

IMPORTANT NOTICE: You must read the following before continuing.

THE PROSPECTUS ATTACHED TO THIS DISCLAIMER IS AVAILABLE ONLY TO INVESTORS WHO ARE LOCATED OUTSIDE THE UNITED STATES AND ARE EITHER (A) "QUALIFIED INVESTORS" (AS DEFINED IN THE PROSPECTUS DIRECTIVE (DIRECTIVE 2003/71/EC), AS AMENDED) (**QUALIFIED INVESTORS**) IN THE EUROPEAN ECONOMIC AREA (THE **EEA**) OR (B) OUTSIDE THE EEA, IN EACH CASE IN RELIANCE ON REGULATIONS UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE **SECURITIES ACT**), AND AS OTHERWISE PERMITTED UNDER APPLICABLE SECURITIES LAWS.

IMPORTANT: You must read the following before continuing. The following disclaimer applies to the attached prospectus (the **Prospectus**), which has been accessed via internet or otherwise received and you are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the Prospectus. In accessing the Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, any time you receive any information, as the case may be, as a result of such access. Capitalized terms used but not defined in this notice have the meanings assigned to such terms in the Prospectus.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE OR INVITATION TO SUBSCRIBE OR MAKE COMMITMENTS FOR OR IN RESPECT OF ANY SECURITY IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. NO ACTION HAS BEEN OR WILL BE TAKEN THAT WOULD, OR IS INTENDED TO, PERMIT A PUBLIC OFFERING OF THE SECURITIES DESCRIBED IN THE PROSPECTUS IN ANY JURISDICTION OTHER THAN SWITZERLAND. IN PARTICULAR, THE OFFERING AND THE SECURITIES DESCRIBED IN THE PROSPECTUS HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 WITH THE U.S. SECURITIES AND EXCHANGE COMMISSION (SEC) OR ANY STATE SECURITIES COMMISSION OR OTHER REGULATORY AUTHORITY IN THE UNITED STATES AND, SUBJECT TO CERTAIN EXCEPTIONS, THE SECURITIES DESCRIBED IN THE PROSPECTUS MAY NOT BE OFFERED, SOLD, RESOLD, DELIVERED, ALLOTTED, TAKEN UP, TRANSFERRED OR RENOUNCED, DIRECTLY OR INDIRECTLY, IN OR INTO THE UNITED STATES, OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATIONS UNDER THE SECURITIES ACT).

The Prospectus is being provided to you on a confidential basis for informational use solely in connection with your consideration of the purchase of the securities referred to therein. Its use for any other purpose is not authorized, and you may not, nor are you authorized to, copy or reproduce the Prospectus in whole or in part in any manner whatsoever or deliver, distribute or forward the Prospectus or disclose any of its contents to any other person. Failure to comply with this directive may result in a violation of the Securities Act or the applicable laws of other jurisdictions. If you are not the intended recipient of the Prospectus, you are hereby notified that any dissemination, distribution or copying of the Prospectus is strictly prohibited.

Confirmation of your representation: In order to be eligible to view the Prospectus or make an investment decision with respect to the securities described therein, potential investors must be located outside the United States and either (a) Qualified Investors or (b) outside the EEA. You have been sent this disclaimer with the attached Prospectus on the basis that you have confirmed to the relevant parties that (i) you and any customers that you represent are not U.S. persons, (ii) the electronic mail (or e-mail) address to which it has been delivered is not located in the United States, its territories and possessions, any State of the United States or the District of Columbia (where "possessions" include Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands), and (iii) you consent to delivery by electronic transmission.

You are reminded that the Prospectus has been delivered to you on the basis that you are a person into whose possession the Prospectus 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 the Prospectus to any other person.

This disclaimer does not constitute or contain any offer to sell or invitation to subscribe or make commitments for or in respect of any security in any jurisdiction where such an offer or invitation would be unlawful. There are restrictions on the distribution of this disclaimer and the Prospectus and/or the offer or sale of the securities described in the Prospectus in certain jurisdictions. If a jurisdiction requires that the offering be made by a licensed broker or dealer and a bank involved in the offering or any affiliate of such bank is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by such bank or any affiliate of such bank on behalf of the Issuer in such jurisdiction.

The Prospectus has been sent to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and, consequently, none of the involved parties in the offering, or their respective affiliates, directors, officers, employees or agents accepts any liability or responsibility whatsoever in respect of any difference between the Prospectus distributed to you in electronic format and any hard copy version that may have been delivered to you by third parties.

You are responsible for protecting against viruses and other destructive items. Your receipt of the Prospectus via electronic transmission is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.



Crédito Real, S.A.B. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad Regulada

(incorporated under the laws of Mexico)

CHF 170,000,000 2.875 percent Bonds due 2022

This prospectus (the **Prospectus**) relates to the offering (the **Offering**) of 2.875 percent bonds in the aggregate principal amount of CHF 170,000,000 due 2022 (the **Bonds**, and each a **Bond**) of Crédito Real, S.A.B. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad Regulada, and the listing of the Bonds on SIX Swiss Exchange Ltd (**SIX Swiss Exchange**). The Bonds are expected to be rated BB+ by Standard and Poor's Rating Services and BB+ by Fitch Ratings.

Issuer:	Crédito Real, S.A.B. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad Regulada, with domicile at Avenida Insurgentes Sur No. 730, 20 th Floor, Colonia del Valle Norte, Delegación Benito Juárez, 03103, Mexico City, Mexico
Issue Price:	100 percent (before commission and expenses)
Placement Price:	According to demand
Interest Rate and Interest Payment Date:	2.875 percent per annum fixed rate (calculated on a 30/360 basis), payable annually in arrears on February 9 each year, for the first time on February 9, 2019.
Payment Date:	February 9, 2018
Maturity Date:	February 9, 2022, unless previously redeemed.
Early Redemption:	The Bonds may only be redeemed early (at par) for tax reasons in accordance with the Terms of the Bonds.
Reopening:	The Issuer reserves the right to reopen this issue at any time before the maturity of the Bonds in accordance with the Terms of the Bonds.
Covenants:	Change of control provision, pari passu clause, cross default, limitation on incurrence of additional indebtedness, limitation on guarantees, limitation on restricted payments, limitation on liens, limitation on merger, consolidation and sale of assets, limitation on securitization and further covenants as provided in Condition 14 of the Terms of the Bonds.
Status:	The Bonds constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer, as provided in Condition 7 of the Terms of the Bonds.
Denomination:	CHF 5,000 nominal and integral multiples thereof.
Form:	The Bonds will be represented by a Permanent Global Certificate (<i>Globalurkunde auf Dauer</i>) deposited with SIX SIS Ltd. Holders of the Bonds do not have the right to effect or demand the delivery of uncertificated securities (<i>Wertrechte</i>) or individually certificated securities (<i>Wertpapiere</i>).
Trading and Listing:	The Bonds have been provisionally admitted to trading on SIX Swiss Exchange with effect from February 8, 2018. Application will be made for the Bonds to be listed on SIX Swiss Exchange. The last day of trading is expected to be February 7, 2022.
Manager:	Credit Suisse AG (the Manager) has agreed to purchase the Bonds from the Issuer at the Issue Price in accordance with a Bond Purchase Agreement dated February 7, 2018, between the Manager and the Issuer.
Selling Restrictions:	United States of America and U.S. persons, EEA, Mexico, Italy and general selling restrictions (see page 4 of this Prospectus).
Governing Law and Jurisdiction:	Swiss Law; Zurich, Switzerland

Credit Suisse

Swiss Security Number: 39 867 775

ISIN: CH0398677754

Common Code: 176794585

THE BONDS 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 BONDS MAY BE SOLD TO INSTITUTIONAL OR QUALIFIED INVESTORS IN MEXICO SOLELY PURSUANT TO THE PRIVATE PLACEMENT EXEMPTION SET FORTH IN ARTICLE 8 OF THE MEXICAN SECURITIES MARKET LAW (LEY DEL MERCADO DE VALORES) AND REGULATIONS THEREUNDER. THE ISSUER WILL NOTIFY THE CNBV OF THE TERMS AND CONDITIONS OF THIS OFFERING OF THE BONDS OUTSIDE OF MEXICO. SUCH NOTICE WILL BE SUBMITTED FOR INFORMATIONAL PURPOSES ONLY TO THE CNBV TO COMPLY WITH ARTICLE 7, SECOND PARAGRAPH, OF THE MEXICAN SECURITIES MARKET LAW AND REGULATIONS THEREUNDER. THE DELIVERY TO, AND RECEIPT BY, THE CNBV OF SUCH NOTICE DOES NOT CONSTITUTE OR IMPLY ANY CERTIFICATION AS TO THE INVESTMENT QUALITY OF THE BONDS, THE ISSUER'S SOLVENCY, LIQUIDITY OR CREDIT QUALITY OR THE ACCURACY OR COMPLETENESS OF THE INFORMATION SET FORTH IN THIS PROSPECTUS. THIS PROSPECTUS IS SOLELY THE RESPONSIBILITY OF THE ISSUER AND HAS NOT BEEN REVIEWED OR AUTHORIZED BY THE CNBV.

Notice to Prospective Holders

For the purpose of this Prospectus and unless the context otherwise indicates, references to the **Issuer** or the **Company, Credito Real, we, us and our** or similar terms are to Crédito Real, S.A.B. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad Regulada. Other words and expressions used herein shall have the meaning as given to them in the section 'Terms of the Bonds', except when defined otherwise herein.

No person is authorized to give any information or to make any representation not contained in this Prospectus, and any information or representation not contained herein must not be relied upon as having been authorized by the Issuer or the Manager. Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstance, create any implication that the information herein is correct as of any time subsequent to the date hereof.

This Prospectus does not constitute an offer or invitation by or on behalf of the Issuer or the Manager to subscribe for or to purchase any of the Bonds.

This Prospectus has been prepared in connection with the offering and listing of the Bonds in Switzerland only. The Bonds will not be admitted to trading on a regulated market in the EEA or elsewhere and will be listed solely on SIX Swiss Exchange.

This Prospectus is to be read in conjunction with all documents which are incorporated by reference herein or which are attached to it in the Annexes. This Prospectus shall be read and construed on the basis that such documents form part of this Prospectus.

Any statement contained in any document which is attached hereto shall be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein or therein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus. Each document attached hereto is current only as of the date of such document.

Copies of this Prospectus and the documents attached hereto are available free of charge at the offices of Credit Suisse AG at Uetlibergstrasse 231, CH-8070 Zurich, Switzerland during normal business hours or may be obtained upon request by telephone (+41 44 333 28 86), fax (+41 44 333 57 79) or e-mail to newissues.fixedincome@credit-suisse.com on any weekday (Saturday, Sundays and public holidays excepted) so long as the Bonds are listed on SIX Swiss Exchange.

In case this Prospectus has upon request or otherwise 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 none of the Issuer, the Manager or any person who controls any of them or any of their respective directors, officers, employees, agents or any affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Prospectus distributed to you in electronic format and the hard copy version that may have been delivered to you by third parties (see also the Disclaimer attached hereto).

The information contained in this Prospectus is accurate only as of the date of this Prospectus, regardless of the time of delivery of this Prospectus or any sale of the Bonds. The Issuer's business, financial condition, results of operations and prospects may have changed since the date of this Prospectus.

In this Prospectus, references to **\$, US\$, U.S. dollars** and **dollars** are to the lawful currency of the United States. References to **Ps.** and **pesos** are to the lawful currency of Mexico. References to **Swiss francs** and **CHF** are to the lawful currency of Switzerland.

CNBV refers to the Mexican National Banking and Securities Commission (*Comisión Nacional Bancaria y de Valores*) and **RNV** refers to the Mexican National Securities Registry (*Registro Nacional de Valores*) maintained by CNBV.

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The following documents are attached to this Prospectus and form integral parts hereof:

Integrated Annual Report 2016. (including Independent Auditor's Report and Consolidated Financial Statements as of December 31, 2016 and for the years ended 2016, 2015 and 2014)	Annex A
Unaudited Condensed Consolidated Interim Financial Statements as of September 30, 2017	Annex B and for the Nine Month Period ended September 30, 2017 and 2016
Summary of Certain Significant Differences between SOFOM GAAP and IFRS	Annex C

Selling Restrictions

United States of America and U.S. Persons

A) The Bonds have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the **Securities Act**), and may not be offered or sold within the United States or to or for the account or benefit of United States persons (except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act).

The Manager has represented, warranted and agreed that it has not offered or sold, and will not offer or sell, any Bonds in the United States or to or for the account or benefit of United States persons except in accordance with Rule 903 of Regulation S under the Securities Act.

Accordingly, neither the Issuer, the Manager nor their affiliates or any persons acting on their behalf have engaged or will engage in any direct selling efforts to the United States with respect to the Bonds.

The Manager has also represented, warranted and agreed that it has offered and sold the Bonds, and will offer and sell the Bonds (i) as part of its distribution at any time, and (ii) otherwise until the end of the Distribution Compliance Period, only in accordance with Rule 903 of Regulation S under the Securities Act. The Manager agrees that, at or prior to confirmation of sale of Bonds, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Bonds from it during the Distribution Compliance Period a confirmation or notice to substantially the following effect:

"The Securities covered hereby have not been and will not be registered under the U.S. Securities Act of 1933, as amended (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 (i) as part of their distribution at any time, or (ii) otherwise until the end of the Distribution Compliance Period, except in either case in accordance with Regulation S under the Securities Act. Terms used above have the meanings given to them by Regulation S."

"Distribution Compliance Period" means the period expiring on March 21, 2018.

The Manager has represented that neither it nor its affiliates or any persons acting on behalf of any of the foregoing has engaged or will engage in any direct selling efforts made in the United States with respect to the Bonds.

Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

B) The Manager has not entered and will not enter into any contractual arrangement with respect to the distribution or delivery of the Bonds, except with their affiliates or with the prior written consent of the Issuer.

C) In addition,

(1) Except to the extent permitted under U.S. Treas. Reg. section 1.163-5 (c)(2)(i)(D) (the **D Rules**):

(a) The Manager has not offered or sold, and during the Restricted Period will not offer or sell, Bonds to a person who is within the United States or its possessions or to a United States person, and the Manager will use reasonable efforts to sell the Bonds within Switzerland; and

(b) The Manager has not delivered and will not deliver within the United States or its possessions definitive Bonds that are sold during the Restricted Period;

(2) The Manager represents and agrees that it has and throughout the Restricted Period will have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling the Bonds are aware that such Bonds may not be offered or sold during the Restricted Period to a person who is within the United States or its possessions or to a United States person, except as permitted by the D Rules;

(3) The Manager represents that it is acquiring the Bonds in bearer form for purposes of resale in connection with their original issuance and if it retains Bonds in bearer form for its own account, it will only do so in accordance with the requirements of U.S. Treas. Reg. section 1.163-5(c)(2)(i)(D)(6);

Selling Restrictions

(4) The Manager represents and agrees that more than 80 per cent. of (a) the aggregate principal amount of the Bonds, (b) the value of the Bonds, measured by the proceeds received by distributors with respect to the Bonds, and (c) the value of the Bonds, measured by the proceeds received by the Issuer with respect to the Bonds, will be offered and sold to non-distributors by distributors maintaining an office in Switzerland;

(5) The Manager represents and agrees that it will offer and sell the Bonds in accordance with practices and documentation customary in Switzerland;

(6) The Manager represents and agrees that it has not made and will not make, or consent to the making on its behalf of, any application for listing of the Bonds on an exchange located outside Switzerland;

(7) With respect to each affiliate that acquires from the Manager Bonds for the purpose of offering or selling such Bonds during the Restricted Period, the Manager repeats and confirms the representations and agreements contained in this subsection (C) on behalf of such affiliate, or Credit Suisse agrees that it will obtain from such affiliate the representations and agreements contained in this subsection (C); and

(8) The Manager represents and agrees that it will obtain from any person other than its affiliate with whom it enters into a written contract (within the meaning of U.S. Treas. Reg. section 1.163-5(c)(2)(i)(D)(4)(ii)) that purchases any of the Bonds from it for the benefit of the Issuer an agreement to comply with the representations and agreements contained in this subsection (C).

Terms used in this subsection (C) have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended, and U.S. Treasury Regulations promulgated thereunder, including the D Rules.

The **Restricted Period** means that period expiring on March 21, 2018, and any time with respect to Bonds held as part of an unsold allotment.

European Economic Area

In relation to each Member State of the EEA, which has implemented the Prospectus Directive (each, a **Relevant Member State**), the Manager has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**) it has not made and will not make an offer of Bonds to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Bonds to the public in that Relevant Member State at any time:

(i) to any legal entity which is a qualified investor as defined in the Prospectus Directive; or

(ii) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive); or

(iii) in any other circumstances falling within Article 3(2) of the Prospectus Directive;

provided that no such offer of Bonds referred to in (i) to (iii) above shall require the Issuer or the Manager to publish a prospectus pursuant to Article 3 of the Prospectus Directive, or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an **offer of Bonds to the public** in relation to any Bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Bonds, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression **Prospectus Directive** means Directive 2003/71/EC (as amended including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

Selling Restrictions

Prohibition of Sales to EEA Retail Investors

Not Applicable

Mexico

The Bonds 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. The Bonds may be offered and sold to institutional or qualified investors in Mexico solely pursuant to the private placement exemption set forth in Article 8 of the Mexican Securities Market Law and regulations thereunder. As required under the Mexican Securities Market Law, the Issuer will notify the CNBV of the terms and conditions of the Bonds outside of Mexico. Such notice will be submitted for informational purposes only to the CNBV to comply with Article 7, second paragraph, of the Mexican Securities Market Law and regulations thereunder. The delivery to, and the receipt by, the CNBV of such notice does not constitute or imply any certification as to the investment quality of the Bonds, the Issuer's solvency, liquidity or credit quality or the accuracy or completeness of the information set forth in this Prospectus. The information contained in this Prospectus has not been reviewed or authorized by the CNBV.

Italy

The offering of the Bonds has not been registered pursuant to Italian securities legislation and, accordingly, no Bonds may be offered, sold or delivered, nor may copies of this Prospectus or of any other document relating to the Bonds be distributed in the Republic of Italy, except:

- (i) to qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the Financial Services Act) and Article 34-ter, first paragraph, letter b) of CONSOB Regulation No. 11971 of 14 May 1999, as amended from time to time (Regulation No. 11971); or
- (ii) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Article 34-ter of Regulation No. 11971.

Any offer, sale or delivery of the Bonds or distribution of copies of this Prospectus or any other document relating to the Bonds in the Republic of Italy under (i) or (ii) above must:

- (a) be made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 16190 of 29 October 2007 (as amended from time to time) and Legislative Decree No. 385 of 1 September 1993, as amended (the Banking Act); and
- (b) comply with any other applicable laws and regulations or requirement imposed by CONSOB, the Bank of Italy (including the reporting requirements, where applicable, pursuant to Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time) and/or any other Italian authority.

In accordance with Article 100-bis of the Financial Services Act, where no exemption from the rules on public offerings applies, Bonds which are initially offered and placed in Italy or abroad to qualified investors only but in the following year are systematically (*"sistematicamente"*) distributed on the secondary market in Italy become subject to the public offer and the prospectus requirement rules provided under the Financial Services Act and Regulation No. 11971. Failure to comply with such rules may result in the sale of such Bonds being declared null and void and in the liability of the intermediary transferring the financial instruments for any damages suffered by the investors.

Selling Restrictions

General

Neither the Issuer nor the Manager represents that Bonds may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale. The distribution of this Prospectus and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer to inform themselves about and to observe any such restrictions. This Prospectus does not constitute, and may not be used for or in connection with, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation, and no action is being taken in any jurisdiction that would permit a public offering of the Bonds or the distribution of this Prospectus in any jurisdiction where action for that purpose is required.

General Information

Authorization

Pursuant to an authorization of its Executive Committee dated January 10, 2018, and the Bond Purchase Agreement dated as of February 7, 2018, among the Issuer and Credit Suisse AG, the Issuer has decided to issue the Bonds.

Use of Net Proceeds

The net proceeds from the issue of the Bonds, amounting to CHF 168,515,000, will be used by the Issuer for general corporate purposes.

The Manager shall have no responsibility for or be obliged to concern itself with the application of the net proceeds of the issue of the Bonds.

Listing Representative

In accordance with Article 43 of the Listing Rules of SIX Swiss Exchange, Credit Suisse AG has been appointed by the Issuer to lodge the listing application with the SIX Exchange Regulation in its capacity as competent authority for the provisional admission to trading and the listing of the Bonds on SIX Swiss Exchange.

Legal Proceedings

Except as disclosed in this Prospectus, the Issuer is not and has not been involved in any governmental, litigation or arbitration proceedings during the 12-month period immediately preceding the date of this Prospectus relating to claims or amounts that are material in the context of this offering, nor so far as the Issuer is aware is any such litigation or arbitration threatened.

No Material Adverse Change

Except as disclosed in this Prospectus (including the documents attached hereto), as of the date of this Prospectus, there has been no material adverse change in the financial position or the results of operations of the Issuer and its subsidiaries taken as a whole since December 31, 2016, the date of the latest audited financial statements included in this Prospectus, which would materially affect the Issuer's ability to carry out its obligations under the Bonds.

Independent Auditors / Auditors Supervision

The financial statements of Crédito Real, S.A.B. de C.V., SOFOM, E.R. as of December 31, 2014, 2015 and 2016 and for each of the years then ended included in this Prospectus, have been audited by Galaz, Yamazaki, Ruiz Urquiza, S.C. (member of Deloitte Touche Tohmatsu Limited), independent auditors, as stated in their report dated February 28, 2017 appearing therein.

The business address of Galaz, Yamazaki, Ruiz Urquiza, S.C., is Paseo de la Reforma 505, Piso 28 Del. Cuauhtémoc, 06500, Mexico City, Mexico.

Potential investors are informed that Galaz, Yamazaki, Ruiz Urquiza, S.C. are not supervised by an authority which is recognized as foreign supervisory authority by the Swiss Federal Council.

General Information

Recent Developments

In November 2017, we issued US\$ 230 million 144A/Reg S Subordinated Perpetual Notes (the **Perpetual Notes**), which bear interest at a rate of 9.125% per annum. The Perpetual Notes are callable on the date that is five years after the issue date and on every fifth anniversary thereafter.

On December 7, 2017, we announced that a Coupon-Only Swap was contracted for the outstanding Perpetual Notes at 9.56% for the first two years, which is convertible to a floating rate from the third year until maturity at 2022.

Ordinary Inspection Visit by the CNBV

As any regulated multipurpose financial entity, we are subject to the supervision of the CNBV. In past years, we have been subject to Ordinary Inspection Visits conducted by the CNBV and none of them have resulted in the imposition of penalties or sanctions, or have caused a significant effect in our operations. On January 25, 2018 and as a result of the most recent Ordinary Inspection Visit, we received certain recommendations and measures from the CNBV that are related to a wide variety of topics, which include without limitation periodically reporting, loan originating processes and provisioning, generation and classification of information, future analysis and classification of operations and registration of contracts of adherence (collectively, the **Processes**). We are still analyzing such recommendations and measures to determine the best way to address them and cannot assure any future results. The foregoing may result in a requirement for us to increase our provisions. Notwithstanding the foregoing, as of the date of this Prospectus, the authority has not initiated/imposed and we are not subject to any contentious process, litigation, sanctions, penalties or fines related thereto.

Responsibility Statement

The Issuer accepts responsibility for the information contained in this Prospectus (including the documents attached hereto) as of its date and has taken all reasonable care to ensure that the facts stated herein are true and accurate in all material respects and that to the best of the Issuer's knowledge and belief there are no other material facts, the omission of which would make any statement herein misleading, whether of fact or opinion.

February 8, 2018, Mexico City, Mexico

**Crédito Real, S.A.B. de C.V.,
Sociedad Financiera de Objeto Múltiple, Entidad Regulada**

Name:

Title:

Forward-Looking Statements

Certain statements contained in this Prospectus relating to our plans, forecasts and expectations regarding future events, strategies and projections are just estimates. Examples of such forward-looking statements include, but are not limited to: (i) statements regarding our results of operations and financial position; (ii) statements of plans, objectives or goals, including those related to our operations; and (iii) statements of assumptions underlying such statements. Words such as "may", "might", "will", "would", "shall", "should", "can", "could", "believe", "anticipate", "continue", "expect", "estimate", "plan", "intend", "foresee", "seeks", "predict", "project", "potential", "target", "strategy", or the negative of these terms, and other similar terms are used in this Prospectus to identify such forward-looking statements. Forward-looking statements included in this Prospectus are based on our current expectations and projections related to future events and trends which affect or would affect our business, the economy and other future conditions.

Forward-looking statements include risks, uncertainties, changes in circumstances that are difficult to predict and assumptions, since these refer to future events and, therefore, do not represent any guarantee of future results. Therefore, our financial condition and operating income, 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, business and social conditions globally, and in particular in Mexico, the United States and the countries in which we conduct our business;
- our ability to implement our operating strategy and business plan;
- our ability to freely determine the interest rates we charge to our clients;
- our ability to attract new customers, and expand our business;
- our level of capitalization and reserves;
- our level of outstanding indebtedness, our ability to comply with the provisions set forth in our debt instruments and make timely payments therein, and our ability to obtain new debt instruments;
- changes to or termination of our agreements and relationships with our loan distributors;
- changes to the relationships our distributors have with government agencies and unions;
- our ability to collect on our loans;
- changes in the currency exchange rates, including the Mexican Peso/U.S. dollar exchange rate;
- 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;
- competition in the Mexican markets for payroll loans, group loans, small business loans, mortgage loans and used car loans;
- perception by investors and authorities of our business;
- availability of funds and related funding costs;
- the stability of global credit markets;
- changes in the economy that alter the demand for consumer goods, consequently affecting offer and demand for our products and services;
- loss of reputation of our brands;

Forward-Looking Statements

- inflation, devaluation of the peso and interest rate fluctuations in Mexico and other countries in which we conduct our business;
- risks inherent in international operations;
- trade barriers, including tariffs or import taxes and changes in existing trade policies or changes to, or withdrawals from, free trade agreements, including the North American Free Trade Agreement (**NAFTA**), to which Mexico is a party and which is currently undergoing renegotiation;
- changes in the policies of central banks and/or foreign governments;
- changes to accounting principles, laws, regulations, taxation and governmental policies related to our activities, including, but not limited to, usury and consumer protection laws;
- loss of key personnel;
- adverse administrative or legal proceedings;
- our clients' ability to pay their loans and the stability of their sources of income;
- potential volatility in the foreign currency exchange market;
- decreases in our credit ratings;
- potential acquisitions;
- voting interests of our majority shareholders;
- declarations of insolvency, bankruptcy or becoming subject to concurso mercantil, quiebra or similar proceedings;
- potential risk factors presented under "Risk Factors" in this Prospectus; and
- other developments, factors or trends affecting our financial condition and our operating income.

Therefore, our actual performance may be adversely affected and may significantly differ from the expectations set forth in these forward-looking statements, which do not represent a guarantee of our future performance. In view of these uncertainties, you must not rely on the estimates and forward-looking statements included in this Prospectus to make an investment decision.

Forward-looking statements included herein are made only as of the date of this Prospectus. Except as required by law, we do not undertake any obligation to update any forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of anticipated or unanticipated events or circumstances.

Enforcement of Civil Liabilities and Service of Process

We are a *sociedad anónima bursátil de capital variable* (variable capital public stock corporation) and a regulated multipurpose financial institution entity (*sociedad financiera de objeto múltiple, entidad regulada*, or "Sofom" or "Sofom E.R.") organized and operating under Mexican law. Most of our directors, executive officers and controlling persons named herein are non-residents of Switzerland and substantially all of the assets of such non-resident persons and substantially all of our assets are located in Mexico or elsewhere outside Switzerland. As a result, it may not be possible for investors to effect service of process within Switzerland 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 the laws of Switzerland. We have appointed Credit Suisse AG as our authorized agent upon whom process may be served in any action which may be instituted in the courts of the city of Zurich, arising out of or based upon the Bonds. See "Terms of the Bonds – Condition 18 (Governing Law and Jurisdiction)".

As of this date, no treaty exists between Mexico and Switzerland for the reciprocal enforcement of judgments issued in the other country. Generally, Mexican courts would enforce final judgments rendered in a foreign country if certain requirements were met, including the review in Mexico of the foreign judgment to ascertain compliance with certain basic principles and legal requirements of due process and the non-violation of Mexican law or public policy, provided that foreign country's courts would grant reciprocal treatment to Mexican judgments. Additionally, there is uncertainty as to the enforceability of judgments predicated substantially upon the civil liability provisions of the laws of Switzerland by a competent court.

Risk Factors

Investing in the Bonds involves risks. You should carefully consider the following discussion of risks, as well as all the other information presented in this Prospectus before investing in the Bonds. These risks are not the only risks that affect our business. Additional risks that are presently unknown to us, that we currently deem immaterial or that do not require specific disclosure may also impair our business. Any of the following risks, if they actually occur, could materially and adversely affect our business, results of operations, financial condition and prospects.

Risks Relating to Our Business

Our business, financial condition and results of operations have been, and may continue to be, adversely affected by the United States and international financial market, economic and political conditions.

Global economic and political conditions, as well as economic and political conditions specific to the markets in which we do business, may substantially affect our sales and profitability. Although we believe the adverse worldwide economic conditions experienced over recent years are improving, the degree and pace of recovery is uncertain and is expected to vary around the globe. Instability in global credit markets, the instability in the geopolitical environment in many parts of the world and other disruptions may continue to put pressure on global economic conditions. We are subject to risks associated with adverse economic conditions, including economic slowdown, inflation and the disruption, volatility and tightening of credit and capital markets. Additionally, changes in economic and financial conditions in the markets in which we operate and market our products may impact consumer confidence and consumer spending. In particular, a contraction in the credit markets may affect our ability to fund our operations. See “—If we are not able to access sources of funding, our business, financial condition and results of operations may be adversely affected” and “—We have a significant amount of indebtedness that may impair our operating and financial flexibility and could materially and adversely affect our business, financial condition, results of operations and our ability to fulfill our obligations under the Bonds.” 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. Additionally, there may be potentially adverse market conditions for the Hispanic community in the United States due to a change in the political landscape. 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, limit the interest rates we may charge 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 value of the portfolio of investment securities that we hold may be adversely affected by worsening economic conditions in Mexico, the United States and Central America.

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 GDP growth rates, inflation, unemployment, the cost of energy and other necessities, the availability of consumer credit, interest rates, con-

Risk Factors

sumer 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. A decline in demand for consumer goods would also likely reduce demand for our payroll loans, to the extent those loans are used to finance consumer purchases, and for our group loans, because microbusiness owners use proceeds from those loans primarily to finance small commercial enterprises that are dependent on consumer demand. 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, 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 consumers, thereby reducing our loan approval rate. In addition, reduced access to credit and lower revenues may adversely affect our distributors and specialized retail chains, some of which may go out of business. The occurrence of any of these events may materially and adversely affect our business, financial condition and results of operations.

We are subject to fluctuations in interest rates. Imbalances in the interest rates and maturity between our loan portfolio and our sources of funds could adversely affect us and our capacity to expand our business.

We are exposed to interest rate and maturity mismatches between our loans and sources of funding. Our loan portfolio consists mainly of loans bearing interest at fixed rates, and the net interest income from our loans depends on the spread between our cost of funding and the interest rates we charge to our customers. An increase in interest rates, or general uncertainty about changes in interest rates, could affect demand for credit, and thus affect demand for our loan products. During 2016 and the nine-month period ended September 30, 2017, Banco de México increased its reference rate from 3.25% to 7.00%. Future increases in market interest rates in Mexico could increase our cost of funding under circumstances in which we could not timely and fully increase the interest rates we charge to our customers with respect to the loans we provide. Such a situation could reduce the net interest income we earn on our loan portfolio, or affect our ability to pay our liabilities, which in turn could have a material and adverse effect on our business, financial condition and results of operations.

Any mismatch between the maturity of our loan portfolio and our sources of funds could magnify the effect of any imbalance in interest rates and could present a liquidity risk if we fail to obtain funding on an ongoing basis. An increase in our total cost of funds could result in an increase in the interest rates on our loans, which could, as a result, affect our ability to attract new customers and could limit the expansion of our business, particularly with respect to our payroll loan and group loan product lines, which we plan to expand significantly in the future. A decrease in the growth of our loan portfolio could materially and adversely affect our ability to pay our liabilities, which in turn could have a material and adverse effect on our business, financial condition and results of operations.

If we are not able to effectively control the level of non-performing or poor credit quality loans in the future, or if our allowance for loan losses are insufficient to cover future loan losses, our business, financial condition and results of operations could be materially and adversely affected.

We may not be able to effectively control the level of non-performing loans in our total loan portfolio, including in respect to auto loans in the United States and consumer loans, SME loans, mortgage loans and auto loans in Central America, which are segments we recently entered into. In particular, the amount of our reported non-performing loans may increase in the future as a result of growth in our loan portfolio, deterioration in our credit approval process, the acquisition of any of our distributors or other entities (such as the acquisitions of a 49% ownership interest in each of Publiseg and GEMA) or other factors beyond our control, such as further weakening of the Mexican or global economy, other macroeconomic and political events affecting Mexico, events affecting specific industries or natural disasters. In addition, our current allowance for loan losses 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 loan portfolio. As a result, if the quality of our loan portfolio deteriorates we may be required to increase our allowance for loan losses, which may adversely affect our financial condition and results of operations. Moreover, there is no precise method for predicting loan and credit losses, and we cannot assure you that our monitoring and risk management procedures will effectively predict such losses or that allowances for loan losses will be sufficient to cover actual losses. If we are unable to control the level of our non-performing or poor credit quality loans, our business, financial condition and results of operations could be materially and adversely affected.

Risk Factors

We have a significant amount of indebtedness that may impair our operating and financial flexibility and could materially and adversely affect our business, financial condition, results of operations and our ability to fulfill our obligations under the Bonds.

As of September 30, 2017, we had total outstanding indebtedness of Ps.26,732.8 million (US\$1,472.15 million), not including accrued interest. Of our indebtedness outstanding as of September 30, 2017, Ps.2,227.0 million (US\$122.64 million), or 8.3%, consisted of indebtedness due to mature in 2017, while the remaining Ps.24,505.8 million (US\$1,349.51 million), equal to 91.7% of our total outstanding indebtedness, consisted of indebtedness due to mature after 2017. Accordingly, our capacity to continue funding our operations will depend in part on us being able to renew our maturing indebtedness and on the collection of our loan portfolio, which is due from a large number of customers located in different cities throughout Mexico, the United States and Central America and which is generated by a limited number of distributors. We anticipate that our leverage will continue for the foreseeable future. Our indebtedness could have important consequences, including the following:

- it may be difficult for us to satisfy our obligations under our existing credit facilities and other indebtedness and commitments, particularly in the event of a default under one of our other debt instruments;
- we may not be able to obtain additional financing, if needed, to fund our growth, working capital requirements, capital expenditures (including maintenance), debt service, general corporate or other obligations;
- increasing our vulnerability to adverse economic and industry conditions, including increases in interest rates, foreign currency exchange rate fluctuations and market volatility; and
- we may be placed at a competitive disadvantage in relation to our competitors that have less indebtedness.

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 such debt instruments could be accelerated. Acceleration of these debt instruments could have a material adverse effect on our business and financial condition and may affect our ability to fulfill our obligation under the Bonds.

Servicing our indebtedness, including the Bonds, 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 Bonds, 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.

If we are not able to access sources of funding, our business, financial condition and results of operations may be adversely affected.

We rely significantly on several sources of funding, including bank credit lines and publicly issued debt securities, to finance our operations. Adverse financial conditions, including the existence of a liquidity crisis, could limit our access to new or sustained funding. Any decrease in the availability of one or more of our funding sources could have an adverse effect on our business, financial condition and results of operations.

In the past, we have also relied on partial credit guarantees obtained from the Mexican development bank Nacional Financiera, S.N.C., Institución de Banca de Desarrollo (**NAFIN**) for some of our notes offerings in order to access

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the local debt markets. We may need to rely on partial credit guarantees from NAFIN in the future. We may be unable to secure such guarantees in a timely manner, on acceptable terms or at all, which could limit our access to financing and have a material adverse effect on our business, financial condition and results of operation.

We may also require additional capital in the future in order to grow our loan portfolio, remain competitive or enter into new businesses. In addition, we may need to raise additional capital to increase our equity base in the event that we experience large, unexpected losses in our loan portfolio. Our ability to obtain additional capital in the future is subject to a variety of uncertainties, including:

- our future financial condition, results of operations and cash flows;
- general market conditions for capital-raising activities by financial institutions; and
- economic, political and other conditions in Mexico and elsewhere.

We may not be able to obtain additional capital in a timely manner, on acceptable terms or at all, which could have an adverse effect on our business, financial condition and results of operations.

Reductions in our credit ratings could increase our cost of borrowing and may make it more difficult to raise new funds or renew maturing debt.

Our credit ratings are an important component of our liquidity profile. Among other factors, our credit ratings are based on the financial strength, credit quality and concentrations of our loan portfolio, the level and volatility of our earnings, our capital adequacy, the level of our non-performing loans, the quality of our management, the liquidity of our balance sheet and our ability to access funding sources.

According to a report recently issued by a credit rating agency, our risk position remains moderate reflecting the transactional risks that arise from working with government entities. The agency raised concerns regarding the use of financial derivatives to cap the exchange rate in order to reduce the cost of funds that might be exposed to exchange rate fluctuations. Additionally, some of the assets acquired from Marevalley are mostly denominated in Costa Rican colones and around US\$218.3 million of those assets are denominated in U.S. dollars. Furthermore, the rapid lending growth could have a negative effect on the asset quality.

Downgrades in our credit ratings could increase the cost of debt issuances in public markets or any future borrowings. In addition, downgrades in our credit ratings could negatively impact our ability to renew maturing debt, making any such renewal more difficult and expensive. Credit ratings downgrades could have a material adverse effect on our business, financial condition and results of operations.

Competition from other financial institutions may adversely affect our profitability and market position.

We face competition from lenders that target our existing and prospective customers. In particular, there is substantial competition in the small business segment. Our competitors include banks, Sofomes and other financial institutions such as credit unions and cooperatives as well as commercial entities and informal loan providers. In addition, we face competition from the public sector, as the Mexican government currently engages in its own financing programs. Our group loan business also faces competition from non-governmental organizations (**NGOs**). We expect competition to continue to increase, particularly in our payroll and small business loans segments, as we continue expanding our operations in Mexico, the United States and Central America. Institutions with which we currently compete may have significantly greater assets and capital, access to financing sources, name recognition, geographic penetration, experience with credit rating structures and other advantages. In addition, our competitors may be better able than we are to anticipate and respond to market trends. In this manner, competition in our markets may adversely affect our business, prospects, financial condition and results of operations.

Mexican financial authorities have broad authority in certain areas.

The Mexican Law for the Protection and Defense of Financial Services Users (*Ley de Protección y Defensa al Usuario de Servicios Financieros*) gives the "National Commission for the Protection and Defense of Financial Services Consumers" (*Comisión Nacional para la Protección y Defensa de los Usuarios de Servicios Financieros*)

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or CONDUSEF) broad authority to oversee financial institutions. Among other things, CONDUSEF is (i) entitled to initiate class action lawsuits against Mexican financial institutions in connection with events affecting groups of users of financial services; (ii) required to maintain a Bureau of Financial Entities (*Buró de Entidades Financieras*), which will set forth any and all information deemed material for users of financial services; (iii) empowered to (x) order amendments to any of the standard forms of commercial banking documentation (such as account statements and loan agreements) used by financial institutions if it considers provisions therein to be unfair to users and (y) require financial institutions to adopt any necessary measure to halt, modify or avoid any harm or damage to users' rights; (iv) permitted to issue resolutions as part of conciliation proceedings, for the benefit of users, that would permit users to attach assets of financial institutions prior to the completion of a judicial proceeding; and (v) given broad authority to fine financial institutions that do not comply with an order issued by CONDUSEF.

We are dependent on three principal payroll loan distributors to originate payroll loans, on Fondo H to originate SME loans, on Contigo and Somos Uno for group loans and on three other companies for used car loans.

As of September 30, 2017, approximately 85% of our total payroll loan portfolio balance consisted of loans originated on our behalf by our three principal payroll loan distributors (Directodo, Publiseg and GEMA). Although we have entered into factoring agreements with our principal payroll loan distributors, in the majority of cases these agreements are not exclusive (with the exception of our agreements with Directodo, Publiseg, and GEMA, which are exclusive). The term of these agreements is indefinite, but they may be terminated by our distributors at any time by giving prior written notice to us. If any of our principal payroll loan distributors terminate their relationship with us or decrease the amount of loans they originate and offer to us, the size of our total loan portfolio could decrease, which would have a material adverse effect on the future size of our loan portfolio, our business, financial condition and results of operations.

As of September 30, 2017, approximately 38% of our SME loan portfolio balance consisted of loans originated on our behalf by our principal distributor Fondo H. Currently, we have an exclusivity agreement signed with this specialized SME origination company. As of September 30, 2017, approximately 100% of the origination of group loans is attributed to Contigo and Somos Uno distributors, in which the Company owns equity. For the used car business, the distributors Drive & Cash operating in Mexico and AFS and Don Carro operating in the United States originated 93% of the used car loan portfolio as of September 30, 2017. If any of our distributors terminate or decrease the amount of loans they originate, the size of our total loan portfolio could decrease, which would have a material adverse effect on the future size of our loan portfolio, our business, financial condition and results of operations.

The origination of payroll loans is highly dependent on the relationships and lobbying efforts that our distributors build and sustain with federal, state and local government entities, as well as with labor unions.

Our distributors have entered into cooperation agreements with approximately 305 public sector employers or employee labor unions in all of the Mexican states, and it is through these relationships that our distributors promote our payroll loan products. Some of these distributors depend, in turn, on the services of public relations firms in order to obtain and maintain contacts with government entities and labor unions. In some instances, the cooperation agreements provide for the payment of a fee by the distributor to the labor unions or government entities based on a percentage of the loans originated through the particular cooperation agreement. In some cases, the cooperation agreements provide for the payment of consideration to the labor unions, for the benefit of their members. These cooperation agreements can be terminated through simple notice. In the event that (i) our distributors are not able to maintain the existing agreements with these entities or with other federal, state and local governments or labor unions, (ii) our distributors, including Directodo, Publiseg and GEMA, are not able to maintain their existing agreements with public relations firms or (iii) the public relations firms are unable to maintain their contacts with federal, state and local governments or labor unions, our distributors' ability to originate new payroll loans could be diminished, which could reduce the size of our loan portfolio and affect our growth. In addition, the credit risk of our existing payroll loan portfolio could increase because payments on existing payroll loans could no longer be collected directly from the public sector employers of our borrowers or from the labor unions to which they belong. Any deterioration in the relationship between our distributors and the public sector employers or labor unions, between our distributors and the public relations firms, between the public relations firms and the public sector employers of labor unions, or any changes to the collection process of payroll loans may result in the termination or breach of the cooperation agreements (including for not complying with the agreements in a timely fashion) and have a material adverse effect on our business, financial condition and results of operations.

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Our collection of payments on payroll loans is dependent on our distributors.

We do not have a direct relationship with the public sector employers or the employee labor unions that make payments through payroll deductions, on account of and pursuant to written instructions made by borrowers. The collection of these payments is carried out by our distributors, as our agents, in accordance with the financial contracts they have with us. See "Information on the Issuer—Principal Activities / Business—Payroll Loans—Loan Servicing and Collection." Therefore, the punctual repayment of payroll loans depends on the effective collection efforts of our distributors working with public sector employers, as well as competent payroll administration practices by the public sector employers themselves. There may also be delays in the deposit of payments by public sector employers, which may be due to changes in administration, rotation of personnel or changes to information technology systems, among other factors, which may have a material adverse effect on our business, financial condition and results of operations.

The insolvency or operational capacity of our distributors could affect the collection and payment of our payroll loans.

We analyze the legal, financial, accounting and administrative profiles of our distributors in order to verify that they have the capacity to comply with their responsibility to ensure payment of the payroll loans they have originated. In the case of Directodo, Publiseg and GEMA, we are a partner and have diverse rights. However, we cannot ensure that distributors will always be able to effectively comply with their responsibility to ensure payment. The inability of our distributors to fulfill this responsibility may affect the receipt of payment for such loans and, consequently, may have a material adverse effect on our business, financial condition and results of operations.

There may be conflicts of interests between the public sector employers, the distributors and us.

In the operation of payroll loans, our interests and the interests of the public sector employers or the distributors may conflict, which may adversely affect our ability to ensure repayment of these loans and, therefore, the quality of our loan portfolio. More specifically, public sector employers could have an incentive to delay the deposit of the payroll deduction, as a way of financing their own operations, which could affect our liquidity.

The approval process for payroll loans does not always include a consultation with credit rating agencies regarding the credit history of potential clients.

With regard to payroll loan applications, consultations with credit rating agencies on the credit history of the loans being acquired are carried out at the discretion of the loan officer reviewing the application. We cannot ensure that lack of consultation regarding clients' credit histories will not have a negative effect on the quality of our payroll loan portfolio.

Furthermore, there is no centralized information system that allows us to verify compliance with the maximum amount of payments that can be made by employees or union members through payroll deductions, which we define as 30% of the amount of each employee's paycheck net of other charges. Thus, the information we have about a particular borrower might be insufficient to prevent situations that could affect the recovery of the loan, such as the payment of legally required obligations that have priority over payroll loans or the borrower incurring additional liabilities that affect the total amount of the borrower's paycheck which is available for deductions. If such a situation were to occur, it could have a material adverse effect on our business, financial condition and results of operations.

In exceptional cases, loan installments could fail to be deducted from the paychecks of our payroll loan clients, which could materially and adversely affect our payroll loan business.

The instructions borrowers give to their employers to authorize deductions from their paycheck to service payroll loans may be revoked in exceptional cases. Similarly, payroll deductions may not be made accurately or promptly by the borrower's public sector employer as a result of administrative problems or errors, the loss of employment or the incapacity of the borrower. If loan installments are no longer deducted from the paychecks of our payroll loan clients, our payroll loan business and credit profile may be materially and adversely affected, negatively impacting our business, financial condition and results of operations.

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The origination, disbursement and operation of payroll loans may become subject to regulation, resulting in restrictions to our payroll lending operations.

In contrast with other Latin American countries, which have some form of regulation related to the origination and operation of payroll loans (including interest rate controls and limits on the maximum amount of indebtedness allowed for each borrower), as of the date of this Prospectus, Mexico does not have an approved and organized regulatory framework for the origination, disbursement and operation of payroll loans. If any of these activities were to be further regulated in Mexico, our operations in this sector could become subject to restrictive laws and regulations, which could have an adverse effect on our business, financial condition and results of operations. For example, in the education sector, since January 2015, the National Treasury (*Tesorería de la Federación*) through the Education Fund (*Fondo de Aportaciones para la Nómina Educativa*) centralized *Sindicato Nacional de Trabajadores de la Educación (SNTE)* teachers' payroll disbursements instead of using government agencies for federal employees. We believe that such centralization ensures a more efficient and standardized collection process, however, depending on a sole institution for the collection of a significant portion of payroll loans could concentrate possible market, operational, financial or other risks.

Our policies and internal control mechanisms may not be effective in preventing corrupt business practices.

We cannot ensure that our "best practices" and ethics policy for hiring and operations, and the internal control and practices derived from such policy, which we intend to expand to our distributors and promoters, will always be effective in preventing corrupt business practices by our employees and/or distributors in relation to their activities carried out during their dealings with public or private agencies, including the activities carried out during their origination of payroll loans. This could adversely affect our reputation, business, financial condition and results of operations, as well as our ability to continue to rely on the loan origination for payroll loans. See "Information on the Issuer—Principal Activities / Business—Credit and Risk Management Policies."

Advertising carried out by our distributors in connection with their payroll loan origination may be unclear, which may constitute a violation of applicable law and may subject us to sanctions for our marketing activities.

As an entity engaged in financial marketing, we may be subject to sanctions for unfair competition if we offer information that is incorrect, false, incomplete or susceptible to confusion with regard to our products, pursuant to applicable law. We believe the documentation related to payroll loans originated by our distributors, as original creditors, clearly establishes the Total Annual Cost (TAC) and the fact that the loans will be subsequently transferred to us. However, the advertising carried out by our distributors in order to originate loans could be deemed unclear under applicable law, including with respect to Crédito Real's role as the ultimate creditor, specific interest rates and the TAC of loans, which could affect our public perception, result in sanctions or have an adverse effect on our business, financial condition and results of operations.

