loss of Ps.116.5 million in 2012, compared to net income of Ps.185.8 million in 2011. Loss per share in 2012 was Ps.0.2707 compared to an income per share of Ps.0.2596 in 2011.

### **Composition of Our Loan Portfolio and Interest on Loans by Product**

The following table shows our interest-earning loans and interest on loans by product as of and for the three-month periods ended March 31, 2014 and 2013 and as of and for the years ended December 31, 2013, 2012 and 2011:

<b>As of and for the Three-Month Period Ended March 31, 2014</b>				
	<b>Number of Loans</b>	<b>% of Total</b>	<b>Interest on Loans</b>	<b>% of Total</b>
	<i>(in millions of Ps., except percentages)</i>			
CrediInmediato .....	449,595	40.2%	459.0	38.4%
CrediPopular .....	234,673	21.0%	185.1	15.5%
CrediMamá .....	17,808	1.6%	13.3	1.1%
CrediConstruye .....	8,057	0.7%	4.0	0.3%
Más Nómina .....	24,074	2.2%	26.0	2.2%
Finsol .....	220,233	19.7%	230.1	19.3%
AEF .....	158,150	14.1%	253.9	21.3%
AFI .....	6,638	0.6%	19.8	1.7%
<b>Total .....</b>	<b>1,119,228</b>	<b>100.0%</b>	<b>1,191.20</b>	<b>100.0%</b>

<b>As of and for the Three-Month Period Ended March 31, 2013</b>				
	<b>Number of Loans</b>	<b>% of Total</b>	<b>Interest on Loans</b>	<b>% of Total</b>
	<i>(in millions of Ps., except percentages)</i>			
CrediInmediato .....	486,655	38.6%	433.1	36.8%
CrediPopular .....	307,734	24.4%	219.1	18.6%
CrediMamá .....	31,092	2.5%	19.7	1.7%
CrediConstruye .....	19,993	1.6%	14.2	1.2%
Más Nómina .....	5,581	0.4%	6.4	0.5%
Finsol .....	256,167	20.3%	235.7	20.0%
AEF .....	149,495	11.9%	236.8	20.1%
AFI .....	3,714	0.3%	11.0	0.9%
<b>Total .....</b>	<b>1,260,431</b>	<b>100.0%</b>	<b>1,176.0</b>	<b>100.0%</b>



**As of and for the Year Ended December 31, 2013**

	<b>Number of Loans</b>	<b>% of Total</b>	<b>Interest on Loans</b>	<b>% of Total</b>
	<i>(in millions of Ps., except percentages)</i>			
CrediInmediato .....	457,387	39.5%	1,831.8	38.2%
CrediPopular .....	253,296	21.9%	834.9	17.4%
CrediMamá .....	20,246	1.8%	69.3	1.4%
CrediConstruye .....	10,851	0.9%	40.6	0.8%
Más Nómina .....	22,480	1.9%	48.2	1.0%
Finsol .....	228,379	19.7%	909.8	19.0%
AEF .....	158,216	13.7%	996.9	20.8%
AFI .....	6,007	0.5%	58.5	1.2%
<b>Total .....</b>	<b>1,156,862</b>	<b>100.0%</b>	<b>4,789.8</b>	<b>100.0%</b>

**As of and for the Year Ended December 31, 2012**

	<b>Number of Loans</b>	<b>% of Total</b>	<b>Interest on Loans</b>	<b>% of Total</b>
	<i>(in millions of Ps., except percentages)</i>			
CrediInmediato .....	519,283	38.3%	1,732.2	34.6%
CrediPopular .....	340,804	25.1%	1,155.9	23.1%
CrediMamá .....	37,095	2.7%	113.5	2.3%
CrediConstruye .....	22,888	1.7%	72.8	1.5%
Más Nómina .....	4,928	0.4%	16.3	0.3%
Finsol .....	284,530	21.0%	1,022.2	20.4%
AEF .....	142,675	10.5%	875.0	17.5%
AFI .....	3,197	0.2%	25.4	0.5%
<b>Total .....</b>	<b>1,355,400</b>	<b>100.0%</b>	<b>5,013.4</b>	<b>100.0%</b>

**As of and for the Year Ended December 31, 2011**

	<b>Number of Loans</b>	<b>% of Total</b>	<b>Interest on Loans</b>	<b>% of Total</b>
	<i>(in millions of Ps., except percentages)</i>			
CrediInmediato .....	718,500	44.4%	1,654.7	38.0%
CrediPopular .....	383,493	23.7%	938.8	21.5%
CrediMamá .....	55,459	3.4%	111.2	2.5%
CrediConstruye .....	31,913	2.0%	82.1	1.9%
Más Nómina .....	1,744	0.1%	2.3	0.1%
Finsol .....	298,993	18.5%	952.2	21.8%
AEF .....	125,685	7.8%	603.8	13.9%
AFI .....	1,383	0.1%	12.7	0.3%
<b>Total .....</b>	<b>1,617,170</b>	<b>100.0%</b>	<b>4,357.80</b>	<b>100.0%</b>

### 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 cash and equivalents, totaled Ps.7,115.6 million as of March 31, 2014), in addition to our net income. Net income includes interest income on loans and interest from investments in securities, which consist of investments in the form of repurchase agreements in Mexican government securities (development bonds (*bonos de desarrollo*), or Bondes, and CETES), among other sources. Interest from investments in securities represented 4.6% of our net income in the three-month period March 31, 2014, and 7.7% of our net income in the corresponding period in 2013. Interest from investments in securities represented 6.0% of our net income in 2013, and 16.0% of our net loss in 2012.

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

### *Borrowings from Banks and Other Entities*

As of March 31, 2014, we had international debt securities (comprising the 2015 senior notes) and loans from commercial and development banks totaling Ps.5,077.5 million, compared to Ps.5,225.5 million as of December 31, 2013, representing a decrease of Ps.148.0 million, or 2.8%. As of December 31, 2013, we had international debt securities (comprising the 2015 senior notes) and loans from commercial and development banks totaling Ps.5,225.5 million, compared to Ps.5,236.8 million as of December 31, 2012, representing a decrease of Ps.11.3 million, or 0.2%. Loans from commercial and development banks represented of 71.6% our total liabilities as of March 31, 2014 compared to 72.5%, 72.8% and 75.0% as of December 31, 2013, 2012 and 2011, respectively.

As of March 31, 2014, our debt comprised Ps.1,501.5 million in Peso-denominated debt securities (due May 2014) as well as the aforementioned Ps.5,077.5 million of 2015 senior notes and loans from commercial and development banks. We have credit lines for a total committed amount of Ps.4,401.4 million. Of the total lines of credit, Ps.720.0 million are due in 2014, Ps.382.2 million is due in December 2015, Ps.1,404.2 million is due in December 2016 and the remaining Ps.1,700.0 million are in respect of credit lines that have no maturity. As of March 31, 2014, we have drawn down Ps.2,654.7 million under these lines of credit, and therefore have a total of Ps.1,746.7 million of available funds under, our committed credit facilities.

The following table sets forth balances on the 2015 senior notes and outstanding loans from commercial and development banks as of March 31, 2014.

	<b>March 31, 2014</b>		
	<b>Amount of Debt</b>	<b>Currency</b>	<b>Maturity</b>
	<i>(in millions of Pesos)</i>		
2015 Senior Notes <sup>(1)</sup> .....	2,531.2	Dollars	March 2015
HSBC Mexico.....	220.0	Pesos	December 2016
HSBC Bank Brasil, S.A. Banco Múltiplo .....	381.1	Dollars	December 2016
Nafinsa.....	700.8	Pesos	Indefinite
Nafinsa.....	245.3	Pesos	Indefinite
Nafinsa.....	199.6	Pesos	Indefinite
BBVA Bancomer.....	260.0	Pesos	May 2015
Fira.....	255.0	Pesos	December 2014
Pronafim (simple) .....	11.7	Pesos	July 2014
Pronafim (revolving) .....	3.3	Pesos	November 2015
Bridge Bank N.A. ....	62.0	Dollars	November 2015
Scotiabank Inverlat .....	195.0	Pesos	May 2017
Accrued Interest.....	12.7	Pesos	
<b>Total</b> .....	<b>5,077.5</b>		

(1) See also "Summary—Concurrent Tender Offer and Consent Solicitation."

### *Lines of Credit with Nafinsa*

Independencia, Financiera Finsol and AEF have entered into three separate lines of credit with Nafinsa. As of March 31, 2014, these subsidiaries had drawn down an aggregate amount of Ps.1,145.7 million under these lines of credit. These lines of credit have an indefinite term, and disbursements mature 22 months or nine months after the disbursement date, depending on the use of proceeds. We are subject to certain restrictive covenants under the terms of these lines of credit that, among other things, limit our ability to sell or assign the accounts receivable we originate and fund with the proceeds of these loans.

We are currently in discussions with Nafinsa regarding these lines of credit. These discussions may result in a rebalancing of the available lines of credit by Nafinsa among Independencia, Financiera Finsol and AEF, in which the lines of credit extended to Financiera Finsol and AEF would constitute an increased percentage of the overall amount of available Nafinsa credit, with a corresponding decrease in amounts available to Independencia. However, we do not expect there to be an increase in the total amount of the available credit provided to us by Nafinsa as a result of these discussions, and we expect that Independencia would continue to guarantee debt incurred by Financiera Finsol and AEF thereunder.

### *Independencia*

On February 18, 2009, Independencia entered into an unsecured revolving line of credit with Nafinsa, which was amended on June 12, 2009 and on August 31, 2011. As amended, this line of credit was increased from its original aggregate amount of Ps.140.0 million to Ps.1,000 million, carries an interest rate of TIEE 28 days plus 300 basis points and has no maturity date.

### *AEF*

On September 22, 2011, AEF entered into a secured revolving line of credit with Nafinsa for which Independencia provided a guarantee. This line of credit was granted for an aggregate amount of Ps.200.0 million, bears an interest rate of TIEE 28 days plus 400 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 20% of any disbursements made under the agreement, up to an aggregate amount of Ps.40.0 million.

### *Financiera Finsol*

On December 23, 2005, Financiera Finsol entered into a secured revolving line of credit with Nafinsa, which was amended on May 18, 2007, June 26, 2008, June 24, 2009 and September 22, 2011. As amended, Independencia granted a guarantee for this line of credit as guarantor, and the credit amount was increased up to the aggregate amount of Ps.500.0 million. It bears an interest rate of TIEE 28 days plus 400 basis points and has no maturity date. Financiera Finsol's obligations under the agreement are secured by funds transferred to Nafinsa under a deposit and pledge agreement pursuant to which Financiera Finsol deposits with Nafinsa a tenth part of any disbursements made under the agreement, up to an aggregate amount of Ps.50.0 million.

### **2015 Senior Notes**

On March 30, 2010, we offered and sold the 2015 senior notes in the aggregate amount of U.S.\$200 million. These notes are guaranteed by our subsidiaries Financiera Finsol and AEF and mature in 2015. See "Summary—Concurrent Tender Offer and Consent Solicitation."

### ***Line of Credit of Independencia with BBVA Bancomer***

On April 26, 2012, Independencia obtained a Ps.260.0 million unsecured revolving line of credit from BBVA Bancomer, the proceeds of which are utilized to grant loans to our customers, improve our capital structure and provide working capital. This loan was granted for a term of three years as of its execution date. Amounts drawn under this line of credit bear interest at a rate of TIEE 28 days plus the spread determined in each promissory note (which average 295 basis points). As of March 31, 2014, we had drawn Ps.260.0 million under this line of credit. This credit facility requires us to comply with certain restrictive covenants and includes certain early amortization events that, among other things, limit our ability to: (1) incur additional indebtedness that would affect our ability to pay the line of credit, (2) grant loans or guarantees to third or related parties that would affect our ability to pay the line of credit, (3) provide collateral to lenders, (4) reduce our capital stock, (5) conduct mergers or spin-offs, (6) modify our capital structure, and (7) pay dividends while we are in default of the loan, as well as require us to (1) maintain a liquidity ratio of one to one, and (2) maintain a ratio of total liabilities to equity of no more than 10 to 1.

### ***Line of Credit of Independencia with HSBC Mexico***

On August 9, 2013, Independencia obtained a secured revolving line of credit from HSBC Mexico, for which Financiera Finsol, Findependencia, Fisofo and AEF are joint obligors. The loan was granted for an aggregate amount of Ps.750.0 million in 2014, Ps.500.0 million in 2015 and Ps.250.0 million in 2016. To secure compliance with their obligations under the agreement, Independencia, Financiera Finsol, Findependencia, Fisofo and AEF entered into a commercial pledge with HSBC Mexico, also on August 9, 2013, pledging various credit rights and collection accounts denominated in Pesos. In addition, on January 23, 2014, we amended the commercial pledge to include an irrevocable stand-by letter of credit, issued on March 14, 2014, for U.S.\$5.0 million in addition to other secured obligations.

This credit facility requires us to comply with certain restrictive covenants that, among other things, limit our ability to: (1) incur additional indebtedness, except for unsecured or subordinated indebtedness, (2) provide collateral to lenders, (3) conduct mergers or spin-offs, (4) sell, lease or transfer our assets, as well as require us to maintain several financial ratios, including liquidity and capitalization ratios.

#### ***Line of Credit of AEF with Scotiabank Inverlat***

On May 20, 2013, AEF entered into a secured revolving line of credit with Scotiabank Inverlat for which Independencia provided a guarantee. This line of credit was granted for an aggregate amount of Ps.195.0 million, bears an interest rate that may vary from TIIE 28 days plus 300, 350 or 375 basis points (depending on AEF's credit rating) and will be valid for a term of four years as of its execution date. AEF's obligations under the agreement are secured by a pledge over its collection rights under the loans it originates, which pursuant to this line of credit must not be less than the ratio of 1.2x the disbursements made by AEF under the line of credit. In accordance with this line of credit, AEF must adhere to certain covenants relating to the performance of its lending operations, and the line of credit includes certain events of default that, among other things, limit our ability to (1) conduct mergers or spin-offs, (2) pay dividends while in default and (3) modify our capital structure.

#### ***Line of Credit of Financiera Finsol with Fira***

On January 1, 2008 Financiera Finsol entered into an unsecured revolving line of credit with Fira, which was amended on December 31, 2008, December 2, 2009, December 7, 2010 and December 31, 2013, and is valid until December 31, 2016. As amended, this line of credit was granted for an aggregate amount of Ps.600.0 million, at the interest rate to be agreed between the parties from time to time (which as of March 31, 2014 was equivalent to TIIE 28). In accordance with this line of credit, Financiera Finsol must adhere to certain covenants relating to the performance of its lending operations.

#### ***Line of Credit of AEF with Pronafim (Simple)***

On July 14, 2011, AEF entered into a secured simple line of credit with Pronafim for which Independencia provided a guarantee. This line of credit was granted for an aggregate amount of Ps.70.0 million, bears an interest rate of CETES plus 550 basis points, and has no maturity date. Pursuant to this agreement, AEF must comply with certain obligations related to its lending activities as well as certain reporting obligations with Pronafim, which may inspect AEF's operations. AEF's obligations under the agreement are secured by a pledge of the promissory notes issued in connection with the loans it originates using the proceeds from this line of credit. This credit facility requires us to comply with certain restrictive covenants and includes certain events of default that, among other things, limit our ability to reduce our capital stock.

#### ***Line of Credit of AEF with Pronafim (Revolving)***

On November 6, 2012, AEF entered into a secured revolving line of credit with Pronafim for which Independencia provided a guarantee. This line of credit was granted for an aggregate amount of Ps.60.0 million, bears an interest rate of CETES plus 550 basis points, and has no maturity date. Pursuant to this agreement, AEF must comply with certain obligations related to its lending activities as well as certain reporting obligations with Pronafim, which may inspect AEF's operations. AEF's obligations under the agreement are secured by a pledge of the promissory notes issued in connection with the loans it originates using the proceeds from this line of credit. This credit facility requires us to comply with certain restrictive covenants and includes certain events of default that, among other things, limit our ability to reduce our capital stock.

#### ***Peso-denominated Bonds***

On May 18, 2011, we issued our FINDEP 11 150,000,000 debt securities in an aggregate principal amount of Ps.1,500 million. Our FINDEP 11 debt securities were unsecured, had a 3-year maturity and accrued interest at TIIE 28 days plus 265 basis points. Our FINDEP 11 debt securities were rated "HR A" and "A(mex)" by HR Ratings of Mexico and Fitch Ratings, respectively. We utilized the net proceeds from the issuance of our FINDEP 11 debt securities to increase our loan portfolio, fund capital expenditures relating to the expansion of our distribution network, repay indebtedness and for general corporate purposes. The FINDEP 11 debt securities were

the first tranche under our Ps.2,000 million debt securities program authorized by the CNBV in Mexico. We repaid these securities in their entirety on March 3, 2014.

On March 3, 2014, we successfully issued credit-backed trust debt securities (*certificados bursátiles fiduciarios respaldados por créditos*), through a trust incorporated with Banco Invex, S.A. as trustee, in an aggregate principal amount of Ps.1,500.0 million and which bear interest at THIE 28 days plus 220 basis points. The securities are backed by loan receivables transferred to the issuer trust by AEF, Findependencia and us. These credit-backed trust debt securities have a four-year maturity and were rated AAA and AA(mex) with stable outlook by HR Ratings of Mexico and Fitch Mexico, respectively. The entirety of the net proceeds from this issuance were used to repay our FINDEP 11 debt securities that were previously scheduled to mature in May 2014.

As of March 31, 2014 and December 31, 2013 and 2012, we had Peso-denominated bonds totaling Ps.1,501.5 million, Ps.1,501.6 million and Ps.1,501.6 million outstanding. Our Peso-denominated bonds represented 21.2% of total liabilities as of March 31, 2014, 20.8% as of December 31, 2013 and 20.9% as of December 31, 2012.

As of March 31, 2014, our S&P and Fitch corporate ratings on the local scale were “mxA-” and “A(mex),” respectively. Both ratings currently have negative outlooks. There can be no assurance that these ratings or our outlook will be maintained or improved. A rating or outlook may be changed or withdrawn at any time by the assigning rating agency.

As set forth in the table below, Ps.2,214.3 million, or 33.7% of our indebtedness is secured as of March 31, 2014:

	<b>As of and for the Three-month Period Ended March 31, 2014</b>	
	<b>Secured</b>	<b>Unsecured</b>
	<i>(in millions of Pesos)</i>	
2015 Senior Notes.....	—	2,531.2
Loans from commercial and sovereign Mexican banks .....	2,214.3	318.0
Peso-denominated bonds .....	—	1,501.5
<b>Total</b> .....	<b>2,214.3</b>	<b>4,350.7</b>

### Capital Expenditures

During the three-month periods ended March 31, 2014 and 2013 and the years ended December 31, 2013, 2012 and 2011, we invested Ps.20.7 million, Ps.16.6 million, Ps.83.4 million, Ps.118.3 million and Ps.148.8 million, respectively, in capital expenditures (including information and data processing equipment). Our current budget anticipates capital expenditures of approximately Ps.77.0 million during 2014, including investments relating to the expansion and equipping of our branch offices, the purchase of information and data processing equipment and software, building renovations and the purchase of transportation equipment. Our management expects that our cash flow from operations and our other sources of liquidity will be sufficient to meet our liquidity requirements over the next twelve months.

The following table sets forth our capital expenditures for the three month periods ended March 31, 2014 and 2013 and the years ended December 31, 2013, 2012 and 2011.

	<b>For the Three-Month Period Ended March 31,</b>		<b>For the Year Ended December 31,</b>		
	<b>2014</b>	<b>2013</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
	<i>(in millions of Ps.)</i>				
Information systems and data processing equipment.....	4.3	0.5	16.2	27.5	32.4
Office furniture and equipment.....	1.5	1.2	9.3	6.7	14.9
Transportation equipment.....	0.8	1.1	5.9	3.6	8.1
Building renovations.....	7.0	5.8	33.3	50.5	61.2
Software development.....	2.3	2.1	8.8	18.3	19.5
Licenses and software.....	4.8	5.8	9.8	11.8	12.7
<b>Total capital expenditures.....</b>	<b>20.7</b>	<b>16.6</b>	<b>83.4</b>	<b>118.3</b>	<b>148.8</b>

### Contractual Obligations and Commercial Commitments

The table below sets forth information related to our contractual obligations and commercial commitments as of March 31, 2014.

	<b>Payments Due By Period</b>			
	<b>April 2014 through December 2014</b>	<b>January 2015 through December 2015</b>	<b>After December 2016</b>	<b>Total</b>
	<i>(in millions of Pesos)</i>			
Borrowings from banks and other entities -short term.....	1,905.4	3,159.5	—	5,064.9
Interest.....	12.7	—	—	12.7
Leases.....	147.7	294.3	94.8	536.7
<b>Total contractual obligations.....</b>	<b>2,065.7</b>	<b>3,453.8</b>	<b>94.8</b>	<b>5,614.3</b>

Contractual obligations decreased slightly from Ps.5,236.8 million as of December 2012 to Ps.5,225.5 million as of December 31, 2013 and decreased by 2.8% to Ps.5,077.5 million as of March 31, 2014. Although we obtained new credit lines, we have reduced the amounts outstanding under existing credit lines due to our lower funding requirements.

### Investment Portfolio

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

	<b>As of March 31,</b>		<b>As of December 31,</b>			
	<b>2014</b>		<b>2013</b>		<b>2012</b>	
	<b>Amount</b>	<b>% of Total</b>	<b>Amount</b>	<b>% of Total</b>	<b>Amount</b>	<b>% of Total</b>
	<i>(in millions of Pesos, except percentages)</i>					
Investments in securities.....	387.1	100.0%	347.3	100.0%	240.1	100.0%

(1) Include securities purchased under resale agreements.

Our total investments as of March 31, 2014 totaled Ps.387.1 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 7 to our audited consolidated financial statements included elsewhere in this offering memorandum. We do not have any additional off balance sheet arrangements.

## **Internal Control Policies**

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

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

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

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

The treasury department generates a daily report (*Reporte de Tesoreria Diaria*), which is shared with our accounting department for the latter to review and validate all daily operations of our core business. Our internal audit department has the responsibility of auditing all of our processes and systems and is also responsible for sharing all of its material findings and conclusions with our audit and corporate practices committee, our chief executive officer and any other affected areas for their immediate attention. Our internal auditing officer also serves as the audit and corporate practices committee's technical and professional permanent support in addition to providing assistance to other areas and departments from which the audit and corporate practices committee may request advice or reports. The internal auditing officer not only reviews our internal processes for our core business, but is generally responsible for auditing compliance with our internal procedures, policies and applicable regulations. Our comptroller is the direct liaison with our audit and corporate practices committee and our external auditor.

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

## SELECTED STATISTICAL INFORMATION

### General

The following tables present certain of our selected statistical information and ratios for the periods indicated. The following information should be read in conjunction with our financial statements and the notes thereto included elsewhere in this offering memorandum, as well as “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Presentation of Financial and Other Information.” The statistical information and discussion and analysis presented below for the three-month periods ended March 31, 2014 and 2013 and for the years ended December 31, 2013, 2012 and 2011 is presented solely for the convenience of the reader for analytical purposes and, for certain items, differs from and is not comparable to the presentation in our financial statements and the notes thereto, as the basis for calculating such information differs from that used in our financial statements.

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

### Average Balance Sheet and Interest Rate Data

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

Average balances for Peso-denominated assets and liabilities have been calculated in accordance with the following procedure: Our average balances are nominal daily averages. Interest income (expense) for the three months ended March 31, 2014 and 2013 and for the years ended December 31, 2013, 2012 and 2011 are nominal amounts. Interest income (expense) for the year is the total income (expense) for the twelve months so determined.

#### *Average Interest Rate*

The average annual rates earned on interest-earning assets and the average annual rate paid on interest-bearing liabilities are nominal rates for the three months ended March 31, 2014 and 2013 and for the years ended December 31, 2013, 2012 and 2011.

### Average Assets and Interest Rates

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

	For the three-month period ended March 31,						For the year ended December 31,								
	2014			2013			2013			2012			2011		
	Average Balance	Interest Income	Average Interest Rate	Average Balance	Interest Income	Average Interest Rate	Average Balance	Interest Income	Average Interest Rate	Average Balance	Interest Income	Average Interest Rate	Average Balance	Interest Income	Average Interest Rate
	<i>(in millions of Pesos, except percentages)</i>														
Investment in securities .....	473	5	4.2%	319	4	5.0%	424	15	3.5%	332	19	5.7%	486	20	4.1%
Loans .....	6,231	1,191	76.5%	5,997	1,176	78.4%	6,028	4,790	79.5%	6,389	5,013	78.5%	6,002	4,358	72.6%
Cash and cash equivalents .....	82	—	0.0%	88	—	0.0%	98	—	0.0%	135	—	0.0%	153	—	0.0%
Total interest earning assets .....	6,786	1,196	70.5%	6,404	1,180	73.7%	6,550	4,805	73.4%	6,856	5,032	73.4%	6,641	4,378	65.9%
Allowances for loan losses .....	(475)	—	0.0%	(526)	—	0.0%	(495)	—	0.0%	(572)	—	0.0%	(450)	—	0.0%



	For the three-month period ended March 31,						For the year ended December 31,								
	2014			2013			2013			2012			2011		
	Average Balance	Interest Income	Average Interest Rate	Average Balance	Interest Income	Average Interest Rate	Average Balance	Interest Income	Average Interest Rate	Average Balance	Interest Income	Average Interest Rate	Average Balance	Interest Income	Average Interest Rate
	<i>(in millions of Pesos, except percentages)</i>														
Furniture and equipment, net .....	344			392			370			433			467		
Other non-interest earning assets, net.....	4,205			4,051			4,332			4,044			4,084		
<b>Total assets .....</b>	<b>10,860</b>	<b>1,196</b>	<b>44.1%</b>	<b>10,321</b>	<b>1,180</b>	<b>45.7%</b>	<b>10,757</b>	<b>4,805</b>	<b>44.7%</b>	<b>10,761</b>	<b>5,032</b>	<b>46.8%</b>	<b>10,742</b>	<b>4,378</b>	<b>40.8%</b>

### Average Liabilities, Stockholders' Equity and Interest Rates

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

	For the three-month period ended March 31,						For the year ended December 31,								
	2014			2013			2013			2012			2011		
	Average Balance	Interest Expense	Average Interest Rate	Average Balance	Interest Expense	Average Interest Rate	Average Balance	Interest Expense	Average Interest Rate	Average Balance	Interest Expense	Average Interest Rate	Average Balance	Interest Expense	Average Interest Rate
	<i>(in millions of Pesos, except percentages)</i>														
Bank loans and loans with other entities (short-term).....	5,322	149	11.2%	5,460	151	11.1%	5,446	604	11.1%	5,569	653	11.7%	5,218	641	12.3%
Commercial paper .....	1,504	27	7.2%	1,500	29	7.7%	1,499	119	7.9%	1,500	111	7.4%	1,306	94	7.2%
Total interest-bearing liabilities .....	6,826	176	10.3%	6,960	180	10.3%	6,945	723	10.4%	7,069	764	10.8%	6,524	735	11.3%
Non-interest-bearing liabilities .....	769			468			747			586			1,001		
Stockholder' equity .....	3,265			2,893			3,065			3,106			3,217		
<b>Total liabilities and stockholders' equity .....</b>	<b>10,860</b>	<b>176</b>	<b>6.5%</b>	<b>10,321</b>	<b>180</b>	<b>7.0%</b>	<b>10,757</b>	<b>723</b>	<b>6.7%</b>	<b>10,761</b>	<b>764</b>	<b>7.1%</b>	<b>10,742</b>	<b>735</b>	<b>6.8%</b>

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

The following tables allocate changes in interest income and interest expense between changes in volume and changes in rates for the three months ended March 31, 2014 compared to the three-month period ended March 31, 2013 and for the year ended December 31, 2013 compared to 2012, and 2012 compared to 2011. Volume and rate variances have been calculated based on movements in daily average balances over the period and changes in interest rates on average interest-earning assets and average interest-bearing liabilities. The net change attributable to changes in both volume and rate has been allocated proportionately to the change due to volume and the change due to rate.

### Interest-Earning Assets

	March 2014/March 2013			2013/2012			2012/2011		
	Increase (decrease) due to changes in Interest			Increase (decrease) due to changes in Interest			Increase (decrease) due to changes in Interest		
	Volume	Interest Rate	Net Change	Volume	Interest Rate	Net Change	Volume	Interest Rate	Net Change
	<i>(in millions of Pesos)</i>								
Investment in securities .....	2	(1)	1	5	(9)	(4)	(6)	5	(1)
Loans.....	46	(31)	15	(283)	60	(223)	281	374	655
Cash and cash equivalents.....	—	—	—	—	—	—	—	—	—
<b>Total interest-earning assets.....</b>	<b>48</b>	<b>(32)</b>	<b>16</b>	<b>(278)</b>	<b>51</b>	<b>(227)</b>	<b>275</b>	<b>379</b>	<b>654</b>

### Interest-Bearing Liabilities

	March 2014/March 2013			2013/2012			2012/2011		
	Increase (decrease) due to changes in Interest			Increase (decrease) due to changes in Interest			Increase (decrease) due to changes in Interest		
	Volume	Interest Rate	Net Change	Volume	Interest Rate	Net Change	Volume	Interest Rate	Net Change
	<i>(in millions of Pesos)</i>								
Commercial paper .....	—	(2)	(2)	—	8	8	14	3	17
Interbank and other loans (short-term) .....	(4)	2	(2)	(14)	(35)	(49)	43	(31)	12
<b>Total interest-bearing liabilities .....</b>	<b>(4)</b>	<b>—</b>	<b>(4)</b>	<b>(14)</b>	<b>(27)</b>	<b>(41)</b>	<b>57</b>	<b>(28)</b>	<b>29</b>

### Interest-Earning Assets-Yield and Yield Spread

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

	For the three-month period ended March 31,		For the year ended December 31,		
	2014	2013	2013	2012	2011
		<i>(in millions of Pesos, except percentages)</i>			
<b>Total average earning assets</b>	6,786	6,404	6,550	6,856	6,641
<b>Historical:</b>					
Financial margin .....	1,020	1,000	4,082	4,268	3,643
Gross yield .....	70.5%	73.7%	73.4%	73.4%	65.9%
Net yield .....	60.1%	62.5%	62.3%	62.3%	54.9%
Yield spread .....	63.0%	63.0%	63.0%	62.6%	54.6%

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

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

	For the three-month period ended March 31,		For the year ended December 31,		
	2014	2013	2013	2012	2011
		<i>(in millions of Pesos, except percentages)</i>			
Net income.....	101	51	254	(116)	186
Average total assets.....	10,860	10,321	10,757	10,761	10,742
Average stockholders' equity.....	3,265	2,893	3,065	3,106	3,217
Net income as a percentage of:					
Average total assets .....	3.7%	2.0%	2.4%	(1.1%)	1.7%
Average stockholders' equity .....	12.4%	7.1%	8.3%	(3.7%)	5.8%
Average stockholders' equity as a percentage of average total assets .....	30.1%	28.0%	28.5%	28.9%	29.9%
Dividend payout ratio.....	0.0%	0.0%	0.0%	0.0%	0.0%

## Interest Rate Sensitivity of Assets and Liabilities

### Interest Rates

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

### Interest Rate Sensitivity

The following table reflects our interest-earning assets and interest-bearing liabilities as of March 31, 2014. Fixed-rate instruments were classified in this table according to their final maturity.

As of March 31, 2014							
	0 - 30 Days	31 - 89 Days	90 - 179 Days	180 - 365 Days	Over 366 Days	Non-Rate Sensitive or Over One Year	Total
<i>(in millions of Pesos)</i>							
<b>Assets:</b>							
Cash and due from banks .....	149	—	—	—	—	—	149
Fixed-rate performing loans .....	678	1,356	2,035	2,208	—	—	6,277
Securities and investments .....	387	—	—	—	—	—	387
Total interest-earning assets .....	1,214	1,356	2,035	2,208	—	—	6,813
Other non-interest-earning assets .....	—	—	—	—	—	3,469	3,469
Non-performing loans .....	—	—	—	—	—	424	424
Less: Allowance for loan losses .....	—	—	—	—	—	(424)	(424)
Total assets .....	1,214	1,356	2,035	2,208	—	3,469	10,282
<b>Liabilities and stockholders' equity:</b>							
Commercial paper .....	2	—	—	—	1,500	—	1,502
Borrowings from banks and other entities ....	266	833	639	3,087	252	—	5,077
Other non-interest bearing liabilities .....	—	—	—	—	—	509	509
Stockholders' equity .....	—	—	—	—	—	3,194	3,194
Total liabilities and stockholders' equity .....	268	833	639	3,087	1,752	3,703	10,282
Interest rate sensitivity gap .....	946	523	1,396	(879)	(1,752)	(234)	
Cumulative interest rate sensitivity gap .....	946	1,469	2,865	1,986	234		
Cumulative gap as percentage of total interest -earning assets .....	13.9%	21.6%	42.1%	29.2%	3.4%		

As of March 31, 2014, interest-earning assets totaled Ps.6,813 million. Of these assets, 17.8% amortize periodically every 30 days or less. Such assets included 92.1% of our performing loan portfolio and 7.9% of cash and cash equivalents. Of our total loans, 100.0% are fixed-rate loans.

Of our interest-bearing liabilities as of March 31, 2014, 100% consisted of loans from banks and other entities and totaled Ps.5,077 million. Of our total interest bearing liabilities, 4.1% amortize every 30 days or less.

### Cash and Cash equivalents

We held investments in securities in the amount of Ps.536 million as of March 31, 2014, representing 5.2% of our total assets. All of our investments consist of highly liquid assets in the form of repurchase agreements for Mexican government securities, such as Bondes and CETES, with average maturities from one to three days. The weighted-average yield of such investments was 6.7%.

## Short-Term Borrowings

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

	As of and for the three-month period ended March 31,				As of and for the year ended December 31,					
	2014		2013		2013		2012		2011	
	Amount	Rate	Amount	Rate	Amount	Rate	Amount	Rate	Amount	Rate
	<i>(in millions of Pesos, except percentages)</i>									
<b>Bank loans and commercial paper</b>										
At end of period <sup>(1)</sup> .....	6,579	10.7%	6,453	10.9%	6,727	10.9%	6,738	10.9%	7,478	11.2%
Monthly average indebtedness during period.....	6,826	10.3%	6,960	10.3%	6,945	10.4%	7,069	10.8%	6,524	11.3%
Maximum month-end balance.....	6,656	10.5%	6,528	10.8%	6,727	10.7%	7,241	11.0%	7,478	10.9%

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

## Loan Portfolio

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

Our total loan portfolio as of March 31, 2014 and 2013 amounted to Ps.6,701 million, and Ps.6,571 million, respectively, an increase of 2.0% year-over-year. As of December 31, 2013, 2012 and 2011 our loan portfolio amounted to Ps.6,836.6 million, Ps.6,722.8 million and Ps.7,347.7 million, respectively. These changes represent an increase of 1.7% in our total loan portfolio from 2012 to 2013 and a decrease of 8.5% from 2011 to 2012.

### Classification of our Loan Portfolio

The following table sets forth the classification of our total loan portfolio in terms of performing and non-performing loan portfolios, as of March 31, 2014 and 2013 and as of December 31, 2013, 2012 and 2011.

	As of March 31,				As of December 31,					
	2014		2013		2013		2012		2011	
	Amount	% of Portfolio	Amount	% of Portfolio	Amount	% of Portfolio	Amount	% of Portfolio	Amount	% of Portfolio
	<i>(in millions of Pesos, except percentages)</i>									
Performing loan portfolio.....	6,277	93.7%	6,063	92.3%	6,336	92.7%	6,353	94.5%	6,654	90.6%
Non-performing loan portfolio.....	424	6.3%	508	7.7%	501	7.3%	370	5.5%	694	9.4%
Total loan portfolio.....	6,701	100.0%	6,571	100.0%	6,837	100.0%	6,723	100.0%	7,348	100.0%

We had a total loan portfolio of Ps.6,700.9 million as of March 31, 2014, compared to Ps.6,571.4 million as of March 31, 2013, representing an increase of Ps.129.4 million, or 2.0%. Our total loan portfolio represented 65.2% of total assets as of March 31, 2014, compared to 66.0% of total assets as of March 31, 2013. See “Business—Products and Services.”

We had a total loan portfolio of Ps.6,700.9 million as of March 31, 2014, compared to Ps.6,836.6 million as of December 31, 2013, representing a decrease of Ps.135.7 million, or 2.0%. Our total loan portfolio represented 65.2% of total assets as of March 31, 2014, compared to 66.5% of total assets as of December 31, 2013.

We had a total loan portfolio of Ps.6,836.6 million as of December 31, 2013, compared to Ps.6,722.8 million as of December 31, 2012, representing an increase of Ps.113.7 million, or 1.7%. Our total loan portfolio represented 66.5% of total assets as of December 31, 2013, compared to 66.9% of total assets as of December 31, 2012.

We had a total loan portfolio of Ps.6,722.8 million as of December 31, 2012, compared to Ps.7,347.7 million as of December 31, 2011, representing a decrease of Ps.624.8 million, or 8.5%. Our total loan portfolio represented 66.9% of total assets as of December 31, 2012, compared to 66.6% of total assets as of December 31, 2011.

## Performing Loan Portfolio

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

	As of March 31,		As of December 31,		
	2014	2013	2013	2012	2011
	<i>(in millions of Pesos)</i>				
<b>Performing loan portfolio by product:</b>					
<b>Financiera Independencia</b> .....					
- <b>Formal Sector</b> .....	<b>2,628</b>	<b>2,404</b>	<b>2,607</b>	<b>2,457</b>	<b>2,641</b>
- CrediInmediato .....	2,370	2,345	2,365	2,404	2,620
- Más Nómina .....	258	58	241	54	21
- <b>Informal Sector</b> .....	<b>897</b>	<b>1,168</b>	<b>966</b>	<b>1,289</b>	<b>1,515</b>
- CrediPopular .....	815	993	867	1,079	1,255
- CrediMamá .....	64	96	71	108	145
- CrediConstruye .....	18	80	28	102	115
<b>Finsol</b> .....	<b>1,277</b>	<b>1,213</b>	<b>1,306</b>	<b>1,375</b>	<b>1,515</b>
- Finsol México .....	711	809	759	965	997
- Finsol Brasil .....	566	404	548	410	518
<b>AEF</b> .....	<b>1,245</b>	<b>1,150</b>	<b>1,243</b>	<b>1,110</b>	<b>931</b>
<b>AFI</b> .....	<b>230</b>	<b>127</b>	<b>214</b>	<b>122</b>	<b>52</b>
<b>Total performing loan portfolio</b> .....	<b>6,277</b>	<b>6,063</b>	<b>6,336</b>	<b>6,353</b>	<b>6,654</b>

(1) Loan amounts include accrued interest.

Our total performing loan portfolio decreased 0.3% in the year ended December 31, 2013, and 4.5% in the year ended December 31, 2012. See “Business—Products and Services.”

As of December 31, 2013, our performing CrediInmediato loan portfolio totaled Ps.2,365.2 million, reflecting a decrease of Ps.38.6 million, or 1.6%, compared to December 31, 2012. This decrease was primarily due to a decrease of 61,896 in our number of customers for this product. Our performing CrediInmediato loan portfolio totaled Ps.2,403.8 million as of December 31, 2012, reflecting a decrease of Ps.216.0 million, or 8.2%, compared to December 31, 2011. This decrease was primarily due to a decrease of 199,217 in our number of customers for this product. Our performing CrediInmediato loan portfolio as a percentage of our total performing loan portfolio was 37.3% as of December 31, 2013, and 37.8% as of December 31, 2012.

As of December 31, 2013, Finsol’s loan portfolio totaled Ps.1,306.4 million, reflecting a decrease of Ps.68.6 million, or 5.0%, compared to December 31, 2012. This decrease was primarily due to a decrease of 56,151 in our number of customers for this product. Our performing Grupal loan portfolio totaled Ps.1,375.0 million as of December 31, 2012, reflecting a decrease of Ps.140.4 million, or 9.3%, compared to December 31, 2011. This decrease was primarily due to a decrease of 14,463 in our number of customers for this product. Our performing Grupal loan portfolio as a percentage of our total performing loan portfolio was 20.6% as of December 31, 2013, and 21.6% as of December 31, 2012.

As of December 31, 2013, our performing CrediPopular loan portfolio totaled Ps.866.8 million, reflecting a decrease of Ps.212.5 million, or 19.7%, compared to December 31, 2012. This decrease was primarily due to a decrease of 87,508 in our number of customers for this product. Our performing CrediPopular loan portfolio totaled Ps.1,079.3 million as of December 31, 2012, reflecting a decrease of Ps.175.3 million, or 14.0%, compared to December 31, 2011. This decrease was primarily due to a decrease of 42,689 in our number of customers for this product. Our performing CrediPopular loan portfolio as a percentage of our total performing loan portfolio was 13.5% as of December 31, 2013, and 17.0% as of December 31, 2012.

As of December 31, 2013, our performing AEF loan portfolio totaled Ps.1,242.8 million, reflecting an increase of Ps.132.7 million, or 12.0%, compared to December 31, 2012. This increase was primarily due to an increase of 15,541 in our number of customers for this product. Our performing AEF loan portfolio totaled Ps.1,110.0 million

as of December 31, 2012, reflecting an increase of Ps.178.9 million, or 19.2%, compared to December 31, 2011. This increase was primarily due to an increase of 16,990 in our number of customers for this product. Our performing AEF loan portfolio as a percentage of our total performing loan portfolio was 19.6% as of December 31, 2013, and 17.5% as of December 31, 2012.

As of December 31, 2013, our performing CrediMamá loan portfolio totaled Ps.70.6 million, reflecting a decrease of Ps.37.1 million, or 34.4%, compared to December 31, 2012. This decrease was primarily due to a decrease of 16,849 in our number of customers for this product. Our performing CrediMamá loan portfolio totaled Ps.107.6 million as of December 31, 2012, reflecting a decrease of Ps.37.1 million, or 25.6%, compared to December 31, 2011. This decrease was primarily due to a decrease of 18,364 in our number of customers for this product. Our performing CrediMamá loan portfolio as a percentage of our total performing loan portfolio was 1.1% as of December 31, 2013, and 1.7% as of December 31, 2012.

As of December 31, 2013, our performing CrediConstruye loan portfolio totaled Ps.28.2 million, reflecting a decrease of Ps.73.5 million, or 72.3%, compared to December 31, 2012. This decrease was primarily due to a decrease of 12,037 in our number of customers for this product. Our performing CrediConstruye loan portfolio totaled Ps.101.7 million as of December 2012, reflecting a decrease of Ps.13.8 million, or 11.9%, compared to December 31, 2011. This decrease was primarily due to a decrease of 9,025 in our number of customers for this product. Our performing CrediConstruye loan portfolio as a percentage of our total performing loan portfolio was 0.4% as of December 31, 2013, and 1.6% as of December 31, 2012.

As of December 31, 2013, our performing Apoyo Financiero Inc. loan portfolio totaled Ps.214.5 million, reflecting an increase of Ps.92.8 million, or 76.3%, compared to December 31, 2012. This increase was primarily due to an increase of 2,810 in our number of customers for this product. Our performing Apoyo Financiero Inc. loan portfolio totaled Ps.121.7 million as of December 31, 2012, reflecting an increase of Ps.70.0 million, or 135.3%, compared to December 31, 2011. This increase was primarily due to an increase of 1,814 in our number of customers for this product. Our performing Apoyo Financiero Inc. loan portfolio as a percentage of our total performing loan portfolio was 3.4% as of December 31, 2013, and 1.9% as of December 31, 2012.

As of December 31, 2013, our performing Más Nómina loan portfolio totaled Ps.241.4 million, reflecting an increase of Ps.187.8 million, or 350.4%, compared to December 31, 2012. This increase was primarily due to an increase of 17,552 in our number of customers for this product. Our performing Más Nómina loan portfolio totaled Ps.53.6 million as of December 31, 2012, reflecting an increase of Ps.32.9 million, or 159.3%, compared to December 31, 2011. This increase was primarily due to an increase of 3,184 in our number of customers for this product. Our performing Más Nómina loan portfolio as a percentage of our total performing loan portfolio was 3.8% as of December 31, 2013, and 0.8% as of December 31, 2012.

### **Total Loans by Geographic Concentration**

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

	As of March 31,				As of December 31,					
	2014		2013		2013		2012		2011	
	Loan Amount	% of Portfolio	Loan Amount	% of Portfolio	Loan Amount	% of Portfolio	Loan Amount	% of Portfolio	Loan Amount	% of Portfolio
	<i>(in millions of Pesos, except percentages)</i>									
<b>Mexican federal entities:</b>										
Aguascalientes.....	52	0.8%	58	0.9%	54	0.8%	60	0.9%	69	0.9%
Baja California .....	208	3.1%	198	3.0%	212	3.1%	200	3.0%	233	3.2%
Baja California Sur.....	73	1.1%	73	1.1%	77	1.1%	74	1.1%	82	1.1%
Campeche .....	124	1.9%	139	2.1%	127	1.9%	142	2.1%	146	2.0%
Chiapas .....	194	2.9%	192	2.9%	200	2.9%	197	2.9%	195	2.6%
Chihuahua.....	52	0.8%	58	0.9%	54	0.8%	60	0.9%	80	1.1%
Coahuila.....	235	3.5%	263	4.0%	244	3.6%	266	4.0%	333	4.5%
Colima .....	62	0.9%	65	1.0%	62	0.9%	68	1.0%	75	1.0%
Durango.....	55	0.8%	64	1.0%	58	0.9%	66	1.0%	61	0.8%

	As of March 31,				As of December 31,					
	2014		2013		2013		2012		2011	
	Loan Amount	% of Portfolio	Loan Amount	% of Portfolio	Loan Amount	% of Portfolio	Loan Amount	% of Portfolio	Loan Amount	% of Portfolio
	<i>(in millions of Pesos, except percentages)</i>									
Estado de México .....	670	10.0%	606	9.2%	671	9.8%	588	8.7%	546	7.4%
Guanajuato.....	257	3.8%	265	4.0%	261	3.8%	270	4.0%	307	4.2%
Guerrero.....	184	2.7%	212	3.2%	192	2.8%	230	3.4%	255	3.5%
Hidalgo .....	102	1.5%	92	1.4%	100	1.5%	93	1.4%	94	1.3%
Jalisco .....	291	4.3%	346	5.3%	314	4.6%	364	5.4%	402	5.5%
Michoacán .....	179	2.7%	186	2.8%	181	2.7%	193	2.9%	223	3.0%
Morelos.....	144	2.2%	146	2.2%	150	2.2%	148	2.2%	152	2.1%
Nayarit.....	52	0.8%	54	0.8%	53	0.8%	54	0.8%	54	0.7%
Nuevo León.....	22	0.3%	28	0.4%	22	0.3%	32	0.5%	34	0.5%
Oaxaca .....	133	2.0%	131	2.0%	136	2.0%	137	2.0%	128	1.7%
Puebla .....	178	2.7%	188	2.9%	181	2.7%	198	3.0%	229	3.1%
Querétaro .....	128	1.9%	136	2.1%	131	1.9%	137	2.0%	134	1.8%
Quintana Roo.....	195	2.9%	216	3.3%	208	3.0%	227	3.4%	240	3.3%
San Luis Potosí.....	154	2.3%	163	2.5%	159	2.3%	166	2.5%	185	2.5%
Sinaloa.....	131	2.0%	140	2.1%	137	2.0%	145	2.2%	192	2.6%
Sonora.....	226	3.4%	237	3.6%	236	3.5%	246	3.7%	312	4.2%
Tabasco.....	85	1.3%	98	1.5%	90	1.3%	104	1.5%	127	1.7%
Tamaulipas .....	392	5.8%	461	7.0%	412	6.0%	481	7.2%	542	7.4%
Tlaxcala .....	64	1.0%	69	1.0%	66	1.0%	71	1.0%	83	1.1%
Veracruz .....	459	6.8%	523	8.0%	479	7.0%	550	8.2%	665	9.0%
Yucatán.....	182	2.7%	194	3.0%	185	2.7%	198	2.9%	199	2.7%
Zacatecas .....	53	0.8%	56	0.9%	54	0.8%	58	0.9%	65	0.9%
Distrito Federal		8.3%	371	5.6%						
Mexico City										
Headquarters.....	555				548	8.0%	355	5.3%	308	4.2%
Brazil .....	577	8.6%	412	6.3%	558	8.2%	420	6.2%	544	7.4%
United States of		3.5%	131	2.0%						
America .....	236				222	3.2%	125	1.9%	54	0.7%
<b>Total loan portfolio ..</b>	<b>6,701</b>		<b>6,571</b>		<b>6,837</b>		<b>6,723</b>		<b>7,348</b>	

#### Total Loan Portfolio by Loan Balance

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

	As of March 31,				As of December 31,					
	2014		2013		2013		2012		2011	
	Loan Amount	% of Portfolio	Loan Amount	% of Portfolio	Loan Amount	% of Portfolio	Loan Amount	% of Portfolio	Loan Amount	% of Portfolio
	<i>(in millions of Pesos, except percentages)</i>									
<b>Original Principal Amount Borrowed</b>										
Less than Ps.3,000 .....	191	2.9%	272	4.1%	203	3.0%	293	4.4%	370	5.0%
Between Ps.3,001 and Ps.5,000.....	764	11.4%	948	14.4%	826	12.1%	1,024	15.2%	1,198	16.3%
Between Ps.5,001 and Ps.10,000.....	2,468	36.8%	2,500	38.0%	2,525	36.9%	2,507	37.3%	2,908	39.6%
Between Ps.10,001 and Ps.15,000...	1,073	16.0%	952	14.5%	1,090	15.9%	917	0.1%	932	12.7%
Between Ps.15,001 and Ps.20,000...	548	8.2%	473	7.2%	534	7.8%	457	6.8%	414	5.6%
Over Ps.20,001 .....	1,657	24.7%	1,426	21.7%	1,659	24.3%	1,525	22.7%	1,526	20.8%
<b>Total loan portfolio.....</b>	<b>6,701</b>	<b>100.0%</b>	<b>6,571</b>	<b>100.0%</b>	<b>6,837</b>	<b>100.0%</b>	<b>6,723</b>	<b>0.9%</b>	<b>7,348</b>	<b>100.0%</b>

#### Non-Performing Loan Portfolio

Our loan portfolio is classified as non-performing when loans are 90 days or more past due, and is recognized as non-performing up to the amount of the capital and interest due at that date. Our loan portfolio with a revolving line of credit is classified as past-due when it is 60 or more calendar days overdue, and is recognized as non-performing up to the amount of the capital and interest due at that date. We rate our loan portfolio using an internal

methodology based on the likelihood of a borrower's default and on the expected loss given default, as per the provisions of Article 93 of the Sole Circular for Banks.

As of March 31, 2014, our total non-performing loan portfolio was Ps.424 million, or 6.3% of our total loan portfolio. Of this amount, Ps.26.5 million, or 6.3%, represented non-performing interest. Our total non-performing loan portfolio decreased by Ps.84.2 million, or 16.6%, during the first three months of 2014. This variation is mostly due to our new strategic focus on the quality and profitability of our loan portfolio rather than its volume.

As of December 31, 2013, our total non-performing loan portfolio was Ps.500.8 million, or 7.3% of our total loan portfolio. Of this amount, Ps.115.5 million, or 23.1%, represented non-performing interest. Our total non-performing loan portfolio increased by Ps.130.7 million, or 35.3%, during 2013. This variation is mostly due to our new strategic focus on the quality and profitability of our loan portfolio rather than its volume.

As of December 31, 2012, our total non-performing loan portfolio was Ps.370.0 million, or 5.5% of our total loan portfolio. Of this amount, Ps.88.2 million, or 23.8%, represented non-performing interest. Our total non-performing loan portfolio decreased by Ps.324.0 million, or 46.7%, during 2012. This variation is mostly due to a reduction in our total loan portfolio in 2012 as compared to 2011.

As of December 31, 2011, our total non-performing loan portfolio was Ps.694.1 million, or 9.4% of our total loan portfolio.

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

	As of March 31,		As of December 31,		
	2014	2013	2013	2012	2011
	<i>(in millions of Pesos)</i>				
<b>Non-performing loan portfolio by product:</b>					
<b>Financiera Independencia</b> .....					
- <b>Formal Sector</b> .....	<b>201</b>	<b>202</b>	<b>250</b>	<b>162</b>	<b>367</b>
- CrediInmediato .....	190	200	242	162	367
- Más Nómina .....	11	2	8	0	-
- <b>Informal Sector</b> .....	<b>99</b>	<b>180</b>	<b>134</b>	<b>130</b>	<b>236</b>
- CrediPopular .....	92	155	120	113	200
- CrediMamá .....	5	13	9	11	24
- CrediConstruye .....	2	12	5	7	11
<b>Finsol</b> .....	<b>48</b>	<b>80</b>	<b>40</b>	<b>60</b>	<b>77</b>
- Finsol México .....	37	72	30	51	52
- Finsol Brasil .....	11	8	10	9	26
<b>AEF</b> .....	<b>69</b>	<b>43</b>	<b>69</b>	<b>14</b>	<b>12</b>
<b>AFI</b> .....	<b>7</b>	<b>4</b>	<b>8</b>	<b>3</b>	<b>2</b>
<b>Total non-performing loan portfolio</b> <sup>(1)</sup> .....	<b>424</b>	<b>508</b>	<b>501</b>	<b>370</b>	<b>694</b>

(1) Loan amounts include accrued interest.



## Allowance for Loan Losses

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

	As of March 31,				As of December 31,					
	2014		2013		2013		2012		2011	
	Loans by product	Allowances for loan losses	Loans by product	Allowances for loan losses	Loans by product	Allowances for loan losses	Loans by product	Allowances for loan losses	Loans by product	Allowances for loan losses
<i>(in millions of Pesos, except percentages)</i>										
<b>Allowance for loan losses by product:</b>										
<b>Financiera Independencia</b>										
- Formal Sector .....	201	(201)	202	(217)	250	(250)	162	(191)	367	(252)
- CrediInmediato.....	190	(190)	200	(214)	242	(242)	162	(191)	367	(252)
- Más Nómina .....	11	(11)	2	(3)	8	(8)	0	(0)	-	-
- Informal Sector.....	99	(99)	180	(192)	134	(134)	130	(153)	236	(161)
- CrediPopular .....	92	(92)	155	(166)	120	(120)	113	(132)	200	(137)
- CrediMamá.....	5	(5)	13	(14)	9	(9)	11	(13)	24	(17)
- CrediConstruye .....	2	(2)	12	(13)	5	(5)	7	(8)	11	(8)
<b>Finsol.....</b>	<b>48</b>	<b>(48)</b>	<b>80</b>	<b>(80)</b>	<b>40</b>	<b>(40)</b>	<b>60</b>	<b>(60)</b>	<b>77</b>	<b>(77)</b>
- Finsol México.....	37	(37)	72	(72)	30	(30)	51	(51)	52	(52)
- Finsol Brasil .....	11	(11)	8	(8)	10	(10)	9	(9)	26	(26)
<b>AEF .....</b>	<b>69</b>	<b>(69)</b>	<b>43</b>	<b>(57)</b>	<b>69</b>	<b>(69)</b>	<b>14</b>	<b>(28)</b>	<b>12</b>	<b>(38)</b>
<b>AFI .....</b>	<b>7</b>	<b>(7)</b>	<b>4</b>	<b>(4)</b>	<b>8</b>	<b>(8)</b>	<b>3</b>	<b>(3)</b>	<b>2</b>	<b>(2)</b>
<b>Total allowances for loan losses<sup>(1)</sup>.....</b>	<b>424</b>	<b>(424)</b>	<b>508</b>	<b>(549)</b>	<b>501</b>	<b>(501)</b>	<b>370</b>	<b>(435)</b>	<b>694</b>	<b>(531)</b>

(1) Loan amounts include accrued interest.

For the three months ended March 31, 2014 and 2013 and for the fiscal years ended December 31, 2013, 2012 and 2011 we recorded provisions charged against income totaling Ps.274 million, Ps.240 million, Ps.1,209 million, Ps.1,952 million and Ps.1,368 million, respectively.

## Analysis of Allowance for Loan Losses

The following table analyzes our allowance for loan losses, movements in loans written off and recoveries for the periods indicated, as well as changes to income and period-end allowances for loan losses, net of recoveries, as a result of the sale of non-performing loans at the end of each period. We use an internally-developed methodology to record our allowance for loan losses that is consistent with CNBV recommendations and is based on the probability of default and severity of losses of the loan portfolio. Beginning January 2013, our policy is to maintain an allowance for loan losses at or above 100% of the outstanding balance of our non-performing loan portfolio at all times.

	As of March 31,		As of December 31,		
	2014	2013	2013	2012	2011
	<i>(in millions of Pesos)</i>				
Balance at beginning of year .....	501	435	435	530	375
Less:					
Effect of inflation at the beginning of the period....	—	—	—	—	—
Nominal balance at the beginning of the period .....	501	435	435	530	375
Plus:					
Balance at beginning of Group AEF .....					36
Increase to the allowance for loan losses .....	274	240	1,209	1,952	1,368
Sub-total.....	775	675	1,644	2,482	1,779
Less:					
Effect of inflation .....	—	—	—	—	—
Loans write-offs.....	351	126	1,143	2,047	1,249
Balance at the end of the year .....	424	549	501	435	530

### Workout and Credit Recovery

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

## **THE MICROFINANCE INDUSTRY**

### **Overview**

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

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

### **Microfinance Institutions**

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

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

### **Microfinance Customers and Services**

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

The microfinance target market primarily comprises individuals earning between one and eight times the minimum monthly wage in Mexico City, currently between Ps.2,018.70 and Ps.16,149.60 per month (U.S.\$154.29 and U.S.\$1,234.29 per month), represented by the "Cm" through "D" socioeconomic levels as defined by the AMAI. Based on data published by the AMAI, individuals living at this socioeconomic level have limited access to at least one banking product. Based on information of INEGI from 2010 and 2011, we estimate that this population represents approximately 48.6 million people in Mexico, or 92.2% of the working population in Mexico.

### **Impact of Microfinance on Its Customers**

Individuals in the low-income segments of the population with access to savings, credit, insurance and other financial services are better able to cope with the everyday financial needs they face. Econometric studies have suggested that microfinance can smooth consumption levels and significantly reduce the need to sell assets to meet basic needs. Access to microfinance services allows low-income individuals not only to cope with expected or unexpected liquidity problems but to take advantage of economic opportunities. Moreover, industry research indicates that over a long period of time many microfinance customers actually emerge from poverty.

Despite the relatively high interest rates typically charged in connection with microcredit loans, microfinance is generally seen as beneficial for the low-income segments, and a reduction in interest rates may be more effectively

achieved through increased competition in the industry rather than through the imposition of interest rate caps by way of government regulation.

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

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

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

We have never funded our operations with donations or low-cost loans granted by non-profit organizations or multilateral agencies.

### **Microfinance Risk Management Techniques**

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

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

## The Microfinance Industry in Mexico

In Mexico, the microfinance industry is relatively new with numerous organizations rapidly emerging, including for-profit entities. Microfinance institutions began offering their services in the mid 1990s through entities such as Finca Mexico (1989), Compartamos (1990), Came (1991), Fincomun (1994) and our Company (1993) with an increase after 2000 of such organizations, including ProMujer (2001), Prosperidad (2002), Solfi (2002) and Finsol (2003).

The following chart sets forth certain information regarding the largest organizations that comprise the microfinance industry in Mexico, each of which had a loan portfolio in excess of Ps.500.0 million as of March 31, 2014:

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

	Total Loan Portfolio <i>(in Ps. Millions)</i>	Total Loan Portfolio <i>(in U.S.\$ millions) (1)</i>	Effective Lending Rate	Non- Performing Loan Ratio
<b>Banks:</b>				
Banco Azteca (2)(3).....	45,042	3,443	75.1%	11.8%
Compartamos.....	16,975	1,297	73.8%	3.0%
Banco Famsa (2)(3).....	9,479	724	18.5%	24.2%
Bancoppel (2)(3).....	9,743	745	53.5%	17.7%
<b>General Financing Entities (4):</b>				
Caja Bienestar.....	933	71	n.a.	11.7%
Came.....	1,311	100	n.a.	3.7%
Fincomún.....	956	73	n.a.	1.2%
<b>Sofom:</b>				
Crédito Real.....	11,095	848	29.7%	1.5%
Independencia/AEF/Finsol México.....	5,888	450	73.5%	6.9%
Crédito Familiar.....	3,104	237	58.9%	6.6%
Te Creemos.....	745	57	n.a.	2.0%
Alternativa 19 del Sur.....	726	56	n.a.	1.2%
Finca México.....	602	46	n.a.	3.4%

(1) Translated at the rate of Ps.13.0841 per U.S.\$1.00, based on the Mexican Central Bank exchange rate published on March 31, 2014.

(2) Effective lending rate corresponds to total loan portfolio.

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

(4) *Sociedades Financieras Populares*.

Source: CNBV, Prodesarrollo, Company financials and other sources as of March 31, 2014.

## BUSINESS

### Overview

We are in the business of providing microcredit loans to low-income individuals from the formal and self-employed sectors of the Mexican and U.S. economies and working capital group loans in rural areas of Mexico and Brazil. We provide products and services to individuals who might otherwise have no, or limited, access to loans and related services from other financial institutions. Our goals are to create economic value for our customers and shareholders and social value for our customers and the community, as well as to develop long-term relationships with our customers to establish their credit history. As of March 31, 2014, we were the largest microfinance lender of personal loans to individuals in Mexico based on the number of loans outstanding, according to data published by ProDesarrollo and our internal estimates. As of March 31, 2014, we operated 561 branch offices (522 in Mexico, 25 in Brazil and 14 in the state of California in the United States).

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 (*Bolsa Mexicana de Valores, S.A.B. de C.V.*) (ticker symbol: FINDEP) since November 2007, and our market capitalization as of March 31, 2014 was approximately U.S.\$257.7 million. We operate based on a specialized business model that relies on providing large volumes of small loans (as of March 31, 2014, our average loan balance was approximately Ps.5,987 (U.S.\$458.00)) with high frequency of repayments (over 90% of our loans are repaid either weekly or bi-weekly).

Since our inception in 1993, we have experienced significant growth and earned a leading role in the personal loan sector of the Mexican microfinance market, achieving a 63.4% compound annual growth rate in our number of loans granted from our inception on July 22, 1993 through December 31, 2013. As of March 31, 2014, we had 1,119,228 loans outstanding and reported a return on average total assets of 3.9% for the three-month period then ended. We believe that our success is attributable to a number of factors, including our recent focus on the quality and profitability of our loan portfolio rather than its volume; our geographic coverage and extensive distribution network; our understanding of the market we service and the know-how we have developed through our exclusive focus on our well-defined target market; our risk management policies; our effective collection practices; the efficiencies afforded by our information technology systems; the loyalty fostered by the personalized customer service that we provide; and the leadership of our experienced and skilled management team. We believe that we are strategically positioned to achieve additional growth and further strengthen our competitive position.

### Financial Highlights

In September 2012, we adopted a new strategic focus that emphasizes the quality and profitability of our loan portfolio rather than its volume. In connection with this new focus, we implemented new 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, and (4) emphasizing our focus on quality and profitability with our sales and collections teams. As a result of these efforts, we were able to achieve a return on average shareholders' equity of 12.8% and 8.6% during the three-month period ended March 31, 2014 and the year ended December 31, 2013, respectively. As of March 31, 2014, our loan portfolio amounted to Ps.6,700.9 million, compared to Ps.6,836.6 million as of December 31, 2013, and Ps.6,722.8 million as of December 31, 2012, representing a decrease of 2.0% and an increase of 1.7% respectively.

Maintaining the quality of our loan portfolio is one of our key priorities. Our risk management and effective collection policies have allowed us to achieve a non-performing loan ratio of 6.3% as of March 31, 2014 and 7.3% as of December 31, 2013, compared to our non-performing loan ratio of 7.7% as of March 31, 2013 and 5.5% as of December 31, 2012 (our non-performing loan ratio would have been 9.5% without including the effect of a one-time Ps.300.0 million loan write-off in December 2012 we undertook to strengthen the quality and profitability of our loan portfolio). We believe that our policies for provisioning past due loans are conservative, having provisioned 26.8% and 24.0% of financial margin for the three-month periods ended March 31, 2014 and 2013, respectively, and 29.6% and 45.7% for the years ended December 31, 2013 and 2012, respectively. In addition, we believe that we are adequately capitalized, with a ratio of equity to assets of 31.1% as of March 31, 2014.

In the three-month period ended March 31, 2014, our provisions for loan losses increased 13.9% to Ps.273.6 million, compared to Ps.240.2 million in the corresponding period in 2013, primarily as a result of lower provisions required in the three-month period ended March 31, 2013 (compared to the corresponding period in 2014) following our loan write-off of Ps.300.0 million in December 2012. In 2013, our provisions for loan losses decreased 38.1% to Ps.1,209.1 million, compared to Ps.1,952.4 million in 2012, primarily as a result of this loan write-off. Excluding the effects of our loan-write off, our provisions for loan losses would have decreased by 34.1% for the three-month period ended March 31, 2014 as compared to the corresponding period in 2013, and 32.0% in 2013 as compared to 2012, reflecting improvements in our loan portfolio achieved by the new and stricter lending policies we implemented beginning in September 2012.

During the three-month period ended March 31, 2014, our net financial margin after provision for loan losses was Ps.746.4 million, reflecting a 1.7% decrease compared to the corresponding period of 2013, and our net income was Ps.100.7 million during the three-month period ended March 31, 2014, compared to net income of Ps.50.8 million during the corresponding period of 2013. For the three-month period ended March 31, 2014, our net interest margin after provisions, including commissions, and return on average stockholders' equity were 52.5% and 12.8%, respectively. During the year ended December 31, 2013, our net financial margin after provision for loan losses was Ps.2,873.4 million, reflecting a 24.1% increase compared to 2012, and our net income was Ps.254.1 million, compared to net loss of Ps.116.5 million in 2012. For the year ended December 31, 2013, our net interest margin after provisions, including commissions, and return on average stockholders' equity were 50.4% and 8.6%, respectively.

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

	As of and for the Three-Month Period Ended March 31,			As of and for the Year Ended December 31,			
	2014	2014	2013	2013	2013	2012	2011
	<i>(In millions of U.S.\$, unless otherwise indicated) (1)</i>			<i>(In millions of U.S.\$, unless otherwise indicated) (1)</i>			
	<i>(in millions of Ps., unless otherwise indicated)</i>			<i>(in millions of Ps., unless otherwise indicated)</i>			
Net income .....	7.7	100.7	50.8	19.4	254.1	(116.5)	185.8
Stockholders' equity.....	244.1	3,193.7	2,871.8	235.5	3,081.6	2,858.9	3,052.9
<b>Other Financial Data and Ratios</b>							
<b>Profitability and Efficiency:</b>							
Return on average stockholders' equity (2) .....	12.8%	12.8%	7.1%	8.6%	8.6%	(3.9)%	6.2%
Return on average total assets (3)....	3.9%	3.9%	2.0%	2.5%	2.5%	(1.1)%	1.9%
Net interest margin after provisions (4).....	52.5%	52.5%	52.8%	50.4%	50.4%	43.1%	44.2%
Efficiency ratio (5).....	85.7%	85.7%	92.2%	90.9%	90.9%	105.1%	90.6%
<b>Capitalization:</b>							
Stockholders' equity as a percentage of total assets.....	31.1%	31.1%	28.9%	30.0%	30.0%	28.4%	27.7%
<b>Credit Quality Data:</b>							
Total performing loans .....	479.7	6,276.8	6,063.2	484.9	6,335.8	6,352.8	6,653.6
Total non-performing loans .....	32.4	424.0	508.3	38.3	500.8	370.0	694.1
Total loan portfolio.....	512.1	6,700.9	6,571.4	523.3	6,836.6	6,722.8	7,347.7
Allowance for loan losses.....	(32.4)	(424.0)	(548.7)	(38.3)	(500.8)	(434.8)	(530.5)
<b>Credit Quality Ratios:</b>							
Allowance for loan losses as a percentage of total loan portfolio.....	6.3%	6.3%	8.4%	7.3%	7.3%	6.5%	7.2%
Allowance for loan losses as a percentage of total non-performing loan portfolio.....	100.0%	100.0%	101.8%	100.0%	100.0%	117.5%	76.4%
Total non-performing loan portfolio as a percentage of total loan portfolio.....	6.3%	6.3%	7.7%	7.3%	7.3%	5.5%	9.4%

(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.13.0841 per U.S.\$1.00, based on the Mexican Central Bank exchange rate published on March 31, 2014. See "Presentation of Financial and Other Information" and "Exchange Rates."

- (2) Return on average stockholders' equity for the years ended December 31, 2013, 2012 and 2011 consists of net income for the year divided by the daily average of stockholders' equity for the year. Return on average stockholders' equity for the three-month periods ended March 31, 2014 and 2013 consists of annualized net income for the period divided by the daily average of stockholders' equity for the period.
- (3) Return on average total assets for the years ended December 31, 2013, 2012 and 2011 consists of net income for the year divided by the daily average of total assets for the year. Return on average total assets for the three-month periods ended March 31, 2014 and 2013 consists of annualized net income for the period divided by the daily average of total assets for the period.
- (4) Represents financial margin (including commissions) after provision for loan losses divided by average interest-earning assets. Average interest-earning assets are determined based on the daily average balance of the period.
- (5) Efficiency ratio consists of non-interest expense for the period divided by the sum of (i) financial margin after provision for loan losses for the period and (ii) the difference between (x) commission and fee income and (y) commission and fee expense.

## Products and Services

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



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

### Individual Loans

We have been an active participant in the microfinance market in Mexico and the U.S., providing individual loans since 1993. In 2004, we expanded our operations to provide microfinance products to individuals who are not required to provide proof of income or formal employment. This target market, which we service through our Independencia, AEF and AFI operations, is generally referred to as the informal or self-employed sector of the economy and is characterized by little to no participation in the formal banking system. Our expansion into this market enabled us to increase the profitability of our loan portfolio as a result of the higher interest rates we are able to charge to these individuals as compensation for the increased risk associated with these loans. As of March 31, 2014 and December 31, 2013, loans originating from the self-employed segment of the economies in which we operate totaled Ps.2,945.2 million and Ps.3,077.0 million, respectively, representing 44.0% and 45.0%, respectively, of our total loan portfolio. We serve our individual loan customers through 351 branch offices in 204 cities in Mexico and 14 branch offices in California. In 2013, the average balance of our individual loans was Ps.9,832 (U.S.\$717.05). As of March 31, 2014, our individual loans comprised 80.2%, or Ps.5,376 million, of our total loan portfolio, and the non-performing loan ratio of our individual loan portfolio was 7.0%. We do not require collateral or other forms of security in connection with our individual loan products.

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

- *CrediInmediato*. Our CrediInmediato loan products were first introduced in 2004 and are primarily targeted to the formal sector of the Mexican economy.



- *CrediInmediato Simple.* This product is offered to individuals who (1) earn at least the monthly minimum wage in Mexico City, (2) work in the formal sector, (3) are affiliated with the Mexican Social Security Institute (*Instituto Mexicano del Seguro Social*), or IMSS, the Security and Social Services Institute for State Workers (*Instituto de Seguridad y Servicios Sociales de los Trabajadores del Estado*) or PEMEX, and (4) are able to provide proof of income. These loans are granted in amounts ranging from Ps.3,000 to Ps.20,000 (approximately U.S.\$229.29 to U.S.\$1,528.57) for the purpose of acquiring assets or services, and have terms ranging from 12 to 48 biweekly payments.
  - *CrediInmediato Revolvente.* This product is a revolving line of credit available only to individual customers in good credit standing with us that have renewed more than two credit cycles of loans with impeccable performance. Our customers may use these credit lines to acquire assets or services. The amount of this revolving line of credit varies depending upon the customer's profile, credit history and payment track record with Independencia.
- *CrediPopular.* Our CrediPopular loan products were first introduced in 2004 and are targeted to the self-employed sector of the Mexican economy.
  - *CrediPopular Simple.* These loans range from Ps.2,500 to Ps.4,400 (approximately U.S.\$191.07 to U.S.\$336.29), have an average term of nine months and may be renewed based on the credit behavior of the borrower. Our customers may use these loans for working capital purposes.
  - *CrediPopular Revolvente.* As with CrediInmediato Revolvente, this product is a revolving line of credit available only to customers in good credit standing with us. At a minimum, they must have renewed their loans for more than two credit cycles with an impeccable performance throughout. The amount of this revolving line of credit varies depending upon the customer's profile, credit history and payment track record with Independencia.
- *CrediConstruye.* This product, which we launched in 2006, is available to individuals earning at least the minimum monthly wage in Mexico City and is intended to finance home improvements. These loans initially range from Ps.3,000 to Ps.20,000 (approximately U.S.\$229.29 to U.S.\$1,528.57) and are disbursed in the form of vouchers for home construction materials. CrediConstruye loans have terms of up to two years.
- *Micronegocio.* We introduced this product, which targets a specific segment of the self-employed market, in March 2014. While our CrediPopular product is open to self-employed customers who may engage in the provision of independent services or commercial activities, our Micronegocio product caters to individuals who have established a microbusiness 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.\$382 to U.S.\$1,146), have terms ranging from 26 to 78 weeks and may be renewed.
- *Más Nómina.* We first introduced our Más Nómina loan product in 2011. This product is primarily targeted to the formal sector of the Mexican economy. Más Nómina loans range from Ps.3,000 to Ps.100,000 (approximately U.S.\$229.29 to U.S.\$7,642.86) and are available to individuals between 18- and 68-years-old who had been employed for a minimum of six months with a participating company at the time of contracting the loan. These loans are established through fixed payments directly deducted from the employee's payroll check and have terms ranging from six to 48 months.

In addition to the above-listed loan products offered through our Independencia operations, our CrediMamá product, which we ceased offering in October 2012 to improve the profitability and quality of our loan portfolio, was available to mothers with at least one child under the age of 18. These loans, which were targeted to the self-employed sector of the Mexican economy, had an initial balance of Ps.2,500 (approximately U.S.\$191.07) to be paid within six and nine months.

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.\$114.64 to U.S.\$3,821.43) and are available to individuals who can certify income derived from employment or business ownership. The average term for these loans is 18 months and our customers may use them to acquire assets or services or for working capital.
- *Crédito Preferente.* These personal loans, which are granted in amounts of up to Ps.80,000 (approximately U.S.\$6,114.29), are available to higher-income individuals or small businesses who require short-term loans with maturities of approximately 18 months. These loans are offered at rates similar to credit cards in the market and may be used to acquire assets or services or for working capital.

We also offer individual loans through the operations of our subsidiary AFI in the United States. These loans, which are directed primarily to the Hispanic population of the state of California, range from U.S.\$3,000 to U.S.\$10,000 and are available to individuals who can certify income derived from employment. The average term of these loans is 15 months.

#### *Working Capital Group Loans*

We offer working capital loans to groups of entrepreneurs through 171 branch offices in 30 states in Mexico and through 25 branch offices and six states in Brazil under our Finsol Mexico and Finsol Brasil operations, respectively. In contrast to individual lending, which focuses on one customer and does not require other individuals to provide collateral or provide payment assurances in respect of the loan, group lending involves loaning money to a group of individuals who provide a group repayment pledge. The incentive of the individuals in the group to repay the loan is based on pressure from the group because if one person in the group defaults, the other members must make up for the deficiency. Group lending has generally proven to be both profitable and less sensitive to economic downturns, which has in turn reduced our own earnings volatility. In 2013, the average balance of our group loans was Ps.9,382 (U.S.\$717.10). As of March 31, 2014, our group loans comprised 19.8%, or Ps.1,325 million, of our total loan portfolio, and the non-performing loan ratio of our group loan portfolio was 3.6%.

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

- *Microcrédito Comunal.* These loans are available to micro-entrepreneurs who have their own independent productive, commercial or services activity in self-selected groups of between eight and 60 members. Loans range from Ps.500 to Ps.60,000 (approximately U.S.\$38.21 to U.S.\$4,585.72) per member, have terms ranging between 16 and 26 weeks, and may be utilized for working capital or for the purchase of goods in connection with their respective businesses. Each micro-entrepreneur within a group is generally required to have been in business for at least six months, although micro-entrepreneurs that intend to establish a business may also participate as a member of a group.
- *Microcrédito Solidario.* These loans are available to micro-entrepreneurs with their own independent productive, commercial or services activity, in self-selected groups of between four and six members and range from Ps.7,000 to Ps.60,000 (approximately U.S.\$535.00 to U.S.\$4,585.72) per member. These loans may be utilized for working capital or for the purchase of goods in connection with their respective businesses and have terms ranging between 12 and 26 weeks. Each micro-entrepreneur within a group is required to have been in business for at least one year.
- *Microcrédito Oportunidad.* This supplemental loan product is offered exclusively to our Microcrédito Comunal and Microcrédito Solidario customers that have excellent credit histories. It enables them to take

advantage of opportunities that may arise in connection with their respective business operations. These loans, which must be repaid on or prior to the maturity of the customer's Microcrédito Comunal or Microcrédito Solidario loan, are granted (1) in amounts of up to 30% of the aggregate amount of the corresponding group's Microcrédito Comunal or Microcrédito Solidario loan, and (2) to at least two members and up to a maximum of half of the members of the group. Microcredito Oportunidad loans must mature on or prior to the maturity date of the group's corresponding Microcrédito Comunal or Microcrédito Solidario loan.

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

- *Crédito Comunal.* These guaranteed loans are available to micro-entrepreneurs with their own independent productive, commercial or services activity in self-selected groups of between 11 and 30 members and range from R\$300 to R\$8,000 (approximately U.S.\$132.57 to U.S.\$3,535.13) per member. These loans may be utilized for working capital, the purchase of goods, or capital improvements. These loans have terms that range from 12 months (for the funding of working capital) to up to 24 months (for the purchase of assets or capital improvements).
- *Crédito Solidario.* These guaranteed loans are available to micro-entrepreneurs with their own independent productive, commercial or services activity in self-selected groups of between three and 10 members and range from R\$300 to R\$20,000 (approximately U.S.\$132.57 to U.S.\$8,837.83) per member. These loans may be utilized for working capital, the purchase of goods or capital improvements. These loans have terms that range from 12 months (for the funding of working capital) to up to 24 months (for the purchase of assets or capital improvements).

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

	As of March 31,		As of December 31,					
	2014		2013		2012		2011	
	Loan Amount <sup>(1)</sup>	% of Total	Loan Amount <sup>(1)</sup>	% of Total	Loan Amount <sup>(1)</sup>	% of Total	Loan Amount <sup>(1)</sup>	% of Total
	<i>(in millions of Pesos, except percentages)</i>							
CrediInmediato.....	2,559.6	38.2%	2,607.5	38.1%	2,566.2	38.2%	2,986.8	40.7%
MásNómina.....	269.3	4.0%	248.9	3.6%	53.6	0.8%	20.7	0.3%
CrediPopular (2).....	906.7	13.5%	987.0	14.4%	1,192.1	17.7%	1,454.3	19.8%
CrediMamá (3).....	69.5	1.0%	79.4	1.2%	118.3	1.8%	169.2	2.3%
CrediConstruye.....	20.5	0.3%	33.1	0.5%	108.3	1.6%	126.9	1.7%
Finsol (Mexico and Brazil).....	1,325.1	19.8%	1,346.9	19.7%	1,435.5	21.4%	1,592.9	21.7%
AEF Loans.....	1,313.7	19.6%	1,311.6	19.2%	1,124.0	16.7%	943.0	12.8%
AFI Loans.....	236.4	3.5%	222.1	3.2%	124.8	1.9%	53.9	0.7%
Total loan portfolio.....	6,700.9	100.0%	6,836.6	100.0%	6,722.8	100.0%	7,347.7	100.0%
Allowance for loan losses.....	(424.0)		(500.8)		(434.8)		(530.5)	
Loan portfolio, net.....	<u>6,276.8</u>		<u>6,335.8</u>		<u>6,288.1</u>		<u>6,817.2</u>	

(1) Includes principal and interest.

(2) Includes our recently introduced Micronegocio loan product.

(3) We ceased offering this loan product in October 2012.

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

**As of March 31, 2014**

	Number of Loans Outstanding		Interest Income	
	Amount	% of Total	Amount	% of Total
	<i>(in millions of Pesos, except percentages)</i>			
CrediInmediato .....	449,595	40.2%	459.1	38.5%
MásNómina .....	24,074	2.2%	26.0	2.2%
CrediPopular (1) .....	234,673	21.0%	185.1	15.5%
CrediMamá (2) .....	17,808	1.6%	13.3	1.1%
CrediConstruye.....	8,057	0.7%	4.0	0.3%
Finsol (Mexico and Brazil) .....	220,233	19.7%	230.1	19.3%
AEF Loans.....	158,150	14.1%	253.9	21.3%
AFI Loans.....	6,638	0.6%	19.8	1.7%
Total.....	<u>1,119,228</u>	<u>100.0%</u>	<u>1,191.2</u>	<u>100.0%</u>

- (1) Includes our recently introduced Micronegocio loan product.  
(2) We ceased offering this loan product in October 2012.

**As of December 31, 2013**

	Number of Loans Outstanding		Interest Income	
	Amount	% of Total	Amount	% of Total
	<i>(in millions of Pesos, except percentages)</i>			
CrediInmediato .....	457,387	39.5%	1,831.8	38.2%
MásNómina .....	22,480	1.9%	48.2	1.0%
CrediPopular (1) .....	253,296	21.9%	834.9	17.4%
CrediMamá (2) .....	20,246	1.8%	69.3	1.4%
CrediConstruye.....	10,851	0.9%	40.6	0.8%
Crédito Grupal.....	228,379	19.7%	909.8	19.0%
AEF Loans.....	158,216	13.7%	996.8	20.8%
AFI Loans.....	6,007	0.5%	58.5	1.2%
Total.....	<u>1,156,862</u>	<u>100.0%</u>	<u>4,789.8</u>	<u>100.0%</u>

- (1) Includes our recently introduced Micronegocio loan product.  
(2) We ceased offering this loan product in October 2012.

Even though we offer our customers the convenience of different payment venues, our business model is designed such that the vast majority of our customers make their loan payments directly at one of our branch offices. We believe that this personal interaction with our current customers provides us additional opportunities to promote and sell other products and services to these customers, as well as to design bundling and pricing strategies to increase our share of customers' wallets and improve our operating margins and returns to our shareholders.

We offer basic unemployment 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 currently offer our customers 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 eight times the Mexico City minimum monthly wage (between Ps.2,018.70 and Ps.16,149.60 per month, or between approximately U.S.\$154.29 and U.S.\$1,234.29 per month, as of January 2014). We estimate that as of March 31, 2014, this population segment represents over 54.3 million, or more than 82.2% of Mexico's working population, based on data provided by INEGI, and that we had penetrated less than 3% of this entire target market as of that date. We believe that the low financial services penetration rate, in combination with the strong expected growth of the Mexican economy, will support growth in the microfinance sector and create further demand for our products.

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

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

## **Our Competitive Strengths**

We believe that our main competitive strengths are the following:

### ***Strategic Focus on the Quality and Profitability of our Loan Portfolio***

In September 2012, we adopted a new strategic focus by which we emphasize the quality and profitability of our loan portfolio rather than its volume, and implemented new operational policies to adapt our business model to market conditions and the competitive environment. As a result of this shift in strategy, the volume of our loan portfolio decreased 2.0% and increased 1.7% in the three-month period ended March 31, 2014 and in the year ended December 31, 2013, respectively, as compared to the same period in the immediately prior year. However, the quality of our loan portfolio, as measured by non-performing loans, has offset this decrease. Our non-performing loan ratio as of March 31, 2014 and December 31, 2013 was 6.3% and 7.3%, respectively, each of which was lower than the non-performing loan ratio for the individual loan portfolio held by the Mexican banking system as a whole (7.7% and 7.5%, as of March 31, 2014 and December 31, 2013, respectively, according to the CNBV) and also lower than the average non-performing loan ratio of 13 of the largest microfinance companies with assets in excess of Ps.500.0 million in Mexico as of March 31, 2014, based upon information we compiled from Prodesarrollo, the CNBV, our internal estimates and other third-party sources. We believe that our focus on the quality and profitability of our loan portfolio rather than its volume has strengthened our balance sheet and will enable us to maintain our leadership position in the origination of individual loans and take advantage of the growth potential of the microfinance industry in Mexico.

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

Our recent focus on the quality and profitability of our loan portfolio rather than its volume has allowed us to achieve our relatively low total non-performing loan ratios. Our non-performing loan ratio as of March 31, 2014 was 6.3% for our overall portfolio, of which group loans and individual loans reported non-performing loan ratios of 3.6% and 7.0%, respectively. We attribute our relatively low default rates to the operational policies we implemented in September 2012 in connection with our new strategic focus on the quality and profitability of our loan portfolio rather than its volume:

- *Improved customer selection processes.* To enhance the quality of our loan portfolio, we improved the criteria by which we rate our customers, applying new analytical methods, segmentation and selection of customers in order to eliminate high risk customers and less profitable products from our loan portfolio. These efforts, together with strict monitoring of the credit history of our customers, have resulted in a lower incidence of non-performing loans and a greater proportion of formal sector customers.
- *Robust credit origination and operational policies.* We strengthened our origination processes by requiring more robust documentation, identification and references in connection with our customers' credit applications. In addition, we transformed our customer verification processes into an analysis of risk, increasing site visits and telephone outreach, and applying the same credit authorization criteria for customers entering into new loan agreements with us and customers seeking to renew their existing loans.
- *Revamped collection processes.* In 2013, we significantly modified our collection policies for the recovery of loans in default. While previously our seasoned recovery agents focused on loans that had been in default for extended periods of time, they are now focused on loans that have been in default for only a few days. Under our new policy, our agents perform site visits to borrowers shortly after default on a single payment. These borrowers are also contacted through our agents at our call centers. Following the implementation of our new operating policies in September 2012, our systematic monitoring of loans in default at an earlier stage allowed us to improve Independencia's collection rates and reduce the number of customers in default by an average of 30% over the subsequent 12 months.
- *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.

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

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

As a result of our strategy to focus on the quality and profitability of our loan portfolio rather than its volume, our interest income grew at a compounded annual rate of 4.8%, from Ps.4,378.1 million during 2011 to Ps.4,805.0 million during 2013, despite the decrease in the number of our loans outstanding during this period from 1,617,170 as of December 31, 2011 to 1,156,862 as of December 31, 2013. This growth in our interest income has resulted in improvements in our financial margin after provision for loan losses, which grew at a compounded annual rate of 12.4% over the three-year period ended December 31, 2013.

For the three-month period ended March 31, 2014, our net interest margin after provisions, including commissions, and return on average stockholders' equity were 52.5% and 12.8%, respectively (calculated based upon annual net income divided by our average stockholders' equity for the period). For the year ended December 31, 2013, our net interest margin after provisions, including commissions, and return on average stockholders' equity were 50.4% and 8.6%, respectively.

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

We have over 20 years of experience providing unsecured loans to individuals in the low-income segments in Mexico. We also have expertise in the microfinance markets in Mexico and Brazil, and providing unsecured loans to low-income individuals in the United States. Our cost structure, product offerings, technology, systems and branch office network are all specifically designed to serve our target markets while maintaining profitability. We believe that this provides a significant competitive advantage over banks and other institutions within the traditional financial sector that have historically focused their lending practices on middle- and high-income customers and that engage in microcredit lending only as a secondary activity. We believe that our current position among the leading Sofoms and Sofols in the microfinance industry in Mexico reflects this competitive advantage.

### ***Product Innovation***

We are focused on remaining at the forefront of product innovation, and we continue to develop new ways to reach customers through new products tailored to the needs of individuals in the lower income segments of the Mexican, Brazilian 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. As of March 31, 2014, 44.0% of our total loan portfolio was represented by loans to self-employed individuals in the Mexican economy.
- In 2004, we also launched our CrediInmediato Revolvente product, a revolving line of credit that allows our customers increased financial flexibility. In addition, during 2006, we added two new loan products to our loan portfolio, CrediConstruye, for financing home improvements, and CrediMamá, tailored to mothers with at least one child under the age of 18.
- In 2007, we implemented a program to install ATMs in our branch offices, which allows our customers to withdraw their loan proceeds with a debit card issued by us. As of March 31, 2014, we had 83 ATMs installed in our branch office network.

- In 2009, we launched CrediSeguro, a life and disability (partial or permanent) insurance policy. We developed CrediSeguro for low-income populations in order to meet these insurance needs at a reasonable cost. We offer CrediSeguro to our customers through the partnerships that we have developed with insurance companies such as Mapfre Tepeyac, S.A., ACE Seguros, S.A. and AXA Seguros, S.A.
- In 2011, we began granting Más Nómina loans, which range from Ps.3,000 to Ps.100,000 (approximately U.S.\$229.29 to U.S.\$7,642.86) and are available to individuals between 18- and 68-years-old who have been employed for a minimum of six months at the time of contracting the loan. As of March 31, 2014, our Más Nomina loans totaled Ps.269.3 million.
- In 2014, we launched our Micronegocio to target a specific segment of the self-employed market for individuals who have established a microbusiness requiring capital investment. Examples of these microbusinesses include “mom and pop” stores, corner bakeries and self-owned taxi operations. Micronegocio loans range from Ps.5,000 to Ps.15,000 (approximately U.S.\$382 to U.S.\$1,146), have terms ranging from 26 to 78 weeks and may be renewed.

In an effort to improve the quality of our loan portfolio, we ceased selling our CrediMamá loan product in October 2012. While the CrediMamá loan product was a successful product in the past, we eliminated this product from our portfolio given its low profitability, increased defaults, low percentage participation in our loan portfolio, and the fact that we can continue to service CrediMamá’s target market more efficiently through our CrediPopular loan product. In 2012, we also elected to discontinue our CrediConstruye Plus product in favor of our CreditConstruye product, which is more profitable.

The development of new products together with our organic and inorganic growth have been fundamental in our ability to serve 1,119,228 customers and attain a loan portfolio totaling Ps.6,700.9 million, in each case, as of March 31, 2014.

#### ***Strategic Network of Branch Offices with Extensive Geographic Coverage***

We believe we have one of the most efficient and extensive microfinance distribution networks in Mexico. As of March 31, 2014, we had 561 branch offices providing loans, of which 522 were located in Mexico, 25 were located in Brazil and operated under the name Finsol Brasil, and 14 were located in the state of California in the United States and operated by AFI. Of our 522 branch offices in Mexico, 208 are operated under the name “Independencia,” 171 under “Financiera Finsol,” and 143 under the name “Apoyo Económico Familiar.” We believe that our diversified operations mitigate the risk of regional economic slowdowns and other region-specific risks, including natural disasters. As of March 31, 2014, no borrower represented more than 10.0% of our loan portfolio.

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

#### ***Centralized Processes that Facilitate Efficient Growth***

Within our Independencia and Finsol brands, we have developed centralized and standardized processes for loan applications, verification and approvals, as well as for loan renewals and collections. These processes are structured and divided into different stages and performed in our operations centers located in the cities of León and Aguascalientes, each of which is capable of operating on a standalone basis. In addition, we have standardized our technology systems, information management systems and the layout of our branch offices. We perform centralized training of all office managers in our training department located in Mexico City, followed by additional training at a particular office. This level of centralization provides us with flexibility to rapidly open new branch offices and

begin operations in a new city at a relatively low cost. This methodology has helped us to grow profitably and we expect that it will continue to do so in the future.

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

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

We seek to strengthen our relationships with existing customers and attract new customers by focusing on superior customer service. We believe that our close proximity to our customers through our extensive distribution network enhances our ability to provide high-quality, personalized customer service, fosters customer loyalty and facilitates the expansion of our customer base. In 2013, we increased the efficiency of our operation and call center in the city of León and in the city of Aguascalientes. From these centers, we manage CENCA and SIAC, which are responsible for telephone verification, the approval of loans and storage of data and our command center, as well as our telephone collection operations, our virtual sales operations, and our help desk. Through these centers, we also manage our customer assistance telephone operations, service quality monitoring, our credit card, debit card and checking account payment systems, and telemarketing for our Independencia, Finsol México and AEF operations. Our COL and COA centers, which employ 395 and 277 workers, respectively, made more than 22.8 million calls annually in furtherance of our customer service operations. In 2013, these centers, which function 24 hours a day throughout the year, experienced minimal downtime.

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

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

We have developed an advanced collection process that is comprised of both remote and in-person activities. Most of our remote collection activities are conducted at COL and COA, where we have call stations and agents dedicated to telephone collections and to performing other collection-related activities. In 2013, we radically changed our collection policies for the recovery of amounts under loans in default. While our best recovery agents previously focused on loans that had been in default for extended periods of time, they are now also focused on loans that have been in default for only a few days. Under our new policy, our agents perform site visits to borrowers shortly after only one default. These accounts are also contacted through our agents at our call centers. Following the implementation of our new operating policies in September 2012, our systematic monitoring of loans in default at an earlier stage allowed us to improve Independencia's collection rates and reduce the number of clients in default by an average of 30% over the subsequent 12 months.

### ***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 advanced information technology systems and software to support our information management and risk management policies. These systems have helped us to (1) better serve our customers, (2) support our growth strategy, (3) enhance the quality and development of our products and services, and (4) successfully reduce the cost and time associated with our loan approval, monitoring and collection practices.



We believe that our information technology systems allow us to rapidly and efficiently (1) monitor and analyze the credit behavior of our customers, (2) adjust our credit policies, (3) make informed decisions regarding new products in connection with their development and marketing and (4) optimize our credit approval and collection processes.

Because these proprietary systems are designed to meet our specific needs, we believe that our information technology systems and practices are more specialized and effective than many systems currently used by traditional financial institutions, and that they have contributed substantially to increase our efficiency and differentiate us from our competitors. In addition, we have developed our own on-line, readily available MIS, which provides us with the ability to access real-time data on-line, including digitalized images and files relating to our customers, collection processes and other loan statistics. Since the installation of our MIS, we have been able to improve our business model by more efficiently adjusting credit policies, analyzing credit behavior of customers resulting in the implementation of our behavioral scoring model, entering into new markets, developing new products, and optimizing the loan approval and collection processes.

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.

During 2013, we invested approximately Ps.32.1 million in technology improvements. In particular, we continued to implement our strategy of consolidating our information technology systems, platforms and databases within our Independencia and Financiera Finsol operations in order to attain the same level of automatization within both operations. We believe that this initiative will allow us to support our business objectives, standardize the level of technology within both operations and more efficiently utilize our resources. We will continue to invest in new management information tools to allow us to better serve and understand our customers' needs.

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

As of March 31, 2014, our consolidated debt comprised (1) an aggregate Ps.1,501.5 million in Peso-denominated credit-backed debt securities (*certificados bursátiles respaldados por créditos*) and (2) an aggregate Ps.5,077.5 million in loans (from both commercial and development banks) and senior notes.

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

For example:

- On March 30, 2010, we offered and sold the 2015 senior notes in the aggregate amount of U.S.\$200 million due 2015 that bear interest at the rate of 10.0% per annum. The 2015 senior notes are guaranteed by our subsidiaries Financiera Finsol and AEF and mature in 2015. See “—Concurrent Tender Offer and Consent Solicitation” below.
- On May 18, 2011, we issued our FINDEP 11 debt securities under our 2011 Peso-denominated debt securities program in the aggregate amount of Ps.1.5 billion and which were scheduled to mature in May 2014. On March 3, 2014, we repaid these notes in their entirety using the proceeds of our FINDEPCB 14 Peso-denominated credit-backed debt securities in the aggregate amount of Ps.1.5 billion that we issued on this date under our 2014 Peso-denominated debt securities program.

In addition, in 2013 we furthered our objective of strengthening and diversifying our sources of funding and today we have 12 lines of credit from commercial and development banks. For example, our subsidiary AEF secured a revolving line of credit from Scotiabank in the aggregate amount of Ps.195.0 million for four years. Likewise, we renegotiated our line of credit with HSBC Mexico in order to substitute our previously existing line of credit with a new revolving loan for up to an aggregate amount of Ps.750.0 million in 2014, Ps.500.0 million in 2015 and Ps.250.0 million in 2016 that matures in December 2016 and that bears interest at a rate dependent upon our credit rating.

### ***Operations Independent from Third-Party Banking Services***

As of the date of this offering memorandum, we benefit from a distribution network that, together with our centralized collection processes, allows us to efficiently monitor our operations with our customers without depending on third-party banks to process payments from our customers. We believe this arrangement makes our operations more efficient. We originate loans through our own branch offices and through our network of ATMs for individual customers, and payments are predominantly made directly in our branch offices. Likewise, we have also entered into commercial agreements with convenience stores and other financial institutions for the collection of loan payments. We believe that our distribution and collection network enhances our ability to provide high-quality service to our customers and increases the strength and recognition of our brand as an integrated solution for their financing needs.

### **Our Strategy**

Within our operations, we implement the following business strategies:

#### ***Continued improvement in the quality and profitability of our portfolios***

Our four-fold strategy of (1) improving customer selection, (2) improving our credit origination and operational policies, (3) strengthening our collections process, and (4) emphasizing our focus on quality and profitability with our sales and collections teams 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 four-fold strategy within each of our operating subsidiaries:

- **Independencia:** increase our origination of loans to individuals within the formal sector of the economy; increase the percentage of revolving loans in the Independencia loan portfolio; and relaunch our insurance products and define our insurance product strategy for the entire group.
- **AEF:** improve our collection processes for loans that are past due between 90 and 180 days; implement new risk analysis tools at the branch level; and expand to new markets.
- **AFI:** continue our expansion efforts and consolidate the operations of newly-opened branch offices; and further strengthen AFI's support operations to increase AFI's efficiency and independence following its acquisition by us.
- **Finsol Mexico:** explore implementing the best practices of our Finsol Brasil operations within our Finsol Mexico operations; and focus our efforts on profitable branch offices that present less risk.
- **Finsol Brasil:** continue to focus on our growth in the northeastern states; and continue to improve efforts to monitor market trends and economic expectation.

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

We continually seek to obtain additional sources of financing in order to support the sustainable growth of our business. In recent years, we have expanded our access to lines of credit from financial institutions and to the capital markets. We plan to continue to expand, responsibly and as necessary, our access to these sources of funding. Additionally, we are exploring opportunities to increase our financial stability and stable access to funding both at the corporate group level as well as for each of the companies that comprise our corporate group. To this end, we will continue to seek to strengthen the financial position of each of our subsidiaries in order for each subsidiary to have access to funding independently from us. For example, on March 3, 2014, we issued fiduciary medium-term notes in the aggregate amount of Ps.1.5 billion under our CNBV-authorized program for the issuance of up to Ps.5.0 billion in fiduciary medium-term notes secured by loans issued by Independencia, AEF and Findependencia.

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

When we began operating in 1993, we were the only company in Mexico operating within our specific market. Over the last several years, a considerable number of local and regional players have emerged as competitors, presenting our potential customers with several loan alternatives. We plan to differentiate ourselves from our competitors by offering a broader array of products and services that will meet all of our customers' financial needs. The key differentiators we intend to pursue in connection with this strategy are (1) attention to our customers' needs, (2) bringing our branch network closer to our customers and (3) providing financial consulting and education to our customers regarding the microfinance market.

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

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

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

We are currently capable of accepting loan repayments from our customers in our branch offices and at our customers' homes, when necessary. We also currently have commercial agreements with convenience stores and other financial institutions, including OXXO, Super Bara, HSBC Mexico, BBVA Bancomer and Banorte, which allow our customers to make payments to us in the branch offices of these companies. To compete more effectively with our competitors, many of whom accept payments in various locations, such as convenience stores, and to increase customer satisfaction, we plan to continue to increase the number of locations and channels through which we accept loan repayments from our customers.

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

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

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

We intend to continue to build on marketing efforts that we believe have proven successful. For example, in 2010, we began to invest in marketing and advertising in order to increase the recognition of our brand thereby increasing the number of loans we originate and distinguishing ourselves from our competitors. Likewise, in 2011, we implemented new strategies to optimize our sales processes, including improving the positioning of our brand through marketing campaigns in the local newspapers of smaller communities and conducting research into the implementation of loyalty programs. Through these efforts, we believe we will attract new customers to our branch offices. We intend to continue to invest in research in order to better understand our customers and our market as well as improve our customer service in order to generate greater customer loyalty. We also intend to increase the productivity of our operating centers, telemarketing efforts and customer services.

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

Meeting our growth and productivity goals will require us to attract, develop and retain human capital. We are currently focused on reducing our employee turnover rate, which will reduce our costs associated with training new employees and increase productivity, as experienced employees tend to be more efficient than new hires. We are

closely reviewing and assessing our training techniques and results, and the profile of our typical sales and collection agents. We expect that these efforts will help us attract, develop and retain personnel according to our business needs, while reducing our turnover rate. For example, in 2013, we performed over 366,931 hours of training and development for 43,714 employees from Independencia and Finsol Mexico. We also utilize technology that enables us to increase the efficiency of our recruiting processes, including the ability to conduct video interviews with pre-recorded questions.

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

### Corporate Organization

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



### Concurrent Tender Offer and Consent Solicitation

On May 15, 2014, we commenced the 2015 senior notes tender offer, for any and all of our 2015 senior notes, of which there was U.S.\$193,887,000 in aggregate principal amount outstanding. The total consideration to be paid per U.S.\$1,000 of 2015 senior notes validly tendered and accepted for purchase in the 2015 senior notes tender offer (including an early tender payment of U.S.\$30.00) is U.S.\$1,078.22 plus accrued and unpaid interest to the date of repurchase. We intend to fund the purchase of 2015 senior notes tendered pursuant to the 2015 senior notes tender offer with the net proceeds from this offering.

Concurrently with the 2015 senior notes tender offer, we are also soliciting consents to proposed amendments to eliminate substantially all of the restrictive covenants as well as various events of default and related provisions

contained in the 2015 senior notes indenture. Adoption of the proposed amendments to the 2015 senior notes requires the consents of holders of a majority in aggregate principal amount of the outstanding 2015 senior notes (excluding any 2015 senior notes held by us or our affiliates).

The 2015 senior notes tender offer and the related consent solicitation are being made on the terms and subject to the conditions set forth in an Offer to Purchase and Consent Solicitation Statement dated May 15, 2014, which is not incorporated by reference in this offering memorandum.

The deadline for holders of the 2015 senior notes to validly tender the 2015 senior notes, deliver consents and be eligible to receive payment of the total consideration (including the early tender payment), will be 5:00 p.m., New York City time, on May 29, 2014, unless extended by us. The 2015 senior notes tender offer is scheduled to expire at midnight New York City time, on June 12, 2014, unless extended by Independencia.

## **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 was tailored to mothers with at least one child under the age of 18. We ceased offering CrediMamá loans in 2012.

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. Eton Park is a multi-disciplinary, team-oriented investment firm that invests globally across both public and private markets. In the event Eton Park or its assignees exercise these warrants, their participation in the Company would be increased from 9.3% to approximately 14.7%. The warrants have not been exercised and expire on December 17, 2014.

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

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

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

In February 2011, we acquired 77% of the outstanding shares of AFI, a microcredit organization that primarily serves the Hispanic community in San Francisco, California, in the 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 TIE 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.

In order to comply with certain labor reforms introduced in December 2012, we incorporated SACSA on July 9, 2013 to provide administrative support services to us and our subsidiaries.

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

On March 3, 2014, we issued FINDEPCB 14 credit-backed debt securities in an aggregate principal amount of Ps.1,500 million. These securities are secured by loans issued by Independencia, AEF, and Findependencia, 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.

## **Products and Services**

### ***Products and Services Offered by Independencia***

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

- *CrediInmediato*. Our CrediInmediato loan products were first introduced in 2004 and are targeted to the formal sector of the Mexican economy.
  - *CrediInmediato Simple*. This product is offered to individuals who (1) earn at least the monthly minimum wage in Mexico City, (2) work in the formal sector, (3) are affiliated with the IMSS, the Security and Social Services Institute for State Workers or Pemex, and (4) are able to provide proof of income. These loans are granted in amounts ranging from Ps.3,000 to Ps.20,000 (approximately U.S.\$229.29 to U.S.\$1,528.57) for the purpose of acquiring assets or services, and have terms ranging from 12 to 48 biweekly payments.
  - *CrediInmediato Revolvente*. This product is a revolving line of credit available only to individual customers in good credit standing with us that have renewed more than two credit cycles of loans with impeccable performance. Our customers may use these credit lines to acquire assets or services. The amount of this revolving line of credit varies depending upon the customer's profile, credit history and payment track record with Independencia.
- *CrediPopular*. Our CrediPopular loan products were first introduced in 2004 and are targeted to the self-employed sector of the Mexican economy.
  - *CrediPopular Simple*. These loans range from Ps.2,500 to Ps.4,400 (approximately U.S.\$191.07 to U.S.\$336.29), have an average term of nine months and may be renewed based on the credit behavior of the borrower. Our customers may use these loans for working capital purposes.
  - *CrediPopular Revolvente*. As with CrediInmediato Revolvente, this product is a revolving line of credit available only to customers in good credit standing with us. At a minimum, they must have renewed their loans for more than two credit cycles with an impeccable performance throughout. The amount of this revolving line of credit varies depending upon the customer's profile, credit history and payment track record with Independencia.

- *CrediConstruye.* This product, which we launched in 2006, is available to individuals earning at least the minimum monthly wage in Mexico City and is intended to finance home improvements. These loans initially range from Ps.3,000 to Ps.20,000 (approximately U.S.\$229.29 to U.S.\$1,528.57) and are disbursed in the form of vouchers for home construction materials. CrediConstruye loans have terms of up to two years.
- *Micronegocio.* We introduced this product, which targets a specific segment of the self-employed market, in March 2014. While our CrediPopular product is open to self-employed customers who may engage in the provision of independent services or commercial activities, our Micronegocio product caters to individuals who have established a microbusiness 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.\$382 to U.S.\$1,146), have terms ranging from 26 to 78 weeks and may be renewed.
- *Más Nómina.* We first introduced our Más Nómina loan product in 2011. This product is primarily targeted to the formal sector of the Mexican economy. Más Nómina loans range from Ps.3,000 to Ps.100,000 (approximately U.S.\$229.29 to U.S.\$7,642.86) and are available to individuals between 18- and 68-years-old who have been employed for a minimum of six months with a participating company at the time of contracting the loan. These loans are established through fixed payments directly deducted from the employee’s payroll check, and have terms ranging from six to 48 months.

In addition to the above-listed loan products offered through our Independencia operations, our CrediMamá product, which we ceased offering in October 2012 to improve the profitability and quality of our loan portfolio, was available to mothers with at least one child under the age of 18. These loans, which were targeted to the self-employed sector of the Mexican economy, had an initial balance of Ps.2,500 (approximately U.S.\$191.07) to be paid within six and nine months. We continue to serve this target market through our CrediPopular loan product.

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

- *CrediSeguro.* We offer to customers who originate new Independencia loan products with us or who renew their existing Independencia loans, the option of contracting life insurance and/or total or permanent disability insurance for a duration of six to 12 months provided by insurers with whom Independencia has entered into agreement. Since its inception, this program has benefited more than 1,490 families and made over Ps.48.5 million in insurance payments. In 2013, CrediSeguro generated revenues totaling Ps.21.5 million and sold over 170,000 policies.
- *Cell recharges.* We allow our customers to recharge prepaid cell phone cards for all major mobile telephone carriers in Mexico in all of our branch offices.
- *ATMs.* All our customers who have a revolving credit line may withdraw funds from these credit lines at our ATMs at any time, regardless of our branch offices’ working hours. We operate our own ATM network consisting of 83 units in our largest branch offices in Mexico.
- *Alternate means of payment.* To facilitate the prompt payment of their obligations, we continue offering our customers alternative means of payment, through OXXO and Super Bara convenience stores, as well as the following banks: Banorte, BBVA Bancomer and HSBC Mexico. We also have a service for central payment through which customers can make payments on their loan by charging the payments to their credit or debit cards.

### ***Products and services offered by Finsol México***

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

- *Microcrédito Comunal.* These loans are available to micro-entrepreneurs who have their own independent productive, commercial or services activity in self-selected groups of between eight and 60 members. Loans range from Ps.500 to Ps.60,000 (approximately U.S.\$38.21 to U.S.\$4,585.72) per member, have terms ranging between 16 and 26 weeks, and may be utilized for working capital or for the purchase of



goods in connection with their respective businesses. Each micro-entrepreneur within a group is generally required to have been in business for at least six months, although micro-entrepreneurs that intend to establish a business may also participate as a member of a group.

- *Microcrédito Solidario.* These loans are available to micro-entrepreneurs with their own independent productive, commercial or services activity, in self-selected groups of between four and six members and range from Ps.7,000 to Ps.60,000 (approximately U.S.\$535.00 to U.S.\$4,585.72) per member. These loans may be utilized for working capital or for the purchase of goods in connection with their respective businesses and have terms ranging between 12 and 26 weeks. Each micro-entrepreneur within a group is required to have been in business for at least one year.
- *Microcrédito Oportunidad.* This supplemental loan product is offered exclusively to our Microcrédito Comunal and Microcrédito Solidario customers that have excellent credit histories. This product enables them to take advantage of opportunities that may arise in connection with their respective business operations. These loans are granted (1) in amounts of up to 30% of the aggregate amount of the corresponding group's Microcrédito Comunal or Microcrédito Solidario loan, and (2) to at least two members and up to a maximum of half of the members of the group. Microcrédito Oportunidad loans must mature on or prior to the maturity date of the group's corresponding Microcrédito Comunal or Microcrédito Solidario loan.

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

- *Seguro de Vida Finsol.* In October 2013, Finsol México began selling Seguro de Vida Finsol, a life insurance product that provides compensation in the aggregate amount of Ps.50,000.00 in the event of death by any cause over a period of four months. This product is provided by insurance companies that have a formal partnership arrangement with Finsol Mexico. The premium is paid through a single cash payment made at the same time the Finsol Mexico credit is granted. Additionally, in December 2013, we started a pilot test in 12 branch offices extending the term of the insurance policy to 12 months and financing the premium utilizing the same payment schedule for the underlying loan to the customer. As of March 31, 2014, Finsol México had issued 24,500 insurance policies under the Seguro de Vida Finsol program.

#### ***Products and services offered by Finsol Brasil***

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

- *Crédito Comunal.* These guaranteed loans are available to micro-entrepreneurs with their own independent productive, commercial or services activity in self-selected groups of between 11 and 30 members and range from R\$300 to R\$8,000 (approximately U.S.\$132.57 to U.S.\$3,535.13) per member. These loans may be utilized for working capital, the purchase of goods, or capital improvements. These loans have terms that range from 12 months (for the funding of working capital) to up to 24 months (for the purchase of assets or capital improvements).
- *Crédito Solidario.* These guaranteed loans are available to micro-entrepreneurs with their own independent productive, commercial or services activity in self-selected groups of between three and 10 members and range from R\$300 to R\$20,000 (approximately U.S.\$132.57 to U.S.\$8,837.83) per member. These loans have terms that range from 12 months (for the funding of working capital) to up to 24 months (for the purchase of assets or capital improvements).

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

- *Microseguro Minha Familia.* Beginning in 2012, Finsol Brasil began offering an exclusive form of a micro-insurance policy to its customers for the duration of their loan agreements. Starting at a cost of R\$8.70 (U.S.\$3.84) per month, this insurance policy provides compensation beginning at R\$5,000 (U.S.\$2,209.46) in the event of a death of a family member of the beneficiary. The policy also covers

R\$2,000 (U.S.\$883.78) in funeral expenses and monthly aggregate compensation in the amount of R\$200 (U.S.\$88.38) to the descendants of the deceased for one year. As of March 31, 2014, Finsol Brasil had issued 10,407 Microseguro Minha Familia insurance policies.

### ***Products and Services offered by AEF***

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

- *Crédito Regular.* These personal loans range from Ps.1,500 to Ps.50,000 (approximately U.S.\$114.64 to U.S.\$3,821.43) and are available to individuals who can certify income derived from employment or business ownership. The average term for these loans is 18 months and our customers may use them to acquire assets or services or for working capital.
- *Crédito Preferente.* These personal loans, which are granted in amounts of up to Ps.80,000 (approximately U.S.\$6,114.29), are available to higher-income individuals or small businesses who require short-term loans with maturities of approximately 18 months. These loans are offered at rates similar to credit cards in the market and may be used to acquire assets or services or for working capital.

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

- *ApoyoSeguro.* Upon entering into, or renewing any loan product, AEF offers each its customers the opportunity to obtain life insurance or unemployment insurance through insurance companies with which AEF has entered into a formal agreement. AEF offers life insurance at a cost of Ps.365 annually for total or permanent disability, providing compensation in the aggregate amount of Ps.50,000, which may be increased to a total of Ps.300,000. AEF offers unemployment insurance at a cost of Ps.30 monthly for unemployment or total temporary disability, providing coverage for up to three months of payment obligations to AEF up to an aggregate Ps.16,500. As of March 31, 2014, AEF had issued 695,592 ApoyoSeguro insurance policies.
- *Sale of cell phones.* In September 2013, AEF began working together with a cell phone provider in order for it to carry out sales in 50 of AEF's branch offices in Mexico City exclusively to selected AEF customers that may finance their purchase in 18 months irrespective of their line of credit.

### ***Products and Services offered by AFI***

Through our AFI operations in the United States, we offer individuals loans that are directed primarily to the Hispanic population of the state of California, range from U.S.\$3,000 to U.S.\$10,000 and are available to individuals who can certify income derived from employment. The average term of these loans is 15 months.

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

	As of March 31,		As of December 31,					
	2014		2013		2012		2011	
	Loan Amount <sup>1</sup>	% of Total	Loan Amount <sup>1</sup>	% of Total	Loan Amount <sup>1</sup>	% of Total	Loan Amount <sup>1</sup>	% of Total
	<i>(in millions of Pesos, except percentages)</i>							
CrediInmediato .....	2,559.6	38.2%	2,607.5	38.1%	2,566.2	38.2%	2,986.8	40.7%
MásNómina .....	269.3	4.0%	248.9	3.6%	53.6	0.8%	20.7	0.3%
CrediPopular <sup>2</sup> .....	906.7	13.5%	987.0	14.4%	1,192.1	17.7%	1,454.3	19.8%
CrediMamá <sup>3</sup> .....	69.5	1.0%	79.4	1.2%	118.3	1.8%	169.2	2.3%
CrediConstruye.....	20.5	0.3%	33.1	0.5%	108.3	1.6%	126.9	1.7%
Finsol (Mexico and Brazil) .....	1,325.1	19.8%	1,346.9	19.7%	1,435.5	21.4%	1,592.9	21.7%
AEF Loans.....	1,313.7	19.6%	1,311.6	19.2%	1,124.0	16.7%	943.0	12.8%
AFI Loans.....	236.4	3.5%	222.1	3.2%	124.8	1.9%	53.9	0.7%
Total loan portfolio .....	6,700.9	100.0%	6,836.6	100.0%	6,722.8	100.0%	7,347.7	100.0%
Allowance for loan losses .....	(424.0)		(500.8)		(434.8)		(530.5)	
Loan portfolio, net.....	6,276.8		6,335.8		6,288.1		6,817.2	

(1) Includes principal and interest.

(2) Includes our recently introduced Micronegocio loan product.

(3) We ceased offering this loan product in October 2012.

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

	As of March 31, 2014			
	Number of Loans Outstanding		Interest Income	
	Amount	% of Total	Amount	% of Total
	<i>(in millions of Pesos, except percentages)</i>			
CrediInmediato .....	449,595	40.2%	459.1	38.5%
MásNómina .....	24,074	2.2%	26.0	2.2%
CrediPopular (1).....	234,673	21.0%	185.1	15.5%
CrediMamá (2) .....	17,808	1.6%	13.3	1.1%
CrediConstruye.....	8,057	0.7%	4.0	0.3%
Finsol (Mexico and Brazil) .....	220,233	19.7%	230.1	19.3%
AEF Loans.....	158,150	14.1%	253.9	21.3%
AFI Loans.....	6,638	0.6%	19.8	1.7%
Total.....	1,119,228	100.0%	1,191.2	100.0%

(1) Includes our recently introduced Micronegocio loan product.

(2) We ceased offering this loan product in October 2012.