Payroll loan distributors' inability to verify the cash flow of money deposited by public sector employers may affect their relationship with us.

Payroll loan distributors may be unable to verify the cash flow of money deposited by public sector employers derived from the payment of accounts by borrowers, due to legal, technological, or other reasons. This may affect the relationship between us and our distributors. Any deterioration in the relationship between our distributors and the public sector employers (as well as any delays in the payments made by public sector employers), may have a material adverse effect on our business, financial condition and results of operations.

Our business and the business of our distributors, including Directodo, Publiseg and GEMA, may be adversely affected by the actions of public relations firms.

Some of our distributors, including Directodo, Publiseg and GEMA, who operate under the brand names Kondinero, Credifiel and Crédito Maestro, respectively, have entered into service agreements with various independent public relations firms, which provide contacts and carry out lobbying efforts in order to secure contracts with government entities and labor unions, such as various branches of SNTE. In some cases, the cooperation agreements provide for the payment of consideration to the labor unions (or government entities), for the benefit of their members. Any inappropriate action taken by these public relations firms when interacting with these entities, which neither we nor

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our distributors, including Directodo, Publiseg or GEMA, control, could affect Directodo's, Publiseg's or GEMA's image and the loyalty of borrowers towards the Kondinero, Credifiel and Crédito Maestro brands and, consequently our distributors' ability to originate new payroll loans, and could subject us and our distributors to higher regulatory scrutiny and greater exposure to litigation or enforcement proceedings under relevant anti-corruption laws, which may have a material adverse effect on our business, financial condition and results of operations.

Group loans pose unique risks not generally associated with other forms of lending.

Our group loan 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. Our group loan customers typically have limited credit histories or none at all, posing a higher degree of risk than borrowers with established credit histories. Our group loans rely on non-traditional guarantee mechanisms, such as personal guarantees by each member of the borrowing group, which pose a higher degree of risk than loans secured by physical collateral. See "Information on the Issuer—Principal Activities / Business—Our Loan Products—Group Loans." As a result, in the future we may experience higher levels of non-performing loans and may be required to record higher provisions for loan losses, 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.

The expansion of our group loan business may not be successful.

As part of our growth strategy, in 2014 we entered into partnerships to grant group loans under the "Contigo" and "Somos Uno" brand names, and we intend to continue expanding our group loan business, including in areas where we currently do not have a significant presence. See "Information on the Issuer—Principal Activities / Business—Overview—History and Development." We may not be able to fully implement our expansion plans because of a number of factors, including inability of our partners to maintain high asset quality or effective collections processes, adverse changes in general economic conditions, adverse changes in the availability of desirable locations to offer loans or our inability to hire competent personnel in our proposed new locations. Difficulties in implementing our planned expansion may result in an adverse effect on our business, financial condition and results of operations.

Our business relies heavily on data collection, processing and storage information systems, the failure of which could materially and adversely affect the effectiveness of our risk management and internal control system as well as our financial condition and results of operations.

Our business is highly dependent on our ability to timely collect and process a large amount of information related to the existing customer base, including transaction processes that may increase in complexity with increasing volume in our business. The proper functioning of financial control, accounting or other data collection and processing systems is critical to our business and to our ability to compete effectively. A partial or complete failure of any of these primary systems or the inappropriate handling of the data stored therein could materially and adversely affect our decision-making process, our risk management and internal control systems, as well as our ability to respond in a timely basis to changing market conditions. In addition, we may experience difficulties in upgrading, developing and expanding our information technology systems quickly enough to accommodate our growing customer base. We have not recently conducted an updated independent analysis on the effectiveness of our systems in order to confirm that there is no risk that the data stored therein could be manipulated inappropriately. If we cannot maintain an effective data collection and management system, or if we cannot upgrade that system to meet the changing circumstances of our business, then our business, financial condition and results of operations could be adversely affected.

We have recently entered into the United States and Central American markets and may not be able to fully understand the markets in such countries and the related risks.

We have recently started lending operations in the United States and in Central America, as a continuation and expansion of our current business. See "Information on the Issuer—Principal Activities / Business—Overview—History and Development." Our entrance into new markets other than Mexico, where we have gained experience since our origin, may represent an additional risk. Our business model relies heavily on the experience of the distrib-

Risk Factors

utors we partner with; however it may take time to fully understand the risks and dynamics associated with new markets. For example, these risks may include changes in the regulatory environment in the form of interest rate ceilings, changes that might affect the level of provisioning, unanticipated changes in the political landscape and unforeseen seasonal effects in such markets that might lead to a deterioration of the portfolio. See “—Our business, financial condition and results of operations have been, and may continue to be, adversely affected by the United States and international financial market, economic and political conditions.” We may not be able to fully understand the markets in such countries and related risks, and some of these adverse conditions may result in unexpected increases to our loan loss reserves and may affect our business, financial condition and results of operations.

Our inability to maintain, improve or upgrade our information technology infrastructure and credit risk management systems in a timely manner could adversely affect our competitiveness, financial position and results of operations.

Our ability to operate and remain competitive depends on, among other factors, our ability to maintain and upgrade our information technology infrastructure in a timely and cost-effective manner. We must continually make investments and improvements to our information technology infrastructure in order to remain competitive. The information available to our management through our existing information systems may not be timely or sufficient to manage risks or to plan for, and respond to, future changes in market conditions and other developments in our 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 maintain, improve or upgrade our information technology infrastructure and management information systems in a timely manner, or the inappropriate manipulation of the data in our systems, could materially and adversely affect our competitiveness, financial position and results of operations. We have not conducted a recent and independent analysis of our systems confirming that there is no risk that the data stored in these systems cannot be manipulated inappropriately.

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

While we have in the past considered acquisitions of, or partnerships with, payroll loan distributors, and will continue to evaluate such opportunities as they arise, there can be no assurance that our evaluations will result in any such transaction in the near term. In addition, as we plan to continue growing our businesses, we may consider other strategic acquisitions or investments (including investments in regulated businesses) from time to time in Mexico and abroad. We face a variety of uncertainties and challenges relating to 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. These risks, and the possibility that integration of any 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.

Antitrust laws may limit our ability to expand and operate through acquisitions or joint ventures.

Mexico's and other countries' antitrust laws and regulations may affect some of our activities, including our ability to introduce new products and services, to enter into new or complementary businesses, markets or joint ventures and to complete acquisitions. Approval of the Mexican Antitrust Commission (*Comisión Federal de Competencia Económica*) may be required for us to acquire and sell significant businesses or to enter into significant joint ventures that have an impact in the Mexican market, the market where we predominantly operate. The Mexican Antitrust Commission may not approve, or may impose conditions on, future acquisitions or joint ventures that we may pursue. As our operations and market share increase, future acquisitions or expansions may face increased regulatory scrutiny, investigations, orders and other obstacles under antitrust laws and regulations.

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

We are using, and may continue to use, 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 Bonds 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 relevant currencies or fluctuations in interest rates in Mexico.

Risk Factors

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.

We are subject to financing terms which impose on us operational and financial restrictions that may limit our future business opportunities.

The terms and conditions of the Bonds offered hereby, our Perpetual Notes, the 2023 and 2019 Senior Notes and other existing indebtedness impose significant operational and financial restrictions on us. These restrictions limit our capacity to, among other things, (i) incur additional debt, (ii) pay dividends or depreciate or buy back capital stock, (iii) make investments, (iv) create liens, (v) carry out operations with affiliates, (vi) sell assets and (vii) consolidate or merge.

These restrictions could limit our capacity to take advantage of attractive growth opportunities we currently cannot foresee.

We may not be successful in our plans for growth, development and diversification.

It is possible that we may not be successful in our plans for growth and diversification of our business, or that we may need to incur additional costs in order to carry out these plans, which might have an adverse effect on our business, results of operations, financial situation and future projections.

We may be subject to penalties due to our advertising.

Since we are active in financial advertising, we might be subject to penalties based on unfair competition if such advertising includes wrong 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 might 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. This might cause an adverse effect in the activities, financial situation or operational results of the Company.

We depend on key personnel, our ability to retain and hire additional key personnel and the maintenance of good labor relations.

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 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, hire, integrate or retain qualified personnel at levels of experience or compensation that are necessary to maintain our quality and reputation or to sustain or expand our operations. Our business, results of operations, prospects and financial condition could be adversely affected if we cannot attract and retain such necessary personnel.

Risks Relating to Our Controlling Shareholders

We are effectively controlled by a few shareholders, whose interests could conflict with the interests of other shareholders.

Members of our founding families control approximately 33% of our outstanding capital stock. Accordingly, such members of our founding families are able to control the majority of the decisions requiring the approval of a majority of shareholders. Our controlling shareholders control the election of the majority of our board of directors, the appointment of our senior management and our engaging in new business activities, pursuing strategic initiatives or entering into mergers, acquisitions and other extraordinary transactions. Our controlling shareholders may exercise their control in a manner that differs from your interests as a Holder of Bonds.

Risk Factors

We often engage in a variety of transactions with companies owned by our controlling shareholders which may cause conflicts of interest.

We have engaged and will continue to engage in a variety of transactions, such as entering into service agreements and factoring agreements with distributors, our controlling shareholders and a number of entities directly or indirectly owned or controlled by our controlling shareholders. While we intend to continue to transact business with related parties on an arm's-length basis, such transactions could be affected by conflicts of interest between such related parties and us. We have agreed to terms governing certain of our indebtedness that limit our ability to engage in transactions with our affiliates.

Risks Relating to Mexico

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

We are a *sociedad anónima bursátil de capital variable* (variable capital public stock corporation) and a regulated multipurpose financial institution entity (*sociedad financiera de objeto múltiple, entidad regulada, or "Sofom" or "Sofom E.R."*) incorporated in Mexico, and most 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 for those operations conducted in 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. In addition, 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. See *"—Political, economic and social conditions in Mexico could materially and adversely affect Mexican economic policy and, in turn, our operations."*

Applicable Mexican statutory law does not currently impose any limit on the interest rate we may charge a customer. However, Mexican statutory law could change, and our loans could become subject to interest rate caps. Furthermore, there is currently no regulatory limitation on the portion of an employee's paycheck that can be deducted through payroll lending. However, regulations could change and paycheck deduction limits could be imposed. If Mexican law were to change in these ways, or if other changes in Mexican law were to occur, our business, financial condition and results of operations could be materially and adversely affected.

We cannot assure investors that changes in the future political environment, over which we have no control, will not have an adverse impact on our financial condition or results of operations and prospects. We do not have political risk insurance.

The Mexican Supreme Court of Justice has ruled that Mexican judges have the right to reduce interest rates which they consider unfair.

On June 27, 2014 the Mexican Supreme Court of Justice published a judicial precedent (jurisprudence or *"jurisprudencia"*) in the judicial gazette which allows Mexican judges to reduce the interest rate on a loan if they determine it to be excessive or abusive. The Mexican Supreme Court of Justice's decision provides guidelines, including basic factors that a judge must analyze on a case by case basis, for making a determination regarding an interest rate (e.g. the interest rates charged by banks in similar operations, among others). However, the ruling does not provide clear limitations on a judge's authority to reduce the interest rates. On January 22, 2016, the Mexican Supreme Court of Justice published another judicial precedent in the judicial gazette which clarified that the authority granted to Mexican judges to reduce the interest rates includes (i) instances where a party involved in the corresponding proceeding does not expressly request such reduction and (ii) trials in absentia. If a judge were to determine that our interest rates were excessive or abusive, it could have a material adverse effect on our business, financial condition, results of operations and prospects.

Risk Factors

As a regulated entity, we are subject to the supervision of the CNBV.

As any regulated multipurpose financial entity, we are subject to the supervision of the CNBV. In exercise of its supervision authorities the CNBV is allowed to conduct Ordinary Inspection Visits which result in the issuance of certain recommendations and measures related to our Processes. We cannot assure that the CNBV will not practice any further visits in the future or the result of such inspections.

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

Since 2012, the *Congreso General de los Estados Unidos Mexicanos (Mexican Congress)* has been politically divided, and the *Partido Revolucionario Institucional*, the President's party, does not have majority in the Mexican Congress. This fact, along with other political circumstances have, to varying extents, limited the effects of political and economic reforms passed in recent years. In addition, Mexico's next presidential and federal legislative election will be in July 2018. We cannot predict the outcome of these elections or whether potential changes in Mexican governmental and economic policy could adversely affect economic conditions in Mexico or the sector in which we operate and therefore could have an adverse effect on us.

Our business can also be affected by political developments in the United States. On January 20, 2017, the new U.S. presidential administration, for the period 2017 through 2020, started. Uncertainties surrounding the policies of the new administration, particularly with respect to matters of importance to Mexico and its economy such as trade (including the potential termination of the NAFTA and immigration, could have an adverse effect on the Mexican economy, and could adversely affect our business and our operating results.

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. Also, an earthquake with national impact recently affected Mexico and is likely to require that significant government funds be redirected to reconstruction efforts, which may impact other segments of the Mexican economy. The social and political situation in Mexico could adversely affect the Mexican economy, which in turn could have a material adverse effect on our business, financial condition, results of operations and prospects.

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

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 Banco de México, was 4.08% in 2014, 2.13% in 2015 and 3.36% in 2016. Although inflation is less of an issue today 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.

Risk Factors

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

Currently, the peso-dollar exchange rate is determined on the basis of the free market float in accordance with the policy set by Banco de México. There is no guarantee that Banco de México will maintain the current exchange rate regime or that Banco de México will not adopt a different monetary policy that may affect the exchange rate itself, including imposing generalized exchange controls. Any change in the monetary policy, the exchange rate regime or in the exchange rate itself, as a result of market conditions over which we have no control, could have a considerable impact, either positive or negative, on our business, financial condition and results of operations.

The peso has been subject to significant devaluations against the U.S. dollar and may be subject to significant fluctuations in the future. 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. In 2015 and 2016, the Mexican peso experienced one of its most significant depreciations as a result of the global negative market conditions. The Mexican government has implemented a series of measures to limit the devaluation of the peso and stabilize the local economy, and the peso appreciated against the dollar in the nine months ended September 30, 2017. However, we cannot assure you that such measures will be effective or ongoing or predict how they will impact the Mexican economy.

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 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. Most recently, credit issues in the United States related principally to the sale of sub-prime mortgages have resulted in significant fluctuations in the financial markets. The variation of interest rates in the United States significantly affects the operations of the stock markets worldwide as investors modify their investment decisions based on the changes in risk levels in the United States.

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. Uncertainties surrounding the policies of the new U.S. administration, particularly with respect to matters of importance to Mexico and its economy such as trade (including the potential termination of NAFTA) and immigration, could have an adverse effect on the Mexican economy, and could adversely affect our business and our operating results.

Furthermore, on June 23, 2016, the United Kingdom held an in-or-out referendum on the United Kingdom's membership within the European Union, the result of which favored the exit of the United Kingdom from the European Union (**Brexit**). On March 29, 2017, the country formally notified the European Union of its intention to withdraw pursuant to Article 50 of the Lisbon Treaty. A process of negotiation will determine the future terms of the United Kingdom's relationship with the European Union. The potential impact of Brexit on our results of operations is unclear. Depending on the terms of Brexit, economic conditions in the United Kingdom, the European Union and global markets may be adversely affected by reduced growth and volatility. The uncertainty before, during and after

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the period of negotiation could also have a negative economic impact and increase volatility in the markets, particularly in Europe. Such volatility and negative economic impact could, in turn, adversely affect the value and trading of the Bonds.

We are subject to accounting standards that differ from IFRS.

Our financial statements are prepared in accordance with the accounting criteria established by the CNBV in its General Provisions Applicable to Public Bonded Warehouses, Exchange Houses, Credit Unions and Regulated Non-Bank Financial Institutions, and General Provisions Applicable to Credit Institutions (*Disposiciones de Carácter General Aplicables a los Almacenes Generales de Depósito, Casas de Cambio, Uniones de Crédito y Sociedades Financieras de Objeto Múltiple Reguladas and Disposiciones de carácter general aplicables a las Instituciones de Crédito*, collectively **Sofom GAAP**). *Sofom GAAP* differs in certain significant respects from IFRS. See "Annex C—Summary of Certain Significant Differences Between *Sofom GAAP* and IFRS" for a description of certain differences between *Sofom GAAP* and IFRS as they relate to us. We are not providing any reconciliation to IFRS of the financial statements or other financial information in this Prospectus. 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 *Sofom GAAP* if such information had been prepared on the basis of IFRS.

Risks Related to the Bonds

Payments on the Bonds will be effectively junior to any of our secured indebtedness and structurally junior to debt obligations of our subsidiaries.

The Bonds, and the obligations of any future Bond guarantors, will constitute our, and any such future Bond guarantors', senior unsecured obligations and will rank equal in right of payment with all of our other existing and future senior unsecured indebtedness, other than obligations preferred by statute (such as tax and labor claims). Although the Holders of the Bonds will have a direct, but unsecured claim on our assets and property, payment on the Bonds will be subordinated in right of payment to any of our existing or future secured debt, to the extent of the assets securing such debt. Although the Terms of the Bonds will contain restrictions on the incurrence of additional liens, these restrictions are subject to important qualifications and exceptions, and the liens that we may incur in compliance with these restrictions or liens that arise from governmental or creditor action, could be substantial. Payment by us in respect of the Bonds will also be structurally subordinated to the payment of secured and unsecured debt and other creditors of our subsidiaries.

If we become insolvent or are liquidated, or we become subject to bankruptcy proceedings, or if payment under any secured debt is accelerated, the relevant lenders would be entitled to exercise the remedies available to a secured lender. Accordingly, any proceeds upon a realization of the relevant collateral would be applied first to amounts due under the secured debt obligations before any proceeds would be available to make payments on the Bonds. After such application of the proceeds from collateral, it is possible that there would be no assets remaining from which claims of the holders of the Bonds could be satisfied.

The Bonds are not guaranteed by our existing subsidiaries and may not be guaranteed by certain of our future subsidiaries. However, our financial information (including the financial statements included herein) is presented on a consolidated basis. Any right that we or any future Bond guarantors will have to receive assets of any of the non-guarantor subsidiaries upon the liquidation or reorganization of those subsidiaries, and the consequent rights of holders of Bonds to realize proceeds from the sale of any of those subsidiaries' assets, will be effectively subordinated to the claims of those subsidiaries' creditors, including trade creditors and holders of debt of those subsidiaries.

In addition, under Mexican law, our obligations under the Bonds are subordinated to certain statutory preferences, including claims for salaries, wages, secured obligations (to the extent of the security provided), social security, employee housing fund contributions, taxes and court fees and expenses. In the event of our liquidation or bankruptcy, such statutory preferences would have preference over any other claims, including claims by any holder of the Bonds.

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Further, if any assets remain after payment of these lenders, the remaining assets would be available to creditors preferred by statute, such as holders of tax and labor claims, and might be insufficient to satisfy the claims of the holders of the Bonds and holders of other unsecured debt including trade creditors that rank equal to holders of the Bonds.

Active trading markets for the Bonds may not develop.

The Bonds are new issues of securities with no established trading market. Although we intend to apply for listing of the Bonds and trading on SIX Swiss Exchange, no assurance can be given that the Bonds will become or will remain listed. We cannot provide any assurances that trading markets for the Bonds will develop or of the ability of Holders of the Bonds to sell their Bonds or of the prices at which Holders may be able to sell their Bonds. The Manager is not obligated to make a market in the Bonds. If no active trading markets develop, you may be unable to resell the Bonds at any price or at their fair market value.

If trading markets do develop, changes in our credit ratings or the financial markets could adversely affect the market prices of the Bonds.

The market prices of the Bonds will depend on many factors, including, but not limited to, the following:

- ratings on our debt securities assigned by rating agencies;
- the time remaining until maturity of the Bonds;
- the prevailing interest rates being paid by other institutions similar to us;
- our results of operations, financial condition and prospects; and
- the condition of the financial markets.

The condition of the financial markets and prevailing interest rates have fluctuated in the past and are likely to fluctuate in the future, which could have an adverse effect on the market prices of the Bonds.

Rating agencies continually review the ratings they have assigned to institutions and debt securities. Negative changes in the ratings assigned to us or our debt securities could have an adverse effect on the market prices of the Bonds.

Our credit ratings may not reflect all risks of the investment in the Bonds.

Credit ratings are an assessment by rating agencies of our ability to pay our debts when due. Consequently, real or anticipated changes in its credit ratings will generally affect the market prices of the Bonds. These credit ratings may not reflect the potential impact of risks relating to the Bonds. Agency ratings are not a recommendation to buy, sell or hold any security, and may be revised or withdrawn at any time by the issuing organization. Each agency's rating should be evaluated independently of any other agency's rating.

An investment in the Bonds by a purchaser whose home currency is not Swiss Francs entails exchange rate risks.

All payments of interest on and the principal of the Bonds and any redemption price for the Bonds will be made in Swiss Francs (CHF). An investment in the Bonds by a purchaser whose home currency is not CHF entails risks, including the possibility of significant changes in rates of exchange between the Holder's home currency and CHF and the possibility of the imposition or subsequent modification of foreign exchange controls. These risks generally depend on factors over which we have no control, such as economic, financial and political events and the supply of and demand for the relevant currencies. In the past, rates of exchange between CHF and certain currencies have been highly volatile, and each Holder should be aware that volatility may occur in the future. Fluctuations in any particular exchange rate that have occurred in the past, however, are not necessarily indicative of fluctuations in the rate that may occur during the term of the Bonds. Depreciation of CHF against the Holder's home currency would result in a decrease in the effective yield of the Bonds below its coupon rate and, in certain circumstances, could result in a loss to the Holder.

Risk Factors

The credit ratings for the Bonds may be lowered, suspended or withdrawn by the rating agencies.

The credit ratings of the Bonds may change after issuing the Bonds. Such ratings are limited in scope, and do not address all material risks relating to an investment in the Bonds, 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. These credit ratings may change or be lowered, suspended or withdrawn entirely by the rating agencies based on certain circumstances. Other rating agencies may change their methodology as well. Any lowering, suspension or withdrawal of the credit ratings of the Bonds may have a material adverse effect on the market price and marketability of the Bonds.

Our ability to generate cash depends on many factors beyond our control, and we may not be able to generate cash required to service our debt.

Our ability to make scheduled payments on and pursuant to the Terms of the Bonds and to meet our other debt service obligations or to refinance our debt depends on our future operating and financial performance and our ability to generate cash. This will be affected by our ability to implement successfully our business strategy, as well as general economic, financial, competitive, regulatory, technical and other factors beyond our control. If we cannot generate sufficient cash to meet our debt service obligations or fund our other business needs, we may, among other things, need to refinance all or a portion of our debt, including the Bonds, obtain additional financing, delay capital expenditures or sell assets.

We may not be able to generate sufficient cash through any of the foregoing ways. If we are not able to refinance any our debt, obtain additional financing or sell assets on commercially favorable terms or at all, we may not be able to satisfy our obligations with respect to our debt, including the Bonds. If this were to occur, Holders of the Bonds would be able to declare the full amount of that debt due and payable. Our Company's assets may not be sufficient to pay such amounts.

Terms of the Bonds

The terms and conditions (each a **Condition**, and together the **Terms of the Bonds**) of the CHF 170,000,000 2.875 percent bonds due 2022 issued by the Issuer (each a **Bond** and collectively the **Bonds**), are as follows:

1 Amount, Form, Denomination, Custodianship and Transfer of the Bonds

- (a) The initial aggregate principal amount of the Bonds of Swiss francs (**CHF**) 170,000,000 (the **Aggregate Principal Amount**) is issued in denominations of CHF 5,000 and integral multiples thereof.

The Issuer reserves the right to reopen and increase the Aggregate Principal Amount at any time and without prior consultation of or permission of the Holders (as defined below) through the issuance of further bonds which will be fungible with the Bonds (i.e. other than the Issue Date identical in respect of the Terms of the Bonds).

- (b) The Bonds are documented in the form of a Permanent Global Certificate (*Globalurkunde auf Dauer*) in accordance with article 973b of the Swiss Code of Obligations. Such Permanent Global Certificate (*Globalurkunde auf Dauer*) shall be deposited by the Principal Paying Agent with SIX SIS as recognized intermediary for such purposes by SIX Swiss Exchange for the entire duration of the Bonds and until their complete redemption.

Each holder of such Bonds (the **Holder** and, individually, a **Holder**) shall have a quotal co-ownership interest (*Miteigentumsanteil*) in the Permanent Global Certificate (*Globalurkunde auf Dauer*) to the extent of its claim against the Issuer, provided that for so long as the Permanent Global Certificate (*Globalurkunde auf Dauer*) remains deposited with SIX SIS, the co-ownership interest shall be suspended and so long as the Bonds are intermediated securities (*Bucheffekten*) in accordance with the provisions of the Swiss Federal Intermediated Securities Act (*Bucheffektengesetz*), the Bonds may only be transferred by the entry of the transferred Bonds in a securities account of the transferee.

- (c) The records of SIX SIS will determine the number of Bonds held through each participant in SIX SIS. In respect of Bonds held in the form of intermediated securities (*Bucheffekten*), the Holders will be the persons holding the Bonds in a securities account (*Effektenkonto*) which is in their name, or in case of intermediaries (*Verwahrungsstellen*), the intermediaries (*Verwahrungsstellen*) holding the Bonds for their own account in a securities account (*Effektenkonto*) which is in their name.
- (d) Neither the Issuer nor the Holders shall at any time have the right to effect or demand the conversion of the Permanent Global Certificate (*Globalurkunde auf Dauer*) into, or the delivery of uncertificated securities (*Wertrechte*) or individually certificated securities (*Wertpapiere*).
- (e) Individually certificated securities (*Wertpapiere*) may only be printed, in whole, but not in part, if the Principal Paying Agent determines, in its sole discretion, that the printing of such individually certificated securities (*Wertpapiere*) is necessary or useful. Should the Principal Paying Agent so determine, it shall provide for the printing of the individually certificated securities (*Wertpapiere*) without cost to the Holders.
- (f) If printed, the Bonds shall be documented by individually certificated securities (*Wertpapiere*) with coupons appertaining thereto in the principal amount of CHF 5,000, CHF 100,000 and/or CHF 1,000,000 and shall be executed by affixing thereon the facsimile signatures of two authorized officers of the Issuer.
- (g) In the case individually certificated securities (*Wertpapiere*) are printed, the Permanent Global Certificate (*Globalurkunde auf Dauer*) will immediately be cancelled by the Principal Paying Agent and the individually certificated securities (*Wertpapiere*) shall be delivered to the Holders against cancellation of the respective intermediated securities (*Bucheffekten*) in their respective securities accounts.

2 Interest

The Bonds bear interest from (and including) February 9, 2018 (the **Issue Date**) until (but excluding) the Maturity Date (as defined below) at the rate of 2.875 percent of their Aggregate Principal Amount per annum, payable annually in arrears on February 9 of each year (the **Interest Payment Date**), for the first time on February 9, 2019. Interest on the Bonds is computed on the basis of a 360-day year of twelve 30-day months.

Terms of the Bonds

3 Redemption, Purchase and Cancellation

(A) Redemption at Maturity

Unless previously redeemed, the Issuer undertakes to repay all outstanding Bonds at par, without further notice on February 9, 2022 (the **Maturity Date**).

(B) Redemption for Tax Reasons

- a) 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 in 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 Condition 14.15 shall be treated for this purpose as the date of such transaction), the Issuer has become obligated, or will become obligated, in each case after taking all reasonable measures to avoid this requirement, to pay Additional Amounts in excess of those attributable to a Mexican withholding tax rate of 4.9% with respect to payments of interest on the Bonds, then, at the Issuer's option, all, but not less than all, of the Bonds may be redeemed at any time on giving not less than 60 nor more than 90 days' notice, at a redemption price equal to 100% 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 (x) no notice of redemption for tax reasons may be given earlier than 90 days prior to the earliest date on which the Issuer would be obligated to pay these Additional Amounts if a payment on the Bonds were then due and (y) at the time such notice of redemption is given such obligation to pay such Additional Amounts remains in effect.

- b) Prior to the publication of any notice of redemption pursuant to this Condition 3B, the Issuer shall deliver to the Holders' Representative:

- i) a certificate signed by one of the Issuer's duly authorized representatives stating that the Issuer is entitled to effect the redemption and setting forth a statement of facts showing that the conditions precedent to its right to redeem have occurred, and
- ii) an opinion of legal counsel (which may be the Issuer's counsel) of recognized standing to the effect that the Issuer has or will become obligated to pay such Additional Amounts as a result of such change or amendment.

- c) The Issuer will give notice of any redemption the Issuer proposes to make at least 30 days (but not more than 60 days) before the Redemption Date.

(C) Redemption at the Option of the Issuer

Subject to a period of not less than thirty (30) nor more than sixty (60) days' prior notice to the Principal Paying Agent, the Issuer may redeem the Bonds at any time after the Issue Date and prior to the Maturity Date, in whole, but not in part only, at par plus accrued interest, if any, on the date determined by the Issuer for early redemption, if eighty-five (85) percent or more of the Aggregate Principal Amount have been redeemed or purchased and cancelled at the time of such notice.

(D) Redemption at the Option of the Holders upon Change of Control

- a) Upon the occurrence of a Change of Control (a "**Change of Control Triggering Event**"), each Holder will have the right to require that the Issuer purchase all or some of its Bonds at a purchase price equal to 101% of the principal amount thereof, plus accrued and unpaid interest and any Additional Amounts, if any, thereon through the date of purchase (the "**Change of Control Triggering Event Payment**").

Terms of the Bonds

- b) Within 30 days following the date upon which the Change of Control Triggering Event occurred, the Issuer shall publish a Change of Control Triggering Event Notice in accordance with Condition 10, offering to purchase the Bonds as described above (a “**Change of Control Triggering Event Offer**”). The Change of Control Triggering Event Notice 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**”).
- c) On the Change of Control Triggering Event Payment Date, the Issuer shall, to the extent lawful:
- accept for payment all Bonds properly tendered and not withdrawn pursuant to the Change of Control Triggering Event Offer;
 - deposit with the Principal Paying Agent funds in an amount equal to the Change of Control Triggering Event Payment in respect of all Bonds so tendered; and
 - deliver or cause to be delivered to the Principal Paying Agent the Bonds so accepted.
- d) The Issuer shall not be required to make a Change of Control Triggering Event Offer upon a Change of Control Triggering Event if 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 these Terms of the Bonds applicable to a Change of Control Triggering Event Offer made by the Issuer and purchases all Bonds properly tendered and not withdrawn under the Change of Control Triggering Event Offer.
- e) 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. Bonds repurchased by the Issuer pursuant to a Change of Control Triggering Event Offer will have the status of Bonds issued but not Outstanding or will be retired and canceled, at the option of the Issuer. Bonds purchased by a third party pursuant to Section (d) of Condition 3 D will have the status of Bonds issued and Outstanding.
- f) In the event that Holders of not less than 95% of the aggregate principal amount of the outstanding Bonds accept a Change of Control Triggering Event Offer and the Issuer or a third party purchases all of the Bonds held by such Holders, the Issuer shall 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 Bonds 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 Bonds 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).
- g) The Issuer shall 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 Bonds in connection with a Change of Control Triggering Event Offer. To the extent that the provisions of any securities laws or regulations conflict with this Condition 3D, the Issuer shall comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Bonds by doing so.

(E) Purchases

The Issuer or any Subsidiary may, either directly or indirectly, at any time purchase Bonds at any price, in the open market or otherwise. Any purchase shall be made in accordance with applicable laws or regulations, including applicable stock exchange regulations. Such Bonds may be held, resold or, at the option of the Issuer, surrendered to the Principal Paying Agent for cancellation as set out below.

If purchases are made by public tender, such tender must be available to all Holders alike.

Terms of the Bonds

(F) Cancellation

All Bonds which are redeemed or surrendered to the Principal Paying Agent shall immediately be cancelled. All Bonds so cancelled cannot be reissued or resold.

(G) Notices

Where the provisions of this Condition 3 provide for the giving of notice by the Issuer to the Principal Paying Agent, such notice shall be deemed to be validly given if made in writing with all required information to the Principal Paying Agent within the prescribed time limit. Such notices shall be announced to the Holders as soon as practicable pursuant to Condition 10. Such notices shall be irrevocable.

4 Payments

The amounts required for payments under these Terms of the Bonds will be made available in good time in freely disposable CHF which will be placed at the free disposal of the Principal Paying Agent. If the due date for any payment by the Issuer does not fall on a Business Day, the Issuer undertakes to effect payment for value the Business Day immediately following such due date and the Holders will not be entitled to any additional sum in relation thereto. All payments with respect to the Bonds (including Additional Amounts, if any) will be made to the Holders in CHF without collection costs. No payments with respect to the Bonds (including Additional Amounts, if any, as defined in Condition 6) shall be made at any office of the Issuer or any office or counter of the Principal Paying Agent outside Switzerland.

The receipt by the Principal Paying Agent of the due and punctual payment of the funds in CHF as provided above shall release the Issuer from its payment obligations under the Bonds to the extent of such payments. Upon receipt of funds as provided above, the Principal Paying Agent shall arrange for payment to the Holders through SIX SIS in accordance with standard Swiss market practice.

In the case the Bonds will be printed and documented in the form of individually certificated securities (*Wertpapiere*) in accordance with Conditions 1 (e) through (g),

- all payments of interest will be made only against presentation of the coupons appertaining thereto, and all payments of principal will be made only against presentation and surrender of the individually certificated securities (*Wertpapiere*), in each case at any office or counter of the Principal Paying Agent in Switzerland, and
- upon the individually certificated securities (*Wertpapiere*) becoming due and repayable prior to the Maturity Date, all unmatured coupons (if any) appertaining thereto will become void.

If the Bonds are not redeemed when due, interest shall continue to accrue until (and including) the day when the Bonds are redeemed.

If, at any time during the life of the Bonds, the Principal Paying Agent shall resign or become incapable of acting as Principal Paying Agent as contemplated by these Terms of the Bonds or shall be adjudged bankrupt or insolvent, the Principal Paying Agent may be substituted by a duly licensed major Swiss bank or branch of a major foreign bank in Switzerland chosen by the Issuer. In the event of such replacement of the Principal Paying Agent, all references to the Principal Paying Agent shall be deemed to refer to such replacement.

Notice of such a replacement shall be published in accordance with Condition 10.

5 Statute of Limitations

In accordance with Swiss law, claims for interest under the Bonds shall become timebarred after a period of five (5) years and claims for the repayment or redemption of Bonds after a period of ten (10) years, calculated from their respective due dates.

Terms of the Bonds

6 Taxation

All payments by or on behalf of the Issuer to the Principal Paying Agent pursuant to these Terms of the Bonds shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within México or Switzerland, as the case may be, or any political sub-division thereof or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In the event that any payments by or on behalf of the Issuer to the Principal Paying Agent shall be made subject to withholding, deduction or payment for any such relevant taxes, duties, assessments or governmental charges required by law, such additional amounts (the **Additional Amounts**) shall be payable by the Issuer as may be necessary in order that the net amounts received by the Principal Paying Agent on behalf of the Holders after such withholding, deduction or payment shall equal the respective amounts which would otherwise have been received by the Principal Paying Agent in respect of the relevant Bonds in the absence of such withholding, deduction or payment. However, no such Additional Amounts shall be payable by the Issuer on account of any taxes, duties, assessments or governmental charges which:

- (a) are payable, imposed, or withheld solely by reason of a Holder (or a fiduciary, settlor, beneficiary or person holding a power over such Holder, if the Holder is an estate or trust, or a member or shareholder of the Holder, if the Holder is a partnership or corporation) having, or having had, some personal or business connection with México or Switzerland other than the mere holding of the Bonds, including, without limitation, such Holder (or such fiduciary, settlor, beneficiary, person holding a power, member or shareholder) being or having been a citizen or resident of México or Switzerland or treated as being or having been a resident thereof; or
- (b) are payable, imposed, or withheld solely by reason of a Holder (or a fiduciary, settlor, beneficiary or person holding a power over such Holder, if the Holder is an estate or trust, or a member or shareholder of the Holder, if the Holder is a partnership or corporation) (1) being or having been present in, or engaged in a trade or business in México or Switzerland, (2) being treated as having been present in, or engaged in a trade or business in México or Switzerland, or (3) having or having had a permanent establishment in México or Switzerland; or
- (c) are payable by any method other than withholding or deduction by the Issuer or any paying agent from payments in respects of the Bonds; or
- (d) are payable, imposed, or withheld by reason of the application of any gift, estate, inheritance, sales, transfer, personal property or excise tax or any similar tax, assessment or other governmental charge; or
- (e) are required to be withheld by any paying agent from any payment in respect of the Bonds if such payment can be made without such withholding by at least one other paying agent for the Bonds; or
- (f) are payable, imposed, or withheld by reason of a change in law, regulation, or administrative or judicial interpretation in México or Switzerland that becomes effective more than 15 days after the payment becomes due or is duly provided for, whichever occurs later, provided that the Issuer has made the payment to the Principal Paying Agent in good time; or
- (g) are payable, imposed, or withheld as a result of the failure of the Holder to comply with applicable certification, information, documentation or other reporting requirements concerning the nationality, residence, identity or connection with México or Switzerland of the Holder, if such compliance is required by statute or regulation of México or Switzerland as a precondition to relief or exemption from such tax, duty, assessment or governmental charge; or
- (h) are imposed on a payment in respect of the Bonds required to be made pursuant to laws enacted by Switzerland providing for the taxation of payments according to principles similar to those laid down in the draft legislation of the Swiss Federal Council of December 17, 2014, or otherwise changing the Swiss federal withholding tax system from an issuer-based system to a paying agent based system pursuant to which a person other than the issuer is required to withhold tax on any interest payments; or

Terms of the Bonds

- (i) are payable, imposed, or withheld pursuant to sections 1471 through 1474 of the United States Internal Revenue Code of 1986, as amended (or any amended or successor versions of such sections) (**FATCA**), any regulations or other official guidance thereunder, any intergovernmental agreement entered into in connection with FATCA, or any law, regulation or other official guidance enacted in any jurisdiction implementing FATCA or an intergovernmental agreement, or
- (j) are any combination of the above.

7 Status of the Bonds

The Bonds constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer, and rank *pari passu* among themselves and with all other present or future unsecured and unsubordinated obligations of the Issuer, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium, *concurso mercantil*, *quiebra* and similar laws of general applicability relating to or affecting creditors' rights.

8 Events of Default

If any of the following events (each event an **Event of Default**) shall occur, Credit Suisse in its capacity as Holders' representative (the **Holders' Representative**) has the right but not the obligation, on behalf of the Holders, to declare all outstanding Bonds immediately due and repayable at par plus accrued interest:

- (a) there is a default in the payment when due of the principal of or premium, if any, on any Bonds, including the failure to make a required payment to purchase Bonds tendered pursuant to a Change of Control Triggering Event Offer or an Asset Sale Offer;
- (b) there is a default for 30 days or more in the payment when due of interest or Additional Amounts, if any, on any Bonds;
- (c) there is a failure to perform or comply with any of the provisions described under Condition 14.15;
- (d) there is a failure by the Issuer or any Restricted Subsidiary to comply with any other covenant or agreement contained in the Terms of the Bonds for 30 days or more after written notice to the Issuer from the Holders' Representative;
- (e) there is a default by the Issuer or any Restricted Subsidiary that is a Significant Subsidiary under any Indebtedness which:
 - (A) is caused by a failure to pay principal or premium, if any, or interest on such Indebtedness prior to the expiration of any applicable grace period provided in the instrument governing such Indebtedness on the date of such default; or
 - (B) results in the acceleration of such Indebtedness prior to its stated maturity;and, in each case, the principal or accreted amount of Indebtedness at the relevant time, aggregates USD 20.0 million or more;
- (f) there is a failure by the Issuer or any Restricted Subsidiary that is a Significant Subsidiary to pay one or more final judgments against any of them, aggregating USD 20.0 million or more, which judgment(s) are not paid, discharged or stayed for a period of 60 days or more;
- (g) a Bankruptcy Event of Default affecting the Issuer or any of its Restricted Subsidiaries that are Significant Subsidiaries; or
- (h) any Bond Guarantee ceases to be in full force and effect, other than in accordance with the terms of these Terms of the Bonds, or a Guarantor denies or disaffirms its obligations under its Bond Guarantee.

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The Issuer undertakes to inform the Holders' Representative without delay if any event mentioned under para. (b) through (h) has occurred and to provide the Holders' Representative with all necessary documents and information in connection therewith. In addition, the Issuer is required to deliver to the Holders' Representative, 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.

If an Event of Default occurs, the Holders' Representative has the right but not the obligation to serve a written notice of default (**Default Notice**), such notice having the effect that the Bonds shall become immediately due and payable at par plus accrued interest, if any, on the day the Default Notice is given.

Upon the occurrence of an Event of Default, the Holders' Representative may invite the Holders in accordance with Condition 15 to a Holders' meeting for the taking of a resolution on the serving of a Default Notice, provided the Holders' Representative has not served such Default Notice itself. The legally valid resolution of the Holders' meeting to serve a Default Notice, shall replace the right reserved by the Holders' Representative according to these Terms of the Bonds to serve a Default Notice on behalf of the Holders. If the Holders' meeting votes against the serving of a Default Notice, the right to serve such Default Notice shall revert to the Holders' Representative whereby the Holders' Representative shall not be bound by the resolution of the Holders' meeting if and to the extent that new circumstances arise or become known which require a revised assessment of the facts.

9 Substitution of the Issuer

The Issuer may without the consent of the Holders, at any time substitute itself in respect of all rights and obligations arising under or in connection with the Bonds with any non-Swiss legal entity of which all shares carrying voting rights are directly or indirectly held by the Issuer (the **New Issuer**), provided that:

- (a) in the opinion of the Holders' Representative, (i) the New Issuer is in a position to fulfil all payment obligations arising from or in connection with the Bonds in freely convertible and transformable legal tender of Switzerland without any need to withhold or deduct any taxes or duties at source and to transfer without restriction all amounts required to be paid under the Bonds to the Principal Paying Agent and (ii) the interest of the Holders are adequately protected;
- (b) the Issuer and the New Issuer have entered into such documents as are necessary to give effect to such substitution and provided copies of these documents to the Holders' Representative;
- (c) the New Issuer has obtained all necessary governmental authorizations of the country of its domicile or its deemed residence for tax purposes; and
- (d) the Issuer has issued an irrevocable and unconditional guarantee as per art. 111 of the Swiss Code of Obligations in respect to the obligations of the New Issuer under the Bonds in form and content satisfactory to the Holders' Representative.

Any substitution shall be published in accordance with Condition 10.

In the event of such substitution, any reference to the Issuer shall be deemed to refer to the New Issuer and any reference to México shall be deemed to refer to the country in which the New Issuer has its domicile or is resident for tax purposes.

10 Notices

All notices regarding the Bonds shall be given through the Principal Paying Agent on behalf and at the expense of the Issuer (i) for so long as the Bonds are listed on SIX Swiss Exchange on the internet site of SIX Swiss Exchange (where notices are currently published under the address www.six-swiss-exchange.com/news/official_notices/search_en.html) or (ii) in case the Bonds were no longer listed on SIX Swiss Exchange in a daily newspaper with general circulation in Switzerland (which is expected to be the *Neue Zürcher Zeitung*).

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11 Listing

Application will be made for the admission to trading and listing of the Bonds on SIX Swiss Exchange.

The Issuer will use reasonable endeavours to have the Bonds listed on SIX Swiss Exchange and to maintain such listing as long as any Bonds are outstanding.

12 Currency Indemnification

If any payment obligation of the Issuer under the Bonds has to be converted from CHF into a currency other than CHF (to obtain a judgment, execution or for any other reason), the Issuer undertakes as a separate and independent obligation to indemnify the Holders for any shortfall caused by fluctuations of the exchange rate applied for such conversion.

The rate of exchange to be applied in calculating such shortfall shall be the Principal Paying Agent's spot rate of exchange prevailing between CHF and the other currency on the date on which the relevant conversion is necessary.

13 Replacement of Bonds in the form of individually certificated securities (*Wertpapiere*)

If individually certificated securities (*Wertpapiere*) have been printed, any individually certificated securities (*Wertpapiere*) which are mutilated, stolen, lost or destroyed may be replaced at the Principal Paying Agent against payment of such costs as may be incurred in connection therewith and on such terms as to evidence (including, in the case of stolen, lost or destroyed individually certificated securities (*Wertpapiere*), surrender of a copy (certified in a manner satisfactory to the Issuer and the Principal Paying Agent of the final and conclusive judgement of nullification from the competent courts as specified in Condition 18) and such guarantee as the Issuer and the Principal Paying Agent may require and, in the case of mutilation upon surrender of the mutilated individually certificated securities (*Wertpapiere*).

14. Covenants

14.1 Limitation on Incurrence of Additional Indebtedness

- (a) The Issuer shall not, and shall not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, incur any Indebtedness, including Acquired Indebtedness, except that the Issuer 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 Issuer is greater than 13.50%.
- (b) Notwithstanding clause (a) above, the Issuer and its Restricted Subsidiaries, as applicable, may incur the following Indebtedness (**Permitted Indebtedness**):
 - (i) Indebtedness in respect of the Bonds, excluding Additional Bonds or guarantees thereof;
 - (ii) Guarantees by any Restricted Subsidiary of Indebtedness of the Issuer Incurred in accordance with this Condition 14.1, which Guarantee is permitted under Condition 14.2; provided that (i) if such Guarantee is of Subordinated Indebtedness then the Bond 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 Bond Guarantee and become a Guarantor;
 - (iii) Hedging Obligations entered into by the Issuer and its Restricted Subsidiaries in the ordinary course of business and not for speculative purposes, including, without limitation, Hedging Obligations in respect of the Bonds;

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- (iv) intercompany Indebtedness between the Issuer and any Restricted Subsidiary or between any Restricted Subsidiaries; provided that:
 - A. if the Issuer or a 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 Bonds, in the case of the Issuer, or such Guarantor's Bond Guarantee, in the case of any such Guarantor; provided that the Issuer, its parent companies (if any) and any Guarantor shall agree to vote such Indebtedness, or provide their consents in connection with such Indebtedness, in any Mexican Restructuring, in a manner that is consistent with the vote of, or the consents provided by, the Holders and other unaffiliated creditors of the same class as the Bonds, and
 - B. in the event that at any time any such Indebtedness ceases to be held by the Issuer or a Restricted Subsidiary, such Indebtedness shall be deemed to be Incurred and not permitted by this clause (iv) at the time such event occurs;
- (v) Indebtedness of the Issuer 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;
- (vi) Indebtedness of the Issuer or any of its Restricted Subsidiaries represented by letters of credit for the account of the Issuer 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, health, disability or other employee benefits or similar requirements in the ordinary course of business;
- (vii) Indebtedness in respect of bid, performance, surety bonds or *fianzas* in the ordinary course of business for the account of the Issuer or any of its Restricted Subsidiaries, including Guarantees or obligations of the Issuer 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);
- (viii) Refinancing Indebtedness in respect of:
 - A. Indebtedness (other than Indebtedness owed to the Issuer or any Subsidiary of the Issuer) Incurred pursuant to clause (a) of this Condition 14.1 (it being understood that no Indebtedness outstanding on the Issue Date is Incurred pursuant to such clause (a)), or
 - B. Indebtedness Incurred pursuant to clause (b)(i) of this Condition 14.1 and other Indebtedness of the Issuer 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;
- (ix) Capitalized Lease Obligations and Purchase Money Indebtedness of the Issuer or any Restricted Subsidiary in an aggregate principal amount not to exceed USD 5.0 million (or the equivalent in other currencies) at any one time outstanding;
- (x) Permitted Acquisition Indebtedness;
- (xi) Capital Securities;
- (xii) 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 Issuer 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 Issuer or any Restricted Subsidiary shall not be permitted under this clause (xii) and (B) in the case of a disposition, the maximum aggregate

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- liability in respect of all such obligations outstanding under this clause (xii) shall at no time exceed the gross proceeds actually received by the Issuer and the Restricted Subsidiaries in connection with such disposition; and
- (xiii) additional Indebtedness of the Issuer or any Restricted Subsidiary in an aggregate principal amount not to exceed the greater of (x) USD 60.0 million and (y) 15.0% of Consolidated Net Worth of the Issuer and its Restricted Subsidiaries at any time outstanding.
- (c) For purposes of determining compliance with, and the outstanding principal amount of, any particular Indebtedness Incurred pursuant to and in compliance with this Condition 14.1, (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 shall 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 shall not be deemed to be an Incurrence of Indebtedness for purposes of this Condition 14.1; provided that any such outstanding additional Indebtedness or Disqualified Capital Stock paid in respect of Indebtedness Incurred pursuant to any provision of clause (b) of this Condition 14.1 shall be counted as Indebtedness outstanding thereunder for purposes of any future Incurrence under such provision. For purposes of determining compliance with this Condition 14.1, 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 (b)(i) through (b)(xiii) above, or is entitled to be incurred pursuant to Section (a) of this Condition 14.1, the Issuer shall be permitted to classify such item of Indebtedness on the date of its incurrence and shall only be required to include the amount and type of such Indebtedness in one of the above clauses, although the Issuer 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 Condition 14.1. Notwithstanding any other provision of this Condition 14.1, the maximum amount of Indebtedness that the Issuer or any Restricted Subsidiary may incur pursuant to this Condition 14.1 shall not be deemed to be exceeded as a result solely of fluctuations in exchange rates or currency values.
- (d) 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 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.