	As of December 31, 2013			
	Number of Loans Outstanding		Interest Income	
	Amount	Amount	Amount	% of Total
	<i>(in millions of Pesos, except percentages)</i>			
CrediInmediato .....	457,387	39.5%	1,831.8	38.2%
MásNómina .....	22,480	1.9%	48.2	1.0%
CrediPopular <sup>1</sup> .....	253,296	21.9%	834.9	17.4%
CrediMamá <sup>2</sup> .....	20,246	1.8%	69.3	1.4%
CrediConstruye.....	10,851	0.9%	40.6	0.8%
Finsol (México and Brazil) .....	228,379	19.7%	909.8	19.0%
AEF Loans.....	158,216	13.7%	996.8	20.8%
AFI Loans.....	6,007	0.5%	58.5	1.2%
Total.....	1,156,862	100.0%	4,789.8	100.0%

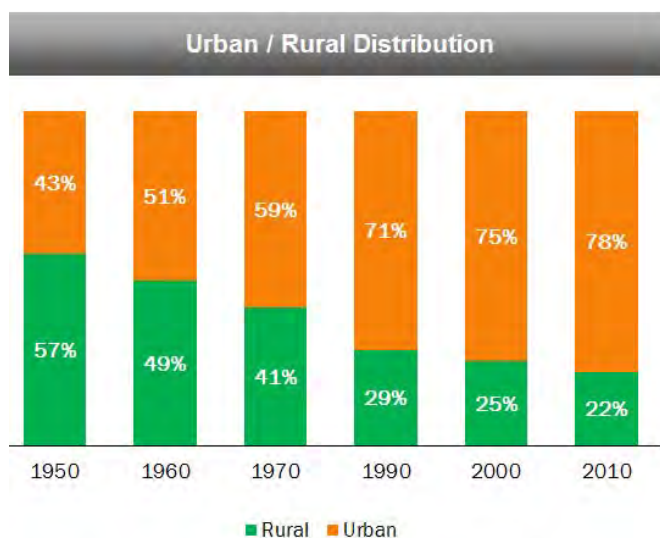
(1) Includes our recently introduced Micronegocio loan product.

(2) We ceased offering this loan product in October 2012.

## Geographic Coverage

We believe that we have one of the most extensive microfinance distribution networks in Mexico. Our distribution network also includes operations in Brazil and the United States. As of March 31, 2014 we had 561 branch offices, 522 of which were located in 204 cities in all 31 Mexican states and the Federal District, 25 in Brazil and 14 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 Brazil, our operations are concentrated in rural areas in northeastern Brazil, while our operations in the United States 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 data by the INEGI, in 2010 approximately 77.8% of the Mexican population lived in urban areas and urban concentration has consistently increased over the past years as set forth in the graphic below.

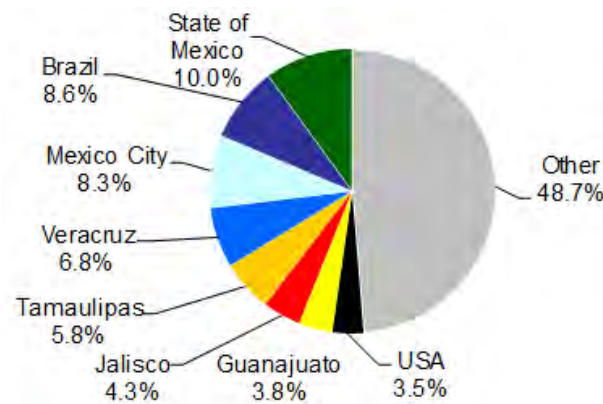


(1) Source: INEGI

Our nationwide distribution network contributes to the diversification of our loan portfolio. As of March 31, 2014, no Mexican federal entity, or Brazil or California, United States represented more than 10.0% of our loan portfolio. We believe that our diversified service area mitigates the risk of regional economic slowdowns and other region-specific risks, including natural disasters.

The following chart illustrates the geographic distribution of our branch offices in Mexico, Brazil and the United States as of March 31, 2014.

Our loan portfolio is distributed geographically as follows:



We expect to continue expanding our network by opening additional branch offices as needed in each of the countries in which we operate. In the three-month period ended March 31, 2014, we opened a net total of five new branch offices and served a total of 1,119,228 customers, 1,029,925 of which were in Mexico, 82,665 in Brazil and 6,638 in the United States.

We believe that our extensive geographic coverage makes us more accessible to our customers and differentiates us from our competitors. For additional information regarding the distribution of our loan portfolio by geographic region as of March 31, 2014, see “Selected Statistical Information—Loan Portfolio—Loans by Geographic Concentration.”

In order to provide our CredInmediato Revolvente and CrediPopular Revolvente customers with better access to our loan products and services, we operate a network of 83 ATMs for our customers to make withdrawals in or outside normal office hours. We provide customers with a magnetic card that allows them to obtain funds available under their loans and make payments 24 hours a day, seven days a week.

### Customer Demographics

The microfinance target market primarily comprises individuals earning between one and eight times the minimum monthly wage in Mexico City, currently between Ps.2,018.70 and Ps.16,149.60 per month (U.S.\$154.29 and U.S.\$1,234.29 per month), represented by the “Cm” through “D” socioeconomic levels as defined by the AMAI. Based on data published by the AMAI, individuals living at this socioeconomic level have limited access to at least one banking product. Based on information of INEGI from 2010 and 2011, we estimate that this population represents approximately 48.6 million people in Mexico, or 92.2% of the working population in Mexico.

We believe that our customers’ age distribution constitutes an advantage for us since, as of March 31, 2014, over 30.2% of our customers are in the age range of 18-35 years and are likely to remain economically active for the long term.

<u>Age Group</u>	<u>No. of Customers</u>	<u>% of Customers per Age group</u>
18-21.....	15,609	1.4%
22-25.....	65,440	5.8%
26-30.....	118,292	10.6%
31-35.....	138,559	12.4%
36-40.....	156,987	14.0%
41-45.....	163,951	14.6%
46-50.....	149,660	13.4%
51-55.....	119,619	10.7%
56-60.....	86,254	7.7%
61-65.....	58,612	5.2%
66-70.....	36,389	3.3%
70+.....	9,856	0.9%
<b>Total.....</b>	<b>1,119,228</b>	<b>100.0%</b>

Based on information disclosed by our customers, as of March 31, 2014, 75.4% of our customers earn less than Ps.15,000 a month.

<u>Monthly Income</u>	<u>No. of Customers</u>	<u>% of Customers per Monthly Income level</u>
≤ Ps.1,800 .....	20,388	1.8%
Ps.1,801 - 2,500 .....	5,261	0.5%
Ps.2,501 - 3,500 .....	72,303	6.5%
Ps.3,501 - 5,000 .....	174,096	15.6%
Ps.5,001 - 7,500 .....	343,747	30.7%
Ps.7,501 - 15,000 ...	228,105	20.4%
> Ps.15,000 .....	275,328	24.6%
<b>Total.....</b>	<b>1,119,228</b>	<b>100.0%</b>

## Sales

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

Our sales agents, floor and credit executives, microcredit advisors and credit advisors in Mexico, Brazil and the United States carry out door to door sales, among other sales strategies, in the cities, rural or semirural communities in which our operations are located, and are supervised by a sales manager or branch manager in each of our branch offices in Mexico, Brazil and the United States.

As of March 31, 2014, the composition of our sales force as follows: (1) Independencia: 2,193 sales agents and advisors, 413 floor executives, 206 sales managers, including floor managers, and 132 branch managers; (2) Finsol Mexico: 770 group microcredit advisors and 150 branch managers; (3) Finsol Brasil: 204 group credit advisors and 25 branch managers; (4) AEF: 813 credit executives and 135 branch managers; and (5) AFI: 30 credit executives and 11 branch managers.

- **Sales agents and advisers.** Our sales agents and advisers are primarily responsible for selling new CrediInmediato, CrediPopular and CrediConstruye loans. Our evaluation of our sales agents focuses on customer services objectives and reaching operation goals. In the three-month period ended March 31, 2014, our sales agents' compensation comprised a base salary (which represented, on average, 34.1% of their total compensation) and commissions (which represented, on average, 65.9% of their compensation).
- **MásNómina advisers.** MásNómina advisers are primarily responsible for allocating new loans or renewing existing loans. In the three-month period ended March 31, 2014, the MásNómina advisers' compensation

comprised a base salary (which represented, on average, 42.1% of their total compensation) and commissions (which represented, on average, 57.9% of their total compensation).

- **Floor executives.** Floor executives are responsible for renewing and selling all our products and services in our branch offices and providing customer service to all of our customers. Depending on the number of floor executives in a particular office, they are supervised by a credit manager or by a branch office manager. In the three-month period ended March 31, 2014, floor executives' compensation comprised a base salary (which represented, on average, 37.5% of their total compensation) and commissions (which, on average, represented 62.5% of their total compensation).
- **Group credit advisors.** Our group credit advisors visit rural and semi-rural communities, not only to promote our group loan products in Mexico and Brazil, but also to follow-up closely on our customers' development and performance. In the three-month period ended March 31, 2014, group credit advisors' compensation comprised a base salary (which represented, on average, 43.1% of their total compensation) and commissions (which represented, on average, 56.9% of their total compensation).
- **Branch office managers.** Branch office managers are responsible for the operation of each of our branch offices, including the supervision of sales managers, floor managers, and sales sub-managers, floor executives, sales advisers and sales agents.
- **Finsol Mexico and Finsol Brasil branch office managers.** Branch office managers are responsible for the supervision of group credit advisers.
- **AEF cashier agents.** AEF cashier agents are responsible for receiving customer payment in our branch offices, providing customer service, renewing loan products and making preventive collections calls for loan obligations classified as current.
- **AEF credit executives.** AEF credit executives are responsible for allocating loans, branch office collections and customer service. They also provide credit reports and perform credit investigations.
- **AEF deputy branch office manager.** AEF deputy branch office managers are responsible for the coordination of the branch office's collections. They also coordinate the allocation of loans and perform administrative activities in order to support the branch office manager, such as supervising cashier operations. The deputy managers, executives and cashier agents report directly to the branch office manager.
- **AEF Branch Office Manager.** AEF branch officer managers are responsible for the operation of the branch office, including the supervision, training and development of their workforce. They are ultimately responsible for the performance of their respective branch offices and achieving branch office goals.

Our sales agents are supported by administrative officers and administrative support staff in each of our offices. Administrative officers, floor managers and branch managers are responsible for supervising our sales agents and floor executives, which may involve visiting customers as well as supervising loan disbursements and recovery processes, reviewing loan records and the development of sales strategies specific to their office. As of March 31, 2014, we also had 32 regional managers within our Independencia operations, eight within our AEF operations and 19 within our Finsol Mexico operations.

As of March 31, 2014 our sales force (sales agents and advisers and floor executives) represented 88.5% of Independencia's sales department, and the remaining 11.5% were managers and other supervisory personnel.

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

The following table sets forth the average monthly base salary and commissions of our sales force in the 2014.

**For the Three-Month Period Ended March 31, 2014**

	<b>Base Salary</b> <i>(in Pesos)</i>	<b>% of Average Total Compensation</b>	<b>Commissions</b> <i>(in Pesos)</i>	<b>% of Average Total Compensation</b>
Sales agents .....	2,019	34.1%	3,897	65.9%
Floor executives .....	2,083	37.5%	3,477	62.5%
MásNómina managers.....	2,481	42.1%	3,414	57.9%
Credit executives.....	8,000	76.4%	2,475	23.6%
Group credit managers.....	5,183	56.9%	3,927	43.1%

The following chart sets forth the composition of our sales force as of March 31, 2014:

<b>Categories</b>	<b>Number of Persons</b>
Sales agents and advisers.....	1,849
MásNómina managers .....	344
Floor executives .....	413
Branch managers, sales managers, commercial supervisors of MásNómina and floor managers.....	338
Group credit advisers in Mexico and Brazil .....	974
Group credit branch manager .....	175
Credit executives AEF and AFI.....	843
Branch managers AEF and AFI.....	146
<b>Total</b> .....	<b>5,082</b>

### ***Operational Centers***

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

Our operational centers are responsible for conducting the telephone verification of loan applications through our call center. Through our call center we also contact our customers upon approval of a loan application and for certain collection activities. In the three-month period ended March 31, 2014, we processed more than 5.7 million calls through both operational centers.

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

The SIAC is a centralized document analysis center responsible for reviewing loan applications together with their support documentation, as well as for verifying the applicant's ability to pay. The application is then analyzed through a credit scoring system pursuant to which each loan application is assigned to one of four risk categories.

### ***Credit Application and Approval Process***

Our credit application and approval process has been designed to minimize operating costs as well as to effectively manage risk. Both processes leverage an advanced technology platform in which we have invested heavily over the past 15 years.

Our process for the approval and disbursement of loans is separate from the process used for collection of our loans. During the application phase, we employ a scoring system for loan applications, which is evaluated periodically against our credit policies and business objectives. The scoring methodology assigns specific weights to key variables such as our customers' socio-demographic characteristics and behavior in the credit bureau, and converts these variables into a rating, which allows us to approve or reject loan applications more accurately. This process includes verifying information through external and internal databases.



The approval process for each of our loan products involves several stages, as described below.

### **Efficient Origination and Monitoring Processes Based on State-of-the-Art Technology**

<b>Acquisition of New Customers</b>	<b>Loan Approval</b>	<b>Monitoring of Existing Customers</b>	<b>Loan Recovery</b>
<ul style="list-style-type: none"> <li>• Branch offices equipped with personal digital assistants, or PDAs, scanners and Internet-based credit application to quickly transfer customer information for loan approval</li> </ul>	<ul style="list-style-type: none"> <li>• Back office to input customer information in the system – 67,189 loans analyzed per month in the three-month period ended March 31, 2014</li> <li>• Sophisticated credit scoring system — 68.2% of applications were rejected in the three-month period ended March 31, 2014</li> <li>• Call center for verification of employment and household information — Over 133,135 calls monthly in the three-month period ended March 31, 2014</li> <li>• Physical verification team equipped with digital cameras and global positioning system, or GPS, devices to verify addresses</li> <li>• 80.7% of the applications resolved in less than 48 hours in the three-month period ended March 31, 2014</li> </ul>	<ul style="list-style-type: none"> <li>• Sophisticated software monitors repayments and allows us to act quickly on past due payments</li> </ul>	<ul style="list-style-type: none"> <li>• Highly automated call center with highly skilled operators to collect troubled loans</li> <li>• Over 1.9 million calls per month in the three-month period ended March 31, 2014</li> </ul>

**Information collection.** Once the customer has applied for a loan from us, our sales force collects basic quantitative application information on the customer in order to determine his or her ability to make loan payments. Personnel responsible for verifying information then collect additional information such as a copy of the applicant’s official government-issued identification card, photo and GPS coordinates of the applicant’s home. Subsequently, additional qualitative information is collected in order to evaluate the customer’s ability to pay, such as the reputation of the applicant in his or her community and his or her employment status. Also, to be eligible for a loan, the applicant must reside or work within an authorized zone, which is based on proximity to one of our branch offices.

**Information transfer and processing.** All documentation received from an applicant is digitalized through scanners located at the branch offices and sent to our operations center for uploading into our CENCA system. This process allows our sales force to focus on their core objective, which is to attract new customers, reduces the time to process loan applications and minimizes errors in data inputting. As of March 31, 2014, there were 30 individuals, working in three shifts from 9 am to 8 pm, six days a week, responsible for inputting all loan application information into our CENCA system. In the three-month period ended March 31, 2014, we processed approximately 65,527 applications per month through our CENCA system.

**Information analysis and credit approval.** Once the information is digitalized and available through CENCA, it is analyzed at the SIAC by our document analysts. The application is then analyzed through a credit scoring system pursuant to which each application is assigned to one of four risk categories. The following are the four possible outcomes of our credit analysis and approval process based on the credit scoring system:

- Low risk;
- Low to medium risk;
- Medium to high risk; and

- High risk.

If an application is categorized as low risk, the application is automatically approved. If an application is categorized as high risk, the application is automatically rejected. If the outcome of the credit scoring places the application under one of the other categories of risk, a telephone verification as well as an in-person visit follow. Once the initial customer risk profile is approved, we perform verifications and references checks in order to finalize the approval process. Upon approval of a loan application, the applicant is contacted by one of our operational centers. In the event an application is rejected, this information is personally communicated to the applicant by our sales agents. As of March 31, 2014, we had 49 credit analysts working in three shifts from 9 am to 9 pm six days a week. With the assistance of our SIAC system, we process approximately an average of 67,189 applications per month within Independencia, of which an average of 68.2% are rejected.

***Loan disbursement.*** Loans, other than CrediConstruye loans, are issued to borrowers in cash (for loans under Ps.3,000) or in the form of a check (for loans greater than Ps.3,000) that may be cashed at commercial banks with whom we have a commercial relationship. All borrowers are required to sign a loan contract with us, together with a promissory note. CrediConstruye loans are generally disbursed in the form of vouchers for home construction materials redeemable by certain retailers. Additionally, loans can be disbursed via debit cards at ATMs at our branch offices.

### **Customer Service and Support**

We consider our customer support capabilities and the level of service that we offer our customers to be a key element of our sales strategy. As of March 31, 2014, our operational centers in León and Aguascalientes had 371 that provide customer service. In the three-month period ended March 31, 2014, the total monthly average call volume at our operations centers was over 1.8 million.

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

### **Monitoring and Collections**

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

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

#### *Collections*

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

Personal collections (including face-to-face collections) have proven to be a very effective strategy despite their relatively higher cost. Accordingly, Independencia has established a team of 1,921 "field" managers, supported by 263 supervisors that are in turn supported by 298 executives in our branch offices who assist in collection efforts and negotiate with customers. Finsol Mexico has 72 recovery executives, Finsol Brasil has 45, while AEF has 962 credit recovery executives and AFI has 30.

Even though we have maintained high standards for recovering non-performing loans, we have recently directed our efforts to recover non-performing loan portfolios when they are in a recent stage of default in order to

prevent the creation of reserves. We are implementing our focus on early defaults based on the following four fundamental concepts:

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

In order to guarantee the productivity of our managers, the customer allocation process assigns customers territorially by neighborhood and postal code, thereby optimizing travel times. As of December 31, 2013, we employed 2,617 collection and verification agents equipped with smartphones that include corporate software to make the process more efficient, such as GPS navigation to efficiently determine best routes and to verify customers' work and personal addresses, and which provide customers' real time payment status and details to optimize decision-making.

As the duration of a default continues, a different manager is assigned to the customer each month and the intensity of the collection efforts increases so as to avoid the default extending beyond 180 days and the loan balance being written off. Written off loans, however, continue to be managed by external firms or our own managers in those branch offices. Parallel to such efforts, we sell delinquent portfolios to third parties through a clear and transparent process that allows us to maintain a recurring network of third-party purchasers.

In November 2013, Independencia and Findependencia began charging a commission for collection costs which, for each defaulted payment, is calculated based in part upon the number of days in default and the current general minimum wage in Mexico City.

### **Information Technology**

Our information technology department's responsibilities include the development and maintenance of our proprietary information systems and infrastructure, administration and control of our databases and providing technical support to our labor force in connection with our systems.

**Business Intelligence.** We have a unique business intelligence system through which we have on-line access to a wide range of financial and operational information relating to our loans and our borrowers, including but not limited to digitized pictures of our customers' homes and their credit records. This information allows us to efficiently manage and monitor customer contact, payment information, the status of collection processes and a variety of other key metrics and statistics about borrowers' credit history with us. Under this system, which we developed in-house, users connect through 3,879 computers in Independencia branch offices and 627 in Finsol México branch offices, as of December 31, 2013. Additionally, in Independencia we have a system to monitor cash management in each of our branch offices and cash exceeding Ps.12,000 is deposited in a safety box and collected three times per week.

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

**Back Office.** Our branch offices are equipped with the technology to quickly transfer to our operations center customers' information in connection with the loan approval process. Through our back office we also input customer information in the system and generate a credit score via our sophisticated credit scoring system. In addition, our physical verification team is equipped with smartphones with GPS capability to verify addresses and other information. We have sophisticated software that allows us to monitor payments by existing customers and take appropriate actions in connection with late or missed loan payments. We also have well-trained operators that assist with the collection of past-due loans in our operations center.

All of our systems have been developed in-house and are designed to respond to our needs and specific goals, which we believe differentiates us from most of our competitors. We maintain an electronic record of all of our loans in our information management system. These records are updated each time a borrower makes a payment and are saved daily. We have an on-site information management center, as well as an off-site data center. Our on-site information management center processes our daily operations and our off-site data center works as a backup system in the event of a contingency. All of our systems are subject to security and quality control standards that are in line with industry practices.

We generate back-up information, among other items, on a daily, weekly and monthly basis, which we send to a secure off-site location maintained by a third-party service provider. We have also devised a business contingency plan which would allow us to continue normal business operations in the event of an emergency such as a fire, earthquake or riot.

We have developed advanced information technology systems and software relating to our information and risk management policies. These systems have helped us to better serve our customers, support our growth strategy, enhance the quality and development of our products and services and successfully reduce the cost and time associated with loan approvals, monitoring and collection practices. We believe that our operating efficiency, information management and technology systems are more competitive than those found in traditional financial institutions, and have differentiated us from our competitors.

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

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

## **Competition**

In Mexico, we face competition from lenders that target the low-income segments of the Mexican population, particularly banking institutions, savings institutions, credit unions, cooperatives, retailers, consumer loan and informal loan providers, other Sofoms, savings and lending associations, banks and other financial institutions comprising the traditional financial sector in Mexico. In addition, we face competition from the public sector, as the Mexican government currently engages in its own microfinance lending programs which are bundled with or supported by government subsidies. Most of our competitors focus their operations on rural areas and primarily target micro entrepreneurs with working capital needs, while historically we have focused on urban areas and personal loans. In recent years, however, certain of our competitors have increased their focus on urban areas.

**Cooperatives.** This segment includes local and regional cooperatives, credit unions and savings and loans institutions. There are approximately 42 cooperatives throughout Mexico, but the segment is highly heterogeneous and fragmented. The two largest institutions in this sector are Caja Popular Mexicana, Sociedad de Ahorro y Prestamo, and Caja Libertad, Sociedad Cooperativa de Ahorro y Prestamo.

**Microfinance Institutions.** Microfinance institutions provide financial services to the low-income segments of the population. These institutions focus their products and services on making lines of credit available to their target market since, by law, they are not allowed to offer savings products.

**Financial Institutions.** Banking and non-banking financial institutions such as other Sofoms, focus primarily on offering consumer and mortgage loans to middle- and low-income individuals. Based on data published by the CNBV and the Ministry of Finance (*Secretaria de Hacienda y Crédito Público*) and Public Credit (*Secretaria de Hacienda y Crédito Público*), or the SHCP, currently, approximately 48 banks, 24 regulated Sofoms and 3,763 non-regulated Sofoms operate in Mexico. Mexican non-banking institutions may engage in certain specific lending activities and regulated Sofoms and Sofols are supervised by the same regulatory authorities as commercial banks, but are prohibited from engaging in many banking operations, including foreign trade financing, offering checking

accounts and engaging in foreign currency operations. Non-regulated Sofoms, such as us, are supervised only by the CONDUSEF. Crédito Familiar, S.A. de C.V., *Sociedad Financiera de Objeto Limitado*, or Crédito Familiar, and Banco Azteca, S.A., which we consider to be among our main competitors, offer personal loans to middle- and low-income individuals.

We also consider traditional banks that market microcredit loan products to low-income individuals to be among our competitors. In most cases, the loans offered by these institutions are loans that are made to finance their retail operations. Banks offering these types of loans include Banco Azteca, Banco Compartamos, Banco Ahorro Famsa, BanCoppel and Banco Walmart. These traditional banking institutions, which are regulated by the CNBV, are also allowed to offer savings products.

## Employees and Labor Relations

Other than managerial and certain administrative employees, as of March 31, 2014, 79.0% of our total labor force was affiliated with labor unions with which we had collective bargaining agreements. These employees are employed by our subsidiaries, Serfincor and Servicios AEF. Wages, salaries, benefits, staffing levels and other terms are negotiated pursuant to these agreements and adjusted annually. Under Mexican law, collective bargaining agreements are renegotiated on a yearly basis with respect to wages and every two years with respect to benefits. We believe we have good labor relations with our labor force and have not experienced any strikes.

The following table sets forth the number of full-time personnel and the breakdown by primary activity in 2011, 2012, 2013 and the three-month period ended March 31, 2014.

	As of March 31,		As of December 31,	
	2014	2013	2012	2011
Operations.....	619	696	716	768
Sales.....	3,163	3,202	3,015	3,166
Collections.....	2,833	2,961	3,760	3,197
Operational Centers.....	574	637	705	812
Corporate Offices.....	356	350	326	309
<b>Independencia total</b> .....	<b>7,545</b>	<b>7,846</b>	<b>8,522</b>	<b>8,252</b>
Finsol México.....	1,444	1,464	1,998	1,702
Finsol Brasil.....	364	337	390	350
FINSOL total.....	1,808	1,801	2,388	2,052
AEF.....	2,087	2,053	1,899	1,631
AFI.....	83	76	34	12
AEF / AFI total.....	2,170	2,129	1,933	1,643
<b>Financiera Independencia total</b> .....	<b>11,523</b>	<b>11,776</b>	<b>12,843</b>	<b>11,947</b>

## Stock Option Plan

We have a stock option plan, or SOP, for certain employees and members of management. The SOP is implemented through a stock option plan trust, or the SOP Trust, managed as trustee by a Mexican bank pursuant to Mexican law. This plan enables eligible employees to acquire, through the SOP Trust, shares of our capital stock.

We fund a portion of the purchase price through contributions that we make to the SOP Trust, and in turn the SOP Trust acquires shares of our capital stock in open market purchases through the Mexican Stock Exchange. Stock options granted under the plan generally vest in equal installments over a five-year period. The SOP Trust purchases sufficient shares in the open market to satisfy all grants when the options are granted, as opposed to when they vest. If an employee forfeits any stock options prior to vesting, the shares representing such options remain with the SOP Trust and are eligible for assignment to another grantee. As of March 31, 2014, the SOP Trust held 23,669,565 shares of our common stock. We historically have not made contributions of shares to the SOP Trust through the issuance of new shares, and we currently do not have any plans to do so.

The plan is available to officers in the first two corporate levels of our organization, which include principal officers and assistant principal officers (*directores* and *subdirectores*). Members of our board of directors are not eligible to participate in this plan. In general, for as long as the shares of our common stock are being held by the

SOP Trust, the trustee will vote the shares in the SOP Trust in the same manner that the majority of the shareholders vote their shares.

In addition to these general guidelines, the definitive guidelines relating to (i) the eligibility of the employees that will be able to participate in this plan, (ii) procedural matters related to the exercise of rights under the plan, (iii) allocation of the benefits under the plan, (iv) funding of the plan, and (v) other terms and conditions of the plan, are determined and communicated to the trustee by a representative of our board of directors, with the prior approval of our audit and corporate practices committee. The SOP Trust acts in accordance with the guidelines and restrictions set forth by the Mexican Securities Market Law when purchasing or disposing of shares of our capital stock through the Mexican Stock Exchange.

### ***Training of Personnel***

We recognize that the success of our operations ultimately depends in large measure on the level of service provided by our personnel. Therefore, we consider training programs a high priority to ensure high levels of customer service. All of our office managers are trained in our centralized training center in Mexico City and receive additional training at their respective branch office. Our sales personnel are trained at their respective branch office. Every member of our sales force receives ongoing training and continual feedback to help them develop the professional and personal characteristics necessary to provide our customers with the highest level of service. To this end, we have a multidisciplinary team of psychologists, engineers, designers and managers involved with the training and development of our labor force.

All new personnel are required to take part in a training program during which our core mission, strategic objectives and operations are explained in detail. In addition, all personnel are regularly evaluated. New sales personnel receive an average of three or four days of classroom training and approximately ten days of field training prior to assuming responsibilities. During their first two to four weeks on the job, new sales agents are monitored by a supervisor and are provided with regular feedback regarding their performance. We certify our staff three months after they begin their employment with us, after testing on basic concepts presented during their training. When an individual is promoted, we provide additional training specific to their new position.

Moreover, all members of our staff receive training geared toward personal development at least once a month. We constantly seek to improve our training programs and are currently in the process of implementing measures that will make them more effective and cost-efficient.

Our personnel and independent sales agents are continuously updated regarding our initiatives, products and services through internal e-mails, publications, bulletins, messages from management and monthly messages from our chief executive officer.

### **Property, Plant and Equipment**

As of March 31, 2014, we operated 561 branch offices (522 in Mexico, 25 in Brazil and 14 in the state of California in the United States), which we primarily lease. In addition, we also own our operational center located in the city of León and our wholly-owned subsidiary Conexia leases our operational center in the city of Aguascalientes to us. Through these operational centers, we direct CENCA, SIAC and our national center for technical support. Our principal executive offices are located at Prolongación Paseo de la Reforma 600-301, Col. Santa Fe Peña Blanca, Delegación Alvaro Obregón, Distrito Federal, México, C.P. 01210.

### **Intellectual Property**

In addition to other intellectual property such as copyrights and licenses as of March 31, 2013, we 30 trademarks and 21 commercial names of which 12 are significant, including Financiera Independencia, CrediPopular, CrediInmediato, Línea de Crédito CrediInmediato, Findep Crédito, ConNómina, MásNómina, CrediSeguro Independencia, Credinmediato, Findependencia, Findep and MásNómina Financiera Independencia, all of which are registered with the Mexican Institute of Intellectual Property.

## **Insurance**

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

## **Legal Proceedings**

From time to time, we are involved in certain legal proceedings not described herein that are incidental to the normal conduct of our business. We do not believe that the outcome of any such proceedings, if decided adversely to our interests, would have a material adverse effect on our financial condition, cash flows or results of operation. As of March 31, 2014, we are awaiting the resolution of the CNBV in connection with two administrative proceedings initiated in September 2013 against us and certain of our executives in connection with alleged violations of Mexican securities laws and regulations, derived from the following events:

- The alleged incomplete disclosure of certain material events in our securities filings in 2008. In our response, we presented the CNBV with evidence supporting our claim that we did not violate Mexican securities laws and regulations given that we delayed disclosing the events in question in accordance with the applicable requirements of these laws and regulations; and
- The alleged execution in 2008 of insider trading transactions in contravention of Mexican securities laws and regulations. In our response, we presented the CNBV with evidence supporting that the transactions in question were (1) ongoing in nature, (2) carried out in the ordinary course of our business and in accordance with the applicable operating policies of our share repurchase fund and (3) not carried out for speculative purposes or to obtain undue profits.

## 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, factoring companies, bonded warehouses, financial leasing companies, mutual fund companies, pension fund management companies and Sofoms.

The principal financial authorities that regulate financial institutions are the SHCP, the Mexican Central Bank, the 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 IPAB and CONDUSEF.

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

In December 2012, the new administration of the Mexican government, led by President Enrique Peña Nieto and the principal political parties in Mexico, agreed to a joint plan, referred to as the "Pact for Mexico" (*Pacto por México*), to sponsor a package of structural and regulatory reforms, or the Structural Reforms. On May 15, 2013, pursuant to the Structural Reforms, a series of initiatives were introduced to the Mexican congress. The Structural Reforms comprised, among other things, tax and financial reforms that would amend certain laws and regulations relating to taxation and the Mexican financial sector. On January 10, 2014, a series of amendments to several financial laws were published in the Official Gazette, or the Financial Reforms. The main purpose of the Financial Reforms is to promote and facilitate access to credit, strengthen regulatory oversight and increase competition within the financial sector.

We believe that the implementation of the Financial Reforms will be beneficial to our competitive position and operations. For example, as a publicly traded company on the Mexican Stock Exchange since 2007, we believe we are already in compliance with certain requirements of the CNBV under the Financial Reforms (primarily those relating to the classification of loans, the creation of loan-loss reserves and the preparation and disclosure of financial information), when compared to other non-regulated Sofoms, which may require time and incur costs to comply with these requirements. In addition, the Financial Reforms will allow us to access more detailed information regarding our customers' indebtedness status, profile, and capacity, which we believe will enhance the quality and profitability of our loan portfolio, given that all financial institutions must report information regarding the credit status of their customers to Mexican credit bureaus. Finally, smaller Sofoms may need to comply with the Financial Reforms, potentially increasing their risk-weighted assets ratio and the manner in which they account for actual non-performing loans. While we do not expect these reforms to materially affect our normal business operations, the discretionary authority provided under this legislation or the enactment of secondary legislation could materially affect us in the future.

### ***General Law of Auxiliary Credit Organizations and Credit Activities***

Under the provisions of the General Law of Auxiliary Credit Organizations and Credit Activities, Sofoms are required to conduct lending of money transactions, engage in financial leasing activities (*arrendamiento financiero*) and/or perform factoring (*factoraje financiero*) transactions in a professional and customary manner. Nonetheless, these activities do not require a license from any Mexican 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 in accordance with the Financial Reforms, a requirement with which we are in compliance. Sofoms are deemed to be financial entities.



Under the provisions of the amended General Law of Auxiliary Credit Organizations and Credit Activities, published as part of the Financial Reforms, Sofoms are regulated and supervised by the CNBV if (i) they issue debt securities registered with the RNV, or (ii) they voluntarily adopt this regime.

Sofoms are also deemed to be regulated and supervised by the CNBV when they have a financial connection (*vínculo patrimonial*) with other financial institutions. Sofoms are deemed to have a financial connection if (1) a Mexican bank, among other financial institutions, holds an interest equal to or greater than 20% of the capital stock of the Sofom or the Sofom holds such an interest in the Mexican bank, (2) the holding company of a financial group, which includes a banking institution, holds an interest of at least 51% in the Sofom, or (3) the Sofom has common shareholders with, among other financial institutions, a Mexican bank, pursuant to the terms more specifically described in the General Law of Auxiliary Credit Organizations and Credit 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 Mexican Law of Credit Institutions (*Ley de Instituciones de Crédito*) and other rules and regulations applicable to Mexican banks, which can include capital adequacy requirements, reserve requirements, grading of loan portfolio requirements, requirements for the establishment of provisions for loan losses, write-offs and assignment provisions, limitations on related party transactions, as well as periodic reporting obligations.

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

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

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

The Law for the Protection and Defense of Financial Services Users became effective in April 1999 and was modified pursuant to the Financial Reforms. The purpose of this law 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. Pursuant to the Financial Reforms, CONDUSEF was granted broad powers to regulate our activities and the activities of Mexican banks, and the exercise of these powers may have a material adverse effect on us. CONDUSEF acts as mediator and arbitrator with respect to disputes submitted to its jurisdiction and seeks to promote better relationships among users of financial institutions and the 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. In accordance with the Financial Reforms, 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. In addition, in order to operate as a Sofom, all Sofoms, including non-regulated Sofoms, are required to register in a registry managed by CONDUSEF in accordance with the Financial Reforms, however, as of this date, CONDUSEF has not yet issued the relevant regulations for registration therein.

As a result of the Financial Reforms, CONDUSEF was recently empowered to initiate class action lawsuits against financial services institutions in connection with events affecting groups of users of financial services.

### ***Law for the Transparency and Ordering of Financial Services***

The Law for the Transparency and Ordering of Financial Services became effective in June 2004 and was modified pursuant to the Financial Reforms. The purpose of this law is to regulate (1) the fees charged to customers of financial institutions 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; 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 to regulate these fees and establish general guidelines and requirements relating to payment devices and credit card account statements (see "Regulation of Interest Rates" and "Fees" below). Further, the Mexican Central Bank has the authority to specify the basis upon which financial institutions must calculate their aggregate annual cost, which comprises interest rates and fees, on an aggregate basis, charged in respect of loans and other services. The aggregate annual cost must be publicly disclosed by each financial institution. The Law for the Transparency and Ordering of Financial Services also grants to CONDUSEF the authority to regulate fees charged by non-regulated Sofom, the requirements that need to be satisfied in accordance with the standard forms of agreement used by financial entities, the statements of account that are delivered by financial entities to their customers and the advertisement conducted by financial entities.

As part of the amendments to the Law for the Transparency and Ordering of Financial Services enacted in connection with the Financial Reforms, the Mexican Central Bank may issue temporary regulations applicable to interest rates and fees, if it or the CFC 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 issued by CONDUSEF applicable to Sofoms provides that the standard forms of agreement are required to contain clauses that provide that (1) the applicable ordinary and default interest rates are expressed in annual terms and contain the applicable methodology for purposes of calculating such interest rates; (2) if interest accrues based on a reference rate, the standard form of agreement must include at least one replacement reference rate, which will only be applicable if the original reference rate is discontinued; and (3) interest may not be charged by financial entities in advance and may only be charged after the corresponding interest period has elapsed. The Mexican Central Bank has issued rules that limit the number of reference rates that may be used by some financial institutions.

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 bank must calculate its aggregate annual cost (*costo anual total*), or CAT, 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 19, 2010 and July 1, 2013. Pursuant to these regulations, 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.

According to CONDUSEF's regulations, 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.

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***

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. The LFPDP also 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 newly-created Federal Institute of Access to Information and Data Protection, or the Institute, will be authorized to monitor and enforce compliance with the LFPDP by private entities processing personal data. These entities will be held liable for interfering with a data subjects' exercise of their rights under the LFPDP and for failing to safeguard their personal data. Data subjects who believe that a company is not processing their personal data in accordance with the LFPDP may request an investigation by the Institute. Following an investigation, the Institute may: (i) dismiss the data subject's claim or (ii) affirm, reject, or modify a company's answer to a data subject's claim. Penalties for violating the LFPDP's provisions include a fine equivalent to Ps.19.1 million (approximately US\$1.5 million), a prison sentence of up to five years or double the applicable fine or sentence for violations related to sensitive personal data.

### ***Anti-Money Laundering Provisions***

On March 17, 2011, the Ministry of Finance issued general provisions applicable to Sofoms relating to anti-money laundering (*Disposiciones de Carácter General a que se refieren los artículos 115 de la Ley de Instituciones de Crédito, en relación con el 87-D de la Ley General de Organizaciones y Actividades del Crédito y 95-Bis de este último ordenamiento, aplicables a las sociedades financieras de objeto múltiple*), or the Anti-Money Laundering General Provisions. The purposes 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 material, unusual and suspicious transactions to authorities.

On July 17, 2013, the new Federal Law for the Identification and Prevention of Transactions with Illegal Funds became effective, after approval from the Mexican Congress. Pursuant to this law, the Ministry of Finance and Public Credit is given broad authority to obtain information about unlawful activities, coordinate activities with foreign authorities and present claims related to unlawful activities. This law also grants authority to the Federal Attorney General (*Procuraduría General de la República*) to investigate and prosecute illegal activities in coordination with the Ministry.

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 Mexican Bankruptcy law.

#### *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.

#### *Bankruptcy Law*

Mexico’s current Bankruptcy Law was enacted on May 12, 2000, and was modified pursuant to the Financial Reforms. 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. Pursuant to the amendments made under the Financial Reforms to the Bankruptcy Law, a debtor may request a *concurso mercantil* 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 now allows the consolidation of the *concurso mercantil* proceedings of companies that are part of the same corporate group.

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

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

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

Pursuant to the Financial Reforms, 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.

### ***Antitrust Considerations***

Under the Financial Reforms, the CFC, has been given a 180-day period to investigate whether competitive conditions exist in the Mexican financial system. Upon completion of the investigation, the CFC will make recommendations seeking to improve competition in the Mexican financial system, including eliminating barriers to entry and competition, ordering asset sales and taking any other measures aimed at eliminating anti-competitive practices.

### **Brazil**

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

approximately twelve months. Following the transfer, we anticipate that we will concentrate Finsol Brasil's training and development efforts in Instituto Finsol-IF.

Although SCMs are not financial institutions, SCMs are compared to them for purposes of Brazilian banking laws and regulations. Therefore, SCMs' organization and operations are subject to the applicable rules enacted by the Brazilian National Monetary Council, or CMN and the supervision of the Central Bank of Brazil. SCMs are specifically regulated by Federal Law No. 10.194/01 and CMN's Resolution No. 3567/08. To carry out their activities under Brazilian law, SCMs must meet certain requirements, among others, with respect to minimum paid-in capital, net worth, maximum indebtedness and exposure by customer.

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

SCMs are required to periodically provide reports, subject to the provisions of Brazilian laws and regulations, to the Credit Information System of the Central Bank of Brazil, or the SCR. The SCR is a database maintained by the Central Bank of Brazil with information on credit transactions performed by financial institutions operating in Brazil. The SCR is a mechanism created by the Central Bank of Brazil to periodically evaluate the risks related to the Brazilian credit market.

As SCMs are compared to financial institutions, an SCM must comply with and is subject to Brazilian banking rules and requirements. In general, such limitations and restrictions refer to the offering of credit, risk concentration, investments, conditional operations, foreign currency loans and negotiations, the administration of third party funds and microcredit. The principal restrictions on banking activities established by Brazilian banking laws are as follows:

- (i) no financial institution may operate in Brazil without the prior approval of the Central Bank of Brazil. In addition, subject to certain exceptions, foreign entities that intend to acquire an equity interest in a Brazilian financial institution (or to incorporate and organize a financial institution in Brazil) must obtain prior authorization from the Central Bank of Brazil (which, in turn, is subject to the issuance of a federal executive order approving such transaction);
- (ii) except for investments made by investment banks, a financial institution may not invest in the equity of any other company without the prior approval of the Central Bank of Brazil (which will be given based upon certain standards established by the CMN);
- (iii) subject to certain limitations imposed by the CMN, a financial institution may not own real estate, except when it is used in connection with the regular activities carried out by such financial institution;
- (iv) financial institutions are prohibited from carrying out transactions that fail to comply with the principles of selectivity, guarantee, liquidity and risk diversification;
- (v) the registered capital and total net worth of financial institutions should always be compatible with the rules governing share capital and minimum capitalization imposed by the Central Bank of Brazil for each type of financial institution; and
- (vi) Brazilian financial institutions are subject to strict bank confidentiality regulations and must maintain the secrecy of their banking operations and services provided to their customers.

SCMs are also subject to Brazilian anti-money laundering laws and regulations, and must comply with certain requirements, such as: (i) keeping up-to-date records regarding their customers; (ii) the adoption of preventive

policies and internal proceedings; (iii) recording transactions involving Brazilian and foreign currency, securities or any other asset which may be converted into cash, including specific registries of issuance/recharging of prepaid cards; (iv) keeping records of transactions carried out by an individual, entity or entities belonging to the same financial conglomerate or economic group that exceed certain thresholds; and (v) notification to the relevant authorities of any suspect transaction.

### **California, United States**

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

As a lender to consumers, AFI is subject to a number of federal and California statutes and regulations protecting consumer borrowers. While AFI is currently not subject to any federal regulations regarding interest rate ceilings, pending legislation is currently before the Consumer Financial Protection Bureau regarding the financial industry that is mostly focused on banks and mortgage companies. Under current California legislation, however, interest rates for loans less than U.S.\$2,500 are subject to an interest rate ceiling of approximately 26%, while loans less than U.S.\$2,500 are not subject to interest rate ceilings. AFI loans currently have an annual rate of approximately 36%.

## MANAGEMENT

### Board of Directors

Our board of directors is currently composed of 14 members elected for one-year terms at our annual ordinary general meeting of shareholders. All of our current directors were elected or ratified at our general shareholders' meeting on April 28, 2014. Our board of directors meets throughout the year on at least four occasions. Pursuant to the Mexican Securities Market Law, at least 25% of the members of the board of directors must be independent.

Set forth below are the names of the members of our board of directors, their age, their principal occupation and their business experience.

Name	Position	Age	Independent	Years as a Board Member of Financiera Independencia as of March 31, 2014
José Luis Rión Santisteban .....	Chairman	62	No	20
Roberto Alfredo Cantú López.....	Director	84	No	20
Horacio Altamirano González .....	Non-Executive Director	64	Yes	18
Carlos Morodo Santisteban.....	Director	59	No	19
Guillermo Barroso Montull.....	Non-Executive Director	60	Yes	18
Noel González Cawley .....	Director	59	No	20
Héctor Ángel Rodríguez Acosta .....	Non-Executive Director	62	Yes	18
Roberto Servitje Achútegui.....	Non-Executive Director	60	Yes	6
Ana Paula Rión Cantú.....	Director	32	No	7
José Ramón Elizondo Anaya .....	Non-Executive Director	59	Yes	13
Carlos Javier de la Paz Mena.....	Non-Executive Director	74	Yes	6
José Rión Cantú .....	Director	30	No	4
Maite Rión Cantú.....	Director	28	No	1
Mauricio Galán Medina.....	Director	54	No	1

**José Luis Rión Santisteban** is our founder and the chairman of our board of directors. Mr. Rión served as chief executive officer of InverMexico, S.A. de C.V., Casa de Bolsa, executive president of Grupo Mexival/Banpais, S.A. de C.V. and chief executive officer and chairman of Multivalores, S.A. de C.V, Casa de Bolsa. He also serves as the chairman of the board of directors of Grupo Jorisa, S.A. de C.V. and as a member of the board of directors of HSBC Mexico. He is also a member of the board of directors of AGROS, S.A. de C.V. and Agrosid, S.A. de C.V. Mr. Rión holds a bachelor's degree in industrial engineering from Universidad Iberoamericana and attended a senior management seminar (*Curso de Alta Direccion AD-2*) at Instituto Panamericano de Alta Direccion de Empresas, or IPADE. Mr. Rión is the son-in-law of Mr. Roberto Alfredo Cantú López, cousin of Mr. Carlos Morodo Santisteban and father of Ms. Ana Paula Rión Cantú, Mr. José Rión Cantú and Ms. Maite Rión Cantú, all members of our board of directors.

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

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

**Carlos Morodo Santisteban** is a member of our board of directors. He currently serves as the chief executive officer of Morysan, S.A. de C.V. and Papelera Veracruzana, S.A. de C.V. and as member of the board of directors of Morodo Santisteban, S.A. de C.V., Almacenedora del Valle de Mexico, S.A. de C.V., Camaras Industriales y



Asociaciones. Mr. Morodo also serves as president of Camaras Industriales y Asociaciones and vice president of the Confederation of Mexican Industrial Chambers (*Confederación de Cámaras Industriales*), or Concamin. He holds a bachelor's degree in industrial engineering from Universidad Iberoamericana and a master's degree in business administration from ITESM. Mr. Morodo is a cousin of Mr. José Luis Rión Santisteban, chairman of our board of directors, and Ms. Ana Paula Rión Cantú, Mr. José Rión Cantú and Ms. Maite Rión Cantú, all members of our board of directors.

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

**Noel González Cawley** is a member of our board of directors and our executive vice-president. He served as chief executive officer of Financiera Independencia from its incorporation until June 2012. Mr. González was a shareholder and a member of the board of directors of InverMexico, S.A. de C.V., Casa de Bolsa and co-head of the Information Technology division of BanPais, S.A. He holds a bachelor's degree in electronic engineering from Universidad Iberoamericana and received a master's degree in engineering from Stanford University.

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

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

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

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

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

**José Rión Cantú** is a member of our board of directors. He holds a bachelor's degree in industrial engineering from Universidad Iberoamericana and is currently pursuing a master's degree in business administration 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 Lopez, cousin of Mr. Carlos Morodo Santisteban and brother of Ms. Ana Paula Rión Cantú and Ms. Maite Rión Cantú, all members of our board of directors.

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

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

***Alternate Directors***

Alternate directors may be appointed at a shareholders’ meeting to substitute for the directors for which they were respectively appointed, in their permanent or temporary absences. An alternate director attends meetings of our board of directors when called to substitute for the respective director. As of the date of this offering memorandum, no alternate directors are appointed to our board of directors.

***Secretary of the Board of Directors***

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

**Committee**

***Audit and Corporate Practices Committee***

Our audit and corporate practices committee, the existence of which is required under the Mexican Securities Market Law, is currently composed of four members elected for one-year terms at our ordinary general meeting of shareholders. All of our current audit and corporate practices committee members were elected at our shareholders’ meeting on April 28, 2014. 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.

<b>Name</b>	<b>Position</b>	<b>Independent</b>
Carlos Javier de la Paz Mena.....	Chairman	Yes
José Ramon Elizondo Anaya.....	Director	Yes
Roberto Servitje Achútegui.....	Director	Yes
Héctor Ángel Rodríguez Acosta.....	Director	Yes

***Other Committees***

Our board of directors has established several committees, including an executive committee, a credit 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.

## 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 as of March 31, 2014	Age	Years of experience in the financial services industry
Noel González Cawley .....	Executive Vice-President	21	59	30
Mauricio Galán Medina .....	Chief Executive Officer	9 <sup>(1)</sup>	53	25
Luis Miguel Díaz-Llaneza Langenscheidt ...	Chief Financial and Administration Officer	4	44	18
Benito E. Pacheco Zavala .....	Internal Audit Director	7	65	26
Héctor Eguiarte Sakar .....	Collections Director	20	59	18
Juan José de la Garza Arce .....	Sales Director	3	45	5
Rubén Cohen Tietzch.....	Payroll Loans Director	3	44	3
José Alberto Pérez de Acha .....	Systems Director	2	44	18
Guadalupe Robles Gil.....	Operations Director	13	46	16
Mónica Patricia Aznar Pérez .....	Human Resources Director	16	54	15
José de Jesús Martínez Schjetnan .....	General Manager (Finsol Mexico)	1	43	15
Marcello George de Melo Pinto.....	General Manager (Finsol Brasil)	7 <sup>(1)</sup>	49	22
Arturo Casillas Alfaro.....	General Manager (AEF)	9 <sup>(1)</sup>	51	17
Rick Parras.....	Manager (AFI)	7 <sup>(1)</sup>	51	28

(1) Including years worked at subsidiaries acquired by Financiera Independencia.

On average, our principal officers have 18 years of experience in the financial services industry. Set forth below is biographical information for each of our principal officers.

**Noel González Cawley** is our executive vice-president and a member of our board of directors. See “Board of Directors.”

**Mauricio Galán Medina** is our chief executive officer and a member of our board of directors. See “Board of Directors.”

**Luis Miguel Díaz-Llaneza Langenscheidt** is our chief financial and administration officer. Prior to joining Financiera Independencia, he founded Ampersand Soluciones de Lealtad (a Grupo Posadas company) and served as its chief executive officer. Prior to that, Mr. Díaz-Llaneza served as regional vice-president for Latin America and the Caribbean and chief executive for Mexico at American Express Establishment Services. Mr. Díaz-Llaneza holds a bachelor’s degree in business administration from Trinity University and a master’s degree in business administration from Georgetown University.

**Benito E. Pacheco Zavala** is our internal audit director. Mr. Pacheco has extensive internal audit experience with financial institutions, including his prior membership and work with the Accounting Principles Committee of the Mexican Institute of Public Accountants (*Instituto Mexicano de Contadores Publicos*). He holds a public accounting degree from Escuela Bancaria y Comercial.

**Héctor Eguiarte Sakar** is our collections director. Mr. Eguiarte previously served as our regional manager from 1994 to 1999. Mr. Eguiarte has participated as a speaker in various seminars on finance and credit. He holds a bachelor’s degree in industrial engineering from Universidad Iberoamericana.

**Juan José de la Garza Arce** is our sales director. He has held several strategic positions in multinational companies, in the fields of marketing, operations and sales. Prior to joining Financiera Independencia, Mr. de la Garza was vice-president of marketing at YUM Restaurants Mexico, a company that includes the Kentucky Fried Chicken and Pizza Hut restaurant chains. Prior to that, he served as vice-president of the restaurant division of Walmart de Mexico. Mr. de la Garza holds a bachelor’s degree in industrial engineering from ITESM and a master’s degree in business from IPADE.

**Rubén Cohen Tietzch** is our payroll loans director. He has 20 years of experience in sales and new business development. Prior to joining Financiera Independencia, Mr. Cohen served as director of operations in Mexico at Kidzania. Prior to that, he had a successful 17-year career at Quaker State (a division of Shell), where he held several positions, including director of marketing of several divisions. He also served as managing director of Duracell Automotive Batteries. Mr. Cohen holds a bachelor's degree in business administration from Universidad Anáhuac and has studied sales and marketing at the Kellogg Graduate School of Management at Northwestern University.

**José Alberto Pérez de Acha** is our systems director. Mr. Pérez de Acha has 21 years of experience analyzing, designing, and implementing technology information systems for the Mexican financial sector. Mr. Pérez de Acha holds a bachelor's degree in industrial engineering from Universidad Panamericana and a master's degree in business management from IPADE.

**Guadalupe Robles Gil** is our operations director. Ms. Robles has 15 years of experience in the financial sector. Prior to joining Financiera Independencia, she served as deputy marketing director at Afore Garante. Ms. Robles holds a bachelor's degree in business administration from Instituto Tecnológico Autónomo de México.

**Monica Patricia Aznar Perez** is our human resources director. Ms. Aznar has more than 20 years of experience in the area of human resources and 10 years in the financial sector. She has served for more than five years as President of the Human Resources Committee of the AMFE. She holds a bachelor's degree in psychology from Universidad de las Americas, Puebla and a degree from IPADE.

**José de Jesús Martínez Schjetnan** is general manager of Finsol México. He has more than 15 years of experience managing sales and marketing departments in diverse industries such as financial services, commercial banking and automotive. Prior to joining Financiera Independencia, Mr. Martínez served as director of sales and marketing at Grupo Autofin. He holds a bachelor's degree in business administration from Universidad Anahuac del Sur.

**Marcello George de Melo Pinto** is general manager of Finsol Brasil. Prior to joining Finsol Brasil, he served for 12 years as managing director of CEAPE, an NGO in microfinancing. Prior to that, he served as commercial director of ABN-ANRO Bank – Realmicrocrédito for four years. Mr. de Melo Pinto holds a bachelor's degree in public accounting from Universidade Potiguar in Rio Grande do Norte, Brazil, as well as post-graduate degrees in financial administration from Fundação Escola de Comércio Álvares Penteado, or FECAP, in São Paulo, accounting management from Universidade Federal do Rio Grande do Norte, in Brazil and corporate education from ACCIÓN International in Boston.

**Arturo Casillas Alfaro** is general manager and one of the founding members of AEF. Prior to that, he worked at Crédito Familiar, where he held various management positions in operations. Mr. Casillas holds a bachelor's degree in industrial engineering from Instituto Politécnico Nacional.

**Rick Parras** is manager and one of the founding member of AFI. Prior to that, he worked at the CitiFinancial group at CitiGroup for 18 years, during which time he was an integral part of the group that helped start the operations of Crédito Familiar.

### **Compensation of Directors, Principal Officers and their Related Persons**

In 2013, the aggregate compensation paid to our directors, principal officers and their related persons was approximately Ps.70.0 million, including both fixed (wages and salaries) and variable (performance and legal year-end bonuses) compensation. At a meeting held on February 19, 2014, our board members approved the aggregate compensation of our directors and principal officers by authorizing a fixed salary increase of 4%.

Members of our board of directors, including the chairman, receive compensation per meeting attended in the average amount equivalent to Ps.25,000.

## **SOP**

We have an SOP for our employees and management, which is implemented through the SOP Trust. The SOP Trust is a trust created with a Mexican banking institution pursuant to Mexican law. The identity and number of officers and other employees included as beneficiaries under our SOP vary on an annual basis. Our board of directors determines on an annual basis, with the prior approval of our audit and corporate practices committee, the beneficiaries under our SOP as well as the number of shares that each beneficiary will be entitled to purchase. See “Business—Employees and Labor Relations—Stock Option Plan.”

## **Share Ownership**

Mr. José Luis Rión Santisteban, Mr. Roberto Alfredo Cantú López, Mr. Noel González Cawley, and Mr. Guillermo Daniel Barroso Montull are the only members of the board of directors that are beneficial indirect holders of more than 1% of our capital stock. As of March 31, 2014, they were collectively the beneficial indirect holders of approximately 67.37% of our capital stock.

## PRINCIPAL SHAREHOLDERS

### Share Ownership

As of March 31, 2014, our issued and outstanding share capital was comprised of 760,884,712 common shares, with no par value, of our “*serie unica*” shares, of which 200,000,000 Class I shares represent the fixed portion of our capital stock, and 560,884,712 Class II shares represent the variable portion of our capital stock. As of March 31, 2014, our authorized share capital totaled 715,884,712, and we held 45,000,000 of our Class II shares in treasury, while none of our Class I shares were held in treasury.

The following table sets forth certain information about the ownership of our Class I and Class II shares as of March 31, 2014.

Shareholder	Capital Stock	
	Class I	Class II
Control Trust.....	174,745,000	238,685,000
Minority Trust.....	25,255,000	14,874,949
Public Investors <sup>(1)</sup> .....	0	262,324,763
Held in Treasury.....	0	45,000,000
<b>Subtotal</b> .....	<b>200,000,000</b>	<b>560,884,712</b>
<b>Total</b> .....	<b>760,884,712</b>	

(1) Includes Eton Park.

### Control Trust

The Control Trust was created with Banco J.P. Morgan, S.A. Institucion de Banca Múltiple, J.P. Morgan Grupo Financiero, Division Fiduciaria, a Mexican banking institution, acting as trustee. The Control Trust’s beneficiaries are Mr. José Luis Rión Santisteban and Ms. Angeles Cantú Quintanal. 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., Institucion de Banca Múltiple as successor to Banco J.P. Morgan, S.A. Institucion de Banca Múltiple, J.P. Morgan Grupo Financiero. On March 2, 2010 the Control Trust was transferred to HSBC Mexico, Division Fiduciaria, which is currently the trustee of the Control Trust.

### Minority Trust

The Minority Trust was created with Banco J.P. Morgan, S.A. Institucion de Banca Múltiple, J.P. Morgan Grupo Financiero, Division Fiduciaria, a Mexican banking institution, acting as trustee. The Minority Trust’s beneficiary is Mr. Noel Gonzalez Cawley. Pursuant to the terms of the Minority Trust, Mr. Noel Gonzalez Cawley is vested with the right to instruct the trustee in the exercise of its voting rights as our shareholder. Even though Mr. Jose Luis Rion Santisteban is not a party to the trust agreement creating the Minority Trust, under the provisions of the trust agreement, he has preemptive rights to acquire the beneficiary rights of the beneficiaries of the Minority Trust.

In November 2008, the Minority Trust was transferred to The Bank of New York Mellon, S.A., Institucion de Banca Múltiple as successor to Banco J.P. Morgan, S.A. Institucion de Banca Múltiple, J.P. Morgan Grupo Financiero. On February 8, 2010 the Minority Trust was transferred to HSBC Mexico, Division Fiduciaria, who is currently the trustee of the Minority Trust.

### Investment by Eton Park

In January 2010, certain affiliates of Eton Park, became holders of 66.5 million shares, or approximately 9.3% of our shares, for a price of Ps.10.0 per share following a rights offering of 85.0 million shares, which was undertaken to finance the acquisition of Financiera Finsol and its related companies. Eton Park also received

warrants to subscribe and pay for up to approximately 45.0 million additional shares of our capital stock under certain conditions and strike prices effective until December 17, 2014. As of March 31, 2014, Eton Park held 9.3% of our capital stock. Eton Park is a multi-disciplinary, team-oriented investment firm that invests globally across both public and private markets.

### **Management**

The only members of our management that indirectly hold more than 1% of our capital stock are Mr. José Luis Rión Santisteban, Mr. Roberto Alfredo Cantú López, Mr. Noel González Cawley and Mr. Guillermo Daniel Barroso Montull.

## RELATED PARTY TRANSACTIONS

In the ordinary course of business we engage in a variety of transactions with certain of our affiliates and related parties. All material transactions between us or any of our affiliates or related parties are evaluated by our board of directors, with prior evaluation by our audit and corporate practices committee, in accordance with and subject to the exceptions set forth in the Mexican Securities Market Law and our by-laws. These transactions are subject to prevailing market conditions and transfer pricing regulations under Mexican tax law.

Set forth below is a description of our material related party transactions entered into over the past three fiscal years. For additional information regarding our transactions with related parties and affiliates, see note 16 to our audited financial statements as of and for the three-month period ended December 31, 2013 and 2012.

On January 1, 2011, Financiera Independencia entered into a contract for the provision of services and reimbursement of expenses with Findependencia. Under the terms set forth therein, Financiera Independencia undertook to provide administrative services for Findependencia, and in return, Findependencia undertook to reimburse all of the amounts that Financiera Independencia disbursed in providing those services. The contract was executed for a one-year term, to be automatically extended for periods of equal length unless the parties should agree otherwise.

On March 14, 2011, Independencia, as lender, and AEF, as borrower, entered into a revolving loan agreement for an aggregate amount of up to Ps.756.0 million, bearing interest at a rate equal to the highest annual rate applicable to Independencia (calculated pursuant to the agreement) at the time of withdrawal. The loan was granted for an indefinite term, and AEF must utilize the funds drawn down under the agreement to originate loans to its customers or its affiliates. On March 3, 2014, AEF repaid the outstanding balance under this agreement in its entirety.

On May 1, 2011, Financiera Independencia and Finsol Services executed an assignment of rights pursuant to which Finsol Servicios assigned Financiera Independencia all of the rights and obligations derived from the “simple” (non-revolving) credit agreements that Finsol Services, as creditor, had entered into with the Instituto FINSOL-IF, as borrower, on: (1) April 26, 2010 for an aggregate of up to Ps.\$73.0 million; (2) July 13, 2010 for an aggregate of up to Ps.\$38.2 million; (3) August 27, 2010 for an aggregate of up to Ps.\$78.1 million; (4) October 19, 2010 for an aggregate of up to Ps.\$24.8 million; (5) November 18, 2010 for an aggregate of up to Ps.\$37.1 million; and (6) December 10, 2010 for an aggregate of up to Ps.\$24.9 million.

On July 1, 2011, Financiera Independencia, in its capacity as new creditor, and the Instituto FINSOL-IF, in its capacity as borrower, entered into an agreement that amended the loan agreements listed in the foregoing paragraph, pursuant to which the parties agreed that the sums set forth in the loan agreements, plus the interest thereon and other charges generated as of that date by the Instituto FINSOL-IF, would be restated in United States dollars, using a specified exchange rate specified, with the interest rates set forth in the agreement to be applicable to those sums starting from the date of its execution. On July 3, 2013, Financiera Independencia and the Instituto FINSOL-IF signed a due bill and payment agreement under which they agreed that the sums set forth in the loan agreements listed in items (1) to (6) of the immediately preceding paragraph, plus the interest thereon and other charges generated as of that date by the Instituto FINSOL-IF, would be restated in Brazilian Reais at an exchange rate of R\$2.2412 per U.S. dollar. Instituto FINSOL-IF acknowledged that it owed Financiera Independencia the sum of R\$15,414,114.66 in principal and R\$4,676,211.38 in interest under the loan agreements listed in items (1) to (6) of the immediately preceding paragraph. The parties agreed that the principal owed would be paid in a period of up to 365 calendar days counted from July 3, 2013, and that the interest would be paid in one lump sum on December 31, 2013.

In a meeting of its board of directors held August 17, 2011, Financiera Independencia was authorized to act as joint and several obligor and/or guarantor with respect to the obligations of AEF and Financiera Finsol with respect to the following loan agreements:

- Loan type: Non-revolving line of credit with a security interest  
Creditor: Pronafim  
Borrower: AEF  
Guarantor: Financiera Independencia



Aggregate loan amount: Ps.70.0 million.

- Loan type: Revolving line of credit  
Creditor: Nafinsa  
Borrower: AEF  
Guarantor: Financiera Independencia  
Aggregate loan amount: Ps. 200.0 million.
- Loan type: Revolving line of credit with a security interest  
Creditor: Banco Monex, S.A., Institución de Banca Múltiple, Monex Grupo Financiero  
Borrower: Financiera Finsol  
Joint and several obligor and surety: Financiera Independencia  
Aggregate loan amount: Ps.50.0 million
- Loan type: Revolving line of credit  
Creditor: Nafinsa  
Borrower: Financiera Finsol  
Guarantor: Financiera Independencia  
Aggregate loan amount: Ps.500.0 million

On August 24, 2011, Financiera Independencia, as creditor, and AFI, as borrower, entered into a revolving credit agreement for an aggregate amount of up to U.S.\$3.0 million, in order to fund certain of AFI's working capital requirements. On August 8, 2012, Financiera Independencia and AFI amended this agreement, increasing the aggregate amount of the revolving credit to U.S.\$10.0 million, modifying the applicable interest rate and extending the term of the agreement to six years.

On March 23, 2012, Financiera Independencia and AEF entered into a services agreement, as amended on January 1, 2013, pursuant to which Financiera Independencia provides call center services to AEF for compensation of Ps.0.88 plus VAT for outgoing local calls, Ps.0.74 plus VAT per minute of long-distance and cellular telephone calls, and Ps.11.44 plus VAT per hour for applicable wages. The term of the agreement is one year, subject to automatic extension.

On January 1, 2013, Conexia, as landlord, and Financiera Independencia, as tenant, entered into a lease agreement for the basement, ground floor, and second floor of the building located at Avenida Eugenio Garza Sada #902, Parque Industrial Tecnopolo, Colonia Pocitos, C.P. 20328, in the city of Aguascalientes, state of Aguascalientes, including the rental of several pieces of movable property located inside the building. The initial term of this agreement was through December 31, 2013, subject to automatic extensions for periods of one year, unless the parties should agree otherwise. On January 1, 2014, the parties entered into a new lease agreement for the term of one year ending December 31, 2014. Pursuant to this agreement, Financiera Independencia agreed to pay annual rent totaling approximately Ps.11.4 million.

On February 28, 2013, Financiera Independencia, as creditor, entered into a non-revolving credit facility with Instituto FINSOL-IF in the aggregate amount of R\$6.0 million. Subsequently, on March 25, 2013, both parties entered into a separate agreement for a non-revolving line of credit in the aggregate amount of R\$3.0 million. The proceeds of both facilities are to be used to fund Instituto FINSOL-IF's lending operations in Brazil.

On June 30, 2013, Fisofo and Financiera Independencia entered into an agreement for the assignment of the portfolio and negotiable instrument rights pursuant to which Fisofo transferred to Findep the rights and obligations derived from the balances of the loan agreements listed therein, as well as the promissory notes that documented the transferred loans for aggregate consideration of approximately Ps.653.9 million.

On July 23, 2013, Finsol Vida, as lender, and AEF, as borrower, entered into a revolving loan agreement for an aggregate amount of up to Ps.50.0 million to fund AEF's loan origination. The loan, which bears interest at TIIE plus 3.55%, was granted for a term of three years.

On September 1, 2013, Financiera Independencia and SACSA entered into a turnkey supply agreement for administrative systems pursuant to which SACSA undertook to supply Financiera Independencia with the administrative systems required thereby. The parties agreed that the amount to be invoiced as compensation for the supply of the administrative systems would be based on the characteristics and number of the staff members that SACSA would need to employ in its direct service for the development, testing, implementation, and operation of the systems supplied (collectively referred to as “operating cost”), plus a percentage to cover indirect costs and expenses as well as Financiera Independencia’s profit, or 7% of operating cost, plus VAT.

On January 1, 2014, Serfincor and Mr. José Luis Rión Santisteban entered into an agreement for the provision of certain services (including strategic planning, advising, and consulting services) to Serfincor and its affiliates. Pursuant to the agreement, which expires on December 31, 2014, Mr. Rión receives monthly compensation as consideration for his services, plus VAT, and minus the applicable VAT and income tax withholdings.

## DESCRIPTION OF NOTES

The Company will issue the notes under an indenture (the “Indenture”), to be dated the Issue Date, among the Company, each Guarantor, The Bank of New York Mellon, as trustee (the “Trustee”), and The Bank of New York Mellon (Luxembourg) S.A., as Luxembourg transfer agent and Luxembourg paying agent. The terms of the notes include those stated in the Indenture and those made a part of the Indenture by reference to the Trust Indenture Act of 1939 (the “TIA”). The Indenture is not, however, required to be nor will it be qualified under the TIA and will not incorporate by reference all provisions of the TIA. We summarize below certain provisions of the Indenture, but do not restate the Indenture in its entirety. We urge you to read the Indenture because it, and not this description, defines your rights. You can obtain a copy of the Indenture in the manner described under “Available Information,” and, for so long as the notes are admitted to listing on the Official List of the Luxembourg Stock Exchange and to trading on the EuroMTF Market of the Luxembourg Stock Exchange, at the office of the paying agent in Luxembourg.

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

- the “Company” in this section, we mean *Financiera Independencia, S.A.B. de C.V., Sociedad Financiera de Objeto Multiple, Entidad No Regulada*, and not any of its subsidiaries; and
- the “notes” in this section, we mean the notes originally issued on the Issue Date and Additional Notes, if any.

### General

The notes will:

- be general unsecured obligations of the Company;
- rank equal in right of payment with all other existing and future Senior Indebtedness of the Company (subject to certain labor and tax obligations for which preferential treatment is given under Mexican insolvency and related laws);
- rank senior in right of payment to all existing and future Subordinated Indebtedness of the Company, if any;
- be effectively subordinated to all existing and future Secured Indebtedness of the Company to the extent of the value of the collateral securing such Indebtedness;
- be unconditionally guaranteed on a general unsecured senior basis by all of the Company’s existing Restricted Subsidiaries and any future Restricted Subsidiaries that, in each case, are Significant Subsidiaries (except to the extent that such guarantee would contravene, or result in a violation of, law or regulations applicable to such Restricted Subsidiary); and
- be structurally subordinated to all existing and future Indebtedness and trade payables of the Company’s Subsidiaries that do not Guarantee the notes.

As of March 31, 2014, on a pro forma basis after giving effect to this offering and the use of the net proceeds as described under “Use of Proceeds”:

- the Company and the Guarantors would have had consolidated total indebtedness of U.S.\$557.4 million, of which U.S.\$169.2 million would have been secured; and
- the Company’s Subsidiaries that are not Guarantors would have had consolidated total indebtedness and liabilities of U.S.\$133.9 million (including trade payables).

## **Additional Notes**

Subject to the limitations set forth under “—Certain Covenants—Limitation on Incurrence of Additional Indebtedness,” the Company and its Subsidiaries may incur additional Indebtedness. At the Company’s option, this additional Indebtedness may consist of additional notes (“Additional Notes”) issued by the Company in one or more transactions, which have identical terms (provided, that the issue date, the issue price and the first interest period may differ) as the notes issued on the Issue Date; *provided, however*, that unless such Additional Notes are issued under a separate CUSIP number, either such Additional Notes are part of the same “issue” for U.S. federal income tax purposes or are issued pursuant to a “qualified reopening” for U.S. federal income tax purposes. Holders of Additional Notes would have the right to vote together with holders of notes issued on the Issue Date as one class.

## **Principal, Maturity and Interest**

The Company will issue notes in minimum denominations of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof. The notes will mature on June 3, 2019, 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 7.500% per annum and will be payable semi-annually in arrears on each June 3 and December 3, commencing on December 3, 2014. Payments will be made to the persons who are registered holders at the close of business on May 19 and November 18, 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 notes with unpaid and accrued interest to the date of redemption will not affect the right of holders of record on a record date to receive interest due on an interest payment date. If any interest payment or redemption date falls on a day which is not a business day, payment of interest, principal and premium, if any, with respect to the notes will be made on the next succeeding business day with the same force and effect as if made on the original due date, and no interest on such payment will accrue from and after such due date.

Initially, the Trustee will act as paying agent (“Paying Agent”) and registrar (“Registrar”) for the notes. The Company may change the Paying Agent and Registrar without notice to holders. Payments on the notes will be made at the office or agency of the Paying Agent and Registrar in New York City. Application has been made to admit the notes to listing on the Official List of the Luxembourg Stock Exchange and to trading on the EuroMTF Market of the Luxembourg Stock Exchange. As long as the notes are listed on this market and as long as the rules of the Luxembourg Stock Exchange so require, the Company will also maintain a Paying Agent and a transfer agent in Luxembourg.

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

## **Additional Amounts**

We are required by Mexican law to deduct Mexican withholding taxes, and pay such taxes to the Mexican tax authorities, from payments of interest on the notes (and amounts deemed interest, as any discount on the principal amount of the notes) made to investors who are not residents of Mexico for tax purposes, and will pay additional amounts on those payments to the extent described in this subsection.

The Company, and the Guarantors, if any, will pay to holders of the notes all additional amounts (“Additional Amounts”) that may be necessary so that every net payment of interest, any premium paid upon redemption of the notes or principal to holders of the notes will not be less than the amount provided for in the notes. By net payment, we mean the amount we or our paying agent pay the holder after deducting or withholding an amount for or on account of any present or future taxes, duties, assessments or other governmental charges imposed with respect to

that payment by a Mexican taxing authority or any other jurisdiction in which the Company or any Guarantor is organized or resident for tax purposes or through which payment on the notes or the Note Guarantees is made (a “Relevant Jurisdiction”), or any political subdivision or taxing authority thereof or therein (“Taxes”).

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

- any Taxes imposed solely because at any time there is or was a connection between the holder or beneficial owner of the note and the Relevant Jurisdiction (or any political subdivision or taxing authority thereof or therein), including such holder or beneficial owner (i) being or having been a citizen or resident thereof for tax purposes, (ii) maintaining or having maintained an office, permanent establishment, or branch, in all cases subject to taxation therein, or (iii) being or having been present or engaged in a trade or business therein (other than the receipt of payments or the ownership or holding of a note),
- any estate, inheritance, gift, transfer or similar tax, assessment or other governmental charge imposed with respect to the notes,
- any Taxes imposed solely because the holder or any other person having a beneficial interest in the notes fails to comply with any certification, identification, information, documentation or other reporting requirement concerning the nationality, residence for tax purposes or, identity of the holder or any beneficial owner of the note, if compliance is required by statute, rule, regulation, officially published administrative practice of the taxing jurisdiction or by an applicable income tax treaty, which is in effect, to which Mexico or any other Relevant Jurisdiction is a party, as a precondition to exemption from, or reduction in the rate of, the tax assessment or other governmental charge and we (or the relevant Guarantor, if applicable) have given the holders at least 30 days’ notice that holders will be required to provide any such information, documentation or reporting requirement.
- any Taxes payable otherwise than by deduction or withholding from payments on the notes,
- any Taxes with respect to such note presented for payment more than 30 days after the date on which the payment became due and payable or the date on which payment thereof is duly provided for and notice thereof given to holders, whichever occurs later, except to the extent that the holders of such note would have been entitled to such Additional Amounts on presenting such note for payment on any date during such 30 day period, and
- any payment on the note to a holder that is a fiduciary or partnership or a person other than the sole beneficial owner of any such payment, to the extent that a beneficiary or settlor with respect to such fiduciary, a member of such a partnership or the beneficial owner of the payment would not have been entitled to the Additional Amounts had the beneficiary, settlor, member or beneficial owner been the holder of the note.

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

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

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

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

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

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

#### **Note Guarantees**

Each Guarantor will unconditionally guarantee the performance of all payment obligations of the Company under the Indenture and the notes. If after the Issue Date, the Company or any of its future Restricted Subsidiaries acquires or creates a Restricted Subsidiary that is a Significant Subsidiary after giving effect to that transaction or an existing Subsidiary becomes a Significant Subsidiary, the Company must cause such Significant Subsidiary to provide a Note Guarantee (except to the extent that such guarantee would contravene, or result in a violation of, law or regulations applicable to such Restricted Subsidiary). The Company shall, following the Issue Date, make a determination with respect to each of the first three fiscal quarters, 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 Subsidiary Guarantor following which such Subsidiary 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. Only Significant Subsidiaries will guarantee the notes. In the event of a bankruptcy, liquidation, *concurso mercantile*, *quiebra* or reorganization of non-guarantor Subsidiaries, these non-guarantor Subsidiaries will pay the holders of their debt and their trade creditors before they will be able to distribute any of their assets to the Company. In addition, holders of minority equity interests in Subsidiaries may receive distributions prior to or *pro rata* with the Company depending on the terms of the equity interests. See “Risk Factors—Risks Related to the Notes—Payments on the notes will be effectively junior to any of our secured indebtedness and structurally junior to debt obligations of our subsidiaries that are not guarantors.”

On the Issue Date, Financiera Finsol, S.A. de C.V., *Sociedad Financiera de Objeto Múltiple, Entidad No Regulada*, and Apoyo Económico Familiar, S.A. de C.V., *Sociedad Financiera de Objeto Múltiple, Entidad No Regulada* will be the only Guarantors.

As of the Issue Date, there are no Unrestricted Subsidiaries.

## **Optional Redemption**

### *Optional Redemption with a Make-Whole Premium*

At any time prior to June 3, 2017, the Company may, at its option, redeem the notes, in whole or in part, at a redemption price equal to 100% of the principal amount of such notes to be redeemed, plus the Make-Whole Amount and accrued and unpaid interest to the date of redemption plus Additional Amounts, if any.

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

(a) the present value at such redemption date of (x) the redemption price of such note at June 3, 2017 (such redemption price being set forth in the table below under “—Optional Redemption without a Make-Whole Premium”) plus (y) all required interest payments thereon through June 3, 2017 (excluding accrued but unpaid interest to the redemption date) discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 50 basis points; over

(b) the outstanding principal amount of such note.

“Treasury Rate” means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity or interpolated maturity (on a day count basis) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

“Comparable Treasury Issue” means the United States Treasury security or securities selected by the Independent Investment Banker as having an actual or interpolated maturity comparable to the remaining term of the notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a comparable maturity to the remaining term of such notes.

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

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

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

“Reference Treasury Dealer Quotation” means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Independent Investment Banker, of the bid and asked price for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Independent Investment Banker by such Reference Treasury Dealer at 3:30 p.m. New York time on the third business day preceding such redemption date.

*Optional Redemption without the Make-Whole Amount*

At any time on or after June 3, 2017, the Company may, at its option, redeem the notes, in whole or in part, at the following redemption prices, expressed as percentages of the principal amount thereof, if redeemed during the twelve-month period commencing on June 3 of any year set forth below, plus any Additional Amounts then due, if any, plus accrued and unpaid interest to the date of the redemption:

Year	Redemption Price
2017	103.750%
2018	101.875%
2019	100.000%

*Optional Redemption upon Equity Sales.* At any time, and from time to time, on or prior to June 3, 2017, the Company may, at its option, use the net cash proceeds of one or more Equity Sales to redeem up to 35% of the aggregate principal amount of the notes (including any Additional Notes) issued under the Indenture at a redemption price equal to 107.500% of the principal amount thereof, plus accrued and unpaid interest to the date of redemption, plus Additional Amounts, if any; *provided*, that:

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

“Equity Sale” means (i) a rights offering of Qualified Capital Stock of the Company made generally to the holders of such Qualified Capital Stock, (ii) any primary public or private offering of Qualified Capital Stock of the Company or (iii) any capital contribution received by the Company from any holder of Capital Stock that is accounted for as Qualified Capital Stock, in each case other than issuances upon exercise of (x) options by employees of the Company or any of its Subsidiaries or (y) any Outstanding Options.

“Outstanding Options” means any options for the purchase of the Company’s Capital Stock outstanding as of the Issue Date.

*Optional Redemption for Changes in Withholding Taxes.* If, as a result of any amendment to, or change in, the laws (or any rules or regulations thereunder) of a Relevant Jurisdiction, or any political subdivision or taxing authority or other instrumentality thereof or therein affecting taxation, or any amendment to or change in an official interpretation or application of such laws, rules or regulations, which amendment to or change of such laws, rules or regulations becomes effective on or after the Issue Date and, if applicable, after the date such Relevant Jurisdiction becomes a Relevant Jurisdiction (which, in the case of a merger, consolidation or other transaction permitted and described under “—Certain Covenants —Limitation on Merger, Consolidation and Sale of Assets,” shall be treated for this purpose as the date of such transaction), we have become obligated, or will become obligated, in each case



after taking all reasonable measures to avoid this requirement, to pay Additional Amounts in excess of those attributable to a Mexican withholding tax rate of 4.9% with respect to the notes (see “—Additional Amounts” and “Taxation—Mexican Taxation”), then, at our option, all, but not less than all, of the notes may be redeemed at any time on giving not less than 30 nor more than 60 days’ notice, at a redemption price equal to 100% of the outstanding principal amount, plus accrued and unpaid interest and any Additional Amounts due thereon up to, but not including, the date of redemption; *provided, however*, that (1) no notice of redemption for tax reasons may be given earlier than 90 days prior to the earliest date on which we would be obligated to pay these Additional Amounts if a payment on the notes were then due and (2) at the time such notice of redemption is given such obligation to pay such Additional Amounts remains in effect.

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

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

This notice, once delivered by us to the Trustee, will be irrevocable.

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

*Optional Redemption Procedures.* In the event that less than all of the notes are to be redeemed at any time, selection of notes for redemption will be made by the Trustee in compliance with the requirements of the principal securities exchange or market, if any, on which notes are listed or, if the notes are not then listed on a securities exchange or market, on a *pro rata* basis or by any other method subject to DTC’s applicable procedures. No notes of a principal amount of U.S.\$200,000 or less may be redeemed in part and notes of a principal amount in excess of U.S.\$200,000 may be redeemed in multiples of U.S.\$1,000 only.

Notice of any redemption will be delivered at least 30 but not more than 60 days before the redemption date to each holder of notes to be redeemed at its registered address. If notes are to be redeemed in part only, the notice of redemption will state the portion of the principal amount thereof to be redeemed. For so long as the notes are admitted to listing on the Official List of the Luxembourg Stock Exchange and to trading on the EuroMTF Market of the Luxembourg Stock Exchange and as long as the rules of the Luxembourg Stock Exchange so require, the Company will cause notices of redemption also to be published as provided under “—Certain Covenants—Notices.” A new note in a principal amount equal to the unredeemed portion thereof (if any, but not less than U.S.\$ 200,000) will be issued in the name of the holder thereof upon cancellation of the original note (or appropriate adjustments to the amount and beneficial interests in a Global Note will be made, as appropriate).

The Company will pay the redemption price for any note together with accrued and unpaid interest thereon to 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 (a “Change of Control Triggering Event”), each holder will have the right to require that the Company purchase all or a portion (in minimum principal amounts of U.S. \$200,000 and

integral multiples of U.S.\$1,000 in excess thereof) of the holder's notes at a purchase price equal to 101% of the principal amount thereof, plus accrued and unpaid interest thereon and any Additional Amounts, if any, through the date of purchase (the "Change of Control Triggering Event Payment").

Within 30 days following the date upon which the Change of Control Triggering Event occurred, the Company must deliver a notice to each holder, with a copy to the Trustee, offering to purchase the notes as described above (a "Change of Control Triggering Event Offer") and, so long as it is required by the rules of the Luxembourg Stock Exchange, publish the Change of Control Triggering Event Offer in a newspaper having a general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*). The Change of Control Triggering Event Offer shall state, among other things, the purchase date, which must be no earlier than 30 days nor later than 60 days from the date the notice is mailed, other than as may be required by law (the "Change of Control Triggering Event Payment Date"). On the 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 on the Business Day prior to any Change of Control Triggering Event with the Paying Agent funds in an amount equal to the Change of Control Triggering Event Payment in respect of all notes or portions thereof so tendered; and
- (3) deliver or cause to be delivered to the Trustee the notes so accepted together with an Officers' Certificate stating the aggregate principal amount of notes or portions thereof being purchased by the Company.

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

The Company will not be required to make a Change of Control Triggering Event Offer upon a Change of Control Triggering Event if (1) a third party makes the Change of Control Triggering Event Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Triggering Event Offer made by the Company and purchases all notes properly tendered and not withdrawn under the Change of Control Triggering Event Offer, or (2) notice of redemption has been given pursuant to the Indenture as described above under the caption "—Optional Redemption," unless and until there is a default in payment of the applicable redemption price.

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

In the event that holders of not less than 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 both Rating Agencies and (ii) no Default or Event of Default has occurred and is continuing (the occurrence of the events described in the foregoing clauses (i) and (ii) being collectively referred to as a “Covenant Suspension Event”, and the date on which such Covenant Suspension Event occurs being referred to as a “Suspension Date”), the Company and its Restricted Subsidiaries will not be subject to the provisions of the Indenture described under:

- “—Limitation on Incurrence of Additional Indebtedness”;
- “—Limitation on Guarantees”;
- “—Limitation on Restricted Payments”;
- “—Limitation on Asset Sales and Sales of Subsidiary Stock”;
- “—Limitation on 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”) one of the Rating Agencies withdraws its Investment Grade Rating or downgrades its rating assigned to the notes below an Investment Grade Rating, then the Company and its Restricted Subsidiaries will thereafter again be subject to the Suspended Covenants. The period of time between the Suspension Date and the Reversion Date is referred to as the “Suspension Period.” Notwithstanding that the Suspended Covenants may be reinstated, no Default or Event of Default will be deemed to have occurred as a result of a failure to comply with the Suspended Covenants during the Suspension Period (or upon termination of the Suspension Period or after that time based solely on events that occurred during the Suspension Period).

On the Reversion Date, all Indebtedness incurred during the Suspension Period will be classified as having been incurred pursuant to clause (1) of “—Limitation on Incurrence of Additional Indebtedness” below or one of the clauses set forth in clause (2) of “—Limitation on Incurrence of Additional Indebtedness” below (to the extent such Indebtedness would be permitted to be incurred thereunder as of the Reversion Date and after giving effect to Indebtedness incurred prior to the Suspension Period and outstanding on the Reversion Date). To the extent such Indebtedness would not be so permitted to be incurred pursuant to the first or second clauses of “—Limitation on Incurrence of Additional Indebtedness,” such Indebtedness will be deemed to have been outstanding on the Issue Date, so that it is classified as permitted under clause 2(c) of “—Limitation on Incurrence of Additional Indebtedness.” Calculations made after the Reversion Date of the amount available to be made as Restricted Payments under “—Limitation on Restricted Payments” will be made as though the covenant described under “—Limitation on Restricted Payments” had been in effect since the Issue Date and throughout the Suspension Period.

The Company will notify the Trustee of the occurrence of any Suspension Date or Reversion Date within 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, other than Indebtedness otherwise specified under any of the other clauses of this definition of Permitted Indebtedness;
  - (d) Hedging Obligations entered into by the Company and its Restricted Subsidiaries in the ordinary course of business and not for speculative purposes, including, without limitation, Hedging Obligations in respect of the notes 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) additional Indebtedness of the Company or any Restricted Subsidiary in an aggregate principal amount not to exceed the greater of (x) U.S.\$30.0million and (y) 12.5% of Consolidated Net Worth of the Company and its Restricted Subsidiaries at any time outstanding; and
  - (n) deposits from bank customers during any period of time that the Company is Operating as a Bank;
- (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)(n) above, or is entitled to be incurred pursuant to clause (1) of this covenant, the Company will be permitted to classify such item of Indebtedness on the date of its incurrence and will only be required to include the amount and type of such Indebtedness in one of the above clauses, although the Company may divide and classify an item of Indebtedness in one or more of the types of Indebtedness and may later re-divide or reclassify all or a portion of such item of Indebtedness in any manner that complies with this covenant. Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Company or any Restricted Subsidiary may incur pursuant to this covenant shall not be deemed to be exceeded as a result solely of fluctuations in exchange rates or currency values.
- (4) For purposes of determining compliance with any U.S. dollar denominated restriction on the incurrence of Indebtedness where the Indebtedness Incurred is denominated in a different currency, the amount of such Indebtedness will be the U.S. Dollar Equivalent determined on the date of the Incurrence of such Indebtedness; provided, however, that if any such Indebtedness denominated in a different currency is subject to a Currency Agreement with respect to U.S. dollars covering all principal, premium, if any, and interest payable on such Indebtedness, the amount of such Indebtedness expressed in U.S. dollars will be as provided in such Currency Agreement. The principal amount of any Refinancing Indebtedness Incurred in the same currency as the Indebtedness being Refinanced will be the U.S. Dollar Equivalent of the Indebtedness Refinanced except to the extent that (x) such U.S. Dollar Equivalent was determined based on a Currency Agreement, in which case the Refinancing Indebtedness will be determined in accordance with the preceding sentence, and (y) the principal amount of the Refinancing Indebtedness exceeds the principal amount of the Indebtedness being Refinanced, in which case the U.S. Dollar Equivalent of such excess will be determined on the date such Refinancing Indebtedness is Incurred.

#### ***Limitation on Guarantees***

The Company will not permit any Restricted Subsidiary of the Company that is not a Guarantor to Guarantee any Indebtedness of the Company or to secure any Indebtedness of the Company with a Lien on the assets of such

Restricted Subsidiary, unless contemporaneously therewith (or prior thereto) effective provision is made to Guarantee or secure the notes on an equal and ratable basis with such Guarantee or Lien for so long as such Guarantee or Lien remains effective, and in an amount equal to the amount of Indebtedness so Guaranteed or secured. Any Guarantee by any such Restricted Subsidiary of Subordinated Indebtedness of the Company will be subordinated and junior in right of payment to the contemporaneous Guarantee of the notes by such Restricted Subsidiary.

In the event that any Restricted Subsidiary is required to Guarantee the notes in accordance with the preceding paragraph such Restricted Subsidiary will be released and relieved of its obligations under such Guarantee as provided under “—Note Guarantees”.

#### ***Limitation on Restricted Payments***

The Company will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, take any of the following actions (each, a “Restricted Payment”):

- (a) declare or pay any dividend or return of capital or make any distribution on or in respect of shares of Capital Stock of the Company or any Restricted Subsidiary to holders of such Capital Stock, other than:
  - dividends, distributions or other returns of capital payable in Qualified Capital Stock of the Company,
  - dividends, distributions or other returns of capital payable to the Company and/or a Restricted Subsidiary, or
  - dividends, distributions or other returns of capital made on a pro rata basis to the Company and its Restricted Subsidiaries, on the one hand, and minority holders of Capital Stock of a Restricted Subsidiary, on the other hand (or on a less than *pro rata* basis to any minority holder);
- (b) purchase, redeem or otherwise acquire or retire for value any Capital Stock of the Company, or any Capital Stock of any Restricted Subsidiary held by an Affiliate of the Company (other than a Restricted Subsidiary) or any Preferred Stock of a Restricted Subsidiary, except for Capital Stock held by the Company or a Restricted Subsidiary or purchases, redemptions, acquisitions or retirements for value of Capital Stock on a *pro rata* basis from the Company and/or any Restricted Subsidiaries, on the one hand, and minority holders of Capital Stock of a Restricted Subsidiary, on the other hand, according to their respective percentage ownership of the Capital Stock of such Restricted Subsidiary;
- (c) make any principal payment on, purchase, defease, redeem, prepay, decrease or otherwise acquire or retire for value, prior to any scheduled final maturity, scheduled repayment or scheduled sinking fund payment, as the case may be, any Subordinated Indebtedness or any Capital Securities (excluding (x) any intercompany Indebtedness between or among the Company and/or any Restricted Subsidiaries or (y) the purchase, repurchase or other acquisition of Indebtedness that is contractually subordinate or otherwise junior in right of payment to the notes or any Note Guarantee, as the case may be, purchased in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case within one year of such date of purchase, repurchase or acquisition); or
- (d) make any Investment (other than Permitted Investments);

if immediately after giving effect to such Restricted Payment:

- (1) a Default or an Event of Default shall have occurred and be continuing;
- (2) the Company is not able to Incur at least U.S.\$1.00 of additional Indebtedness pursuant to clause (1) of “—Limitation on Incurrence of Additional Indebtedness”; or
- (3) at any time that the Company is not Operating as a Bank, the aggregate amount (the amount expended for these purposes, if other than in cash, being the Fair Market Value of the relevant property) of the

proposed Restricted Payment and all other Restricted Payments made subsequent to the Issue Date up to the date thereof, shall exceed the sum of:

- (A) 50.0% of cumulative Consolidated Net Income of the Company or, if such cumulative Consolidated Net Income of the Company is a loss, minus 100.0% of the loss, accrued during the period, treated as one accounting period, beginning on the first day of the fiscal quarter during which the Issue Date occurs to the end of the most recent fiscal quarter for which consolidated financial information of the Company is available; *plus*
- (B) 100.0% of the aggregate net proceeds, including cash and the Fair Market Value of property used in a Permitted Business (other than cash), received by the Company from any Person from any:
  - contribution to the equity capital of the Company not representing an interest in Disqualified Capital Stock, or issuance and sale of Qualified Capital Stock of the Company, in each case, subsequent to the Issue Date,
  - issuance and sale subsequent to the Issue Date (and, in the case of Indebtedness of a Restricted Subsidiary, at such time as it was a Restricted Subsidiary) of any Indebtedness of the Company or any Restricted Subsidiary that has been converted into or exchanged for Qualified Capital Stock of the Company, or
  - issuance and sale subsequent to the Issue Date of any Capital Securities.excluding, in each case, any net proceeds:
  - (x) received from a Restricted Subsidiary of the Company; or
  - (y) applied in accordance with clause (2) or (3) of the second paragraph of this covenant below; *plus*
- (C) any Investment Return; plus
- (D) U.S.\$15.0 million;

OR

at any time that the Company is Operating as a Bank (and in lieu of the preceding provisions of this clause (3)), the Capitalization Ratio of the Company would be less than 15.0%.

Notwithstanding the preceding paragraph, this covenant does not prohibit:

- (1) the payment of any dividend or distribution or the consummation of any irrevocable redemption of Subordinated Indebtedness within 60 days after the date of declaration of such dividend or distribution or giving of the redemption notice, as the case may be, if the dividend, distribution or redemption would have been permitted on the date of declaration or notice pursuant to the preceding paragraph;
- (2) the making of any Restricted Payment,
  - (x) in exchange for Qualified Capital Stock of the Company, or
  - (y) through the application of the net proceeds received by the Company from a substantially concurrent sale of Qualified Capital Stock of the Company or a contribution to the equity capital of the Company not representing an interest in Disqualified Capital Stock, in each case not received from a Subsidiary of the Company; or
  - (z) through the application of the net proceeds received by the Company from a substantially concurrent issuance or sale of Capital Securities;



- provided*, that the value of any such Qualified Capital Stock or Capital Securities used or the net proceeds of which are used to make a Restricted Payment pursuant to this clause (2) shall be excluded from clause (3)(B) of the first paragraph of this covenant;
- (3) the voluntary prepayment, purchase, defeasance, redemption or other acquisition or retirement for value of any Subordinated Indebtedness solely in exchange for, or through the application of net proceeds of a substantially concurrent sale, other than to a Subsidiary of the Company, of Refinancing Indebtedness for such Subordinated Indebtedness;
  - (4) repurchases by the Company of Common Stock of the Company or options, warrants or other securities exercisable or convertible into Common Stock of the Company from any current or former employees, officers, directors or consultants of the Company or any of its Subsidiaries or their authorized representatives upon the death, disability or termination of employment or directorship of such employees, officers or directors, or the termination or retention of any such consultants, in an amount not to exceed U.S.\$2.0 million in any calendar year (with unused amounts in any calendar year being permitted to be carried over into succeeding calendar years up to a maximum of U.S.\$2.0 million) plus the cash proceeds of key man life insurance policies received by the Company and its Restricted Subsidiaries;
  - (5) the repurchase of Capital Stock (i) deemed to occur upon the exercise of stock options or warrants to the extent such Capital Stock represents a portion of the exercise price of those stock options or warrants or (ii) made, or deemed to be made, in connection with the granting to or exercise of stock options or warrants of employees, officers or directors of the Company or any of its Subsidiaries under plans duly approved by the Company;
  - (6) if no Default or Event of Default shall have occurred and be continuing, the declaration and payment of regularly scheduled or accrued dividends or distributions to holders of any class or series of Disqualified Capital Stock of the Company or any Restricted Subsidiary issued on or after the Issue Date in accordance with the covenant “—Limitation on Incurrence of Additional Indebtedness”;
  - (7) the repurchase, redemption or other acquisition or retirement for value of any Subordinated Indebtedness of the Company pursuant to and in accordance with the terms of a “change of control” covenant set forth in the indenture or other agreement pursuant to which such Subordinated Indebtedness is issued and such “change of control” covenant is substantially similar to the Change of Control Triggering Event provision included in the Indenture; *provided* that the Company (or another Person) has repurchased all notes required to be repurchased by the Company under the caption “—Change of Control Triggering Event” prior to the purchase, redemption or other acquisition or retirement for value of such Subordinated Indebtedness pursuant to the applicable “change of control” covenant;
  - (8) if no Default or Event of Default shall have occurred and be continuing, the purchase by the Company of fractional shares arising out of stock dividends, splits or combinations or business combinations; *provided*, that such purchases are not made for the purposes of circumventing the provisions of this covenant;
  - (9) the repurchase of Capital Stock of the Company on the open market, as permitted by Mexican law and approved by the Company’s shareholders, in an amount not to exceed U.S.\$5.0 million in any year; and
  - (10) if no Default or Event of Default shall have occurred and be continuing, other Restricted Payments in an aggregate amount not to exceed U.S.\$5.0 million per annum (with unused amounts from any one calendar year being permitted to be carried over but only into the immediately succeeding calendar year).

In determining the aggregate amount of Restricted Payments made subsequent to the Issue Date, amounts expended pursuant to clauses (1) (without duplication for the declaration of the relevant dividend), (4), (6) and (8) above shall

be included in such calculation and amounts expended pursuant to clauses (2), (3), (5), (7), (9) and (10) above shall not be included in such calculation.

***Limitation on Asset Sales and Sales of Subsidiary Stock***

The Company will not, and will not permit any of its Restricted Subsidiaries to, consummate an Asset Sale unless:

- (a) the Company or the applicable Restricted Subsidiary, as the case may be, receives consideration at the time of such Asset Sale at least equal to the Fair Market Value of the assets or Capital Stock sold or otherwise disposed of, and
- (b) at least 75% of the consideration received for the assets or Capital Stock sold by the Company or the Restricted Subsidiary, as the case may be, in such Asset Sale shall be in the form of cash or Cash Equivalents received at the time of such Asset Sale.

For purposes of the immediately preceding clause (b), each of the following will be deemed to be cash:

- (1) any liabilities that are included on the balance sheet of the Company or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the notes) that are assumed by the transferee of any such assets and as a result of which the Company or such Restricted Subsidiary, as the case may be, are fully and unconditionally released from any further liability in connection therewith;
- (2) any securities, notes or other obligations or assets received by the Company or any such Restricted Subsidiary from such transferee that are converted by the Company or such Restricted Subsidiary into cash or Cash Equivalents within 180 days of the receipt thereof (subject to ordinary settlement periods), to the extent of the cash or Cash Equivalents received in that conversion;
- (3) the Fair Market Value of any Capital Stock of a Person engaged in a Permitted Business that will become, upon purchase, a Restricted Subsidiary or assets (other than current assets as determined in accordance with GAAP or Capital Stock) to be used by the Company or any Restricted Subsidiary in a Permitted Business; and
- (4) any Designated Non-cash Consideration received by the Company or any of its Restricted Subsidiaries in such Asset Sale; provided that the aggregate Fair Market Value of such Designated Non-cash Consideration, taken together with the Fair Market Value at the time of receipt of all other Designated Non-cash Consideration received pursuant to this clause (4) less the amount of Net Proceeds previously realized in cash or Cash Equivalents from the sale of prior Designated Non-cash Consideration is less than the greater of (x) 5.0% of Consolidated Tangible Assets at the time of the receipt of such Designated Non-cash Consideration and (y) U.S.\$25.0 million, in each case with the Fair Market Value of each item of Designated Non-cash Consideration being measured at the time received and without giving effect to subsequent changes in value;

*provided*, that amounts received pursuant to clauses (1), (3) and (4) shall not be deemed to constitute Net Cash Proceeds for purposes of making an Asset Sale Offer.

The Company or such Restricted Subsidiary, as the case may be, may apply the Net Cash Proceeds of any such Asset Sale within 365 days thereof to:

- (a) repay any Senior Indebtedness of the Company or a Guarantor, any Indebtedness secured by the assets subject to such Asset Sale or Indebtedness of any Restricted Subsidiary that is not a Guarantor (in each case owing to a Person other than the Company or any Restricted Subsidiary and including, in each case without limitation, Capitalized Lease Obligations),
- (b) make capital expenditures in a Permitted Business, and/or

- (c) purchase
  - (1) assets (other than current assets as determined in accordance with GAAP or Capital Stock) to be used by the Company or any Restricted Subsidiary in a Permitted Business,
  - (2) all or substantially all of the assets of, or any Capital Stock of, a Person engaged in a Permitted Business if, after giving effect to any such acquisition, such Person is or becomes or such assets are contributed to a Restricted Subsidiary, or
  - (3) enter into a binding commitment with a Person, other than the Company or any of its Restricted Subsidiaries, to apply such Net Cash Proceeds pursuant to clause (b) and/or (c) above, *provided* that such binding commitment shall be subject only to customary conditions and the applicable purchase shall be consummated within 180 days following the expiration of the aforementioned 365-day period.

To the extent all or a portion of the Net Cash Proceeds of any Asset Sale are not applied within the 365 days of the Asset Sale as described in clause (a), (b) and/or (c) of the immediately preceding paragraph, the Company will make an offer to purchase notes (the "Asset Sale Offer"), at a purchase price equal to 100% of the principal amount of the notes to be purchased, plus accrued and unpaid interest thereon, to the date of purchase (the "Asset Sale Offer Amount"). The Company will purchase pursuant to an Asset Sale Offer from all tendering holders on a *pro rata* basis, and, at the Company's option, on a *pro rata* basis with the holders of any other Senior Indebtedness with similar provisions requiring the Company to offer to purchase the other Senior Indebtedness with the proceeds of Asset Sales, that principal amount (or accreted value in the case of Indebtedness issued with original issue discount) of notes and the other Senior Indebtedness to be purchased equal to such unapplied Net Cash Proceeds. The Company may satisfy its obligations under this covenant with respect to the Net Cash Proceeds of an Asset Sale by making an Asset Sale Offer prior to the expiration of the relevant 365-day period.

The purchase of notes pursuant to an Asset Sale Offer will occur not less than 30 days following the date notice of the Asset Sale Offer is given to the Holders, or any longer period as may be required by applicable law or regulation, nor more than 60 days following such notice. The Company may, however, defer an Asset Sale Offer until there is an aggregate amount of unapplied Net Cash Proceeds from one or more Asset Sales equal to or in excess of U.S.\$20.0 million. At that time, the entire amount of unapplied Net Cash Proceeds, and not just the amount in excess of U.S.\$20.0 million, will be applied as required pursuant to this covenant. Pending application in accordance with this covenant, Net Cash Proceeds may be applied to temporarily reduce revolving credit borrowings or Invested in Cash Equivalents.

Each notice of an Asset Sale Offer will be delivered to the record holders as shown on the register of holders within 30 days following such 365th day (except in the case of clause (c)(3) in which case such period shall be extended for 180 days), with a copy to the Trustee offering to purchase the notes as described above. Each notice of an Asset Sale Offer will state, among other things, the purchase date, which must be no earlier than 30 days nor later than 60 days from the date the notice is delivered, other than as may be required by law (the "Asset Sale Offer Payment Date"). Upon receiving notice of an Asset Sale Offer, holders may elect to tender their notes in whole or in part in minimum principal amounts of U.S.\$ 200,000 and integral multiples of U.S.\$1,000 in excess thereof in exchange for cash.

On 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;
- (2) deposit on the Business Day prior to the Asset Sale Offer Payment Date 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 the notes so accepted together with an Officers' Certificate stating the aggregate principal amount of notes or portions thereof being purchased by the Company.

To the extent holders of notes and holders of other Senior Indebtedness, if any, which are the subject of an Asset Sale Offer properly tender and do not withdraw notes or the other Senior Indebtedness in an aggregate amount exceeding the amount of unapplied Net Cash Proceeds, the Company will purchase the notes and the other Senior Indebtedness on a *pro rata* basis (based on amounts tendered) 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 and will be taxed in the holder's home jurisdiction in the same manner and on the same amounts (assuming solely for this purpose that no Additional Amounts are required to be paid on the notes) and at the same times as would have been the case if the transaction had not occurred,
  - (ii) any payment of interest or principal under or relating to the notes or any Note Guarantee will be paid in compliance with any requirements under the section "—Additional Amounts," and
  - (iii) no other taxes on income, including capital gains, will be payable by holders of the notes under the laws of Mexico or the relevant Qualified Merger Jurisdiction relating to the acquisition, ownership or disposition of the notes, including the receipt of interest or principal thereon; *provided* that the holder does not use or hold, and is not deemed to use or hold the notes in carrying on a business in Mexico or the relevant Qualified Merger Jurisdiction, and
- (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
- 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 Stock) of the Company to Affiliates of the Company or to any director, officer, employee or consultant of the Company, and the granting and performance of registration rights;
- (h) transactions between the Company or any of its Restricted Subsidiaries and any Securitization Vehicle in the ordinary course of business in connection with Loan- Related Securitizations; and
- (i) transactions with customers, clients, suppliers or purchasers or sellers of goods or services, in each case in the ordinary course of business and otherwise in compliance with the terms of the Indenture, which are fair to the Company or its Restricted Subsidiaries (as applicable), or are on terms at least as favorable as might reasonably have been obtained at such time from an unaffiliated party.

### ***Conduct of Business***

The Company and its Restricted Subsidiaries will not engage in any business other than a Permitted Business.

### ***Reports to Holders***

So long as any notes are outstanding, the Company will furnish to the Trustee:

- (a) Within 120 days following the end of each of the Company's fiscal years, financial information (presented in the English language) consisting of the sections titled "Selected Consolidated Financial Information and Other Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and with scope and content substantially similar to the corresponding sections of this offering memorandum (after taking into consideration any changes to the business and operations of the Company after the Issue Date), consolidated audited income statements, balance sheets and cash flow statements and the related notes thereto for the Company for the two most recent fiscal years in accordance with GAAP, which need not, however, contain any reconciliation to U.S. GAAP or otherwise comply with Regulation S-X of the U.S. Securities and Exchange Commission, together with an audit report thereon by the Company's independent auditors; and
- (b) Within 60 days following the end of each of the first three fiscal quarters in each of the Company's fiscal years (beginning with the fiscal quarter ended June 30, 2014), quarterly financial information consisting of unaudited balance sheets, statements of income and statements of cash flows and the related notes thereto for the Company and the Restricted Subsidiaries on a consolidated basis, in each case for the quarterly period then ended and the corresponding quarterly period in the prior fiscal year and prepared in accordance with GAAP, which need not, however, contain any reconciliation to U.S. GAAP or otherwise comply with Regulation S-X of the U.S. Securities and Exchange Commission, together with other financial information and a discussion of results, in each case with a substantially similar level of information in all material respects as provided by the Company in its quarterly results as filed with the CNBV and the Mexican Stock Exchange (in each case, presented in the English language).

None of the information provided pursuant to the preceding paragraph shall be required to comply with Regulation S-K as promulgated by the U.S. Securities and Exchange Commission. In addition, the Company shall furnish to the holders of the notes and to prospective investors, upon the requests of such holders, any information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act so long as the notes are not freely transferable under the Exchange Act by Persons who are not "affiliates" under the Securities Act.

In addition, if and so long as the notes are admitted to listing on the Official List of the Luxembourg Stock Exchange and to trading on the EuroMTF Market of the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, copies of such reports furnished to the Trustee will also be made available at the specified office of the paying agent in Luxembourg.

The requirement to provide any report to the Trustee shall be deemed satisfied if such report is made available on the Company's publicly available website.

Delivery of such reports, information and documents to the Trustee is for informational purposes only and the Trustee's receipt thereof shall not constitute constructive notice of any information contained therein or determinable for information contained therein, including the Company's compliance with any of its covenants hereunder (as to which the Trustee is entitled to rely exclusively and conclusively on Officer's Certificates).

### ***Listing***

In the event that the notes are admitted to listing on the Official List of the Luxembourg Stock Exchange and to trading on the EuroMTF Market of the Luxembourg Stock Exchange, the Company will use its commercially reasonable efforts to maintain such admission to listing and trading; *provided* that if, as a result of any applicable rule, requirement or legislation, the Company could be required to publish financial information either more regularly than it otherwise would be required to or according to accounting principles which are materially different from the accounting principles which the Company would otherwise use to prepare its published financial information, the Company may delist the notes in accordance with the rules of the Luxembourg Stock Exchange and seek an alternative admission to listing, trading and/or quotation for the notes on a different section of the Luxembourg Stock Exchange or by such other listing authority, stock exchange and/or quotation system inside or outside the European Union as the Company may decide, in its good faith determination; *provided that* such listing authority, stock exchange or quotation system has a comparable standing as the Luxembourg Stock Exchange.

### ***Notices***

From and after the date the notes are admitted to listing on the Official List of the Luxembourg Stock Exchange and to trading on the EuroMTF Market of the Luxembourg Stock Exchange and so long as it is required by the rules of such exchange, all notices to holders of notes will be published in English:

- (1) in a leading newspaper having a general circulation in Luxembourg (which is expected to be the Luxemburger Wort);
- (2) if such Luxembourg publication is not practicable, in one other leading English language newspaper being published on each day in morning editions, whether or not it shall be published in Saturday, Sunday or holiday editions; or
- (3) on the website of the Luxembourg Stock Exchange, at [www.bourse.lu](http://www.bourse.lu).

Notices shall be deemed to have been given on the date of publication as aforesaid or, if published on different dates, on the date of the first such publication. In addition, notices will be mailed to holders of notes at their registered addresses.

### **Events of Default**

The following are "Events of Default":

- (1) default in the payment when due of the principal of or premium, if any, on any notes, including the failure to make a required payment to purchase notes pursuant to an optional redemption, Change of Control Triggering Event Offer or an Asset Sale Offer;
- (2) default for 30 days or more in the payment when due of interest or Additional Amounts, if any, on any notes;

- (3) the failure to perform or comply with any of the provisions described under “Certain Covenants—Merger, Consolidation and Sale of Assets;
- (4) the failure by the Company or any Restricted Subsidiary to comply with any other covenant or agreement contained in the Indenture or in the notes for 30 days or more after written notice to the Company from the Trustee or the holders of at least 25% in aggregate principal amount of the outstanding notes;
- (5) default by the Company or any Restricted Subsidiary that is a Significant Subsidiary under any Indebtedness which:
  - (a) is caused by a failure to pay principal of or premium, if any, or interest on such Indebtedness prior to the expiration of any applicable grace period provided in the instrument governing such Indebtedness on the date of such default; or
  - (b) results in the acceleration of such Indebtedness prior to its stated maturity;

and, in each case, the principal or accreted amount of Indebtedness at the relevant time, aggregates U.S.\$10.0 million or more;
- (6) failure by the Company or any Restricted Subsidiary that is a Significant Subsidiary to pay one or more final judgments against any of them, aggregating U.S.\$10.0 million or more, which judgment(s) are not paid, discharged or stayed for a period of 60 days or more;
- (7) certain events of bankruptcy affecting the Company or any of its Restricted Subsidiaries that are Significant Subsidiaries, including the declaration of their *concurso mercantil*; or
- (8) any Note Guarantee of a Significant Subsidiary ceases to be in full force and effect, other than in accordance with the terms of the Indenture, or a Guarantor denies or disaffirms its obligations under its Note Guarantee.

If an Event of Default (other than an Event of Default specified in clause (7) above with respect to the Company) shall occur and be continuing, the Trustee or the holders of at least 25% in principal amount of outstanding notes may declare the unpaid principal of (and premium, if any) and accrued and unpaid interest on all the notes to be immediately due and payable by notice in writing to the Company and the Trustee specifying the Event of Default and that it is a “notice of acceleration.” If an Event of Default specified in clause (7) above occurs with respect to the Company, then the unpaid principal of (and premium, if any) and accrued and unpaid interest on all the notes will become immediately due and payable without any declaration or other act on the part of the Trustee or any holder.

At any time after a declaration of acceleration with respect to the notes as described in the preceding paragraph, the holders of a majority in principal amount of the notes may rescind and cancel such declaration and its consequences:

- (1) if the rescission would not conflict with any judgment or decree;
- (2) if all existing Events of Default have been cured or waived, except nonpayment of principal or interest that has become due solely because of the acceleration;
- (3) to the extent the payment of such interest is lawful, interest on overdue installments of interest and overdue principal, which has become due otherwise than by such declaration of acceleration, has been paid; and
- (4) if the Company has paid the Trustee its reasonable compensation and reimbursed the Trustee for its reasonable expenses (including the fees and expenses of its counsel), disbursements and advances.

No rescission will affect any subsequent Default or impair any rights relating thereto.

The holders of a majority in principal amount of the notes may waive any existing Default or Event of Default under the Indenture, and its consequences, except a default in the payment of the principal of, premium, if any, or interest on any notes.

In the event of any Event of Default specified in clause (5) of the first paragraph above, such Event of Default and all consequences thereof (excluding, however, any resulting payment default) will be annulled, waived and rescinded, automatically and without any action by the Trustee or the holders, if within 30 days after such Event of Default arose the Company delivers an Officers' Certificate to the Trustee stating that (x) the Indebtedness or Guarantee that is the basis for such Event of Default has been discharged or (y) the holders thereof have rescinded or waived the acceleration, notice or action (as the case may be) giving rise to such Event of Default or (z) the default that is the basis for such Event of Default has been cured, it being understood that in no event shall an acceleration of the principal amount of the notes as described above be annulled, waived or rescinded upon the happening of any such events.

Subject to the provisions of the Indenture relating to the duties of the Trustee, the Trustee is under no obligation to exercise any of its rights or powers under the Indenture at the request, order or direction of any of the holders, unless such holders have offered to the Trustee satisfactory indemnity or security. Subject to all provisions of the Indenture and applicable law, the holders of a majority in aggregate principal amount of the then outstanding notes have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee.

No holder of any notes will have any right to institute any proceeding with respect to the Indenture or for any remedy thereunder, unless:

- (1) such holder gives to the Trustee written notice of a continuing Event of Default;
- (2) holders of at least 25% in principal amount of the then outstanding notes make a written request to pursue the remedy;
- (3) such holders of the notes provide to the Trustee satisfactory indemnity or security;
- (4) the Trustee does not comply within 60 days; and
- (5) during such 60 day period the holders of a majority in principal amount of the outstanding notes do not give the Trustee a written direction which, in the opinion of the Trustee, is inconsistent with the request;

*provided*, that a holder of a note may institute suit for enforcement of payment of the principal of and premium, if any, or interest on such note on or after the respective due dates expressed in such note.

Upon becoming aware of any Default or Event of Default, the Company is required to deliver to the Trustee written notice of events which would constitute such Defaults or Events of Default, their status and what action the Company is taking or proposes to take in respect thereof. In addition, the Company is required to deliver to the Trustee, within 105 days after the end of each fiscal year, an Officers' Certificate indicating whether the signers thereof know of any Default or Event of Default that occurred during the previous fiscal year. The Indenture provides that if a Default or Event of Default occurs, is continuing and is actually known to a responsible officer of the Trustee, the Trustee must deliver to each holder notice of the Default or Event of Default within 90 days after the occurrence thereof. Except in the case of a Default or Event of Default in the payment of principal of, premium, if any, or interest on any note, the Trustee may withhold notice if and so long as its trust officer in good faith determines that withholding notice is in the interests of the holders.

Other than with respect to payment defaults, the Trustee shall not be charged with knowledge of any Default or Event of Default with respect to the Notes unless a written notice of such Default or Event of Default shall have been given to an officer of the Trustee with direct responsibility for the administration of the Indenture and the Notes, by the Company or any Holders of Notes.

## Legal Defeasance and Covenant Defeasance

The Company may, at its option and at any time, elect to have its obligations with respect to outstanding notes and all obligations of each Guarantor under the Note Guarantees discharged (“Legal Defeasance”). Such Legal Defeasance means that the Company will be deemed to have paid and discharged the entire indebtedness represented by the outstanding notes and the Note Guarantees after the deposit specified in clause (1) of the second following paragraph, except for:

- (1) the rights of holders to receive payments in respect of the principal of, premium, if any, and interest on the notes when such payments are due;
- (2) the Company’s obligations with respect to the notes concerning issuing temporary notes, registration of notes, mutilated, destroyed, lost or stolen notes and the maintenance of an office or agency for payments;
- (3) the rights, powers, trust, duties, indemnities and immunities of the Trustee and the Company’s and each Guarantor’s obligations in connection therewith; and
- (4) the Legal Defeasance provisions of the Indenture.

In addition, the Company may, at its option and at any time, elect to have its obligations and the obligations of each Guarantor released with respect to certain covenants (including, without limitation, obligations to make Change of Control Triggering Event Offers, Asset Sale Offers, the obligations described under “—Certain Covenants” and the cross-acceleration provisions and judgment default provisions described under “Events of Default”) that are described in the Indenture (“Covenant Defeasance”) and thereafter any omission to comply with such obligations will not constitute a Default or Event of Default with respect to the notes or the Note Guarantees. In the event Covenant Defeasance occurs, certain events (not including non-payment, bankruptcy, receivership, reorganization and insolvency events) described under “Events of Default” will no longer constitute an Event of Default with respect to the notes.