14.2. Limitation on Guarantees

- (a) The Issuer shall not permit any Restricted Subsidiary of the Issuer to Guarantee any Indebtedness of the Issuer or to secure any Indebtedness of the Issuer 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 Bonds 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 Issuer will be subordinated and junior in right of payment to the contemporaneous Guarantee of the Bonds by such Restricted Subsidiary.

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- (b) In the event that any Restricted Subsidiary is required to Guarantee the Bonds in accordance with Section (a) of this Condition 14.2, such Restricted Subsidiary will be released and relieved of its obligations under such Guarantee in the event:
- i. there is a sale or other disposition of Capital Stock of such Restricted Subsidiary following which such Restricted Subsidiary is no longer a direct or indirect Subsidiary of the Issuer; or
 - ii. such Restricted Subsidiary is designated as an Unrestricted Subsidiary;
- provided that, in each case, such transactions are carried out pursuant to and in accordance with all applicable covenants and provisions of these Terms of the Bonds.

14.3. Limitation on Restricted Payments

- (a) The Issuer shall not, and shall not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, take any of the following actions (each, a **Restricted Payment**):
- (i) declare or pay any dividend or return of capital or make any distribution on or in respect of shares of Capital Stock of the Issuer or any Restricted Subsidiary to holders of such Capital Stock, other than:
 - A. dividends or distributions payable in Qualified Capital Stock of the Issuer,
 - B. dividends or distributions payable to the Issuer and/or a Restricted Subsidiary, or
 - C. dividends, distributions or returns of capital made on a pro rata basis to the Issuer 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);
 - (ii) purchase, redeem or otherwise acquire or retire for value:
 - A. any Capital Stock of the Issuer, or
 - B. any Capital Stock of any Restricted Subsidiary held by an Affiliate of the Issuer (other than a Restricted Subsidiary) or any Preferred Stock of a Restricted Subsidiary, except for Capital Stock held by the Issuer or a Restricted Subsidiary or purchases, redemptions, acquisitions or retirements for value of Capital Stock on a pro rata basis from the Issuer 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;
 - (iii) make any principal payment on, purchase, defease, redeem, prepay, decrease or otherwise acquire or retire for value, prior to any scheduled final maturity, scheduled repayment or scheduled sinking fund payment, as the case may be, any Subordinated Indebtedness or any Capital Securities (excluding (x) any intercompany Indebtedness owed to the Issuer and/or any Guarantor, (y) any intercompany Indebtedness between Restricted Subsidiaries that are not Guarantors, or (z) the purchase, repurchase or other acquisition of Indebtedness that is contractually subordinate or otherwise junior in right of payment to the Bonds, 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
 - (iv) make any Investment (other than Permitted Investments);

if at the time of the Restricted Payment and immediately after giving effect thereto:

- A. a Default or an Event of Default shall have occurred and be continuing;
- B. the Issuer is not able to Incur at least USD 1.00 of additional Indebtedness pursuant to Section(a) of Condition 14.1; or

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- C. 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:
- (1) 50.0% of cumulative Consolidated Net Income of the Issuer or, if such cumulative Consolidated Net Income of the Issuer 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 Issuer is available; plus
 - (2) 100.0% of the aggregate net proceeds, including cash and the Fair Market Value of property used in a Permitted Business (other than cash and securities), received by the Issuer from any person from any:
 - (i) contribution to the equity capital of the Issuer not representing an interest in Disqualified Capital Stock or issuance and sale of Qualified Capital Stock of the Issuer, in each case, subsequent to the Issue Date,
 - (ii) 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 Issuer or any Restricted Subsidiary that has been converted into or exchanged for Qualified Capital Stock of the Issuer,
 - (iii) 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 Issuer;
 - (y) applied in accordance with Section (b)(ii) or (iii) of Condition 14.3 below; plus
 - (3) any Investment Return; plus
 - (4) USD 20.0 million.
- (b) Notwithstanding subsection (a) above, Section (a) of this Condition 14.3 does not prohibit:
- (i) the payment of any dividend or distribution or the consummation of any irrevocable redemption of Subordinated Indebtedness within 60 days after the date of declaration of such dividend or distribution or giving of the redemption notice, as the case may be, if the dividend, distribution or redemption would have been permitted on the date of declaration or notice pursuant to the preceding paragraph; provided that such redemption shall be included (without duplication for the declaration) in the calculation of the amount of Restricted Payments;
 - (ii) the making of any Restricted Payment,
 - A. in the form of Qualified Capital Stock of the Issuer,
 - B. through the application of the net proceeds received by the Issuer from a substantially concurrent sale of Qualified Capital Stock of the Issuer or a contribution to the equity capital of the Issuer not representing an interest in Disqualified Capital Stock, in each case not received from a Subsidiary of the Issuer, or
 - C. through the application of the net proceeds received by the Issuer 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 Section (b)(ii) of this Condition 14.3 shall be excluded from Section (a)(iv)(C)(2) of this Condition 14.3 above;

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- (iii) 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 Issuer, of Refinancing Indebtedness for such Subordinated Indebtedness;
- (iv) repurchases by the Issuer of Common Stock of the Issuer or options, warrants or other securities exercisable or convertible into Common Stock of the Issuer from any current or former employees, officers, directors or consultants of the Issuer 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 USD 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 USD 2.0 million) plus the cash proceeds of key man life insurance policies received by the Issuer and its Restricted Subsidiaries;
- (v) the repurchase of Capital Stock deemed to occur upon the exercise of stock options or warrants to the extent such Capital Stock represents a portion of the exercise price of those stock options or warrants;
- (vi) 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 Issuer or any Restricted Subsidiary issued on or after the Issue Date in accordance with Condition 14.1;
- (vii) the repurchase, redemption or other acquisition or retirement for value of any Subordinated Indebtedness of the Issuer 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 Condition 3D; provided that the Issuer (or another person) has repurchased all Bonds required to be repurchased by the Issuer under Condition 3D prior to the purchase, redemption or other acquisition or retirement for value of such Subordinated Indebtedness pursuant to the applicable "change of control" covenant;
- (viii) if no Default or Event of Default shall have occurred and be continuing, the purchase by the Issuer 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 Condition 14.3; and
- (ix) if no Default or Event of Default shall have occurred and be continuing, other Restricted Payments in an aggregate amount not to exceed USD 10.0 million per annum.

In determining the aggregate amount of Restricted Payments made subsequent to the Issue Date, amounts expended pursuant to clauses (i) (without duplication for the declaration of the relevant dividend), (iv), (vi) and (viii) above shall be included in such calculation and amounts expended pursuant to clauses (ii), (iii), (v), (vii) and (ix) above shall not be included in such calculation.

14.4. Limitation on Asset Sales and Sales of Subsidiary Stock

- (a) The Issuer shall not, and shall not permit any of its Restricted Subsidiaries to, consummate an Asset Sale unless:
 - (i) the Issuer 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
 - (ii) at least 75% of the consideration received for the assets or Capital Stock sold by the Issuer 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.

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For purposes of the immediately preceding clause (ii), each of the following will be deemed to be cash:

- A. any liabilities that are included on the balance sheet of the Issuer or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Bonds) that are assumed by the transferee of any such assets and as a result of which the Issuer or such Restricted Subsidiary, as the case may be, are fully and unconditionally released from any further liability in connection therewith;
- B. any securities, Bonds or other obligations or assets received by the Issuer or any such Restricted Subsidiary from such transferee that are converted by the Issuer 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;
- C. 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 Issuer or any Restricted Subsidiary in a Permitted Business; and
- D. any Designated Non-cash Consideration received by the Issuer 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 (D) 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) 4% of Consolidated Tangible Assets at the time of the receipt of such Designated Non-cash Consideration and (y) USD 15.0 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 (A), (C) and (D) shall not be deemed to constitute Net Cash Proceeds for purposes of making an Asset Sale Offer.

- (b) The Issuer 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:
 - (i) repay any Senior Indebtedness of the Issuer, any Indebtedness secured by the assets subject to such Asset Sale or Indebtedness of any Restricted Subsidiary (in each case owing to a person other than the Issuer or any Restricted Subsidiary and including, in each case without limitation, Capitalized Lease Obligations), and/or
 - (ii) make capital expenditures in a Permitted Business, and/or
 - (iii) purchase
 - A. assets (other than current assets as determined in accordance with GAAP or Capital Stock) to be used by the Issuer or any Guarantor in a Permitted Business,
 - B. all or substantially all of the assets of, or any Capital Stock of, a person engaged in a Permitted Business if, after giving effect to any such acquisition, such person is or becomes or such assets are contributed to a Guarantor, or
 - C. enter into a binding commitment with a person, other than the Issuer or any of its Restricted Subsidiaries, to apply such Net Cash Proceeds pursuant to clause (ii) and/or (iii) 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.

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- (c) 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 clauses (b)(i), (b)(ii) and/or (b)(iii) above, the Issuer shall make an offer to purchase Bonds (the **Asset Sale Offer**), at a purchase price equal to 100.0% of the principal amount of the Bonds to be purchased, plus accrued and unpaid interest thereon, to the date of purchase (the **Asset Sale Offer Amount**). The Issuer shall purchase pursuant to an Asset Sale Offer from all tendering Holders on a *pro rata* basis, and, at the Issuer's option, on a *pro rata* basis with the holders of any other Senior Indebtedness with similar provisions requiring the Issuer 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 Bonds and the other Senior Indebtedness to be purchased equal to such unapplied Net Cash Proceeds. The Issuer may satisfy its obligations under this Condition 14.4 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. Each tender of Bonds pursuant to the Asset Sale Offer that is to be pro-rated under this Condition 14.4 and will be rounded down to the nearest CHF 5,000 or integral multiples thereof. The Issuer will only accept tenders of the Bonds subject to pro-ratio to the extent such pro-ratio will not result in a Holder transferring Bonds to the Issuer in an aggregate principal amount outstanding of less than the CHF 5,000.
- (d) The purchase of Bonds pursuant to an Asset Sale Offer shall occur not less than 20 Business Days following the date thereof, or any longer period as may be required by law, nor more than 45 days following the 365th day following the Asset Sale (except in the case of clause (b)(iii)(C) in which case such period shall be extended for 180 days). The Issuer 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 USD 20.0 million. At that time, the entire amount of unapplied Net Cash Proceeds, and not just the amount in excess of USD 20.0 million, shall be applied as required pursuant to this Condition 14.4. Pending application in accordance with this Condition 14.4, Net Cash Proceeds may be applied to temporarily reduce revolving credit borrowings or Invested in Cash Equivalents.
- (e) Each Asset Sale Offer Notice shall be given with a copy to the Holders' Representative offering to purchase the Bonds as described in this Condition 14.4. Each Asset Sale Offer Notice 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 published, other than as may be required by law (the **Asset Sale Offer Payment Date**). Upon receipt of an Asset Sale Offer Notice, Holders may elect to tender all or some of their Bonds.
- (f) On the Asset Sale Offer Payment Date, the Issuer shall, to the extent lawful:
- (i) accept for payment all Bonds thereof properly tendered pursuant to the Asset Sale Offer;
 - (ii) deposit with the Principal Paying Agent funds in an amount equal to the Asset Sale Offer Amount in respect of all Bonds so tendered; and
 - (iii) deliver or cause to be delivered to the Principal Paying Agent the Bonds so accepted.
- (g) To the extent Holders of Bonds and holders of other Senior Indebtedness, if any, which are the subject of an Asset Sale Offer properly tender and do not withdraw Bonds or the other Senior Indebtedness in an aggregate amount exceeding the amount of unapplied Net Cash Proceeds, the Issuer shall purchase the Bonds and the other Senior Indebtedness on a *pro rata* basis (based on amounts tendered).
- (h) The Issuer shall comply with the requirements of Rule 14e-1 under the Exchange Act and any other applicable securities laws in connection with the purchase of Bonds pursuant to an Asset Sale Offer. To the extent that the provisions of any applicable securities laws or regulations conflict with this Condition 14.4, the Issuer shall comply with those laws and regulations and shall not be deemed to have breached its obligations under this Condition 14.4 by doing so.
- (i) 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 Bonds and other Indebtedness tendered pursuant to an Asset Sale Offer is less than the aggregate amount of unapplied Net Cash Proceeds, the Issuer and its Restricted Subsidiaries may use any remaining Net Cash Proceeds for any purpose not otherwise prohibited by Terms of the Bonds.

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14.5 Limitation on Securitization

The Issuer and its Restricted Subsidiaries may sell, transfer or otherwise dispose of accounts receivable to a Securitization Vehicle; provided that:

- (a) the sale, transfer or other disposition is in connection with a Loan-Related Securitization; and
- (b) the aggregate consideration received in each such sale, transfer or other disposition is at least equal to the Fair Market Value of the receivables transferred.

14.6 Limitation on Designation of Unrestricted Subsidiaries

- (a) The Issuer may designate after the Issue Date any Subsidiary of the Issuer as an **Unrestricted Subsidiary** under these Terms of the Bonds (a **Designation**) only if:
 - (i) no Default or Event of Default shall have occurred and be continuing at the time of or immediately after giving effect to such Designation and any transactions between the Issuer or any of its Restricted Subsidiaries and such Unrestricted Subsidiary are in compliance with Condition 14.10;
 - (ii) at the time of and after giving effect to such Designation, the Issuer could Incur USD 1.00 of additional Indebtedness pursuant to Section (a) of Condition 14.1; and
 - (iii) the Issuer 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 Section (a) of Condition 14.3 or as a Permitted Investment in an amount (the **Designation Amount**) equal to the amount of the Issuer's Investment in such Subsidiary on such date;
- (b) At the time of such Designation, neither the Issuer nor any Restricted Subsidiary will:
 - (i) 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);
 - (ii) be directly or indirectly liable for any Indebtedness of such Subsidiary; or
 - (iii) 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 Issuer or any Restricted Subsidiary of the Capital Stock of such Subsidiary.
- (c) The Issuer may revoke any Designation of a Subsidiary as an Unrestricted Subsidiary (a **Revocation**) only if:
 - (i) no Default or Event of Default shall have occurred and be continuing at the time of and after giving effect to such Revocation; and
 - (ii) 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 these Terms of the Bonds.
- (d) The Designation of a Subsidiary of the Issuer as an Unrestricted Subsidiary shall be deemed to include the Designation of all of the Subsidiaries of such Subsidiary. All Designations and Revocations must be evidenced by a certificate of the Chief Financial Officer of the Issuer, delivered to the Holders' Representative certifying compliance with the preceding provisions.

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14.7 Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries.

- (a) Except as provided in paragraph (b) of this Condition 14.7, the Issuer shall not, and shall 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:
- (i) pay dividends or make any other distributions on or in respect of its Capital Stock to the Issuer or any other Restricted Subsidiary or pay any Indebtedness owed to the Issuer or any other Restricted Subsidiary;
 - (ii) make loans or advances to, or Guarantee any Indebtedness or other obligations of, or make any Investment in, the Issuer or any other Restricted Subsidiary; or
 - (iii) transfer any of its property or assets to the Issuer or any other Restricted Subsidiary.
- (b) Section (a) of this Condition 14.7 shall not apply to encumbrances or restrictions existing under or by reason of:
- (i) applicable law rule, regulation or order;
 - (ii) the Terms of the Bonds or the Bonds;
 - (iii) the terms of any Indebtedness outstanding on the Issue Date, and any amendment, modification, restatement, renewal, restructuring, replacement or refinancing thereof; provided that any amendment, modification, restatement, renewal, restructuring, replacement or refinancing is not materially more restrictive, taken as a whole, with respect to such encumbrances or restrictions than those in existence on the Issue Date;
 - (iv) 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 these Terms of the Bonds;
 - (v) 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;
 - (vi) customary restrictions with respect to a Restricted Subsidiary of the Issuer 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;
 - (vii) customary restrictions imposed on the transfer of copyrighted or patented materials;
 - (viii) an agreement governing Indebtedness of the Issuer or any Restricted Subsidiaries permitted to be Incurred subsequent to the Issue Date in accordance with Condition 14.1; *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 Section (b)(iii) of Condition 14.7 above;
 - (ix) 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 Section (a)(iii) in Condition 14.7 above;
 - (x) Liens permitted to be incurred under Condition 14.9 that limits the right of the debtor to dispose of the assets securing such Indebtedness;

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- (xi) 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 Issuer organizational documents and other similar agreements entered into in accordance with the terms of these Terms of the Bonds and (a) in the ordinary course of business consistent with past practice or (b) with the approval of the Issuer's Board of Directors, which limitation is applicable only to the assets, property or Capital Stock that are the subject of such agreements;
- (xii) 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
- (xiii) restrictions customarily granted in connection with any Loan-Related Securitizations.

14.8 Limitation on Layered Indebtedness

The Issuer shall not, and shall 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 Bonds, or the Bond 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.

14.9 Limitation on Liens

The Issuer shall not, and shall not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, Incur any Liens of any kind (except for Permitted Liens) against or upon any of their respective properties or assets, whether owned on the Issue Date or acquired after the Issue Date, or any proceeds therefrom, to secure any Indebtedness or trade payables unless contemporaneously therewith effective provision is made to secure the Bonds and all other amounts due under these Terms of the Bonds, equally and ratably with such Indebtedness or other obligation (or, in the event that such Indebtedness is subordinated in right of payment to the Bonds, 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.

14.10 Limitation on Transactions with Affiliates

- (a) The Issuer shall not, and shall 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:
- (i) 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 Issuer;
 - (ii) in the event that such Affiliate Transaction involves aggregate payments, or transfers of property or services with a Fair Market Value, in excess of USD 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 Issuer (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
 - (iii) in the event that such Affiliate Transaction involves aggregate payments, or transfers of property or services with a Fair Market Value, in excess of USD 20.0 million, the Issuer must in addition obtain and deliver to the Holders' Representative a favorable written opinion from an internationally recognized investment banking firm as to the fairness of the transaction to the Issuer and its Restricted Subsidiaries from a financial point of view.

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- (b) The provisions of Section (a) of this Condition 14.10 above will not apply to:
- (i) Affiliate Transactions with or among the Issuer and any Restricted Subsidiary or between or among Restricted Subsidiaries;
 - (ii) reasonable fees and compensation paid to, and any indemnity provided on behalf of, officers, directors, employees, consultants or agents of the Issuer or any Restricted Subsidiary as determined in good faith by the Issuer's Board of Directors or senior management of the Issuer;
 - (iii) 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 Issuer and its Restricted Subsidiaries or the Holders, taken as a whole, than the original agreement as in effect on the Issue Date);
 - (iv) any Restricted Payments made in compliance with Condition 14.3 or any Permitted Investments;
 - (v) loans and advances to officers, directors and employees of the Issuer 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 USD 2.0 million outstanding at any one time;
 - (vi) any employment agreement, employee benefit plan, officer or director indemnification agreement or any similar arrangement entered into by the Issuer or any of its Restricted Subsidiaries in the ordinary course of business or consistent with past practice and payments pursuant thereto;
 - (vii) any issuance of Capital Stock (other than Disqualified Stock) of the Issuer to Affiliates of the Issuer or to any director, officer, employee or consultant of the Issuer, and the granting and performance of registration rights;
 - (viii) transactions between the Issuer or any of its Restricted Subsidiaries and any Securitization Vehicle in the ordinary course of business in connection with Loan-Related Securitizations; and
 - (ix) 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 these Terms of the Bonds, which are fair to the Issuer 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.

14.11 Conduct of Business

The Issuer and its Restricted Subsidiaries shall not engage in any business other than a Permitted Business.

14.12 Reports to Holders

- (a) so long as any of the Bonds are outstanding, the Issuer shall publish its annual and quarterly consolidated financial reports in English on its website and furnish to the Holders' Representative:
- (i) Within 120 days following the end of each of the Issuer's fiscal years, information (presented in the English language) including sections titled "Consolidated Financial Information and Other Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations", consolidated audited statements of income, balance sheets and cash flow statements and the related notes thereto for the Issuer for the two most recent fiscal years in accordance with GAAP, which need not, however, contain any reconciliation to IFRS or otherwise comply with Regulation S-X of the SEC, together with an audit report thereon by the Issuer's independent auditors; and
 - (ii) Within 60 days following the end of each of the first three fiscal quarters in each of the Issuer's fiscal years (beginning with the fiscal quarter ended March 31, 2018), quarterly reports containing unaudited balance sheets, statements of income, statements of shareholders equity and statements of cash flows

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and the related Bonds thereto for the Issuer 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 IFRS or otherwise comply with Regulation S-X of the SEC, together with a "Management's Discussion and Analysis of Financial Condition and Results of Operations" section for such quarterly period and condensed footnote disclosure (in each case, presented in the English language).

- (b) None of the information provided pursuant to paragraph (a) above shall be required to comply with Regulation S-K as promulgated by the SEC.
- (c) Delivery of such reports, information and documents to the Holders' Representative is for informational purposes only and the Holders' Representative receipt thereof shall not constitute constructive notice of any information contained therein or determinable for information contained therein, including the Issuer compliance with any of its covenants hereunder (as to which the Holders' Representative is entitled to rely exclusively on Officers' Certificates).

14.13 Guarantees

- (a) If the Issuer or any of its future Restricted Subsidiaries acquires or creates a Restricted Subsidiary that is an Eligible Subsidiary after the Issue Date or an existing Subsidiary becomes an Eligible Subsidiary, the Issuer must cause such Eligible Subsidiary to provide a guarantee of the Bonds (a **Bond Guarantee**).
- (b) Each Bond Guarantee shall be limited to the maximum amount that would not render the Guarantor's obligations subject to avoidance under applicable fraudulent conveyance provisions. By virtue of this limitation, a Guarantor's obligation under its Bond Guarantee could be significantly less than amounts payable with respect to the Bonds, or a Guarantor may have effectively no obligation under its Bond Guarantee.
- (c) The Bond Guarantee of a Guarantor shall terminate upon:
 - (i) a sale or other disposition (including by way of consolidation or merger) of the Guarantor or the sale or disposition of all or substantially all the assets of the Guarantor (other than to the Issuer or a Restricted Subsidiary) otherwise permitted by these Terms of the Bonds,
 - (ii) if the Bond Guarantee was required pursuant to the terms of these Terms of the Bonds, the cessation of the circumstances requiring the Bond Guarantee, or
 - (iii) the designation in accordance with these Terms of the Bonds of the Guarantor as an Unrestricted Subsidiary.

14.14 Suspension of Covenants

- (a) During any period of time that (i) the Bonds 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 Issuer and its Restricted Subsidiaries will not be subject to the provisions of Conditions 14.1, 14.2, 14.3, 14.4, 14.5, 14.6, 14.7, 14.8, 14.11 and 14.15 (a)(ii) (collectively, the **Suspended Covenants**).
- (b) In the event that the Issuer 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 Bonds below an Investment Grade Rating, then the Issuer 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).

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- (c) On the Reversion Date, all Indebtedness incurred during the Suspension Period will be classified as having been incurred pursuant to Condition 14.1 (a) or Condition 14.1 (b) (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 Condition 14.1 (a) or Condition 14.1 (b), such Indebtedness will be deemed to have been outstanding on the Issue Date, so that it is classified as permitted under Condition 14.1 (b)(iii). Calculations made after the Reversion Date of the amount available to be made as Restricted Payments under Condition 14.3 will be made as though Condition 14.3 had been in effect since the Issue Date and throughout the Suspension Period.
- (d) The Issuer shall notify the Holders' Representative and publish a notice in accordance with Condition 10 of the occurrence of any Suspension Date or Reversion Date within 10 Business Days of its occurrence. After such notice of the occurrence of a Reversion Date, the Suspended Covenants apply and are in full force and effect.

14.15 Merger, Consolidation and Sale of Assets

- (a) The Issuer shall not, in a single transaction or series of related transactions, consolidate or merge with or into any person (whether or not the Issuer 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 Issuer's properties and assets (determined on a consolidated basis for the Issuer and its Restricted Subsidiaries), to any person unless:
- (i) either:
- (A) the Issuer shall be the surviving or continuing person, or
- (B) the person (if other than the Issuer) formed by such consolidation or into which the Issuer is merged or the person which acquires by sale, assignment, transfer, lease, conveyance or other disposition the properties and assets of the Issuer and of the Issuer's Restricted Subsidiaries substantially as an entirety (the **Surviving Entity**):
- (1) shall be a person organized or formed and validly existing under the laws of México or a Qualified Merger Jurisdiction, and
- (2) shall expressly assume by supplemental agreement (in form and substance satisfactory to the Holders' representative), executed and delivered to the Holders' representative, the due and punctual payment of the principal of, and premium, if any, and interest on all of the Bonds and the performance and observance of every covenant of the Bonds and these Terms of the Bonds on the part of the Issuer to be performed or observed and shall cause each Guarantor (including persons that become Guarantors as a result of the transaction) to confirm that its Bond Guarantee will apply for the Obligations of the Surviving Entity in respect of the Bonds;
- (ii) immediately after giving effect to such transaction and the assumption contemplated 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 Issuer or such Surviving Entity, as the case may be:
- (A) will be able to Incur at least USD 1.00 of additional Indebtedness pursuant to Condition 14.1 (a), or
- (B) will have a Capitalization Ratio of not less than the Capitalization Ratio of the Issuer and its Restricted Subsidiaries immediately prior to such transaction;
- (iii) immediately before and immediately after giving effect to such transaction and the assumption contemplated 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;

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- (iv) if the Issuer 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 Issuer 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 México, the Issuer or the Surviving Entity will have delivered to the Holders' Representative an Opinion of Counsel from each of México and the relevant Qualified Merger Jurisdiction to the effect that, as applicable:
- (A) the Holders will not recognize income, gain or loss for income tax purposes under the laws of the relevant Qualified Merger Jurisdiction or México 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 regarded to be paid on the Bonds) and at the same times as would have been the case if the transaction had not occurred,
- (B) any payment of interest or principal under or relating to the Bonds will be paid in compliance with any requirements under Condition 6, and
- (C) no other taxes on income, including capital gains, will be payable by Holders under the laws of México or the relevant Qualified Merger Jurisdiction relating to the acquisition, ownership or disposition of the Bonds, 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 Bonds in carrying on a business in México or the relevant Qualified Merger Jurisdiction.
- (b) For purposes of this Condition 14.15, 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 Issuer, the Capital Stock of which constitutes all or substantially all of the properties and assets of the Issuer (determined on a consolidated basis for the Issuer and its Restricted Subsidiaries), shall be deemed to be the transfer of all or substantially all of the properties and assets of the Issuer.
- (c) The provisions of this Condition 14.15 above will not apply to:
- (i) any transfer of the properties or assets of a Restricted Subsidiary to the Issuer;
- (ii) any merger of a Restricted Subsidiary into the Issuer; or
- (iii) any merger of the Issuer into a Wholly-Owned Subsidiary of the Issuer created for the purpose of holding the Capital Stock of the Issuer.
- (d) Upon any consolidation, combination or merger or any transfer of all or substantially all of the properties and assets of the Issuer and its Restricted Subsidiaries in accordance with this Condition 14.15, in which the Issuer is not the continuing corporation, the Surviving Entity formed by such consolidation or into which the Issuer 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 Issuer under these Terms of the Bonds with the same effect as if such Surviving Entity had been named as such. For the avoidance of doubt, compliance with this Condition 14.15 will not affect the obligations of the Issuer (including a Surviving Entity, if applicable) under Condition 3D, if applicable.
- (e) Each Guarantor will not, and the Issuer 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 Issuer) that is not a Guarantor unless:
- (i) such person (if such person is the surviving entity) assumes all of the obligations of such Guarantor in respect of its Bond Guarantee by executing a supplemental agreement and providing the Holders' Representative with an Officers' Certificate and Opinion of Counsel, and such transaction is otherwise in compliance with these Terms of the Bonds;
- (ii) such Bond Guarantee is to be released as provided under Condition 14.13; or
- (iii) such sale or other disposition of substantially all of such Guarantor's assets is made in accordance with Condition 14.4.

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15 Holders' Meeting

- (a) The Holders' Representative, the Issuer may at any time convene a meeting of the Holders (a **Holder's Meeting**).

If an Event of Default has occurred and is continuing and as long as the Holders' Representative has not exercised its rights under Condition 8 with respect thereto, the Holders who wish that a Holders' Meeting should be convened and who represent at least ten (10) percent of the Aggregate Principal Amount then outstanding and who are entitled to participate and to vote in accordance with para. (f) and (h) of this Condition 15 may at any time require the Issuer to convene a Holders' Meeting which shall convene such a meeting as soon as commercially possible upon receipt of such request.

- (b) The costs for such Holders' Meeting shall be borne by the Issuer or, in the case the Issuer is prohibited by law to pay these costs, by the Holders convening such meeting (each of these Holders shall bear such costs in relation to its respective holding of Bonds at the time of such Holders' request to the Issuer to convene a Holders' Meeting).
- (c) A Holders' Meeting may consider any matter affecting the interests of the Holders' Meeting (other than matters on which the Holders' Representative has previously exercised its rights contained in Condition 8 above and Condition 16 below), including any modification of, or arrangement in respect of the Terms of the Bonds.
- (d) Notice convening a Holders' Meeting shall be given at least twenty (20) days prior to the proposed date thereof. Such notice shall be given in accordance with Condition 10. It shall state generally the nature of the business to be transacted at such Holders' Meeting. If an Extraordinary Resolution (as defined below) is being proposed, the wording of the proposed resolution or resolutions shall be indicated. The notice shall specify the day, hour and place of the Holders' Meeting and also the formal requirements referred to in para. (f) of this Condition 15. The Issuer (at its head office) and the Principal Paying Agent (at the Specified Office) will make a copy of such notice available for inspection by the Holders during normal business hours.
- (e) All Holders' Meetings shall be held in Zurich, Switzerland. A chairman (the Chairman) shall be nominated by the Issuer after consultation with the Holders' Representative in writing. If no person has been so nominated or if the nominated person is not present at the Holders' Meeting within thirty (30) minutes after the time fixed for holding the Holders' Meeting, the Holders present shall choose the Chairman instead.

The Chairman shall lead and preside over the Holders' Meeting. Among others, it shall be his duty to determine the presence of persons entitled to vote and to inquire if the necessary quorum (as set forth below) is present. He shall instruct the Holders as to the procedure of the Holders' Meeting and the resolutions to be considered. He shall sign the minutes referred to in para. (l) of this Condition 15.

In the case of any equality of votes, the Chairman shall have a casting vote.

A declaration by the Chairman that a resolution has been supported or supported by a particular majority in accordance with para. (g) and (i) of this Condition 15 or not supported or not supported by a particular majority in accordance with para. (g) and (i) of this Condition 15 shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolution.

- (f) Each person who produces a certificate by a bank in respect of such Bond relating to that Holders' Meeting is entitled to attend and to vote on the resolutions proposed at such Holders' Meeting. Bank certificates shall be dated before the date of the Holders' Meeting and confirm that the respective Bonds are deposited in a securities account (*Effektenkonto*) with that bank and will remain so deposited with such bank until and including the date of the Holders' Meeting and that the Bank has not issued any other such certificate with respect to such Bonds.
- (g) The presence quorum necessary in order to vote on resolutions proposed at a Holders' Meeting shall be persons entitled under para. (f) and (h) of this Condition 15 holding or representing persons holding in the aggregate at least the following percentages of the Aggregate Principal Amount of all Bonds then outstanding:

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Each Ordinary Resolution: twenty-five (25) percent

Each Extraordinary Resolution: sixty-six (66) percent

The terms Ordinary Resolution and Extraordinary Resolution are defined below.

If within thirty (30) minutes after the time fixed for any Holders' Meeting a sufficient quorum is not present, the Holders' Meeting shall be dissolved.

- (h) Holders' voting rights shall be determined according to the principal amount of outstanding Bonds held, with each of CHF 5,000 in nominal amount being entitled to one vote.

Bonds held by or on behalf of the Issuer or any other natural person or legal entity,

- (i) which directly or indirectly owns or controls more than fifty (50) percent of the equity share capital of the Issuer, or
- (ii) of which, in the case of a legal entity, more than fifty (50) percent of the equity share capital is controlled by the Issuer directly or indirectly, or
- (iii) where the Issuer is in a position to exercise, directly or indirectly, a control over the decisions or actions of such natural person or legal entity or representative thereof, irrespective of whether or not the latter is affiliated to the Issuer,

shall not be entitled to vote at a Holders' Meeting.

- (i) A resolution shall be validly passed if approved by at least the following percentages of votes cast at a duly convened Holders' Meeting held in accordance with this Condition 15:

Each Ordinary Resolution: fifty-one (51) percent

Each Extraordinary Resolution: sixty-six (66) percent

Every proposal submitted to a Holders' Meeting shall be decided upon a poll.

- (j) Any resolution which is not an Extraordinary Resolution in accordance with para. (k) of this Condition 15 shall be deemed to be an Ordinary Resolution.
- (k) An Extraordinary Resolution shall be necessary to decide on the following matters at a Holders' Meeting:
- to postpone the maturity beyond the stated maturity of the principal of any Bonds, or
 - to reduce the amount of principal payable on any Bonds, or
 - to change the date of interest payment on any Bonds, or
 - to change the rate of interest, or the method of computation of interest, on any Bonds, or
 - to change any provision for payment contained in the Terms of the Bonds or the place or the currency of repayment of the principal of any Bonds or interest on any Bonds, or
 - to amend or modify or waive the whole or any parts of Condition 8 or para. (f), (g), (h), (i) or (k) of this Condition 15, or
 - to create unequal treatment between Holders of the same class, or
 - to convert the Bonds into equity, or
 - to change the choice of law and the jurisdiction clause contained in Condition 18.

The above-mentioned list of issues for which an Extraordinary Resolution shall be necessary is exclusive.

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- (l) Any resolution approved at a Holders' Meeting held in accordance with this Condition 15 shall be conclusive and binding on the Issuer and on all present or future Holders, whether present or not at the Holders' Meeting, regardless of whether such Holders have approved such resolution. The Holders shall not be entitled to any improvement of their position vis-à-vis the Issuer pursuant to resolution approved at a Holders' Meeting without prior written approval of the Issuer. Any resolution approved at a Holders' Meeting, which increased the obligations of the Issuer under the Terms of the Bonds shall become effective only after written approval of the Issuer.

Minutes of all resolutions and proceedings at a Holders' Meeting shall be made and signed by the Chairman pursuant to para. (e) of this Condition 15.

- (m) If no Holder or an insufficient number of Holders attend a Holders' Meeting, the right to decide on the redemption of the Bonds or any other measures to protect the interests of the Holders available to the Holder's Representative according to the Terms of the Bonds shall revert to the absolute discretion of the Holders' Representative. Any such decision of the Holders' Representative shall be final and binding upon the Issuer and the Holders.

16 Amendment to the Terms of the Bonds

The Terms of the Bonds may be amended by agreement between the Issuer and the Holders' Representative on behalf of the Holders, provided that such amendment is of a formal, minor or technical nature, is made to correct a manifest error or is not materially prejudicial to the interests of the Holders. Notice of any such amendment shall be published in accordance with Condition 10.

17 Role of Credit Suisse

Credit Suisse has been appointed by the Issuer as the Principal Paying Agent and as the Listing Agent with respect to the Bonds and it will or may also act on behalf of or for the benefit of the Holders as Holders' Representative, but only in such cases stated explicitly in these Terms of the Bonds. In any other cases, the Holders' Representative is not obliged to take or to consider any actions on behalf of or for the benefit of the Holders.

18 Governing Law and Jurisdiction

The Bonds shall be exclusively governed by and construed in accordance with the substantive laws of Switzerland (i.e. without regard to the principles of conflict of laws).

The exclusive place of jurisdiction for any dispute, claim or controversy arising under, out of or in connection with or related to the Bonds shall be the city of Zurich, Switzerland.

The Issuer designates the offices of Credit Suisse at Credit Suisse AG, Paradeplatz 8, 8001 Zurich, Switzerland, as delivery address for the service of judicial documents pursuant to art. 140 of the Swiss Rules of Civil Procedure (*Schweizerische Zivilprozessordnung*), and as special domicile pursuant to art. 50 of the Swiss Act of Debt Enforcement and Bankruptcy. Credit Suisse undertakes to transmit to the Issuer as soon as possible any notice received by Credit Suisse in this connection.

The above-mentioned jurisdiction is also exclusively valid for the declaration of cancellation of Bonds.

The Holders are also at liberty to enforce their rights and to take legal action against the Issuer before the competent courts of México or any other competent court or authority, in which case also Swiss law shall nevertheless be applicable with respect to the Bonds.

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19 Definitions

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 Issuer 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 shall 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 Issuer or a Restricted Subsidiary or at the time such Indebtedness is assumed in connection with the acquisition of assets from such person.

Additional Bonds means the Bonds originally issued after the Issue Date pursuant to Condition 1 (a).

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 assigned to it in Condition 14.10 (a).

Asset Acquisition means:

- (a) an Investment by the Issuer 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 Issuer or any Restricted Subsidiary;
- (b) the acquisition by the Issuer or any Restricted Subsidiary of the assets of any person (other than a Subsidiary of the Issuer) 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
- (c) 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 Issuer or any Restricted Subsidiary of:

- (a) any Capital Stock of any Restricted Subsidiary (but not Capital Stock of the Issuer); or
- (b) any property or assets (other than cash or Cash Equivalents or Capital Stock of the Issuer) of the Issuer or any Restricted Subsidiary.

Notwithstanding the preceding, the following items shall not be deemed to be Asset Sales:

- (i) the disposition of all or substantially all of the assets of the Issuer and its Restricted Subsidiaries as permitted under Condition 14.15;
- (ii) for purposes of Condition 14.4 only, the making of a Restricted Payment permitted under Condition 14.3 or any Permitted Investment;
- (iii) a disposition to the Issuer or a Guarantor, including a person that is or will become a Guarantor immediately after the disposition;
- (iv) transactions that involve assets or Capital Stock of a Restricted Subsidiary having a Fair Market Value of less than USD 10.0 million (or the equivalent in other currencies) during the life of the Bonds;

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- (v) a transfer of assets between or among the Issuer and any Guarantor;
- (vi) an issuance or sale of Capital Stock by a Restricted Subsidiary of the Issuer to the Issuer or any Restricted Subsidiary;
- (vii) the disposition of accounts receivable and loans as permitted under Condition 14.5;
- (viii) the sale of delinquent loans to unaffiliated third parties;
- (ix) any sale or other disposition of damaged, worn-out, obsolete or no longer useful assets or properties in the ordinary course of business;
- (x) the sale of assets received by the Issuer or any of its Restricted Subsidiaries upon the foreclosure of a Lien in the ordinary course of business;
- (xi) the granting of Liens permitted under Condition 14.9;
- (xii) 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
- (xiii) 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 assigned to it in Condition 14.4.

Asset Sale Offer Amount has the meaning assigned to it in Condition 14.4.

Asset Sale Offer Notice means notice of an Asset Sale Offer which shall be published in accordance with Condition 10 within 20 days following the 365th day after the receipt of Net Cash Proceeds of any Asset Sale, with a copy to the Holders' Representative which notice shall govern the terms of the Asset Sale Offer, and shall state:

- (a) the circumstances of the Asset Sale or Sales, the Net Cash Proceeds of which are included in the Asset Sale Offer, that an Asset Sale Offer is being made pursuant to Condition 14.4 and that all Bonds that are timely tendered shall be accepted for payment;
- (b) the Asset Sale Offer Amount and the Asset Sale Offer Payment Date;
- (c) that any Bonds not tendered or accepted for payment shall continue to accrue interest;
- (d) that, unless the Issuer defaults in the payment of the Asset Sale Offer Amount with respect thereto, all Bonds accepted for payment pursuant to the Asset Sale Offer shall cease to accrue interest from and after the Asset Sale Offer Payment Date;
- (e) that any Holder electing to have any Bonds purchased pursuant to the Asset Sale Offer shall be required to surrender such Bonds to the Principal Paying Agent at the address specified in the notice;
- (f) that any Holder shall be entitled to withdraw such election if the Principal Paying Agent receives, not later than the close of business on the third Business Day preceding the Asset Sale Offer Payment Date, a facsimile transmission or letter, setting forth the name of the Holder, the principal amount of Bonds delivered for purchase, and a statement that such Holder is withdrawing such Holder's election to have such Bonds or portions thereof purchased pursuant to the Asset Sale Offer;
- (g) that any Holder electing to have Bonds purchased pursuant to the Asset Sale Offer must specify the principal amount that is being tendered for purchase, which principal amount must be in minimum principal amounts of CHF 5,000 and integral multiples of CHF 5,000 in excess thereof;

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- (h) any other information reasonably necessary to enable any Holder to tender Bonds and to have such Bonds purchased pursuant to Condition 14.4.

Asset Sale Offer Payment Date has the meaning assigned to it in Condition 14.4.

Asset Sale Transaction means any Asset Sale and, whether or not constituting an Asset Sale, (a) any sale or other disposition of Capital Stock, (b) any Designation with respect to an Unrestricted Subsidiary and (c) any sale or other disposition of property or assets excluded from the definition of Asset Sale by clause (iv) of that definition.

Bankruptcy Event of Default means

(a) the entry by a court of competent jurisdiction of (i) a decree or order for relief in respect of any Bankruptcy Party in an involuntary case or proceeding under any Bankruptcy Law or (ii) a decree or order (A) adjudging any Bankruptcy Party a bankrupt or insolvent, (B) approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of, or in respect of, any Bankruptcy Party under any Bankruptcy Law, (C) appointing a Custodian of any Bankruptcy Party or of any substantial part of the property of any Bankruptcy Party, or (D) ordering the winding-up or liquidation of the affairs of any Bankruptcy Party, and in each case, the continuance of any such decree or order for relief or any such other decree or order unstayed and in effect for a period of 60 consecutive calendar days; or

(b) (i) the commencement by any Bankruptcy Party of a voluntary case or proceeding under any Bankruptcy Law or of any other case or proceeding to be adjudicated a bankrupt or insolvent, (ii) the consent by any Bankruptcy Party to the entry of a decree or order for relief in respect of any Bankruptcy Party in an involuntary case or proceeding under any Bankruptcy Law or to the commencement of any bankruptcy or insolvency case or proceeding against any Bankruptcy Party, (iii) the filing by any Bankruptcy Party of a petition or answer or consent seeking reorganization or relief under any Bankruptcy Law, (iv) the consent by any Bankruptcy Party to the filing of such petition or to the appointment of or taking possession by a Custodian of any Bankruptcy Party or of any substantial part of the property of any Bankruptcy Party, (v) the making by any Bankruptcy Party of an assignment for the benefit of creditors, (vi) the admission by any Bankruptcy Party in writing of its inability to pay its debts generally as they become due, or (vii) the approval by stockholders of any Bankruptcy Party of any plan or proposal for the liquidation or dissolution of any Bankruptcy Party, (viii) the declaration of concurso mercantil by the Issuer, and (ix) the taking of corporate action by any Bankruptcy Party in furtherance of any action referred to in clauses (i) – (viii) above.

Bankruptcy Law means Title 11, U.S. Code or any similar U.S. federal, state or non-U.S. law for the relief of debtors, including the Mexican Ley de Concursos Mercantiles.

Bankruptcy Party means the Issuer or any of its Restricted Subsidiaries.

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 Holders' Representative.

Bond Guarantee has the meaning assigned to it in Condition 14.13.

Business Day means any day (other than Saturday or Sunday) on which banks are open the whole day for business in Zurich (Switzerland), México City (México) and New York (United States).

Capital Securities means, with respect to the Issuer, any bonds, debentures, Bonds or other similar instruments of the Issuer (a) 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, (b) which have a scheduled maturity date of at least 10 years after the Issue Date, (c) the first principal payment in respect of which (pursuant to any redemption provision, amortization schedule or otherwise) may not occur until at least 12 months after the last

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scheduled principal payment of any Note and any other Senior Indebtedness, (d) 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 Issuer), (e) are senior only to Capital Stock of the Issuer, (f) in respect of which interest may be deferred and cancelled, and (g) 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:

- (a) 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;
- (b) with respect to any person that is not a corporation, any and all partnership or other equity or ownership interests of such person; and
- (c) any warrants, rights or options to purchase any of the instruments or interests referred to in clause (a) or (b) 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:

- (a) 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;
- (b) Certificados de la Tesorería de la Federación (Cetes) or Bonos de Desarrollo del Gobierno Federal (Bondes), in each case, issued by the government of México and maturing not later than one year after the acquisition thereof;
- (c) marketable direct obligations issued by any state of the United States of America or any political subdivision of any such state or any public instrumentality thereof maturing within one year from the date of acquisition thereof and, at the time of acquisition, having one of the two highest ratings obtainable from either S&P or Fitch or any successor thereto;
- (d) 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 F1 from Fitch;
- (e) demand deposits, certificates of deposit, time deposits or bankers' acceptances maturing within one year from the date of acquisition thereof issued by (i) any bank organized under the laws of the United States of America or any state thereof or the District of Columbia, (ii) 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 USD 500.0 million, or (iii) 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 México;
- (f) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clause (a) above entered into with any bank meeting the qualifications specified in clause (e) above;

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- (g) any other debt instruments having a rating of at least A-1 or AAA from S&P or F1 or AAA from Fitch with maturities of one year or less from the date of acquisition; and
- (h) investments in money market funds, which invest substantially all of their assets in securities of the types described in clauses (a) through (g) above.

Change of Control means the occurrence of one or more of the following events:

- (a) any person or Group other than the Permitted Holders is or becomes the beneficial owner (as defined below), directly or indirectly, in the aggregate of 35.0% or more of the total voting power of the Voting Stock of the Issuer; provided that the Permitted Holders beneficially own, directly or indirectly, in the aggregate a lesser percentage of the total voting power of the Voting Stock of the Issuer (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 Issuer or such successor (for the purposes of this clause, such other person or Group shall be deemed to beneficially own any Voting Stock of a specified entity held by a parent entity, if such other person or Group "beneficially owns" directly or indirectly, more than 35.0% of the voting power of the Voting Stock of such parent entity and the Permitted Holders "beneficially own" directly or indirectly, in the aggregate a lesser percentage of the voting power of the Voting Stock of such parent entity and do not have the right or ability by voting power, contract or otherwise to elect or designate for election a majority of the Board of Directors of such parent entity);
- (b) the Issuer consolidates with, or merges with or into, another person, or the Issuer sells, conveys, assigns, transfers, leases or otherwise disposes of all or substantially all of the assets of the Issuer, 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 Issuer 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 these Terms of the Bonds;
- (c) individuals who on the Issue Date constituted the board of directors of the Issuer, together with any new directors whose election by the board of directors or whose nomination for election by the stockholders of the Issuer was voted upon favourably by the Permitted Holders, cease for any reason to constitute a majority of the board of directors of the Issuer then in office; or
- (d) the approval by the holders of Capital Stock of the Issuer of any plan or proposal for the liquidation or dissolution of the Issuer, whether or not otherwise in compliance with the provisions of these Terms of the Bonds.

For purposes of this definition:

- (a) **beneficial owner** shall have the meaning specified in Rules 13d-3 and 13d-5 under the Exchange Act, except that any person or group shall 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** shall 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 shall be deemed to beneficially own any Voting Stock of a corporation held by any other corporation (the **parent corporation**) so long as the Permitted Holders or such other person or group, as the case may be, beneficially own, directly or indirectly, in the aggregate at least 50.0% of the voting power of the Voting Stock of the parent corporation and no other person or group beneficially owns an equal or greater amount of the Voting Stock of the parent corporation.

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Change of Control Triggering Event has the meaning assigned to it in Condition 3D.

Change of Control Triggering Event Notice means notice of a Change of Control Triggering Event Offer made pursuant to Condition 10 within 30 days following the date upon which a Change of Control Triggering Event occurred, with a copy to the Holders' Representative which notice shall govern the terms of the Change of Control Triggering Event Offer and shall state:

- (a) that a Change of Control Triggering Event has occurred, the circumstances or events causing such Change of Control Triggering Event and that a Change of Control Triggering Event Offer is being made pursuant to Condition 3 D, and that all Bonds that are timely tendered shall be accepted for payment;
- (b) the Change of Control Triggering Event Payment, and the Change of Control Triggering Event Payment Date;
- (c) that any Bonds not tendered or accepted for payment shall continue to accrue interest;
- (d) that, unless the Issuer defaults in the payment of the Change of Control Triggering Event Payment with respect thereto, all Bonds accepted for payment pursuant to the Change of Control Triggering Event Offer shall cease to accrue interest from and after the Change of Control Triggering Event Payment Date;
- (e) that any Holder electing to have any Bonds purchased pursuant to a Change of Control Triggering Event Offer will be required to tender such Bonds, to the Principal Paying Agent at the address specified in the notice;
- (f) that any Holder shall be entitled to withdraw such election if the Principal Paying Agent receives, not later than the close of business on the third Business Day preceding the Change of Control Triggering Event Payment Date, a facsimile transmission or letter, setting forth the name of the Holder, the principal amount of Bonds delivered for purchase, and a statement that such Holder is withdrawing such Holder's election to have such Bonds purchased pursuant to the Change of Control Triggering Event Offer;
- (g) that any Holder electing to have Bonds purchased pursuant to the Change of Control Triggering Event Offer must specify the principal amount that is being tendered for purchase, which principal amount must be in minimum principal amounts of CHF 5,000 and integral multiples of CHF 5,000 in excess thereof;
- (h) that, in the event that Holders of not less than 95% of the aggregate principal amount of the outstanding Bonds accept a Change of Control Triggering Event Offer and the Issuer or third party purchases all of the Bonds held by such Holders, the Issuer shall have the right, upon prior notice, to redeem all of the Bonds that remain outstanding; and
- (i) any other information necessary to enable any Holder to tender Bonds and to have such Bonds purchased pursuant to Condition 3 D.

Change of Control Triggering Event Offer has the meaning assigned to it in Condition 3D.

Change of Control Triggering Event Payment has the meaning assigned to it in Condition 3D.

Change of Control Triggering Event Payment Date has the meaning assigned to it in Condition 3D.

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,

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determined in accordance with GAAP; *provided* that there shall be excluded therefrom to the extent reflected in such aggregate net income (loss):

- (a) net after-tax gains or losses from Asset Sale Transactions or abandonments or reserves relating thereto;
- (b) net after-tax items classified as extraordinary gains or losses;
- (c) 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 Issuer); except that, solely for purposes of calculating Consolidated Net Income pursuant to Section (a)(iii) of Condition 14.3 only, Consolidated Net Income of the Issuer will include the Issuer's proportionate share of the net income of:
 - (i) 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 Issuer or any Restricted Subsidiary; or
 - (ii) a Surviving Entity prior to assuming the Issuer's obligations under and the Bonds pursuant to Condition 14.15;
- (d) the net income (but not loss) of any Subsidiary of such person (Restricted Subsidiary in the case of the Issuer) 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 Issuer) or any law, regulation, agreement or judgment applicable to any such distribution;
- (e) any increase (but not decrease) in net income attributable to minority interests in any Subsidiary (Restricted Subsidiary in the case of the Issuer);
- (f) any gain (or loss) from foreign exchange translation or change in net monetary position;
- (g) any gains or losses (less all fees and expenses or charges relating thereto) attributable to the early extinguishment of Indebtedness and Hedging Obligations; and
- (h) 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 Issuer) 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 Issuer) 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 Suspension Event has the meaning assigned to it in Condition 14.14.

Credit Suisse means Credit Suisse AG, Paradeplatz 8, 8001 Zurich, Switzerland (postal address: Uetlibergstrasse 231, 8070 Zurich, Switzerland).

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.

Custodian means any receiver, trustee, assignee, liquidator, conciliator, sindaco, sequestrator or similar official under any Bankruptcy Law.

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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 Issuer 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 Issuer and delivered to the Holders' Representative, 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 in Condition 14.6.

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 Bonds; *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 Bonds shall not constitute Disqualified Capital Stock if:

- (a) 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 Bonds and described under Conditions 3D and 14.4; and
- (b) any such requirement only becomes operative after compliance with such terms applicable to the Bonds, including the purchase of any Bonds 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 Capital Stock that does not have a fixed redemption, repayment or repurchase price shall be calculated in accordance with the terms of such Disqualified Capital Stock as if such Disqualified Capital Stock were redeemed, repaid or repurchased on any date on which the amount of such Disqualified Capital Stock is to be determined pursuant to these Terms of the Bonds; provided, however, that if such Disqualified Capital Stock could not be required to be redeemed, repaid or repurchased at the time of such determination, the redemption, repayment or repurchase price shall be the book value of such Disqualified Capital Stock as reflected in the most recent financial statements of such person.

Eligible Subsidiary means a Restricted Subsidiary that is a Wholly-Owned Subsidiary of the Issuer or of a Guarantor but excluding any Subsidiary (i) that is contractually restricted from acting as a Guarantor of the Bonds pursuant to an agreement in effect on the Issue Date or (ii) the net assets of which are less than USD 5.0 million.

Event of Default has the meaning assigned to it in Condition 8.

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 Issuer acting in good faith.

FATCA has the meaning ascribed to such term in Condition 6 (i).

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Fitch means Fitch, Inc. and its successors and assigns.

GAAP means either (i) the accounting criteria established by the Mexican National Banking and Securities Commission (*Comisión Nacional Bancaria y de Valores*, or the CNBV) applicable to the Issuer, (ii) the Mexican Financial Reporting Standards (*Normas de Información Financiera*) issued by the Mexican Board of Financial Information Standards (*Consejo Mexicano de Normas de Información Financiera*) or (iii) the International Financial Reporting Standards, in each case as 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:

- (a) 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
- (b) 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" shall not include endorsements for collection or deposit in the ordinary course of business. "Guarantee," when used as a verb, has a corresponding meaning.

Guarantor means any Eligible Subsidiary that provides a Bond Guarantee unless and until such Guarantor is released from its Bond Guarantee.

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 the meanings correlative to the preceding).

Indebtedness means with respect to any person, without duplication:

- (a) the principal amount (or, if less, the accreted value) of all obligations of such person for borrowed money;
- (b) the principal amount (or, if less, the accreted value) of all obligations of such person evidenced by bonds, debentures, Bonds or other similar instruments;
- (c) all Capitalized Lease Obligations of such person;
- (d) 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);
- (e) all letters of credit, banker's acceptances or similar credit transactions, including reimbursement obligations in respect thereof;
- (f) Guarantees and other contingent obligations of such person in respect of Indebtedness referred to in clauses (a) through (e) above and clauses (h) through (j) below;
- (g) all Indebtedness of any other person of the type referred to in clauses (a) through (f) 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;

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- (h) all obligations under Hedging Obligations of such person;
- (i) 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
- (j) 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:

- (a) direct or indirect loan, advance or other extension of credit (including, without limitation, a Guarantee) to any other person,
- (b) 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
- (c) any purchase or acquisition by such person of any Capital Stock, bonds 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 Condition 14.3, the Issuer shall be deemed to have made an “Investment” in an Unrestricted Subsidiary at the time of its Designation, which shall 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 Issuer or any Restricted Subsidiary immediately following such Designation. Any property transferred to or from an Unrestricted Subsidiary shall be valued at its Fair Market Value at the time of such transfer. If the Issuer 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 Issuer, the Issuer shall 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 Issuer 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 Issuer or any Restricted Subsidiary or owed to the Issuer or any other Restricted Subsidiary immediately following such sale or other disposition.

Investment Grade Rating means a rating equal to or higher than (a) BBB– (or the equivalent) by Fitch or (b) BBB– (or the equivalent) by S&P, or, if either such entity ceases to rate the Bonds for reasons outside of the control of the Issuer, 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 Issuer or any Restricted Subsidiary:

- (a) (x) the proceeds in cash and the Fair Market Value of property other than cash received by the Issuer 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 Issuer and its Restricted Subsidiaries in full, less any payments previously made by the Issuer or any Restricted Subsidiary in respect of such Guarantee and (y) any dividends or distributions received by the Issuer or any Restricted

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Subsidiary from an Unrestricted Subsidiary, to the extent such amounts were not otherwise included in Consolidated Net Income;

- (b) in the case of the Revocation of the Designation of an Unrestricted Subsidiary, an amount equal to the lesser of (i) the Issuer's Investment in such Unrestricted Subsidiary at the time of such Revocation; (ii) 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 Issuer's equity interest in such Unrestricted Subsidiary at the time of Revocation; and (iii) the Designation Amount with respect to such Unrestricted Subsidiary upon its Designation which was treated as a Restricted Payment; and
- (c) in the event the Issuer 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 Issuer and its Restricted Subsidiaries in such person, in the case of each of (a), (b) and (c), up to the amount of such Investment that was treated as a Restricted Payment under Condition 14.3 less the amount of any previous Investment Return in respect of such Investment.

Issue Date means February 9, 2018.

Issuer means Crédito Real, S.A.B. de C.V. , SOFOM, E.R., Avenida Insurgentes sur No. 730, 20th Floor, Colonia del Valle Norte, Delegación Benito Juárez, 03103, Ciudad de México, México.

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.

Listing Agent means Credit Suisse, appointed as recognized representative pursuant to art. 43 of the listing rules of SIX Swiss Exchange to file the listing application (including the application for provisional admission to trading) for the Bonds with SIX Swiss Exchange.

Loan Receivables means loans and other loan-related receivables purchased or originated by the Issuer 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 Issuer or any of its Restricted Subsidiaries pursuant to which the Issuer 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 Issuer or any Restricted Subsidiary on terms that the Board of Directors has concluded are customary and market terms fair to the Issuer and its Restricted Subsidiaries and the proceeds of which are used for working capital, to repay any Senior Indebtedness of the Issuer, make capital expenditures in a Permitted Business, and/or purchase assets (other than current assets as determined in accordance with GAAP or Capital Stock) to be used by the Issuer or any Restricted Subsidiary in a Permitted Business.

Maturity Date has the meaning ascribed to such term in Condition 3A.

Mexican Restructuring means any case or other proceeding against the Issuer or any Subsidiary with respect to it or its debts under any bankruptcy, *concurso mercantil*, *quiebra*, insolvency or other similar law now or hereafter in effect or seeking the appointment of a Holders' Representative, 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 Issuer or any of its Restricted Subsidiaries from such Asset Sale, net of:

- (a) reasonable out-of-pocket expenses and fees relating to such Asset Sale (including, without limitation, legal, accounting and investment banking fees and sales commissions);

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- (b) taxes paid 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;
- (c) repayment of Indebtedness secured by a Lien permitted under these Terms of the Bonds that is required to be repaid in connection with such Asset Sale; and
- (d) appropriate amounts to be provided by the Issuer 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 Issuer or any Restricted Subsidiary, as the case may be, after such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, but excluding any reserves with respect to Indebtedness.

Net Loan Portfolio means, as of any date of determination, the net loan portfolio of the Issuer and its Restricted Subsidiaries as set forth on the consolidated balance sheet as of the most recent fiscal quarter of the Issuer, 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 Bonds, these Terms of the Bonds.

Officer means, when used in connection with any action to be taken by the Issuer, 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 Issuer.

Officers' Certificate means, when used in connection with any action to be taken by the Issuer, a certificate signed by two Officers or by an Officer and either an Assistant Treasurer or an Assistant Secretary of the Issuer and delivered to the Holders' Representative.

Opinion of Counsel means a written opinion of counsel, who may be an employee of or counsel for the Issuer (except as otherwise provided in these Terms of the Bonds) and which opinion shall be reasonably acceptable to the Holders' Representative.

Outstanding means, as of the date of determination, all Bonds, including Additional Bonds, theretofore authenticated and delivered under these Terms of the Bonds, except:

- (a) Bonds theretofore canceled by the Principal Paying Agent or delivered to the Principal Paying Agent for cancellation;
- (b) Bonds for the payment, redemption or, in the case of an Asset Sale Offer or Change of Control Triggering Event Offer, purchase of which money in the necessary amount has been theretofore deposited with the Principal Paying Agent

provided, however, that in determining whether the Holders of the requisite aggregate principal amount of the Outstanding Bonds have given any request, demand, authorization, direction, notice, consent or waiver hereunder, Bonds owned by the Issuer or any other obligor upon the Bonds or any Affiliate of the Issuer or of such other obligor shall be disregarded and deemed not to be Outstanding. Bonds so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Holders' Representative the pledgee's right so to act with respect to such Bonds and that the pledgee is not the Issuer or any other obligor upon the Bonds or any Affiliate of the Issuer or of such other obligor.

Permitted Acquisition Indebtedness means Indebtedness of the Issuer to the extent such Indebtedness was (a) Indebtedness of a Subsidiary prior to the date on which such Subsidiary became a Restricted Subsidiary, (b) Indebtedness of a person that was merged, consolidated or amalgamated into the Issuer or (c) 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

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Issuer or assumed in connection with an Asset Acquisition, as applicable, after giving pro forma effect thereto, (i) the Issuer would be permitted to incur at least USD 1.00 of additional Indebtedness pursuant to Section (a) of Condition 14.1 or (ii) the Capitalization Ratio of the Issuer and its Restricted Subsidiaries would be equal to or greater than the Capitalization Ratio of the Issuer and its Restricted Subsidiaries immediately prior to such transaction.

Permitted Business means the business or businesses conducted by the Issuer 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 payroll loan financing, durable goods lending, auto loans, loans to small- and medium-enterprises (SMEs) and independent professionals, the extension of group loans and other consumer goods and receivables financing services.

Permitted Holders means (a) Any member of the Berrondo, Saiz or Esteve families who holds shares of the Issuer on the Issue Date; (b) a parent, brother or sister of any individual named in clause (a); (c) the spouse or a former spouse of any individual named in clause (a) or (b); (d) the lineal descendants of any person named in clauses (a) through (c); (e) the estate or any guardian, custodian or other legal representative of any individual named in clauses (a) through (d); (f) any trust established principally for the benefit of any one or more of the individuals named in clauses (a) through (e); (g) any person in which a majority of the voting capital stock is owned, directly or indirectly, by any one or more of the persons named in clauses (a) through (f); and (h) MAHLER Enterprises PTE. LTD.

Permitted Indebtedness has the meaning assigned to it in Section (b) of Condition 14.1.

Permitted Investments means:

- (a) Investments by the Issuer 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 Issuer or with or into a Restricted Subsidiary, except for a Guarantee of Indebtedness of a Restricted Subsidiary;
- (b) Investments by the Issuer, or any Restricted Subsidiary in the Issuer;
- (c) Investments in cash and Cash Equivalents;
- (d) 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);
- (e) Investments permitted pursuant to Condition 14.10(b)(ii), (iii) and (v);
- (f) 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;
- (g) Investments made by the Issuer 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 Condition 14.4;
- (h) Investments in the form of Hedging Obligations permitted under Section (b)(iv) of Condition 14.1;
- (i) 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 (i) since the Issue Date, shall not exceed (a) 20% of the Consolidated Net Worth of the Issuer *plus* (b) USD 100.0 million, *plus* (c) returns received from Investments made under this clause (i), *provided, however*, that these returns (i) are not included in the Consolidated Net Income of the Issuer, (ii) are in the form of cash and (iii) do not exceed the amount of Investments in such person made after the Issue Date in reliance on this clause (i). For the avoidance of doubt, Investments in Restricted Subsidiaries shall not be affected by this clause (i);

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- (j) receivables owing to the Issuer or any Restricted Subsidiary if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms;
- (k) 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;
- (l) loans or advances to employees in the ordinary course of business consistent with past practices of the Issuer or such Restricted Subsidiary;
- (m) 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 Issuer or any Restricted Subsidiary;
- (n) payroll loans, durable goods loans, auto loans, small business loans, group loans and other loans (including loan portfolios) made or acquired by the Issuer in the ordinary course of business, including, without limitation, the acquisition of loans or loan portfolios from third parties; and
- (o) 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 Issuer 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 Issuer may, in its sole discretion, allocate all or any portion of any Investment and later reallocate all or any portion of any Investment to, one or more of the above clauses (a) through (o) so that the entire Investment would be Permitted Investment.

Permitted Liens means any of the following:

- (a) 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;
- (b) 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);
- (c) 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;
- (d) Liens encumbering deposits made to secure obligations arising from statutory, regulatory, contractual, or warranty requirements of the Issuer or a Restricted Subsidiary, including rights of offset and set-off;
- (e) Liens securing Hedging Obligations that relate to Indebtedness that is Incurred in accordance with Condition 14.1 and that are secured by the same assets as secure such Hedging Obligations;
- (f) 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 Condition 14.9 not incurred pursuant to clauses (i) and (j) below and which Indebtedness has been Incurred in accordance with Condition 14.1; *provided* that such new Liens:
 - (i) are no less favorable to the holders of Bonds and are not more favorable to the lienholders with respect to such Liens than the Liens in respect of the Indebtedness being Refinanced, and

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- (ii) do not extend to any property or assets other than the property or assets securing the Indebtedness Refinanced by such Refinancing Indebtedness;
- (g) Liens securing Acquired Indebtedness Incurred in accordance with Condition 14.1 not incurred in connection with, or in anticipation or contemplation of, the relevant acquisition, merger or consolidation; *provided* that:
 - (i) such Liens secured such Acquired Indebtedness at the time of and prior to the Incurrence of such Acquired Indebtedness by the Issuer or a Restricted Subsidiary and were not granted in connection with, or in anticipation of the Incurrence of such Acquired Indebtedness by the Issuer or a Restricted Subsidiary, and
 - (ii) such Liens do not extend to or cover any property of the Issuer or any Restricted Subsidiary other than the property that secured the Acquired Indebtedness prior to the time such Indebtedness became Acquired Indebtedness of the Issuer 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 Issuer or a Restricted Subsidiary;
- (h) purchase money Liens securing Purchase Money Indebtedness or Capitalized Lease Obligations Incurred to finance the acquisition or leasing of property of the Issuer or a Restricted Subsidiary used in a Permitted Business; *provided* that:
 - (i) the related Purchase Money Indebtedness does not exceed the cost of such property and shall not be secured by any property of the Issuer or any Restricted Subsidiary other than the property so acquired, and
 - (ii) the Lien securing such Indebtedness will be created within 365 days of such acquisition;
- (i) 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;
- (j) 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;
- (k) 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 Issuer and its Restricted Subsidiaries from fluctuations in interest rates;
- (l) 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;
- (m) licenses of intellectual property in the ordinary course of business;
- (n) 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 Issuer or its Restricted Subsidiaries) or materially impair their use in the operation of the business of the Issuer and its Restricted Subsidiaries;
- (o) 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;

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- (p) Liens on Capital Stock of an Unrestricted Subsidiary that secure Indebtedness or other obligations of such Unrestricted Subsidiary; or
- (q) 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 Issuer and its Restricted Subsidiaries (on a consolidated basis) is at least 110.0% of the Total Unsecured Indebtedness of the Issuer and its Restricted Subsidiaries (on a consolidated basis), Liens on Loan Receivables, other receivables, net interest margin securities or similar or related assets of the Issuer 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 or other receivables, net interest margin securities or similar or related assets by the Issuer or a Restricted Subsidiary.

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.

Principal Paying Agent means Credit Suisse in its function as principal paying agent.

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 (a) the United States, any State thereof or the District of Columbia; (b) any member state of the European Union; or (c) 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 México by such Rating Agencies.

Rating Agencies means (a) S&P and (b) Fitch or (c) if S&P or Fitch or both shall not make a rating of the Bonds publicly available, a nationally recognized United States securities rating agency or agencies, as the case may be, selected by the Issuer, which shall be substituted for S&P or Fitch or both, as the case may be.

Redemption Date means, with respect to any redemption of Bonds, the date fixed for such redemption pursuant to the Bonds.

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 Issuer or any Restricted Subsidiary issued to Refinance any other Indebtedness of the Issuer or a Restricted Subsidiary so long as:

- (a) 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 Issuer in connection with such Refinancing);
- (b) such new Indebtedness has:
 - (i) 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

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- (ii) a final maturity that is equal to or later than the final maturity of the Indebtedness being Refinanced; and
- (c) if the Indebtedness being Refinanced is:
 - (i) Indebtedness of the Issuer, then such Refinancing Indebtedness will be Indebtedness of the Issuer,
 - (ii) Indebtedness of a Guarantor, then such Refinancing Indebtedness will be Indebtedness of the Issuer and/or such Guarantor, and
 - (iii) Subordinated Indebtedness, then such Refinancing Indebtedness shall be subordinate to the Bonds, at least to the same extent and in the same manner as the Indebtedness being Refinanced.

Relevant Jurisdiction means México or any other jurisdiction in which the Issuer is organized or resident for tax purposes or through which payment of the Bonds is made.

Residual Interests means (a) any residual interests in Loan-Related Securitizations, Securitization Securities or any other interests in Securitization Vehicles or (b) 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 assigned to it in Section (a) of Condition 14.3.

Restricted Subsidiary means any Subsidiary of the Issuer, which, at the time of determination, is not an Unrestricted Subsidiary.

Reversion Date has the meaning assigned to it in Condition 14.4.

Revocation has the meaning assigned to it in Condition 14.6(c).

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 Issuer or a Restricted Subsidiary of any property, whether owned by the Issuer or any Restricted Subsidiary at the Issue Date or later acquired, which has been or is to be sold or transferred by the Issuer 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 Issuer and/or its Restricted Subsidiaries.

Securities Act means the Securities Act of 1933, as amended, or any successor statute or statutes thereto.

Securitization Securities has the meaning assigned to it in the definition of **Securitization Vehicle**.

Securitization Vehicle means (a) any person (whether or not a Restricted Subsidiary of the Issuer) 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 (b) any special purpose, bankruptcy remote Restricted Subsidiary of the Issuer 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 (a) regardless of whether such Restricted Subsidiary is an issuer of Securitization Securities; *provided* that in each case, such entity is an entity:

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- (a) 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,
- (b) no portion of the Debt or any other obligation, contingent or otherwise, of which
 - (i) is Guaranteed by the Issuer or any Restricted Subsidiary of the Issuer,
 - (ii) is recourse to or obligates the Issuer or any Restricted Subsidiary of the Issuer in any way, or
 - (iii) subjects any property or asset of the Issuer or any Restricted Subsidiary of the Issuer, directly or indirectly, contingently or otherwise, to the satisfaction thereof,
- (c) with respect to which neither the Issuer nor any Restricted Subsidiary of the Issuer (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 (b) and (c), (x) pursuant to customary representations, warranties, covenants and indemnities entered into in connection with a Loan-Related Securitization, and (y) any Guarantees by the Issuer or a Restricted Subsidiary of any Indebtedness of a Securitization Vehicle that would constitute Permitted Indebtedness or which would be permitted under Condition 14.1.

Senior Indebtedness means the Bonds (and any Bond Guarantee thereof) and any other Indebtedness of the Issuer or a Guarantor that is not, pursuant to the instrument evidencing such Indebtedness, expressly subordinated in right of payment to the Bonds, or the relevant Bond Guarantee.

Significant Subsidiary means a Subsidiary of the Issuer constituting a "Significant Subsidiary" of the Issuer in accordance with Rule 1-02(w) of Regulation S-X under the Securities Act in effect on the date hereof.

SIX SIS means SIX SIS Ltd, the Swiss clearing and settlement organization, Baslerstrasse 100, 4600 Olten, Switzerland, or any successor organization accepted by SIX Swiss Exchange.

SIX Swiss Exchange means SIX Swiss Exchange Ltd, Selnaustrasse 30, 8001 Zurich, Switzerland (P.O. Box 1758, 8021 Zurich, Switzerland) or any successor exchange.

Subordinated Indebtedness means, with respect to the Issuer or a Guarantor, any Indebtedness of the Issuer or a Guarantor that is, pursuant to the instrument evidencing such Indebtedness, expressly subordinated in right of payment to the Bonds, the relevant Bond 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 50.0% of the voting power of the other person's outstanding Voting Stock.

Surviving Entity has the meaning assigned to it in Section (a)(i)(B) of Condition 14.15.

Suspension Date has the meaning assigned to it in Condition 14.14.

Suspension Period has the meaning assigned to it in Condition 14.14.

Total Unencumbered Assets means, as of any date of determination, the total consolidated assets of the Issuer and its Restricted Subsidiaries as set forth on the consolidated balance sheet as of the most recent fiscal quarter of the Issuer (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 Issuer and its Restricted Subsidiaries.

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Unrestricted Subsidiary means (a) Servicios Corporativos Chapultepec, S.A. de C.V., (b) CREAL Dallas, LLC, (c) Directodo México, S.A.P.I. de C.V., SOFOM, E.N.R, (d) CR-FACT, S.A.P.I. de C.V., (e) Crédito Real USA, Inc., (f) CRHOLDINGINT, S.A. de C.V., (g) Controladora CR México, S.A. de C.V. and (h) any Subsidiary of the Issuer Designated as an Unrestricted Subsidiary pursuant to Condition 14.6. Any such Designation may be revoked by a certificate of the Chief Financial Officer of the Issuer, subject to the provisions of Condition 14.6.

Unsecured Indebtedness means any Indebtedness of the Issuer and/or its Restricted Subsidiaries other than Secured Indebtedness.

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 Condition 14.1, whenever it is necessary to determine whether the Issuer has complied with any covenant in these Terms of the Bonds 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.

U.S. Dollars or USD means such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts.

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:

- (a) the then outstanding aggregate principal amount or liquidation preference, as the case may be, of such Indebtedness into
- (b) the sum of the products obtained by multiplying:
 - (i) the amount of each then remaining instalment, 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
 - (ii) 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 Issuer) 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).

Taxation

The following summary of certain aspects of taxes in Switzerland is of a general nature and is included herein solely for informational purposes. It is not intended to be, nor should it be construed to be, legal or tax advice. Prospective investors in the Bonds should therefore consult their own professional advisers as to the effects of state, local or foreign laws, including Swiss tax law, to which they may be subject.

Swiss Withholding Tax

Payments by the Issuer of interest on, and repayment of principal of, the Bonds, will not be subject to Swiss federal withholding tax, provided that the Issuer is at all times resident and managed outside Switzerland for Swiss tax purposes.

On November 4, 2015 the Swiss Federal Council announced a mandate to the Swiss Federal Finance Department to institute a group of experts tasked with the preparation of a new proposal for a reform of the Swiss withholding tax system. The new proposal is expected to include in respect of interest payments the replacement of the existing debtor-based regime by a paying agent-based regime for Swiss withholding tax similar to the one published on December 17, 2014 by the Swiss Federal Council and repealed on June 24, 2015 following the negative outcome of the legislative consultation with Swiss official and private bodies. Under such a new paying agent-based regime, if enacted, a paying agent in Switzerland may be required to deduct Swiss withholding tax on any payments or any securing of payments of interest in respect of a Bond for the benefit of the beneficial owner of the payment unless certain procedures are complied with to establish that the owner of the Bond is not an individual resident in Switzerland.

Automatic Exchange of Information in Tax Matters

On November 19, 2014, Switzerland signed the Multilateral Competent Authority Agreement (the **MCAA**). The MCAA is based on article 6 of the OECD/Council of Europe administrative assistance convention and is intended to ensure the uniform implementation of Automatic Exchange of Information (the **AEOI**). The Federal Act on the International Automatic Exchange of Information in Tax Matters (the **AEOI Act**) entered into force on January 1, 2017. The AEOI Act is the legal basis for the implementation of the AEOI standard in Switzerland.

The AEOI is being introduced in Switzerland through bilateral agreements or multilateral agreements. The agreements have been, and will be, concluded on the basis of guaranteed reciprocity, compliance with the principle of specialty (i.e. the information exchanged may only be used to assess and levy taxes (and for criminal tax proceedings)) and adequate data protection.

Switzerland has concluded a multilateral AEOI agreement with the EU (replacing the EU savings tax agreement) and has concluded bilateral AEOI agreements with several non-EU countries.

Based on such multilateral agreements and bilateral agreements and the implementing laws of Switzerland, Switzerland has begun or will begin to collect data in respect of financial assets, including, as the case may be, notes, held in, and income derived thereon and credited to, accounts or deposits with a paying agent in Switzerland for the benefit of individuals resident in an EU member state or in a treaty state from, depending on the effectiveness date of the agreement, 2017 or 2018, as the case may be, and begin to exchange such data from 2018 or 2019.

Swiss Facilitation of the Implementation of the U.S. Foreign Account Tax Compliance Act

Switzerland has concluded an intergovernmental agreement with the U.S. to facilitate the implementation of FATCA. The agreement ensures that the accounts held by U.S. persons with Swiss financial institutions are disclosed to the U.S. tax authorities either with the consent of the account holder or by means of group requests within the scope of administrative assistance. Information will not be transferred automatically in the absence of consent, and instead will be exchanged only within the scope of administrative assistance on the basis of the double taxation agreement between the U.S. and Switzerland. On October 8, 2014, the Swiss Federal Council approved a mandate for negotiations with the U.S. on changing the current direct-notification-based regime to a regime where the relevant information is sent to the Swiss Federal Tax Administration, which in turn provides the information to the U.S. tax authorities.

Taxation

The following summary of certain aspects of taxes in Mexico is of a general nature and is included herein solely for informational purposes. It is not intended to be, nor should it be construed to be, legal or tax advice. Prospective investors in the Bonds should therefore consult their own professional advisers as to the effects of state, local or foreign laws, including Swiss tax law, to which they may be subject.

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 Bonds by Holders that are not residents of Mexico, for Mexican federal income tax purposes, and that do not hold such Bonds through a permanent establishment for tax purposes in Mexico, to which income under the notes is attributable; for purposes of this summary, each such non-resident holder is referred to as a foreign holder.

This summary is based on the Mexican Income Tax Law (*Ley del Impuesto sobre la Renta*) and regulations in effect on the date of this Prospectus, 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 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 Bonds 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 Bonds. 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 (and the laws of any state or municipality 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*) and in some cases, in the provisions of tax treaties executed by Mexico and in effect on the date of this Prospectus. 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 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 tax residents 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 an individual is deemed to have a permanent establishment in Mexico for Mexican tax purposes or is deemed a resident of Mexico for tax purposes, any and all income attributable to that permanent establishment of such resident will be subject to Mexican income taxes, in accordance with applicable tax laws. However, any determination of residence, whether involving an individual or a corporation, should take into account the particular situation for each person or legal entity.

Taxation

Payments of Interest

Pursuant to the Mexican Income Tax Law, payments of interest on the Bonds (including original issue discount, which is deemed to be interest) made by us to foreign holders will be subject to Mexican withholding tax at a rate of 4.9%, if, as expected, the following requirements are met:

- the issuance of the Bonds (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;
- the Bonds are placed outside of Mexico through banks or brokerage houses, in a country with which Mexico has in force a treaty for the avoidance of double taxation which is in effect (which currently includes Switzerland); 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 Prospectus, the filing with the Mexican Tax Administration Service (*Servicio de Administración Tributaria*), fifteen business days after the placement of the Bonds, of certain information regarding the issuance of the Bonds and this Prospectus.

If any of the above mentioned requirements is not met, the Mexican withholding tax will be 10.0% or higher. If the beneficial owner, whether acting directly or indirectly, individually or jointly with related persons, that receive more than 5% of the interest paid under the Bonds (i) are persons who own, directly or indirectly, individually or with related persons, 10% of our voting stock; or (ii) are corporations or other entities, of which 20% or more of the voting stock is owned by us, directly or indirectly, jointly or severally, with persons related to us, then the Mexican withholding tax rate applicable to payments of interest under the Bonds may increase to the maximum applicable rate according to the Mexican Income Tax Law (currently 35%). For these purposes, persons will be related if:

- one person holds an interest in the business of the other person;
- both persons have common interests; or
- a third party has an interest in the business or assets of both persons.

As of the date of this Prospectus, none of the tax treaties executed by Mexico and in effect on the date of this Prospectus is 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 made with respect to the Bonds to a non-Mexican pension or retirement fund will be generally exempt from Mexican withholding taxes, provided that (1) the fund is the beneficial owner of such interest income and provides information to us in respect of such fund's place of residence, (2) the fund is duly established pursuant to the laws of its country of origin; and (3) the relevant interest income is exempt from taxation in such country.

Holders or beneficial owners of the Bonds 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 Bonds, 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 Bonds 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 "Terms of the Bonds—Condition 6 (Taxation)".

Taxation

Payments of Principal

Under Mexican Income Tax Law, payments of principal on the Bonds made by us to foreign holders will not be subject to any Mexican withholding tax.

Taxation of Capital Gains

Under the Mexican Income Tax Law, capital gains resulting from the sale or other disposition of the Bonds by a foreign holder to another foreign holder are not taxable in Mexico. Gains resulting from the sale of the Bonds 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.

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 Bonds by a foreign holder. Gratuitous transfers of the Bonds in certain circumstances may result in the imposition of a Mexican federal tax upon the recipient. There are no Mexican stamp, issuer registration or similar taxes or duties payable by foreign holders of the Bonds with respect to the Bonds.

Information on the Issuer

The information on the Issuer included in this section is not exclusive and potential holders should not rely solely on such information, but should consider all information provided in this Prospectus and the documents attached hereto.

General Information

Name, System of Law, Legal Form, Incorporation, Register, Registered Office

We are a regulated non-bank financial and multipurpose institution (*sociedad financiera de objeto multiple, entidad regulada*), incorporated as a variable capital public stock corporation (*sociedad anónima bursátil de capital variable*) with an indefinite duration under Mexican law on February 12, 1993, as evidenced by public deed number 85,643, granted before Mr. Arturo Sobrino Franco, Notary Public number 49 of Mexico City, duly recorded with the Public Registry of Commerce of the Federal District (*Registro Público de Comercio del Distrito Federal*), under commercial folio number 170,184.

Our legal domicile and registered offices of the are located at Avenida Insurgentes Sur No. 730, 20th Floor, Colonia del Valle Norte, Delegación Benito Juárez, C.P. 03103, Mexico City, Mexico.

Purpose

Pursuant to article four of our Corporate By-Laws, the purpose of the Company is as follows:

1. Mainly, the customary and professional performance of credit operations, financial lease, true lease and financial factoring, as lender, lessor and factor. To such effect, the corporation may, without limitation: a) execute any kind of loan, credit or finance agreements, especially granting consumer credit by directly financing consumers or, granting direct credits in pool plans through a proper distribution network in Mexico or abroad or, finance to individuals working for government companies or entities with which payroll discount agreement for payment of credits granted to purchase goods and services are executed, through a proper distribution network in Mexico or abroad; b) execute lease-financial and true lease agreements, and to such end the corporation may: (i) acquire any kind of personal properties and real properties to grant them under financial lease or true lease, and transfer such goods at the termination of the agreements; and (ii) acquire any kind of personal properties and real properties from future leases, with the commitment of grant them under financial lease; c) execute financial factoring agreement to grant consumer credits by establishing financing programs through providers of any kind of goods and services; d) execute financial factoring promise agreements; e) execute agreements with credit rights debtors, created in favor of its providers of goods or services, and the corporation shall agree to acquire such credit rights if accepted by the providers themselves; f) provide management and collection services for credit rights; g) act as trustee in escrows created to guarantee in its favor, the obligations arising from the credit operations, financial lease and financial factoring; and h) transfer, transmit, encumber, levy, discount, endorse, trade or negotiate with the agreements, credit instruments or credit rights incurred in their favor by virtue of the credit operations, financial lease and financial factoring.
2. Accept or grant any kind of commission agencies or mandates.
3. Promote, incorporate, organize and manage any kind of corporations and business or non-profit associations, whether domestic or foreigners.
4. Acquire, transfer, transmit, encumber, levy, endorse, trade or negotiate shares and partnership interests of or in any kind of legal entities. Likewise, according to article 56 of the Securities Market Law and the general provisions issued by the National Banking and Securities Commission and provided that the shares of the Corporation are entered in the National Securities Registry, the corporation may acquire shares representing the capital stock, subject to the provisions in article fifteen of the corporate by-laws.
5. Acquire, use, transfer, transmit, encumber, levy, lease or sublease real properties for the establishment of offices, branches or agencies.

Information on the Issuer

6. Acquire, use, transfer, transmit, encumber, levy, lease or sublease personal properties for the performance of its operations.
7. Acquire, trade, transfer, transmit, encumber, levy, lease, sublease, grant concessions or franchises or negotiate security interests or personal guaranties.
8. Acquire, transfer, transmit, encumber, levy, endorse, report or negotiate securities, assets and instruments offered in any stock market and derivatives market.
9. Acquire, use, trade, transfer, transmit, encumber, levy, negotiate, grant concessions or franchises, license or sublicense any industrial and intellectual property right.
10. Acquire, trade, endorse, report, transfer, transmit, encumber, levy, negotiate or invest in financial and debt instruments.
11. Execute trust, insurance, bond and security agreements.
12. Execute agreements or perform operations of different types with financial entities, and with any individual or legal entity.
13. Become joint obligor, surety and guarantor regarding the obligations entrusted to its shareholders, affiliated companies, corporations where the Corporation has any interest or participation or with which there is any business relationship.
14. Engage the personnel to provide in its favor the relevant services.
15. Study, design and develop any kind of applications, programs, systems, services, products and procedures related to or associated with the activities that form its corporate purpose, and the implementation, trading, use, concession, transfer, provision, transmission, negotiation, licensing or sublicensing thereof.
16. Issue, place and offer securities to the general public, in series or in mass, in any stock market.
17. Issue, place and offer, in private, obligations, certificates, securities and credit instruments, in series or in mass.
18. Issue treasury shares under the terms of article 53 of the Securities Market Law, according to the procedures set forth in article fourteen of these corporate by-laws.
19. Obtain concessions, permits, authorizations or licenses, and execute any kind of agreements or contracts with authorities, agencies, bodies or public entities.
20. Obtain any kind of loans, credits or finance.
21. Grant, subscribe, endorse, transfer, guarantee, encumber, levy, report, trade, discount or negotiate credit instruments.
22. In general, perform all the acts or execute any kind of agreements or contracts directly or indirectly related to their corporate purpose.

Our By-Laws were last amended by resolution of our shareholders meeting held on January 13, 2017.

Information on the Issuer

Principal Activities / Business

Overview

History and Development

We began operations in 1993, when we were incorporated as a variable capital limited liability corporation (sociedad anónima de capital variable) under Mexican law. From 1993 to 2006, we operated as a secondary financial institution (organización auxiliar de crédito), authorized by the SHCP to conduct financial factoring and certain other financial operations, such as buying and selling accounts receivable and other credit documents. Prior to 2005, our business consisted primarily of durable goods lending to finance the acquisition of “white line products,” such as kitchen appliances and washing machines. Our durable goods lending business allowed us to gain scale and develop our business expertise and our technological platform.

In July 2006, the regulatory regime in Mexico was amended to, among other things, deregulate some credit activities and organizations. As a result, a new category of financial institutions known as multipurpose financial institutions or Sofomes were created. In December 2006, we amended our bylaws to become a non-regulated Sofom (sociedad financiera de objeto múltiple, entidad no regulada, or Sofom E.N.R.). On January 10, 2014, certain reforms to the Mexican General Law of Auxiliary Credit Organizations and Credit Activities (Ley General de Organizaciones y Actividades Auxiliares del Crédito) were published in the Official Gazette to provide that a Sofom, such as us, that issues debt securities registered with the RNV, should be considered a regulated Sofom, rather than a non-regulated Sofom. We have implemented the required changes in order to comply with provisions applicable to regulated Sofomes, which include, among other things, amending our corporate name and bylaws. We will continue to make all necessary changes to adjust our operations as required by the general provisions issued and approved by the CNBV. In sum, as a Sofom, we are permitted under Mexican law to (i) grant loans and engage in other types of financial transactions for various purposes; (ii) place securities in the capital markets and obtain financing from financial institutions, such as insurance and bonding companies; and (iii) grant loans that are not required to be targeted to a specific sector of the Mexican economy.

For a number of years, our strategy has been oriented towards diversification into different products that serve the same base of customers: those unattended by traditional financial institutions. The diversification process started in 2004 by introducing the payroll business. It continued with group loans, used car loans, SME loans and additional products. Consistent with this diversification process, in 2014, we expanded our business into the United States and more recently to Central America. Through this diversification, we gained access to a larger market but also obtained a natural hedge by having an asset denominated in U.S. dollars or in currencies of highly dollarized economies (with limited exchange rate volatility). As of September 30, 2017, 23.5% of our total loan portfolio and 31.3% of our net income attributable to controlling interest was denominated in a foreign currency.

As part of our strategy to consolidate our position in the payroll lending business and to secure a source of payroll loan origination, effective July 1, 2011, we acquired from Desarrollo 51, S.A. de C.V. (“Grupo Kon”) a 49% interest in the shares of one of our principal distributors, Directodo. The acquisition was carried out through the merger of Rasteroz, S.A. de C.V. (“Rasteroz”), a company holding 49% of Directodo’s shares, into Crédito Real. As a result of the merger, Rasteroz’s main shareholder, Venlo Resources Pte. Ltd., (a member of Grupo Kon) received 18.8% of our shares. Futu-lem, a company holding 72.0% of our capital stock prior to the merger with Rasteroz, merged with and into Crédito Real as part of this transaction. As a result, the members of the Berrondo, Saiz and Esteve families became direct shareholders of Crédito Real. See “Principal Shareholders”. At the end of 2014, aiming to consolidate the leadership of the Company in payroll loans, we exercised the option to acquire the remaining 51% of Directodo (which operates its loan origination business under the brand name and trademark Kondinero). The merger took effect November 2014, and we currently own 99.99% of Directodo, which operates as our subsidiary.

Consistent with our acquisition strategy, on November 18, 2011, we acquired a 49% interest in the shares of Publiseg, one of our two main distributors of payroll loans. Publiseg operates under the brand name Credifiel. We paid for this strategic acquisition in cash.

In August 2012, and in order to further consolidate our position in the payroll loan market, we entered into an agreement to acquire a minority interest in the capital stock of GEMA. GEMA operates under the brand name Crédito

Information on the Issuer

Maestro. We initially acquired a 40.8% ownership interest, and during the first quarter of 2013 increased our ownership interest to 49%. Additionally, the agreement provides options for us to acquire the remaining 51% interest in GEMA in 2017 and 2018.

In October 2012, we conducted an initial public offering and became a variable capital public stock corporation (sociedad anónima bursátil de capital variable).

During 2013, we continued to expand through the acquisition of a portfolio of SME loans and entered into an alliance with Fondo H, S.A. de C.V., SOFOM, E.N.R. thereby strengthening our presence in the SME loans market. We also continued our expansion into auto loans, which accounted for 3% of our loan portfolio as of December 31, 2014 and in order to strengthen growth in that product, in 2014, we acquired 51% of CR Fact, S.A.P.I. de C.V.

During 2014, we partnered with CEGE Capital, S.A.P.I., SOFOM, E.N.R., by acquiring 38% of its capital. This partner grants group loans under the “Contigo” brand. We also partnered with Bluestream Capital, S.A.P.I. de C.V. by acquiring 23% of its capital. This partner also grants group loans under the “Somos Uno” brand.

As a result of the Financial Reforms, in 2014, we became a regulated entity.

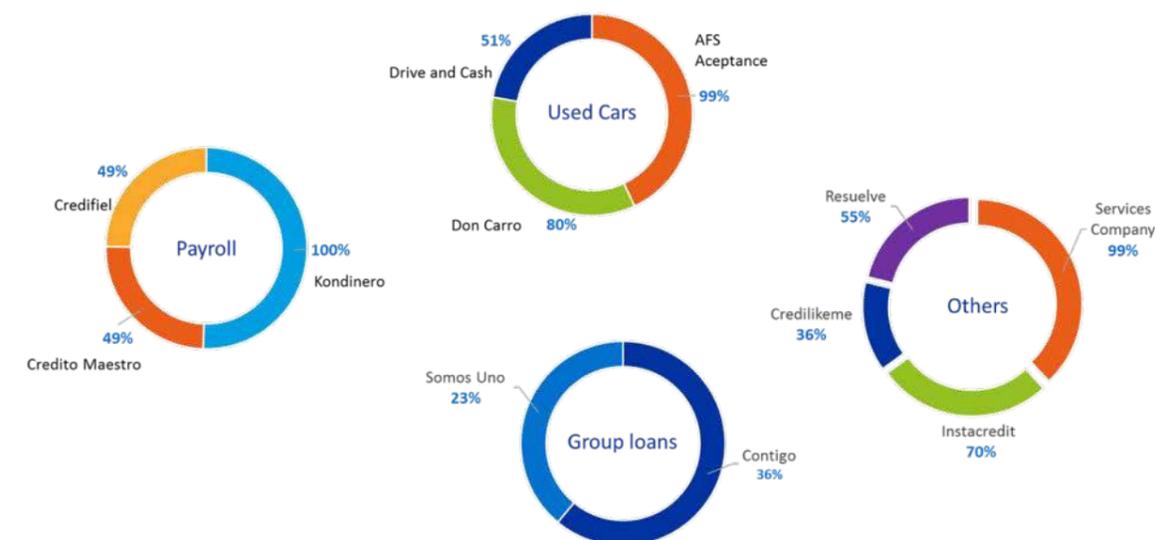
In order to strengthen the distribution for used car loans in the United States, in October 2015, we acquired 65% of the capital of AFS. AFS is a financial institution focused on providing loans for the purchase of used cars in the United States, with a presence in 32 states with a network of over 390 used car dealers, as of September 30, 2017.

In December 2015, we acquired 55.2% of the capital of CAT 60, S.A.P.I. de C.V., which holds several entities in the Resuelve Group. This entity offers credit repair services focused on people with debt problems, advising on savings plans and negotiating with creditors to reach an agreement and settle their debts.

Finally, in February 2016, we acquired 70% of the equity interests issued by a Panamanian company named Marevalley Corporation, which is a holding company with several entities in Costa Rica, Nicaragua and Panama operating under the “Instacredit” commercial name. This transaction contributed to our business diversification.

From December 31, 2014 to December 31, 2016, our loan portfolio increased at a CAGR of 31.9%, from Ps.10,423.5 million to Ps.23,927.0 million. During the over 24 years that we have been in business, we have disbursed approximately four million loans to more than two million customers.

The following chart shows a breakdown of our subsidiaries by business line as of September 30, 2017:



Note: “Service Companies” (Servicios Corporativos Chapultepec) is a corporation which provides us exclusively with administrative services. Directodo (Kondinero), Publiseg (Credifiel) and GEMA (Crédito Maestro) are among Mexico’s main payroll loan distributors.

Information on the Issuer

Principal Activity

We are a leading specialty finance company in Mexico regulated by the CNBV, with presence in the United States, Costa Rica, Panama and Nicaragua. We focus on consumer lending, and we have a diversified and scalable business platform focused primarily on the following types of loans: (i) loans with payment via payroll deduction, or payroll loans (ii) consumer loans through Instacredit, (iii) loans for used car purchases, or used car loans, (iv) loans to small businesses, or small business loans, and (v) loans to small groups of borrowers, or group loans. We offer our products to the low- and lower middle-income segments of the population, which historically have been underserved by other financial institutions. According to INEGI, these segments account for approximately 68.7% of the total working population, which represents approximately 36.9 million potential customers. On September 30, 2017, the average principal amount of our outstanding loans was Ps.32,602. All loans made or purchased by us are denominated in Mexican pesos, U.S. dollars, Costa Rican colones, or Nicaraguan cordobas, bear interest at fixed rates and are amortized in installments. We design our credit products with terms that we believe can be easily understood by customers, even if they have no previous credit history.

At September 30, 2017, our payroll loan portfolio totaled Ps.17,562.3 million, representing approximately 38% of the potential market according to our internal estimates based on market data. Additionally, according to ProDesarrollo, in 2015 we were one of the largest providers of group loans in Mexico, and our distributors had a total of 215,462 group loan customers as of September 30, 2017.