In order to exercise either Legal Defeasance or Covenant Defeasance:

- (1) the Company must irrevocably deposit with the Trustee, in trust, for the benefit of the holders cash in U.S. dollars, certain direct non-callable obligations of, or guaranteed by, the United States, or a combination thereof, in such amounts as will be sufficient without reinvestment, in the opinion of a nationally recognized investment bank, appraisal firm or firm of independent public accountants, to pay the principal of, premium, if any, and interest (including Additional Amounts) on the notes on the stated date for payment thereof or on the applicable redemption date, as the case may be;
- (2) in the case of Legal Defeasance, the Company has delivered to the Trustee an Opinion of Counsel from counsel in the United States reasonably acceptable to the Trustee (subject to customary exceptions and exclusions) and independent of the Company to the effect that:
  - (a) the Company has received from, or there has been published by, the Internal Revenue Service a ruling; or
  - (b) since the Issue Date, there has been a change in the applicable U.S. federal income tax law,in either case to the effect that, and based thereon such Opinion of Counsel shall state that, the holders will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Legal Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;
- (3) in the case of Covenant Defeasance, the Company has delivered to the Trustee an Opinion of Counsel in the United States reasonably acceptable to the Trustee (subject to customary exceptions and exclusions) to the effect that the holders will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Covenant Defeasance and will be subject to U.S. federal

- income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;
- (4) in the case of Legal Defeasance or Covenant Defeasance, the Company has delivered to the Trustee:
    - (a) an Opinion of Counsel from Mexican legal counsel reasonably acceptable to the Trustee (subject to customary exceptions and exclusions) and independent of the Company to the effect that, based upon Mexican law then in effect, holders will not recognize income, gain or loss for Mexican tax purposes, including withholding tax except for withholding tax then payable on interest payments due, as a result of Legal Defeasance or Covenant Defeasance, as the case may be, and will be subject to Mexican taxes on the same amounts and in the same manner and at the same time as would have been the case if such Legal Defeasance or Covenant Defeasance, as the case may be, had not occurred, or
    - (b) a ruling directed to the Trustee received from the tax authorities of Mexico to the same effect as the Opinion of Counsel described in clause (a) above;
  - (5) no Default or Event of Default shall have occurred and be continuing on the date of the deposit pursuant to clause (1) of this paragraph (except any Default or Event of Default resulting from the failure to comply with “—Certain Covenants—Limitation on Incurrence of Additional Indebtedness” as a result of the borrowing of the funds required to effect such deposit);
  - (6) the Trustee has received an Officers’ Certificate stating that such Legal Defeasance or Covenant Defeasance shall not result in a breach or violation of, or constitute a default under the Indenture or any other material agreement or instrument to which the Company or any of its Subsidiaries is a party or by which the Company or any of its Subsidiaries is bound;
  - (7) the Company has delivered to the Trustee an Officers’ Certificate stating that the deposit was not made by the Company with the intent of preferring the holders over any other creditors of the Company or any Subsidiary of the Company or with the intent of defeating, hindering, delaying or defrauding any other creditors of the Company or others;
  - (8) the Company has delivered to the Trustee an Officers’ Certificate and an Opinion of Counsel from counsel reasonably acceptable to the Trustee (subject to customary exceptions and exclusions) and independent of the Company, each stating that all conditions precedent provided for or relating to the Legal Defeasance or the Covenant Defeasance have been complied with; and
  - (9) the Company has delivered to the Trustee an Opinion of Counsel from counsel reasonably acceptable to the Trustee and independent of the Company to the effect that the trust funds will not be subject to the effect of any applicable bankruptcy, insolvency, reorganization or similar laws affecting creditors’ rights generally.

### **Satisfaction and Discharge**

The Indenture will be discharged and will cease to be of further effect (except as to surviving rights or registration of transfer or exchange of the notes, as expressly provided for in the Indenture) as to all outstanding notes when:

- (1) either:
  - (a) all the notes previously authenticated and delivered (except lost, stolen or destroyed notes which have been replaced or paid and notes for whose payment money has previously been deposited in trust or segregated and held in trust by the Company and thereafter repaid to the Company or discharged from such trust) have been delivered to the Trustee for cancellation; or

- (b) all notes not previously delivered to the Trustee for cancellation (i) have become due and payable, (ii) will become due and payable within one year or (iii) are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of a redemption by the Trustee and, in each case, the Company has irrevocably deposited or caused to be deposited with the Trustee funds or certain direct, non-callable obligations of, or guaranteed by, the United States sufficient without reinvestment in the opinion of an internationally recognized investment bank, appraisal firm or firm of independent public accountants to pay and discharge the entire Indebtedness on the notes not previously delivered to the Trustee for cancellation, for principal of, premium, if any, and interest on the notes to the date of deposit, together with irrevocable instructions from the Company directing the Trustee to apply such funds to the payment;
- (2) the Company has paid all other sums payable under the Indenture and the notes by it; and
- (3) the Company has delivered to the Trustee an Officers' Certificate stating that all conditions precedent under the Indenture relating to the satisfaction and discharge of the Indenture have been complied with.

### **Modification of the Indenture, Notes and/or the Note Guarantees**

From time to time, the Company, each Guarantor and the Trustee, without the consent of the holders, may amend the Indenture, the notes or the Note Guarantees for certain specified purposes, including curing ambiguities, omissions, defects or inconsistencies, to provide for uncertificated notes in addition to or in place of certificated notes; to provide for the assumption of the Company's or a Guarantor's obligations to holders of notes and Note Guarantees in the case of a merger or consolidation or sale of all or substantially all of the Company's or such Guarantor's assets, as applicable; to make any change that would provide any additional rights or benefits to the holders or that does not adversely affect the legal rights under the Indenture of any such holder; to comply with applicable requirements of the U.S. Securities and Exchange Commission; to conform the text of the Indenture, the Note Guarantees or the notes to any provision of this Description of Notes to the extent that such provision in this Description of Notes was intended to be a verbatim recitation of a provision of the Indenture, the Note Guarantees or the notes; to allow any 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 depository; to provide for a successor Trustee in accordance with the terms of the Indenture; to otherwise comply with any requirement of the Indenture; to issue Additional Notes; and make any other changes which do not adversely affect the rights of any of the holders in any material respect. In formulating its opinion on such matters, the Trustee will be entitled to rely on such evidence as it deems appropriate, including solely on an Opinion of Counsel and Officers' Certificate, and shall have no liability whatsoever in reliance upon the foregoing.

Other modifications and amendments of the Indenture, the notes or a Note Guarantee may be made with the consent of the holders of a majority in principal amount of the then outstanding notes issued under the Indenture, except that, without the consent of each holder affected thereby, no amendment may:

- (1) reduce the principal amount of notes whose holders must consent to an amendment, supplement or waiver;
- (2) reduce the rate of or change or have the effect of changing the time for payment of interest, including defaulted interest, on any notes;
- (3) reduce the principal of or change or have the effect of changing the fixed maturity of any notes, or change the date on which any notes may be subject to redemption, or reduce the redemption price therefor;
- (4) make any notes payable in money other than that stated in the notes;
- (5) make any change in provisions of the Indenture entitling each holder to receive payment of principal of, premium, if any, and interest on such note on or after the due date thereof or to bring suit to enforce



- such payment, or permitting holders of a majority in principal amount of notes to waive Defaults or Events of Default;
- (6) amend, change or modify in any material respect any obligation of the Company to make and consummate a Change of Control Triggering Event Offer in respect of a Change of Control Triggering Event that has occurred or make and consummate an Asset Sale Offer with respect to any Asset Sale that has been consummated;
  - (7) eliminate or modify in any manner a Guarantor's payment obligations with respect to its Note Guarantee which adversely affects holders in any material respect, except as contemplated in the Indenture;
  - (8) make any change in the provisions of the Indenture described under "—Additional Amounts" that adversely affects the rights of any holder or amend the terms of the notes in a way that would result in a loss of exemption from Taxes; and
  - (9) make any change to the provisions of the Indenture or the notes that adversely affects the ranking of the notes.

### **Governing Law; Jurisdiction**

The Indenture and the notes will be governed by, and construed in accordance with, the law of the State of New York. The Company, each Guarantor and the Trustee irrevocably consent to the jurisdiction of the Federal and State courts located in the City of New York, Borough of Manhattan and the Company and each Guarantor have appointed an agent for service of process with respect to any actions brought in these courts arising out of or based on the Indenture or the notes or the Note Guarantees.

### **The Trustee**

Except during the continuance of an Event of Default, the Trustee will perform only such duties as are specifically set forth in the Indenture. During the existence of an Event of Default, the Trustee will exercise such rights and powers vested in it by the Indenture, and use the same degree of care and skill in its exercise as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

The Indenture contains certain limitations on the rights of the Trustee, should it become a creditor of the Company, to obtain payments of claims in certain cases or to realize on certain property received in respect of any such claim as security or otherwise. The Trustee will be permitted to engage in other transactions; *provided*, that if the Trustee acquires any conflicting interest, it must eliminate such conflict or resign.

### **No Personal Liability**

An incorporator, director, officer, employee, stockholder or controlling person, as such, of the Company or any Guarantor shall not have any liability for any obligations of the Company or such Guarantor under the notes or the Indenture or for any claims based on, in respect of or by reason of such obligations or their creation. By accepting a note, each holder waives and releases all such liability.

### **Currency Indemnity**

The Company and the Guarantors will pay all sums payable under the Indenture, the notes or the Note Guarantees solely in U.S. Dollars. Any amount that a holder receives or recovers in a currency other than U.S. Dollars in respect of any sum expressed to be due to such holder from the Company or any Guarantor will only constitute a discharge with respect to us, to the greatest extent permitted under applicable law, to the extent of the U.S. Dollar amount which such holder is able to purchase with the amount received or recovered in that other currency on the date of the receipt or recovery, or, if it is not practicable to make the purchase on that date, on the first date on which such holder is able to do so. If the U.S. Dollar amount is less than the U.S. Dollar amount expressed to be due to such holder under any note, to the greatest extent permitted under applicable law, the Company and the Guarantors will indemnify such holder against any loss such holder may sustain as a result. In any

event, the Company and the Guarantors will indemnify any such holder against the cost of making any purchase of U.S. Dollars. For the purposes of this paragraph, it will be sufficient for such holder to certify in a satisfactory manner that such holder would have suffered a loss had an actual purchase of U.S. Dollars been made with the amount received in that other currency on the date of receipt or recovery, or, if it was not practicable to make the purchase on that date, on the first date on which such holder was able to do so. In addition, any such holder will also be required to certify in a satisfactory manner the need for a change of the purchase date.

The indemnities described above:

- constitute a separate and independent obligation from the other obligations of the Company and the Guarantors;
- will give rise to a separate and independent cause of action;
- will apply irrespective of any indulgence granted by any holder; and
- will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any note.

### **Certain Definitions**

Set forth below is a summary of certain of the defined terms used in the Indenture. Reference is made to the Indenture for a full definition of all such terms, as well as any other terms used herein for which no definition is provided.

*“Acquired Indebtedness”* means Indebtedness of a Person or any of its Subsidiaries existing at the time such Person becomes a Restricted Subsidiary or at the time it merges, consolidates or amalgamates with the Company or any of its Restricted Subsidiaries or is assumed in connection with the acquisition of assets from such Person; *provided* that such Indebtedness is not incurred in connection with, or in anticipation or contemplation of such merger, consolidation, amalgamation or acquisition. Such Indebtedness will be deemed to have been Incurred at the time such Person becomes a Restricted Subsidiary or at the time it merges, consolidates or amalgamates with the Company or a Restricted Subsidiary or at the time such Indebtedness is assumed in connection with the acquisition of assets from such Person.

*“Additional Amounts”* has the meaning set forth under “— Additional Amounts” above.

*“Additional Notes”* has the meaning set forth under “— Additional Notes” above.

*“Affiliate”* means, with respect to any specified Person, any other Person who directly or indirectly through one or more intermediaries controls, or is controlled by, or is under common control with, such specified Person. The term “control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise. For purposes of this definition, the terms “controlling,” “controlled by” and “under common control with” have correlative meanings.

*“Affiliate Transaction”* has the meaning set forth under “—Certain Covenants—Limitation on Transactions with Affiliates” above.

*“Asset Acquisition”* means:

- (1) an Investment by the Company or any Restricted Subsidiary in any other Person pursuant to which such Person will become a Restricted Subsidiary, or will be merged with or into the Company or any Restricted Subsidiary;
- (2) the acquisition by the Company or any Restricted Subsidiary of the assets of any Person (other than a Subsidiary of the Company) which constitute all or substantially all of the assets of such Person or comprises any division or line of business of such Person or any other properties or assets of such Person other than in the ordinary course of business; or

- (3) any Revocation with respect to an Unrestricted Subsidiary.

“*Asset Sale*” means any direct or indirect sale, disposition, issuance, conveyance, transfer, lease, assignment or other transfer, including a Sale and Leaseback Transaction (each, a “disposition”) by the Company or any Restricted Subsidiary of:

- (a) any Capital Stock of any Restricted Subsidiary (but not Capital Stock of the Company); or
- (b) any property or assets (other than cash or Cash Equivalents or Capital Stock of the Company) of the Company or any Restricted Subsidiary.

Notwithstanding the preceding, the following items will not be deemed to be Asset Sales:

- (1) the disposition of all or substantially all of the assets of the Company and its Restricted Subsidiaries as permitted under “— Certain Covenants—Merger, Consolidation and Sale of Assets;”
- (2) for purposes of “— Certain Covenants—Limitation on Asset Sales and Sales of Subsidiary Stock” only, the making of a Restricted Payment permitted under “— Certain Covenants—Limitation on Restricted Payments” or any Permitted Investment;
- (3) a disposition to the Company or a Restricted Subsidiary, including a Person that is or will become a Restricted Subsidiary immediately after the disposition;
- (4) any single transaction or series of related transactions that involves assets or Capital Stock of a Restricted Subsidiary having a Fair Market Value of less than U.S.\$5.0 million (or the equivalent in other currencies) during the life of the notes;
- (5) a transfer of assets between or among the Company and any of its Restricted Subsidiaries;
- (6) an issuance or sale of Capital Stock by a Restricted Subsidiary of the Company to the Company or any Restricted Subsidiary;
- (7) the disposition of accounts receivable and loans as permitted under “—Certain Covenants—Limitations on Securitizations”;
- (8) the sale of delinquent loans to unaffiliated third parties;
- (9) any sale or other disposition of damaged, worn-out, obsolete or no longer useful assets or properties in the ordinary course of business;
- (10) the sale of assets received by the Company or any of its Restricted Subsidiaries upon the foreclosure of a Lien in the ordinary course of business;
- (11) the granting of Liens permitted under “Certain Covenants—Limitation on Liens”;
- (12) the good faith surrender or waiver of contract rights or settlement, release or surrender of contract, tort or other claims or statutory rights in connection with a settlement in the ordinary course of business consistent with past practice; and
- (13) a disposition to a Restricted Subsidiary that is not a Guarantor from another Restricted Subsidiary that is not a Guarantor.

“*Asset Sale Offer*” has the meaning set forth under “— Certain Covenants— Limitation on Asset Sales and Sales of Subsidiary Stock.”

“*Asset Sale Transaction*” means any Asset Sale and, whether or not constituting an Asset Sale, (1) any sale or other disposition of Capital Stock, (2) any Designation with respect to an Unrestricted Subsidiary and (3) any sale or other disposition of property or assets excluded from the definition of Asset Sale by clause (4) of that definition.

“*Board of Directors*” means, as to any Person, the board of directors, management committee or similar governing body of such Person or any duly authorized committee thereof.

“*Board Resolution*” means, with respect to any Person, a copy of a resolution certified by the Secretary or an Assistant Secretary of such Person to have been duly adopted by the Board of Directors of such Person and to be in full force and effect on the date of such certification, and delivered to the Trustee.

“*Capital Securities*” means, with respect to the Company, any bonds, debentures, notes or other similar instruments of the Company (i) which are expressly subordinated in right of payment and in insolvency to the prior payment in full of any note and any other Senior Indebtedness, (ii) which have a scheduled maturity date of at least 90 days after the maturity date of the notes, (iii) the first principal payment in respect of which (pursuant to any redemption provision, amortization schedule or otherwise) may not occur until at least 90 days after the maturity date of the notes, (iv) the principal of which may not be accelerated so long as any note remains outstanding (except pursuant to a customary bankruptcy event of default with respect to the Company), (v) are senior only to Capital Stock of the Company, (vi) in respect of which interest may be deferred and cancelled and (vii) which, prior to their issuance, are provided equity-like treatment by at least two Rating Agencies pursuant to their respective rating criteria.

“*Capital Stock*” means:

- (1) with respect to any Person that is a corporation, any and all shares, interests, participations or other equivalents (however designated and whether or not voting) of corporate stock, including each class of Common Stock and Preferred Stock of such Person;
- (2) with respect to any Person that is not a corporation, any and all partnership or other equity or ownership interests of such Person; and
- (3) any warrants, rights or options to purchase any of the instruments or interests referred to in clause (1) or (2) above.

“*Capitalization Ratio*” means, for any Person as of any date of determination, the result (expressed as a percentage) obtained by dividing (x) Consolidated Net Worth of such Person (calculated as of the end of the last completed fiscal quarter ending on or prior to the date of the transaction giving rise to the need to calculate Consolidated Net Worth) by (y) Net Loan Portfolio as of such date of determination.

“*Capitalized Lease Obligations*” means, as to any Person, the obligations of such Person under a lease that are required to be classified and accounted for as capital lease obligations under GAAP. For purposes of this definition, the amount of such obligations at any date will be the capitalized amount of such obligations at such date, determined in accordance with GAAP.

“*Cash Equivalents*” means:

- (1) marketable direct obligations issued by, or unconditionally guaranteed by, the United States government or issued by any agency thereof and backed by the full faith and credit of the United States, in each case maturing within one year from the date of acquisition thereof;
- (2) *Certificados de la Tesorería de la Federación (Cetes)* or *Bonos de Desarrollo del Gobierno Federal (Bondes)*, in each case, issued by the government of Mexico and maturing not later than one year after the acquisition thereof;
- (3) marketable direct obligations issued by any state of the United States of America or any political subdivision of any such state or any public instrumentality thereof maturing within one year from the date of acquisition thereof and, at the time of acquisition, having one of the two highest ratings

obtainable from either Standard & Poor's Corporation ("S&P") or Fitch Ratings ("Fitch") or any successor thereto;

- (4) commercial paper maturing no more than one year from the date of creation thereof and, at the time of acquisition, having a rating of at least A-2 from S&P or at least F-1 from Fitch;
- (5) demand deposits, certificates of deposit, time deposits or bankers' acceptances maturing within one year from the date of acquisition thereof issued by (a) any bank organized under the laws of the United States of America or any state thereof or the District of Columbia, (b) any U.S. branch of a non-U.S. bank having at the date of acquisition thereof combined capital and surplus of not less than U.S.\$500.0 million, or (c) in the case of Mexican peso deposits, any of the five top-rated banks (as evaluated by an internationally recognized rating agency) organized under the laws of Mexico;
- (6) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clause (1) above entered into with any bank meeting the qualifications specified in clause (5) above;
- (7) any other debt instruments having a rating of at least A-1 or AAA from S&P 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);
- (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;
- (3) the Company consolidates with, or merges with or into, another Person, or the Company sells, conveys, assigns, transfers, leases or otherwise disposes of all or substantially all of the assets of the Company, determined on a consolidated basis, to any Person, other than a transaction where the Person or Persons that, immediately prior to such transaction "beneficially owned" the outstanding Voting Stock of the Company are, by virtue of such prior ownership, or Permitted Holders are, the "beneficial owners" in the aggregate of a majority of the total voting power of the then outstanding Voting Stock of the surviving or transferee person (or if such surviving or transferee Person is a direct or indirect wholly-owned subsidiary of another Person, such Person who is the ultimate parent entity), in each case whether or not such transaction is otherwise in compliance with the Indenture; or
- (4) the approval by the holders of Capital Stock of the Company of any plan or proposal for the liquidation or dissolution of the Company, whether or not otherwise in compliance with the provisions of the Indenture.

For purposes of this definition:

- (a) “beneficial owner” will have the meaning specified in Rules 13d-3 and 13d-5 under the Exchange Act, except that any Person or Group will be deemed to have “beneficial ownership” of all securities that such Person or Group has the right to acquire, whether such right is exercisable immediately, only after the passage of time or, except in the case of the Permitted Holders, upon the occurrence of a subsequent condition.
- (b) “Person” and “Group” will have the meanings for “person” and “group” as used in Sections 13(d) and 14(d) of the Exchange Act; and
- (c) the Permitted Holders or any other Person or Group will be deemed to beneficially own any Voting Stock of a corporation held by any other corporation (the “parent corporation”) so long as the Permitted Holders or such other Person or Group, as the case may be, beneficially own, directly or indirectly, in the aggregate at least 50% of the voting power of the Voting Stock of the parent corporation and no other Person or Group beneficially owns an equal or greater amount of the Voting Stock of the parent corporation.

“*Change of Control Triggering Event*” has the meaning set forth under “—Change of Control Triggering Event.”

“*Change of Control Triggering Event Offer*” has the meaning set forth under “—Change of Control Triggering Event.”

“*Change of Control Triggering Event Payment*” has the meaning set forth under “—Change of Control Triggering Event.”

“*Change of Control Triggering Event Payment Date*” has the meaning set forth under “—Change of Control Triggering Event.”

“*Common Stock*” of any Person means any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person’s common equity interests, whether outstanding on the Issue Date or issued after the Issue Date, and includes, without limitation, all series and classes of such common equity interests.

“*Consolidated Net Income*” means, with respect to any Person for any period, the aggregate net income (or loss) of such Person and its Subsidiaries (after deducting (or adding) the portion of such net income (or loss) attributable to minority interests in Subsidiaries of such Person) for such period on a consolidated basis, determined in accordance with GAAP; *provided*, that there shall be excluded therefrom to the extent reflected in such aggregate net income (loss):

- (1) net after-tax gains or losses from Asset Sale Transactions or abandonments or reserves relating thereto;
- (2) net after-tax items classified as extraordinary gains or losses;
- (3) the net income (but not loss) of any Person, other than such Person and any Subsidiary of such Person (Restricted Subsidiary in the case of the Company); except that, solely for purposes of calculating Consolidated Net Income pursuant to clause (3) of the first paragraph of “Certain Covenants—Limitation on Restricted Payments” only, Consolidated Net Income of the Company will include the Company’s proportionate share of the net income of:
  - (a) any Person acquired in a “pooling of interests” transaction accrued prior to the date it becomes a Restricted Subsidiary or is merged or consolidated with the Company or any Restricted Subsidiary; or
  - (b) a Surviving Entity prior to assuming the Company’s obligations under the Indenture and the notes pursuant to “Certain Covenants—Limitation on Merger, Consolidation and Sales of

Assets” (for the avoidance of doubt, this clause (3) will not result in the inclusion of the net loss of an Unrestricted Subsidiary in the calculation of the Company’s Consolidated Net Income);

- (4) the net income (but not loss) of any Subsidiary of such Person (Restricted Subsidiary in the case of the Company) to the extent that (and only so long as) a corresponding amount could not be distributed to such Person at the date of determination as a result of any restriction pursuant to the constituent documents of such Subsidiary (Restricted Subsidiary in the case of the Company) or any law, regulation, agreement or judgment applicable to any such distribution;
- (5) any increase (but not decrease) in net income attributable to minority interests in any Subsidiary (Restricted Subsidiary in the case of the Company);
- (6) any gain (or loss) from foreign exchange translation or change in net monetary position;
- (7) any gains or losses (less all fees and expenses or charges relating thereto) attributable to the early extinguishment of Indebtedness and Hedging Obligations; and
- (8) the cumulative effect of changes in accounting principles.

“*Consolidated Net Worth*” means, for any Person at any time, the consolidated stockholders’ equity of such Person and its Subsidiaries (Restricted Subsidiaries in the case of the Company) as set forth on the consolidated balance sheet as of the most recent fiscal quarter of such Person, prepared in accordance with GAAP, less (without duplication) amounts attributable to Disqualified Capital Stock of such Person.

“*Consolidated Tangible Assets*” means, for any Person at any time, the total consolidated assets of such Person and its Subsidiaries (Restricted Subsidiaries in the case of the Company) as set forth on the consolidated balance sheet as of the most recent fiscal quarter of such Person, prepared in accordance with GAAP, less Intangible Assets.

“*Covenant Defeasance*” has the meaning set forth under “—Legal Defeasance and Covenant Defeasance.”

“*Currency Agreement*” means, in respect of any Person, any foreign exchange contract, currency swap agreement or other similar agreement as to which such Person is a party designed to hedge foreign currency risk of such Person.

“*Default*” means an event or condition the occurrence of which is, or with the lapse of time or the giving of notice or both would be, an Event of Default.

“*Designated Non-cash Consideration*” means the Fair Market Value of non-cash consideration used in a Permitted Business (other than securities) received by the Company or any of its Restricted Subsidiaries in connection with an Asset Sale that is so designated as Designated Non-cash Consideration pursuant to an Officers’ Certificate, setting forth the basis of such valuation, executed by the Chief Executive Officer or the Chief Financial Officer of the Company and delivered to the Trustee, less the amount of cash or Cash Equivalents received in connection with a sale of such Designated Non-cash Consideration.

“*Designation*” and “*Designation Amount*” have the meanings set forth under “Certain Covenants— Limitation on Designation of Unrestricted Subsidiaries” above.

“*Disqualified Capital Stock*” means that portion of any Capital Stock which, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable at the option of the holder thereof), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or is redeemable at the sole option of the holder thereof, in any case, on or prior to the final maturity date of the notes; *provided, however*, that any Capital Stock that would not constitute Disqualified Capital Stock but for provisions thereof giving holders thereof the right to require such Person to purchase or redeem such Capital Stock upon the occurrence of an “asset sale” or “change of control” occurring prior to the final maturity of the notes shall not constitute Disqualified Capital Stock if:

- (1) the “asset sale” or “change of control” provisions applicable to such Capital Stock are not materially more favorable to the holders of such Capital Stock than the terms applicable to the notes and described under “— Certain Covenants— Limitation on Sales of Assets and Subsidiary Stock” and “— Change of Control Triggering Event”; and
- (2) any such requirement only becomes operative after compliance with such terms applicable to the notes, including the purchase of any notes tendered pursuant thereto.

The amount of any Disqualified Capital Stock shall be equal to the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price, but excluding accrued dividends, if any. The amount of any Disqualified Stock that does not have a fixed redemption, repayment or repurchase price will be calculated in accordance with the terms of such Disqualified Stock as if such Disqualified Stock were redeemed, repaid or repurchased on any date on which the amount of such Disqualified Stock is to be determined pursuant to the Indenture; *provided, however*, that if such Disqualified Stock could not be required to be redeemed, repaid or repurchased at the time of such determination, the redemption, repayment or repurchase price will be the book value of such Disqualified Stock as reflected in the most recent financial statements of such Person.

“*Equity Sale*” has the meaning set forth under “—Optional Redemption.”

“*Event of Default*” has the meaning set forth under “Events of Default.”

“*Exchange Act*” means the Securities Exchange Act of 1934, as amended, or any successor statute or statutes thereto.

“*Fair Market Value*” means, with respect to any asset (including, without limitation, accounts receivable), the price (after deducting any liabilities relating to such assets) which could be negotiated in an arm’s-length free market transaction, for cash, between a willing seller and a willing and able buyer, neither of which is under any compulsion to complete the transaction; *provided*, that the Fair Market Value of any such asset (including, without limitation, accounts receivable) will be determined conclusively by the senior management of the Company acting in good faith.

“*Fitch*” means Fitch Ratings 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) which is secured by any Lien on any property or asset of such Person, the amount of such Indebtedness being deemed to be the lesser of the Fair Market Value of such property or asset or the amount of the Indebtedness so secured;
- (8) all obligations under Hedging Obligations of such Person;
- (9) to the extent not otherwise included in this definition, all liabilities required to be recorded on the consolidated balance sheet of such Person in accordance with GAAP in connection with a sale or other disposition of securitized receivables or other accounts receivables and related assets, including, without limitation, in connection with any Loan-Related Securitization; and
- (10) all Disqualified Capital Stock issued by such Person.

“*Intangible Assets*” means with respect to any Person all unamortized debt discount and expense, unamortized deferred charges, goodwill, patents, trademarks, service marks, trade names, copyrights and all other items which would be treated as intangibles on the consolidated balance sheet of such Person prepared in accordance with GAAP.

“*Interest Rate Agreement*” of any Person means any interest rate protection agreement (including, without limitation, interest rate swaps, caps, floors, collars, derivative instruments and similar agreements) and/or other types of hedging agreements designed to hedge interest rate risk of such Person.

*“Investment”* means, with respect to any Person, any:

- (1) direct or indirect loan, advance or other extension of credit (including, without limitation, a Guarantee) to any other Person,
- (2) capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others) any other Person, or
- (3) any purchase or acquisition by such Person of any Capital Stock, bonds, notes, debentures or other securities or evidences of Indebtedness issued by, any other Person.

“Investment” will exclude accounts receivable or deposits arising in the ordinary course of business. “Invest,” “Investing” and “Invested” will have corresponding meanings.

For purposes of the “Limitation on Restricted Payments” covenant, the Company will be deemed to have made an “Investment” in an Unrestricted Subsidiary at the time of its Designation, which will be valued at the Fair Market Value of the sum of the net assets of such Unrestricted Subsidiary at the time of its Designation and the amount of any Indebtedness of such Unrestricted Subsidiary or owed to the Company or any Restricted Subsidiary immediately following such Designation. Any property transferred to or from an Unrestricted Subsidiary will be valued at its Fair Market Value at the time of such transfer. If the Company or any Restricted Subsidiary sells or otherwise disposes of any Capital Stock of a Restricted Subsidiary (including any issuance and sale of Capital Stock by a Restricted Subsidiary) such that, after giving effect to any such sale or disposition, such Restricted Subsidiary would cease to be a Subsidiary of the Company, the Company will be deemed to have made an Investment on the date of any such sale or disposition equal to sum of the Fair Market Value of the Capital Stock of such former Restricted Subsidiary held by the Company or any Restricted Subsidiary immediately following such sale or other disposition and the amount of any Indebtedness of such former Restricted Subsidiary Guaranteed by the Company or any Restricted Subsidiary or owed to the Company or any other Restricted Subsidiary immediately following such sale or other disposition.

*“Investment Grade Rating”* means a rating equal to or higher than (i) BBB- (or the equivalent) by Fitch or (ii) BBB- (or the equivalent) by S&P, or, if either such entity ceases to rate the notes for reasons outside of the control of the Company, the equivalent investment grade credit rating from any other Rating Agency.

*“Investment Return”* means, in respect of any Investment (other than a Permitted Investment) made after the Issue Date by the Company or any Restricted Subsidiary:

- (1) (x) the proceeds in cash and the Fair Market Value of property other than cash received by the Company or any Restricted Subsidiary upon the sale, liquidation or repayment of such Investment or, in the case of a Guarantee, the amount of the Guarantee upon the unconditional release of the Company and its Restricted Subsidiaries in full, less any payments previously made by the Company or any Restricted Subsidiary in respect of such Guarantee and (y) any dividends or distributions received by the Company or any Restricted Subsidiary from an Unrestricted Subsidiary, to the extent such amounts were not otherwise included in Consolidated Net Income;
- (2) in the case of the Revocation of the Designation of an Unrestricted Subsidiary, an amount equal to the lesser of:
  - (a) the Company’s Investment in such Unrestricted Subsidiary at the time of such Revocation;
  - (b) that portion of the Fair Market Value of the net assets of such Unrestricted Subsidiary at the time of Revocation that is proportionate to the Company’s equity interest in such Unrestricted Subsidiary at the time of Revocation; and
  - (c) the Designation Amount with respect to such Unrestricted Subsidiary upon its Designation which was treated as a Restricted Payment; and

- (3) in the event the Company or any Restricted Subsidiary makes any Investment in a Person that, as a result of or in connection with such Investment, becomes a Restricted Subsidiary, the Fair Market Value of the Investment of the Company and its Restricted Subsidiaries in such Person,

in the case of each of (1), (2) and (3), up to the amount of such Investment that was treated as a Restricted Payment under “Certain Covenants—Limitation on Restricted Payments” less the amount of any previous Investment Return in respect of such Investment.

“*Issue Date*” means 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.

“*Net Cash Proceeds*” means, with respect to any Asset Sale, the proceeds in the form of cash or Cash Equivalents, including payments in respect of deferred payment obligations when received in the form of cash or Cash Equivalents received by the Company or any of its Restricted Subsidiaries from such Asset Sale, net of:

- (1) reasonable out-of-pocket expenses and fees relating to such Asset Sale (including, without limitation, legal, accounting and investment banking fees and sales commissions);
- (2) taxes paid, withheld or payable in respect of such Asset Sale after taking into account any reduction in consolidated tax liability due to available tax credits or deductions and any tax sharing arrangements;
- (3) repayment of Indebtedness secured by a Lien permitted under the Indenture that is required to be repaid in connection with such Asset Sale; and
- (4) appropriate amounts to be provided by the Company or any Restricted Subsidiary, as the case may be, as a reserve, in accordance with GAAP, against any liabilities associated with such Asset Sale and retained by the Company or any Restricted Subsidiary, as the case may be, after such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, but excluding any reserves with respect to Indebtedness.

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

“*Net Loan Portfolio*” means, as of any date of determination, the net loan portfolio of the Company and its Restricted Subsidiaries as set forth on the consolidated balance sheet as of the most recent fiscal quarter of the Company, prepared in accordance with GAAP.

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

“*Officer*” means, when used in connection with any action to be taken by the Company or a Guarantor, as the case may be, the Chairman of the Board, the Chief Executive Officer, the President, the Chief Financial Officer, any Vice President, the Treasurer, the General Counsel, the Controller or the Secretary of the Company or a Guarantor, as the case may be.

“*Officers’ Certificate*” means, when used in connection with any action to be taken by the Company or a Guarantor, as the case may be, a certificate signed by two Officers or by an Officer and either an Assistant Treasurer or an Assistant Secretary of the Company or a Guarantor, as the case may be, and delivered to the Trustee.

“*Operating as a Bank*” means, with respect to the Company, that it has been granted a banking license under Mexican law and is operating as a bank (*institución de banca múltiple*) under the terms of its banking license and Mexican law.

“*Opinion of Counsel*” means a written opinion of counsel, who may be an employee of or counsel for the Company (except as otherwise provided in the Indenture) and which opinion shall be reasonably acceptable to the Trustee.

“*Permitted Acquisition Indebtedness*” means Indebtedness of the Company to the extent such Indebtedness was (i) Indebtedness of a Subsidiary prior to the date on which such Subsidiary became a Restricted Subsidiary, (ii) Indebtedness of a Person that was merged, consolidated or amalgamated into the Company or a Restricted Subsidiary or (iii) assumed in connection with the acquisition of assets from a Person; *provided* that on the date such Subsidiary became a Restricted Subsidiary or the date such Person was merged, consolidated or amalgamated into the Company or such Restricted Subsidiary or assumed in connection with an Asset Acquisition, as applicable, after giving pro forma effect thereto, (a) the Company would be permitted to incur at least U.S.\$1.00 of additional Indebtedness pursuant to clause (1) under “—Certain Covenants—Limitation on Incurrence of Additional Indebtedness” or (b) the Capitalization Ratio of the Company and its Restricted Subsidiaries would be equal to or greater than the Capitalization Ratio of the Company and its Restricted Subsidiaries immediately prior to such transaction.

“*Permitted Business*” means the business or businesses conducted by the Company and its Restricted Subsidiaries as of the Issue Date and any business related, ancillary or complementary thereto or otherwise arising out of those activities, including, without limitation, any activities relating to loan financing and other banking or financing services.

“*Permitted Holders*” means (i) José Luis Rión Santisteban and Noel Gonzalez Cawley, (ii) a parent, brother, sister or cousin of any of the individuals named in clause (i), (iii) the spouse, a former spouse, parent-in-law, brother or sister-in-law of any individual named in clause (i) or (ii), (iv) the lineal descendants of any person named in clauses (i) through (iii) and the spouse or a former spouse of any such lineal descendant, (v) the estate or any guardian, custodian or other legal representative of any individual named in clauses (i) through (iv), (vi) any trust or other vehicle established principally for the benefit of any one or more of the individuals named in clauses (i) through (v), and (vii) any Person in which a majority of the equity interests are owned or controlled, directly or indirectly, by any one or more of the Persons named in clauses (i) through (vi).

“*Permitted Indebtedness*” has the meaning set forth under clause (2) of “—Certain Covenants—Limitation on Incurrence of Additional Indebtedness.”

*“Permitted Investments”* means:

- (1) Investments by the Company or any Restricted Subsidiary in any Person that is, or that result in any Person becoming, immediately after such Investment, a Restricted Subsidiary or constituting a merger or consolidation of such Person into the Company or with or into a Restricted Subsidiary;
- (2) Investments by the Company, or any Restricted Subsidiary, in the Company;
- (3) Investments in cash and Cash Equivalents;
- (4) Investments existing on the Issue Date and any extension, modification or renewal of any Investments existing as of the Issue Date (but not Investments involving additional advances, contributions or other investments of cash or property or other increases thereof, other than as a result of the accrual or accretion of interest or original issue discount or payment-in-kind pursuant to the terms of such Investment as of the Issue Date);
- (5) Investments permitted pursuant to clause (2)(b), (c) or (e) of “Certain Covenants—Limitation on Transactions with Affiliates”;
- (6) Investments received as a result of the bankruptcy or reorganization of any Person, or taken in settlement of or other resolution of claims or disputes, and, in each case, extensions, modifications and renewals thereof;
- (7) Investments made by the Company or its Restricted Subsidiaries as a result of non-cash consideration permitted to be received in connection with an Asset Sale made in compliance with the covenant described under “Certain Covenants—Limitation on Asset Sales and Sales of Subsidiary Stock”;
- (8) Investments in the form of Hedging Obligations permitted under clause 2(d) of “Certain Covenants—Limitation on Incurrence of Additional Indebtedness”;
- (9) Investments in a Person engaged in a Permitted Business, *provided* that any such Investment, taken together with all Investments made in reliance on this clause (9) since the Issue Date, shall not exceed (a) U.S.\$50.0 million plus (b) 5% of Consolidated Tangible Assets of the Company and its Restricted Subsidiaries at any one time outstanding;
- (10) receivables owing to the Company or any Restricted Subsidiary if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms;
- (11) payroll, travel, entertainment, relocation and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business;
- (12) loans or advances to employees in the ordinary course of business consistent with past practices of the Company or such Restricted Subsidiary;
- (13) Investments in any Person to the extent such Investments consist of prepaid expenses, negotiable instruments held for collection and lease, utility and workers’ compensation, performance and other similar deposits made in the ordinary course of business by the Company or any Restricted Subsidiary;
- (14) any loans made by the Company in the ordinary course of business; and
- (15) Investments in any Person in connection with a Loan-Related Securitization; *provided* that such Investment in any such Person is in the form of a receivables financing facility, net interest margin securities or similar or related assets of the Company or any Restricted Subsidiary and transferred to such Person in connection with a Loan-Related Securitization (including by way of transfers of receivables to a Securitization Vehicle);

*provided, however*, that with respect to any Investment, the Company may, in its sole discretion, allocate all or any portion of any Investment and later re-allocate all or any portion of any Investment to, one or more of the above clauses (1) through (15) so that the entire Investment would be a Permitted Investment.

“*Permitted Liens*” means any of the following:

- (1) statutory Liens of landlords and Liens of carriers, warehousemen, mechanics, suppliers, materialmen, repairmen and other Liens imposed by law incurred in the ordinary course of business for sums not yet delinquent or being contested in good faith;
- (2) Liens Incurred or deposits made in the ordinary course of business (x) in connection with workers’ compensation, unemployment insurance and other types of social security, including any Lien securing letters of credit issued in the ordinary course of business consistent with past practice in connection therewith, or (y) to secure the performance of tenders, statutory obligations, surety and appeal bonds, bids, leases, government performance and return-of-money bonds and other similar obligations (exclusive of obligations for the payment of borrowed money);
- (3) [Reserved];
- (4) Liens securing reimbursement obligations with respect to commercial letters of credit which encumber documents and other property relating to such letters of credit and products and proceeds thereof;
- (5) Liens encumbering deposits made to secure obligations arising from statutory, regulatory, contractual, or warranty requirements of the Company or a Restricted Subsidiary, including rights of offset and set-off;
- (6) Liens securing Hedging Obligations that relate to Indebtedness that is Incurred in accordance with “—Certain Covenants—Limitation on Incurrence of Additional Indebtedness” and that are secured by the same assets as secure such Hedging Obligations;
- (7) Liens existing on the Issue Date and Liens to secure any Refinancing Indebtedness which is Incurred to Refinance any Indebtedness which has been secured by a Lien permitted under the covenant described under “—Certain Covenants—Limitation on Liens” not incurred pursuant to clauses (9) and (10) of this definition of “Permitted Liens” and which Indebtedness has been Incurred in accordance with “—Certain Covenants—Limitation on Incurrence of Additional Indebtedness”; *provided*, that such new Liens:
  - (a) are no less favorable to the holders of notes and are not more favorable to the lienholders with respect to such Liens than the Liens in respect of the Indebtedness being Refinanced, and
  - (b) do not extend to any property or assets other than the property or assets securing the Indebtedness Refinanced by such Refinancing Indebtedness;
- (8) Liens securing Acquired Indebtedness Incurred in accordance with “—Certain Covenants— Limitation on Incurrence of Additional Indebtedness” not incurred in connection with, or in anticipation or contemplation of, the relevant acquisition, merger or consolidation; *provided*, that
  - (a) such Liens secured such Acquired Indebtedness at the time of and prior to the Incurrence of such Acquired Indebtedness by the Company or a Restricted Subsidiary and were not granted in connection with, or in anticipation of the Incurrence of such Acquired Indebtedness by the Company or a Restricted Subsidiary, and
  - (b) such Liens do not extend to or cover any property of the Company or any Restricted Subsidiary other than the property that secured the Acquired Indebtedness prior to the time such Indebtedness became Acquired Indebtedness of the Company or a Restricted Subsidiary and are no more favorable to the lienholders than the Liens securing the Acquired

Indebtedness prior to the Incurrence of such Acquired Indebtedness by the Company or a Restricted Subsidiary;

- (9) purchase money Liens securing Purchase Money Indebtedness or Capitalized Lease Obligations Incurred to finance the acquisition or leasing of property of the Company or a Restricted Subsidiary used in a Permitted Business; *provided*, that:
  - (a) the related Purchase Money Indebtedness does not exceed the cost of such property and shall not be secured by any property of the Company or any Restricted Subsidiary other than the property so acquired, and
  - (b) the Lien securing such Indebtedness will be created within 365 days of such acquisition;
- (10) any pledge or deposit of cash or property in conjunction with obtaining surety and performance bonds and letters of credit required to engage in constructing on-site and off-site improvements required by municipalities or other governmental authorities in the ordinary course of business;
- (11) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods;
- (12) Liens encumbering customary initial deposits and margin deposits, and other Liens that are customary in the industry and incurred in the ordinary course of business securing Indebtedness under Hedging Obligations and forward contracts, options, futures contracts, futures options or similar agreements or arrangements designed to protect the Company and its Restricted Subsidiaries from fluctuations in the price of commodities;
- (13) Liens for taxes, assessments or governmental charges or claims that are not yet delinquent or that are being contested in good faith by appropriate proceedings promptly instituted and diligently concluded; *provided* that any reserve or other appropriate provision as is required in conformity with GAAP has been made therefor;
- (14) licenses of intellectual property in the ordinary course of business;
- (15) Liens to secure a defeasance trust to the extent such defeasance is otherwise permitted pursuant to the terms of the Indenture;
- (16) easements, rights-of-way, zoning and similar restrictions, reservations, restrictions or encumbrances in respect of real property or title defects that were not incurred in connection with Indebtedness and that do not in the aggregate materially adversely affect the value of said properties (as such properties are used by the Company or its Restricted Subsidiaries) or materially impair their use in the operation of the business of the Company and its Restricted Subsidiaries;
- (17) judgment Liens not giving rise to an Event of Default so long as any appropriate legal proceedings that may have been duly initiated for the review of such judgment shall not have been finally terminated or the period within which such legal proceedings may be initiated shall not have expired;
- (18) Liens on Capital Stock of an Unrestricted Subsidiary that secure Indebtedness or other obligations of such Unrestricted Subsidiary;
- (19) to the extent that at the time of and immediately after giving *pro forma* effect to the Incurrence thereof the Total Unencumbered Assets of the Company and its Restricted Subsidiaries (on a consolidated basis) is at least 110.0% of the Total Unsecured Indebtedness of the Company and its Restricted Subsidiaries (on a consolidated basis), Liens on Loan Receivables, Residual Interests, other receivables, net interest margin securities or similar or related assets of the Company or any Restricted Subsidiary Incurred in connection with any Loan-Related Securitization or any debt facility entered into for the purpose of financing or refinancing the purchase or origination or financing the pooling of

Loan Receivables, Residual Interests or other receivables, net interest margin securities or similar or related assets by the Company or a Restricted Subsidiary; and

- (20) 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 and (ii) Fitch or (iii) if S&P or Fitch or both shall not make a rating of the notes publicly available, a nationally recognized United States securities rating agency or agencies, as the case may be, selected by the Company, which shall be substituted for S&P or Fitch or both, as the case may be.

“*Refinance*” means, in respect of any Indebtedness, to issue any Indebtedness in exchange for or to refinance, replace, defease or refund such Indebtedness in whole or in part. “*Refinanced*” and “*Refinancing*” will have correlative meanings.

“*Refinancing Indebtedness*” means Indebtedness of the Company or any Restricted Subsidiary issued to Refinance any other Indebtedness of the Company or a Restricted Subsidiary so long as:

- (1) the aggregate principal amount (or initial accreted value, if applicable) of such new Indebtedness as of the date of such proposed Refinancing does not exceed the aggregate principal amount (or initial accreted value, if applicable) of the Indebtedness being Refinanced (plus the amount of any premium required to be paid under the terms of the instrument governing such Indebtedness and the amount of reasonable expenses incurred by the Company in connection with such Refinancing);
- (2) such new Indebtedness has:
  - (a) a Weighted Average Life to Maturity that is equal to or greater than the Weighted Average Life to Maturity of the Indebtedness being Refinanced, and



- (b) a final maturity that is equal to or later than the final maturity of the Indebtedness being Refinanced; and
- (3) if the Indebtedness being Refinanced is:
  - (a) Indebtedness of the Company, then such Refinancing Indebtedness will be Indebtedness of the Company,
  - (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 customary representations, warranties, covenants and indemnities entered into in connection with a Loan-Related Securitization, and (y) any Guarantees by the Company or a Restricted Subsidiary of any Indebtedness of a Securitization Vehicle that would constitute Permitted Indebtedness or which would be permitted under “— Limitation on Incurrence of Additional Indebtedness.”

“*Senior Indebtedness*” means the notes and the Note Guarantees and any other Indebtedness of the Company or a Guarantor that is not, pursuant to the instrument evidencing such Indebtedness, expressly subordinated in right of payment to the notes or the relevant Note Guarantee, as the case may be.

“*Significant Subsidiary*” means a Subsidiary of the Company constituting a “Significant Subsidiary” of the Company in accordance with Rule 1-02(w) of Regulation S-X under the Securities Act in effect on the date hereof.

“*Subordinated Indebtedness*” means, with respect to the Company or a Guarantor, any Indebtedness of the Company or a Guarantor, as the case may be, that is, pursuant to the instrument evidencing such Indebtedness, expressly subordinated in right of payment to the notes, the relevant Note Guarantee or any other Senior Indebtedness, as the case may be.

“*Subsidiary*” means, with respect to any Person, any other Person of which such Person owns, directly or indirectly, more than 50% of the voting power of the other Person’s outstanding Voting Stock.

“*Surviving Entity*” has the meaning set forth under “—Certain Covenants—Limitation on Merger, Consolidation and Sale of Assets.”

“*Total Unencumbered Assets*” means, as of any date of determination, the total consolidated assets of the Company and its Restricted Subsidiaries as set forth on the consolidated balance sheet as of the most recent fiscal quarter of the Company (but excluding Intangible Assets, any deferred tax assets and accounts receivable (other than receivables subject to Loan-Related Securitizations)), in each case on such date not securing any portion of Secured Indebtedness determined on a consolidated basis in accordance with GAAP.

“*Total Unsecured Indebtedness*” means, as of any date of determination, the total outstanding principal amount of all Unsecured Indebtedness of the Company and its Restricted Subsidiaries.

“*U.S. Dollar Equivalent*” means with respect to any monetary amount in a currency other than U.S. dollars, at any time for determination thereof, the amount of U.S. dollars obtained by converting such foreign currency involved in such computation into U.S. dollars at the spot rate for the purchase of U.S. dollars with the applicable foreign currency as published in *The Wall Street Journal* in the “Exchange Rates” column under the heading “Currency Trading” on the date two business days prior to such determination.

Except as described under “— Certain Covenants — Limitation on Incurrence of Additional Indebtedness,” whenever it is necessary to determine whether the Company has complied with any covenant in the Indenture or a Default has occurred and an amount is expressed in a currency other than U.S. dollars, such amount will be treated as the U.S. Dollar Equivalent determined as of the date such amount is initially determined in such currency.

“*Unrestricted Subsidiary*” means any Subsidiary of the Company Designated as an Unrestricted Subsidiary pursuant to “Certain Covenants—Limitation on Designation of Unrestricted Subsidiaries.” Any such Designation may be revoked by an Officers’ Certificate, subject to the provisions of such covenant.

*“Unsecured Indebtedness”* means any Indebtedness of the Company and/or its Restricted Subsidiaries other than Secured Indebtedness.

*“Voting Stock”* with respect to any Person, means securities of any class of Capital Stock of such Person entitling the holders thereof (whether at all times or only so long as no senior class of stock has voting power by reason of any contingency) to vote in the election of members of the Board of Directors (or equivalent governing body) of such Person.

*“Weighted Average Life to Maturity”* means, when applied to any Indebtedness at any date, the number of years (calculated to the nearest one-twelfth) obtained by dividing:

- (1) the then outstanding aggregate principal amount or liquidation preference, as the case may be, of such Indebtedness into
- (2) the sum of the products obtained by multiplying:
  - (a) the amount of each then remaining installment, sinking fund, serial maturity or other required payment of principal or liquidation preference, as the case may be, including payment at final maturity, in respect thereof, by
  - (b) the number of years (calculated to the nearest one-twelfth) which will elapse between such date and the making of such payment.

*“Wholly-Owned Subsidiary”* means, for any Person, any Subsidiary (Restricted Subsidiary in the case of the Company) of which all the outstanding Capital Stock (other than, in the case of a Subsidiary not organized in the United States, directors’ qualifying shares or an immaterial amount of shares required to be owned by other Persons pursuant to applicable law) is owned by such Person and/or one or more Persons that satisfy this definition in respect of such Person (or a combination thereof).

## **BOOK-ENTRY, DELIVERY AND FORM**

The notes are being offered and sold to QIBs in reliance on Rule 144A, or the Rule 144A notes. Notes also may be offered and sold in offshore transactions in reliance on Regulation S, or the Regulation S notes. Notes will be issued at the closing of this offering only against payment in immediately available funds.

Rule 144A notes initially will be represented by one or more notes in registered, global form without interest coupons (which we collectively refer to as the “Rule 144A global notes”). Regulation S notes initially will be represented by one or more notes in registered, global form without interest coupons (which we collectively refer to as the “Regulation S global notes” and, together with the Rule 144A global notes, as the “global notes”).

The global notes will be deposited upon issuance with the trustee as custodian for DTC, in New York, New York, and registered in the name of DTC or its nominee, in each case, for credit to an account of a direct or indirect participant in DTC as described below. Through and including the 40th day after the later of the commencement of this offering and the closing of this offering (such period through and including such 40th day, or the restricted period), beneficial interests in the Regulation S global notes may be transferred to a U.S. person only in accordance with the certification requirements described below. Beneficial interests in the Rule 144A global notes may not be exchanged for beneficial interests in the Regulation S global notes at any time except in the limited circumstances described below. See “—Exchanges Between Regulation S Notes and Rule 144A Notes.”

Except as set forth below, the global notes may be transferred, in whole and not in part, only to another nominee of DTC or to a successor of DTC or its nominee. Beneficial interests in the global notes may not be exchanged for notes in certificated form except in the limited circumstances described below. See “—Exchange of Global Notes for Certificated Notes.” Except in the limited circumstances described below, owners of beneficial interests in the global notes will not be entitled to receive physical delivery of notes in certificated form.

Rule 144A notes (including beneficial interests in the Rule 144A global notes) will be subject to certain restrictions on transfer and will bear a restrictive legend as described under “Transfer Restrictions.” Regulation S notes will also bear the legend as described under “Transfer Restrictions.” In addition, transfers of beneficial interests in the global notes will be subject to the applicable rules and procedures of DTC and its direct or indirect participants (including, if applicable, those of Euroclear and Clearstream), which may change from time to time.

### **Depository Procedures**

The following description of the operations and procedures of DTC, Euroclear and Clearstream is provided solely as a matter of convenience. These operations and procedures are solely within the control of the respective settlement systems and are subject to changes by them. We take no responsibility for these operations and procedures and urge investors to contact the system or their participants directly to discuss these matters.

DTC has advised us that DTC is a limited purpose trust company created to hold securities for its participating organizations, or the participants, and to facilitate the clearance and settlement of transactions in those securities between participants through electronic book entry changes in accounts of its participants. The participants include securities brokers and dealers (including the initial purchasers), banks, trust companies, clearing corporations and certain other organizations. Access to DTC’s system is also available to other entities such as banks, brokers, dealers and trust companies that clear through or maintain custodial relationship with a participant, either directly or indirectly, or the indirect participants. Persons who are not participants may beneficially own securities held by or on behalf of DTC only through the participants or the indirect participants. The ownership interests in, and transfers of ownership interests in, each security held by or on behalf of DTC are recorded on the records of the participants and indirect participants.

DTC has also advised us that, pursuant to procedures established by it:

- (1) upon deposit of the global notes, DTC will credit the accounts of participants designated by the initial purchasers with portions of the principal amount of the global notes; and
- (2) ownership of these interests in the global notes will be shown on, and the transfer of ownership of these interests will be effected only through, records maintained by DTC (with respect to the participants) or by

the participants and the indirect participants (with respect to other owners of beneficial interests in the global notes).

Investors in the global notes who are participants in DTC's system may hold their interests therein directly through DTC. Investors in the global notes who are not participants may hold their interests therein indirectly through organizations (including Euroclear and Clearstream) which are participants in such system. Euroclear and Clearstream will hold interests in the global notes on behalf of their participants through customers' securities accounts in their respective names on the books of their respective depositories, which are Euroclear Bank S.A./N.V., as operator of Euroclear, and Citibank, N.A., as operator of Clearstream. All interests in a global note, including those held through Euroclear or Clearstream, may be subject to the procedures and requirements of DTC. Those interests held through Euroclear or Clearstream may also be subject to the procedures and requirements of such systems. The laws of some states require that certain persons take physical delivery in definitive form of securities that they own. Consequently, the ability to transfer beneficial interests in a global note to such persons will be limited to that extent. Because DTC can act only on behalf of participants, which in turn act on behalf of indirect participants, the ability of a person having beneficial interests in a global note to pledge such interests to persons that do not participate in the DTC system, or otherwise take actions in respect of such interests may be affected by the lack of a physical certificate evidencing such interests.

**Except as described below, owners of interests in the global notes will not have notes registered in their names, will not receive physical delivery of notes in certificated form and will not be considered the registered owners or "holders" thereof under the indenture for any purpose.**

Payments in respect of the principal of, and interest and premium and additional interest, if any, on a global note registered in the name of DTC or its nominee will be payable to DTC in its capacity as the registered holder under the indenture. Under the terms of the indenture, the issuer and the trustee will treat the persons in whose names the notes, including the global notes, are registered as the owners of the notes for the purpose of receiving payments and for all other purposes. Consequently, neither the issuer, the trustee, the transfer agent, registrar, the paying agent nor any agent of the issuer or the trustee has or will have any responsibility or liability for:

- (1) any aspect of DTC's records or any participant's or indirect participant's records relating to or payments made on account of beneficial ownership interest in the global notes or for maintaining, supervising or reviewing any of DTC's records or any participant's or indirect participant's records relating to the beneficial ownership interests in the global notes; or
- (2) any other matter relating to the actions and practices of DTC or any of its participants or indirect participants.

DTC has advised us that its current practice, upon receipt of any payment in respect of securities such as the notes (including principal and interest) is to credit the accounts of the relevant participants with the payment on the payment date unless DTC has reason to believe it will not receive payment on such payment date. Each relevant participant is credited with an amount proportionate to its beneficial ownership of an interest in the principal amount of the relevant security as shown on the records of DTC. Payments by the participants and the indirect participants to the beneficial owners of notes will be governed by standing instructions and customary practices and will be the responsibility of the participants or the indirect participants and will not be our responsibility or that of DTC or the Trustee. Neither the issuer nor the trustee nor any of their respective agents will be liable for any delay by DTC or any of its participants in identifying the beneficial owners of the notes, and the issuer and the trustee and each such agent may conclusively rely on and will be protected in relying on instructions from DTC or its nominee for all purposes.

Subject to the transfer restrictions set forth under "Transfer Restrictions," transfers between participants in DTC will be effected in accordance with DTC's procedures, and will be settled in same-day funds, and transfers between participants in Euroclear and Clearstream will be effected in accordance with their respective rules and operating procedures.

Subject to compliance with the transfer restrictions applicable to the notes described herein, cross-market transfers between the participants in DTC, on the one hand, and Euroclear or Clearstream participants, on the other hand, will be effected through DTC in accordance with DTC's rules on behalf of Euroclear or Clearstream, as the

case may be, by its respective depository; however, such cross market transactions will require delivery of instructions to Euroclear or Clearstream, as the case may be, by the counter-party in such system in accordance with the rules and procedures and within the established deadlines (Brussels time) of such system. Euroclear or Clearstream, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depository to take action to effect final settlement on its behalf of delivering or receiving interests in the relevant global note in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Euroclear participants and Clearstream participants may not deliver instructions directly to the depositories for Euroclear or Clearstream.

DTC has advised us that it will take any action permitted to be taken by a holder of notes only at the direction of one or more participants to whose account DTC has credited the interests in the global notes and only in respect of such portion of the aggregate principal amount of the notes as to which such participant or participants has or have given such direction. However, if there is an event of default under the notes, DTC reserves the right to exchange the global notes for legended notes in certificated form, and to distribute such notes to its participants.