We fund our portfolio primarily through our own capital, debt securities issued in the local and international capital markets and bank credit lines. In 2010, we accessed the international debt markets through an inaugural five-year bond offering of our 2015 Senior Notes followed by a reopening for a combined aggregate principal amount of US\$210 million. In 2014, we issued US\$425 million in aggregate principal amount of our 2019 Senior Notes, which were repaid in part with the issuance of US\$625 million of our 2023 Senior Notes in 2016. As of December 31, 2014, 2015 and 2016, we had capitalization ratios (defined as total stockholders' equity divided by total loan portfolio at the end of the period) of 38.8%, 38.1% and 38.8% respectively. As of September 30, 2017, we had a capitalization ratio of 35.2%.

We strive to deliver economic value to our shareholders by enhancing the social well-being of our clients through our loans, which provide them with the opportunity to access funds that would otherwise not be easily obtainable, given the limited or nonexistent credit histories of the majority of the individuals we serve.

Our Loan Products

Overview

Our typical customer has historically had limited access to financing from banks and other traditional credit providers. Most of our customers have limited or no credit histories and are thus generally unable to meet the minimal lending standards of banks and traditional financial institutions. The interest rates we charge on our loans reflect the additional risks posed by lending to the customers we target, the difficulties in reaching such customers and the expenses involved in developing tailored consumer credit products to meet their needs, as well as in originating, servicing and monitoring small loans.

Information on the Issuer

The following table sets forth the typical characteristics and terms of our products as of September 30, 2017.

	Loan Product					
	Payroll Loans	Used Car Loans	Small Business Loans	Durable Goods Loans and Other ⁽³⁾	Group Loans	Consumer Loans (Instacredit)
Main characteristics	Loans repaid through deductions from the paychecks of unionized government employees	Focused on financing semi-new and used cars through strategic alliances with a network of distributors that use their own sales force to promote our loans	Provides enterprise financing through non-revolving short- and long-term lines to fund working capital requirements and investment activities	Short-term consumer loans to finance purchases of durable goods from selected specialized retail chains	Small group loans for working capital requirements of micro-businesses	Focused on consumer loans, SME loans, and auto loans
Average loan amount (approx.)⁽¹⁾	Ps.47,863	Ps.184,848	Ps.4.9 million	Ps.7,111	Ps.3,566	Ps.23,879
Payment frequency	Every 2 weeks	Monthly	Monthly	Monthly	Weekly	Monthly
Average term	44 months	42 months (Local), 2 - 60 months (CR Fact), 54 months (Dallas), 62 months (AFS)	12 - 36 months, Fondo H: 13 months	12 months Other 13.3 months	3.8 months	22-60 months
Average yield	31.5%	27.9%	20.9%	22.0% Other 76.4%	12.4%	49.4%
Origination channel	11 distributors, (including 1 in Honduras), +6,000 sales representatives overall, owning 100% of Kondinero and 49% of the other two largest.	Alliances with 18 distributors. One partnership with 28 branches in 13 states of Mexico. Two strategic alliances in USA. Dallas with 5 branches, and AFS with over 390 distributors in 32 states of the US.	Alliance with Fondo H, and in-house brand. 5 sales reps. (3 Fondo H, 2 in-brand)	None.	Two partnerships. 181 branches and 1,523 promoters	Instacredit has presence in Costa Rica (56 branches), Nicaragua (13 branches) and Panama (3 branches).
Effective interest rate	50-65%	25-74%	17-48%	40-50% Other 76.4%	90-110%	32-62%
Risk and profit sharing (R&P)	Include sharing risk with the distributors	Include sharing risk with the distributors	Some loans include sharing risk with the distributor	Some products include sharing risk with the specialized retail chains	Not applicable	Equity participation
Percentage of loan portfolio	65.8%	9.6%	6.4%	1.4%	0.8%	16.0%
Delinquency rate	1.5%	1.2%	2.8%	11.1%	0.1%	5.4%
Number of outstanding clients (approx.)	366,928	13,893	351	43,103	215,462	178,558
Target market⁽²⁾	C+, C-, D+	C+, C, C-, D	C+, C	C, D+, D	C-, D, E	C+, C, D

(1) The amount of group loans includes the loan amount for each member of the group.

(2) Market segments are defined based on monthly family income, in accordance with the categories established by AMAI, as follows: Level E, between Ps.0 and Ps.2,699; Level D, between Ps.2,700 and Ps.6,799; Level D+, between Ps.6,800 and Ps.11,599; Level C, between Ps.11,600 and Ps.34,999; Level C+, between Ps.35,000 and Ps.84,999; and Levels A and B, Ps.85,000 or more.

(3) Divestment from durable goods loans is underway and no new loans are being made.

Between December 31, 2014 and December 31, 2016, our total loan portfolio grew by a CAGR of 31.9%. This growth increased our profitability as we took advantage of our operating and financial leverage.

Information on the Issuer

Markets for Our Products

We provide our loan products throughout Mexico, including in several major metropolitan areas, such as Mexico City, and other large cities in the states of Guerrero, Morelos, Nuevo León, Puebla, Veracruz and Yucatán, among others. Our payroll and durable goods loan businesses, which are our oldest business lines, have a presence in every Mexican state, while our group loan business operates in 23 of the 32 Mexican states.

The following table shows the percentage breakdown of our loan portfolio in each of our main loan product categories by state as of September 30, 2017.

State	Business Line						Total
	Payroll Loans	Used Car Loans	Small Business Loans	Durable Goods Loans and Other	Group Loans	Consumer Loans (Instacredit)	
Aguascalientes	1.2%	0.0%	0.0%	0.0%	0.7%	0.0%	0.8%
Baja California	1.4%	0.0%	0.0%	0.4%	0.0%	0.0%	0.9%
Baja California Sur	0.8%	0.0%	0.0%	0.2%	0.0%	0.0%	0.5%
Campeche	1.6%	0.0%	0.0%	0.2%	0.0%	0.0%	1.0%
Chiapas	5.1%	0.2%	0.0%	0.2%	0.0%	0.0%	3.3%
Chihuahua	1.5%	0.2%	0.0%	0.0%	0.0%	0.0%	1.0%
Coahuila	1.7%	0.1%	0.0%	0.0%	1.8%	0.0%	1.1%
Colima	0.5%	0.1%	0.0%	0.2%	2.1%	0.0%	0.4%
Mexico City	13.0%	3.3%	95.3%	26.5%	0.0%	0.0%	14.9%
Durango	0.9%	0.0%	0.0%	0.0%	1.0%	0.0%	0.6%
Estado de México	11.7%	9.6%	4.6%	13.5%	8.9%	0.0%	9.1%
Guanajuato	3.0%	0.1%	0.0%	0.0%	8.1%	0.0%	2.3%
Guerrero	6.0%	0.0%	0.0%	0.0%	7.8%	0.0%	4.1%
Hidalgo	2.1%	0.1%	0.0%	0.0%	2.2%	0.0%	1.4%
Jalisco	2.9%	0.8%	0.0%	15.3%	7.8%	0.0%	2.4%
Michoacan	1.9%	0.0%	0.0%	0.0%	12.5%	0.0%	1.7%
Morelos	1.0%	0.2%	0.0%	0.0%	3.0%	0.0%	0.8%
Nayarit	0.8%	0.0%	0.0%	0.0%	2.3%	0.0%	0.6%
Nuevo Leon	2.8%	0.4%	0.0%	0.1%	2.0%	0.0%	1.9%
Oaxaca	10.9%	0.0%	0.0%	0.2%	2.6%	0.0%	7.1%
Puebla	2.1%	0.5%	0.1%	1.2%	3.9%	0.0%	1.6%
Queretaro	0.6%	0.2%	0.0%	19.5%	2.9%	0.0%	0.7%
Quintana Roo	0.7%	0.2%	0.0%	6.6%	0.0%	0.0%	0.5%
San Luis Potosi	2.3%	0.2%	0.0%	0.0%	3.7%	0.0%	1.6%
Sinaloa	2.2%	0.1%	0.0%	0.0%	3.7%	0.0%	1.6%
Sonora	3.2%	0.1%	0.0%	2.5%	1.1%	0.0%	2.1%
Tabasco	2.4%	0.2%	0.0%	0.4%	6.3%	0.0%	1.8%
Tamaulipas	2.2%	0.0%	0.0%	0.5%	0.0%	0.0%	1.4%
Tlaxcala	0.7%	0.0%	0.0%	0.0%	0.2%	0.0%	0.5%
Veracruz	10.4%	0.6%	0.0%	3.9%	10.3%	0.0%	7.1%
Yucatan	1.2%	0.1%	0.0%	4.7%	0.0%	0.0%	0.8%
Zacatecas	0.5%	0.0%	0.0%	0.0%	0.6%	0.0%	0.3%
Subtotal	99.1%	17.6%	100.0%	96.4%	95.5%	0.0%	75.9%
United States of America	0.0%	77.9%	0.0%	0.0%	0.0%	0.0%	7.3%
Central America	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%	15.6%
Others(1)	0.9%	4.5%	0.0%	3.6%	4.5%	0.0%	1.2%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

(1) The Others category reflects IMSS and Mexican federal entities that centralize their respective portfolios.

Information on the Issuer

As of September 30, 2017, our payroll loan portfolio was concentrated primarily in the states of Mexico City (13.0%), Estado de México (11.7%), Oaxaca (10.9%) and Veracruz (10.4%). These concentrations are the result of the strong presence our payroll loan distributors have in those states and of the high population density of those areas.

As of September 30, 2017, our group loan portfolio was concentrated in the states of Michoacán (12.5%), Veracruz (10.3%), Estado de México (8.9%) and Guanajuato (8.1%). These are the states in which our group loan business has been active for the longest period of time, and as a result, where our promoters have the most developed relationships with existing and potential borrowers.

As of September 30, 2017, our small business loan portfolio was concentrated in Mexico City and Estado de México. This concentration results from the fact that we launched this new business line in Mexico City with plans to broaden the geographic span of this portfolio in the future.

As of September 30, 2017, our used car loans portfolio was concentrated in the United States (77.9%), Estado de México (9.6%) and Mexico City (3.3%). This concentration is the result of the operation of our partners in the United States and the current distribution agreements in Mexico. We expect to broaden the geographic span of this portfolio in the future.

Finally, as of September 30, 2017, our Instacredit loan portfolio was concentrated in Costa Rica with 74.1% of the loans located in that country. This concentration is the result of the inception of Instacredit in that country. We expect to broaden the geographic span of this portfolio in the future.

We believe that our efforts to consolidate our payroll business, expand our group loan branch network and expand the geographic reach of our most recent business lines of small business loans and used car loans will enable us to achieve an even more diversified loan portfolio across all Mexican states.

The following sections describe our loan products in more detail.

Payroll Loans

Our payroll loans are granted through our distributors to unionized state and federal public sector employees, retirees and pensioners. These loans are originated by our distributors through portfolio purchasing operations. The loans are repaid through paycheck deductions pursuant to the borrowers' prior written instructions. These instructions authorize a borrower's public sector employer to make fixed installment payments (including interest) from the borrower's payroll wages before those wages are paid to the borrower, significantly mitigating the risk of default. Government agencies typically set limits for the percentage of net available salary that can be deducted from employees' wages to repay a loan. We offer certain of our customers the option to renew their loans before they reach maturity. Historically, approximately 35% of our payroll customers have renewed their loans, and we expect this trend to continue.

The relationships established by our distributors, either directly or through service providers, such as public relations firms, with those labor unions which employ or represent public sector employees in various regions of Mexico are formalized through cooperation agreements among our distributors, the labor unions and the public sector employers. These agreements provide that the distributor will offer loans that are payable through payroll deductions for unionized workers and also provide that the public sector employers must execute the employee's instructions with respect to payment installments, including interest.

Under these cooperation agreements, obligations are created between our distributors and government entities and/or labor unions, which allow the distributors to take the necessary steps to promote and provide payroll loans to unionized employees. Furthermore, under such cooperation agreements, labor unions typically agree to assist the distributors in processing and obtaining the discount codes (*claves de descuento*) required for direct payroll deductions to be made. Such discount codes are provided by employers. The government entity, in addition to making the payroll deductions and remitting payments directly to Crédito Real as beneficiary is obligated to report periodically to us and the distributors regarding the payroll deductions. Distributors are responsible for coordinating with the relevant government entities so that the appropriate systems are operating properly and payments for bi-monthly amortization repayments are made on time. The government entities and/or labor unions are not involved

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in any way in the negotiation of loans, the loan approval process or the determination of the terms of credit agreements entered into by the distributors with unionized workers.

These cooperation agreements establish the mechanisms through which public sector employers or labor unions authorize our distributors to award loans to their employees, retirees, pensioners or union members, and promote such loans at work sites or events organized by labor unions. They include (i) the documentation that distributors must present to public sector employers or government entities in order to set up payroll deductions, as well as the timeline for such payroll deductions; (ii) the bank account through which the public sector employers must transfer or deposit payments received, as well as the specified periods for such transfers; (iii) in certain cases of termination, the obligations of government agencies to continue carrying out payments in accordance with the borrowers' instructions for loans which are still active are established; and (iv) the causes for termination or rescission of the loans. The specific terms and conditions of each cooperation agreement vary on a case by case basis. In certain cases, the cooperation agreements establish payments from the distributors to the public sector employers or labor unions for their assistance securing the payroll loan customers. In general, such payments are determined based on the amounts paid by the employees on the payroll loans.

In some instances, the cooperation agreements provide for the payment of a fee by the distributor to the labor unions (or the government agency), based on a percentage of the loans originated through the particular cooperation agreement. Distributors are responsible for coordinating with government entities and our branches in order to ensure that the corresponding information systems work adequately and payments are made on time.

The collection and maintenance of those cooperation agreements has a cost, which we estimate varies between 3% and 5% of revenues generated by the portfolio of payroll loans. This cost is fully covered by the distributors.

As a part of our strategy to expand and strengthen our payroll loan operations and increase profitability, on July 1, 2011, we acquired a 49% share in the capital of Directodo from Grupo Kon and also were granted an option to acquire the remaining 51% of the capital stock. Directodo operates its loan origination business under the brand name and trademark Kondinero, and is one of the leading originators of payroll loans in Mexico in terms of origination capacity. Directodo was founded in 2006 and has since originated payroll loans amounting to approximately Ps.5,000 million throughout Mexico.

On September 30, 2017, Directodo had 77 cooperation agreements with government agencies, and operated 120 branches in all states of Mexico. On September 30, 2017, Directodo had 1,400 employees, including 1,000 sales executives and 31 telephone operators.

The acquisition of Directodo was structured through the merger of Rasteroz, a subsidiary of Grupo Kon holding 49% of Directodo's shares, into Crédito Real. As a result of the merger, the shareholder of Rasteroz, Venlo Resources Pte. Ltd. (a member of Grupo Kon), received 18.8% of our outstanding shares. As part of the transaction, Directodo entered into an exclusivity agreement with us and Rasteroz entered into an agreement not to compete with Directodo and their directors and shareholders for the benefit of Crédito Real. These agreements include all of their loan origination activities and give us the right to fund 100% of the payroll loans originated by Directodo. At the end of 2014, aiming to consolidate our leading market share in payroll loans, we exercised the option to acquire the remaining 51% of Directodo (which operates its loan origination business under the brand name and trademark Kondinero). The merger took effect in November 2014 and currently we own 99.99% of Directodo.

Following the same strategy of vertical integration, on November 18, 2011, we acquired a participation equivalent to 49% of the capital of Publiseg, which operates under the brand Credifiel, and is one of the largest distributors of payroll loans in Mexico in terms of origination capacity. We also were granted an option to acquire the remaining 51% of the capital stock of the company. As of September 30, 2017, Publiseg was the third largest originator of payroll loans for us, with approximately Ps.205.2 million originated during the year. The negotiation with Publiseg's shareholders for the acquisition of the 49% interest included exclusivity and non-compete agreements with Publiseg and its managers and shareholders for our benefit. These agreements include all of Publiseg's loan origination activities and give us the right to fund 100% of the payroll loans originated by Publiseg.

Publiseg was founded in 2005. It currently has over 97 branches located in 32 states of Mexico with a sales force of over 2,400 developers. As of September 30, 2017, Publiseg had 106 cooperation agreements.

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Similarly, in August 2012, as part of our strategy to consolidate our position in the payroll loan market, we entered into an agreement to acquire a minority interest in the capital stock of GEMA. The negotiation with GEMA's shareholders for the acquisition of an interest in GEMA included exclusivity and non-competition agreements with GEMA and its managers and shareholders for our benefit. We initially acquired a 40.8% ownership interest, and during the first quarter of 2013, we exercised an option to increase our ownership interest to 49%. Additionally, the agreement provides options for us to acquire and for the current shareholders of GEMA to sell the remaining 51% interest in GEMA in 2017 and 2018. On September 28, 2012, we were notified that the Mexican Antitrust Commission (*Comisión Federal de Competencia*) approved the consummation of this acquisition. The initial transaction was completed on October 4, 2012.

GEMA, which operates under the brand name Crédito Maestro, is one of the main payroll loan distributors in Mexico. As is the case for our investments in Kondinero and Credifiel, our investment in Crédito Maestro will be accounted for using the equity method. This transaction continues our strategy of vertical integration and should help us further operating synergies and increases in our net margin.

As of September 30, 2017, Crédito Maestro had cooperation agreements with 62 government agencies, and operated 100 branches in 32 Mexican states. As of September 30, 2017, Crédito Maestro had 1,600 employees, including 1,400 sales executives.

Currently, our payroll loans are originated by Directodo, Publiseg and GEMA under the Kondinero, Credifiel and Crédito Maestro brands, respectively, as well as by 8 other independent distributors. However, we review and analyze each credit application and approve loans according to our own lending policies and procedures, with the aim of ensuring that all of our loans meet the same quality standards. We share with each distributor the credit risk and the income generated by the loans it originates; however, each distributor retains responsibility for servicing and absorbing all operating costs relating to the loans. Government agencies transfer employees' loan payments directly to us or to a trust controlled by us, and we then transfer to each distributor its respective share of income net of any deductions related to non-performing loans.

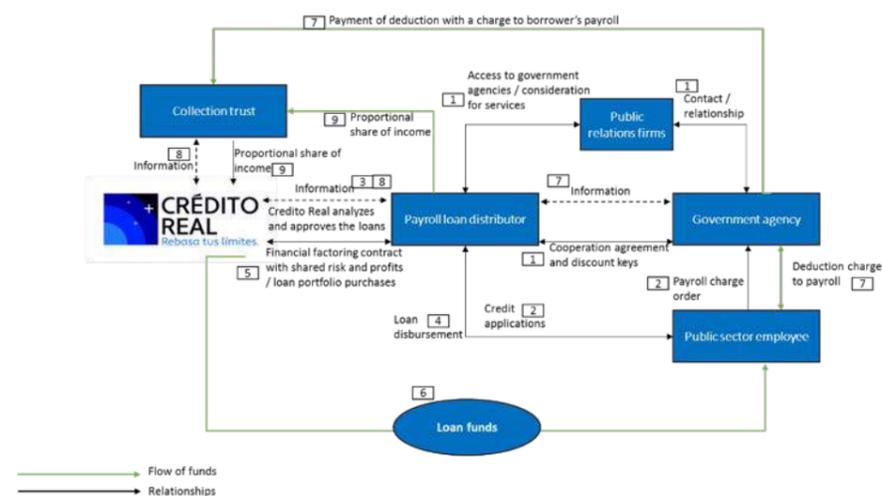
Our distributors have access to approximately 305 government entities across all states in Mexico, and employ or are affiliated with approximately 1.6 million individuals.

Payroll loans have become an attractive alternative source of unsecured credit for Mexican consumers. Due to the method for repayment, borrowers find it easier to service and qualify for payroll loans compared to other forms of consumer financing. For the same reason, lenders tend to view payroll loans as a more attractive risk compared to other forms of consumer financing.

Our average payroll loan has an average term of approximately 44 months and an initial principal amount of approximately Ps.47,863 (equivalent to approximately 30% of the average borrower's gross annual income). The interest rates we offer on our payroll loans range from 45% to 55% per annum. As of September 30, 2017, we had approximately 366,928 clients with payroll loans outstanding with an aggregate principal amount of Ps.17,562.3 million, which represented approximately 65.8% of our total loan portfolio and 61.0% of our interest income. As of September 30, 2017, the percentage of non-performing loans in our total payroll loan portfolio was approximately 1.5%.

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The following chart provides an overview of our payroll loan business model:



1. Distributors' access to government agencies, through public relations firms; signature of cooperation agreements between distributors and government agencies.
2. The distributor consolidates the loan application and compiles the documentation and information needed from the potential borrower (public sector employee); the loan application includes the instruction for a payroll charge granted by the employee/borrower to the agency.
3. We receive the documentation and information from the employee, evaluate the loan application, and approve the loan on a case-by-case basis. We keep the loan documentation (loan contract, pay stub, etc.).
4. The distributor grants the loan.
5. We acquire the loan through a financial factoring operation, pursuant to the financial factoring agreement entered into between us and the distributor.
6. We disburse the loan funds and the borrower/employee receives them.
7. The agency carries out the charges to the employee/borrower's payroll needed for the depreciation of the loan, and transfers the funds to the collection trust. The distributor carries out the collection of the loan with the agency, and receives information from the agency related to the charges made to the employee/borrower's payroll.
8. We receive information on the charges carried out by the agency and the funds received by the collection trust from both the distributor and the collection trust, reconcile this information and apply it to our systems.
9. We distribute the shared gains or losses between the distributor and us.

Business Model

Our business model allows both us and our distributors to focus on each of our respective competitive strengths. While we focus on risk management and funding, our distributors focus on increasing our potential customer base by signing new cooperation agreements with government entities or renewing existing ones and promoting our loans among unionized government employees.

Distribution and Origination

Payroll loans are originated by Directodo, Publiseg and GEMA, under the Kondinero, Credifiel and Crédito Maestro brands, respectively, and by other independent distributors, and later acquired by us via portfolio purchase operations, pursuant to financial factoring agreements with our distributors.

These financial factoring agreements stipulate that: (i) we will pay a specified price to the distributor for the acquisition of rights to the loan, including the formulas used to determine the final price based on fluctuating discounts and taking into consideration the quality of the acquired loan rights, assuming the effective payment of said loans; (ii) payment will be made in partial payments such that part of the price will be paid when the rights to the loan are acquired and part of the payment will be made later, in specified periods; (iii) there will be a joint and several obligation of the distributor in the event that the borrower of the loan acquired by us does not pay the loan amounts due to us based on a percentage of the unpaid amount; and (iv) we may compensate the distributor for the joint and several obligation amount due to us by discounting any amount owed by us to such distributor.

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For exclusively operational purposes, a part of the price for the acquisition of the loan in the financial factoring agreements is recognized as "interest income" or a "bonus", although these concepts are part of the acquisition price for the loan rights, which is determined by taking into account: (i) the amounts paid by the borrowers to us and (ii) the dates on which such amounts are paid.

Factoring agreements entered into by us provide for partial recourse against the distributor if the borrowers do not meet their payment obligations. In terms of the factoring agreement, the distributors are liable to the borrowers for the percentage specified in such agreements with respect to amounts not paid by us.

We currently have factoring agreements with 11 distributors. These distributors in turn have cooperation agreements with public sector employers or employee labor unions in 305 governmental agencies across all states in Mexico, through which they promote our payroll loan products.

Loan origination occurs through a distributor, subject to our lending standards, our loan terms and our approval. Many of our distributors depend upon the services of public relations firms to provide contacts and lobby for contracts with public sector employers and/or labor unions. The fees paid to these public relations firms by our distributors or by us generally depend on the number of loans that originated from the specific public sector employer or labor union, and the collection of such loans.

Borrowers must be employees of a government agency or members of a labor union that has entered into a cooperation agreement with one of our distributors and must prove employment by producing pay stubs. We are responsible for verifying a borrower's identity, employment and repayment capacity based on our credit policies. When loans are being originated, distributors are responsible only for collecting information. Borrowers can withdraw the proceeds of the loan against our account at any local bank. Depending on the distributor, loan disbursement can occur either by a deposit in the customer's bank account, by check or by automated loan disbursement (*dispersion automática de pagos*, or "DAP"), with DAP being the most common. We serve as custodian for all credit documentation, including the irrevocable instructions from creditors for the deductions to be made from their paychecks.

Except for Directodo, Publiseg and GEMA, neither we nor any of our shareholders has an ownership interest in any of the distributors with which we operate. Aside from the acquisitions of 99.99% of Directodo and 49% of Publiseg and GEMA described above, we currently have no intention of acquiring another payroll loan distributor.

Credit Application and Review Process

The credit application process for our payroll loans depends partially on our distributors. They are responsible for collecting the information and sending it to us for our review. Our proprietary credit review and approval process includes both quantitative and qualitative features. Upon receiving a loan application, our credit department first evaluates the electronic credit application and supporting information provided by the distributor and processes the loan application on an individual basis. The credit decision is supported by automated processes through a central computer system using scoring tables and algorithms to evaluate the payment capacity of the applicant. The qualitative aspects of the loan request are evaluated by our credit analysts. Individualized scoring models are developed for our main specialized retail chains and generic scoring models are used with other specialized retail chains. Our ability to develop a tailored scoring model for a particular specialized retail chain depends on the amount and quality of the information we have on the risk profile of the specialized retail chain's customer. Our business model does not include the possibility of pre-approval of payroll loans.

Loan Servicing and Collection

In Mexico, certain unionized employees receive their paychecks directly from their employers; others receive paychecks from their employers through the labor unions to which they belong. Each distributor registers each payroll loan it originates with the borrower's employer or the borrower's union, according to the entity from which the borrower receives his or her paycheck. The distributor submits signed instructions from the borrower to the borrower's employer or union to make direct installment payments to the lender from the borrower's paycheck. Every two weeks, we collect from employers or unions of our borrowers, prior to the disbursement of paychecks, an amount equal to the total installment payments of our payroll loan borrowers; this amount is sent to a trust in which we are a trustor, and in which Crédito Real and our distributors are beneficiaries of the payroll loan collections received. Each distributor verifies the loan payments and sends an electronic file to us with the necessary information for the

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correct application of the payment in our management system. We then transfer to each distributor its respective share of income net of any deductions related to non-performing loans. This agreed-upon income percentage given to the distributor is treated as a bonus to the discount with which we acquired the loans from the distributor. On occasions, due to netting and compensation, we directly transfer to the distributor its share of income.

Loan Documentation

Payroll loans acquired from our distributors are documented through the execution of loan contracts and promissory notes. We store the loan contracts and original promissory notes in digital format, as well as by safekeeping signals.

There is no priority of payment for cases where a borrower has more than one loan with different lenders.

The payroll loan contracts do not allow for the payment of additional amounts in favor of the borrowers, such as interest. Some payroll loan contracts may establish penalties for voluntary prepayment by the borrowers. However, the borrowers have the option of making direct payments to the account specified in the contract pursuant to the terms and conditions established in said loan contracts.

Target Market

Our target market for payroll loans consists of unionized employees of federal, state and municipal governments and other public agencies with monthly gross income ranging from Ps.10,000 to Ps.30,000. As of September 30, 2017, approximately 45% of the payroll loans we acquired were made to current employees of the state and federal public school systems. Public healthcare professionals represent 3% of our loan originations and IMSS employees represent 36%, while other government employees account for the remaining 16%.

Competition

In addition to credit cards and other forms of financing, our primary competitors in the Mexican payroll loan market are the following companies:

- Crediamigo México, S.A. de C.V.;
- Consupago, S.A. de C.V.;
- Ediciones Tratados y Equipos, S.A. de C.V.; and
- FONACOT.

The remaining competitors in the Mexican payroll loan market are comprised of a number of other institutions, none of which, we believe, has a significant individual market share. We believe that our distributors with whom we operate generally do not work with other payroll lenders and enjoy stable relationships with public sector employers and labor unions. However, our agreements with our distributors are not exclusive, and we cannot assure you that our distributors with whom we operate will continue working primarily with us or that they will maintain their existing payroll loan cooperation agreements with public sector employers and unions.

Competitive Strengths

We provide low-cost funding to our distributors through our factoring operations. In addition, our profit/risk sharing arrangements with our distributors create an incentive for them to operate efficiently.

Our distributor network provides access to customers in different locations within Mexico. Our systems and technological platform give us the ability to tailor our payroll loan products to satisfy the specific needs of customers across diverse locations in Mexico.

We have a highly developed operational model, information technology systems and broad-based market expertise that help us to better adapt to the needs of our distributors and maintain better control over our payroll loan portfolio.

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In addition, our operational flexibility and capacity to innovate allow us to adapt to changing market conditions and constantly analyze opportunities as they arise with new distributors, agencies and markets more broadly.

The terms and conditions of our payroll loans include fixed interest rates, fixed terms and fixed installment plans. We believe our borrowers find such fixed terms easy to understand, making our payroll loan products more attractive.

Pensioners

Since 2014 we have been active in granting loans to pensioners of the IMSS. We estimate the pensioner market to be nearly 3.7 million people, mostly underserved by traditional financial institutions. One of the advantages of the pensioner segment is that the origination process is straightforward, because the monthly payment, and therefore the total amount of the loan, is determined by the IMSS itself, and the collection process is highly reliable. As of the end of the third quarter of 2017, loans to pensioners amounted to 32.6% of our total payroll loan origination.

Used Car Loans

Our used car loan business in Mexico is mainly focused on financing semi-new and used cars through strategic alliances with a network of distributors that use their own sales force to promote our loans. The cars have a life range of three to ten years. The average term of a used car loan is 42 months with an average interest rate of 33.8%. Additionally, all cars are insured and have a GPS system that allows us to know in real-time where the car is at all times.

In addition to this, we have a 51% equity interest in a company which operates under the brand name "Drive & Cash", which is engaged in offering secured financing for private automobiles and commercial vehicles. As of September 30, 2017, the distribution network of Drive & Cash is composed of 28 branches located in 21 states nationwide in Mexico.

We also offer loans for used cars in the United States. We have a majority stake in a distributor operating under the brand "Don Carro" with five branches in Texas.

In addition, in October 2015, we acquired a majority stake in AFS, a credit operator for used cars. AFS has a service platform that enables it to operate in 32 states throughout the United States and has operating agreements in place with more than 390 distributors in that country.

We believe these investments in Don Carro and AFS will allow us to focus on serving the segment of the Hispanic market in the United States with limited access to used car loans and simultaneously will allow us to build a significant U.S. dollar-denominated asset base.

As of September 30, 2017, we had a used car loan portfolio of Ps.2,568.1 million with a customer base of 13,893 clients.

Distribution and Origination

We have distribution agreements with 18 distributors and direct agreements with 21 dealers through our internal sales force. Our principal distributors are GPI Comercial S.A. and Queremos Financiar, S.A.P.I.de C.V. Our top two distributors collectively account for approximately 81% of our used car loans portfolio.

Loans are originated at the point of sale. The borrower must complete a credit application in the store and a commercial advisor sends it to Crédito Real with copies of the customer's identification and income statements. The information is sent to the company through our digital platform.

Credit Application and Approval Process

Our proprietary credit review and approval process includes both quantitative and qualitative features. Upon receiving a loan application, our credit department first evaluates the electronic credit application and supporting information provided by our distributors and processes the loan application on an individual basis. The credit decision is supported by automated processes through a central computer system using scoring tables and algorithms to

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evaluate the payment capacity of the applicant. Quantitative information regarding payment capacity is determined based in part on proprietary industry data, in part on individualized payment history (if the applicant is a repeat customer) and in part based on information obtained from third-party credit bureaus.

For the used car loans applications that lack detailed credit histories, the qualitative portion of our proprietary credit review and approval process becomes paramount. This process, which typically takes approximately 24 hours to complete, involves individualized investigations into the creditworthiness of a potential borrower, including personal contact, typically by telephone, between our credit department and the borrowers' employer and other references that the borrower provides.

Loan Servicing and Collection

Repayment of our used car loans by our customers is typically accomplished through monthly payments to us through a local bank. All of our cars have a GPS that allows us to know in real time where each vehicle is at all times. We have implemented preventive collection procedures, including telephone calls to inform customers that a payment is coming due or has become overdue. Any loan that has two consecutive overdue payments is placed in a field collection process, and we may eventually pursue legal action for collection and repossession of the vehicle. Our used car loans are secured by a non-possessory pledge (*prenda sin transmisión de posesión*) on the car invoices of the purchased car (property title), which is endorsed by a guarantee in favor of us and is kept in a secure vault at the company. However, for purposes of enforcing our rights in collection procedures, we use only the promissory note that evidences the corresponding loan.

Competition

The market for used car loans in Mexico is not very penetrated. Our competitors are mainly:

- Some banks;
- Local financial companies; and
- Small car dealers that offer in-house loans.

In the U.S., we compete in the used car loan market mainly with:

- Banks and credit unions;
- Finance companies and captive finance companies; and
- Buy Here Pay Here dealerships.

Competitive Strengths

Our principal competitive strength is the flexibility of our financing program, our capability to do tailor financing programs that meet our clients' needs and credit profile and the efficiency in the overall loan process.

Small Business Loans

This business aim to serve a market segment that is underserved by banks, through two different channels:

- An alliance with a small business loan distributor. In October 2013, we entered into an alliance with Fondo H in order to strengthen our position in the SME loan market and also acquired a Ps.657.5 million loan portfolio. Fondo H is an originator focused on granting short- and medium-term loans to SMEs in Mexico. Its customer base includes businesses in the manufacturing, distribution and services sectors. Through the agreement we provide exclusive funding for the loans originated by Fondo H. The enterprises that are granted such loans have annual sales between Ps.50,000,000 and Ps.100,000,000. The loan amounts range from Ps.1 million to Ps.10 million with loan terms from three to 24 months and interest rates of 20–25%. We believe this market represents a great opportunity because of the large number of small business in Mexico.

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This alliance has enabled us to grow our loan portfolio more rapidly, from Ps.1,318.3 million at the end of 2014 to Ps.1,485.5 million at the end of 2015 and Ps.1,368.5 million at the end of 2016. This growth is equivalent to a CAGR of 1.3% over three years.

- A personal in-house brand in the Mexico City area. The main customers of our Crédito Real PYMES brand are mom and pop stores, micro and small enterprises and independent professionals. We provide enterprise financing through non-revolving short-term lines (up to 12 months) and long term lines (up to 36 months) to fund working capital requirements and investment activities. Amounts range from Ps.100,000 to Ps.1,000,000, with a preference for loans in an amount approximately equal to Ps.400,000. The collateral is comprised of personal guarantees, and on loans of Ps.500,000 and above we require a hard collateral, non-residential guarantee. Interest rates and loan fees range from 28–32% and 1.5–2.5%, respectively.

Distribution and Origination

Loans are originated through our official internet web site, commercial fairs, street screenings and our business center in Mexico City. The total sale force consists of ten sale representatives. Portfolio management and the approval process are performed through the Credit Relationship Manager System.

The prescreening process is performed by our six sales representatives and is based on a know-your-customer approach. The process involves the completion of a credit application that comprises: (1) commercial, personal and credit bureau references, (2) proof of cash flow generation based on banking and/or financial statements and (3) verification of place of business. Once a customer has been approved a preliminary term sheet is validated.

The financial analysis consists of an in depth interview to establish payment capacity. The analysis is based on cash flow rather than collateral lending. Our in-house financial model considers: cash flow generation, liquidity and leverage ratios, operating cycle and capital expenditure requirements. After the financial analysis, a Corporate Credit Summary is generated for approval by the Credit Committee (individual and joint faculties).

Loan Servicing and Collection

We have implemented a preventive collection procedure performed by the sales force team, which includes telephone calls and in some cases personal visits to the place of business to notify a customer that a payment is coming due or has become overdue. Any loan that has two consecutive overdue payments is transferred to a specialized collections division in order to procure payment.

Competition

Direct competition consists of other non-banking institutions and personal and corporate credit cards issued by banking institutions.

Competitive Strengths

Our main competitive strengths are our quick response time, our capability to perform tailor financing and personal and direct service.

Group Loans

We started our group loan business in March 2007. This loan product is targeted at owners of small, often informal commercial enterprises referred to as "microbusinesses." The owners of microbusinesses typically have limited access to traditional financing sources such as banks. They typically rely on alternative financing, including cash loans from businesses such as ours, to supply working capital for their microbusinesses.

During 2014, we decided to change our strategy in group loans from direct originators with a branch network to partnerships to whom we provide funding and in whom we hold an equity participation. As a result, we handed over our branch network,

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Currently, group loans are originated through two specialized operators, Contigo and Somos Uno, in which we have equity participations of 38% and 23%, respectively. These two partners together have a total of 1,523 promoters and a network comprising 181 branches. The promoters are familiar with the specific needs of micro-entrepreneurs and self-employed individuals.

Our group loans are short-term loans ranging from 12 to 16 weeks made to microbusiness owners, predominantly women, who form small groups of between 12 to 25 borrowers. The borrowers use the loan proceeds exclusively to finance small commercial enterprises. Each individual in a group may borrow a different amount of money, but the repayment dates and applicable interest rates are the same for everyone in the group. Prior to disbursing a loan, we require each borrowing group to provide to us a security deposit equivalent to 10% of the principal loan amount to be disbursed. Each group member jointly and severally guarantees each other group member's obligations, assuming responsibility for any payment default by another group member.

As of September 30, 2017, we offered group loans to a total of 215,462 customers. Over the next few years, we plan to consolidate our presence in the states in which we currently operate and to continue to eventually expand into other regions in order to build a national presence. We believe our growth strategy will yield significant improvements in our volume, margins and efficiency. We plan to increase the number of customers per promoter and per branch. Furthermore, we believe our disciplined execution and comprehensive training programs will also allow us to improve our operating efficiency and profitability.

Our promoters are responsible for identifying and forming borrowing groups, originating loans and ensuring the timely collection of payments by coordinating weekly borrowing group meetings. Loan payments are collected by a leader selected from within the members of the borrowing group. Each leader is accompanied by another group member to deposit collections on a weekly basis at nearby bank branches or certain convenience stores with which we have collection agreements. Approximately 60% of our group loan customers have applied to renew their group loan once their existing loan has been repaid in full. In order to renew a loan, the borrowing group must increase the number of members by at least one member. In addition, we offer each borrowing group member the opportunity to acquire a year-long life and cancer insurance policy. As of September 30, 2017, 98% of our customers had acquired such policy.

Our average group loan has a principal amount of Ps.3,566 per group member. As of September 30, 2017, we had a Ps.211.9 million group loan portfolio, which represented approximately 0.8% of our total loan portfolio and 0.4% of our interest income. The non-performing loans in our group loan portfolio as of September 30, 2017 were approximately 0.1% of our total group loan balance.

Distribution and Origination

We rely on employees known as promoters (promotores) to identify and recruit potential customers for our group loan products. These promoters operate and receive full salaries and benefits, as well as performance bonuses based on the volume and performance of the loans they help originate. In addition to identifying and recruiting potential customers, promoters are responsible for meeting with borrower groups every week to assess the performance of their microbusinesses and to supervise the collection of payments. Moreover, in 2015 we formed an alliance with two group loan distributors in order to strengthen our loan origination. As of September 30, 2017, we had 1,523 promoters across 181 branches within Mexico.

A key element in the development and maintenance is the formation and maintenance of our staff of promoters. We typically recruit candidates to become promoters from the local area. Our promoters play a key role in our group loan business, and we place a high priority on their training. Each promoter receives two months of training before starting work, which includes both classroom sessions and on-the-job training. This intensive training program is intended to familiarize our promoters with marketing and group formation strategies and with our detailed credit review process and to allow our promoters to develop a thorough understanding of the local market. Our promoters are supervised and evaluated on an ongoing basis by senior personnel and receive periodic training focused on innovations in our business and personal development. A significant portion of the costs involved in expanding our group loan business relate to the recruiting, training and oversight of promoters. The historically high turnover rate of promoters in this business, which requires us to continuously recruit and train new promoters, contributes to these costs.

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We believe that a key differentiator of our business model is our innovative origination and collection methodology for group loans and the level of discipline we maintain in the execution of such methodology. We have implemented a number of policies and procedures that we believe have enabled us to maintain low delinquency rates on group loans, including the following requirements: (i) weekly group meetings coordinated by promoter at which loan payments are collected; (ii) each borrowing group member must live within a 15-minute walking distance from the weekly meeting point; (iii) no more than two members of the same family are allowed to be part of a given borrowing group; and (iv) no loan disbursements may be made to the group unless all group members are physically present at the disbursement meeting. Loans are disbursed by DAP.

Credit Application and Review Process

Because many of our group loan customers have limited or no credit history, the documentation review process for these loans is generally limited to verifying the identities of the borrowers and their sources of income. Our promoters also play a significant role in the credit review process by personally investigating and evaluating prospective borrowers and working to organize effective and efficient borrowing groups. In addition, although our group loans are reviewed and approved by our branches, our central operations department continuously monitors the local credit review process to ensure that our credit review methodologies are applied appropriately.

Loan Servicing and Collection

Each member of a borrower group is required to attend a weekly meeting with the promoter that recruited the group. During this meeting, each member of the group makes the payment due on his or her portion of the loan. If any group member is short of funds or does not attend the meeting to make his or her respective payment, the other members of the group assume responsibility for making up the difference. Each group is led by a committee of three members (a president, a leader and a secretary, all of whom are elected by the group), who are responsible for collecting and verifying loan payments by each member of their group. The promoter is responsible for verifying the collection of payments and ensuring that the total amount of funds received is correct, but promoters do not receive or manage cash payments made by our customers. Instead, the group's committee is responsible for depositing the payment at an authorized bank branch or at certain convenience store chains with which we have collection agreements. Each group's committee keeps all receipts of its bank deposits in order to verify that payments have been made correctly.

As a principal measure for the enforcement of loan payments, we measure delinquency rates using a four-day late payment metric. Our promoters' monthly bonus is tied to their ability to maintain an average delinquency rate below 3.5%, as measured by our four-day metric. In addition, each promoter is required to attend every collection and payment meeting of their borrowing groups to ensure that borrowing groups have collected the total amount of their weekly due payments. Our central offices send to each branch manager the details of all loans that are in default for their timely follow-up on a daily basis.

Target Market

Our group loans are targeted at groups of individuals, primarily women, who own and operate small commercial enterprises but who do not have access to credit from traditional banks. These individuals generally have monthly incomes ranging from Ps.2,000 to Ps.5,000. The average loan balance for our group loans is Ps.3,566 per group member, has an average term of 12 or 16 weeks and carries an effective annual interest rate of 90% to 110%.

Competition

As a whole, we are one of the principal financial companies in Mexico. Our principal competitors at the national level are Banco Compartamos, S.A., Institución de Banca Múltiple, Financiera Independencia, S.A.B. de C.V., SOFOM, E.N.R. and Centro de Apoyo al Microempresario Fundación Integral Comunitaria. We also face competition from regional microlenders and the other players like pawn shops. We compete with these various firms primarily on credit terms and customer service. In addition to other microlenders, we also face competition to a lesser extent from more traditional financing sources. In particular, credit cards have become more widely available in Mexico in recent years, and borrowers who currently rely on loans may be able to secure other sources of financing in the future.

Information on the Issuer

Despite the intense competition, we believe that market penetration of microfinance in Mexico remains low. Our research and discussions with our group loan customers indicate that a significant portion of our group loan borrowers has never had contact with other lenders.

Competitive Strengths

We believe that the primary competitive strengths of our group loan business are our business model, our human resources and our customer service. We believe one of the most distinctive aspects of our business model is the level of discipline which we exercise in the implementation of our group lending methodology described above. We believe that our group loan customers value personal interaction in business relationships, and that our trained staff of promoters, who regularly meet with borrower groups throughout the term of their loan, are essential to cultivating these relationships. Many of our promoters hail from the same cities and regions of Mexico that they serve and can use local relationships to identify and source new customers for our group loans. In addition, we believe that we have designed adequate training programs and compensation schemes that enable and encourage our promoters to deliver a superior customer service. We believe our staff of promoters will be our most important asset in consolidating and growing our group loan business.

Durable Goods Loans

We have made the decision to gradually exit the traditional durable goods loan business, which is why origination has ceased and our durable goods loan activity will cease once the remaining portfolio is recovered.

As of September 30, 2017, we had approximately 43,103 durable goods loans and other clients and outstanding of Ps.364.8 million. This portfolio decreased 27.2% in the nine months ended September 30, 2017 as compared to the nine months ended September 30, 2016. For the nine months ended September 30, 2017, our durable goods and other portfolio generated interest income of Ps.42.7 million, or 0.7% of our total interest income.

Collection

In the event of a late or missed loan payment, collection efforts will be conducted.

- (i) For payroll loans, the collection effort will be conducted by our distributors, each of which has direct contact with the government agencies, labor unions and borrowers. We participate by informing the distributor of late payments. In case of a loss, we will share the loss with the distributor in accordance with the terms of the applicable loss agreement.
- (ii) For used car loans, each car outside of the United States has a GPS system that allows us to know in real-time where the car is located at all times. In addition, all cars are insured.
- (iii) For small business loans, we have certain warranties that support the loans.
- (iv) For durable goods loans, our call center will contact the borrower directly and attempt to recover the payment.
- (v) For group loans, the promoter, in concert with other members of the group, will handle the collection effort. We assess delinquency of the loans based on a four-day internal payment metric and determine what additional measures need to be taken after a loan becomes delinquent.

Other Businesses

Resuelve tu Deuda

During December 2015, we acquired a 55.2% equity stake in Resuelve tu Deuda whose main business consists of offering services to repair individuals' credit standing in Mexico and Colombia. Resuelve tu Deuda did not bring additional credit risk to Crédito Real, but as a fee business this acquisition helped us to diversify our total revenue. Resuelve tu Deuda represented 5.6% of our income for the nine months ended September 30, 2017 and we believe this business presents significant growth opportunities.

Information on the Issuer

Instacredit

Instacredit is a consumer loan based company that has 72 branches throughout three countries; Costa Rica, Nicaragua and Panama. Instacredit started its business on April 2000 in San José, Costa Rica and since 2007 started expanding into other Central American countries.

Instacredit offers everyday rapid credit solutions to low and mid-level income consumers that do not have access to traditional bank loans. The products are the following: consumer loans (unsecured), auto loans (secured), SME loans (secured), and home equity loans (secured).

Consumer Loans

Consumer loans offer everyday credit solutions to clients that urgently need liquidity. These loans can be accessed through branches, direct sales force, promoters, renewal marketing or any of Instacredit's consumer dealership partners.

Due to the fact that all consumer loans are unsecured, the average interest rate in Costa Rica is 62.5%, 55.7% in Nicaragua and 54.0% in Panama, with an average duration of 40 months. All consumer loans represent approximately 45.8% of the Instacredit's loan portfolio as of September 30, 2017.

Within the consumer loans granted in Costa Rica, Instacredit allows its clients to use the facility of payroll deduction that is done through a third party cooperative. This option can only be offered to government employees. At the moment of the formalization of the loan, the customer signs a consent form providing authorization to the cooperative to deduct the corresponding installment amount each month. This collection method allows the Company to maintain a healthier portfolio.

Auto loans

Generally, auto loans are granted through auto dealership partners located throughout Costa Rica. At the moment of formalizing an auto loan, the clients must utilize the purchased vehicle as collateral in order for the loan to be granted, for which 100% of the auto loans are secured.

As of September 30, 2017, auto loans represent approximately 40.5% of Instacredit's active loan portfolio with an average interest rate of 48.6% in Costa Rica and 48.5% in Nicaragua and 42.8% in Panama.

SME Loans

SME Loans are granted to small and medium enterprises (2–5 employees) that can provide evidence of having a physical space where they conduct their business on a daily basis. These loans are generally originated in the branches since a site-visit to clients businesses must be conducted as a requirement for eligibility for a loan.

As an underwriting procedure, the SME must present valid bills, financial statements or any other way to prove financial capability to confront the monthly installments. SME loans are required to have a collateral such as a truck, a car, a house or any other personal asset that the analyst considers valuable enough to serve as collateral.

As of September 30, 2017, SME Loans represented 12.5% of the active loan portfolio with an average interest rate of 51.8% in Costa Rica, 55.9% in Nicaragua and 53.2% in Panama.

Home Equity Loans

Home equity loans are loans granted to clients that are looking to renovate their home and are willing to set the asset as collateral. In order for the house to be approved as collateral, the house must not have another mortgage in place with any other entity. The size of the loan is subject to the valuation of the asset performed by an authorized appraisal agent, the average loan-to-value for this product is 30% to 60%.

Home Equity Loans represent 1.3% of Instacredit's loan portfolio with an average interest rate of 49.6% in Costa Rica. This product is only being offered in Costa Rica.

Information on the Issuer

General Underwriting Procedure

The general underwriting procedure is similar for the four loan types offered to Instacredit clients. This procedure includes the following steps:

- 1) Request form: A request form must be filled to verify the potential client's identity, address, income and employment. The request form can be completed in a branch, with the sales call center or in a dealership. This process usually takes ten minutes or less.
- 2) Data verification: Once the request form is completed by the potential client, it is then sent to a credit analyst where a financial background check is conducted using at least one of the credit bureau databases. In the case of SME loans a site-visit is required.
- 3) Credit evaluation: The credit analyst reviews the credit bureau report and determines the income to expense ratio to determine the indebtedness capability of the potential client. The mentioned ratio must not exceed 50%. The analyst will also examine the income sources provided by the potential client to determine the maximum amount that can be offered to the client. The data verification and the credit evaluation process, in a consumer loan will usually take 20 minutes or less.
- 4) Approval: All loans must be approved by a branch manager or regional manager depending on the size of the loan. Once the loan has been approved by the manager, the loan may be disbursed. The disbursement can be done directly in the branch in cash, by check or through a wire transfer, as per the client's request.

Collections

In order to create an easy to pay experience to clients, Instacredit provides them with the opportunity to pay their installments in its branches, in any bank, or in one of the Instacredit partners.

On average, Instacredit's branches collect approximately 72%, banks collect 17%, and Instacredit partners collect the remaining 12%.

In order to collect more efficiently, Instacredit has a collection call center in each of the countries it operates, the call center has specialized collection staff. As of September, 2017, over 220 employees were active collectors in Instacredit's call centers. The call center reminds clients to submit their next payment on time and coordinates payment agreements for overdue customers.

Target Market

Instacredit's target market for all four types of loans consist of the low and mid-level income population that does not easily qualify for a loan from a traditional bank, or requires immediate liquidity, meaning those customers do not have the ability to wait for several days for a small loan.

Information on the Issuer

Competition

In addition to credit cards and other forms of financing, Instacredit's primary competitors in Costa Rica, Nicaragua and Panama are the following companies:

Company	Country	Loan Type	# Branches	Response Time
 BETO Le Presto	Costa Rica	Personal loans	2	24 hours
 eCREDIT SOLUCIONES	Costa Rica	Personal and credit cards	3	48 hours
 EL SOL	Panamá	Personal loans	30	2 hours
 GOVIMAR PRESTAMOS	Panamá	Personal loans	14	24 - 48 hours

Competitive Strengths

Instacredit's branch-based business model provides accessibility to clients all around Costa Rica, Nicaragua and in Panama to an immediate financial solution in less than 30 minutes. The partnerships held by Instacredit with different country-wide chains permit its clients to pay their installments anywhere in the country as late as midnight.

In addition, Instacredit's over 16 years of experience, strong brand positioning and expertise has allowed it to create an operational model highly developed to best fit potential and actual customer needs. With the support of its technological platform, it can fulfill any request of internal and external clients providing the best customer experience possible. In its constant effort to deliver the best possible customer service, Instacredit has a permanent marketing campaign, market research and customer service evaluation through all its branches and call center. This has allowed it to become the top-of-mind choice of its target market when it comes to cover a financial need.

Information Technology

Our technology systems department is responsible for the development and maintenance of our proprietary information system and infrastructure, administration and control of our databases and providing helpdesk assistance. The central technology platform for the administration of our portfolio belongs to us. Our systems are subject to security and quality control standards that are in line with industry practices and are continuously monitored through internal control procedures and internal and external audits.

We maintain an electronic record of all loans, as well as the different stages in their life cycle, in our portfolio management system. These records are updated every time there is contact with the borrower and any modifications resulting from such contacts are recorded. The databases are backed up automatically on a daily basis. We maintain a primary communication site in our central offices and also maintain a mirror data center located in another part of Mexico City for safety reasons.

Credit and Risk Management Policies

Credit risk is the possibility of a loss arising from a credit event, such as the failure by a borrower to make principal and interest payments under previously agreed terms, which causes an asset to lose value. The purpose of credit risk management is to mitigate and optimize credit risk, keeping our exposure to credit risk within a permissible level relative to our capital, in order to maintain the soundness of our assets and to ensure returns commensurate with risk. Our current credit policy sets forth uniform and basic operating concepts, code of conduct and standards for credit operations. By giving our employees extensive credit training, we aim to achieve a high standard of credit risk management and create a better credit risk management culture within Crédito Real.

Information on the Issuer

We have developed and refined our own proprietary underwriting standards and a digitalized credit review system, which help ensure high-quality loan portfolios and a faster credit approval process. In reviewing credit applications, we rely on both quantitative and qualitative measures, allowing us to utilize our knowledge and experience to better evaluate credit risk on a case-by-case basis. We believe our risk analysis systems allow us to make better credit decisions when evaluating credit applications from customers with limited or no credit histories or who work in the informal economy. We believe that our business model limits our exposure to credit risk. Our payroll loans are repaid through direct charges from the borrowers' paychecks pursuant to express written instructions from the borrowers. These instructions authorize a borrower's public sector employer or labor union to make fixed installment payments during the term of the payroll loan from the borrower's payroll wages before those wages are paid. In the case of group loans, we require our customers to provide a security deposit equivalent to 10% of the principal loan amount prior to the disbursement of each loan, and each group member jointly and severally guarantees each other group member's obligations, assuming joint responsibility for any missed payment by another group member. In addition, payments on our durable goods loans are supported by our possession of invoices for the goods purchased with the proceeds of such loans, facilitating repossession and limiting the ability of borrowers to dispose of the goods before the loans are fully repaid. However, for purposes of enforcing our collection rights, we use only the promissory notes (pagarés) that evidence the corresponding loans.

For loans to small and medium-sized businesses, we developed a hybrid credit approval procedure, in which different aspects of the clients are taken into consideration, including: the payment quality of previously contracted debt (knock-outs considered), contacting references, conducting field research, interviewing the clients, as well as applying a parametric score model. The latter includes demographic parameters, repayment capacity index, credit score, as well as qualitative and quantitative variables regarding the applicant and the credit facility.

As part of our ongoing process to monitor risks, we monitor the credit collection process, which is a crucial aspect of our credit process. We analyze, evaluate and monitor each loan individually. Special attention is paid to non-performing loans, and stricter measures are used to monitor these loans.

We adhere to an ethics policy and other procedures in all our operations and contracts, which includes internal controls and practices aimed at identifying, evaluating and preventing the risk of corrupt behavior by our officers or employees, directly or indirectly, in (i) their relationships with officers of public or private entities, (ii) the carrying out of commercial transactions and (iii) the implementation of credit practices (including the origination of payroll loans).

Employees and Labor Relations

As of September 30, 2017, there were a total of 535 individuals working at Crédito Real. The following table sets forth the number of our full-time employees and their positions:

Number of Employees	Position
456	Operational and Administrative
60	Managers
19	Officers

Our operational and administrative personnel belong to the National Union of Workers of Financial and Banking Institutions, Organizations and Auxiliary Credit Activities, Office Employees, and Similar of Mexico (*Sindicato Nacional de Trabajadores de Instituciones Financieras, Bancarias, Organizaciones y Actividades Auxiliares de Crédito, Empleados de Oficina, Similares y Conexos de la República Mexicana*), which are subject to a collective bargaining agreement dated May 1, 2010. As of the date of this Prospectus, we had a good relationship with our employees and their unions. Of the total number of our employees, 99% are non-union managerial employees (*empleados de confianza*), while 1% are unionized.

Properties and Leases

Our executive offices in Mexico City, as well as all of our service offices and branches throughout Mexico, are located on leased premises. Our main fixed assets consist of computers, and office furniture and equipment.

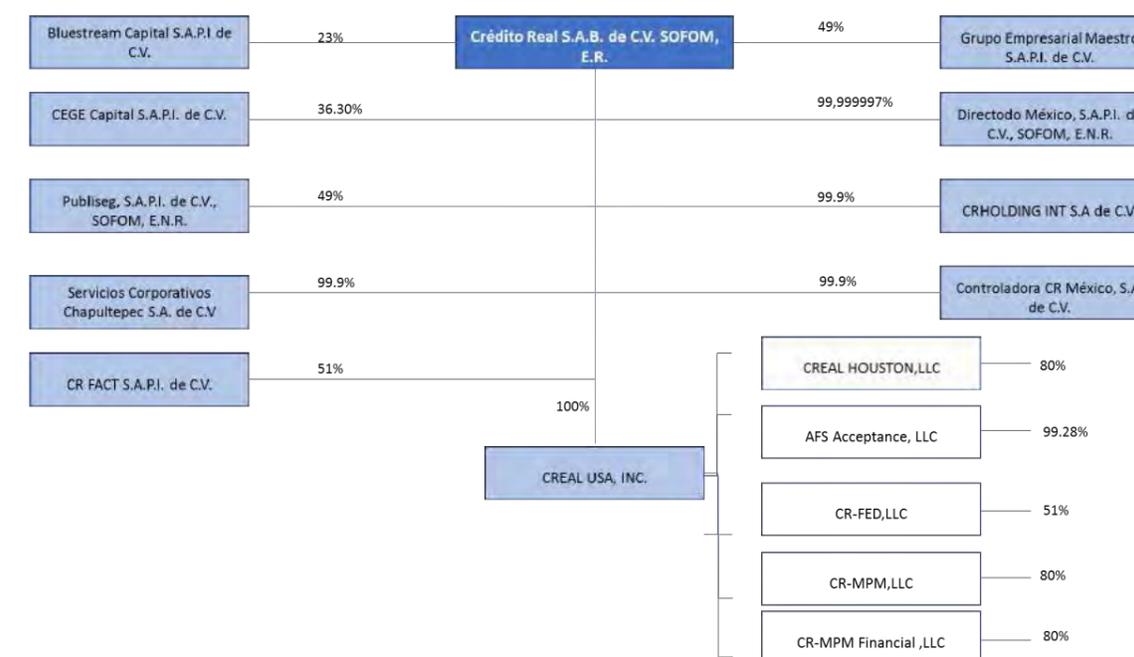
Information on the Issuer

Intellectual Property

In addition to other intellectual property rights and licenses, we own the following trademarks: *Crédito Real, BancaFon, CrediFon, CrediEquipos, Crediplus, CR Crédito Real, Pasión por crecer, AXEDES, Tu AXEDES, CR Crédito Real entidad financiera que te respalda tu AXEDES, CR Crédito Real tu Axedes, C+R, Carmas, Creal US, Credipoly, Creal, Crealfunding* and *C MAS R*, all of which are registered with the Mexican Trademark Office.

Corporate Structure

Our corporate structure as of the date of this Prospectus is shown in the chart below.



Note: CRHOLDINGINT, S.A. de C.V. is the holding company through which we hold our interests in nine Central American companies, including Instacredit. Grupo Empresarial Maestro, S.A.P.I. de C.V. is the holding company through which we hold our interests in six Mexican companies. Controladora CR México, S.A. de C.V. is the holding company through which we hold our interests in Credilikeme, Resuelve tu Deuda, and eleven other companies.

Publication of Notices

Relevant notices concerning the Issuer are published on the website of the Mexican Stock Exchange (https://www.bmv.com.mx/en/Grupo_BMV).

Furthermore, all notices in relation to the Bonds will be published in electronic form on the internet site of SIX Swiss Exchange under the section headed Official Notices (www.six-swiss-exchange.com/news/official_notices/search_en.html).

Management

Board of Directors

The administration of our business is entrusted to our board of directors.

The board of directors is comprised of a maximum of 21 regular members determined by the general shareholders' meeting, of which at least 25% must be independent in accordance with the Securities Market Law (*Ley del Mer-*

Information on the Issuer

cado de Valores). Each regular member may have an alternate, and alternates for independent members must be independent as well.

Currently, the board of directors consists of 12 directors, including four independent directors and eight alternate directors. Each member of the board or their respective alternate holds office for a term of one year and may be reelected for subsequent terms. Certain independent members of our board receive fees for their services as approved by the shareholders' meeting. The board is assisted by its committees and by our executive officers, who manage our day-to-day affairs. The current members of our board of directors and their respective alternate directors was confirmed at our ordinary shareholders' meeting held on February 26, 2016 and at the board of directors meeting held on October 24, 2017.

The following individuals currently serve on our board of directors:

Name	Title	Age
Francisco Berrondo Lagos	Chairman	64
José Luis Berrondo Ávalos	Member	67
Ángel Francisco Romanos Berrondo	Member	51
Moisés Rabinovitz Ohrenstein	Member	61
Iser Rabinovitz Stern	Member	35
Allan Cherem Mizrahi	Member	37
Gerardo Ciuk Díaz	Member	55
Juan Pablo Zorrilla Saavedra	Member	37
José Eduardo Esteve Recolons (*)	Member	51
Gilbert Sonnery Garreau-Dombasle (*)	Member	65
Raúl Alberto Farías Reyes (*)	Member	34
Enrique Alejandro Castillo Badia (*)	Member	38

The following individuals are alternate directors:

Name	Title	Age
Eduardo Berrondo Avalos	Alternate	60
Luis Berrondo Barroso	Alternate	36
José Francisco Riedl Berrondo	Alternate	52
Aby Litjzain Chernizky	Alternate	40
Marcos Shemaria Zlotorynski	Alternate	57
Francisco Javier Velásquez López	Alternate	36
Jorge Esteve Recolons (*)	Alternate	50
Enrique Saiz Fernández (*)	Alternate	70

(*) Independent directors.

Mr. Francisco Berrondo Lagos is the cousin of Mr. Jose Luis Berrondo Avalos. Mr. Angel Francisco Romanos Berrondo is the nephew of Mr. Francisco Berrondo Lagos and Mr. Jose Luis Berrondo Avalos.

Mr. Moises Rabinovitz Ohrenstein is the father of Mr. Iser Rabinovitz Stern.

During December 2013, Guillermo Javier Solórzano Leiro was designated as Secretary of our board of directors and Gabriela Espinosa Cantú was designated as Alternate Secretary in the Board of Directors meeting of April 25, 2017.

Information on the Issuer

Executive Officers

The following table lists the names, positions and years of service of our executive officers:

Name	Position	Years with Crédito Real
Ángel Francisco Romanos Berrondo	Chief Executive Officer	24
Carlos Enrique Ochoa Valdés	Co-Chief Executive Officer / Chief Financial Officer	20
José Juan Gonzalez Abundis	Chief Operations Officer	1
Adalberto Robles Rábago	Human Resources Officer	10
Luis Calixto López Lozano	General Counsel	13
Luis Carlos Aguilar Castillo	Commercial Officer for Payroll Loans	22
Luis Arturo Magallanes Mantecon	Chief Marketing Officer	5
Claudia Patricia Jolly Zarazúa	Treasurer	19
Luis Berrondo Barroso	M&A Officer	2
Pablo Federico Bustamante González	Controller	1
Hector Huelgas Lamas	Internal Audit Officer	1
Felipe Guelfi Regules	Project Officer	1
Iga Maria Wolska	Investor Relations Officer	1

The business address of the members of the Board of Directors and Executive Officers is Avenida Insurgentes Sur No. 730, 20th Floor, Colonia del Valle Norte, Delegación Benito Juárez, C.P. 03103, Mexico City, Mexico.

Capital Structure

Ordinary Capital

The capital stock is variable and with no right to withdrawal. The minimum fixed portion of the capital stock amounts to Ps 62,931,188 represented by 37,555,390 Class I shares. The variable portion of the capital stock is unlimited and represented by 354,664,034 Class II shares.

As of September 30, 2017, common stock is Ps 660,154,000, of which Ps 62,931,188 refers to fixed capital (with no right of withdrawal), represented by 37,555,390 Unique Series, Class I ordinary, no par value shares, fully subscribed and paid in, while Ps 597,223,000 refers to variable capital, represented by 354,664,034 Unique Series, Class II ordinary, no par value shares.

Each share grants the holder thereof one vote.

Dividends

Since our IPO in 2012, we have paid the following dividends:

Business Year	2017	2016	2015	2014	2013
Dividend payment per share (Ps)	0.25	0.00	0.40	0.43	0.53

Outstanding bonds

For information on our outstanding bonds, please refer to Annexes A and B to this Prospectus as well as to the "Recent Developments" section included herein.

Own equity securities

As at December 31, 2017, we are holding 5.3 million own shares.

Information on the Issuer

Principal Shareholders

The table below sets forth certain information regarding the ownership of our capital structure as of December 31, 2017.

Shareholder	Number of Shares	%
Founding Shareholders ⁽¹⁾	126,639,233	32.29
Mahler Enterprises Pte. Ltd. ⁽²⁾ . . .	18,790,716	4.79
Free Float	246,789,475	62.92
Total	392,219,424	100.0

(1) Consisting of members of the Berrondo, Saiz and Esteve families.

(2) Member of Grupo Kon. See "Information on the Issuer—Business—Overview—History and Development".

No individual, entity or foreign government exercises control, significant influence or power over Crédito Real. The members of the Berrondo family, as a group, could exercise significant influence over Crédito Real. Francisco Berrondo Lagos and José Luis Berrondo Ávalos are the main shareholders from this group. They are also members of our board of directors.

Francisco Berrondo Lagos and José Luis Berrondo each have an individual share greater than 1% and less than 10% of the issued and outstanding shares of Crédito Real. Approximately 33% of our outstanding shares are owned by various members of the Berrondo, Saiz and Esteve families. If these individuals were to act in a coordinated manner, they could be deemed to control Crédito Real.

Crédito Real has no knowledge of any commitment that may result in a change of control of its shares.

101,029,081 shares of Crédito Real were offered in the initial public offering of the Company carried out on October 17, 2012, out of which: (i) 73,542,309 shares were subscribed and paid by the public and (ii) 27,486,772 shares were sold by the selling shareholders through a secondary offering.

Financial Statements

For information on the Issuer's annual financial statements, please refer to Annex A to this Prospectus.

Supervision and Regulation of the Mexican Financial Industry

General

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, popular savings and loans companies, foreign exchange houses, bonded warehouses, mutual fund companies, pension fund management companies and *Sofomes*. On January 10, 2014 the Financial Groups Law (*Ley para Regular las Agrupaciones Financieras*) was published as part of the Financial Reforms. This Financial Groups Law aims to achieve the benefits of universal banking and tighten up controls of financial services companies that operate under a single financial group holding company. Most major Mexican financial institutions are members of financial groups.

The principal financial authorities that regulate financial institutions are the SHCP, Banco de México, the CNBV, the National Commission for Retirement Savings (*Comisión Nacional del Sistema de Ahorro para el Retiro*), the National Insurance and Bonds Commission (*Comisión Nacional de Seguros y Fianzas*), the Bank Savings Protection Institute (*Instituto para la Protección al Ahorro Bancario*) and the CONDUSEF.

Our operations are primarily regulated by the General Law on Negotiable Instruments and Credit Transactions (*Ley General de Títulos y Operaciones de Crédito*), the General Law of Credit Organizations and Auxiliary Activities (*Ley General de Organizaciones y Actividades Auxiliares del Crédito*), certain regulations of the Banco de México, the Law for the Protection and Defense of Financial Service Users (*Ley de Protección y Defensa al Usuario de Servicios Financieros*), the Law for the Transparency and Ordering of Financial Services (*Ley para la Transparencia y Ordenamiento de los Servicios Financieros*), the regulations issued by CONDUSEF, the General Provisions Applicable to Public Bonded Warehouses, Exchange Houses, Credit Unions, and Regulated Multipurpose Financial Institutions (*Disposiciones de Carácter General Aplicables a los Almacenes Generales de Depósito, Casas de Cambio, Uniones de Crédito y Sociedades Financieras de Objeto Múltiple Reguladas*), the General Provisions Applicable to Securities Issuers and other Securities Market Participants (*Disposiciones de Carácter General Aplicables a las Emisoras de Valores y otros Participantes del Mercado de Valores*) and other regulations issued by the CNBV.

Under the provisions of the General Law of Credit Organizations and Auxiliary Activities, *Sofomes* are entitled to conduct lending, engage in financial leasing activities (*arrendamiento financiero*) and/or perform factoring (*factoraje financiero*) transactions in a professional and customary manner. Such activities do not require a license from any Mexican governmental authority. *Sofomes* are deemed to be financial entities.

Under the provisions of the General Law of Credit Organizations and Auxiliary Activities, *Sofomes* are regulated and supervised by the CNBV only if (i) they have a proprietary connection (*vínculo patrimonial*) with, among others, certain financial institutions, (ii) they issue debt securities registered with the RNV, under the terms of the Mexican Securities Market Law, as is our case, or (iii) they voluntarily adopt such regime.

Regulated *Sofomes* as a result of the issuance of debt securities registered with the RNV, as is our case, are subject to specific regulations enacted by the CNBV addressing: (i) credit portfolio ratings and credit risk estimates; (ii) disclosure of financial information and external auditors; (iii) accounting; and (iv) prevention of transactions with illegal funds.

On January 12, 2015 the CNBV amended the general provisions applicable to general deposit warehouses, currency exchange officers, credit unions and regulated multiple object financial companies (*Disposiciones de Carácter General aplicables a los Almacenes Generales de Depósito, Casas de Cambio, Uniones de Crédito y Sociedades Financieras de Objeto Múltiple Reguladas*) by which the regulated *sofomes* must comply with the rules granted by CNBV in connection with the matters mentioned above.

Regulated *Sofomes* must publish their financial statements periodically on their website and in a newspaper with national coverage, and deliver corporate and shareholders information to the CNBV. In addition, regulated *Sofomes* must comply with the banking rules related to accounting, regulatory credit reserves, and portfolio ratings in accordance with the general provisions applicable to credit institutions (*Disposiciones de carácter general aplicables a las instituciones de Crédito*).

Law for the Protection and Defense of Financial Service Users

The Law for the Protection and Defense of Financial Service Users (*Ley de Protección y Defensa al Usuario de Servicios Financieros*) 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. CONDUSEF acts as an 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 all arbitration proceedings that may be brought before it. Once the respective conciliation hearings are concluded, and in the case of a disagreement between the parties, we may be required to provide reserves against contingencies which could arise from proceedings pending before CONDUSEF. We may also be subject to recommendations by CONDUSEF regarding our standard agreements or information used to provide our services. We may be subject to coercive measures or sanctions imposed by CONDUSEF.

The Law for the Protection and Defense of Financial Service Users requires *Sofomes*, such as us, to maintain an internal unit (*unidad especializada*) designated to resolve any and all controversies submitted by our clients. We maintain such a unit. 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 such registry assists CONDUSEF in the performance of its activities. CONDUSEF is required to publicly disclose the products and services offered by financial service providers, including interest rates. To satisfy this duty, CONDUSEF has wide authority to request any and all necessary information from financial entities. All *Sofomes*, including regulated *Sofomes*, 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*), which is managed by CONDUSEF, provided that the registration does not constitute a certification as to compliance of the laws and regulations for protection and defense of financial users and therefore, CONDUSEF may, at any moment, order a financial institution to modify its standard form of agreement for purposes of complying with the laws and regulations for protection and defense of financial users. CONDUSEF is empowered to initial class action lawsuits related to financial services institutions. All of our standard forms of agreements have been registered before CONDUSEF. All *Sofomes*, including non-regulated *Sofomes*, are required to register in the Registry of Financial Service Providers (*Registro de Prestadores de Servicios Financieros*) managed by CONDUSEF. We are currently registered as a regulated *Sofom* in this registry.

Law for the Transparency and Ordering of Financial Services

The Law for the Transparency and Ordering of Financial Services became effective in June 2007 and was modified pursuant to the Financial Reforms. The purpose of this law is to regulate (1) the fees charged to clients of financial entities for the use and/or acceptance of financial services; (2) the fees that financial entities charge to each other for the use of any payment system; and (3) other aspects related to financial services, in an effort to make financial services more transparent and protect the interests of the users of such services. This law grants Banco de México the authority to regulate certain fees and to establish general guidelines and requirements relating to payment devices and credit card account statements. It also grants to CONDUSEF the authority to regulate the requirements that need to be satisfied by the standard forms of agreement used by financial entities, the statements of account that are delivered by financial entities to their clients and the advertisement conducted by financial entities.

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

Rules on Interest Rates

The rules of the Law for the Transparency and Ordering of Financial Services which is applicable to *Sofomes* provide 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. Banco de México has issued rules that limit the number of reference rates that may be used by some financial institutions.

Mexican law does not currently impose any limit on the interest rate or fees that a regulated *Sofom* may charge to its clients. However, the possibility of imposing such limits is subject to any future reform or amendment to applicable normativity. The Mexican Supreme Court of Justice has recently ruled that Mexican judges have the authority to reduce an interest rate if they determine it to be an unfair interest rate even if such reduction has not been solicited by the debtor, therefore the possibility of imposing such limits has been and continues to be debated by the Mexican Congress and Mexican regulation authorities.

Fees

Under Banco de México regulations, Mexican banks, and *Sofomes* may not, in respect of loans, deposits or other forms of funding and services with their respective clients, (1) charge fees that are not included in their respective, publicly disclosed, aggregate annual cost (*costo anual total*), (2) charge alternative fees, except if the fee charged is the lower fee, or (3) charge fees for the cancellation of credit cards issued. In addition, the Law for the Transparency and Ordering of Financial Services contemplates certain restrictions for the *Sofomes*, such as the prohibitions on: (1) charging fees different from those in connection with the services provided; (2) charging more than one fee for the same service or item; (3) charging fees with to prevent the client from transferring to a different financial institution; (4) charging fees for receiving payments made by users or clients in connection with loans granted by other financial institutions.

Banco de México, on its own initiative or as per request from CONDUSEF may assess whether reasonable competitive conditions exist in connection with fees charged by financial entities in performing financial operations. Banco de México must obtain the opinion of the Federal Competition Commission (*Comisión Federal de Competencia Económica*) in carrying out this assessment. Banco de México may take measures to address these issues.

Law for the Protection of Personal Data

On July 5, 2010, the Federal Law for Protection of Personal Data held by Private Parties (*Ley Federal de Protección de Datos Personales en Posesión de los Particulares*, or "LFPDPPP"), was published and it became effective on the next day. The purpose of the LFPDPPP 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 data subjects' privacy and the right to consent with respect to the use of protected information.

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

The National Institute of Transparency, Access to Information and Data Protection, or the "Institute", is authorized to monitor and enforce compliance with the LFPDPPP by private parties processing personal data. Such entities will be held liable for interfering with a data subjects' exercise of their rights under the LFPDPPP and for failing to safeguard their personal data. Data subjects who believe that a party is not processing their personal data in accordance with the LFPDPPP may request an investigation by the Institute. Following an investigation, the Institute may: (i) dismiss

Supervision and Regulation of the Mexican Financial Industry

the data subject's claim or (ii) affirm, reject or modify an individual or private entity's answer to a data subject's claim. Penalties for repeat violation of the LFPDPPP's provisions include a fine equivalent of up to Ps.23.3 million (approximately US\$1.2 million), a prison sentence of up to five years or double the applicable fine or sentence for violations related to sensitive personal data.

Anti-Money Laundering Provisions

On March 17, 2011, the SHCP issued the General Provisions Applicable to *Sofomes* (*Disposiciones de Carácter General a que se refieren los artículos 115 de la Ley de Instituciones de Crédito, en relación con el 87-D de la Ley General de Organizaciones y Actividades del Crédito 95-Bis de este último ordenamiento, aplicables a las sociedades financieras de objeto múltiple*), or the Anti-Money Laundering General Provisions. The purposes of such General Provisions are to establish anti-money laundering and counter-terrorism rules and guidelines.

The Anti-Money Laundering General Provisions require *Sofomes*, among other things, to (1) establish identification ("know-your-client") policies and guidelines similar to those imposed on Mexican banks and other regulated financial entities, subject to strict identification methods and controls on clients and users of the *Sofomes* services; (2) record and keep information on clients and on money transfer and exchange transactions, and other kind of operations; and (3) report to authorities on relevant, unusual and suspicious internal transactions, and any other suspicious transaction, among other obligations.

Creditors' Rights and Remedies

Collateral Mechanisms

Mexican laws regarding the perfection and enforcement of security interests contemplate pledging 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 such mechanisms is to provide an improved legal framework for secured lending and to encourage banks to increase their lending activities. The pledging of personal property being used in a debtor's main business activity by making only a generic description of such property and perfecting a security interest in such personal property, is a structure frequently used. Provisions regulating security trusts are similar to those governing pledges of personal property, except 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.

Bankruptcy Law

Mexico's current Bankruptcy Law (*Ley de Concursos Mercantiles*) was published on May 12, 2000 and amended on January 10, 2014, and 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 law provides for a single insolvency proceeding encompassing two successive phases: a conciliatory phase of mediation between creditors and debtor and bankruptcy phase.

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 which are due and payable. The bankruptcy law was amended to include the ability of a debtor to request the *concurso mercantil* prior to being generally in default with respect to its payment obligations, when such situation is expected to occur inevitably within the following 90 days. Furthermore, the Bankruptcy Law now allows the consolidation of *concurso mercantil* proceedings of companies that are part of the same corporate group.

The law provides for the use and training of experts in the field of insolvency and the creation of an entity to coordinate their efforts. Such experts include the intervenor (*interventor*), conciliator (*conciliador*) and receiver (*síndico*).

Supervision and Regulation of the Mexican Financial Industry

On the date the insolvency judgment is entered, all peso-denominated obligations are converted into UDIs, and foreign currency-denominated obligations are converted into pesos at the rate of exchange for that time and location and then converted into UDIs. Only loans with a perfected security interest (*i.e.*, mortgage, pledge or security trust) continue to accumulate interest as stipulated in the corresponding agreements and maintain their original currency or unit. The Bankruptcy Law mandates the netting of derivative transactions upon the declaration of insolvency.

The Bankruptcy Law provides for a general rule as to the period when transactions may be scrutinized by the judge in order to determine if they were entered into for fraudulent purposes, which is 270 calendar days prior to the judgment declaring insolvency. This period is referred to as the retroactive period. Nevertheless, upon the reasoned request of the conciliator, the intervenors, who may be appointed by the creditors to oversee the process, or any creditor, the judge may set a longer period. As a result of recent 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 subscribed to by the debtor, as well as recognized creditors representing more than 50% of (i) the sum of the total recognized amount corresponding to common creditors and subordinated creditors; and (ii) the total recognized amount corresponding to secured or privileged creditors subscribing to the agreement. Any such agreement, when confirmed by the court, becomes binding on all creditors, and the insolvency proceeding is then considered to be concluded. If an agreement is not reached, the debtor is declared bankrupt.

The Bankruptcy Law incorporates provisions relating to pre-agreed procedures, frequently used in jurisdictions outside Mexico, that permit debtors and creditors to agree upon the terms of a restructuring and thereafter file, as a means to obtain the judicial recognition of a restructuring reached on an out-of-court basis. This also provides protection against dissident minority creditors.

Integrated Annual Report 2016

2016

INTEGRATED
ANNUAL REPORT

CRÉDITO REAL
Rebasa tus límites.

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Presence
Portfolio

2 RESULTS —
Outstanding figures
Relevant events

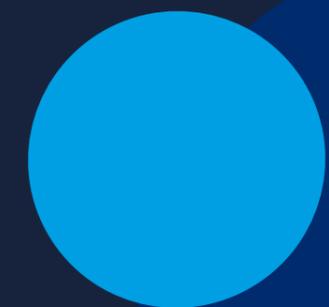
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WE ARE CRÉDITO REAL

GRI 102-1, GRI 102-5

Crédito Real, S.A.B. de C.V., SOFOM, E.R. is a financial institution, leader in Mexico, with presence in the United States, Costa Rica, Panama and Nicaragua, focused on granting loans to low and middle income segments of the population, which have been underserved by traditional banking. We have a business platform mainly integrated by the following business lines: payroll loans, durable goods loans, small business loans, group loans, used car loans and personal loans through Instacredit.

Crédito Real shares are listed in the Mexican Stock Exchange under the code and ticker symbol "CREAL" (Bloomberg: "CREAL*:MM").

Services
that help our
customers
improve their life
quality.

MISSION

To offer financial services, which help our customers improve their life quality, providing a distinguished service, reinforced by the ethics and reputation that characterize us as well as offering continuous innovation in our products.

VISION

To be the best financial institution in the country, characterized by our highly competitive people, with the best technological tools, exceeding our customers and shareholders expectations, committed to the continuous improvement of our products and services, with recognition abroad.



VALUES

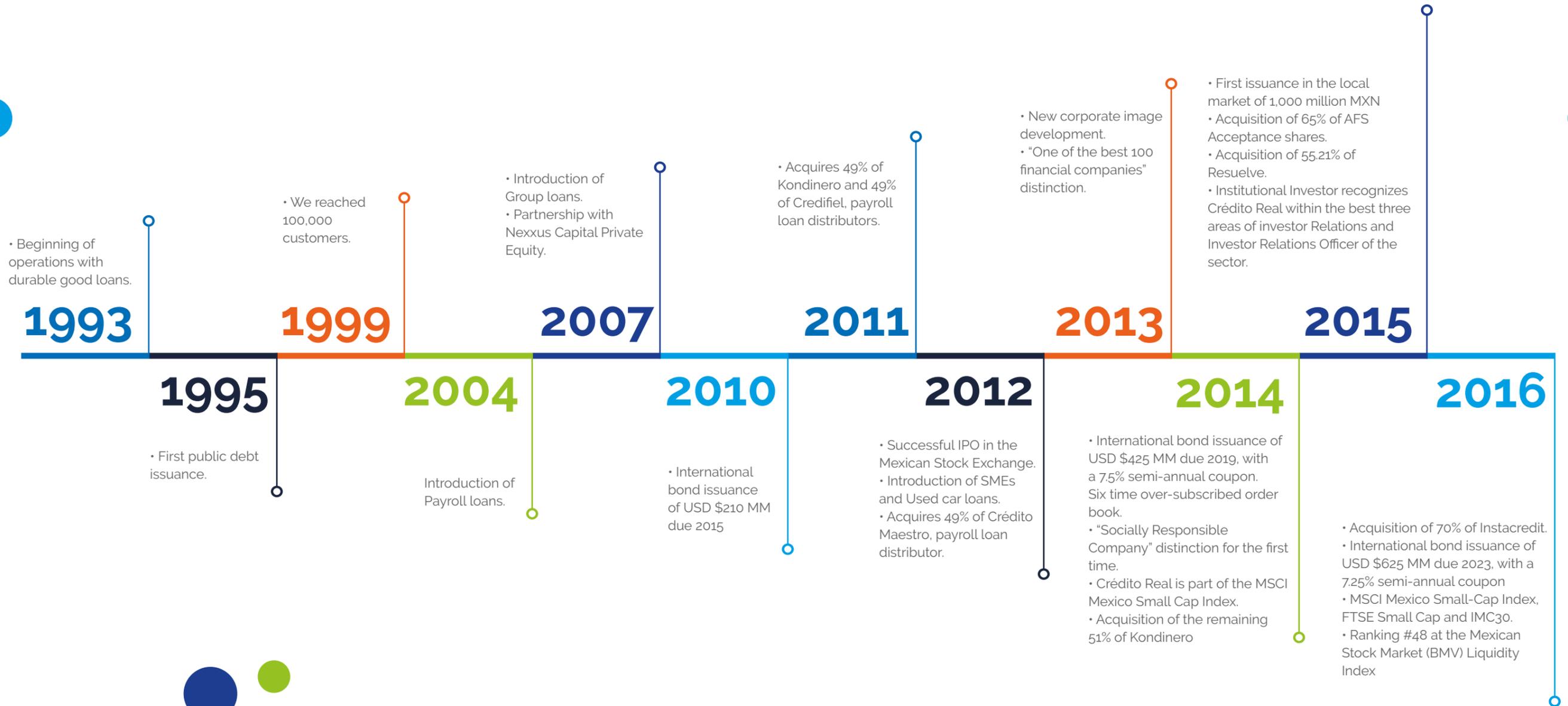
GRI 102-16

- **Responsibility.** I meet my obligations, I become aware and I assume.
- **Integrity and Honesty.** I act based on truth and sincerity.
- **Humility.** I learn from my achievements and failures.
- **Consistency.** I am able to match what I think, say and do.
- **Respect.** I treat everyone equally and with dignity.
- **Loyalty.** I give confidence to others in return.
- **Service.** I am committed towards the satisfaction of our costumers needs
- **Team work.** I am committed to collaborate as a member of a team.



**WE OFFER INNOVATIVE
SOLUTIONS TO FACILITATE
ACCESS TO FINANCIAL SERVICES**

HISTORY AND PHILOSOPHY





MARKET PRESENCE

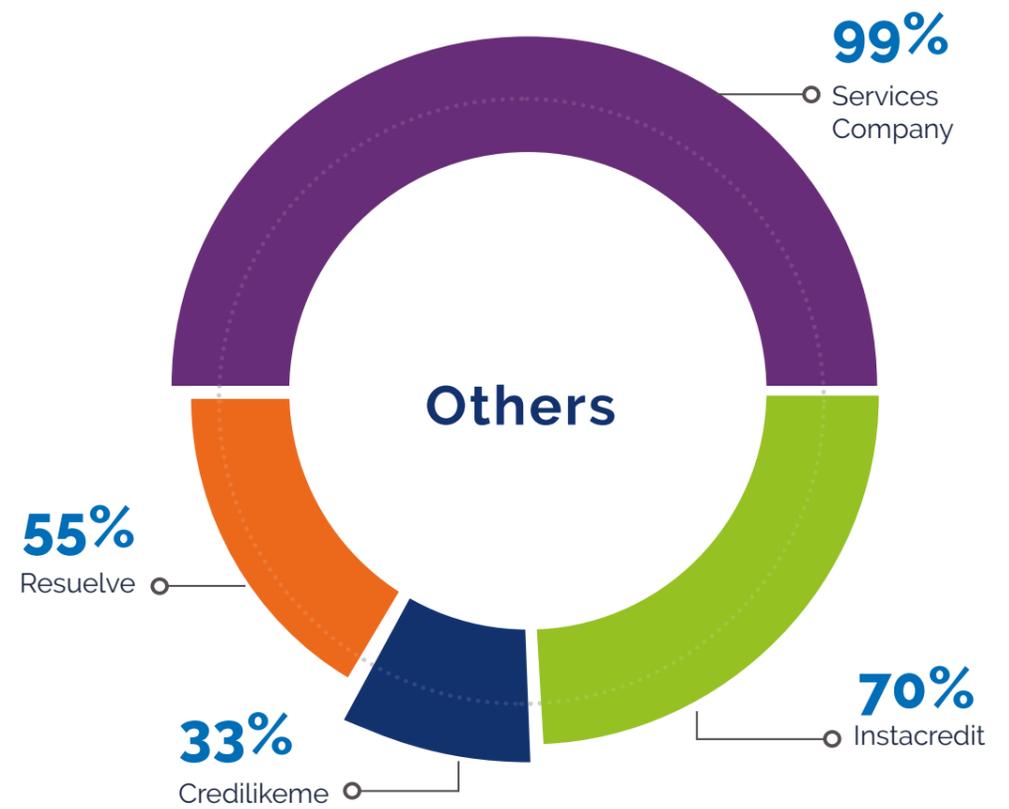
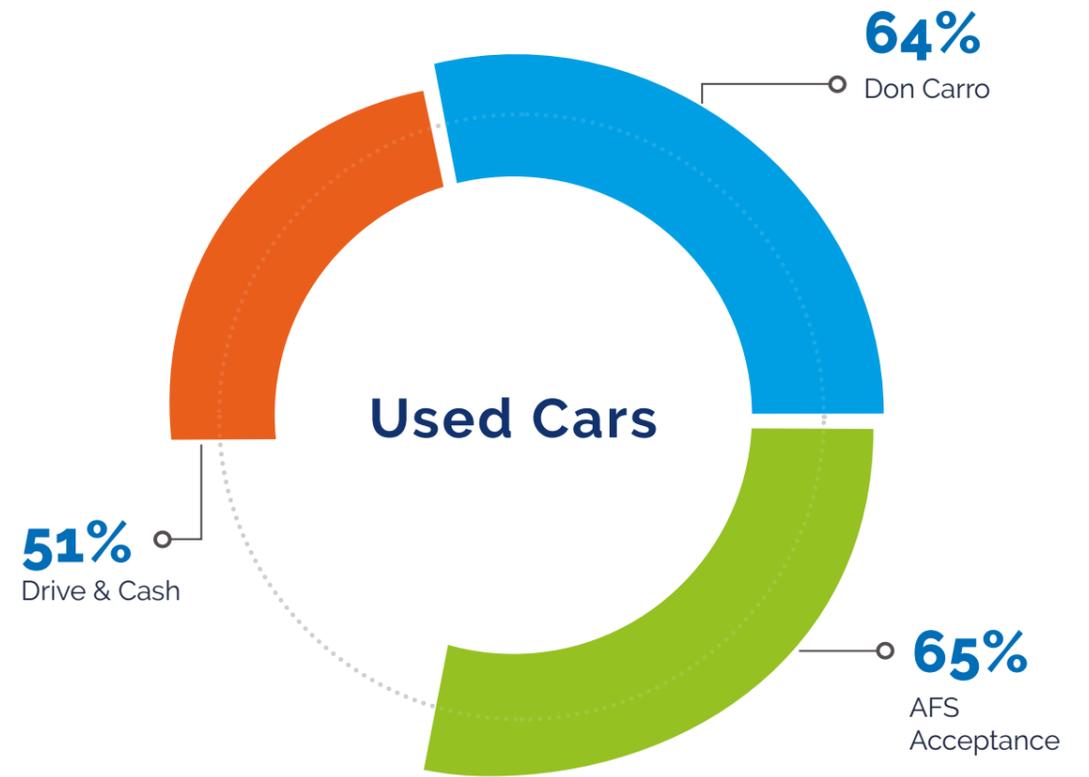
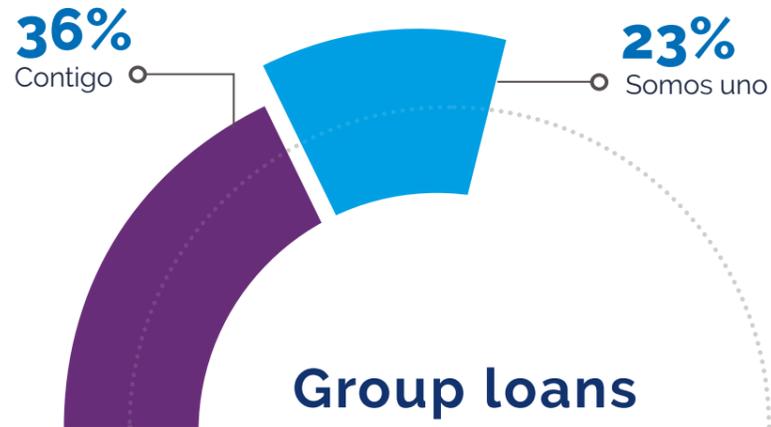
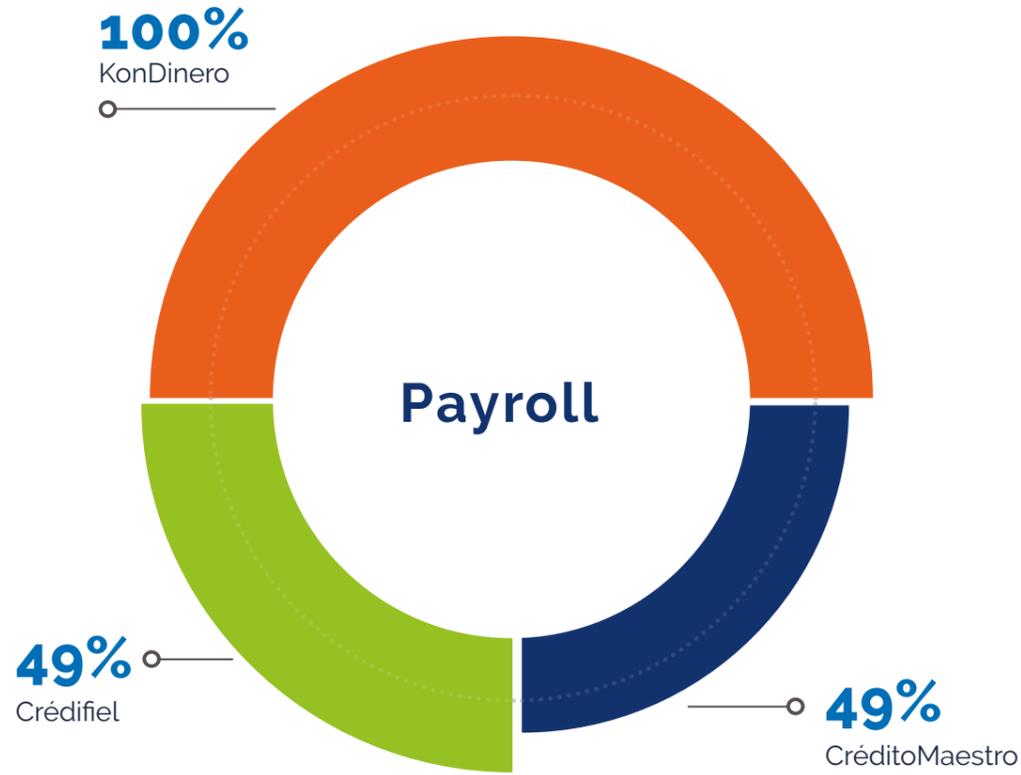
GRI 102-3, GRI 102-4



LOAN PORTFOLIO

GRI 102-2, GRI 102-7

OWNERSHIP PERCENTAGE

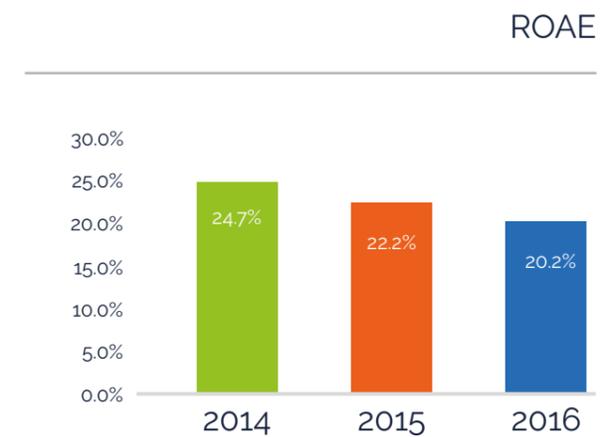
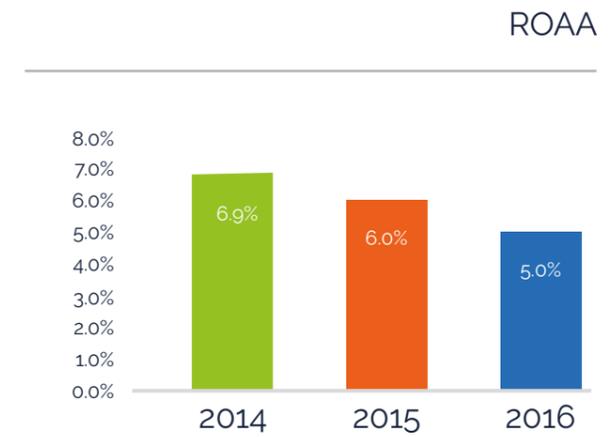
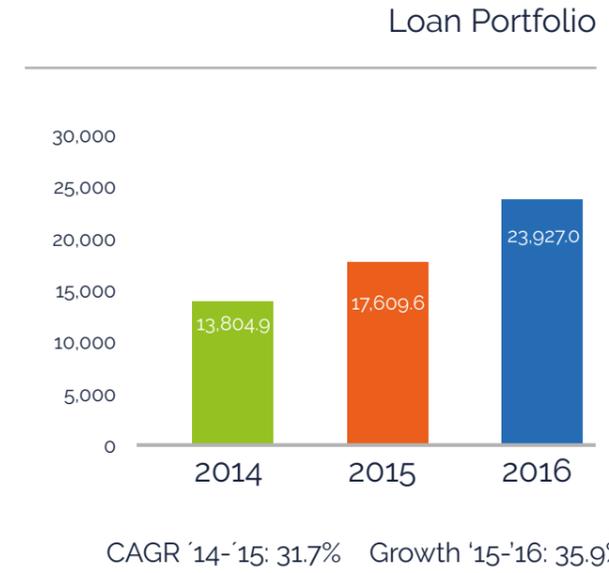
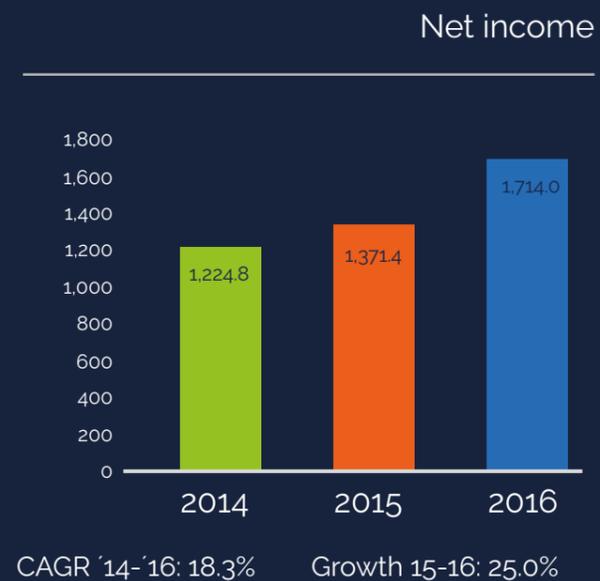