Although DTC, Euroclear and Clearstream have agreed to the foregoing procedures to facilitate transfers of interests in the Rule 144A global notes and the Regulation S global notes among participants in DTC, Euroclear and Clearstream, they are under no obligation to perform or to continue to perform such procedures, and may discontinue such procedures at any time. Neither the issuer nor the trustee nor any of their respective agents will have any responsibility for the performance by DTC, Euroclear or Clearstream or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

#### **Exchange of Global Notes for Certificated Notes**

A global note is exchangeable for definitive notes in registered certificated form, or certificated notes, if:

- (1) DTC (a) notifies the issuer that it is unwilling or unable to continue as depository for the global notes and DTC fails to appoint a successor depository or (b) has ceased to be a clearing agency registered under the Exchange Act;
- (2) The issuer, at its option, notifies the trustee in writing that it has elected to cause the issuance of the certificated notes; or
- (3) there has occurred and is continuing a Default or Event of Default with respect to the notes.

In addition, beneficial interests in a global note may be exchanged for certificated notes upon prior written notice given to the trustee by or on behalf of DTC in accordance with the indenture. In all cases, certificated notes delivered in exchange for any global note or beneficial interests in global notes will be registered in the names, and issued in any approved denominations, requested by or on behalf of the depository (in accordance with its customary procedures) and will bear the applicable restrictive legend referred to in "Transfer Restrictions," unless that legend is not required by applicable law.

#### **Exchanges Between Regulation S Notes and Rule 144A Notes**

Beneficial interests in the Regulation S global notes may be exchanged for beneficial interests in the Rule 144A global notes only if:

- (1) such exchange occurs in connection with a transfer of the notes pursuant to Rule 144A; and
- (2) the transferor first delivers to the trustee a written certificate (in the form provided in the indenture) to the effect that the notes are being transferred to a person:
  - (A) who the transferor reasonably believes to be a qualified institutional buyer within the meaning of Rule 144A;
  - (B) purchasing for its own account or the account of a qualified institutional buyer in a transaction meeting the requirements of Rule 144A; and

(C) in accordance with all applicable securities laws of the states of the United States and other jurisdictions.

Beneficial interest in a Rule 144A global note may be transferred to a person who takes delivery in the form of an interest in the Regulation S global note, whether before or after the expiration of the restricted period, only if the transferor first delivers to the trustee a written certificate (in the form provided in the indenture) to the effect that such transfer is being made in accordance with Rule 903 or 904 of Regulation S.

Transfers involving exchanges of beneficial interests between the Regulation S global notes and the Rule 144A global notes will be effected in DTC by means of an instruction originated by the DTC participant and approved by the trustee through the DTC Deposit/Withdraw at Custodian system. Accordingly, in connection with any such transfer, appropriate adjustments will be made to reflect a decrease in the principal amount of the Regulation S global note and a corresponding increase in the principal amount of the Rule 144A global note or vice versa, as applicable. Any beneficial interest in one of the global notes that is transferred to a person who takes delivery in the form of an interest in the other global note will, upon transfer, cease to be an interest in such global note and will become an interest in the other global note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interest in such other global note for so long as it remains such an interest. Transfers between Regulation S and Rule 144A notes will need to be done on a delivery free of payment basis and separate arrangements will need to be made outside of DTC for payment.

## TAXATION

*Prospective purchasers of the notes are advised to consult their own tax advisors as to the Mexican, United States or other tax consequences (including consequences arising under the tax laws of the country of which they are residents and consequences arising under double taxation treaties in effect) in connection with the purchase, ownership and disposition of the notes, including, without limitation, the application to their particular situations of the tax considerations discussed below, as well as the application of state, local, municipal, foreign or other tax laws.*

### General

The following summary contains a description of the material U.S. and Mexican federal income tax consequences of the purchase, ownership and disposition of the notes by holders that are non-residents for tax purposes.

This summary is based upon federal tax laws of the United States and Mexico as in effect on the date of this offering memorandum, including the provisions of the income tax treaty between the United States and Mexico, which we refer to in this offering memorandum as the “Tax Treaty,” all of which are subject to change (including retroactively). This summary does not purport to be a comprehensive description of all the U.S. or Mexican federal income tax considerations that may be relevant to a decision to purchase, hold or dispose of the notes. The summary does not address any tax consequences under the laws of any state, municipality or locality of Mexico or the United States or the laws of any taxing jurisdiction other than the federal laws of Mexico and the United States.

Mexico has also entered into or is negotiating several double taxation treaties with various countries that may have an impact on the tax treatment of the purchase, ownership or disposition of notes. Prospective purchasers of notes should consult their own tax advisors as to the tax consequences, if any, of the application of any such treaties.

### *Mexican Federal Tax Considerations*

#### *General*

The following is a general summary of the principal Mexican federal income tax consequences of the purchase, ownership and disposition of the notes by holders that are not residents of Mexico, for Mexican federal income tax purposes, and that do not hold such notes through a permanent establishment for tax purposes in Mexico, to which income under the notes is attributable; for purposes of this summary, each such holder is referred to as a foreign holder.

This summary is based on the Mexican Income Tax Law and regulations in effect on the date of this offering memorandum, all of which are subject to change, possibly with retroactive effect, or to new or different interpretations, which could affect the continued validity of this general summary.

This summary does not constitute tax advice, does not address all of the Mexican tax consequences that may be applicable to specific holders of the notes and does not purport to be a comprehensive description of all the Mexican tax considerations that may be relevant to a decision to purchase, own or dispose of the notes. In particular, this summary does not describe any tax consequences arising under the laws of any state, municipality or taxing jurisdiction other than certain federal laws of Mexico.

**Potential investors should consult with their own tax advisors regarding the particular consequences of the purchase, ownership or disposition of the notes under the federal laws of Mexico or any other jurisdiction or under any applicable double taxation treaty to which Mexico is a party, which is in effect.**

For purposes of Mexican taxation, an individual or corporation that does not satisfy the requirements to be considered a resident of Mexico for tax purposes, as specified below, is deemed as a non-resident of Mexico for tax purposes and a foreign holder for purposes of this summary.

Tax residency is a highly technical definition that involves the application of a number of factors that are principally described under Articles 9 and 10 of the Mexican Tax Code (*Código Fiscal de la Federación*). An



individual is a resident of Mexico for tax purposes, if he/she established his/her home in Mexico. When the individual in question has a home in another country, the individual will be deemed a resident in Mexico if his/her 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 realized by such individual in the calendar year is from a Mexican source, or (ii) the principal center of his/her professional activities is located in Mexico. Mexican nationals who filed a change of tax residence to a country or jurisdiction that does not have a comprehensive exchange of information agreement with Mexico and where his/her income is subject to a preferred tax regime as defined by Mexican law, will be considered Mexican residents for tax purposes during the fiscal year of the filing of notice of such residence change and during the following three fiscal years. Unless otherwise proven, a Mexican national is deemed a resident of Mexico for tax purposes.

A legal entity is a resident of Mexico if it maintains the principal administration of its business or the effective location of its management in Mexico.

If a legal entity or individual is deemed to have a permanent establishment in Mexico for Mexican tax purposes or is deemed a resident of Mexico for tax purposes, then any and all income attributable to that permanent establishment of such legal entity or individual will be subject to Mexican income taxes, in accordance with applicable tax laws. Legal entities or individuals that are considered Mexican residents for tax purposes are subject to taxes in Mexico on worldwide income regardless of the location of its source income. Any determination of residence, whether involving an individual or a corporation, should take into account the particular situation for each person or legal entity.

#### *Payments of Interest*

Pursuant to the Mexican Income Tax Law, payments of interest on the notes (including original issue discount, which is deemed to be interest) made by us to a foreign holder will be subject to Mexican withholding tax at a rate of 4.9%, so long as we are considered to be a Sofom that is part of the Mexican financial system for tax purposes. A Sofom is considered part of the Mexican financial system for tax purposes if its account receivables represent more than 70% of its total assets or the income derived from such activities and the sale or servicing of loans represent more than 70% of its total income. As of the date of this offering memorandum, we meet the requirements to be considered part of the Mexican financial system.

If we cease to be considered part of the Mexican financial system, the 4.9% withholding rate would apply if the following requirements are met:

- the issuance of the notes (including the principal characteristics of the notes) is notified to the CNBV pursuant to Article 7 of the Mexican Securities Market Law and Articles 24 Bis and 24 Bis 1 of the general regulations applicable to issuers and other market participants issued by the CNBV;
- the notes, as expected, are placed outside of Mexico through banks or broker-dealers, in a country with which Mexico has in force a treaty for the avoidance of double taxation which is in effect (which currently includes the United States of America); and
- we timely comply with the informational requirements specified from time to time by the Mexican tax authorities under their general rules, including, after completion of the transaction described in this offering memorandum, the filing with the Mexican Tax Administration Service (*Servicio de Administración Tributaria*), or SAT, fifteen business days after the placement of the notes, certain information regarding the issuance of the notes and this offering memorandum.

If any of the above mentioned requirements is not met, the Mexican withholding tax will be 10.0% or higher. 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 these purposes, it is considered that two persons are related parties when:

- one person participates directly or indirectly in the management, control or capital of the other person; or
- a person or group of persons participate directly or indirectly in the management, control or capital of such persons.

As of the date of this offering memorandum, the Tax Treaty is not expected to have any effect on the Mexican tax consequences described in this summary, because, as described above, under the Mexican Income Tax Law, we expect to be entitled to withhold taxes in connection with interest payments under the notes at a 4.9% rate.

Payments of interest on the notes made by us to non-Mexican pension and retirement funds will be exempt from Mexican withholding tax provided that:

- the applicable fund is duly incorporated pursuant to the laws of its country of residence and is the effective beneficiary of the interest payment;
- such income is exempt from taxes in its country of residence; and
- such fund provides information to us in accordance with rules issued by SAT for these purposes.

Holders or beneficial owners of the notes may be requested, subject to specified exceptions and limitations, to provide certain information or documentation necessary to enable us to apply the appropriate Mexican withholding tax rate on interest payments under the notes, made by us to such holders or beneficial owners. Additionally, the Mexican Income Tax Law provides that, in order for a foreign holder to be entitled to the benefits under the treaties for the avoidance of double taxation entered into by Mexico, it is necessary for the foreign holder to meet the procedural requirements established in such Law. In the event that the specified information or documentation concerning the holder or beneficial owner, if requested, is not timely provided, we may withhold Mexican tax from interest payments on the notes to that holder or beneficial owner at the maximum applicable rate in effect, and our obligation to pay Additional Amounts relating to those withholding taxes will be limited as described under “Description of Notes—Additional Amounts.”

#### *Payments of Principal*

Pursuant to the Mexican Income Tax Law, payments of principal on the notes made by us to foreign holders will not be subject to any Mexican withholding tax.

#### *Taxation of Capital Gains*

Pursuant to the Mexican Income Tax Law, capital gains resulting from the sale or other disposition of the notes by a foreign holder to another foreign holder are not taxable in Mexico. Gains resulting from the sale of the notes by a foreign holder to a Mexican resident for tax purposes or to a foreign holder deemed to have a permanent establishment in Mexico for tax purposes, will be subject to the Mexican taxes pursuant to the rules described above with respect to interest payments.

#### *Taxation of Make-Whole Amount*

Pursuant to the Mexican Income Tax Law, the payment of the Make-Whole Amount as a result of the optional redemption of the notes, as provided in “Description of Notes—Redemption—Optional make-whole redemption,” will be subject to the Mexican taxes pursuant to the rules described above with respect to interest payments.

#### *Other Mexican Taxes*

Under current Mexican tax laws, generally there are no estate, inheritance, succession or gift taxes applicable to the purchase, ownership or disposition of the notes by a foreign holder. Gratuitous transfers or transfers at an under-value of the notes in certain circumstances may result in the imposition of a Mexican federal tax upon the recipient. There are no Mexican stamp, issue registration or similar taxes or duties payable by foreign holders of the notes with respect to the notes.

## ***U.S. Federal Income Tax Considerations***

*To ensure compliance with U.S. Treasury Department Circular 230, prospective investors are hereby notified that: (a) any discussion of U.S. federal tax issues contained or referred to in this offering memorandum or any document referred to herein is not intended or written to be used, and cannot be used by prospective investors for the purpose of avoiding penalties that may be imposed on them under the United States Internal Revenue Code of 1986, as amended (the “Code”); (b) such discussion is written for use in connection with the promotion or marketing of the transactions or matters addressed herein; and (c) prospective investors should seek advice based on their particular circumstances from an independent tax advisor to determine the particular tax consequences to the purchaser of the purchase, ownership, and disposition of the notes.*

The following is a summary of the material U.S. federal income tax consequences of the purchase, ownership and disposition of notes by a holder thereof. This description only applies to notes purchased in this initial offering for the issue price (generally, the first price at which a substantial amount of notes are sold to the public) and held as capital assets within the meaning of Section 1221 of the Code. Furthermore, this summary does not address, except as set forth below, aspects of U.S. federal income taxation that may be applicable to holders that are subject to special tax rules, such as:

- financial institutions;
- banks;
- insurance companies;
- real estate investment trusts;
- regulated investment companies;
- traders in securities that elect to mark to market;
- entities treated as partnerships or pass-through entities for U.S. federal income tax purposes;
- grantor trusts;
- tax-exempt organizations;
- S corporations;
- U.S. expatriates;
- dealers or traders in securities or currencies;
- holders that will hold notes as part of a position in a straddle or as part of a hedging, conversion, “synthetic security,” or other integrated financial transaction for U.S. federal income tax purposes; or
- holders that have a functional currency other than the U.S. dollar.

Moreover, this description does not address the U.S. federal estate and gift tax or alternative minimum tax consequences of the purchase, ownership and disposition of notes. Each prospective purchaser should consult its own independent tax advisor with respect to the U.S. federal, state, local and foreign tax consequences of the purchase, ownership and disposition of notes.

This description is based on the Code, existing and proposed Treasury Regulations, administrative pronouncements and judicial decisions, each as announced and in effect on the date hereof. All of the foregoing are subject to change, possibly with retroactive effect, or differing interpretations which could affect the tax consequences described herein.

For purposes of this description, a U.S. Holder is a beneficial owner of notes who, for U.S. federal income tax purposes, is:

- an individual who is a citizen or resident of the United States;
- a corporation or other entity taxable as a corporation for U.S. federal income tax purposes created or organized in or under the laws of the United States, any state thereof, or the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust (1) that validly elects to be treated as a U.S. person for U.S. federal income tax purposes or (2)(a) the administration over which a U.S. court can exercise primary supervision and (b) all of the substantial decisions of which one or more U.S. persons has the authority to control.

If a partnership (or any other entity treated as a partnership for U.S. federal income tax purposes) holds notes, the tax treatment of the partnership and a partner in such partnership generally will depend on the status of the partner and the activities of the partnership. Such a partner or partnership should consult its own independent tax advisor as to the tax consequences of an investment in notes through a partnership.

*No ruling from the Internal Revenue Service (the “IRS”) has been sought with respect to the statements made and the conclusions reached in this discussion, and there can be no assurance that the IRS will agree with such statements and conclusions. In addition, the discussion in this “—U.S. Federal Income Tax Considerations” section does not describe any tax consequences arising out of the laws of any state or local or foreign jurisdiction. Accordingly, each U.S. Holder should consult its own independent tax advisor with regard to the offering and the application of U.S. federal income tax laws, as well as the laws of any state, local or foreign taxing jurisdictions, to its particular situation.*

### ***Interest***

It is expected, and this discussion assumes, that either the issue price of the notes will equal the stated principal amount of the notes or the notes will be issued with no more than a de minimis amount of original issue discount. If you are a U.S. Holder, stated interest paid to you on the notes, including any Additional Amounts paid and any Mexican withholding taxes withheld with respect to notes or such Additional Amounts, will be includible in your gross income as ordinary interest income in accordance with your usual method of accounting for U.S. federal income tax purposes.

Solely for purposes of this discussion, the term “interest” shall include any Additional Amounts paid and any Mexican withholding taxes withheld with respect to notes (or such Additional Amounts). Interest on notes will be treated as foreign-source income for U.S. federal income tax purposes. For U.S. foreign tax credit limitation purposes, interest on notes generally will constitute passive category income. Subject to certain conditions and limitations, foreign taxes, if any, withheld on interest payments may be treated as foreign taxes eligible for credit against such U.S. Holder’s U.S. federal income tax liability. Alternatively, a U.S. Holder may elect to deduct any Mexican withholding taxes withheld when computing its U.S. federal taxable income, *provided* that such U.S. Holder elects to deduct (rather than credit) all foreign income taxes paid or accrued for the taxable year. The rules relating to foreign tax credits are complex and U.S. Holders should consult with their own independent tax advisors regarding the availability of a foreign tax credit and the application of the foreign tax credit limitations to their particular situation.

### ***Effect of Optional Redemption***

In certain circumstances, we may be obligated to pay amounts in excess of the stated interest or principal on notes or required to redeem notes. For example, if we experience a change of control, holders of notes may require us to purchase all or part of the notes at 101% of their principal amount, plus accrued and unpaid interest and any Additional Amounts to the redemption date. Under the contingent payment debt Treasury Regulations, or the “CPDI Regulations,” if based on all the facts and circumstances as of the date on which notes are issued, there is a remote likelihood that these contingent events will occur and such payments will be made, it is assumed that such

events will not occur and such payments will not be made. We believe that, based on all the facts and circumstances as of the expected issue date of notes, there is a remote likelihood the contingencies will occur; therefore, we do not intend to treat the notes as contingent payment debt instruments, or “CPDIs.” Our determination, however, is not binding on the IRS, and if the IRS were to challenge this determination, a U.S. Holder may be required to accrue income on the notes that such holder owns in excess of stated interest, and to treat as ordinary income rather than capital gain any income realized on the taxable disposition of the notes before the resolution of the contingency. In the event that such contingency were to occur, it would affect the amount and timing of the income that a U.S. Holder recognizes.

U.S. Holders are urged to consult their tax advisors regarding the potential application to the notes of the CPDI Regulations and the consequences thereof. This discussion assumes that the notes will not be treated as CPDIs.

### ***Sale, Exchange, Retirement or Other Taxable Disposition***

If you are a U.S. Holder, upon the sale, exchange, retirement or other taxable disposition of notes you will recognize taxable gain or loss equal to the difference, if any, between the amount realized on the sale, exchange, retirement or other taxable disposition, other than accrued but unpaid interest which will be taxable as such, and your adjusted tax basis in the notes. Your adjusted tax basis in notes generally will equal the cost of the notes to you. Any such gain or loss will be capital gain or loss. If you are an individual U.S. Holder, under current law, the maximum marginal U.S. federal income tax rate applicable to the gain will be lower than the maximum marginal U.S. federal income tax rate applicable to ordinary income (other than certain dividends) if your holding period for the notes exceeds one year (*i.e.*, it is a long-term capital gain). Any gain or loss realized on the sale, exchange, retirement or other taxable disposition of notes generally will be treated as U.S.-source gain or loss, as the case may be. Accordingly, if Mexican or other foreign income tax is imposed on the sale, exchange, retirement or other taxable disposition of the notes, a U.S. Holder may not be able to fully utilize its U.S. foreign tax credits in respect of such tax unless such U.S. Holder has other foreign-source income. Certain U.S. Holders may elect to treat disposition gain that is subject to Mexican taxation as foreign source gain for purposes of claiming a credit in respect of the tax. Alternatively, a U.S. Holder may take a deduction for the Mexican income tax if such U.S. Holder does not take a credit for any foreign taxes paid or accrued during the taxable year.

Prospective investors should consult their own independent tax advisors as to the U.S. tax and foreign tax credit implications of such sale, exchange, retirement or other taxable disposition of notes. The deductibility of capital losses is subject to limitations.

### ***Foreign Asset Reporting***

Certain U.S. Holders who are individuals are required to report information relating to an interest in the notes, subject to certain exceptions (including an exception for the notes held in custodial accounts maintained by financial institutions). U.S. Holders are urged to consult their tax advisors regarding their information reporting obligations, if any, with respect to their ownership and disposition of the notes.

### ***U.S. Backup Withholding Tax and Information Reporting***

Backup withholding tax and information reporting requirements apply to certain payments of principal of, and interest on, an obligation and to proceeds of the sale, exchange or redemption of an obligation, to U.S. Holders. Information reporting generally will apply to payments of interest and to proceeds from the sale, exchange or redemption of notes made within the United States to a holder of notes (other than an exempt recipient, a payee that is not a U.S. person who provides appropriate certification and certain other persons). The payor will be required to withhold backup withholding tax on payments made within the United States on notes to a U.S. Holder, other than an exempt recipient, if the holder fails to furnish its correct taxpayer identification number or otherwise fails to comply with, or establish an exemption from, the backup withholding requirements.

Payments within the United States of principal and interest to a Non-U.S. Holder will not be subject to backup withholding tax and information reporting requirements if an appropriate certification is provided by the holder to the payor and the payor does not have actual knowledge or a reason to know that the certificate is incorrect.

Backup withholding is not an additional tax. A U.S. Holder generally will be entitled to credit any amounts withheld under the backup withholding rules against such holder's U.S. federal income tax liability provided the required information is furnished to the IRS in a timely manner.

### ***Medicare Tax***

A U.S. Holder that is an individual or estate, or a trust that does not fall into a special class of trusts that is exempt from such tax, is subject to a 3.8% tax on the lesser of (1) such U.S. Holder's "net investment income" (or undistributed "net investment income" in the case of estates and trusts) for the relevant taxable year and (2) the excess of such U.S. Holder's modified adjusted gross income for the taxable year over a certain threshold (which in the case of individuals will be between \$125,000 and \$250,000, depending on the individual's circumstances). A U.S. Holder's net investment income will generally include its gross interest income and its net gains from the disposition of the notes, unless such interest or net gains are derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or trading activities). If you are a U.S. Holder that is an individual, estate or trust, you are urged to consult your tax advisor regarding the applicability of this tax to your income and gains in respect of your investment in the notes.

**The above description is not intended to constitute a complete analysis of all tax consequences relating to the ownership of notes. Prospective purchasers of notes should consult their own independent tax advisors concerning the tax consequences of their particular situations.**

### **European Union Savings Directive (Directive 2003/48/EC)**

Under Council Directive 2003/48/EC on the taxation of savings income, or the "Directive", each member state of the European Union is required to provide to the tax authorities of another member state details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual, or certain other types of person, resident in that other member state; however, for a transitional period, Austria and Luxembourg are instead required to apply (unless during that period they elect otherwise) a withholding system in relation to such payments, deducting tax at the current rate of to 35%. The transitional period is to terminate following agreement by certain non-EU countries to the exchange of information relating to such payments.

Luxembourg has announced that it will no longer apply the withholding system as from January 1, 2015 and will provide details of payments of interest or other similar income as from that date.

A number of non-EU countries, and certain dependent or associated territories of certain member states, have also agreed to adopt similar measures (either provision of information or transitional withholding) in relation to payments made by a person within their respective jurisdictions to, or collected by such a person for, an individual, or certain other types of person, resident in a member state (for example, a withholding system in the case of Switzerland). The European Commission has published proposals for amendments to the Directive, which may amend or broaden the scope of the requirements described above.

## TRANSFER RESTRICTIONS

The notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the notes are being offered hereby only (a) to QIBs in compliance with Rule 144A and (b) in offers and sales that occur outside the United States to persons other than U.S. persons (referred to in this offering memorandum as “non-U.S. purchasers,” which term shall include dealers or other professional fiduciaries in the United States acting on a discretionary basis for non-U.S. beneficial owners (other than an estate or trust)), in offshore transactions meeting the requirements of Rule 903 of Regulation S. As used herein, the terms “offshore transactions,” “United States” and “U.S. person” have the respective meanings given to them in Regulation S.

Each purchaser of notes will be deemed to have represented and agreed with us and the initial purchasers as follows:

- (1) It is purchasing the notes for its own account or an account with respect to which it exercises sole investment discretion and that it and any such account is (a) a QIB, and is aware that the sale to it is being made in reliance on Rule 144A under the Securities Act or (b) a non-U.S. purchaser that is outside the United States (or a non-U.S. purchaser that is a dealer or other fiduciary as referred to above);
- (2) It understands that the notes are being offered in a transaction not involving any public offering in the United States within the meaning of the Securities Act, that the notes have not been and will not be registered under the Securities Act, and that the notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except as set forth below;
- (3) It shall not resell or otherwise transfer any of such notes except:
  - to the Company or any of its subsidiaries;
  - pursuant to a registration statement which has been declared effective under the Securities Act;
  - within the United States to a QIB in compliance with Rule 144A under the Securities Act;
  - outside the United States to non-U.S. purchasers in offshore transactions meeting the requirements of Rule 903 or Rule 904 of Regulation S under the Securities Act; or
  - pursuant to another available exemption from the registration requirements of the Securities Act;
- (4) It agrees that it will give notice of any restrictions on transfer of such notes to each person to whom it transfers the notes;
- (5) It understands that the certificates evidencing the notes (other than the Regulation S global notes) will bear a legend substantially to the following effect unless otherwise determined by us:

THE SECURITIES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR ANY STATE OR OTHER SECURITIES LAWS, AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN ACCORDANCE WITH THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF (1) REPRESENTS THAT IT, AND ANY ACCOUNT FOR WHICH IT IS ACTING, (A) IS A “QUALIFIED INSTITUTIONAL BUYER” (WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT) OR (B) IS NOT A U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN “OFFSHORE TRANSACTION” PURSUANT TO RULE 903 OR 904 OF REGULATION S AND, WITH RESPECT TO (A) AND (B), EXERCISES SOLE INVESTMENT DISCRETION WITH RESPECT TO SUCH ACCOUNT, (2) AGREES FOR THE BENEFIT OF THE COMPANY THAT IT WILL NOT OFFER, SELL, PLEDGE OR OTHERWISE TRANSFER THIS SECURITY OR ANY BENEFICIAL INTEREST HEREIN, EXCEPT (A) (1) TO THE

COMPANY OR ANY SUBSIDIARY THEREOF, (II) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BECOME EFFECTIVE UNDER THE SECURITIES ACT, (III) TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT, (IV) IN AN OFFSHORE TRANSACTION COMPLYING WITH THE REQUIREMENTS OF RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT OR (V) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT (IF AVAILABLE), AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND OTHER JURISDICTIONS, AND (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. AS USED HEREIN, THE TERMS “OFFSHORE TRANSACTION,” “UNITED STATES” AND “U.S. PERSON” HAVE THE RESPECTIVE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE SECURITIES ACT.

PRIOR TO THE REGISTRATION OF ANY TRANSFER IN ACCORDANCE WITH PARAGRAPH 2A(V) ABOVE, THE COMPANY RESERVES THE RIGHT TO REQUIRE THE DELIVERY OF SUCH LEGAL OPINIONS, CERTIFICATIONS, OR OTHER EVIDENCE AS MAY REASONABLY BE REQUIRED IN ORDER TO DETERMINE THAT THE PROPOSED TRANSFER IS BEING MADE IN COMPLIANCE WITH THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. NO REPRESENTATION IS MADE AS TO THE AVAILABILITY OF ANY EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. THIS LEGEND SHALL ONLY BE REMOVED AT THE OPTION OF THE ISSUER.

- (6) If it is a non-U.S. purchaser acquiring a beneficial interest in a Regulation S global note offered pursuant to this offering memorandum, it acknowledges and agrees that, until the expiration of the 40 day “distribution compliance period” within the meaning of Regulation S, any offer, sale, pledge or other transfer shall not be made by it in the United States or to, or for the account or benefit of, a U.S. person, except pursuant to Rule 144A to a QIB taking delivery thereof in the form of a beneficial interest in a U.S. global note, and that each Regulation S global note will contain a legend to substantially the following effect:

THE SECURITIES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR ANY STATE OR OTHER SECURITIES LAWS. PRIOR TO EXPIRATION OF THE 40-DAY DISTRIBUTION COMPLIANCE PERIOD (AS DEFINED IN REGULATION S (“REGULATION S”) UNDER THE SECURITIES ACT, THIS SECURITY MAY NOT BE REOFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES (AS DEFINED IN REGULATION S) OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, A U.S. PERSON (AS DEFINED IN REGULATION S), EXCEPT TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144 A UNDER THE SECURITIES ACT IN A TRANSACTION MEETING THE REQUIREMENTS OF THE INDENTURE REFERRED TO HEREIN.

- (7) It acknowledges that the foregoing restrictions apply to holders of beneficial interests in the notes, as well as holders of the notes;
- (8) It acknowledges that the Company will not be required to accept for registration of transfer any notes acquired by it, except upon presentation of evidence satisfactory to the Company that the restrictions set forth herein have been complied with; and
- (9) It acknowledges that the Company, the trustee, the initial purchasers and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements and agrees that if any of the acknowledgments, representations or agreements deemed to have been made by its purchase of the notes are no longer accurate, it shall promptly notify the Company, the trustee and the initial purchasers. If it is acquiring the notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each such account.



## PLAN OF DISTRIBUTION

Subject to the terms and conditions set forth in the purchase agreement, each initial purchaser named below has severally agreed to purchase, and we have agreed to sell, the principal amount of the notes set forth opposite such initial purchaser's name.

<b>Initial Purchasers</b>	<b>Principal Amount</b>
Barclays Capital Inc.....	U.S.\$ 65,333,000
HSBC Securities (USA) Inc.....	U.S.\$ 65,334,000
BCP Securities, LLC.....	U.S.\$ 65,333,000
Actinver Securities, Inc.....	U.S.\$ 4,000,000
Total.....	U.S.\$200,000,000

Subject to the terms and conditions set forth in the purchase agreement, the initial purchasers have agreed, severally and not jointly, to purchase all of the notes sold under the purchase agreement if any notes are purchased. If an initial purchaser defaults, the purchase agreement provides that the purchase commitments of the non-defaulting initial purchaser may be increased, the commitments of the defaulting initial purchaser may be assumed by other persons satisfactory to the non-defaulting initial purchasers and us or the purchase agreement may be terminated.

We have agreed to indemnify the initial purchasers and their controlling persons against certain liabilities in connection with this offering, including liabilities under the Securities Act, or to contribute to payments the initial purchasers may be required to make in respect of those liabilities.

We have retained Barclays Capital Inc., HSBC Securities (USA) Inc. and BCP Securities, LLC as Dealer Managers and Solicitation Agents for the Tender Offer and the Consent Solicitation and will pay them customary fees and expenses in connection with their services as Dealer Managers and Solicitation Agents.

The initial purchasers are offering the notes, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the notes, and other conditions contained in the purchase agreement, such as the receipt by the initial purchasers of officer's certificates and legal opinions. The initial purchasers reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

### Commissions and Discounts

The initial purchasers have advised us that they propose initially to resell the notes at the offering price set forth on the cover page of this offering memorandum inside the United States to qualified institutional buyers (as defined in Rule 144A) in reliance on Rule 144A and outside the United States to non-U.S. persons in reliance on Regulation S. After the initial offering, the offering price or any other term of the offering may be changed. The initial purchasers may offer and sell notes through certain of their affiliates.

### The Notes Are Not Being Registered

The notes have not been, and will not be, registered under the Securities Act or the securities law of any other jurisdiction, and they may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. In connection with sales outside the United States, each of the initial purchasers has agreed that it will not offer, sell or deliver the notes to, or for the account of, U.S. persons (unless in reliance on Rule 144A) (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the closing date, and that it will send to each dealer to whom it sells such notes during such period a confirmation or other notice setting forth the restrictions on offers and sales of the notes within the United States or to, or for the account or benefit of, U.S. persons. Resales of the notes are restricted as described under "Transfer Restrictions."

In addition, until 40 days after the commencement of this offering, an offer or sale of the notes within the United States by a dealer that is not participating in the offering may violate the registration requirements of the

Securities Act unless the dealer makes the offer or sale in compliance with Rule 144A or another exemption from registration under the Securities Act. Each purchaser of the notes will be deemed to have made acknowledgments, representations and agreements as described under “Transfer Restrictions.”

### **New Issue of Notes**

The notes are a new issue of securities with no established trading market. We do not intend to apply for listing of the notes on any U.S. national securities exchange. Application has been made to admit the notes to listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF market of the Luxembourg Stock Exchange. However, we cannot assure you that the listing application will be approved. We have been advised by each initial purchaser that it presently intends to make a market in the notes after completion of the offering. However, it is under no obligation to do so and may discontinue any market-making activities at its own discretion at any time without any notice. We cannot assure the liquidity of the trading market for the notes. If an active trading market for the notes does not develop, the market price and liquidity of the notes may be adversely affected. If the notes are traded, they may trade at a discount from their initial offering price, depending on prevailing interest rates, the market for similar securities, our operating performance and financial condition, general economic conditions and other factors.

### **Settlement**

We expect that delivery of the notes will be made against payment of the notes on or about June 3, 2014, which will be the fourth business day following the date of this offering memorandum (such settlement being referred to as “T+4”). Under Rule 15c6-1 under the Exchange Act, trades in the secondary market are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade notes prior to the delivery of the notes hereunder may be required, by virtue of the fact that the notes initially settle in T+4, to specify an alternate settlement arrangement at the time of any such trade to prevent a failed settlement. Purchasers of the notes who wish to trade the notes prior to their date of delivery hereunder should consult their advisors.

### **No Sales of Similar Securities**

We have agreed that we will not, for a period of 90 days after the date of this offering memorandum, without first obtaining the prior written consent of each initial purchaser, directly or indirectly, issue, sell, offer to contract or grant any option to sell, pledge, transfer or otherwise dispose of, any U.S. dollar-denominated debt securities, except for the notes sold to the initial purchasers pursuant to the purchase agreement.

### **Short Positions**

In connection with the offering, the initial purchasers may purchase and sell the notes in the open market. These transactions may include short sales and purchases on the open market to cover positions created by short sales. Short sales involve the sale by the initial purchasers of a greater principal amount of notes than they are required to purchase in the offering. The initial purchasers must close out any short position by purchasing notes in the open market.

Similar to other purchase transactions, purchases by the initial purchasers to cover the syndicate short sales may have the effect of raising or maintaining the market price of the notes or preventing or retarding a decline in the market price of the notes. As a result, the price of the notes may be higher than the price that might otherwise exist in the open market.

Neither we nor the initial purchasers make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the notes. In addition, neither we nor the initial purchasers make any representation that the initial purchasers will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

## **Other Relationships**

Certain of the initial purchasers or their affiliates may hold positions in the 2015 Senior Guaranteed Notes. As a result, certain of those initial purchasers or their affiliates may receive some of the proceeds from this offering. See “Use of Proceeds.”

Some of the initial purchasers and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with us or our affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions. We currently have a line of credit from HSBC Mexico, an affiliate of one of the Initial Purchasers.

In addition, in the ordinary course of their business activities, the initial purchasers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. Certain of the initial purchasers or their affiliates that have a lending relationship with us routinely hedge their credit exposure to us consistent with their customary risk management policies. Typically, such initial purchasers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the notes offered hereby. Any such short positions could adversely affect future trading prices of the notes offered hereby. The initial purchasers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

## **Sales Outside of the United States**

Neither we nor the initial purchasers are making an offer to sell, or seeking offers to buy, the notes in any jurisdiction where the offer and sale is not permitted. You must comply with all applicable laws and regulations in force in any jurisdiction in which you purchase, offer or sell the notes or possess or distribute this offering memorandum, and you must obtain any consent, approval or permission required for your purchase, offer or sale of the notes under the laws and regulations in force in any jurisdiction to which you are subject or in which you make such purchases, offers or sales. Neither we nor the initial purchasers will have any responsibility therefor.

## **Mexico**

The notes have not been and will not be registered with the RNV maintained by the CNBV, and, therefore, may not be offered or sold publicly in Mexico, except that the notes may be offered and sold to Mexican institutional and accredited investors pursuant to the private placement exemption set forth in Article 8 of the Mexican Securities Market Law. We will notify the CNBV of the terms and conditions of this offering of the notes outside of Mexico. Such notice will be submitted to the CNBV to comply with Article 7, second paragraph, of the Mexican Securities Market Law and for statistical and informational purposes only. The delivery to, and the receipt by, the CNBV of such notice does not constitute or imply any certification as to the investment quality of the notes, our solvency, liquidity or credit quality or the accuracy or completeness of the information set forth in this offering memorandum. This offering memorandum is solely our responsibility and has not been reviewed or authorized by the CNBV. The acquisition of the notes by an investor who is a resident of Mexico will be made under its own responsibility.

## **Notice to Prospective Investors in the EEA**

In relation to each member state of the EEA, which has implemented the Prospectus Directive, which we refer to as “relevant member states,” an offer to the public of any notes which are the subject of the offering contemplated by this offering memorandum may not be made in that relevant member state, except that an offer to the public in that relevant member state of any notes may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that relevant member state:

- (1) to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(2) to fewer than 100 or, if the relevant member state has implemented the relevant provisions of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the relevant dealer or dealers nominated by us for any such offer; or

(3) in any other circumstances falling within Article 3(2) of the Prospectus Directive;

provided that no such offer of notes shall result in a requirement for the publication by us, the initial purchasers or any representative of a prospectus pursuant to Article 3 of the Prospectus Directive.

Any person making or intending to make any offer of notes within the EEA should only do so in circumstances in which no obligation arises for us or the initial purchasers to produce a prospectus for such offer. Neither we nor the initial purchasers have authorized, nor do they authorize, the making of any offer of notes through any financial intermediary, other than offers made by the initial purchasers which constitute the final offering of notes contemplated in this offering memorandum.

For the purposes of this provision, and your representation below, the expression an “offer to the public” in relation to any notes in any relevant member state means the communication in any form and by any means of sufficient information on the terms of the offer and any notes to be offered so as to enable an investor to decide to purchase any notes, as the same may be varied in that relevant member state by any measure implementing the Prospectus Directive in that relevant member state and the expression “Prospectus Directive” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the relevant member state) and includes any relevant implementing measure in each relevant member state. The expression “2010 PD Amending Directive” means Directive 2010/73/EU.

Each person in a relevant member state who receives any communication in respect of, or who acquires any notes under, the offer of notes contemplated by this offering memorandum will be deemed to have represented, warranted and agreed to and with us and the initial purchasers that:

(1) it is a “qualified investor” within the meaning of the law in that relevant member state implementing Article 2(1)(e) of the Prospectus Directive; and

(2) in the case of any notes acquired by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, (a) the notes acquired by it in the offering have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any relevant member state other than “qualified investors” (as defined in the Prospectus Directive), or in circumstances in which the prior consent of the representatives has been given to the offer or resale; or (b) where notes have been acquired by it on behalf of persons in any Relevant Member State other than qualified investors, the offer of those notes to it is not treated under the Prospectus Directive as having been made to such persons.

#### **Notice to Prospective Investors in the United Kingdom**

Each of the initial purchasers has:

(1) only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the United Kingdom Financial Services and Markets Act of 2000, or the FSMA) received by it in connection with the issue or sale of any notes in circumstances in which Section 21(1) of the FSMA does not, or would not, apply to us; and

(2) complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any notes in, from or otherwise involving the United Kingdom.

#### **Notice to Prospective Investors in Japan**

The notes have not been and will not be registered under the Securities and Exchange Law of Japan (the “Securities and Exchange Law”) and, accordingly, each initial purchaser has undertaken that it will not offer or sell any notes, directly or indirectly, in Japan or to, or for the benefit of any resident of Japan (which term as used herein

means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Securities and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan. For purposes of this paragraph, “resident of Japan” shall have the meaning as defined under the Foreign Exchange and Foreign Trade Law of Japan.

#### **Notice to Prospective Investors in Hong Kong**

This offering memorandum has not been approved by or registered with the Securities and Futures Commission of Hong Kong or the Registrar of Companies of Hong Kong. No person may offer or sell in Hong Kong, by means of any document, any notes other than (i) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (ii) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance. No person may issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the notes which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to notes which are or are intended to be disposed of only to persons outside Hong Kong or to “professional investors” as defined in the Securities and Futures Ordinance and any rules made under that Ordinance or to any persons in the circumstances referred to in paragraph (ii) above.

#### **Notice to Prospective Investors in Singapore**

This offering memorandum has not been registered as a prospectus with the Monetary Authority of Singapore (the “MAS”) under the Securities and Futures Act, Chapter 289 of Singapore (the “Securities and Futures Act”). Accordingly, this offering memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the notes may not be circulated or distributed, nor may the notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to the public or any member of the public in Singapore other than (a) to an institutional investor pursuant to Section 274 of the Securities and Futures Act, (b) to a relevant person, or any person pursuant to Section 275(1A) of the Securities and Futures Act, and in accordance with the conditions specified in Section 275 of the Securities and Futures Act, or (c) pursuant to, and in accordance with the conditions of, any other applicable provision of the Securities and Futures Act.

Each of the following relevant persons specified in Section 275 of the Securities and Futures Act which has subscribed or purchased notes, namely a person who is: (i) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (ii) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, should note that shares, debentures and units of shares and debentures of that corporation or the beneficiaries’ rights and interest in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the notes under Section 275 of the Securities and Futures Act except: (a) to an institutional investor under Section 274 of the Securities and Futures Act or to a relevant person, or any person pursuant to Section 275(1A) of the Securities and Futures Act, and in accordance with the conditions, specified in Section 275 of the Securities and Futures Act; (b) where no consideration is given for the transfer; or (c) by operation of law.

#### **Notice to Prospective Investors in France**

This offering memorandum (including any amendment, supplement or replacement thereto) or any other offering material in connection with the offering of the notes has not been submitted to the clearance procedures of the French Autorité des marchés financiers or of the competent authority of another Member State of the EEA and notified to the French Autorité des marchés financiers. Accordingly, Notes will be offered, sold or distributed directly or indirectly in France only (i) to qualified investors (*investisseurs qualifiés*) and/or a restricted circle of investors (*cercle restreint d’investisseurs*), in each case investing for their own account and as defined in, and in accordance with, Articles L.411-2 II, D.411-1 to D. 411-4, D. 744-1, D. 754-1 and D. 764-1 of the French Code monétaire et financier, or (ii) to investment services providers authorized to engage in portfolio management on behalf of third parties (*service d’investissement de gestion de portefeuille pour compte de tiers*) as defined in Article

L.411-2 II of the French Code monétaire et financier. The direct and indirect distribution or sale to the public in France of any Notes so acquired may be made only in compliance with Articles L.411-1, L.411-2, L.412-1 and L.621-8 to L. 621-8-3 of the French Code monétaire et financier and applicable regulations thereunder.

## GENERAL INFORMATION

### Clearing Systems

Application has been made to have the notes accepted for clearance through Euroclear and Clearstream. In addition, application has been made to have the notes accepted for trading in book-entry form by DTC. The Committee on Uniform Security Identification Procedures, or CUSIP, number and International Security Identification Number, or ISIN, for the notes are as follows:

	Restricted Global Note	Regulation S Global Note
CUSIP.....	31770BAB4	P4173SAE4
ISIN.....	US31770BAB45	USP4173SAE48

### Listing

Application has been made to the Luxembourg Stock Exchange for the notes to be listed on the Official List of the Luxembourg Stock Exchange and traded on the Euro MTF market. Copies of (i) our by-laws, (ii) the bylaws of our subsidiary guarantor, (iii) the indenture, which contains the terms of the note Guarantees, as may be amended or supplemented from time to time, (iv) our published annual audited consolidated financial statements and (v) any published quarterly unaudited consolidated financial statements will be available at our principal executive offices, as well as at the offices of the trustee, registrar, paying agent and transfer agent, and at the offices of the Luxembourg listing agent, paying agent, and transfer agent, as such addresses are set forth in this offering memorandum. In future periods, we do not anticipate that our subsidiary guarantor will publish separate non-consolidated financial statements. We anticipate that its financial accounts will be consolidated with ours when we publish financial statements. We do not publish unconsolidated financial statements. We believe the auditor's reports included herein have been accurately reproduced. We will maintain a paying and transfer agent in Luxembourg for so long as any of the notes are listed on the Luxembourg Stock Exchange.

As required under the Mexican Securities Market Law, we will notify the CNBV of the offering of the notes outside Mexico. Such notice will be delivered to the CNBV to comply with a legal requirement and for statistical and information purposes only, and the delivery to, and the receipt by, the CNBV of such notice, does not imply any certification as to the investment quality of the notes or our solvency, liquidity or credit quality. The information contained in this offering memorandum is exclusively our responsibility and has not been reviewed or authorized by the CNBV. The acquisition of the notes by an investor who is a resident of Mexico will be made under its own responsibility.

### Authorization

Pursuant to resolutions adopted by our board of directors on April 9, 2014, we have obtained all necessary consents, approvals and authorizations in connection with the issuance and performance of the notes. The issuance of the notes has also been approved by our shareholders at the general extraordinary shareholders' meeting on April 28, 2014.

### No Material Adverse Change

Except as disclosed in this offering memorandum, there has been no material adverse change in our financial position or prospects or that of our subsidiaries taken as a whole since March 31, 2014.

### Litigation

We are not involved in any legal or arbitration proceedings (including any such pending or threatened proceedings) relating to claims or amounts that may have or have had during the 12-month period prior to the date of this offering memorandum a material adverse effect on our financial position and that our subsidiaries taken as a whole.

## **LEGAL MATTERS**

Certain matters relating to the notes offered and sold in this offering will be passed upon for the issuer by White & Case LLP, and for the initial purchasers by Paul Hastings LLP. Certain matters of Mexican law relating to the notes will be passed upon for the issuer by White & Case, S.C., and for the initial purchasers by Ritch, Mueller, Heather y Nicolau, S.C.



## **INDEPENDENT AUDITORS**

Our unaudited interim financial statements as of and for the three-month periods ended March 31, 2014 and 2013 and our consolidated financial statements as of and for the years ended December 31, 2013 and 2012 included elsewhere in this offering memorandum, have been audited by Galaz, Yamazaki, Ruiz Urquiza, S.C., a member of Deloitte Touche Tohmatsu Limited, independent auditors, as stated in their audit report appearing herein.

Our consolidated statement of income, consolidated statement of changes in stockholders' equity and consolidated statement of cash flow for the year ended December 31, 2011 included elsewhere in this offering memorandum, have been audited by PricewaterhouseCoopers, S.C., independent auditors, as stated in their report appearing herein.

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

Unaudited Condensed Consolidated  
financial statements for the Three  
Months ended March 31, 2014 and 2013

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

**Unaudited Condensed Consolidated Balance Sheets  
As of March 31, 2014 and December 31, 2013  
(In thousands of Mexican pesos)**

	<b>March 31, 2014 (unaudited)</b>	<b>December 31, 2013</b>
<b>Assets</b>		
Cash and cash equivalents .....	\$ 536,590	\$ 510,990
Performing loans:		
Consumer loans .....	4,999,937	5,029,399
Commercial loans .....	1,276,893	1,306,385
Total performing loans .....	<u>6,276,830</u>	<u>6,335,784</u>
Non-performing loans:		
Consumer loans .....	375,872	460,281
Commercial loans .....	48,171	40,490
Total non-performing loans .....	<u>424,043</u>	<u>500,771</u>
Total loan portfolio .....	6,700,873	6,836,555
Allowance for loan losses .....	(424,043)	(500,771)
Total loan portfolio—Net .....	<u>6,276,830</u>	<u>6,335,784</u>
Other accounts receivable-net .....	301,420	291,281
Property, plant and equipment—net .....	328,729	340,760
Deferred taxes—net .....	990,237	995,409
Other assets:		
Goodwill .....	1,587,035	1,586,795
Intangibles .....	124,181	132,114
Deferred charges and prepaid expenses .....	136,580	92,995
Total assets .....	<u>\$10,281,602</u>	<u>\$10,286,128</u>
<b>Liabilities and Stockholders' Equity</b>		
Commercial paper .....	\$ 1,501,503	\$ 1,501,625
Borrowings from banks and from other entities:		
Short-term .....	4,826,332	2,510,134
Long-term .....	251,213	2,715,393
	<u>5,077,545</u>	<u>5,225,527</u>
Derivatives:		
For hedging purposes .....	75,597	76,333
Other accounts payable:		
Income taxes .....	37,950	36,346
Accrued liabilities and other accounts payable .....	361,392	337,209
	<u>399,342</u>	<u>373,555</u>
Deferred credits and advance collections .....	33,922	27,453
Total liabilities .....	<u>7,087,909</u>	<u>7,204,493</u>
<b>Stockholders' equity</b>		
Contributed capital:		
Common stock .....	157,191	157,191
Share premium .....	1,579,175	1,579,175
	<u>1,736,366</u>	<u>1,736,366</u>
Earned capital:		
Capital reserves .....	14,318	14,318
Retained earnings from prior years .....	1,384,215	1,131,157
Accumulated deficit from valuation of cash flow hedging instruments .....	(54,942)	(68,599)
Net income from translation of foreign subsidiaries .....	12,991	14,278
Net income .....	100,739	254,111
	<u>1,457,321</u>	<u>1,345,265</u>
Non-controlling interest .....	6	4
Total stockholders' equity .....	<u>3,193,693</u>	<u>3,081,635</u>
Total liabilities and stockholders' equity .....	<u>\$10,281,602</u>	<u>\$10,286,128</u>

See accompanying notes to these unaudited condensed consolidated financial statements.

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

**Unaudited Condensed Consolidated Statements of Income**  
**Three months ended March 31, 2014 and 2013**  
(In thousands of Mexican pesos)

	2014	2013
Interest income .....	\$1,195,803	\$1,179,832
Interest expense .....	<u>(175,882)</u>	<u>(179,970)</u>
Financial margin .....	1,019,921	999,862
Allowance for loan losses .....	<u>(273,557)</u>	<u>(240,231)</u>
Financial margin after allowance for loan losses .....	746,364	759,631
Commission and fee income .....	145,818	157,439
Commission and fee expense .....	(20,077)	(15,799)
Trading income .....	(6,851)	(19)
Other operating income .....	91,429	35,891
Administrative and promotional expenses .....	<u>(819,886)</u>	<u>(863,875)</u>
Result of operation .....	136,797	73,268
Current tax income .....	(31,747)	(33,919)
Deferred tax income .....	<u>(4,309)</u>	<u>10,739</u>
	<u>(36,056)</u>	<u>(23,180)</u>
Result before non-controlling interest .....	100,741	50,088
Non-controlling interest .....	<u>(2)</u>	<u>690</u>
Net income .....	<u>\$ 100,739</u>	<u>\$ 50,778</u>

See accompanying notes to these unaudited condensed consolidated financial statements.

Financiera Independencia, S. A. B. de C. V., Sociedad Financiera de Objeto Múltiple, Entidad no Regulada and Subsidiaries

Unaudited Condensed Consolidated Statements of Changes in Stockholders' Equity  
 Three months ended March 31, 2014 and 2013  
 (In thousands of Mexican pesos)

	Contributed capital			Earned capital			Total stockholders' equity		
	Common stock	Share premium	Capital reserves	Retained earnings from prior years	Accumulated deficit from valuation of cash flow hedging instruments	Net income from translation of foreign subsidiaries		Net income	Non-controlling interest
Balances, December 31, 2012	\$157,191	\$1,579,175	\$14,318	\$1,266,637	\$(50,677)	\$ —	\$(116,463)	\$8,706	\$2,858,887
Changes arising from decisions taken by stockholders:									
Transfer of net result to result from prior years	—	—	—	(116,463)	—	—	116,463	—	—
Changes arising from comprehensive income:									
Net income	—	—	—	—	—	—	—	—	50,778
Result from valuation of cash flow hedging instruments	—	—	—	—	(35,900)	—	—	—	(35,900)
Result from translation of foreign subsidiaries	—	—	—	—	—	6,860	—	—	6,860
Non-controlling interest	—	—	—	—	—	—	—	(690)	(690)
Other	—	—	—	(8,177)	—	—	—	—	(8,177)
Balances, March 31, 2013	\$157,191	\$1,579,175	\$14,318	\$1,141,997	\$(86,577)	6,860	\$ 50,778	\$8,016	\$2,871,758
Balances, December 31, 2013	\$157,191	\$1,579,175	\$14,318	\$1,131,157	\$(68,599)	\$14,278	\$ 254,111	\$ 4	\$3,081,635
Changes arising from decisions taken by stockholders:									
Transfer of net result to result from prior years	—	—	—	254,111	—	—	(254,111)	—	—
Changes arising from comprehensive income:									
Net income	—	—	—	—	—	—	—	—	100,739
Result from valuation of cash flow hedging instruments	—	—	—	—	13,657	—	—	—	13,657
Result from translation of foreign subsidiaries	—	—	—	—	—	(1,287)	—	—	(1,287)
Non-controlling interest	—	—	—	—	—	—	—	2	2
Other	—	—	—	(1,053)	—	—	—	—	(1,053)
Balances, March 31, 2014	\$157,191	\$1,579,175	\$14,318	\$1,384,215	\$(54,942)	\$12,991	\$ 100,739	\$ 6	\$3,193,693

See accompanying notes to these unaudited condensed consolidated financial statements.

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

**Unaudited Condensed Consolidated Statements of Cash Flows**  
**Three months ended March 31, 2014 and 2013**  
(In thousands of Mexican pesos)

	2014	2013
Net income . . . . .	\$ 100,739	\$ 50,778
Adjustments for items not requiring cash flows:		
Depreciation and amortization . . . . .	26,067	30,388
Current and deferred income taxes . . . . .	36,056	23,180
	<u>162,862</u>	<u>104,346</u>
Operating activities:		
Loan portfolio, net . . . . .	58,954	265,381
Bank loans and commercial paper . . . . .	(148,104)	(285,325)
Other accounts receivable and payable . . . . .	4,153	75,528
Net cash flows from operating activities . . . . .	<u>77,865</u>	<u>159,930</u>
Investing activities:		
Acquisitions of fixed assets . . . . .	(14,036)	(7,413)
Goodwill . . . . .	(240)	—
Deferred charges and prepaid expenses . . . . .	(35,651)	(251)
Net cash flows from investing activities . . . . .	<u>(49,927)</u>	<u>(7,664)</u>
Financing activities:		
Acquisition of proprietary shares . . . . .		
Result from translation of foreign subsidiaries . . . . .	(1,287)	6,860
Other items . . . . .	(1,053)	(8,176)
Non-controlling interest . . . . .	2	(690)
Net cash flows from financing activities . . . . .	<u>(2,338)</u>	<u>(2,006)</u>
Net increase (decrease) in cash . . . . .	25,600	150,260
Cash and cash equivalents at the beginning of the period . . . . .	<u>510,990</u>	<u>382,471</u>
Cash and cash equivalents at the end of the period . . . . .	<u>\$ 536,590</u>	<u>\$ 532,731</u>

See accompanying notes to these unaudited condensed consolidated financial statements.

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

**Notes to condensed consolidated interim financial statements (non-audited)  
For the three month ended March 31, 2014 and 2013  
(In thousands of Mexican pesos)**

**1. Operations**

Financiera Independencia, S. A. B. de C. V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada (the “Company”) was established and began operations in accordance with Mexican laws on July 22, 1993, for an indefinite period, and with headquarters in Mexico City. It has been authorized by the Mexican Treasury Department (“SHCP”) to operate as an unregulated multiple purpose financial institution, in accordance with the Mexican Credit Institutions Law (“LIC”).

The Company’s primary activity is to grant loans to individuals for the consumption of goods and services. Operations have been funded through equity from stockholders, placement of debt and through loans contracted with 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, provide factoring services and enter into finance leases. Sofomes may or may not be regulated by the Mexican National Banking and Securities Commission (the “Commission”). Unregulated Sofomes are not subject to oversight by the Commission due to the fact that they do not have equity relationships with credit institutions or holding companies of financial groups that include credit institutions.

On October 18, 2007 the stockholders approved the adoption of the regime of Sociedad Anónima Bursátil (S.A.B.), for which reason as of November 1, 2007 the Company was registered as a public stock corporation on the Mexican Stock Market (the “BMV”), and listed under the ticker symbol “FINDEP”.

During the process of listing its shares on the BMV, the Company carried out a public share offering in Mexico and abroad. The foreign public offering was performed under Rule 144-A and regulation “S” of the US Securities Act of 1933 and the regulations applicable to countries in which such offering was performed.

The Company, in its capacity as an S. A. B., applies the provisions of the General Companies Law and, if applicable, the relevant provisions of the Stock Market Law, as well as general provisions applicable to issuers of securities and other stock market participants.

**2. Basis of presentation**

***Explanation for translation into English***—The accompanying financial statements have been translated from Spanish into English for use outside of Mexico. These financial statements are presented under the accounting rules issued by the Commission. Certain accounting practices applied by the Company that conform with the accounting rules issued by the Commission may not conform with accounting principles generally accepted in the country of use.

***Interim financial statements***—The accompanying unaudited condensed consolidated financial statements for the three-month periods ended March 31 2014 and 2013, have not been audited. In the opinion of Company’s management, all the adjustments (consisting mainly of ordinary, recurring adjustments) necessary for a fair presentation of the accompanying consolidated financial statements are included. The results of the periods are not necessarily indicative of the results for the full year. These financial statements should be read in conjunction with the audited financial statements of the Company and the respective notes for the year ended December 31, 2013.

***Monetary unit of the financial statements***—The financial statements and notes as of March 31, 2014 and December 31, 2013 and for the years ended include balances and transactions of different purchasing power



**Consolidation of financial statements**—The accompanying unaudited condensed consolidated financial statements include the financial statements of the Company and those of its subsidiaries in which control is exercised. All significant intercompany balances and transactions have been eliminated.