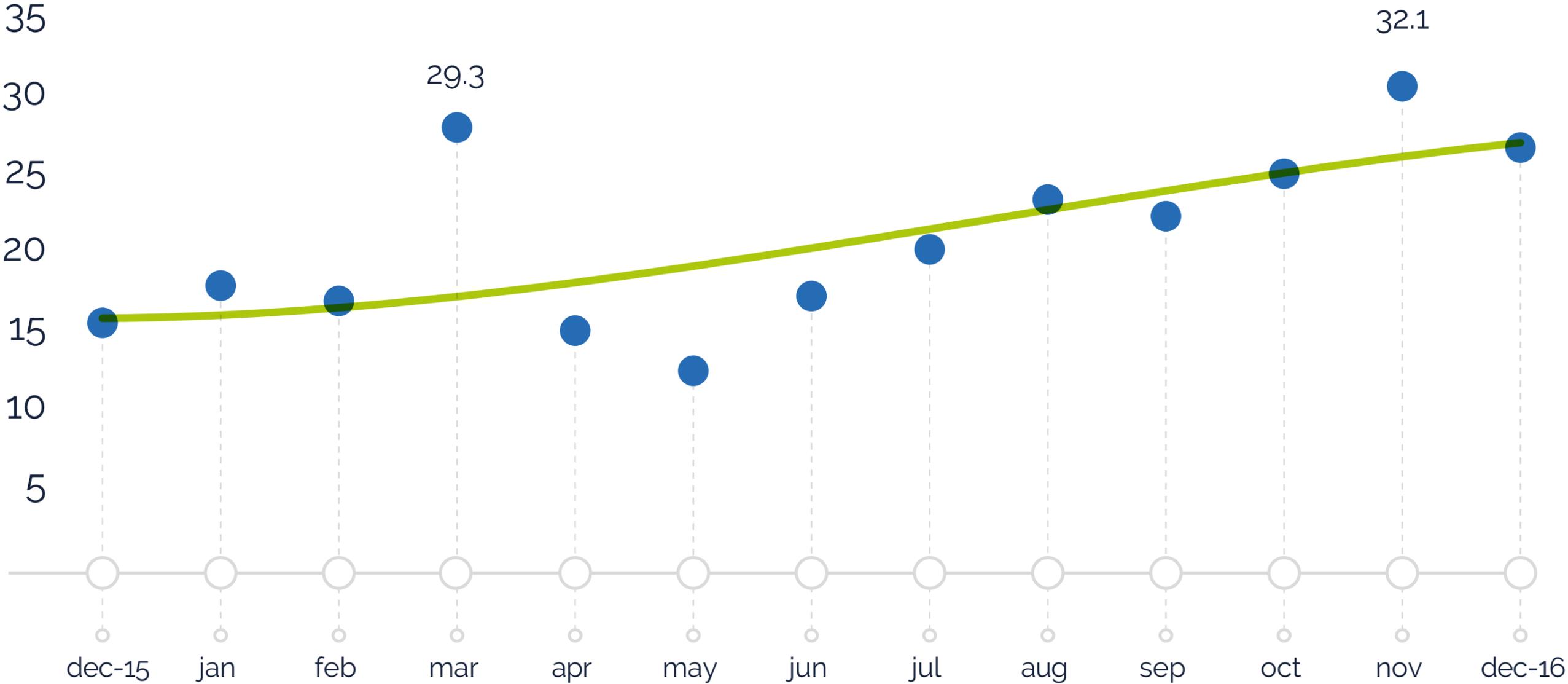
RESULTS

GRI 102-6

Ps. millions	2014	2015	2016
Interest income	3,327.1	4,264.2	6,958.2
Net income	1,224.8	1,371.4	1,714.0
Earnings per share	3.1	3.5	4.4
<hr/>			
Total portafolio	13,804.9	17,609.6	23,927.0
Capitalization	38.8%	38.1%	38.8%
ROAA	6.9%	6.0%	5.0%
ROAE	24.7%	22.2%	20.2%

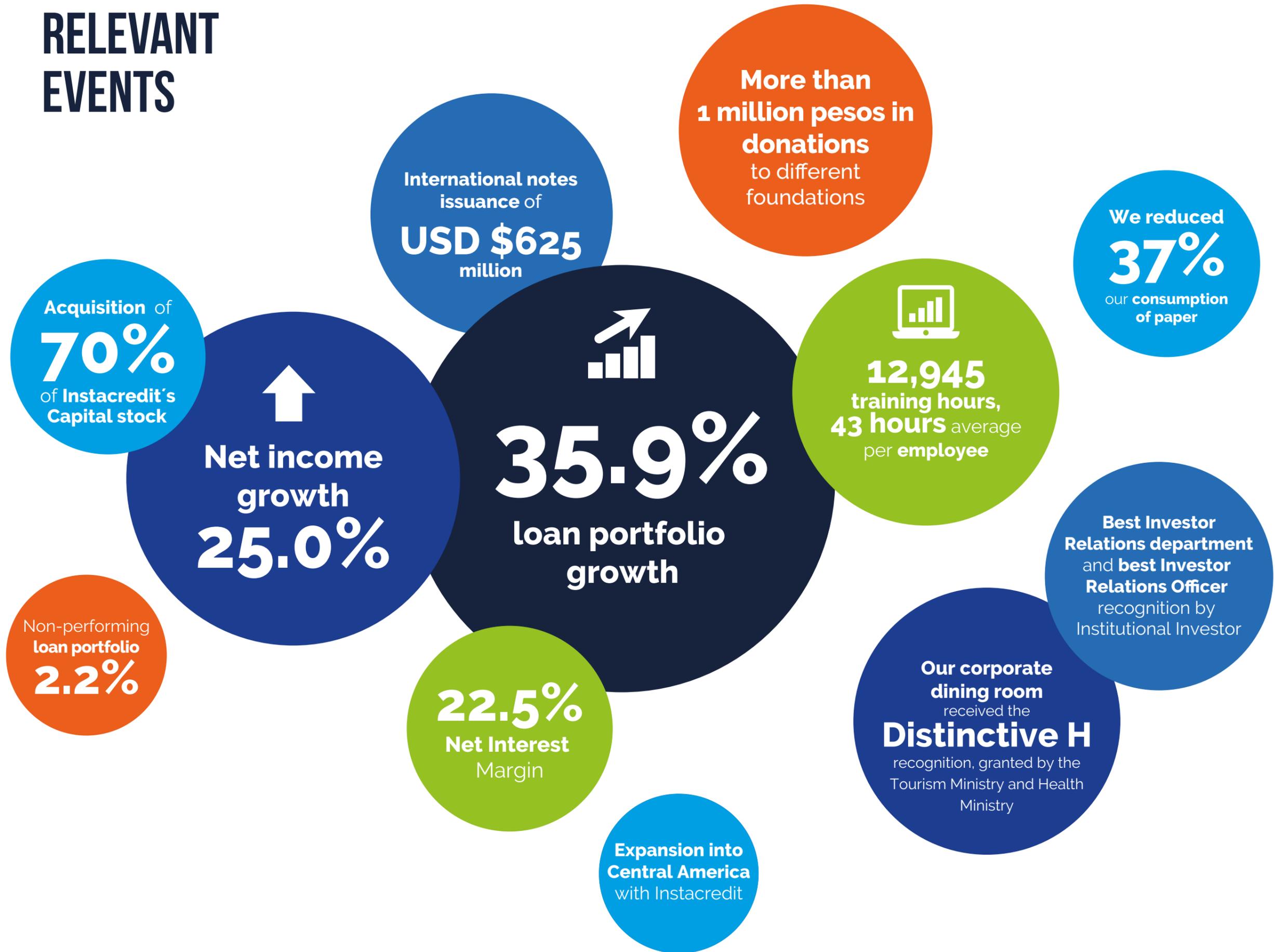


CREAL historical trading in MXN



● Trend line ● Trading in millions of pesos

RELEVANT EVENTS





MESSAGE FROM THE CEO

GRI 102-10, GRI 102-14, GRI 102-15, GRI 203-2

In Crédito Real we are very pleased with our 2016 results, where a significant progress was accomplished in the consolidation of the acquisitions we got along the last two financial years, that along with the drive and growth of our business in Mexico, allowed the achievement of historical results for the Company. Therefore, we accomplished an expansion of 35.9% in the consolidated loan portfolio, in spite of a challenging environment, characterized by economic uncertainty and volatility in the financial markets.

Another important accomplishment was the progress towards our globalization and geographical diversification, strengthening our presence mainly in Central America, through Instacredit solid platform, where we found similarities with Mexico; including a huge market underserved by the traditional financial institutions.



In February, 2016, we acquired 70% of Instacredit, a company dedicated to consumer loans, which offer credit services to low and middle income population, which credit requirements are not properly attended by the traditional banking. Among its product offerings are the personal, car and small business loans, with a network of 69 branches in Costa Rica, Nicaragua and Panama, covering the commercial operation of over 400 promoters. Instacredit, in 2016, represented 21% of the Company's loan origination and more than 18% of total loan portfolio.

Going further into our results, net income showed a 25% increase year-over-year, while the net interest margin moved forward in 150 bps, reaching 22.5% with 20.2% return on equity. Our capitalization index stood at 38.8%, which keeps us as one of the best-capitalized financial institutions from the Mexican financial sector and therefore, lower risk, more stability and stronger expanding horizons.

Regarding our consolidated loan portfolio, the financial year closed with a balance near to 24 thousand million pesos, growing 35.9%, where the Payroll segment continues with the highest participation of 60.7%, although decreasing versus 2015, following up our diversification strategy.

Concerning this issue, our business lines Payroll, Used Cars and Group loans, expanded to double-digit rates year-over-year, great indicator of the successful operation in our proven business model. This expansion was followed by strict procedures as for the loan granting, which kept the assets quality, as shown in our non-performing loan portfolio "best-in-class", of only 2.2%, improving in 20 bps, concerning 2015. The main element for this result is found in the alignment of interests between Crédito Real and its distributors, cornerstone in our business model, unique in Mexico. I am also pleased to share with you that by the end of the year, we reached a platform of over 780,000 customers, from 619,000 we had at the beginning of the year.

**"WE ACHIEVED AN
IMPORTANT GROWTH DUE
TO THE ACQUISITION OF
70% OF INSTACREDIT
CAPITAL STOCK".**

On the other hand, being aware of the challenges ahead of us, in Crédito Real we will focus our growth towards the most profitable business lines, such as Payroll, preserving our leadership in the retired customers segment; Autos México, through our partnership with Drive & Cash and Used Cars in the United States through Don Carro, as well as Instacredit, providing us high growing levels in stable currencies. Likewise, we will apply an expenses standardization plan to balance the pressure in the financing cost, and finally, we will pursue the definition of a financial structure that allows us to deal with the market risks, keeping a conservative profile against exchange rate risks and higher interest rates.

Through 2016, the interest rates in Mexico followed an upward trend, increasing 250 bps., nevertheless, we were able to reduce the impact in the consolidated funding cost, which stood at 9.7%, since approximately 27% of our debt is negotiated at fixed rate. It is important to highlight that the increase of 360 bps in the consolidated funding cost is mainly explained by the consolidation of Instacredit and a negative carry effect for the unused resources surplus of our Senior Note 2023, clearing away these effects, the increase would have been of only 100 bps. Additionally, during 2016, we made efforts to strengthen our financial condition, by carrying out the restructuring of more than 70% of our total consolidated debt, being the best achievement in liability management within Crédito Real history, which included the successful bond issuance of 625 million dollars in the international markets. This contributed to the reduction on the impact of funding rate increases in our financial margin, which also was favored by the exchange risk elimination, due to the signing of derivative financial instruments as well as the natural hedge that the operation in the US provides us.

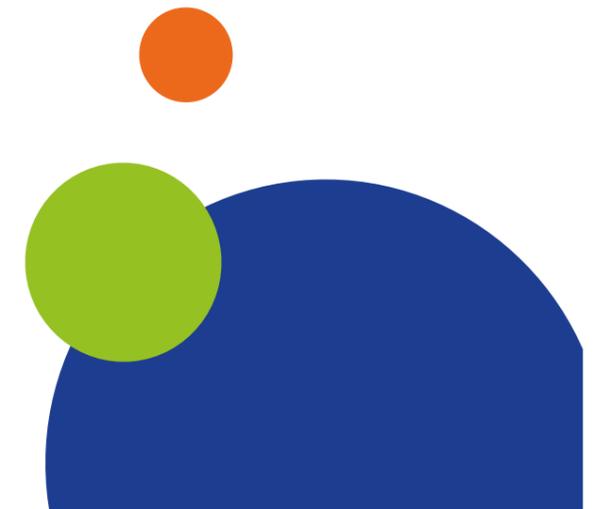
Hence, we are optimistic expecting that 2017 will be a year of new and greater achievements, where we will seek an adequate and conservative balance, due to the uncertain beginning of the year regarding financial markets, which has been more stable as we have been moving forward into it.

Finally, I must also mention that in Crédito Real, we have the strong commitment to continue providing high quality financial solutions addressed to the population underserved by the traditional banking, distinctive element that has characterized us for more than two decades of history. Likewise, we need to strengthen our corporate governance through the several committees responsible for leading all of our administrative issues to a successful conclusion.

We are very proud of the brand we have created, which has placed us as one of the unquestionable leaders in the loan granting to underserved population segments, either in Mexico as in the different markets we operate. All of the above mentioned, derived from our strong and flexible business platform, which has been highly and successfully proved, even in time of crisis.

Finally, I would like to thank all of our employees, distributor's network, creditors and strategic partners for their loyalty and commitment, as well as a special gratitude to our shareholders for trusting us to lead this great organization and team, which personally moves me to become better every day.

ÁNGEL ROMANOS BERRONDO
CRÉDITO REAL CEO





COMPETITIVE ADVANTAGES

We are a Mexican financial institution with presence in the United States, Costa Rica, Panama and Nicaragua, focused on granting loans to the low and middle-income segments of the population, which have been historically underserved by traditional banking.

COMPETITIVE ADVANTAGES

High quality loan portfolio with strong performance.

Centralized distribution model with a wide sales force to take us closer to our customers

Scalable operation through unique technology platforms.

Solid and diversified origination platform, developed for the customer segments we serve.

Experienced management team and backup from the shareholders.

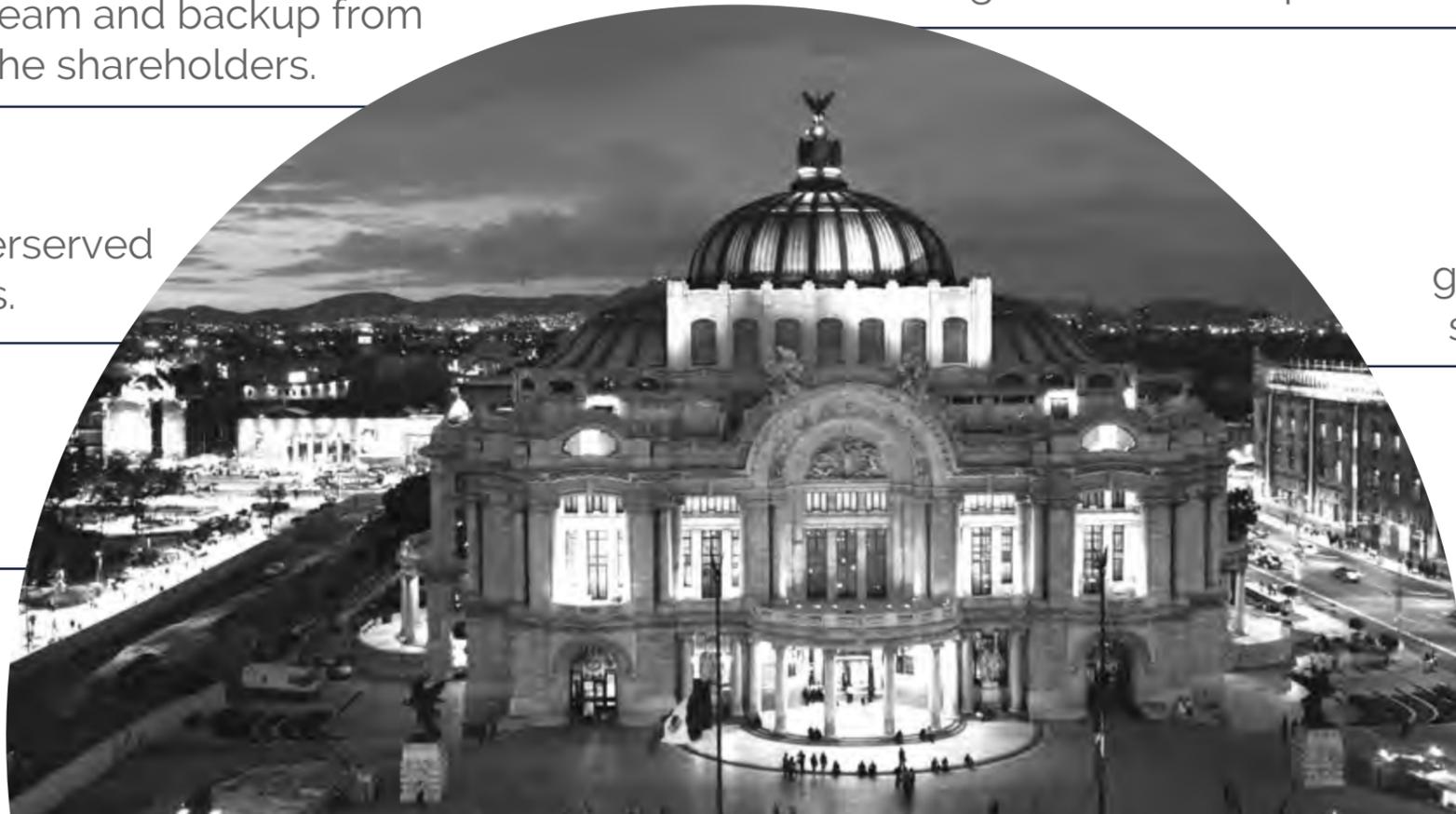
Products with high margins that generate better performance.

Focused on underserved market segments.

Stable cash flow generation and access to several funding sources.

Diversified credit risk.

Strategic alliances.





FINANCIAL AND SUSTAINABLE PERFORMANCE

BUSINESS MODEL

GRI 102-11, GRI 103- Economic aspects

Business diversification carries on by being fundamental to our strategy and business model, as well as providing mitigation of market risks through a multi-product strategy.



OUR PRODUCTS

DURABLE GOODS

Until July 18, 2016, we offered loans to individual consumers to finance the acquisition of "White line goods", such as home and kitchen appliances, as well as electronics, furniture, flooring and tiles. From this date, we are gradually exiting from our traditional durable goods business and only collection activities are carried on to recover the remaining portfolio.

MX \$8,993	12 months	40-50%	1.8% of the total loan portfolio
Monthly	48,967	3.1%	

PAYROLL

Personal loans granted mainly to unionized state and federal public-sector employees, retirees and pensioners. Our main distinctive characteristics are the 99.99% participation in Kondinero and 49% in Crédito Maestro and Credifel. Additionally, we have 12 distributors and exclusivity agreements with 3 of them, specifically, the ones with whom we have ownership. Furthermore, we have access to 275 government agencies within the Mexican Republic.

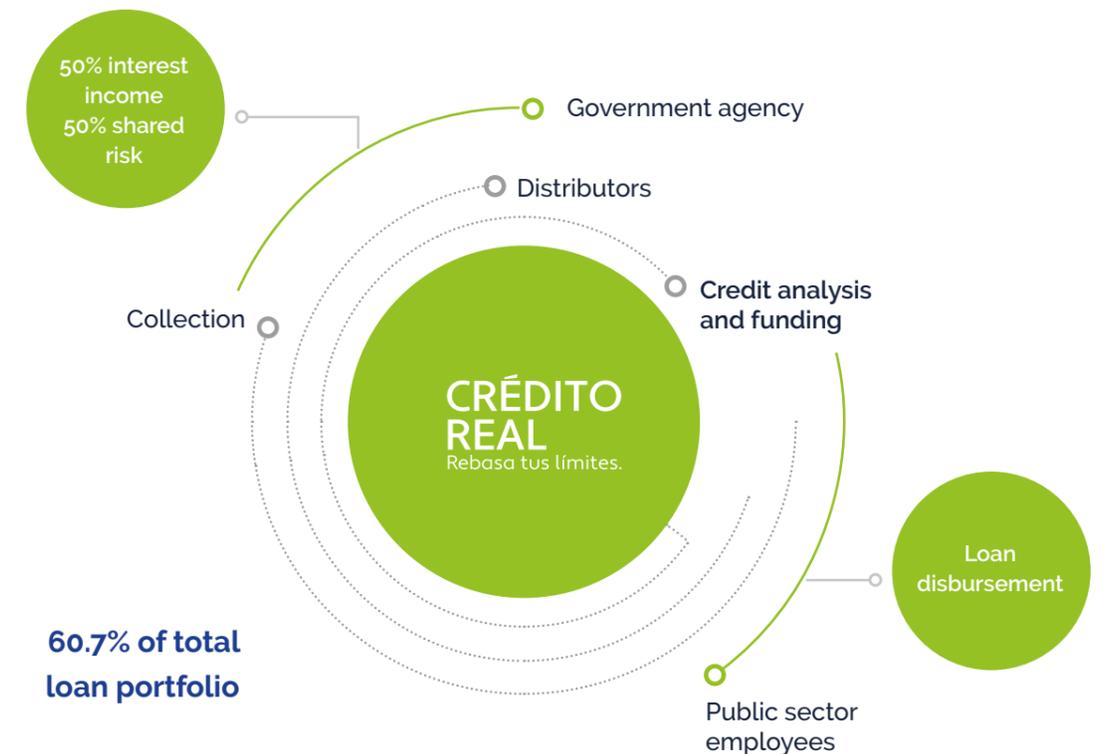
This business unit had a significant growth of 21% in 2016, due to the incursion in Pensioner Loans from IMSS (Mexican Social Security Institute).

MX \$41,202	44 months	45%-60%. 50% is shared with payroll distributors	Current yield 26%
Biweekly	352,667	2.0%	

Description	Payment frequency
Average loan amount	Costumers
Average term	Turnover rate
Average annual interest rate	Non-performing loan ratio



Origination and collection process



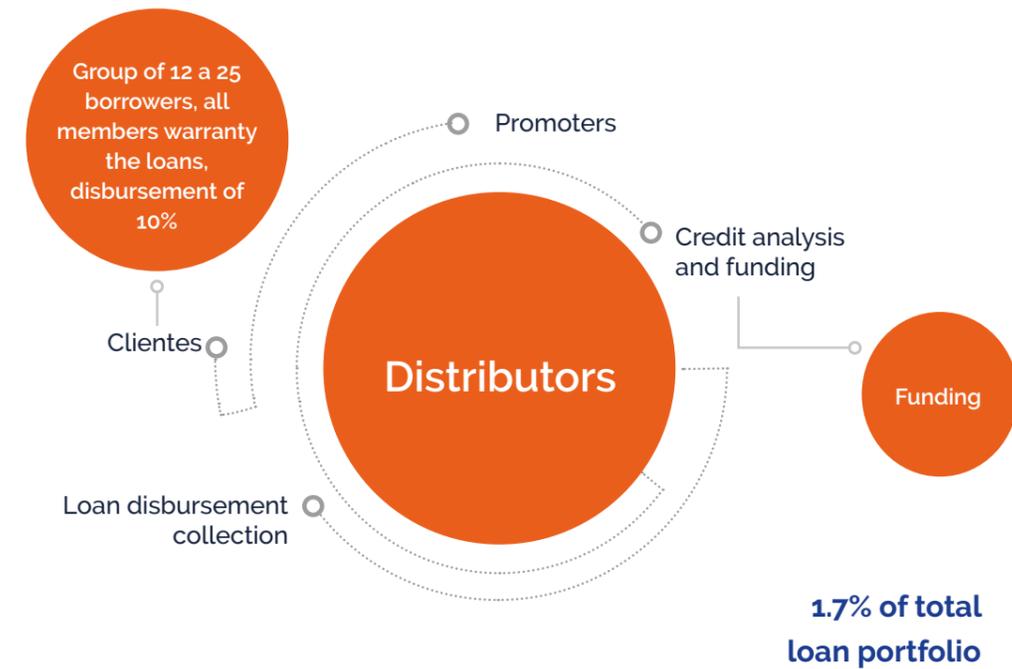
GROUP LOANS

Group loans to finance micro-business working capital requirements. Loans are originated through two specialized operators: Contigo and Somos Uno, which we own 38% and 23% of their capital stock, respectively. At the same time, they have 1,334 promoters in a network integrated by 162 branches.

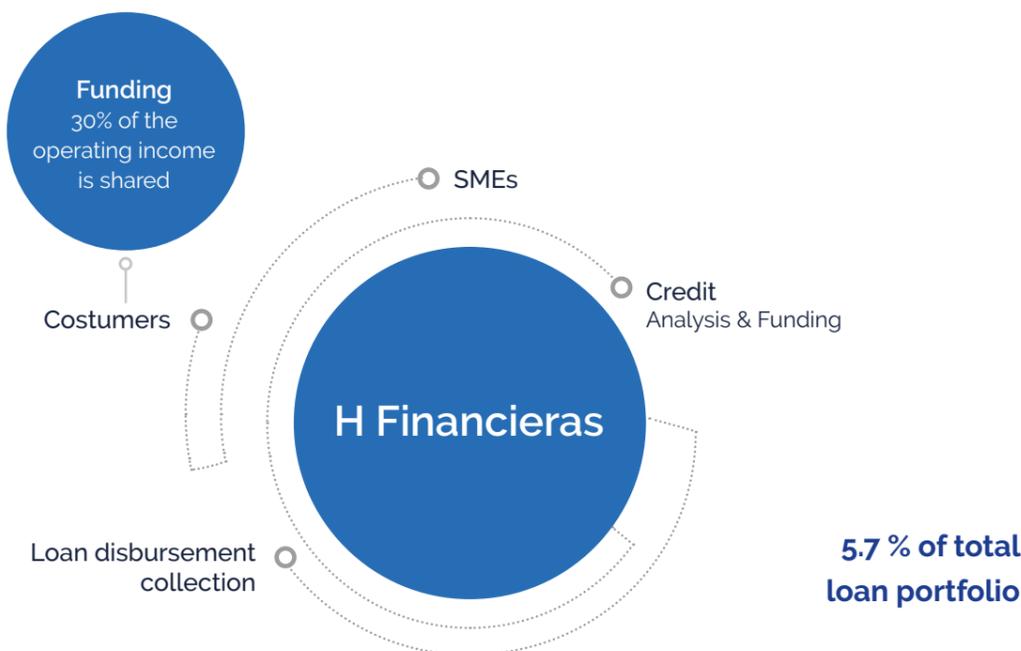
Our group loan partners continue to expand the loan portfolio while maintaining the assets quality with strict controls in the loans granting.

- \$ MX \$2,041
- 📅 3.8 months
- 📄 90%-110%
- 🕒 Weekly
- 👤 205,019
- ⚠️ 0.0%

Origination and collection process



Origination and collection process



SMALL BUSINESS

Loans for small and medium businesses to finance working capital requirements and investment activities.

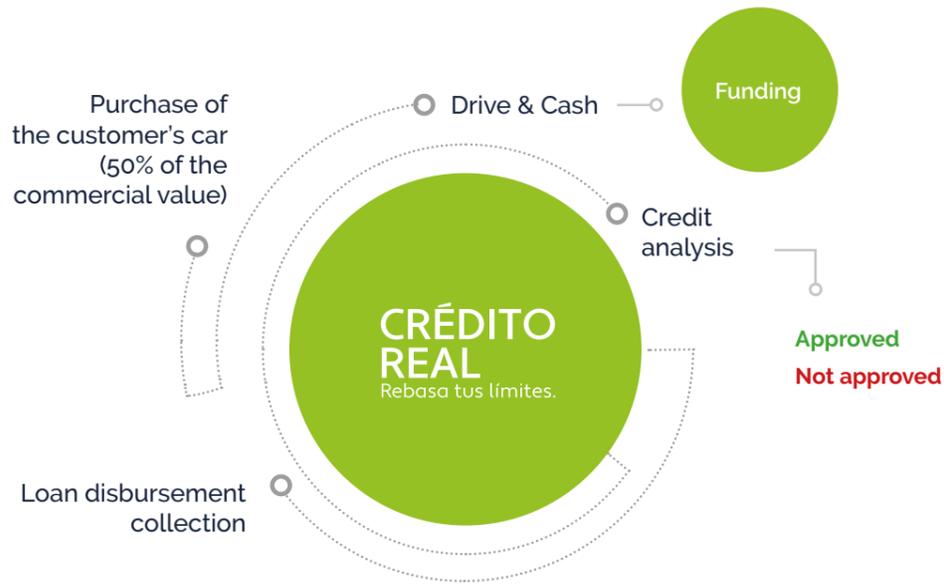
Credit origination is through our in house brand and "H Financieras", which has been key in the business success. The SMEs sector has 233 customers, which we attend through a promoter scheme and a specialized operator.

In 2016, we improved the NPL from 2.7%% to 0.9% in comparison to to the previous year, due to more strict credit policies focused on high quality customers.

- \$ MX \$5.8 million
- 📅 3-36 months
- 📄 17-30%
- 🕒 Monthly
- ⚠️ 0.9%

- 📄 Description
- 🕒 Payment frequency
- \$ Average loan amount
- 👤 Costumers
- 📅 Average term
- ✅ Turnover rate
- 📄 Average annual interest rate
- ⚠️ Non-performing loan ratio

Origination and collection process



USED CARS

Loans for the purchase of semi-new and used cars through strategic alliances in both Mexico and the United States, which use their own sales force to promote our loans.

Customers: 4,802 **Current yield:** 31%

Drive and Cash

Through the acquisition of 51% of Drive & Cash, we offer financing to individuals and legal entities through cars and commercial vehicle warranty, with a distribution network of 45 branches located within 20 states in Mexico.

- MX \$100,000
- 12 months
- 35%-60%
- Monthly
- Installation of GPS tracking device as insurance
- Insurance income
- Car invoice as loan collateral

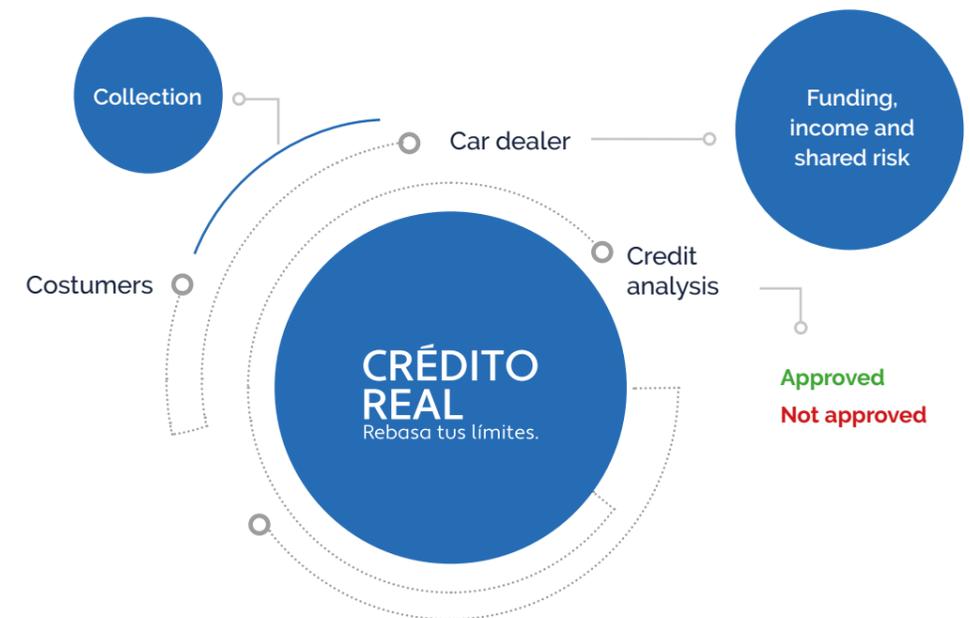
Crédito Real Used Cars

Used car loans. In this business unit, we have strategic alliances with car dealers that use their own sales force to promote our products.

- MX \$80,000
- 48 months
- 25%-35%
- Monthly
- installation of GPS tracking device as insurance
- Income from insurance

- Description
- Average annual interest rate
- Average loan amount
- Payment frequency
- Average termo
- GPS tracking device

Origination and collection process



Origination and collection process



Instacredit

In 2016, we completed the acquisition of 70% of Marevalley Corporation capital stock, a Panamanian company holder of several entities in Costa Rica, Nicaragua and Panama, which operate under the brand "Instacredit".

Instacredit offers financial services through personal loans, car loans, small business loans and home equity loans in Costa Rica, Nicaragua and Panama.

With this acquisition, we obtain greater geographical diversification, a loan portfolio in stable currency with a strong credit platform, plus high profitability in the products. **18.4% of total loan portfolio**

Branches **69** **+420** Promoters **MX\$27,139** 33 months
 40%-62% 161,785 2.4% **Current profitability: 58%**

OTHERS

Resuelve

Offers services to repair loans and to capitalize the debtor in order to negotiate their credit debts, this way, the customer is subject to credit approval by the end of the program.

Presence in **2** countries **13** states **22** branches

Credilikeme

Grants personal loans through an online platform.

\$2,000 - \$12,000 2 a 6 months

CR INTERNACIONAL

Used Cars USA

Loans for used cars, through our strategic partners with whom we have an equity participation of 65% with AFS Acceptance and 64% with Don Carro.

Don Carro has a distribution network of five lots, while AFS has 370 distributors and licenses to operate in 40 states of the United States.

19,000 USD 48 months 20%-25% + commercial margin (30% -35%) Fortnightly
 10,073 5 distributors in Dallas-Fort Worth, Texas License to operate in 40 states
 Income from insurance Trade agreements with more than 300 distributors



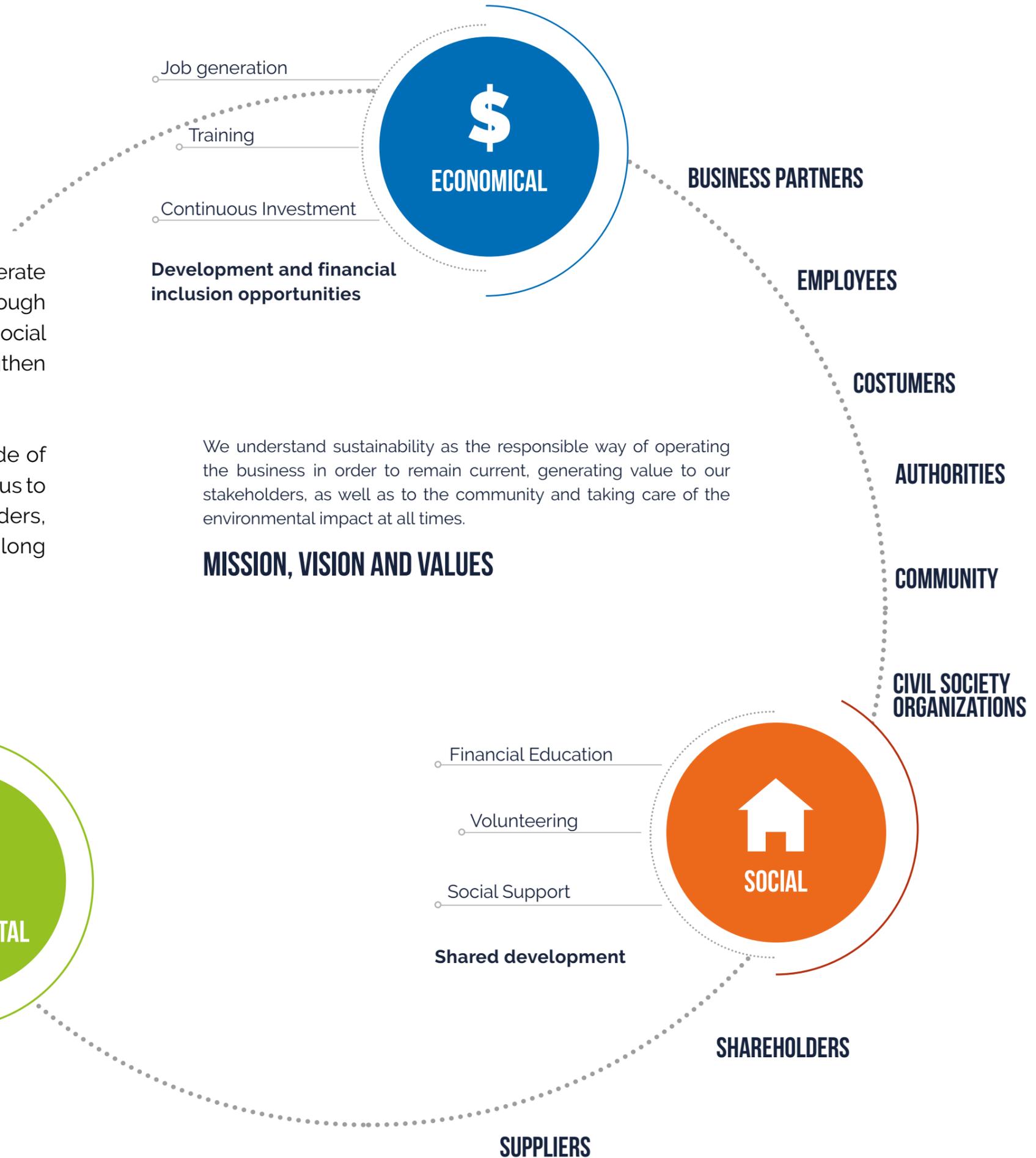
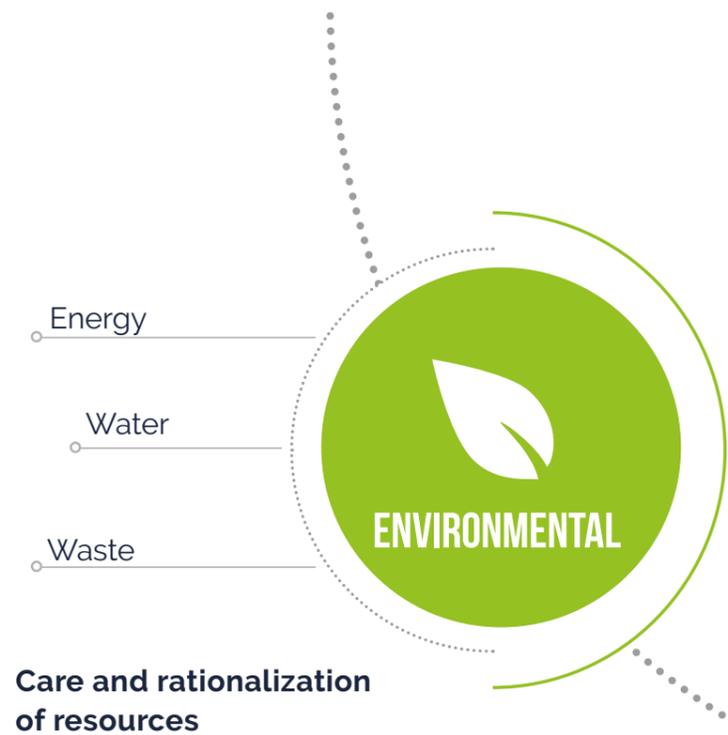
- Description
- Average loan amount
- Average term
- Average annual interest rate
- Payment frequency
- Customers
- Turnover rate
- Non-performing loan ratio

SUSTAINABILITY MODEL

GRI 102-16

As part of the Company strategy, we generate value towards all of our stakeholders through the economic, environmental and social commitment that we continuously strengthen through several actions.

This model we openly express in the Code of ethics and conduct in Crédito Real, allows us to strengthen the relation with our stakeholders, considering the business viability in the long term.



We understand sustainability as the responsible way of operating the business in order to remain current, generating value to our stakeholders, as well as to the community and taking care of the environmental impact at all times.

MISSION, VISION AND VALUES

Stakeholders

GRI 102-40, GRI 102-42, GRI 102-43, GRI 102-44

An important element in our business are our stakeholders, with which we seek to maintain a continuous dialogue with an approach of respect and mutual benefit in the long term. For that purpose, we use different channels such as the delivery of performance results, work atmosphere surveys, meetings, assemblies, volunteerism, etc.

As a fundamental part for our sustainability model, we have built more than 80 links with distributors over the years, both in Mexico and the United States, as well as some countries from Latin America. This is how we have been able to access the low and medium economic segments of the population.

The goal fulfilment is possible due to the constant effort in terms of communication and training with our business partners.

On the other hand, the customized treatment towards our investors, has made communication easier and has permitted a better information flow. Thus, In Companies program enables us to offer conferences of interest to our shareholders.



**THE GOAL FULFILMENT
IS POSSIBLE DUE TO THE
CONSTANT EFFORT IN TERMS
OF COMMUNICATION AND
TRAINING WITH OUR BUSINESS
PARTNERS.**



Stakeholders	Communication Channel	Topics	Merging Area
Customers	<ul style="list-style-type: none"> • Telephone support line (55) 5340 5208 01 800 1124 444 • Customer Service Specialized Unit 52289708 or 01-800-083-12-12 (toll free) and consultasyrec@creditoreal.com.mx • Website • Social networks • Media advertising • Opinion surveys • Meetings 	<ul style="list-style-type: none"> • More confidence and security • Infrastructure • Accompaniment • Better loan terms • Efficiency in service • Accessibility and innovation in products we offer • Clear information regarding offered products 	<ul style="list-style-type: none"> • Commercial area • Marketing • Legal Department or Specialized Unit for Queries and Complaints
Employees	<ul style="list-style-type: none"> • Intelexion Human Resources Portal • E-mail • Corporate social network • Crédito Real TV • Meetings • Reporting line • Workshops • Print media • Events and conferences • @prende training portal • Surveys 	<ul style="list-style-type: none"> • Professional development (continuous technical training as a model to develop skills and leadership among our employees) • Benefit programs for employees and their families • Recognition systems • Salary • Professional development • Competitive salaries • Benefits exceeding those established by law • Working practices and talent retention • Human resources 	<ul style="list-style-type: none"> • Internal communication • Human Resources
Shareholders	<ul style="list-style-type: none"> • Telephone support line 5228 9753 investor_relations@creditoreal.com.mx • Website • Relevant events • Satisfaction surveys • Opinion surveys • Quarterly reports • Shareholders meeting • Events and conferences • Annual report • Annual report 	<ul style="list-style-type: none"> • Corporate governance • Coverage • Expansion and business ethics • Financial information • Risk management • Accurate, timely and consistent information • Profitability • Growth strategic plan • New products and services • Efficiency and productivity plan • Product diversification 	<ul style="list-style-type: none"> • Investor Relations • Corporate Governance or Legal Department
Suppliers	<ul style="list-style-type: none"> • E-mail • Telephone • Website • Meetings 	<ul style="list-style-type: none"> • Value Chain Development • Local supply • Suppliers development • Requirements and standards • Supplies selection • Value creation 	<ul style="list-style-type: none"> • Acquisitions • Expenditure Control or Accounts Payable

Contact frequency with stakeholders:

- Constant
- Regular (weekly, monthly, bimonthly, quarterly, biannual or several times per year)
- Annual

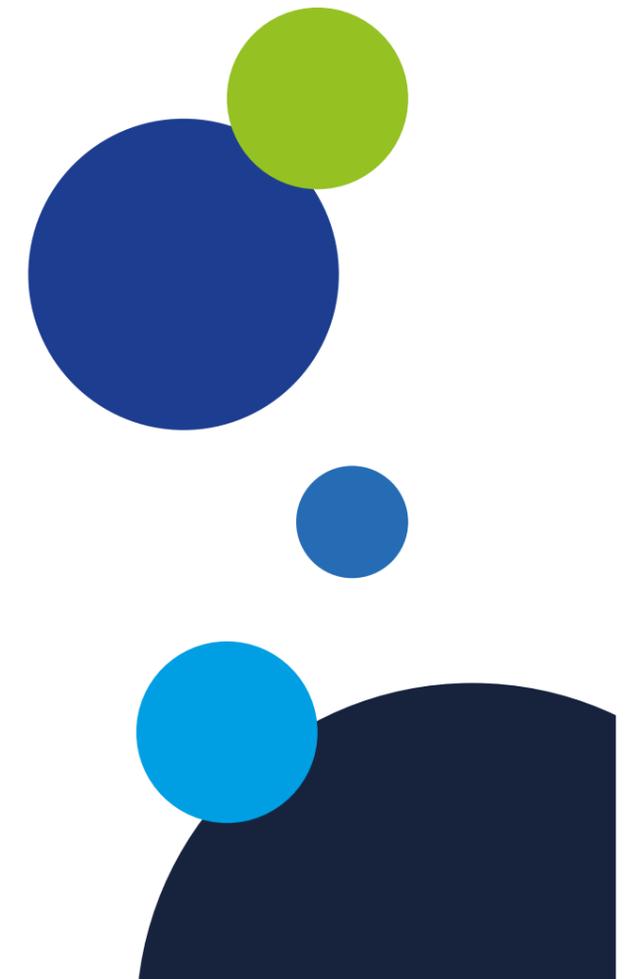
GRI 102-40, GRI 102-42, GRI 102-43, GRI 102-44

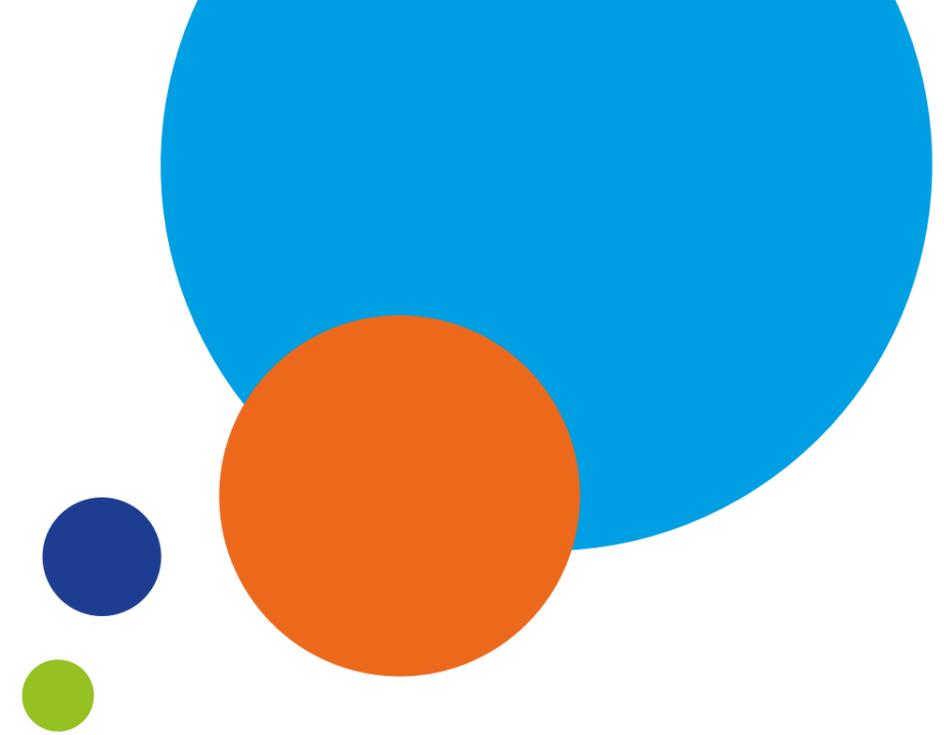
GRI 102-40, GRI 102-42, GRI 102-43, GRI 102-44

Stakeholders	Communication Channel	Topics	Merging Area
Authorities	<ul style="list-style-type: none"> E-mail Website Channels determined by authorities Committees Meetings Annual report 	<ul style="list-style-type: none"> Activities information Regulatory compliance Business operation integrity Follow-up and financial regulation adherence Transparency and timely information reports Corruption Supply and advertising of products and services according to the regulation 	<ul style="list-style-type: none"> Legal Department Investor Relations
Community	<ul style="list-style-type: none"> Telephone E-mail Website Social networks Visits to communities Events Meetings 	<ul style="list-style-type: none"> Community support Activities for society and environment Activities report Cooperation and investment in sport projects to promote an active and healthy life Social responsibility management Business ethics 	<ul style="list-style-type: none"> Marketing
Civil society organizations	<ul style="list-style-type: none"> Telephone E-mail Website Meetings Visits 	<ul style="list-style-type: none"> Economic or in-kind support Strategic alliances Participation in working groups Cooperation and development to achieve more and better activities in favor of society and environment 	<ul style="list-style-type: none"> Human Resources Marketing
Business partners	<ul style="list-style-type: none"> Visits Telephone Website Meetings Events and conferences 	<ul style="list-style-type: none"> Value Chain Development Competitive products New products Training for sales force Operative efficiency Corruption 	<ul style="list-style-type: none"> Business divisions Marketing

Contact frequency with stakeholders:

- Constant
- Regular (weekly, monthly, bimonthly, quarterly, biannual or several times per year)
- Annual





The way we generated value to our stakeholders during 2016, was the following:

GRI 201-1

	Figures expressed in millions of Mexican Pesos
a) Income	6,958.2
b) Commissions and fees collected	539.6
c) Other income	643
d) Participation in the results of subsidiaries	30.9
e) Economic value generated (a+b+c+d)	8,171.7
f) Interest expense	1,916.4
g) Commissions and fees paid	283.4
h) Administration and promotion expenses	2,922.0
i) Income Taxes	504.4
j) Dividends	96.8
k) Investment in social responsibility programs	2.4
l) Economic value distributed (f+g+h+i+j+k)	5,725.4
l) Economic value retained (e-l)	2,446.3

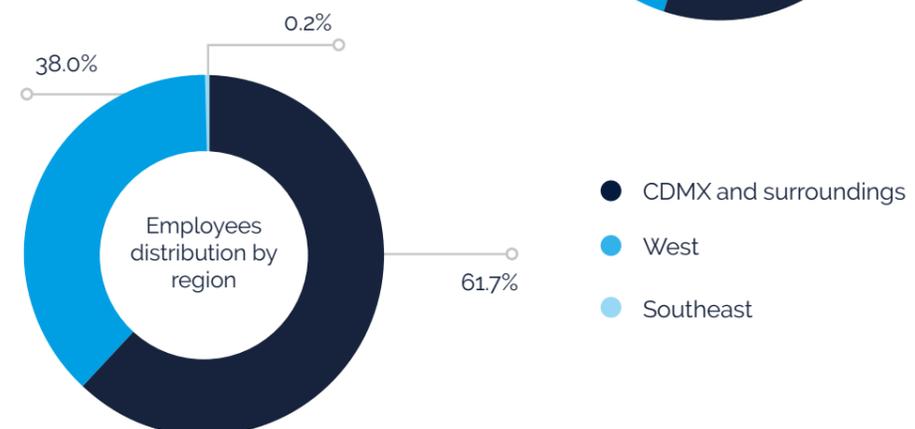
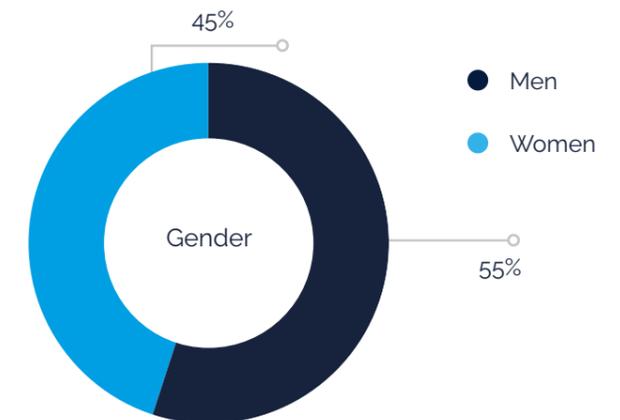
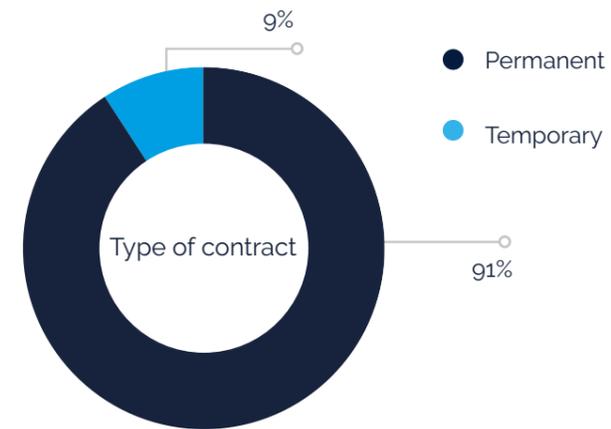
SOCIAL PERFORMANCE

SOCIAL PERFORMANCE

GRI 103 Social aspects, GRI 401-2, GRI 102-8

In Crédito Real we are aware that human talent in our Company is fundamental for the business growth. We work hard so that our employees feel proud of working with us, as well as making them feel part of this Company.