The subsidiaries consolidated with the Company as of March 31, 2014 and December 31, 2013 are detailed below:

Subsidiaries	Holding		Activities
	2014	2013	
Serfincor, S. A. de C. V. (“Serfincor”) . . . . .	99.99%	99.99%	Administrative services provider
Conexia, S.A. de C.V. (“Conexia”) . . . . .	99.99%	99.99%	Call center, promotional and marketing services
Fisofo, S. A. de C. V., SOFOM, E. N. R. (“Fisofo”) . . . . .	99.00%	99.00%	Granting consumer loans
Findependencia, S. A. de C. V., SOFOM, E.N.R. . . . .	99.00%	99.00%	Granting consumer loans
Financiera Finsol, S. A. de C. V., SOFOM, E.N.R. (“Financiera Finsol”) . . . . .	99.99%	99.99%	Granting consumer loans
Finsol, S. A. de C. V. (“Finsol”) . . . . .	99.99%	99.99%	Administrative services provider
Finsol Vida, S. A. de C. V. . . . .	99.99%	99.99%	Insurance services
Instituto Finsol, IF . . . . .	99.99%	99.99%	Granting commercial loans
Independencia Participações, S. A. and subsidiary . . . . .	99.99%	99.99%	Granting commercial loans
Apoyo Económico Familiar, S.A. de C.V., SOFOM, E.N.R. (“AEF”) . . . . .	99.99%	99.99%	Granting consumer loans
Servicios Corporativos AEF, S.A. de C.V. (“SCAEF”) . . . . .	99.99%	99.99%	Administrative services provider
Apoyo Financiero Inc. (“AFI”) . . . . .	100.00%	77.00%	Granting consumer loans
Sistemas Administrativos y Corporativos Santa Fe, S.A. de C.V. (SACSA) . . . . .	99.99%	—	Administrative services provider
Fideicomiso irrevocable de emisión de certificados bursátiles fiduciarios F/1742 . . . . .	100.00%	—	Securitization vehicle

**Translation of financial statements of subsidiaries in foreign currency**—To consolidate financial statements of foreign subsidiaries, the accounting policies of the foreign entities are converted to the accounting criteria established by the Commission using the currency in which transactions are recorded. The financial statements are translated to Mexican pesos based on the following methodologies:

The foreign operations whose recording and functional currencies are the same convert their financial statements by using the following exchange rates: 1) closing rate for assets and liabilities, 2) historical rate for stockholders’ equity and 3) the accrual date for revenues, costs and expenses. The effects of conversion are recorded in stockholders’ equity.

### 3. Significant accounting policies

The accounting policies followed by the Company are in accordance with the accounting criteria established by the Commission in the “General Provisions Applicable to Credit Institutions” (the “Provisions”), which require management to make certain estimates and use certain assumptions to determine the valuation of some of the items included in the financial statements and make the disclosures required therein. While they may differ from actual results, management believes that the estimates and assumptions used were adequate under the circumstances.

On September 19, 2008, the Commission issued an amendment to the General Provisions for Issuers, whereby unregulated Sofomes that are public stock corporations must prepare their financial statements in conformity with the accounting criteria which, pursuant to article 87-D of the LGOAAC, is applicable to

regulated Sofomes. This article states that regulated Sofomes are subject to the provisions established for credit institutions and finance entities, in the LIC, and in the regulations issued by the Commission.

In accordance with accounting criterion A-1 of the Commission, the accounting criteria prescribed by the Commission is based on applicable financial reporting standards in México (“NIF”) as issued by the Mexican Board of Financial Reporting Standards (CINIF), except when, in the Commission’s judgment, a specific accounting provision or standard must be applied due to the specialized nature of operations carried out by entities subject to the Commission’s regulations.

**4. Loan portfolio**

The classification of the performing and non-performing loan portfolio is composed as follows:

	March 31, 2014 (unaudited)	December 31, 2013
Performing loans		
Consumer loans . . . . .	\$4,999,937	\$5,029,399
Commercial loans . . . . .	1,276,893	1,306,385
Total performing loans . . . . .	<u>6,276,830</u>	<u>6,335,784</u>
Non-performing loans		
Consumer loans . . . . .	375,872	460,281
Commercial loans . . . . .	48,171	40,490
Total non-performing loans . . . . .	<u>424,043</u>	<u>500,771</u>
	<u>\$6,700,873</u>	<u>\$6,836,555</u>

**5. Allowance for loan losses**

The Company classifies its credit portfolio by using an internal methodology based on the probability of borrower noncompliance and the severity of the loss associated with the credit.

The following table indicates the percentages used to generate the allowance for loan losses at March 31, 2014 and December 31, 2013, which were determined according to the probability of noncompliance and severity of the credit portfolio loss:

Weekly Period	2014			2013		
	Amount	Provision (%)	Amount	Amount	Provision (%)	Amount
0 .....	\$ 162,388	0.4	\$ 674	\$ 155,098	0.4	\$ 641
1 .....	27,587	1.4	386	53,793	1.4	777
2 .....	28,337	2.0	555	25,821	1.9	498
3 .....	8,602	6.4	555	15,225	6.5	988
4 .....	17,500	10.0	1,756	17,142	9.7	1,659
5 .....	11,272	12.0	1,348	13,843	11.3	1,560
6 .....	4,003	17.4	698	3,695	15.3	567
7 .....	3,521	27.7	977	4,114	25.9	1,065
8 .....	9,678	29.6	2,869	6,952	27.2	1,889
9 .....	3,940	30.6	1,204	10,268	27.8	2,858
10 .....	1,839	37.8	695	2,106	34.8	732
11 .....	2,393	48.1	1,152	3,049	46.0	1,404
12 .....	3,418	47.5	1,623	4,592	44.4	2,041
13 .....	8,126	47.1	3,824	10,333	43.7	4,517
14 .....	1,250	53.6	670	1,560	49.1	766
15 .....	1,851	62.2	1,151	2,561	59.6	1,527
16 .....	2,713	61.8	1,677	4,103	58.4	2,396
17 .....	6,566	60.6	3,981	7,670	57.3	4,392
18 or more .....	27,936	88.5	24,731	36,303	88.0	31,939
	332,920	15.2	50,526	378,228	16.4	62,216
<b>Biweekly</b>						
0 .....	\$1,769,523	0.3	\$ 5,432	\$1,881,758	0.3	\$ 4,761
1 .....	344,667	0.9	3,090	272,203	0.8	2,256
2 .....	250,437	4.4	10,931	320,384	3.6	11,566
3 .....	81,053	8.2	6,638	32,572	7.1	2,326
4 .....	117,805	17.4	20,513	104,196	13.7	14,294
5 .....	25,017	23.8	5,947	24,744	22.6	5,602
6 .....	76,151	35.3	26,849	69,134	28.9	20,006
7 .....	15,054	42.1	6,335	31,430	39.1	12,285
8 .....	52,814	52.0	27,476	56,909	44.1	25,087
9 .....	12,437	54.6	6,795	47,505	51.7	24,549
10 .....	47,788	63.7	30,443	39,351	55.4	21,814
11 .....	13,875	68.5	9,509	36,588	66.3	24,272
12 .....	38,589	76.5	29,533	44,382	68.3	30,331
13 or more .....	—	—	—	—	—	—
	2,845,210	6.7	189,491	2,961,156	6.7	199,149

Monthly Period	2014			2013		
	Amount	Provision (%)	Amount	Amount	Provision (%)	Amount
0	\$ 243,868	0.3	\$ 703	\$ 244,506	0.2	\$ 572
1	48,533	2.8	1,378	52,275	2.3	1,221
2	13,395	14.2	1,897	12,295	11.3	1,386
3	7,018	32.1	2,252	6,606	27.1	1,793
4	4,679	49.9	2,334	6,169	43.0	2,652
5	3,988	61.0	2,433	4,586	54.7	2,509
6	3,551	72.7	2,580	4,659	67.3	3,136
7	—	—	—	—	—	—
8	—	—	—	—	—	—
9 o más	—	—	—	—	—	—
Total	325,032	4.2	13,577	331,096	4.0	13,269
Restructured portfolio	53,222	88.5	47,115	36,592	88.0	32,193
Más Nómina portfolio	269,335	4.0	11,405	248,915	3.0	7,561
Group portfolio	1,325,064	3.6	48,171	1,346,875	3.0	40,490
AEF portfolio	1,313,738	5.2	68,813	1,311,581	5.2	68,768
AFI portfolio	236,352	2.8	6,578	222,112	3.4	7,632
Total	<u>\$6,700,873</u>		<u>\$435,676</u>	<u>\$6,836,555</u>		<u>\$431,278</u>
Additional reserves			—			69,493
Cancellation of excess reserves			(11,633)			—
Total reserves			<u>\$424,043</u>			<u>\$500,771</u>
Hedge ratio			<u>100%</u>			<u>100%</u>

The movements of the allowance for loan losses during the periods ended March 31, 2014 and December 31, 2013 were as follows

	March 31, 2014 (unaudited)	December 31, 2013
Opening balance of the year	\$ 500,771	\$ 434,769
Add:		
Allowance for loan losses increase charged to income statement	273,557	1,209,052
Less:		
Loans written-off during the period	(350,285)	(1,143,050)
Closing balance of the year	<u>\$ 424,043</u>	<u>\$ 500,771</u>

At March 31, 2014 and December 31, 2013, the restructured portfolio was \$53,222 and \$36,592, respectively.

## 6. Commercial paper

At March 31, 2014 and December 31, 2013, securitized liabilities are composed as follows:

	Program amount	Issuance amount	Date of issuance	Period	Interest rate	March 31, 2014 (unaudited)	December 31, 2013
Cebures'11	\$2,000,000	\$1,500,000	May-2011	May-2014	TIIE + 265 pb	\$ —	\$1,500,000
Cebures	\$2,000,000	\$1,500,000	Mar-2014	Mar-2018	TIIE + 228 pb	1,500,000	—
					Accrued interest	1,503	1,625
					Total	<u>\$1,501,503</u>	<u>\$1,501,625</u>

Cebures' 11 certificates are three-year, unsecured debt securities which pay an interest rate equal to the 28-day TIIE rate plus 265 basis points (bp). These certificates have HR A and A(mex) ratings from HR Ratings de México and Fitch Ratings, respectively.

On March 3, 2014, the Company sold the Cebures' 11 certificates through the issuance of five-year \$1,500,000 debt instruments known as Certificados Bursátiles Fiduciarios (the "Certificates"), which pay an interest rate of TIIE rate plus 220 basis points. The Certificates were issued through a securitization authorized by the Commission of up to \$5,000,000 and a maturity date of 5 years. The Certificates received credit ratings of AAA and AA (mex) from HR Ratings de Mexico and Fitch Ratings, respectively. The Certificates were issued through Banco Invex, S.A., as the Trustee and are collateralized by loans of the Company and AEF, who will serve as the administrators of this issuance.

## 7. Borrowings from banks and from other entities

At March 31, 2014 and December 31, 2013, borrowings from banks and other entities are comprised as follows:

Entity	Credit line amount	Maturity date	Guarantee	Interest rate	March 31, 2014 (unaudited)	December 31, 2013
International Bond <sup>1</sup> . . . . .	USD 193,887	Mar-2015	No guarantee	10.0%	\$2,531,175	\$2,536,876
HSBC México, S. A. Institución de Banca Múltiple, Grupo Financiero (HSBC) <sup>2</sup>						
Revolving credit lines . . . . .	750,000	Dec-2016	1.3 to 1.0	TIIE + 475 pb 12.36%	220,000	220,000
	USD 50,000	Dec-2016	1.3 to 1.0	weighted rate	381,066	407,419
Nacional Financiera, S. N. C. (NAFINSA) <sup>3</sup> :						
	1,000,000	Indefinite period	No guarantee	TIIE + 350 pb	700,808	720,369
	500,000	Indefinite period	10% settlement	TIIE + 450 pb	245,250	248,000
	200,000	Indefinite period	20% settlement	TIIE + 400 pb	199,613	197,867
Fideicomisos Instituidos en Relación con la Agricultura (FIRA) . . . . .	600,000	Dec-2016	10% settlement	TIIE FIRA	255,000	300,500
Banco Monex, S. A. . . . .	50,000	Feb-2014	1.5 to 1.0	TIIE + 350 pb	—	9,091
Fideicomiso Nacional de Financiamiento al Microempresario (FINAFIM) . . . . .	70,000	Jul-2014	1.0 to 1.0	CETES + 550 pb	11,667	20,417
Fideicomiso Nacional de Financiamiento al Microempresario (FINAFIM) . . . . .	60,000	Dec-2015	1.0 to 1.0	CETES + 550 pb	3,333	11,250
BBVA Bancomer . . . . .	260,000	May-2015	No guarantee	TIIE + 295 pts.	260,000	260,000
Bridge Bank N.A. . . . .			Standby Letter			
	USD 4,750	Oct-2015	of Credit	Prime Rate + 125 pb	62,011	62,150
ScotiaBank Inverlat, S.A. <sup>4</sup> . . . . .	195,000	May-2017	1.2 to 1.0	TIIE + 300 pb	194,964	194,966
					5,064,887	5,188,905
			Accrued interest		12,658	36,622
					<u>\$5,077,545</u>	<u>\$5,225,527</u>

1. In March 2010, bonds with a value of US\$ 200 million were placed on the international market. These instruments were issued under rule 144A/Reg S., for a five-year period and with a 10% annual interest rate, which received BB- credit ratings from Standard and Poor's and Fitch Ratings.

2. A revolving credit line for the amount of \$750 million and US\$50,000, with maturity in December 2016. These loans accrue interest ranging from the TIIE rate + 475 pb and a weighted rate of 12.36%, respectively.
3. Three revolving credit lines for the amount of \$1,000,000, \$500,000 and \$200,000, respectively. The first of these was used to finance informal market micro-credits, the second was utilized to finance the group product, while the third credit line was contracted to fund the operations of AEF.
4. A revolving credit line with ScotiaBank for the amount of \$195,000, with maturity in May 2017. This loan accrues interest ranging from the TIIE rate + 300 pb.

## 8. Income taxes

The Company is subject to the payment of Income Tax (ISR) and through December 31, 2013, to Business Flat Tax (IETU).

*ISR*—The rate was 30% in 2013 and 2012 and as a result of the new 2014 ISR Law (2014 Tax Law), the rate will continue at 30% in 2014 and thereafter.

*IETU*—IETU was eliminated as of 2014; therefore, up to December 31, 2013, this tax was incurred both on revenues and deductions and certain tax credits based on cash flows from each year. The respective rate was 17.5%.

The incurred tax is the higher of ISR and IETU up to 2013.

*Employee statutory profit-sharing* - The Company determined employee statutory profit-sharing by applying the criterion detailed in the guidelines of the Income Tax Law.

## 9. Stockholders' equity

At March 31, 2014 and December 31, 2013, stockholders' equity is composed as follows:

Number of Shares	Description	Amount
200,000,000	Series "A" (Class I) .....	\$ 20,000
560,884,712	Series "A" (Class II) .....	56,088
(45,000,000)	Series "A" (Class II) [unpaid, subscribed shares] .....	(4,500)
<u>715,884,712*</u>		<u>71,588</u>
	Effects of restatements .....	<u>85,603</u>
	Common stock at March 31, 2014 (unaudited) and December 31, 2013 .....	<u>\$157,191</u>

\* Ordinary, nominative shares at no par value, fully subscribed and paid-in.

Series "A", Class I shares represent fixed capital without withdrawal rights. Series "A", Class II shares represent the Company's variable capital.

A restriction is applicable to the declaration of dividends whenever this payment reduces the Company's capitalization level (defined as the ratio of stockholders' equity to total assets) to less than 25%.

According to the Stock Market Law and the Company's corporate bylaws, the Company is able to repurchase its common stock shares with the understanding that, while these shares are held by the Company, the shares voting or other rights cannot be exercised at a Stockholders' Meeting or in any way.

Stockholders' equity, except for restated paid-in capital and tax retained earnings will be subject to ISR payable by the Company at the rate in effect upon distribution. Any tax paid on such distribution may be credited against annual and estimated ISR of the year in which the tax on dividends is paid and the following two fiscal years.

Retained earnings include the statutory legal reserve. The General Corporate Law requires that at least 5% of net income of the year be transferred to the legal reserve until the reserve equals 20% of common stock at par value (historical pesos). The legal reserve may be capitalized but may not be distributed unless the entity is dissolved. The legal reserve must be replenished if it is reduced for any reason. As of March 31, 2014 and December 31, 2013, the legal reserve, in historical pesos, was \$14,318.

In the case of a capital reduction, the procedures detailed in the LISR establish that the tax treatment given to dividends must also be applied to any amount by which stockholders' equity exceeds the balances of contributed capital accounts.

**10. Commitments and contingencies**

The Company is subject to various legal actions in the normal course of operations. Other than those contingencies disclosed in the annual consolidated financial statement for 2013, the Company is not involved in any additional or has been threatened by legal procedures which management believes could have significant adverse effects on its financial position, results of operations or cash flows. At March 31, 2014 and December 31, 2013, the provision for such contingencies is \$11,000 and \$7,953, respectively.

**11. Authorization to issue the financial statements**

As the issuance of the accompanying consolidated financial statements (unaudited) was authorized on May 8, 2014 by Mr. Mauricio Galán Medina, the Company's General Director, consequently they do not reflect any event arising after that date. Furthermore, the consolidated financial statements are subject to the approval of the ordinary meeting of the Company's stockholders, which may request their modification according to the General Corporate Law.

\* \* \* \* \*

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

Consolidated Financial Statements for  
the years ended December 31, 2013,  
2012 and 2011 and Independent  
Auditors' Report





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**Independent Auditors' Report to the  
Board of Directors and Stockholders of  
Financiera Independencia, S. A. B. de C. V.,  
Sociedad Financiera de Objeto Múltiple,  
Entidad no Regulada**

We have audited the accompanying consolidated financial statements of Financiera Independencia, S. A. B. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad no Regulada and Subsidiaries (the Company), which comprise the consolidated balance sheets as of December 31, 2013 and 2012, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation of these consolidated financial statements in conformity with the accounting criteria established by the Mexican National Banking and Securities Commission through the "General Provisions Applicable to Credit Institutions" (the Accounting Criteria), and for such internal control which the Company's management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

*Responsibility of the Independent Auditors*

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We have conducted our audits in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant for the preparation of the Company's consolidated financial statements, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Company's management, as well as evaluating the presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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## **Deloitte.**

### *Opinion*

In our opinion, the consolidated financial statements of Financiera Independencia, S. A. B. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad no Regulada and Subsidiaries for the years ended December 31, 2013 and 2012, are prepared, in all material respects, in accordance with the Accounting Criteria.

### *Other matter*

The accompanying consolidated financial statements have been translated into English for the convenience of the readers.

Galaz, Yamazaki, Ruiz Urquiza, S. C.  
Member of Deloitte Touche Tohmatsu Limited

A handwritten signature in black ink, appearing to read 'apra de r', enclosed within a large, stylized, horizontal oval shape.

CPC Jorge Tapia del Barrio

May 8, 2014



## Report of Independent Auditors

To the Stockholders of

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

We have audited the accompanying consolidated statement of income, consolidated statement of changes in stockholders' equity and consolidated statement of cash flow of Financiera Independencia, S.A.B de C.V. Sociedad Financiera de Objeto Múltiple, Entidad No Regulada (the "Company") and its subsidiaries for the year ended December 31, 2011. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in México. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement and that they were prepared in accordance with the accounting rules and practices prescribed by the National Banking and Securities Commission ("Commission") in México applicable to Regulated Multiple Purpose Financial Companies ("Sociedades Financieras de Objeto Múltiple Reguladas"). An audit consists of examining, on a test basis, evidence supporting the figures and disclosures of the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As specified in Note 3 to the consolidated financial statements, on March 15, 2011, the Company acquired 99.99% of the shares of Apoyo Económico Familiar, S. A. de C. V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada, one of the main microloan entities in México, for a total of 1,075 million pesos. Also, on February 28, 2011, the Company acquired 77% of Apoyo Financiero, Inc. (AFI), a microfinance company mainly serving the Hispanic non-bank community in San Francisco, California, for 8.4 million dollars.

On March 5, 2012, we issued an unqualified opinion on the consolidated financial statements of Financiera Independencia, S. A. B. de C. V., Sociedad Financiera de Objeto Múltiples, Entidad No Regulada as of December 31, 2011 and 2010. The offering memorandum includes the consolidated financial statements for the year ended December 31, 2011. As discussed in Note 1 to the consolidated financial statements, certain reclassifications have been made and certain notes have been modified from the previously issued financial statements for the year ended December 31, 2011 for comparability purposes.



In our opinion, the aforementioned consolidated financial statements of Financiera Independencia, S.A.B de C.V. Sociedad Financiera de Objeto Múltiple, Entidad No Regulada (the “Company”) and its subsidiaries for the year ended December 31, 2011 are in conformity with rules and practices prescribed by the Commission in México applicable to Regulated Multiple Purpose Financial Companies “Sociedades Financieras de Objeto Múltiple Reguladas” in México.

PricewaterhouseCoopers, S. C.

A handwritten signature in black ink, appearing to read 'Nicolás Germán Ramírez', written over a faint horizontal line.

C.P.C. Nicolás Germán Ramírez

Partner

México, City

March 5, 2012, except for certain reclassifications mentioned in Note 1, dated May 14, 2014

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

**Consolidated balance sheets  
As of December 31, 2013 and 2012  
(In thousands of Mexican pesos)**

	<b>2013</b>	<b>2012</b>
<b>Assets</b>		
Cash and cash equivalents .....	\$ 510,990	\$ 382,471
Performing loans:		
Consumer loans .....	5,029,399	4,977,794
Commercial loans .....	1,306,385	1,375,014
Total performing loans .....	6,335,784	6,352,808
Non-performing loans:		
Consumer loans .....	460,281	309,548
Commercial loans .....	40,490	60,490
Total non-performing loans .....	500,771	370,038
Total loan portfolio .....	6,836,555	6,722,846
Allowance for loan losses .....	(500,771)	(434,769)
Total loan portfolio—Net .....	6,335,784	6,288,077
Other accounts receivable—Net .....	291,281	249,967
Property, plant and equipment—Net .....	340,760	393,582
Deferred taxes—net .....	995,409	960,710
Other assets:		
Goodwill .....	1,586,795	1,545,719
Intangibles—net .....	132,114	140,047
Deferred charges and prepaid expenses .....	92,995	94,941
Total assets .....	<u>\$10,286,128</u>	<u>\$10,055,514</u>
<b>Liabilities and Stockholders' Equity</b>		
Commercial paper .....	\$ 1,501,625	\$ 1,501,625
Borrowings from banks and from other entities:		
Short-term .....	2,510,134	2,722,941
Long-term .....	2,715,393	2,513,900
	5,225,527	5,236,841
Derivatives		
For hedging purposes .....	76,333	94,023
Other accounts payable:		
Income taxes .....	36,346	16,008
Accrued liabilities and other accounts payable .....	337,209	288,611
	373,555	304,619
Deferred credits and advance collections .....	27,453	59,519
Total liabilities .....	7,204,493	7,196,627
<b>Stockholders' equity</b>		
Contributed capital:		
Common stock .....	157,191	157,191
Share premium .....	1,579,175	1,579,175
	1,736,366	1,736,366
Earned capital:		
Capital reserves .....	14,318	14,318
Retained earnings from prior years .....	1,131,157	1,266,637
Accumulated deficit from valuation of cash flow hedging instruments .....	(68,599)	(50,677)
Net income from translation of foreign subsidiaries .....	14,278	—
Net income .....	254,111	(116,463)
	1,345,265	1,113,815
Controlling interest .....	3,081,631	2,850,181
Non-controlling interest .....	4	8,706
Total stockholders' equity .....	3,081,635	2,858,887
Total liabilities and stockholders' equity .....	<u>\$10,286,128</u>	<u>\$10,055,514</u>
<b>Memoranda accounts</b>		
Uncollected accrued interest on non-performing loans .....	\$ 74,900	\$ 99,469
Tax losses .....	\$ 1,065,995	\$ 915,909
Loan portfolio written off .....	\$ 762,382	\$ 1,000,549

See accompanying notes to these consolidated financial statements.

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

**Consolidated statements of income**

**For the years ended December 31, 2013, 2012 and 2011**

**(In thousands of Mexican pesos, except result per share)**

	2013	2012	2011
Interest income .....	\$ 4,804,957	\$ 5,032,044	\$ 4,378,101
Interest expense .....	(722,483)	(763,895)	(734,928)
Financial margin .....	4,082,474	4,268,149	3,643,173
Allowance for loan losses .....	(1,209,052)	(1,952,361)	(1,367,979)
Financial margin after allowance for loan losses .....	2,873,422	2,315,788	2,275,194
Commission and fee income .....	623,466	812,220	823,899
Commission and fee expense .....	(68,050)	(72,724)	(61,063)
Trading income .....	(62)	10,413	24,137
Other operating income .....	215,330	190,335	168,936
Administrative and promotional expenses .....	(3,314,058)	(3,420,862)	(2,926,233)
Income (loss) from operations .....	330,048	(164,830)	304,870
Current income tax expense .....	(110,099)	(85,754)	(196,824)
Deferred income tax benefit .....	33,266	132,085	79,097
	<u>(76,833)</u>	<u>46,331</u>	<u>(117,727)</u>
Result before non-controlling interest .....	253,215	(118,499)	187,143
Non-controlling interest .....	896	2,036	(1,302)
Net income (loss) .....	<u>\$ 254,111</u>	<u>\$ (116,463)</u>	<u>\$ 185,841</u>
Income (loss) per share .....	<u>\$ 0.3735</u>	<u>\$ (0.1711)</u>	<u>\$ 0.2707</u>

See accompanying notes to these consolidated financial statements.

Financiera Independencia, S. A. B. de C. V., Sociedad Financiera de Objeto Múltiple, Entidad no Regulada and Subsidiaries

Consolidated statements of changes in stockholders' equity  
For the years ended December 31, 2013, 2012 and 2011  
(In thousands of Mexican pesos)

	Contributed capital			Earned capital				Total stockholders' equity	
	Common stock	Share premium	Capital reserves	Retained earnings from prior years	Accumulated deficit from valuation of cash flow hedging instruments	Net income from translation of foreign subsidiaries	Net income		Non-controlling interest
Balances, December 31, 2010	\$157,191	\$1,550,775	\$14,300	\$ 837,333	\$—	\$—	\$ 451,665	\$—	\$2,946,606
Changes arising from decisions taken by stockholders:									
Transfer of net result to accumulated result from prior years	—	—	—	451,665	—	—	(451,665)	—	—
Creation of reserves	—	—	18	(18)	—	—	—	—	—
Acquisition of proprietary shares and effect on re- placement of proprietary Shares	—	28,400	—	(164,780)	—	—	—	—	(136,380)
Return of dividends on proprietary shares	—	—	—	1,694	—	—	—	—	1,694
	—	28,400	18	288,561	—	—	(451,665)	—	(134,686)
Changes arising from comprehensive loss:									
Net income	—	—	—	—	—	—	185,841	—	185,841
Result from valuation of cash flow hedging instruments	—	—	—	—	49,191	—	—	—	49,191
Non-controlling interest	—	—	—	—	—	—	—	10,742	10,742
Other items	—	—	—	(11,099)	—	—	—	—	(11,099)
	—	—	—	(11,099)	49,191	—	185,841	10,742	234,675
Balances, December 31, 2011	157,191	1,579,175	14,318	1,114,795	(15,467)	—	185,841	10,742	3,046,595
Changes arising from decisions taken by stockholders:									
Transfer of net result to accumulated result from prior years	—	—	—	185,841	—	—	(185,841)	—	—
Acquisition of proprietary shares and effect on re- placement of proprietary shares	—	—	—	(33,999)	—	—	—	—	(33,999)
	—	—	—	151,842	—	—	(185,841)	—	(33,999)
Changes arising from comprehensive loss:									
Net loss	—	—	—	—	—	—	(116,463)	—	(116,463)
Result from valuation of cash flow hedging instruments	—	—	—	(35,210)	—	—	—	—	(35,210)
Non-controlling interest	—	—	—	—	—	—	—	(2,036)	(2,036)
	—	—	—	—	(35,210)	—	(116,463)	(2,036)	(153,709)

Financiera Independencia, S. A. B. de C. V., Sociedad Financiera de Objeto Múltiple, Entidad no Regulada and Subsidiaries

Consolidated statements of changes in stockholders' equity—continued  
For the years ended December 31, 2013, 2012 and 2011  
(In thousands of Mexican pesos)

	Contributed capital			Earned capital				Total stockholders' equity	
	Common stock	Share premium	Capital reserves	Retained earnings from prior years	Accumulated deficit from valuation of cash flow hedging instruments	Net income from translation of foreign subsidiaries	Net income		Non-controlling interest
Balances, December 31, 2012	157,191	1,579,175	14,318	1,266,637	(50,677)	—	(116,463)	8,706	2,858,887
Changes arising from decisions taken by stockholders:									
Transfer of net result to accumulated result from prior years	—	—	—	(116,463)	—	—	116,463	—	—
Acquisition of proprietary shares and effect on re-placement of proprietary shares	—	—	—	(19,017)	—	—	—	—	(19,017)
Changes arising from comprehensive income:									
Net income	—	—	—	—	—	—	254,111	—	254,111
Result from valuation of cash flow hedging instruments	—	—	—	—	(17,922)	—	—	—	(17,922)
Result from translation of foreign subsidiaries	—	—	—	—	—	14,278	—	—	14,278
Non-controlling interest	—	—	—	—	—	—	—	(8,702)	(8,702)
Balances, December 31, 2013	\$157,191	\$1,579,175	\$14,318	\$1,131,157	\$(68,599)	\$14,278	\$254,111	\$4	\$3,081,635

See accompanying notes to these consolidated financial statements.



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

**Consolidated statements of cash flows**  
**For the years ended December 31, 2013, 2012 and 2011**  
(In thousands of Mexican pesos)

	2013	2012	2011
Net income (loss) . . . . .	\$ 254,111	\$(116,463)	\$ 185,841
Adjustments to net income:			
Depreciation and amortization . . . . .	124,731	140,493	141,162
Current and deferred income taxes . . . . .	76,833	(46,331)	117,727
	<u>455,675</u>	<u>(22,301)</u>	<u>444,730</u>
Operating activities:			
Loan portfolio, net . . . . .	(47,707)	529,118	(1,419,617)
Borrowings and commercial paper . . . . .	(11,314)	(739,043)	2,347,899
Other accounts receivable and payable . . . . .	(151,588)	74,933	(368,902)
Net cash flows from operating activities . . . . .	<u>245,066</u>	<u>(157,293)</u>	<u>1,004,110</u>
Investing activities:			
Purchase of property, plant and equipment . . . . .	(63,976)	(88,327)	(167,726)
Goodwill . . . . .	(41,076)	—	(930,569)
Deferred charges and prepaid expenses . . . . .	1,946	29,238	8,441
Net cash flows from investing activities . . . . .	<u>(103,106)</u>	<u>(59,089)</u>	<u>(1,089,854)</u>
Financing activities:			
Repurchase of shares . . . . .	(19,017)	(33,999)	(136,380)
Result from translation of foreign subsidiaries . . . . .	14,278	—	1,694
Other items . . . . .	896	(6,354)	(4,745)
Non-controlling interest . . . . .	(9,598)	(2,036)	10,742
Net cash flows from financing activities . . . . .	<u>(13,441)</u>	<u>(42,389)</u>	<u>(128,689)</u>
Net increase (decrease) in cash . . . . .	128,519	(258,771)	(214,433)
Cash and cash equivalents at the beginning of the period . . . . .	<u>382,471</u>	<u>641,242</u>	<u>855,675</u>
Cash and cash equivalents at the end of the period . . . . .	<u>\$ 510,990</u>	<u>\$ 382,471</u>	<u>\$ 641,242</u>

See accompanying notes to these consolidated financial statements.

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

**Notes to consolidated financial statements**

**For the years ended December 31, 2013, 2012 and 2011  
(In thousands of Mexican pesos)**

**1. Explanation added for translation into English**

The accompanying consolidated financial statements have been translated from the original statements prepared in Spanish into English for use outside of Mexico. The accounting criteria used to prepare the accompanying financial statements of Financiera Independencia, S. A. B. de C. V., Sociedad Financiera de Objeto Múltiple, Entidad no Regulada and Subsidiaries (the “Company”) conform with the financial reporting requirements prescribed by the Mexican National Banking and Securities Commission (the “Commission”) but do not conform with Mexican Financial Reporting Standards (“MFRS”), and may differ in certain significant respects from the financial reporting standards accepted in the country of use.

Certain reclassifications have been made and certain notes have been modified from the previously issued financial statements for the year ended December 31, 2011 for comparability purposes.

**2. Operations**

The Company was established and began operations in accordance with Mexican laws on July 22, 1993, for an indefinite period, and with headquarters in Mexico City. It has been authorized by the Mexican Treasury Department (“SHCP”) to operate as an unregulated multiple purpose financial institution, in accordance with the Mexican Credit Institutions Law (“LIC”).

The Company’s primary activity is to grant loans to individuals for the consumption of goods and services. Operations have been funded through equity from stockholders, placement of debt and through loans contracted with 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, provide factoring services and enter into finance leases. Sofomes may or may not be regulated by the Mexican National Banking and Securities Commission (the “Commission”). Unregulated Sofomes are not subject to oversight by the Commission due to the fact that they do not have equity relationships with credit institutions or holding companies of financial groups that include credit institutions.

On October 18, 2007 the stockholders approved the adoption of the regime of Sociedad Anónima Bursátil (S.A.B.), for which reason as of November 1, 2007 the Company was registered as a public stock corporation on the Mexican Stock Market (the “BMV”), and listed under the ticker symbol “FINDEP”.

During the process of listing its shares on the BMV, the Company carried out a public share offering in Mexico and abroad. The foreign public offering was performed under Rule 144-A and regulation “S” of the US Securities Act of 1933 and the regulations applicable to countries in which such offering was performed.

The Company, in its capacity as an S. A. B., applies the provisions of the General Companies Law and, if applicable, the relevant provisions of the Stock Market Law, as well as general provisions applicable to issuers of securities and other stock market participants.

**3. Basis for presentation**

**Monetary unit of the financial statements-** The financial statements and notes as of December 31, 2013, 2012 and 2011 and for the years then ended include balances and transactions of different purchasing power.

**Consolidation of financial statements**—The accompanying consolidated financial statements include the financial statements of the Company and those of its subsidiaries in which control is exercised. All significant intercompany balances and transactions have been eliminated.

The subsidiaries consolidated with the Company as of December 31, 2013 and 2012 are detailed below:

Subsidiaries	Holding		Activities
	2013	2012	
Serfincor, S. A. de C. V. (“Serfincor”) . . . . .	99.99%	99.99%	Administrative services provider
Conexia, S.A. de C.V. (“Conexia”) . . . . .	99.99%	99.99%	Call center, promotional and marketing services
Fisofo, S. A. de C. V., SOFOM, E. N. R. (“Fisofo”) . . . . .	99.00%	99.00%	Granting consumer loans
Findependencia, S. A. de C. V., SOFOM, E.N.R. . . . .	99.00%	99.00%	Granting consumer loans
Financiera Finsol, S. A. de C. V., SOFOM, E.N.R. (“Financiera Finsol”) . . . . .	99.99%	99.99%	Granting consumer loans
Finsol, S. A. de C. V. (“Finsol”) . . . . .	99.99%	99.99%	Administrative services provider
Finsol Vida, S. A. de C. V. . . . .	99.99%	99.99%	Insurance services
Instituto Finsol, IF . . . . .	99.99%	99.99%	Granting commercial loans
Independencia Participações, S. A. and subsidiary . . . . .	99.99%	99.99%	Granting commercial loans
Apoyo Económico Familiar, S.A. de C.V., SOFOM, E.N.R. (“AEF”) . . . . .	99.99%	99.99%	Granting consumer loans
Servicios Corporativos AEF, S.A. de C.V. (“SCAEF”) . . . . .	99.99%	99.99%	Administrative services provider
Apoyo Financiero Inc. (“AFI”) . . . . .	100.00%	77.00%	Granting consumer loans
Sistemas Administrativos y Corporativos Santa Fe, S.A. de C.V. (“SACSA”) . . . . .	99.99%	—	Administrative services provider

The Company acquired a 77% interest in AFI on February 28, 2011 and the remaining 23% on December 18, 2013.

On March 15, 2011, the Company acquired 99.99% of the shares of Apoyo Económico Familiar, S.A. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad no Regulada, one of the main microloan entities in Mexico, for a total of \$1,075,000.

On December 6, 2012, Serfincor transferred title to the Company of 43,549,999 shares of \$1 par value Class I, Series A and Class II, Series A common stock shares of Conexia, which resulted in an equity ownership of 99.99%.

On July 9, 2013, the Company acquired 99.99% of the shares outstanding of Sistemas Administrativos y Corporativos Santa Fe, S.A. de C.V., a service provider company.

**Translation of financial statements of subsidiaries in foreign currency**—To consolidate financial statements of foreign subsidiaries, the accounting policies of the foreign entities are converted to the accounting criteria established by the Commission using the currency in which transactions are recorded. The financial statements are translated to Mexican pesos based on the following methodologies:

The foreign operations whose recording and functional currencies are the same convert their financial statements by using the following exchange rates: 1) closing rate for assets and liabilities and 2) historical rate for stockholders’ equity and 3) the accrual date for revenues, costs and expenses. The effects of conversion are recorded in stockholders’ equity.

#### 4. Significant accounting policies

The accounting policies followed by the Company are in accordance with the accounting criteria established by the Commission in the “General Provisions Applicable to Credit Institutions” (the “Provisions”), which require management to make certain estimates and use certain assumptions to determine the valuation of some of the items included in the financial statements and make the disclosures required therein. While they may differ from actual results, management believes that the estimates and assumptions used were adequate under the circumstances.

On September 19, 2008, the Commission issued an amendment to the General Provisions for Issuers, whereby unregulated Sofomes that are public stock corporations must prepare their financial statements in conformity with the accounting criteria which, pursuant to article 87-D of the LGOAAC, is applicable to regulated Sofomes. This article states that regulated Sofomes are subject to the provisions established for credit institutions and finance entities, in the LIC, and in the regulations issued by the Commission.

In accordance with accounting criterion A-1 of the Commission, the accounting criteria prescribed by the Commission is based on applicable financial reporting standards in México (“NIF”) as issued by the Mexican Board of Financial Reporting Standards (CINIF), except when, in the Commission’s judgment, a specific accounting provision or standard must be applied due to the specialized nature of operations carried out by entities subject to the Commission’s regulations.

Below we describe the significant accounting policies applied by the Company:

**Recognition of the effects of inflation**—As of January 1, 2008, the Company discontinues recognition of the effects of inflation, in accordance with the provisions of NIF B-10. Up to December 31, 2007, such recognition mainly resulted in gains or losses for inflation on nonmonetary items which are presented in the financial statements as an increase or decrease in the headings of stockholders’ equity, and in nonmonetary items.

The accumulated inflation for the three years prior to December 31, 2013 2012 and 2011 is 11.80%, 12.26% and 15.19%, respectively; therefore, the economic environment qualifies as noninflationary in either such years and as a result, the effects of inflation are not recognized in the accompanying consolidated financial statements. The inflation percentages for the years ended December 31, 2013, 2012 and 2011 were 3.97%, 3.57% and 3.64%, respectively.

**Cash and cash equivalents**—Are recorded at face value. Cash and cash equivalents in foreign currency are valued at the exchange closing rate issued by the Mexican Central Bank at the measurement date.

**Financial derivatives**—The Company recognizes all of the assets or liabilities arising from operations with derivative financial instruments in the balance sheet at fair value, regardless of the purpose for which they are held. Fair value is determined based on recognized market prices and when not traded on a market, it is determined based on valuation techniques accepted in the financial sector.

When derivatives are entered into to hedge risks, and such derivatives meet all hedging requirements, their designation is documented at the beginning of the hedging transaction, describing the transaction’s objective, characteristics, accounting treatment and how the effectiveness of the instrument will be measured.

The accounting for changes in the fair value of a derivative depends on its intended use and the risk management strategy adopted. In fair value hedges, the changes in valuation are recorded in results in the same line item for the position hedged. In cash flow hedges, the changes in fair value related to the effective portion of the hedge is temporarily recognized in comprehensive income as part of stockholders’ equity and is reclassified to results when the hedged position affects results. The changes in fair value related to the ineffective portion are recognized immediately in results.

The Company discontinues hedge accounting when the derivative instrument matures, is sold, cancelled or exercised; when the derivative instrument does not reach a high percentage of effectiveness to compensate for changes in fair value or cash flows of the hedged item, or when the Company decides to cancel its designation as a hedge.

For cash flow hedges, upon discontinuing hedge accounting, the amounts recorded in stockholders' equity as a component of other comprehensive income (loss) remain there until the time when the effects of the forecasted transaction or firm commitment affect current earnings. If it is not likely that the firm commitment or forecasted transaction will occur, the gains or losses accumulated in other comprehensive income (loss) are immediately recognized in current earnings. When the hedge of a forecasted transaction has proven satisfactory, but subsequently the hedge fails the effectiveness test, the cumulative effects recorded within other comprehensive income (loss) in stockholders' equity are proportionately recorded in current earnings, to the extent that the forecasted asset or liability affects current earnings.

While certain financial derivatives are contracted to obtain a hedge from an economic standpoint, these are not considered as hedge instruments because they do not comply with all requirements. Such instruments are classified as trading instruments for accounting purposes.

Fair value is determined based on market prices and, when involving instruments not listed on an active market, fair value is determined based on valuation techniques accepted by market practices.

The Company has the following transactions with financial derivatives:

**Options**—Options are contracts which establish the right, but not the obligation, for the buyer to purchase or sell the underlying asset at a determined price, known as the exercise price, on an established date or within a given period. Options contracts involve two parties: the purchaser of the option pays a premium at the time it is acquired and at the same time obtains a right, but not an obligation, and the party issuing or selling the option receives the premium and, in turn, acquires an obligation, but not a right.

The buyer of the option records the premium paid on the transaction. Subsequently, the premium is valued according to the fair value of the option, and changes in the fair value are recorded in the statement of income.

**Swaps**—Foreign currency swaps are contracts which establish the bilateral obligation to exchange, over a given period, a series of cash flows based on a notional amount denominated in different currencies for each of the parties, which are in turn referenced to different interest rates. In some cases, apart from interchanging exchange rate cash flows in different currencies, it may be agreed to exchange cash flows based on the notional amount over the effective term of the contract.

The rights and obligations of the contract are valued at the fair value determined based on a mathematical model which estimates the net present value of the cash flows of the positions to be received and delivered.

**Forwards**—Forwards are contracts which establish an obligation to buy or sell an underlying asset at a future date for an amount, quality and prices pre-established in the contract. In these contracts it is understood that the party undertaking to buy assumes a long position on the underlying asset, and the party undertaking to sell assumes a short position on the same underlying asset.

**Loan portfolio**—Represents the actual amount of funds disbursed to borrowers, plus the uncollected accrued interest. The "allowance for loan losses" is presented as a reduction to the loan balances.

Credit is granted based on a credit analysis which uses the internal policies and operating manuals established by the Company.

The unpaid balance of the loan is classified as non-performing portfolio when the borrower fails to comply with contractual payment terms, as follows:

- For term loans with periodic installments of principal and interest, the loan is classified as non-performing if it is 90 or more calendar days in arrears.

- For revolving loans, the loan is classified as non-performing if it has two monthly billing periods overdue or, if the billing period is not monthly, when the loan is 60 or more calendar days overdue.

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

Non-performing loans for which the unpaid balances (principal and interest, among others) are fully settled are returned to performing portfolio.

Restructured loans are classified and presented as non-performing portfolio until there is evidence of sustained payment, which is achieved when the Company receives timely payments for three consecutive repayment periods. Additionally, these loans are assigned a probability of default factor of 100% for purposes of estimating the allowance for loan losses in accordance with the accounting criteria established by the Commission.

The Company recognizes annual fee commissions collected from customers as revenues on a deferred basis and amortizes such commissions by the straight-line method over one year or the remaining credit term. Commissions collected and costs incurred in connection with the initial granting of the loan are not deferred over the term of the loan as required by the accounting criteria established by the Commission. Management believes that the effect of this departure is not material or significant due to the short term maturities of the loan portfolio. Commissions for funding lines of credit and collection expenses are recognized in results at the time they are collected.

**Allowance for loan losses**—In official notice 310-85406/2009 dated March 2, 2009, the Commission informed the Company that it must calculate the allowance for loan losses based on the applicable methodologies established by the Commission for credit institutions, using the general methodology or proprietary methodologies established in the circular applicable to credit institutions. The usage of such proprietary methodologies established in the circular applicable to credit institutions does not require approval by the Commission.

The Company rates its loan portfolio using an internal methodology based on the probability of default by the borrowers and on the severity of the loss, as established in Article 93 of the Provisions.

The Probability of Default (PI) is the probability that a debtor will fall into arrears within the next six months. The Company determines the PI by applying calculations of credit exposure rotating indexes. The credit exposure rotating indexes consider the probability that a performing loan will be written off (based on the days that it has been overdue). The Company uses the average of the calculations of the credit exposure rotating indexes for the preceding 12 month period as its PI.

The Loss Derived from Default (PPI) is an estimate of the amount that the Company would expect to lose in the event of nonperformance by a debtor. Given that all the Company's loans are unsecured, there is no collateral; consequently, the Company determines its PPI as the average of the net losses after considering the present value of the amounts recovered over the preceding 12 month period.

The Company rates its commercial credit portfolio by using an internal methodology based on the number of days in arrears of the credits granted, reserving 100% of such portfolio; the internal methodology requires the creation of additional estimate reserves for any instances of noncompliance with covenants requested by its funders.

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

- i. The loan portfolio is stratified based on the number of days in arrears established by the Company at the rating date, as indicated in the table below.

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

Days in arrears	EPRC (%)
1-30 . . . . .	—
31-60 . . . . .	—
61-90 . . . . .	—
91-120 . . . . .	100
121-150 . . . . .	100
151-180 . . . . .	100
+180 . . . . .	100

Loans are written off when they are 180 or more calendar days overdue. The write-off is performed by canceling the unpaid balance of the loan against the allowance for loan losses. Beginning 2013 AEF write-off its loan portfolio when they are 180 or more calendar days in arrears. In 2012, AEF wrote-off its loan portfolio when they were 120 or more calendar days in arrears and AFI wrote-off its loan portfolio when all collection efforts were exhausted, due to the fact that the legal collection process is quite effective.

Recoveries associated with loans written-offs are recognized in results in the year such loans are recovered.

**Other accounts receivable**—Other accounts receivable is comprised of, among others, recoverable tax balances and other loan unrelated to the Company’s loan portfolio.

No allowance is recognized for recoverable tax balances based on the Company’s history of collecting all such outstanding balances.

Debtors related to borrowers that are more than 90 calendar days in arrears require the creation of an allowance that reflects the degree of noncollectibility. Such allowance is obtained by preparing a study that is used as the basis to determine future events which might affect the amount of the accounts receivable, and reflect the estimated recovery value of the credit rights.

In the case of items different from the above in which their maturity is agreed for a term in excess of 90 calendar days for identified debtors and 60 days for unidentified debtors, an allowance for bad debts or doubtful accounts is created for the total amount of the debt.

**Property, plant and equipment** – Property, plant and equipment is recorded at acquisition cost. The assets derived from acquisitions up to December 31, 2007 were restated by applying factors derived from the NCPI up to that date. Depreciation is calculated using the straight-line method based on the remaining useful lives of the related assets, as follows:

	Rate
Real property . . . . .	5%
Computers . . . . .	25%
Automatic cash dispensers . . . . .	15%
Furniture and fixtures . . . . .	10%
Vehicles . . . . .	25%

**Impairment of long-lived assets in use**—The Company revises the book value of long-lived assets in use, in the presence of any indicator of impairment that might show that the book value may not be recoverable, considering the higher of the present value of the future net cash flows or the net selling price in the case of their eventual disposal. Impairment is recorded if the book value exceeds the higher of the aforementioned values. The indicators of impairment considered for these purposes are, among others, operating losses or negative cash flows in the period if they are combined with a history or projection of losses, depreciation and amortization charged to results which, in percentage terms, in relation to revenues, are substantially superior to those from previous years, services rendered, competition and other economic and legal factors. The impairment loss on the value of long-lived assets in use, as well as its reversal, are classified in the same cost and expense line items where the related depreciation or amortization associated with those assets

are recognized. The Company has prepared the study to determine the effects of NIF C-15 (Impairment in the value of long-lived assets and their disposal), and no impairment was detected in the value of long-lived assets.

***Permanent investments in shares***—The Company recognizes its investments in associated companies where it has significant control and influence, by using the equity method based on their book value according to the last available financial statements of such entities.

***Other assets***—Computer developments and intangible assets are recorded originally at the nominal value paid and or restated from the date of acquisition or disbursement up to December 31, 2007 using the factor derived from the UDI. The amortization of computer developments and intangible assets with a definite life are calculated by the straight-line method, applying the respective rates to the restated expense.

***Income taxes***—Income tax (ISR) and business flat tax (IETU) are recorded in results of the year in which they are incurred. To recognize deferred income taxes, based on its financial projections, the Company determines whether it expects to incur on ISR or IETU and, accordingly, recognizes deferred taxes based on the tax it expects to pay. Deferred taxes are calculated by applying the corresponding tax rate to temporary differences resulting from comparing the accounting and tax bases of assets and liabilities and including, if any, future benefits from tax loss carryforwards and certain tax credits. Deferred tax assets are recorded only when there is a high probability of recovery.

As a result of the 2014 Tax Reform, as of December 31, 2013 deferred IETU is not recognized, therefore, the effects were canceled in 2013 in the statement of income.

***Commercial paper***—They are represented by the issuance of a debt instrument known as Securitized Certificate (Cebures), and it is recognized at amortized cost.

Issuance expenses are recognized initially as deferred charges and are amortized against results for the year, taking the term of their underlying instruments as their basis.

***Borrowings from banks and from other entities***—Refer to credit lines and other loans obtained from other entities, which are recorded at the contractual value of the obligation, with interest recognized in results as it is accrued.

***Provisions***—Are recognized when there is a present obligation derived from a past event for which the outlay of economic resources is probable and can be reasonably estimated.

***Foreign currency transactions***—Transactions denominated in foreign currency are recorded at the exchange rate at the transaction date. Monetary assets and liabilities denominated in foreign currency are valued in Mexican pesos at the exchange closing rate at the end of each period, issued by the Mexican Central Bank. Exchange differences incurred in relation to assets or liabilities contracted in foreign currency are recorded in net income and is included in trading income.

***Financial margin***—The Company's financial margin is composed of the difference between total interest income and total interest expense.

The interest income on loans is recognized in the income statement on the accrual basis based on outstanding balances, terms and interest rates established in the contracts signed with the borrowers. The interest on overdue portfolio is recognized in net income when collected.

Interest expense includes interest incurred by the Company on commercial paper and borrowings from banks and other entities, as well as debt issuance expenses. The amortization of the costs and expenses associated with loans granted forms part of the interest expense.

***Memoranda accounts***—Memoranda accounts record assets or commitments which do not form part of the Company's balance sheet because the related rights are not acquired or such commitments are not recognized as a liability of the entities until such eventualities materialize, respectively. The accumulated amounts in the memoranda accounts have only been subject to audit testing when an accounting record derives from their information.



**Direct employee benefits**—Are calculated based on the services rendered by employees, considering their most recent salaries. The liability is recognized as it accrues. These benefits include mainly statutory employee profit sharing (PTU) payable, compensated absences, such as vacation and vacation premiums, and incentives.

**Labor obligations**—Under the Federal Labor Law, the Company has obligations for severance and seniority premium payable to employees who cease rendering their services under certain circumstances.

The Company does not have employee benefit plans other than those required by the respective laws.

Benefits for termination of the employment relationship for reasons other than restructuring (legal severance for dismissal or seniority premium), as well as retirement benefits (seniority premium), are recorded based on actuarial studies prepared by independent experts using the projected unit credit method.

The Net Periodic Cost (CNP) of each employee benefits plan is recognized as an operating expense in the year in which it is accrued, and includes, among others, the amortization of the labor cost for past services and the actuarial gains (losses) from previous years, as established in NIF D-3 “Employee benefits”.

As of December 31, 2013 and 2012, the detail of the employee benefit plans is described below:

i. Severance before retirement age

To retire an employee the Company must adopt retirement policies or pay off the employee in accordance with articles 48 to 50 of the Federal Labor Law (LFT).

Article 50 of the LFT.—Severance pay depends on whether the working relationship was for an indefinite period; if so, severance will consist of 20 days’ wages for each year of service rendered, plus an amount equal to three months’ wages.

ii. Seniority premium

Below we summarize the basis used to calculate seniority premiums, as established in article 162 of the LFT.

1. Seniority premium is payable in the event of death, disability, dismissal and voluntary separation of a worker.
2. The amount of the seniority premium consists of 12 days of the worker’s last wage for each year of services rendered.
3. The wage taken into account for the calculation of seniority premium is not less than the minimum wage in effect in the economic zone where the worker renders his services, without exceeding twice the amount of such wage.
4. The seniority considered for the payment is the total amount the same, except in the case of dismissal, in which only the seniority of the worker is taken into account as of May 1, 1970 or his date of entry, if the latter is after such date.
5. In order for the payment of seniority premium to apply in the case of voluntary separation, the employee must have completed 15 years of service.

**Employee statutory profit-sharing (PTU)**—PTU is recorded in the results of the year in which it is incurred. Deferred PTU is derived from temporary differences that result from comparing the accounting and tax bases of assets and liabilities and is recognized only when it can be reasonably assumed that a liability may be settled or a benefit is generated, and there is no indication that circumstances will change in such a way that the liabilities will not be paid or benefits will not be realized.

**Income per share**—Income per basic, ordinary share is the result of dividing net income for the year by the weighted average of shares outstanding during 2013, 2012 and 2011.

Income per diluted share is the result of dividing net income for the year by the weighted average of shares outstanding during 2013, 2012 and 2011, and deducting the shares which might potentially dilute such average.

**Stock Option Plan (OCA)**—The Company has a stock option plan (SOP), for certain employees and members of management. The SOP is implemented through a stock option plan trust, or the SOP Trust, managed as trustee by a Mexican Bank pursuant to Mexican law. This plan enables eligible employees to acquire, through the SOP Trust, shares of our capital stock.

The Company funds a portion of the purchase price through contributions that are made to the SOP Trust, and in turn the SOP Trust acquires shares of his capital stock in open market purchases through the Mexican Stock Exchange. Stock options granted under the plan generally vest in equal installments over a five-year period. The SOP Trust purchases sufficient shares in the open market to satisfy all grants when the options are granted, as opposed to when they vest. If an employee forfeits any stock options prior to vesting, the shares representing such options remain with the SOP Trust and are eligible for assignment to another grantee. As of December 31, 2013, 2012 and 2011, the SOP Trust held 23,446,336, 19,236,886 and 13,681,616 ordinary common stock shares. The Company historically has not made contributions of shares to the SOP Trust through the issuance of new shares, and they currently do not have any plans to do so.

The plan is available to officers in the first two corporate levels of the organization, which include principal officers and assistant principal officers. Members of the board of directors are not eligible to participate in this plan. In general, for as long as the shares of his common stock are being held by the SOP Trust, the trustee will vote the shares in the SOP Trust in the same manner that the majority of the shareholders vote their shares.

## 5. Cash and cash equivalents

Cash and cash equivalents is comprised mainly of excess cash, bank deposits and immediately realizable investments, which are highly liquid and with little risk of changes in their value, as shown below:

	2013	2012
Cash on hand . . . . .	\$ 61,615	\$ 57,767
Bank deposits . . . . .	102,049	84,559
Immediately realizable investments . . . . .	347,326	240,145
	<u>\$510,990</u>	<u>\$382,471</u>

Immediately realizable investments refer to the investment of treasury surplus cash with the purpose of obtaining better short-term returns. These investments are made through securities firms and investment funds which trade on the Mexican market.

As of December 31, 2013, 2012 and 2011, the average rates for immediately realizable investments were 4.1%, 5.1% and 4.5%, respectively. For or the years ended December 31, 2013, 2012 and 2011, interest income on these investments was \$15,136, \$18,607 and \$20,284, respectively. In 2013, 2012 and 2011 the maturities of these investments were between one and three days.

## 6. Transactions with derivative financial instruments

The Company's activities expose it to a wide range of financial risks: market risks (including exchange risk and interest rate risk, principally), credit risk and liquidity risk. The Company's risk management policies take into account the unpredictable nature of the financial markets and seeks to minimize the potential negative effects in the Company's financial performance. Based on the guidelines issued by the Board of Directors, the Company has implemented the use of financial derivatives to hedge certain exposures to

market risks. The Company's policy is not to carry out speculative transactions with financial derivatives. Below is a summary of the transactions performed with financial derivatives:

		2013						2012					
Type of instrument	Swap	Notional amount hedged			Annual interest rate			Fair value					
		Receives	Pays	Maturity	Exchange rate agreed	Receives	Pays						
Currency and interest rate hedge		US\$143,887	MXN\$1,880,603	30-Mar-15	13.07	10.00%	14.67%	\$(41,435)					
Currency and interest rate hedge		US\$50,000	MXN\$653,500	30-Mar-15	13.07	10.00%	14.64%	(14,158)					
Interest rate hedge		MXN\$1,500,000	MXN\$1,500,000	14-May-14	N/A	THIE + 2.65	Aug 8, 12 to May 14, 14	(7,689)					
Currency and interest rate hedge		MXN\$80,029	US\$6,300	13-Jul-13	12.70	13.18%	10.75%	(2,374)					
Currency and interest rate hedge		MXN\$17,932	US\$3,000	25-Apr-13	5.9773	THIE + 500	12.80%	1,324					
Currency and interest rate hedge		MXN\$35,864	US\$6,000	13-May-13	5.9773	THIE + 500	13.57%	2,477					
Currency and interest rate hedge		MXN\$36,480	US\$6,000	27-May-13	6.08	THIE + 500	13.95%	3,118					
Currency and interest rate hedge		MXN\$35,760	US\$6,000	4-Jun-13	5.96	THIE + 500	13.83%	2,440					
Currency and interest rate hedge		MXN\$89,094	US\$15,414	3-Jul-13	5.78	THIE + 400	14.28%	605					
Currency and interest rate hedge		MXN\$18,410	US\$3,000	25-Mar-13	6.14	THIE + 700	14.55%	5,558					
Currency and interest rate hedge		MXN\$38,799	US\$6,000	28-Feb-13	6.4665	THIE + 700	14.70%	1,819					
Interest rate hedge		R\$50,593	R\$50,593	23-Jan-13	N/A	CDI + 353	14.85%	(7,737)					
							Subtotal	(56,052)					
							Provision for ineffectiveness of the hedge	(20,281)					
								\$(76,333)					
		Notional amount hedged			Annual interest rate								
Type of instrument	Swap	Receives	Pays	Maturity	Exchange rate agreed	Receives	Pays	Fair value					
Currency and interest rate hedge		US\$143,887	MXN\$1,880,603	30-Mar-15	13.07	10.00%	14.67%	\$(57,057)					
Currency and interest rate hedge		US\$50,000	MXN\$653,500	30-Mar-15	13.07	10.00%	14.64%	(19,406)					
Interest rate hedge		MXN\$1,500,000	MXN\$1,500,000	14-May-14	N/A	THIE + 2.65	Aug 8, 12 to May 14, 14	(4,358)					
Currency and interest rate hedge		MXN\$89,409	US\$6,878	1-Jul-13	13.00	13.95%	10.75%	1,598					
Currency and interest rate hedge		MXN\$35,576	US\$2,650	13-Jul-13	13.4250	13.75%	10.75%	1,446					
Currency and interest rate hedge		US\$8,212	R\$16,367	4-Jan-13	1.9930	10.75%	20.84%	(2,693)					
							Subtotal	(80,470)					
		Notional amount hedged			Annual interest rate								
Type of instrument	Forward	Receives	Pays	Contract date	Maturity	Exchange rate agreed	Exchange rate agreed	Fair value					
Currency hedge		MXN\$18,227	US\$1,335	12-Jul-12	2-Jan-13	13.653	—	918					
Currency hedge		MXN\$35,235	US\$2,700	27-Dec-12	31-Jan-13	13.05	—	144					
Currency hedge		MXN\$13,036	US\$1,000	27-Dec-12	31-Jan-13	13.0357	—	44					
							Subtotal	1,106					
							Provision for hedge ineffectiveness	(79,364)					
								(14,659)					
								\$(94,023)					

## Swaps

### Foreign Currency Bond

As part of the strategy implemented by the Company to mitigate the exchange risk derived from a bond issuance of US\$ 200 million, with maturity on March 30, 2015, on March 30, 2010, it contracted two exchange rate swaps with HSBC and Morgan Stanley (the counterparties). Through the use of these instruments, the Company receives half-yearly cash flows at the 10% fixed rate based on a notional amount of US\$ 150,000 and US\$ 50,000, respectively, while paying monthly cash flows at a fixed rate of 14.67% and 14.64%, respectively, on the same notional amounts denominated in Mexican pesos, with maturity on March 30, 2015. Furthermore, contracted values will be exchanged when the bond issuance matures for the sole purpose of setting an exchange rate of \$13.07 Mexican pesos for one US dollar at March 30, 2015.

This transaction is intended to fix the cost in Mexican pesos of the bond proceeds received in US dollars at an annual rate of 14.67% and 14.64%, while also fixing the bond payment at \$2,614,000 Mexican pesos to eliminate the exchange risk.

During 2012 the Company repurchased and subsequently retired a total of US\$ 6,113 on the open market pertaining to the international bond issued in March 2010. As a result and to maintain the parity of the underlying, the Company decided to reduce the notional amount of the original swap from US\$ 150,000 to US\$ 143,887.

### Hedge of interest rate in securitized bank certificates (Cebures)

On August 30, 2011, in order to set the maximum interest rate of Cebures for the amount of \$1,500,000, the Company contracted an interest rate SWAP in equal portions with Morgan Stanley and Deutsche Bank México, S. A.

This transaction was structured through a step-up whereby, during the first year, the Company pays a fixed annual interest rate of 6.95% on the notional value of \$1,500,000, with maturity on August 8, 2013. As of that date and until the swap matures on May 14, 2014, the annual interest rate is increased to 7.80%. In exchange, the Company receives a variable interest rate equal to the 28-day TIIE rate plus 265 basis points (2.65%) on the notional amount which was initially contracted in Cebures; i.e., the Company pays a fixed rate on the issuance of these instruments until their maturity.

While the above transactions are not of a speculative nature, to ensure compliance with accounting standards, they are valued at their fair value. Accordingly, the Company periodically applies effectiveness tests based on the hypothetical derivative method, which involves measuring the change in fair value of a hypothetical derivative reflecting the primary position and comparing it with the change in fair value of the hedge swaps. These tests showed that the hedge ratio is highly effective at December 31, 2013 and 2012.

The result of these fair value valuations is recognized in comprehensive income under the Company's stockholders' equity. However, these valuations may change due to market conditions during the swap period. At its maturity, the gain or loss derived from valuing the primary position based on the hedged risk is recognized in the results of the period.

For the years ended December 31, 2013, 2012 and 2011, the amount recognized in the results of the year and which reflects hedge effectiveness or (ineffectiveness) was \$(20,281) and \$(14,659) and \$(3,432), respectively.

As swaps are negotiated with financial institutions with good credit ratings, the Company considers that the risk of counterparty noncompliance with acquired obligations and rights is low.

## 7. Loan portfolio

Performing and non-performing loan portfolio is comprised as follows:

	2013	2012
Performing loans		
Consumer loans . . . . .	\$5,029,399	\$4,977,794
Commercial loans . . . . .	<u>1,306,385</u>	<u>1,375,014</u>
Total performing loans . . . . .	6,335,784	6,352,808
Non-performing loans		
Consumer loans . . . . .	460,281	309,548
Commercial loans . . . . .	<u>40,490</u>	<u>60,490</u>
Total non-performing loans . . . . .	500,771	370,038
	<u>\$6,836,555</u>	<u>\$6,722,846</u>

### *Loan portfolio, net:*

Consumer loans:

	2013	2012
Current principal . . . . .	\$4,742,251	\$4,693,201
Accrued interest . . . . .	<u>287,148</u>	<u>284,593</u>
Performing consumer loans . . . . .	5,029,399	4,977,794
Overdue principal . . . . .	377,619	259,060
Overdue interest . . . . .	<u>82,662</u>	<u>50,488</u>
Non-performing consumer loans . . . . .	460,281	309,548
Allowance for loan losses . . . . .	<u>(460,281)</u>	<u>(374,279)</u>
Total consumer loans, net . . . . .	<u>\$5,029,399</u>	<u>\$4,913,063</u>

Commercial loans:

	2013	2012
Current principal . . . . .	\$1,290,419	\$1,353,592
Accrued interest . . . . .	<u>15,966</u>	<u>21,422</u>
Performing commercial loans . . . . .	1,306,385	1,375,014
Overdue principal . . . . .	36,273	53,694
Overdue interest . . . . .	<u>4,217</u>	<u>6,796</u>
Non-performing commercial loans . . . . .	40,490	60,490
Allowance for loan losses . . . . .	<u>(40,490)</u>	<u>(60,490)</u>
Total commercial loans, net . . . . .	<u>1,306,385</u>	<u>1,375,014</u>
Total loans, net . . . . .	<u>\$6,335,784</u>	<u>\$6,288,077</u>

At December 31, 2013 and 2012, the restructured and renewed portfolio is as follows:

2013			
Restructured portfolio	Current	Overdue	Total
Consumer loans .....	\$23,097	\$13,495	\$36,592

2012			
Restructured portfolio	Current	Overdue	Total
Consumer loans .....	\$31,550	\$19,764	\$51,314

The credit portfolio segmented by credit type is detailed below:

Credit type	2013		2012	
	Amount	%	Amount	%
<b>Performing portfolio:</b>				
Credilnmediato .....	\$2,365,218	37	\$2,403,810	38
Grupal .....	1,306,385	21	1,375,014	22
CrediPopular .....	857,357	14	1,079,271	17
Tradicional .....	1,252,245	20	1,053,948	16
CrediMamá .....	70,563	1	107,628	2
CrediConstruye .....	28,181	—	101,717	1
AFI .....	214,481	3	121,677	2
Más Nómina .....	241,354	4	53,592	1
Preferencial .....	—	—	56,151	1
	6,335,784	100	6,352,808	100
<b>Non-performing portfolio:</b>				
Credilnmediato .....	242,294	48	162,415	44
Grupal .....	40,490	8	60,490	16
CrediPopular .....	119,327	24	112,822	30
Tradicional .....	69,696	14	13,851	4
CrediMamá .....	8,869	2	10,709	3
CrediConstruye .....	4,902	—	6,559	2
AFI .....	7,632	2	3,120	1
Más Nómina .....	7,561	2	13	—
Preferencial .....	—	—	59	—
	500,771	100	370,038	100
Total loan portfolio .....	\$6,836,555	100	\$6,722,846	100

#### Financiera Independencia Loans

CrediInmediato: is a revolving credit line of between \$3 and \$20, which is available to individuals earning at least the minimum wage in effect in the Federal District. At December 31, 2013 and 2012, the amount of unused credit lines was \$464 million and \$585 million, respectively.

CrediPopular: is a loan focused on the informal sector of the Mexican economy. Loans are granted for amounts ranging from \$1.8 to \$4.8, for an average 26-week period, which can be renewed based on credit customer behavior.

CrediMamá: is a loan intended for mothers with at least one child under the age of 18. These loans are initially granted for amounts ranging from \$1.8 to \$2.4, for an average 26-week period, which can be renewed based on credit customer behavior.

CrediConstruye: is a loan available to individuals earning at least the monthly minimum wage in effect in the Federal District, which is intended to finance housing improvements. These loans are initially granted for amounts ranging from \$3 to \$20, for a maximum two-year period.

MásNómina: is a loan which is discounted via the payroll and is intended for the employees of public or private institutions affiliated with the Company. These loans are granted for amounts ranging from \$3 to \$80, for a maximum three-year period.

#### Finsol Loans

Grupal: is a loan offered to micro-entrepreneurs with their own independent productive, commercial or services activity. This product is granted to groups of between 4 and 60 members for amounts ranging from \$0.5 to \$24, for an average 16-week period. Based on each group's loans behavior, the loan amount can be increased at the end of each cycle.

#### AEF Loans

Tradicional: is a loan intended for individuals who can certify their income as employees or based on their own businesses. This product involves a credit of between \$6 and \$15. The average loans period is 18 months, which can be renewed based on the credit behavior of each customer.

Preferencial: is a loan intended for individuals who can certify their income through payroll receipts or a micro-enterprise; they must also demonstrate an excellent credit history. Loans amounts of up to \$35 can be granted for a maximum 24-month period.

#### AFI Loans

These loans are granted for amounts ranging from US\$ 3,000 and US\$ 10,000 to individuals who can certify their income as employees. In this case, the average loan period is 15 months.

At December 31, 2013 and 2012, loan portfolio aging based on the number of days of maturity is as follows:

	2013							Total
	0 days	01-30 days	31-60 days	61-89 days	90-120 days	121-150 days	151-180 days	
Current . . . .	\$4,568,016	\$1,358,936	\$268,302	\$140,530	\$ —	\$ —	\$ —	\$6,335,784
Overdue . . .	—	—	—	42,975	201,063	253,561	3,172	500,771
Total . . . . .	<u>\$4,568,016</u>	<u>\$1,358,936</u>	<u>\$268,302</u>	<u>\$183,505</u>	<u>\$201,063</u>	<u>\$253,561</u>	<u>\$3,172</u>	<u>\$6,836,555</u>
	2012							Total
	0 days	01-30 days	31-60 days	61-89 days	90-120 days	121-150 days	151-180 days	
Current . . . .	\$4,511,200	\$1,334,656	\$343,288	\$163,664	\$ —	\$ —	\$ —	\$6,352,808
Overdue . . .	—	—	—	73,932	257,583	20,011	18,512	370,038
Total . . . . .	<u>\$4,511,200</u>	<u>\$1,334,656</u>	<u>\$343,288</u>	<u>\$237,596</u>	<u>\$257,583</u>	<u>\$20,011</u>	<u>\$18,512</u>	<u>\$6,722,846</u>

Ordinary and penalty interest income associated with the loan portfolio and detailed by product is composed as follows:

Credit type	2013		2012	
	Amount	%	Amount	%
CrediInmediato	\$1,831,767	38	\$1,732,191	35
Grupal	909,760	19	1,022,243	20
CrediPopular	834,872	17	1,155,926	23
Tradicional	940,570	20	851,785	17
CrediMamá	69,264	2	113,507	2
CrediConstruye	40,618	1	72,775	1
AFI	58,528	1	25,447	1
Preferencial	56,255	1	23,238	1
MásNómina	48,187	1	16,325	—
	<u>\$4,789,821</u>	<u>100</u>	<u>\$5,013,437</u>	<u>100</u>

## 8. Allowance for loan losses

The Company classifies its credit portfolio by using an internal methodology based on the probability of borrower noncompliance and the severity of the loss associated with the credit.

The following table indicates the percentages used to generate the allowance for loan losses at December 31, 2013 and 2012, which were determined according to the probability of noncompliance and severity of the credit portfolio loss.

Weekly Period	2013			2012		
	Amount	Provision (%)	Amount	Amount	Provision (%)	Amount
0	\$155,098	0.4	\$ 641	\$206,933	1.1	\$ 2,206
1	53,793	1.4	777	29,302	3.7	1,080
2	25,821	1.9	498	34,136	6.9	2,347
3	15,225	6.5	988	19,653	13.8	2,717
4	17,142	9.7	1,659	18,749	18.5	3,466
5	13,843	11.3	1,560	18,847	19.3	3,640
6	3,695	15.3	567	13,178	22.3	2,937
7	4,114	25.9	1,065	4,200	30.2	1,267
8	6,952	27.2	1,889	11,869	32.7	3,878
9	10,268	27.8	2,858	19,978	31.7	6,338
10	2,106	34.8	732	5,027	35.9	1,804
11	3,049	46.0	1,404	6,842	43.6	2,983
12	4,592	44.4	2,041	9,945	45.1	4,481
13	10,333	43.7	4,517	22,066	42.3	9,328
14	1,560	49.1	766	6,106	47.0	2,868
15	2,561	59.6	1,527	9,202	55.5	5,111
16	4,103	58.4	2,396	10,327	57.1	5,892
17	7,670	57.3	4,392	15,018	55.1	8,271
18 or more	<u>36,303</u>	<u>88.0</u>	<u>31,939</u>	<u>12,434</u>	<u>87.8</u>	<u>10,914</u>
	378,228	16.4	62,216	473,812	17.2	81,528



Biweekly Period	2013			2012		
	Amount	Provision (%)	Amount	Amount	Provision (%)	Amount
0 . . . . .	\$1,881,758	0.3	\$ 4,761	\$2,156,356	0.3	\$ 6,874
1 . . . . .	272,203	0.8	2,256	338,136	1.9	6,593
2 . . . . .	320,384	3.6	11,566	238,866	5.1	12,217
3 . . . . .	32,572	7.1	2,326	58,123	8.8	5,135
4 . . . . .	104,196	13.7	14,294	140,264	13.3	18,611
5 . . . . .	24,744	22.6	5,602	35,997	20.2	7,280
6 . . . . .	69,134	28.9	20,006	85,313	25.6	21,874
7 . . . . .	31,430	39.1	12,285	53,496	34.7	18,562
8 . . . . .	56,909	44.1	25,087	94,240	39.6	37,325
9 . . . . .	47,505	51.7	24,549	362	48.0	174
10 . . . . .	39,351	55.4	21,814	—	—	—
11 . . . . .	36,588	66.3	24,272	—	—	—
12 . . . . .	44,382	68.3	30,331	—	—	—
13 or more . . . . .	—	—	—	—	—	—
	<u>2,961,156</u>	<u>6.7</u>	<u>199,149</u>	<u>3,201,153</u>	<u>4.2</u>	<u>134,645</u>

Monthly Period	2013			2012		
	Amount	Provision (%)	Amount	Amount	Provision (%)	Amount
0 . . . . .	\$ 244,506	0.2	\$ 572	\$ 238,455	0.3	\$ 602
1 . . . . .	52,275	2.3	1,221	44,010	2.8	1,225
2 . . . . .	12,295	11.3	1,386	13,904	9.9	1,380
3 . . . . .	6,606	27.1	1,793	7,239	21.3	1,545
4 . . . . .	6,169	43.0	2,652	8,635	35.2	3,041
5 . . . . .	4,586	54.7	2,509	15	49.8	7
6 . . . . .	4,659	67.3	3,136	—	—	—
7 . . . . .	—	—	—	—	—	—
8 . . . . .	—	—	—	—	—	—
9 or more . . . . .	—	—	—	—	—	—
Total . . . . .	<u>331,096</u>	<u>4.0</u>	<u>13,269</u>	<u>312,258</u>	<u>2.5</u>	<u>7,800</u>
Restructured portfolio . . . . .	36,592	88.0	32,193	51,314	87.8	45,043
Más Nómina portfolio . . . . .	248,915	3.0	7,561	—	—	—
Group portfolio . . . . .	1,346,875	3.0	40,490	1,435,504	4.2	60,490
AEF portfolio . . . . .	1,311,581	5.2	68,768	1,124,009	2.5	28,071
AFI portfolio . . . . .	222,112	3.4	7,632	124,796	2.5	3,120
Total . . . . .	<u>\$6,836,555</u>		<u>431,278</u>	<u>\$6,722,846</u>		<u>360,697</u>
Additional reserves . . . . .			<u>69,493</u>			<u>74,072</u>
Total reserves . . . . .			<u>\$500,771</u>			<u>\$434,769</u>
Hedge ratio . . . . .			<u>100%</u>			<u>117.5%</u>

The movements of the allowance for loan losses during the years ended December 31, 2013 and 2012 were as follows:

	2013	2012
Opening balance of the year . . . . .	\$ 434,769	\$ 530,475
Add:		
Allowance for loan losses increase charged to income statement . . . . .	1,209,052	1,952,361
Less:		
Loans written-off during the period . . . . .	<u>(1,143,050)</u>	<u>(2,048,067)</u>
Closing balance of the year . . . . .	<u>\$ 500,771</u>	<u>\$ 434,769</u>

At December 31, 2013 and 2012, the restructured portfolio was \$36,592 and \$51,314, respectively. While the credit portfolio remains restructured, the Company classifies and presents it as the overdue portfolio. Likewise, the Company considers a 100% noncompliance probability for this portfolio in the reserve model.

#### 9. Other accounts receivable—net

At December 31, 2013 and 2012, other accounts receivable are comprised as follows:

	2013	2012
Recoverable ISR . . . . .	\$ 56,584	\$ 98,617
Receivable and creditable Value Added Tax (IVA) . . . . .	153,129	101,757
Recoverable IETU . . . . .	14,079	7,206
Debtors from portfolio sales . . . . .	9,129	16,279
Sundry debtors . . . . .	17,469	12,920
Other recoverable taxes . . . . .	10,687	2,507
OxxO collection . . . . .	5,930	3,224
Más Nómina correspondents . . . . .	26,823	5,742
SWAP Instituto Finsol Brasil and AFI . . . . .	<u>(2,549)</u>	<u>1,715</u>
	<u>\$291,281</u>	<u>\$249,967</u>

#### 10. Property, plant and equipment

At December 31, 2013 and 2012, property, plant and equipment are comprised as follows:

	2013	2012
Assets:		
Leasehold adaptations and improvements . . . . .	\$ 553,571	\$ 521,906
Computer equipment . . . . .	293,331	297,315
Office furniture and fixtures . . . . .	172,467	164,966
Building . . . . .	47,644	47,644
Vehicles . . . . .	27,853	26,536
ATMs . . . . .	<u>14,304</u>	<u>14,304</u>
	1,109,170	1,072,671
Less: accumulated depreciation and amortization . . .	<u>(769,275)</u>	<u>(679,954)</u>
	339,895	392,717
Land . . . . .	<u>865</u>	<u>865</u>
	<u>\$ 340,760</u>	<u>\$ 393,582</u>

For the years ended December 31, 2013, 2012 and 2011, the depreciation and amortization charged to the results of those years was \$116,798, \$132,559 and \$133,229, respectively.

At December 31, 2013 and 2012, certain assets totaling \$400,799 and \$290,659, respectively, have been fully depreciated.

## 11. Intangible assets

This heading is comprised as follows:

	2013	2012	Annual amortization rate (%)
With a definite life:			
Customer relations . . . . .	\$ 87,267	\$ 95,200	7
With an indefinite life:			
Trademarks . . . . .	44,847	44,847	
Goodwill . . . . .	<u>1,586,795</u>	<u>1,545,719</u>	
	<u>\$1,718,909</u>	<u>\$1,685,766</u>	

During 2013, the Company acquired the remaining 23% of business of AFI, which generated goodwill of \$41,076.

The Company has carried out an evaluation of its long-lived assets as required by NIF C-15, *Impairment of Long-lived Assets in Use and their Disposal*, which did not result in the recognition of impairment.

For the years ended December 31, 2013, 2012 and 2011, the amortization charged to the results of those years was \$7,933, \$7,934 and \$7,933, respectively.

## 12. Commercial paper

At December 31, 2013 and 2012, commercial paper are comprised as follows:

	Program amount	Issuance amount	Date of issuance	Period	Interest rate	2013	2012
Cebures'11 . . .	\$2,000,000	\$1,500,000	May-2011	May-2014	TIIE + 265 bp Accrued interest	\$1,500,000	\$1,500,000
						<u>1,625</u>	<u>1,625</u>
					Total	<u>\$1,501,625</u>	<u>\$1,501,625</u>

Cebures'11 certificates are three-year, unsecured commercial paper which pay an interest rate equal to the 28-day TIIE rate plus 265 basis points (bp). These certificates have HR A and A(mex) ratings from HR Ratings de México and Fitch Ratings, respectively.

In 2013, these certificates generated interest of \$118,654, \$111,110 in 2012 and \$94,046 in 2011.

### 13. Borrowings from banks and from other entities

At December 31, 2013 and 2012, borrowings from banks and other entities are comprised as follows:

Entity	Credit line amount	Maturity date	Guarantee	Interest rate	2013	2012
International Bond <sup>1</sup> . . . . .	USD 193,887	Mar-2015	No guarantee	10.0%	\$2,536,876	\$2,513,900
HSBC México, S. A. Institución de Banca Múltiple, Grupo Financiero (HSBC) <sup>2</sup>						
Revolving credit lines . . . . .	750,000	Dec-2016	1.3 to 1.0	TIIE + 475 bp 12.36%	220,000	305,000
	USD 50,000	Dec-2016	1.3 to 1.0	weighted rate 3.908%+CDI- OVER-CETIP	407,419	—
	Reales 45,000	Dec-2013	1.3 to 1.0		—	450,129
Nacional Financiera, S. N. C. (NAFINSA) <sup>3</sup> :						
	1,000,000	Indefinite period	No guarantee 10%	TIIE + 350 bp	720,369	693,939
	500,000	Indefinite period	settlement 20%	TIIE + 450 bp	248,000	205,000
	200,000	Indefinite period	settlement 10%	TIIE + 400 bp	197,867	190,617
Fideicomisos Instituidos en relación con la Agricultura (FIRA) . . . . .	600,000	Dec-2016	settlement	TIIE FIRA	300,500	403,300
Banco Monex, S. A. . . . .	50,000	Feb-2014	1.5 to 1.0	TIIE + 350 pts.	9,091	—
Banco Monex, S. A. . . . .	50,000	Jan-2013	1.5 to 1.0	TIIE + 350 pts.		50,000
Fideicomiso Nacional de Financiamiento al Microempresario (FINAFIM) . . . . .	70,000	Jul-2014	1.0 to 1.0	CETES + 550 bp	20,417	55,417
Fideicomiso Nacional de Financiamiento al Microempresario (FINAFIM) . . . . .	60,000	Dec-2015	1.0 to 1.0	CETES + 550 bp	11,250	38,333
BBVA Bancomer . . . . .	260,000	May-2015	No guarantee Standby Letter	TIIE + 295 pts.	260,000	260,000
Bridge Bank N.A. . . . .	USD 4,750	Oct-2015	of Credit	Prime Rate + 125 pb	62,150	19,561
ScotiaBank Inverlat, S.A. <sup>4</sup> . . . . .	195,000	May-2017	1.2 a 1.0	TIIE + 300 bp	194,966	—
					5,188,905	5,185,196
			Accrued interest		36,622	51,645
				Total	<u>\$5,225,527</u>	<u>\$5,236,841</u>

1. In March 2010, bonds with a value of US\$ 200 million were placed on the international market. These instruments were issued under rule 144A/Reg S., for a five-year period and with a 10% annual interest rate, which received BB- credit ratings from Standard and Poor's and Fitch Ratings.
2. A revolving credit line for the amount of \$750 million and US\$50,000, with maturity in December 2016. These loans accrue interest ranging from the TIIE rate + 475 pb and a weighted rate of 12.36%, respectively.
3. Three revolving credit lines for the amount of \$1,000,000, \$500,000 and \$200,000, respectively. The first of these was used to finance informal market micro-credits, the second was utilized to finance the group product, while the third credit line was contracted to fund the operations of AEF.
4. A revolving credit line with ScotiaBank for the amount of \$195,000, with maturity in May 2017. This loan accrues interest ranging from the TIIE rate + 300 pb.

**14. Accrued liabilities and other accounts payable**

At December 31, 2013 and 2012, other accounts payable balance is composed as follows:

	2013	2012
Other taxes .....	\$200,953	\$148,546
Payable ISR .....	36,346	16,008
Sundry creditors .....	27,612	27,482
Other provisions .....	30,134	44,551
Provision for labor obligations .....	42,044	36,342
Mapfre insurance .....	19,594	12,340
Reimbursement commission (cash back) .....	10,720	13,459
Payable PTU .....	6,152	5,891
	<u>\$373,555</u>	<u>\$304,619</u>

**15. Employee benefits**

- a. Reconciliation of opening and closing balances of the current value of Defined Benefit Obligations (OBD) for 2013 and 2012:

	2013			2012		
	Legal retirement compensation (IL)	Seniority premium (PA) before retirement	PA at retirement	Legal retirement compensation (IL)	Seniority premium (PA) before retirement	PA at retirement
OBD at January 1 .....	\$29,385	\$5,959	\$ 891	\$25,955	\$4,805	\$ 934
Add (less):						
Labor cost of current service ..	6,572	1,136	242	5,034	1,076	300
Financial cost .....	1,482	311	53	1,551	323	71
Actuarial gains (losses) generated during the period and paid benefits—net .....	(5,440)	(707)	(198)	(3,155)	(245)	(414)
OBD at December 31 .....	<u>\$31,999</u>	<u>\$6,699</u>	<u>\$ 988</u>	<u>\$29,385</u>	<u>\$5,959</u>	<u>\$ 891</u>

- b. At December 31, 2013 and 2012, the value of benefit obligations related to seniority premiums was \$484 and \$269 respectively.
- c. Reconciliation of OBD, Plan Assets (AP) and the Net Projected Liability (PNP).

The reconciliation of the current value of the OBD and fair value of the AP and PNP recognized in the balance sheet is detailed below:

	IL before retirement		PA before retirement		PA at retirement	
	2013	2012	2013	2012	2013	2012
Labor liabilities:						
OBD .....	<u>\$31,999</u>	<u>\$29,385</u>	<u>\$6,699</u>	<u>\$5,959</u>	<u>\$ 988</u>	<u>\$891</u>
Financing Situation .....	\$31,999	\$29,385	\$6,699	\$5,959	\$ 988	\$891
Less:						
Unapplied Items .....	(1,330)	—	—	—	(7)	(12)
Actuarial losses .....	(382)	—	—	—	328	119
Transition liability .....	(1,123)	—	—	—	(15)	—
PNP .....	<u>\$29,164</u>	<u>\$29,385</u>	<u>\$6,699</u>	<u>\$5,959</u>	<u>\$1,294</u>	<u>\$998</u>

Furthermore, as of July 2013, the Company and some of its subsidiaries recognized labor liabilities as follows:

	<b>2013</b>
The Company .....	\$1,201
Fisofo .....	1,039
Conexia .....	729
SACSA .....	1,035
Financiera Finsol .....	883
	<u>\$4,887</u>

d. CNP

An analysis of the Net Projected Cost (CNP) by plan type is presented below:

	IL before retirement		PA before retirement		PA at retirement	
	2013	2012	2013	2012	2013	2012
CNP:						
Labor cost of current service .....	\$ 6,572	\$ 5,034	\$1,136	\$1,076	\$ 242	\$ 300
Financial cost .....	1,482	1,551	311	323	53	71
Actuarial gain or loss, net .....	<u>(5,440)</u>	<u>(3,155)</u>	<u>(707)</u>	<u>(245)</u>	<u>(198)</u>	<u>(414)</u>
Total .....	<u>\$ 2,614</u>	<u>\$ 3,430</u>	<u>\$ 740</u>	<u>\$1,154</u>	<u>\$ 97</u>	<u>\$ (43)</u>

e. Main actuarial hypotheses

SERFINCOR

Expressed in absolute terms, the main actuarial hypotheses, discount rates, AP returns, salary increases and changes to ratios or other variables at December 31, 2013, are as follows:

Seniority premium plan and benefit plan at the end of the work relationship

Age	Death (%)	Disability (%)	Voluntary Separation (%)	Dismissal (%)
15	0.018	0.009	81.743	6.767
25	0.070	0.030	43.753	6.036
35	0.167	0.061	22.783	3.606
45	0.277	0.098	33.720	4.997
55	0.660	0.189	11.870	1.987
60	1.033	0.246	7.722	1.317

	2013 (%)	2012 (%)
Discount rate: .....	6.25	6.00
Salary increase rate: .....	5.42	5.42
Minimum wage increase rate: .....	4.27	4.27

SCAEF and AEF

Expressed in absolute terms, the main actuarial hypotheses, discount rates, AP returns, salary increases and changes to ratios or other variables at December 31, 2013, are as follows:

Biometric:

Mortality Table (active):	Experience EMSSAH
Disability Table:	Experience EISS-97
Turnover Table:	Experience Boke 87-89 + 150%

Financial:

Discount rate used to reflect the current value of obligations .....	6%
Future salary level increase rate .....	6%
Workers' average remaining working life (applicable to retirement benefits) .....	14 years

f. Value of the OBD, AP and plan situation of the last five annual periods of Serfinco:

The value of the OBD, the fair value of the AP, the plan situation and experience adjustments of the last five years are detailed below:

Seniority premium plan

Year	Historical values and OBD plan situation
2013 .....	\$5,418
2012 .....	4,927
2011 .....	4,238
2010 .....	4,815
2009 .....	3,454

Benefit plan at the end of the work relationship

Year	Historical values and OBD plan situation
2013 .....	\$16,073
2012 .....	16,269
2011 .....	14,182
2010 .....	11,568
2009 .....	9,457

The value of the OBD, AP and plan situation of the last five annual periods of SCAEF and AEF:

Seniority premium plan

Year	Historical values and OBD plan situation
2013 .....	\$2,269
2012 .....	1,924
2011 .....	1,499
2010 .....	1,667
2009 .....	971

Benefit plan at the end of the work relationship

Year	Historical values and OBD plan situation
2013 .....	\$15,926
2012 .....	13,116
2011 .....	11,770
2010 .....	10,189
2009 .....	6,176

g. PTU

The PTU provisions recognized in 2013 and 2012 are as follows:

	2013	2012
Deferred PTU .....	\$(1,050)	\$ (903)
Current PTU .....	4,393	4,416
	<u>\$ 3,343</u>	<u>\$3,513</u>

The Company is subject to the payment of PTU, which is calculated by applying the procedures contained in the Income Tax Law (LISR).

The main temporary differences for which deferred PTU was recognized are as follows:

	2013	2012
Provision for labor obligations .....	\$32,552	\$21,613
Sundry provisions .....	1,920	526
Prepaid expenses .....	<u>(3,383)</u>	<u>(1,544)</u>
	31,089	20,595
Applicable PTU rate .....	<u>10%</u>	<u>10%</u>
Deferred PTU asset .....	<u>\$ 3,109</u>	<u>\$ 2,059</u>

#### 16. Balances and transactions with related parties

The transactions performed with related parties during the normal course of business primarily involve the rentals and administrative services paid to related companies for the amount of \$22,529, \$24,555 and \$25,206 during 2013, 2012 and 2011, respectively, and wages and benefits of \$64,116, \$65,889 and \$69,103, during 2013, 2012 and 2011, respectively paid to the Company's main officers. According to NIF C-3, Related parties, issued by the Commission, other balances and transactions were not material.

#### 17. Income taxes

The Company is subject to the payment of Income Tax (ISR) and through December 31, 2013, to Business Flat Tax (IETU).

*ISR*—The rate was 30% in 2013 and 2012 and as a result of the new 2014 ISR Law (2014Tax Law), the rate will continue at 30% in 2014 and thereafter.

*IETU*—IETU was eliminated as of 2014; therefore, up to December 31, 2013, this tax was incurred both on revenues and deductions and certain tax credits based on cash flows from each year. The respective rate was 17.5%.

Current tax is the higher of ISR and IETU up to 2013.

Based on the financial projections, the Company determined that it will essentially pay ISR and therefore recognized deferred ISR. Through 2012, based on the financial projections, its subsidiaries Serfincor, SCAEF and Conexia identified that essentially it would pay IETU, for which reason it recognized only deferred IETU. However, due to the elimination of IETU in 2013, the effect of the deferred IETU was canceled by these companies through results of the year, and the respective deferred ISR was recorded.



The consolidated tax provision is as follows:

	Year ended December 31,		
	2013	2012	2011
Current:			
ISR .....	\$(107,515)	\$ (84,319)	\$(190,454)
IETU .....	(2,584)	(1,435)	(6,370)
	<u>(110,099)</u>	<u>(85,754)</u>	<u>(196,824)</u>
Deferred:			
ISR .....	34,650	(139,376)	81,197
IETU .....	(1,384)	7,291	(2,100)
	<u>33,266</u>	<u>132,085</u>	<u>79,097</u>
	<u>\$ (76,833)</u>	<u>\$ 46,331</u>	<u>\$(117,727)</u>

The ISR incurred for the year ended December 31, 2013 was essentially derived from the tax results of \$78,696 of AEF, \$9,147 of Serfincor, \$17,340 of Sacsá and the IETU incurred for the year ended December 31, 2013 refers to the tax result of \$2,584 of Serfincor.

At December 31, 2013 and 2012, the main temporary differences for which consolidated deferred ISR was recognized are as follows:

	December 31,	
	2013	2012
Allowance for loan losses .....	\$ 989,837	\$1,383,254
Incurred penalty interest .....	1,172,664	1,047,365
Tax loss carryforwards .....	694,439	364,014
Valuation of derivative financial instruments .....	77,350	72,396
Fixed Assets .....	315,347	252,189
Liability provisions .....	54,283	33,172
Prepaid expenses .....	(56,458)	(60,010)
Unaccrued commissions .....	24,119	43,149
Others .....	<u>27,256</u>	<u>50,139</u>
	3,298,837	3,185,668
Applicable ISR rate .....	30%	30%
Deferred ISR asset .....	989,651	955,701
Deferred ISR AFI .....	2,649	1,556
Deferred IETU .....	—	1,394
Deferred PTU .....	<u>3,109</u>	<u>2,059</u>
Total .....	<u>\$ 995,409</u>	<u>\$ 960,710</u>

At December 31, 2013 and 2012, deferred ISR of \$1,486 and \$15,090, respectively, was recorded in stockholders' equity for the valuation of hedge instruments.

At December 31, 2013, the Company has accrued tax losses of \$694,439, which can be applied to future profits within the deadlines detailed below:

Year of loss	Restated Amount	Year of expiration
2008 .....	\$ 8,658	2018
2009 .....	150,394	2019
2010 .....	68,246	2020
2011 .....	1,623	2021
2012 .....	123,921	2022
2013 .....	<u>341,597</u>	2023
	<u>\$694,439</u>	

The reconciliation of the legal and effective ISR rates expressed as a percentage of profit before income tax, which is the tax incurred by the Company, is as follows:

	2013	2012	2011
Legal rate .....	30%	30%	30%
Add (less)-			
Effect of nondeductible differences .....	2%	3%	5%
Annual adjustment for inflation .....	1%	(1)%	(3)%
Other effects .....	(10)%	(4)%	4%
Effective rate .....	<u>23%</u>	<u>28%</u>	<u>36%</u>

Under current tax laws, the Company must pay annual tax based on the higher of ISR and IETU. At December 31, 2013, the Company did not incur IETU; however, Serfincor paid this tax.

The reconciliation of the incurred and effective consolidated IETU rates is detailed below:

	Year ended December 31,		
	2013	2012	2011
Profit before provisions .....	\$16,494	\$3,022	\$26,252
Legal IETU rate .....	<u>17.5%</u>	<u>17.5%</u>	<u>17.5%</u>
IETU at the legal rate .....	2,886	529	4,594
Add (less) the IETU effect of the following permanent items:			
Cancellation of deferred ISR .....			12,762
Accounting depreciation .....	9	826	1,135
Others .....	825	(55)	(1,199)
Accounts receivable from prior years .....	(6,304)	135	—
Provision according to NIF D-3 .....	—	—	(3,120)
IMSS provisions .....	—	—	(5,703)
IETU at the effective rate .....	<u>\$ (2,584)</u>	<u>\$ 1,435</u>	<u>\$ 8,469</u>
Effective IETU rate .....	<u>16%</u>	<u>47%</u>	<u>32%</u>

At December 31, 2012 and 2011, the main temporary differences for which deferred IETU was recognized are analyzed below:

	2012	2011
Labor obligations .....	\$ 21,613	\$17,829
Others .....	(204)	8,380
Accounts receivable .....	(53,764)	—
Accounts payable and provisions .....	41,867	36,704
Prepaid expenses .....	<u>(1,544)</u>	<u>(2,485)</u>
	7,968	60,428
Applicable IETU rate .....	<u>17.5%</u>	<u>17.5%</u>
Deferred IETU asset .....	<u>\$ 1,394</u>	<u>\$10,575</u>

**Recoverable IMPAC**—At December 31, 2013, the Company has no recoverable IMPAC.

**Employee statutory profit-sharing**—The Company determined employee statutory profit-sharing by applying the criterion detailed in the guidelines of the Income Tax Law.

**18. Stockholders' equity**

At December 31, 2013 and 2012, stockholders' equity is composed as follows:

Number of Shares	Description	Amount
200,000,000	Series "A" (Class I) .....	\$ 20,000
560,884,712	Series "A" (Class II) .....	56,088
(45,000,000)	Series "A" (Class II) [unpaid, subscribed shares] .....	(4,500)
<u>715,884,712</u>		<u>71,588</u>
	Effects of restatements .....	<u>85,603</u>
	Common stock at December 31, 2013 and 2012 .....	<u>\$157,191</u>

\* Ordinary, nominative shares at no par value, fully subscribed and paid-in.

Series "A", Class I shares represent fixed capital without withdrawal rights. Series "A", Class II shares represent the Company's variable capital.

A restriction is applicable to the declaration of dividends whenever this payment reduces the Company's capitalization level (defined as the ratio of stockholders' equity to total assets) to less than 25%.

According to the Stock Market Law and the Company's corporate bylaws, the Company is able to repurchase its common stock shares with the understanding that, while these shares are held by the Company, the shares voting or other rights cannot be exercised at a Stockholders' Meeting or in any way.

The Company maintains a fund for repurchasing shares. During 2013, the total number of repurchased shares was 59,042,230 (54,832,780 in 2012), of which 35,595,894 (35,595,894 in 2012) shares or 5.0% (5% in 2012) of total outstanding shares refers to the repurchase fund, while 23,446,336 (19,236,886 in 2012) shares or 3.3% (2.7% in 2012) of total outstanding shares refers to the trust created for the employee stock option plan.

During 2013 and 2012, the net amount of acquisitions and replacements involving the Company's own shares (repurchase fund and stock option plan) was \$19,017 and \$33,999, respectively. The dividends on the shares held in the repurchase fund and stock option trusts were returned to the Company.

At December 31, 2013 and 2012, the market price of the Company's shares reported by the BMV was \$4.88 and \$4.10 per share, respectively.

At the Board of Directors' meeting of February 2013, it was agreed not to designate qualifying officers for the Company's stock option plan.

Stockholders' equity, except for restated paid-in capital and tax retained earnings will be subject to ISR payable by the Company at the rate in effect upon distribution. Any tax paid on such distribution may be credited against annual and estimated ISR of the year in which the tax on dividends is paid and the following two fiscal years.

Retained earnings include the statutory legal reserve. The General Corporate Law requires that at least 5% of net income of the year be transferred to the legal reserve until the reserve equals 20% of common stock at par value (historical pesos). The legal reserve may be capitalized but may not be distributed unless the entity is dissolved. The legal reserve must be replenished if it is reduced for any reason. As of December 31, 2013 and 2012, the legal reserve, in historical pesos, was \$14,318.

In the case of a capital reduction, the procedures detailed in the LISR establish that the tax treatment given to dividends must also be applied to any amount by which stockholders' equity exceeds the balances of contributed capital accounts.

According to NIF B-14, earnings per share is the result of dividing the net profit of the year by the weighted average of outstanding shares during the same period, as detailed below:

<u>Profit (loss) per Share (UPA):</u>	<b>2013</b>	<b>2012</b>	<b>2011</b>
Net Profit (loss) .....	\$ 254,111	\$ (116,463)	\$ 185,841
Divided by:			
Average weighted number of shares .....	<u>680,288,818</u>	<u>680,484,029</u>	<u>686,396,390</u>
UPA (pesos) .....	<u>\$ 0.3735</u>	<u>\$ (0.1711)</u>	<u>\$ 0.2707</u>

## 19. Foreign currency position

At December 31, 2013 and 2012, the Company has assets and liabilities denominated in foreign currency, primarily US dollars, which are converted based on the exchange rate issued by the Bank of Mexico of \$13.0843 and \$12.9658 for one US dollar, respectively, as follows:

	<u>Thousands of US dollars</u>		
	<b>2013</b>	<b>2012</b>	<b>2011</b>
Assets .....	18	11	21
Liabilities .....	<u>(206)</u>	<u>(201)</u>	<u>(201)</u>
Liability position in US dollars, net .....	<u>(188)</u>	<u>(190)</u>	<u>(180)</u>
Liability position in Mexican pesos, net (face value) ...	<u>\$(2,460)</u>	<u>\$(2,463)</u>	<u>\$(2,511)</u>

At February 19, 2014, the Company's foreign currency position (unaudited) is similar to its position at the yearend close; the exchange rate in effect at that date is \$13.2714 pesos per one US dollar.

## 20. Financial margin

At December 31, 2013 and 2012, the main items composing the Company's financial margin are as follows:

The interest income generated by the credit portfolio by product and investment income are detailed below:

	<u>Year ended December 31,</u>		
	<b>2013</b>	<b>2012</b>	<b>2011</b>
Credilnmediato .....	\$1,831,767	\$1,732,191	\$1,654,653
Grupal .....	909,760	1,022,243	952,163
CrediPopular .....	834,872	1,155,926	938,968
Tradicional .....	940,570	851,785	601,249
CrediMamá .....	69,264	113,507	111,176
CrediConstruye .....	40,618	72,775	82,126
AFI .....	58,528	25,447	12,650
Preferencial .....	56,255	23,238	2,577
MásNómina .....	<u>48,187</u>	<u>16,325</u>	<u>2,255</u>
	4,789,821	5,013,437	4,357,817
Securities investments .....	<u>15,136</u>	<u>18,607</u>	<u>20,284</u>
Total income .....	<u>\$4,804,957</u>	<u>\$5,032,044</u>	<u>\$4,378,101</u>

Interest expenses are as follows:

Interest expense	Year ended December 31,		
	2013	2012	2011
HSBC .....	\$ 68,076	\$ 104,297	\$ 156,661
NAFINSA .....	87,807	102,623	48,017
FIRA .....	22,088	18,980	15,936
FINAFIM .....	—	8,207	5,681
Morgan Stanley .....	—	—	3,901
ScotiaBank Inverlat, S.A. ....	8,983	—	—
IXE Banco, S. A. ....	—	833	3,358
SHF .....	—	—	684
BBVA Bancomer .....	18,943	12,343	—
Monex .....	2,050	4,133	—
Bridge Bank .....	4,260	241	—
Subtotal .....	212,207	251,657	234,238
International bond .....	389,420	395,618	402,104
Securitization certificates .....	118,654	111,110	94,046
Others .....	2,202	5,510	4,540
Total .....	\$ 722,483	\$ 763,895	\$ 734,928
Financial margin .....	\$4,082,474	\$4,268,149	\$3,643,173

## 21. Commissions and fee income

At December 31, 2013 and 2012, the main items for which the Company recorded collected and paid commissions in the statement of income are as follows:

### *Collected and paid commissions and tariffs*

	Year ended December 31,		
	2013	2012	2011
Commissions and fee income:			
Disposal .....	\$443,628	\$584,521	\$576,264
Collection expense .....	179,838	227,699	247,635
	623,466	812,220	823,899
Commissions and fee expense:			
Bank .....	32,627	34,723	29,824
Credit line .....	20,210	22,274	18,925
Service .....	15,213	15,727	12,314
	\$ 68,050	\$ 72,724	\$ 61,063

## 22. Trading income

At December 31, 2013 and 2012, the main items composing the Company's trading income are as follows:

	Year ended December 31,		
	2013	2012	2011
Exchange rate fluctuation .....	\$ (62)	\$ 7,876	\$29,361
Result from the valuation of transactions with derivative financial instruments .....	—	2,537	(5,224)
	\$ (62)	\$10,413	\$24,137

### 23. Other operating income

Other operating income is as follows:

	Year ended December 31,		
	2013	2012	2011
Recovery of written-off credits .....	\$124,150	\$102,581	\$ 58,722
Other items .....	5,895	18,189	49,669
Service and insurance commissions .....	85,285	69,565	47,652
Sale of fixed assets .....	—	—	12,893
	<u>\$215,330</u>	<u>\$190,335</u>	<u>\$168,936</u>

### 24. Information by geography

The total credit portfolio and interest income by geographical region is detailed below:

Entity:	December 31,					
	2013		2012		2011	
	Total Portfolio	Interest Income	Total Portfolio	Interest Income	Total Portfolio	Interest Income
Aguascalientes .....	\$ 54,463	\$ 40,568	\$ 59,886	\$ 43,545	\$ 68,971	\$ 42,353
Baja California .....	211,762	150,857	199,870	145,204	232,831	133,554
Baja California Sur .....	76,574	57,610	73,824	54,781	81,756	48,679
Campeche .....	127,123	99,819	142,207	107,965	145,963	89,942
Chiapas .....	200,283	130,448	197,324	143,509	194,713	117,138
Chihuahua .....	54,317	40,379	60,207	45,249	80,371	49,326
Coahuila .....	244,454	181,044	266,294	202,397	333,038	191,335
Colima .....	62,422	46,846	67,934	53,424	75,183	42,312
Federal District .....	548,302	323,189	355,090	245,755	307,792	179,924
Durango .....	58,443	46,424	66,266	47,887	61,390	31,731
Mexico State .....	671,162	499,861	588,094	464,904	545,923	344,930
Guanajuato .....	260,608	190,449	270,007	216,169	307,300	177,944
Guerrero .....	191,559	157,111	230,095	184,811	254,940	178,308
Hidalgo .....	99,525	71,366	93,438	69,998	94,073	64,648
Jalisco .....	313,709	236,492	363,613	271,123	401,731	227,510
Michoacán .....	181,378	138,120	192,733	157,724	223,196	144,875
Morelos .....	150,283	114,499	147,569	114,476	152,148	93,583
Nayarit .....	53,384	39,682	54,212	41,567	54,186	33,509
Nuevo León .....	22,298	19,002	31,735	23,430	33,848	21,757
Oaxaca .....	135,817	94,813	137,311	96,826	127,991	85,293
Puebla .....	181,326	136,636	198,391	151,546	228,762	144,849
Querétaro .....	130,594	101,107	136,576	104,348	134,335	84,086
Quintana Roo .....	208,289	161,844	227,421	173,531	240,053	143,821
San Luis Potosí .....	159,448	121,638	166,093	127,882	184,946	110,877
Sinaloa .....	136,720	98,266	144,577	109,614	191,598	107,934
Sonora .....	236,364	162,099	245,933	182,637	311,651	171,729
Tabasco .....	90,078	69,249	104,036	81,370	127,368	73,361
Tamaulipas .....	411,750	324,661	481,059	363,911	541,690	320,770
Tlaxcala .....	65,896	49,812	70,570	57,486	83,385	54,767
Veracruz .....	479,061	361,740	550,478	425,438	664,773	409,781
Yucatán .....	185,245	144,466	197,942	154,375	199,244	125,513
Zacatecas .....	53,872	40,855	57,723	44,156	64,871	38,240
Subtotal Mexico .....	<u>6,056,509</u>	<u>4,450,952</u>	<u>6,178,508</u>	<u>4,707,038</u>	<u>6,750,020</u>	<u>4,084,379</u>
Brazil .....	557,934	280,341	419,542	280,952	543,727	260,788
United States .....	222,112	58,528	124,796	25,447	53,923	12,650
Total .....	<u>\$6,836,555</u>	<u>\$4,789,821</u>	<u>\$6,722,846</u>	<u>\$5,013,437</u>	<u>\$7,347,670</u>	<u>\$4,357,817</u>

**25. Commitments and contingencies**

At December 31, 2013, the Company is subject to certain labor, civil and criminal lawsuits. However, Company's management and its attorneys consider that these lawsuits arose during the normal course of business and that unfavorable verdicts would not significantly affect the Company's financial position and results. At December 31, 2013 and 2012, the provision for such contingencies is \$7,953 and \$8,456, respectively.

The Company has executed a series of lease contracts for the rental of the offices, ATMs and branches used for its operations. These contracts have terms of between 3 to 5 years. The total amount payable for rentals over the following five years is \$200,731 in 2014, \$160,730 in 2015, \$133,553 in 2016 \$79,694 in 2017 and \$15,086 in subsequent years.

**26. Authorization to issue the financial statements**

As the issuance of the accompanying consolidated financial statements was authorized on February 19, 2014 by Mr. Mauricio Galán Medina, the Company's General Director, consequently they do not reflect any event arising after that date. Furthermore, the consolidated financial statements are subject to the approval of the ordinary meeting of the Company's stockholders, which may request their modification according to the General Corporate Law.

\* \* \* \* \*

## ANNEX A

### SUMMARY OF CERTAIN SIGNIFICANT DIFFERENCES BETWEEN MEXICAN BANKING GAAP AND U.S. GAAP

Our financial statements are prepared and presented in accordance with Mexican Banking GAAP as prescribed by the CNBV. Certain differences exist between Mexican Banking GAAP and U.S. GAAP, which might be material to the financial information contained herein. The matters described below summarize those differences that may be material. We have not prepared a reconciliation of our financial statements and related footnote disclosures, appearing in the offering memorandum, from Mexican Banking GAAP to U.S. GAAP and we have not quantified those differences. Accordingly, no assurance is provided that the following summary of differences is complete. In making an investment decision, investors must rely upon their own examination of us, the terms of the offering and the financial information. Potential investors should consult their own professional advisors for an understanding of the differences between Mexican Banking GAAP and U.S. GAAP, and how those differences might affect the financial information herein.

#### **Accounting for the Effects of Inflation**

##### *Mexico*

Through December 31, 2007, Mexican Banking GAAP required that the comprehensive effects of inflation be recorded in financial information and that such financial statements be restated to constant Pesos as of the latest balance sheet date presented. Beginning January 1, 2008, Mexican Banking GAAP modified the accounting for inflationary effects and defines two economic environments, an “inflationary environment” and a “non-inflationary environment.” An inflationary environment is one in which the cumulative inflation of the three preceding years is 26% or more, in which case the comprehensive effects of inflation should be recognized in financial information; a non-inflationary environment is one in which the cumulative inflation of the three preceding years is less than 26%, in which case, no inflationary effects should be recognized in financial information.

##### *United States*

Under U.S. GAAP, companies are generally required to prepare financial statements on a historical cost basis. Specific rules and regulations established by the SEC allow for companies to maintain the effects of inflations in its reconciliation from local GAAP to U.S. GAAP for companies registering securities with the SEC for sale in the United States, when, for local purposes, such company prepares comprehensive price-level adjusted financial statements, as required or permitted by their home-country GAAP. This is because the SEC recognizes that presentation of price-level adjusted financial information in inflationary economies is more meaningful than historical-cost based financial reporting.

#### **Pre-operating Costs**

##### *Mexico*

Through December 31, 2002, under Mexican Banking GAAP, pre-operating costs incurred were permitted to be capitalized and amortized by us over the period of time estimated to generate the income necessary to recover such costs. Beginning January 1, 2003, only pre-operating costs incurred during the development stage are capitalized and all other pre-operating costs are expensed as incurred; previously capitalized amounts are permitted to continue to be amortized through December 31, 2008. Beginning January 1, 2009, any remaining unamortized pre-operating costs must be written off to retained earnings.

##### *United States*

Under U.S. GAAP, pre-operating costs should be treated as period expenses and may not be capitalized.

#### **Labor Obligations**

##### *Mexico*

Under Mexican Banking GAAP, with respect to recognition of liabilities for post-retirement benefits, entities are permitted to defer the recognition of unrecognized items (such as variations in actuarial assumptions, prior service costs and plan amendments and transition assets or liabilities) and amortize such amounts into the liability over a specified period of time.



## ***United States***

Under U.S. GAAP, the accounting for defined benefit postretirement plans, which include seniority premiums within Mexico, was amended in 2006 such that an employer is required to recognize the overfunded or underfunded status of a defined benefit postretirement plan (other than a multi-employer plan). Accordingly, the related asset or liability should be equal to the projected net liability less any plan assets, such that all unrecognized items are recognized as part of the liability, with an offsetting charge or credit through other comprehensive income.

## **Deferred Income Tax and Statutory Employee Profit Sharing**

### ***Mexico***

Mexican Banking GAAP is similar to U.S. GAAP with respect to accounting for deferred income taxes in that an asset and liability approach is required. Under Mexican Banking GAAP, deferred tax assets must be reduced by a valuation allowance if it is “highly probable” that all or a portion of the deferred tax assets will not be realized. The determination of the need for a valuation allowance must consider future taxable income and the reversal of temporary taxable differences. Net deferred income tax assets or liabilities are presented within long-term assets or liabilities.

Through 2013, Mexican entities were subject to a dual tax system which included the regular income tax (*impuesto sobre la renta*), or ISR, and the IETU. For Mexican Banking GAAP purposes, companies must determine whether they are principally subject to regular income tax or IETU in the future and recognize deferred taxes accordingly. If a company determines, based on projections of future taxable income, that it will be both subject to IETU and ISR in the future, the company is required to schedule out the reversal of temporary differences under each tax regime and record the amount that represents the larger liability or the smaller benefit. As a result of the repeal of the IETU tax enacted during 2013, companies are required to eliminate all existing IETU deferred taxes and record deferred taxes arising from ISR with the net effect recognized to earnings.

Mexican Banking GAAP requires the use of the balance sheet methodology when calculating deferred employee profit and that a related liability be recorded for all temporary differences. It also allows the recognition of a net statutory employee profit sharing asset.

### ***United States***

Under U.S. GAAP, deferred income taxes are also accounted for using the asset and liability approach. A valuation allowance is recognized to reduce the value of deferred tax assets to the amount that, based on the weight of all positive and negative available evidence, is “more likely than not” to be realized. In order to make this determination, entities must consider future reversals of taxable temporary differences, future taxable income, taxable income in prior carryback years and tax planning strategies. Additionally, if a company has experienced recurring losses, little weight, if any, may be placed on future taxable income as objective evidence to support the recoverability of a deferred income tax asset. U.S. GAAP requires that deferred tax assets and liabilities be classified as current or long-term depending on the classification of the asset or liability to which the deferred relates.

Under U.S. GAAP, through 2012, companies must determine whether they will be principally subject to regular income tax or IETU and recognize deferred taxes accordingly. However, companies that are unable to conclude whether they will be principally subject to IETU and ISR in the future, may be required to apply a hybrid approach in which deferred taxes arising from both regular income tax and IETU are recognized. Similar to Mexican Banking GAAP, companies replaced all existing IETU deferred taxes with ISR deferred taxes during 2013 in connection with the repeal of the IETU tax.

U.S. GAAP also requires the use of the balance sheet methodology when calculating deferred employee profit and requires that a related liability be recorded for all temporary differences. U.S. GAAP does not allow the recognition of net deferred employee profit sharing assets.

## **Impairment of Long-Lived Assets in Use**

### ***Mexico***

Under Mexican Banking GAAP, long-lived assets with definite lives, such as property and equipment, are evaluated periodically in order to determine if a potential impairment indicator exists. The calculation of impairment losses requires the determination of the recoverable value of the assets. Recoverable value is defined as the greater of the net selling price of a cash generating unit and its value in use. Value in use is the present value of discounted future net cash flows.

In addition, under certain limited circumstances, the reversal of previously recognized impairment losses is permitted. Any recorded impairment losses are presented as non-ordinary expenses.

#### ***United States***

U.S. GAAP requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The carrying amount of an asset is not recoverable when the estimated future undiscounted cash flows expected to result from the use of the asset are less than the carrying value of the asset. Impairment losses are measured as the difference between the carrying value of the asset and its fair value. Any impairment loss recorded for an asset to be held and used establishes a new cost basis and, therefore, cannot be reversed in the future. Impairment losses are classified within operating expenses in the statement of income.

#### **Fair Value of Financial Instruments**

##### ***Mexico***

Mexican Banking GAAP defines fair value as the amount an interested and informed market participant would be willing to exchange for the purchase or sale of an asset or to assume or settle a liability in a free market. This definition can consider either an entry or an exit price.

##### ***United States***

U.S. GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This definition only considers an exit price. Consideration must be given to the principal and most advantageous market and the highest and best use of the asset.

Furthermore, U.S. GAAP establishes a three-level hierarchy to be used when measuring and disclosing fair value in a company's financial statements. Categorization within the fair value hierarchy is based on the lowest level of significant input to its valuation. The following is a description of the three hierarchy levels:

- Level 1 — Quoted prices for identical instruments in active markets.
- Level 2 — Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.
- Level 3 — Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

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

##### ***Mexico***

Mexican Banking GAAP requires a specific methodology to determine the allowance for loan losses, which take into consideration the value of the loan, the credit rating of the borrower (including country, financial and industry risk and payment experience) and any credit enhancements. Based on these factors, the CNBV prescribes a range of loss percentages that are to be applied to the value of the loan in order to determine the amount of the loan loss to be provisioned. Loan loss percentages are calculated by the CNBV based on either an expected loss model or an incurred loss model depending on the classification of the loan.

##### ***United States***

U.S. GAAP accounting literature establishes that for larger, non-homogeneous loans, once an entity determines that a loan is impaired (meaning that it is probable that the entity will be unable to collect all amounts due (both principal and interest) according to the contractual terms of the loan agreement), the entity shall measure impairment based on the present value of expected future cash flows discounted at the loan's effective interest rate. The estimates surrounding credit losses for U.S. GAAP purposes are based on an incurred loss model. For practical purposes, entities may also measure impairment based on a loan's observable market price, or the fair value of the collateral if the loan is collateral dependent. Fair value of the collateral must be used when foreclosure is deemed probable.

For smaller-balance homogeneous loans, entities should collectively evaluate the loans for impairment, using a formula based on various factors to estimate an allowance for loan losses, including past loss experience, recent economic events and current conditions, geographical concentrations and portfolio delinquency rates.

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