Our team is integrated by 469 employees, from which 96.9% work full time and 3.1% part time.



PM
Principle 3

"Companies should uphold the freedom of association and the effective recognition of the right to collective bargaining."

In order to promote a pleasant working environment in Crédito Real, we offer our full time employees a variety of benefits exceeding those established by the law such as: life insurance, death grant for immediate family members, support for car insurance and parking or transportation allowance, dental care, discounts of up to 50% in Mabe Stores, five extra days of maternity leave and one extra day for paternity added to the ones granted by law, nursing room and a kit with baby products in case of maternity or paternity.

Likewise, permanent employees have right to Christmas bonus, vacation premium, food allowances, savings fund, payroll loan and seniority premiums every five years, as well as major medical expenses for directors, assistant directors and managers. Additionally, Crédito Real subsidizes 50% of dining room service for permanent and temporary employees and 100% for trainees and security, dining and cleaning staff.

In 2016, our corporate dining room received the Distinctive H certification. This recognition is given by the Tourism Ministry and the Health Ministry to those fixed food and beverages establishments that fulfill the hygiene standards according to NMX-F605 NORMEX 2004 Mexican Standard.

**WE ARE PLEASED THAT OUR
EMPLOYEES FEEL PROUD TO BE
WORKING WITH US AND STRIVE
TO ACHIEVE THEIR PROFESSIONAL
AND PERSONAL GOALS.**

Talent training

GRI 103-2, GRI 103-3

Convinced of the importance of promoting the development of skills and continuous training in our employees, we have a Model of Training and Culture that consists of three main points:

TRAINING: Regulatory and technical schemes.

CULTURE: Strategies that promote organizational philosophy with employees.

TALENT: Programs that simplify the attraction, identification, development and retention of employees.



Training

Throughout this year, we trained our working team in Regulatory issues concerning Money Laundering Prevention and Personal Data Protection. Furthermore, 100% of the employees were certified in the workshop of Code of Ethics and Reporting Line.

Additionally, we implemented a strategic training model, which allows us to:

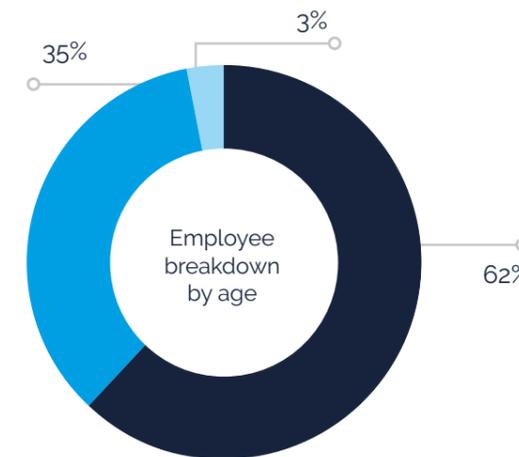
- Align the strategic objectives of each area with the training actions.
- Develop the technical capacities and the soft abilities of our Competency Model.
- Involve area leaders in the training of employees during all the process.
- Ensure implementation of the theory in the practical and deliverable processes of the projects.
- Contribute in the improvement of our employees performance and increase efficiency in the achievement of goals inside the Company.



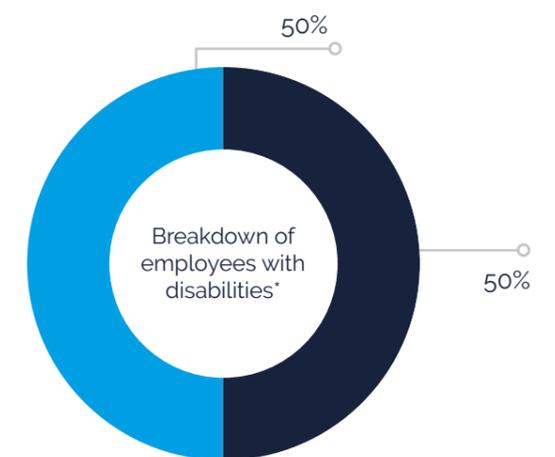
Culture

GRI 405-1, GRI 412-2

In Crédito Real we strive to promote a pleasant organizational environment, encourage team work and the collaboration between our employees, as well as guarantee equal opportunities and gender equity.



● 30 to 50 years
 ● Under 30 years
● Over 50 years



● Men
 ● Women

*Physical, mental, intellectual or sensory disabilities

To promote these practices, we support each other in several programs that contribute to the personal and ethical development of our employees through some training courses:

- “Learn about human rights”: knowledge and defense.
- “Sort, recycle and re-use”: adequate separation of wastes.
- “I am inclusive”: diversity experience promotion.

During 2016, we renewed our induction program in order to strengthen our organizational culture. We included didactic materials and implemented activities with different areas to give a warm welcome to new members of the working team.

**IN 2016, WE TRAINED
86% OF OUR EMPLOYEES
IN TERMS OF HUMAN RIGHTS,
EQUIVALENT TO A TOTAL
OF 535.5 HOURS** GRI 412-2

In addition to this, we implemented “We Are All Operations”, a successful change program in the Operations Management, which consists in offering a competitive advantage to our distributors through the dispersion of our payroll loans in 30 minutes. For this initiative, we developed awareness and integration activities, training, communication plans and employees recognitions.

Furthermore, we carried out a talent identification process in which the chosen prospects formed the Coaches Team and were trained to take leadership roles in Crédito Real.



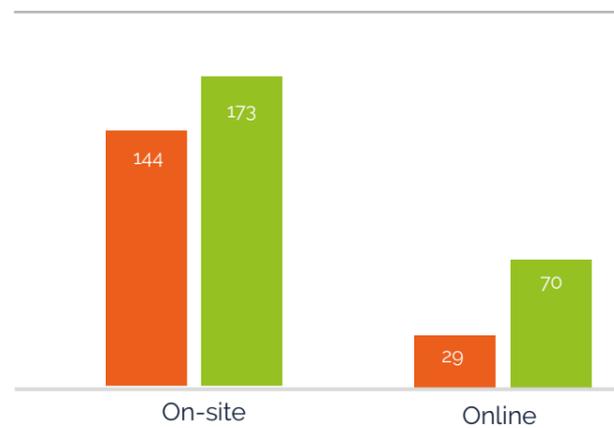
Talent

In order to contribute to the professional development of our work team, we have a Languages and Postgraduate Program. This initiative provides English courses, diplomas, specialties, and master's degrees, which include a projects administration course, with the objective of expanding their knowledge and supplying the necessary tools so they can support us with the design of an improved system in our processes, in a way that the investment in their studies generates an added value for our Company.

40.5% more than 2015

● 2015
● 2016

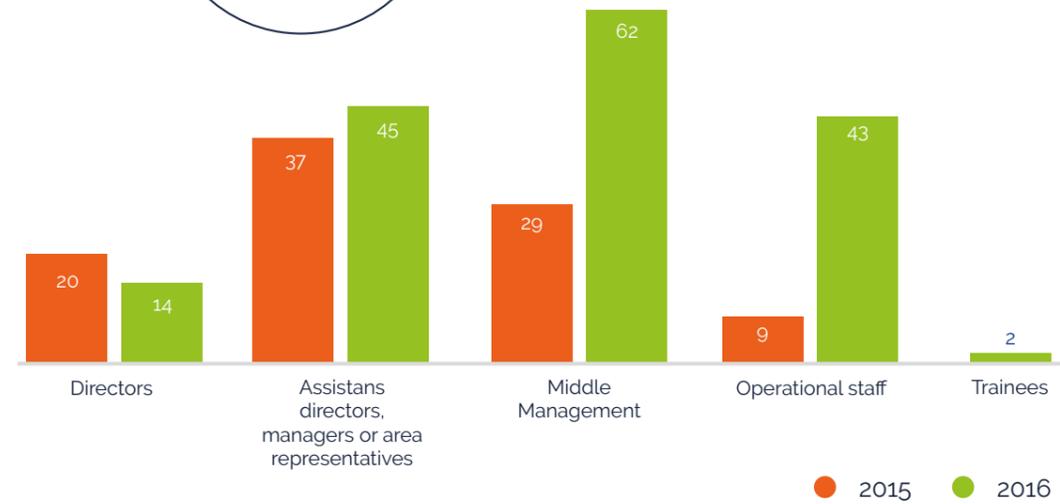
Training



In 2016, we invested \$3.1 million pesos in training programs.

195.8% more than 2015

Average training hours by job category



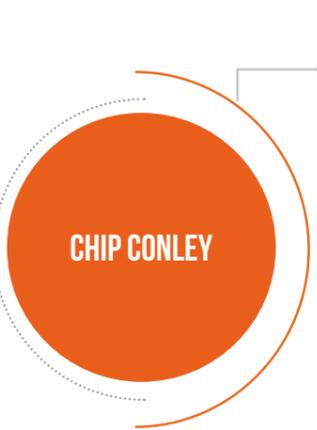
TOTAL TRAINING HOURS: 12,945; 43 HOURS AVERAGE PER EMPLOYEE GRI 404-1

IN COMPANIES

GRI-201-1

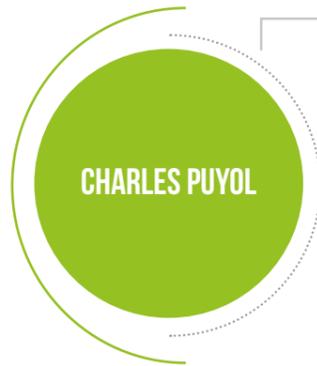
As part of our training program, in order to keep our team in constant updating knowledge, we have included a series of conferences available for shareholders, commercial partners and employees.

During 2016, we held several lectures given by some of the most outstanding personalities of the business world, globally.



Airbnb Strategy and Hospitality chief and Joie de Vivre founder

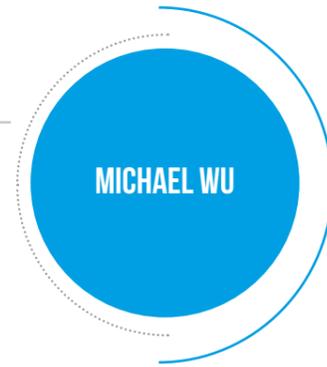
He gave a conference about self-fulfillment power and the way it affects and encourages the employees within the Company.



FC Barcelona former captain

He gave a conference about leadership, strategy and maximum performance, as well as high performance keys (lessons from the playing field)

Lithium Technologies Chief Scientist



Conference about advanced analytical gamification behavior.

over \$1.2 million pesos invested in conferences given to shareholders, associates and employees.





**25 children
attended our
Summer Day.**

LET'S TALK ABOUT FINANCES WITH CRÉDITO REAL

Our program regarding financial education includes a series of activities which objective is to teach our employees and their families to administrate and invest their economic resources in an efficient way, in order to improve their life quality.

Summer Day

During the summer holidays, we held an event with our employees' children, which objective was to introduce them into financial subjects.

Along the day we performed activities searching different purposes:

Manufacture of a piggy bank using recyclable materials

Encourage saving habits, as well as deliver financial objectives for children, it also raise awareness over the importance of preservation of our ecosystem

Projection of a film

Demonstrate the importance of saving

Lecture

Teach children basic concepts as saving, budget and money, and the means to earn it.

This Friday, LECTURE TIME

Wolfgang Erhardt, Credit Bureau spokesman, imparted a conference on the special credit Brief, which included the following aspects:

- Operation
- Integration
- Regulatory institutions
- Deadlines and requirements



Income Challenge

Our initiative arose from the premise that 63.4% of the Mexican population does not prepare a monthly budget and does not know where their income goes.

In order to solve this problem we have developed a program to teach our employees how to keep an expenses log and to have the necessary knowledge to make a monthly budget.

“From my income, first, I take my savings aside and the rest is what I spend”

Flavio Monroy

¹ Source: <http://www.cnbv.gob.mx/Inclusi%C3%B3n/Documents/Encuesta%20Nacional%20de%20IF/ENIF%202015.pdf>



How to make a budget?

Flavio Monroy,
Credit Financial
Plannig Manager



To encourage the importance of carrying on a correct administration and the responsibility this implies, as well as the steps to follow in the budget elaboration.

62 participants, all ages: children, students and adults.

SOCIAL INNOVATION TRENDS

Central Hypothesis

How would it be possible to create scale financial education initiatives in Mexico in order to transform people's reality, their needs and the financial institutions?

Crédito Real, Banamex and Compartamos Banco, in alliance with Ashoka, elaborated a study named "Financial Education Social Innovation Trends", with the intention of creating awareness about the current situation of the country regarding this issue, and contributing to generate consciousness and a change in the Mexican society mentality.

The mentioned study showed interesting conclusions, such as the underrated financial education and the poor financial infrastructure in Mexico. Consequently, these institutions developed a strategy with initiatives aimed towards three main areas:

- Promotion of the financial knowledge
- Affordable services for the population
- Encouragement on financial inclusion

For more information about this study, you can consult the following link:
<https://drive.google.com/file/d/0B-qzbU7nmAdeERRWEZBN1ktX28/view>



As a result of our efforts to develop a collaborative atmosphere and an optimum working environment, we have been acknowledged by several organizations:

	Who grants it?	What does it acknowledge?	Why is it granted?
ESR Distinctive	Philanthropy Mexican Center	<ul style="list-style-type: none"> • Life quality in the company • Business ethics • Environmental process quality • Links with community • Responsible communication 	The company is committed to constantly improve social responsibility processes
Inclusive Company Distinctive	Ministry of Labor and Social Security	<ul style="list-style-type: none"> • Labor inclusion practices • Accessible facilities for disabled people • Raise awareness among employees about inclusive issues 	The company encourages equal job opportunities and promotes no discrimination.
Family Responsible Company Distinctive	Ministry of Labor and Social Security	<ul style="list-style-type: none"> • Work-family conciliation • Equal opportunities • Workplace violence and sexual harassment prevention 	The company encourages and promotes policies and practices so our employees can develop in a comprehensive manner their personal, familiar and professional environment.
H Distinctive	Ministry of Tourism and Ministry of Health	<ul style="list-style-type: none"> • Hygiene within our facilities • Hygiene in food preparation • Health care in menus 	The company dining room meets the hygiene standards required NMX-F605 NORMEX 2004 Mexican Regulation.
Great Place to Work	Great Place to Work Institute	<ul style="list-style-type: none"> • Optimum environment place to develop activities • Confidence and job satisfaction from employees • Understanding of the impact of programs and employment benefits • Leaders cultural skills 	The company proves that its organizational culture is worthy of being an excellent place to work.

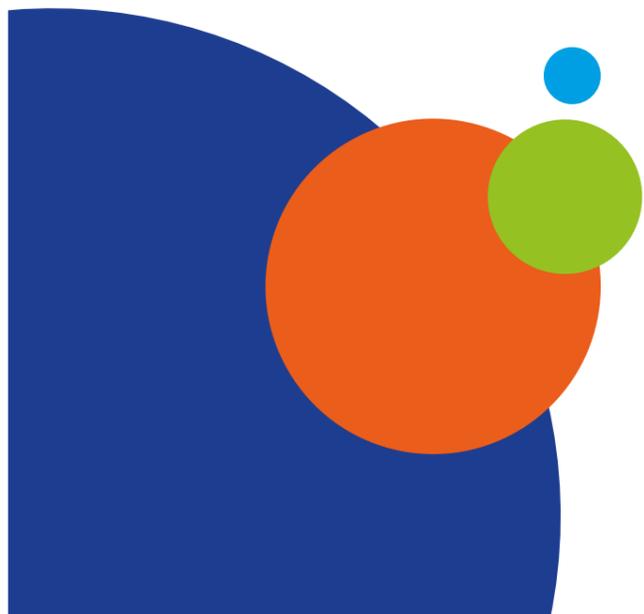
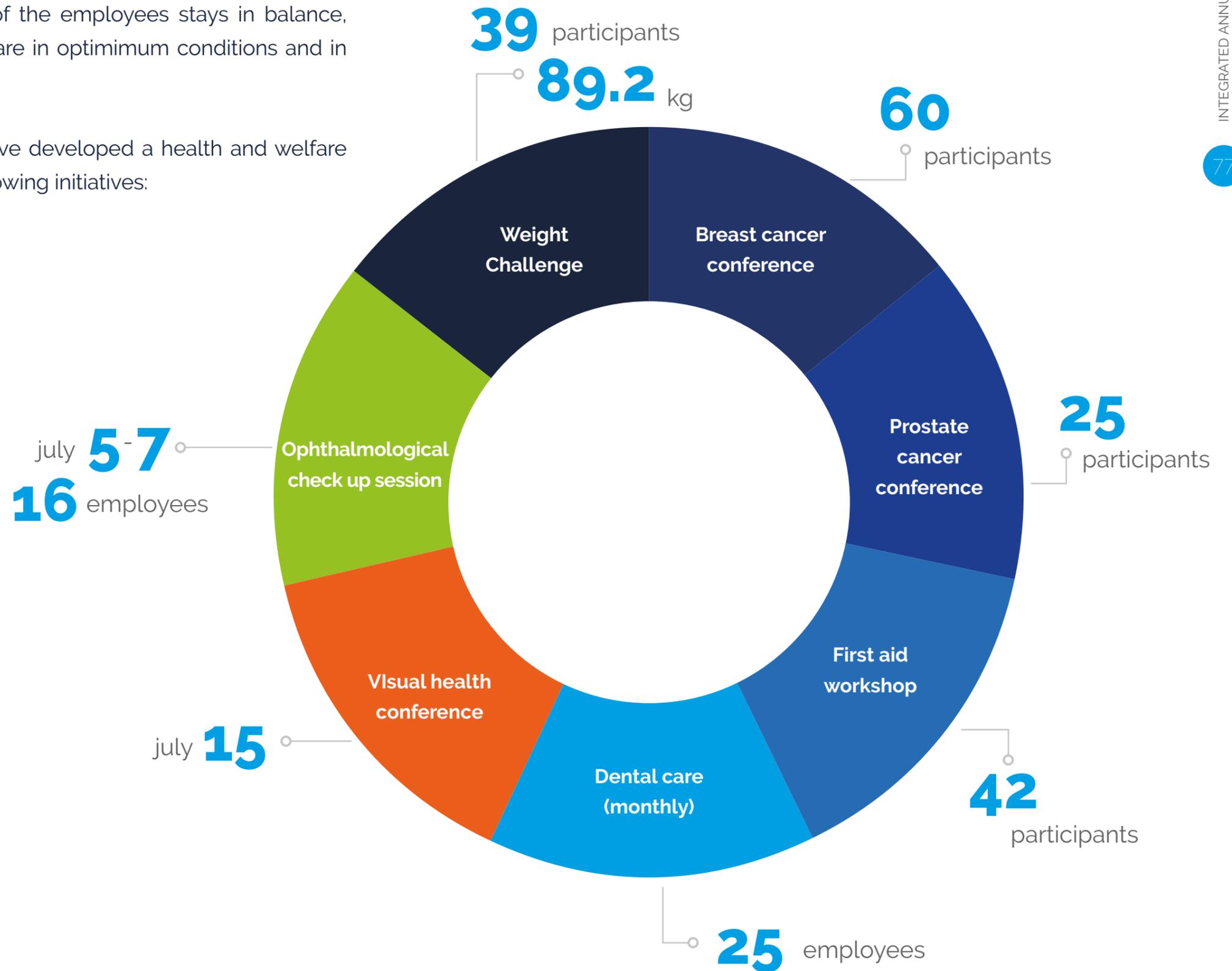


HEALTH AND SECURITY

GRI 403-1

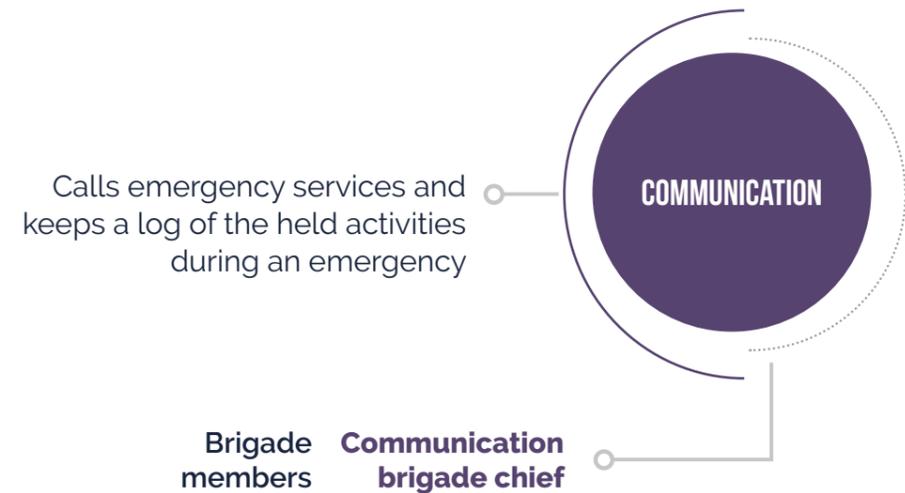
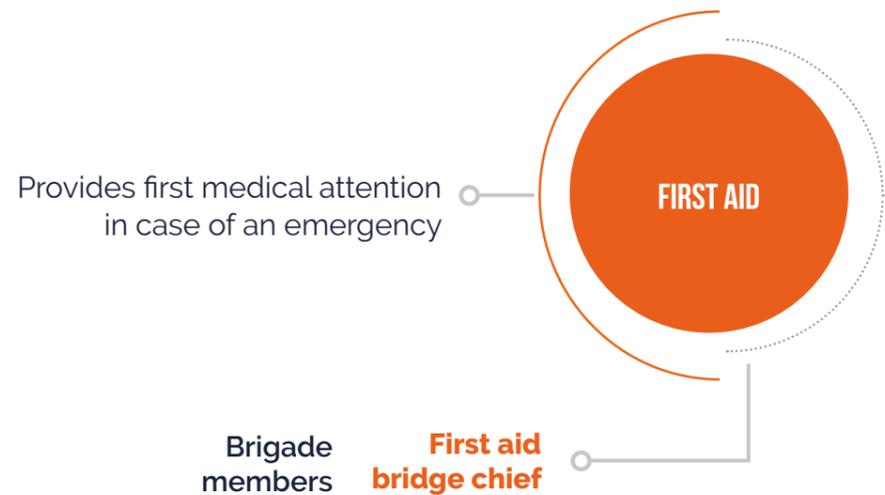
In order to protect our team health, we have a fused Commission on Safety and Health. The task of this commission is to check that the emotional and physical health of the employees stays in balance, as well as the facilities security are in optimum conditions and in accordance to the Law.

To fulfill these objectives, we have developed a health and welfare program, which includes the following initiatives:



Likewise, we guarantee the safety of our work team through the organization of brigades with the name of "Real Heroes". Their main task is to minimize risk and control the situation during any emergency; keeping up to date regarding emergency control techniques, and protecting our employees' integrity.

To fulfill the compliance of their objectives, our brigade is formed as follows:

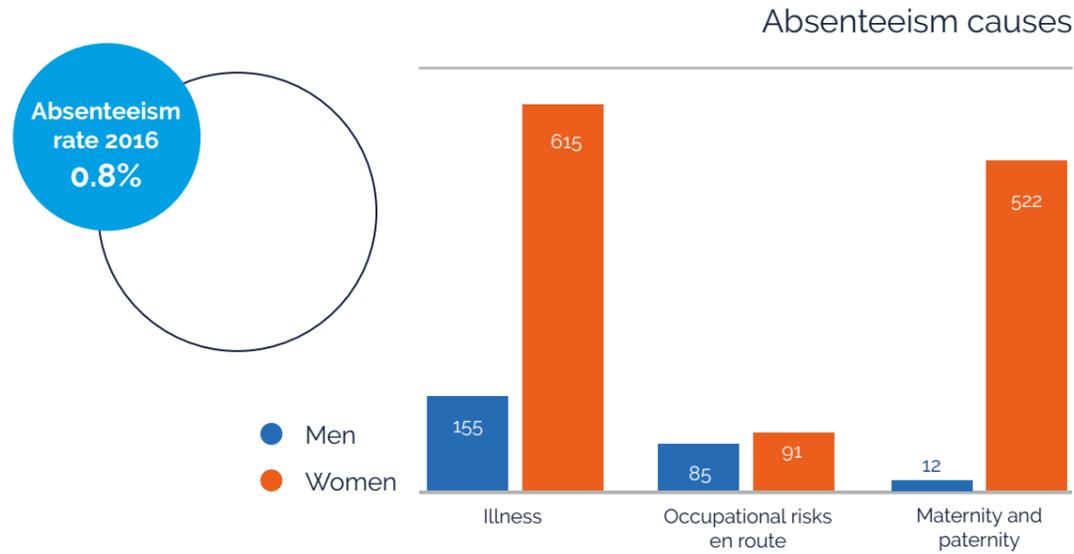


In 2016, we trained 36 brigade members through 3 courses:

- Communication and security**
- Evacuation and rescue**
- First aid**

GRI 102-12, GRI 403-2

Due to the prevention programs we carry out, no labor related accidents have occurred. Therefore, personnel absenteeism is originated by the following reasons:



COMMUNITY DEVELOPMENT

GRI 103-3

\$1,024,430 pesos donated in 2016:

- **\$7,430 to the Foundation for Street Children**
- **\$12,000 to breast and prostate cancer Foundations**
- **\$1,005,000 to Village Capital**

In Crédito Real we carry on a number of activities leading to contribute to the development of the communities within the areas where we operate; this way we encourage social awareness in our employees.

Secret Pal with a cause

In this activity, employees bought and sent chocolate bars to a secret friend in the Company. This way, Crédito Real raised funds that were donated to the Foundation for Street Children, chosen by our employees.

Through this initiative, we encourage teamwork integration; meanwhile, we contribute to the development of social purposes for those in need.

Cancer prevention

During the last quarter of the year we gave several conferences with the purpose of spreading relevant information about cancer.

BREAST CANCER

"Feeling is Sharing and Living" Foundation

A lecture about the importance of breast self-examination was given in order to provide the tools for early detection of breast cancer.

PROSTATE CANCER

"Mexican association for the battle against cancer"

A conference was given in order to raise awareness on prostate cancer, as well as its main causes and how to prevent it.

For every person who attended the lecture, we donated \$100 pesos for the acquisition of prosthetics aimed to people who suffered these diseases.

Village Capital

In Mexico, only 25 million of the 120 million Mexicans own a banking account, due to the traditional financial institutions excluding 60% of the Mexicans as a result of their low income. On the other hand, 70 million people own a cell phone.

Starting out from this premise, there is an unserved market in our country, which provides an opportunity for the expansion of alternative financial services, including mobile banking and savings, payment of invoices and international remittances.

In order to address this challenge, we collaborated for a period of three months with Village Capital in the training of 11 entrepreneurs who presented innovative solutions regarding critical issues within the Mexican financial sector.

We contacted more than 250 entrepreneurs focused on financial technologies specialized in markets from Mexico and Colombia.

3 public events were organized with the goal of linking projects with potential customers, strategic partners and investors.

11 entrepreneurs were chosen from: Salud Cercana, Ahorro Libre, Contarte, ePesos, Mercado de crédito, meXBT, Mr Presta, Proyecto PYME, Tenoli, UnDosTres y Visor ADL.



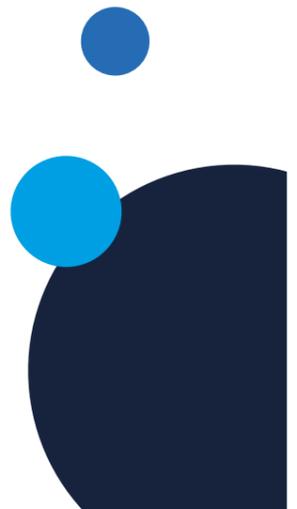
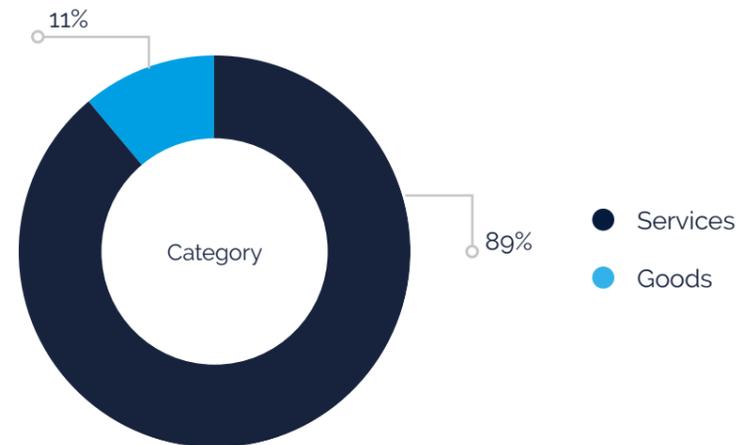
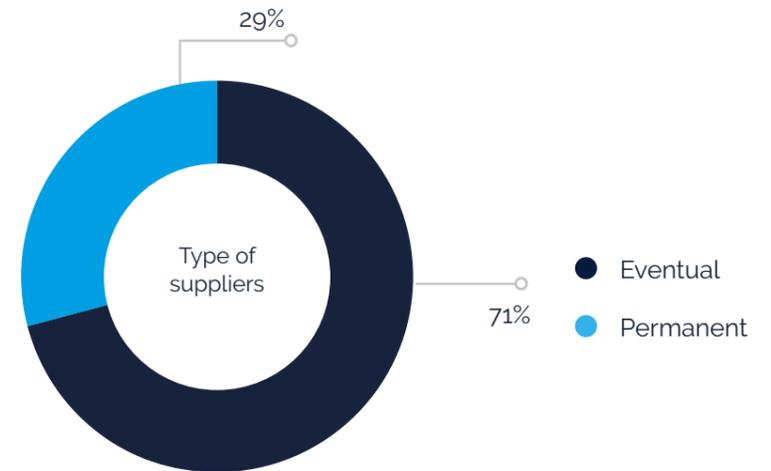
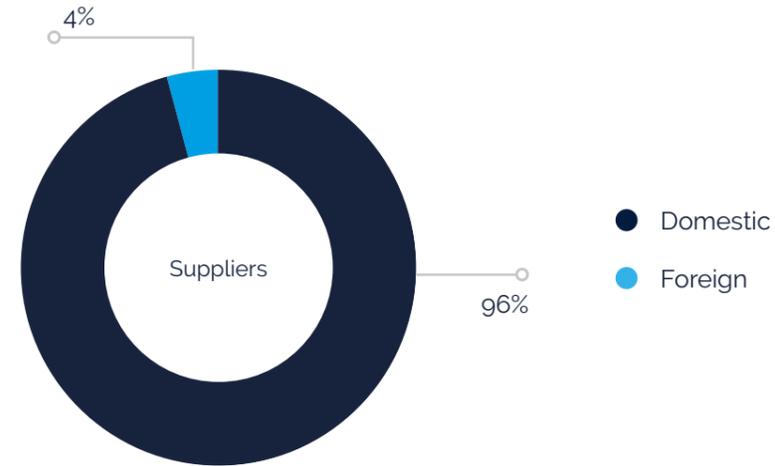
3 four day training workshops were held in order to improve and detail the business and financial models as to provide counseling to investors in early stages.



VALUE CHAIN

GRI 102-9

As a socially responsible company, our work is to contribute with the economic development of the site where we perform our operations. For this reason, most of our suppliers are domestic.



ENVIRONMENTAL PERFORMANCE

GRI 103 Environmental Aspects

A great deal of our operations have a social and economic impact. However, we contribute to the environmental care through several reduction strategies.

PM Principle 7

"The companies must keep a preventive approach that favors the environment"

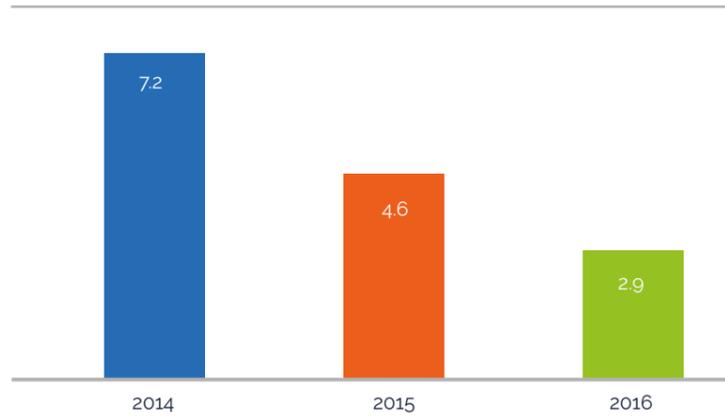
Responsible Consumption

GRI 103-2, GRI 103-3

Among our main opportunity areas within the environmental context, we use responsible printing. Therefore, we replaced conventional printers with multifunctional printers that promote paper saving and allow the reduction of electricity consumption. Furthermore, we implemented the use of specialized software, which allows us to have control of the total consumption per cost center.

Paper consumption
(tons)

GRI 301-1



PM
Principle 9

"The companies must encourage diffusion and development of environmentally friendly technologies"

GRI 303-1

During 2016, we consumed 5,228 m3 of water for our office operations.

GRI 301-1

IN 2016, WE REDUCED A 37% OUR PAPER CONSUMPTION DUE TO THE MIGRATION OF SOME PROCESSES TO DIGITAL PLATFORMS AND TO THE UPDATING OF INFORMATION MANAGEMENT INTERNAL POLICIES.

GRI 306-2

Additionally, we are part of the HP Planet Partners Program, committed to the responsible treatment of wastes such as the toner and ink cartridges, which are recycled in multiple stages. Through this process, these cartridges are reduced to raw materials, which are useful to manufacture plastic and metal new products.

Likewise, discarded alkaline batteries are sent to specialized companies for its handling.

WE RECYCLED:

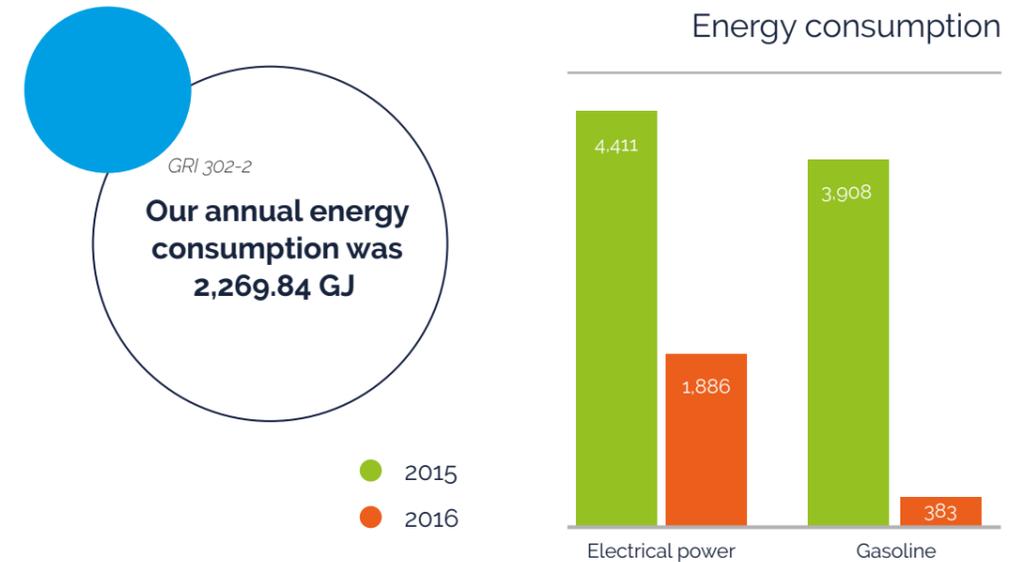
31 TONER CARTRIDGES
56 AA BATTERIES
120 AAA BATTERIES



Energy

GRI 302-1

In 2016, we managed to reduce our energy consumption, primarily to the gold level LEED building (Leadership in Energy and Environmental Design) where we perform most of our operations, as well as the application of our energy saving programs and campaigns.



Our decrease in gasoline consumption was due to the reduction of our vehicle fleet and to the update in our gasoline vouchers benefit policies.

GRI 302-3

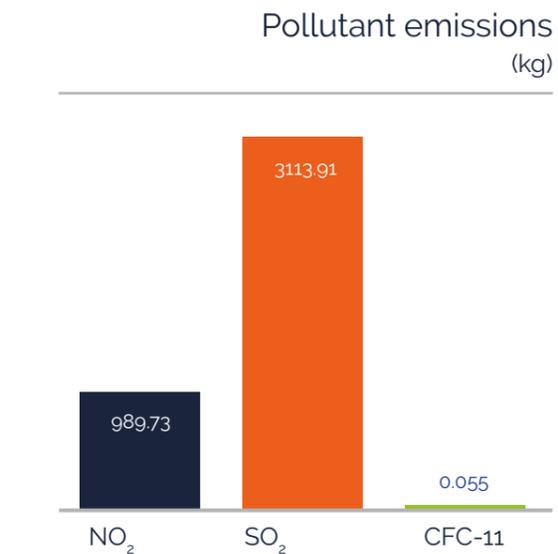
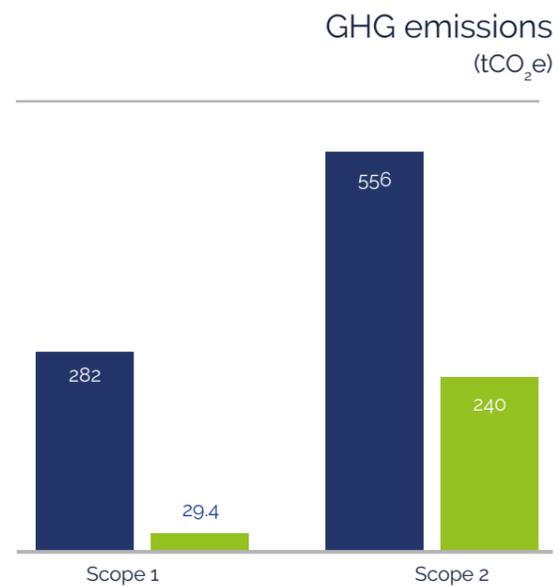
IN ACCORDANCE WITH THE MONITORING OF OUR INTENSITY INDICATORS, THE ENERGY CONSUMPTION PER WORKER WAS 4.67 GJ IN 2016.

Emissions

GRI 305-2, GRI 305-4, GRI 305-6, GRI 305-7

The series of actions which help in the energy and raw material reduction, allowed us to decrease our carbon footprint down to 68% regarding the 2015 report.

The following figures are based on the established methodology set by the National Emissions Registry for Greenhouse Effect Gases and Compound:



As part of the actions we carry on to contribute with the environmental care and neutralization of our emissions, we joined Scolel'te, a carbon capture program, performing reforestation and sustainable forest management activities in "El Ocote" and "Lacandona" rainforests in Chiapas.

PM Principle 8

"The companies must encourage initiatives that promote a greater environmental responsibility"

We offset 5 CO₂ tons through Scolel'te's carbon capture program



CORPORATE GOVERNANCE

GRI 102-18, GRI 102-20

In Crédito Real, our corporate governance is formed by principles, regulations and statutes that control the operation of the bodies in charge of generating value, besides preserving the interests of the Company through the efficient and transparent use of resources.



BOARD OF DIRECTORS

GRI 102-21, GRI 102-22, GRI 102-24, GRI 102-26, GRI 102-27, GRI 102-32

Our shareholders Meeting is in charge of appointing the Board of Directors members, which at the same time, determines the Committees formation. All these processes are defined based on the *Ley de Mercado de Valores* criteria, the social statutes of the Company, our Code of Ethics and Conduct and on the Code of Best Corporate Practices, issued by the Business Coordinating Council.

Each one of our members is specialized in some field on the financial sector, from loans to consumer products or exports marketing, plus a wide business experience and executive careers.

During the Shareholders meeting held on February 26, 2016, the Board of Directors members were ratified as follows:

GRI 102-23

PROPRIETARY MEMBERS

Francisco Berrondo Lagos
Chairman

Gerardo Ciuk Díaz

Ángel Francisco Romanos Berrondo
Crédito Real CEO

Juan Pablo Zorrilla Saavedra

José Luis Berrondo Ávalos

José Eduardo Esteve Recolons

Moisés Rabinovitz Ohrenstein

Wilfrido Castillo Sánchez Mejorada

Iser Rabinovitz Stern

Gilbert Sonnery Garreau-Dombasle

Allan Cherem Mizrahi

Raúl Alberto Farías Reyes

ALTERNATE MEMBERS

Eduardo Berrondo Avalos

Marcos Shemaria Zlotorynski

Luis Berrondo Barroso

Francisco Javier Velásquez López

José Francisco Riedl Berrondo

Jorge Esteve Recolons

Aby Lijtszain Chernizky

Enrique Saiz Fernández

The following committees support the Board of Directors:

GRI 102-28



AUDIT COMMITTEE

GRI 102-31

The Audit Committee is composed by independent directors and is responsible for reviewing the financial statements of the Company, as well as recommending its approval to the Board of Directors. At the same time, this Committee is in charge of the policies, procedures and social statutes follow up as well as identifying market risks and opportunities; proposing the designation of external auditors and validating the risks taken, in accordance with the adopted policies, among others.

Nombre	Cargo
Wilfrido Castillo Sánchez Mejorada	Chairman
Gilbert Sonnery Garreau-Dombasle	Member
José Eduardo Esteve Recolons	Member

THE CORPORATE PRACTICES COMMITTEE REVIEWS AND APPROVES THE GENERAL WAGES AND SALARIES POLICIES OF THE COMPANY

CORPORATE PRACTICES COMMITTEE

GRI 102-35, GRI 102-36, GRI 102-37, GRI 102-38

The Corporate Practices Committee is formed by independent members and among their functions are the following: Checking and approving general wages and salaries policies of the Company, as well as profiles for the first two level positions. Additionally, this Committee monitors director's performance and people with significant operations with the Company, as well as the approval or modification of policies.

Nombre	Cargo
Gilbert Sonnery Garreau-Dombasle	Chairman
Wilfrido Castillo Sánchez Mejorada	Member
José Eduardo Esteve Recolons	Member

EXECUTIVE COMMITTEE

GRI 102-31

The Executive Committee is in charge of resolving disputes arising from any other Committees. It also examines and approves the annual budget as well as the Company's heavy investments, monthly results and general strategies per business.

Other responsibilities managed by the Executive Committee is monitoring the Company's loan portfolios behavior, establishing the relationship between terms in loan portfolios, and funding. Finally, this Committee is responsible for reviewing and approving new products or business lines.

Nombre	Cargo
Ángel Francisco Romanos Berrondo	Chairman
Francisco Berrondo Lagos	Member
José Luis Berrondo Avalos	Member
Eduardo Berrondo Avalos	Member
Luis Berrondo Barroso	Member
Moisés Rabinovitz Ohrenstein	Member
Iser Rabinovitz Stern	Member

COMITÉ DE COMUNICACIÓN Y CONTROL

GRI 102-25, GRI 102-29, GRI 102-30, GRI 102-33

El Comité de Comunicación y Control tiene la tarea de conocer la celebración de contratos que puedan representar un riesgo para la empresa y formular recomendaciones para mitigar dichos riesgos. También se encarga de aprobar los programas de capacitación para los colaboradores en materia de prevención, detección y reporte de actos, omisiones y operaciones.

Nombre	Cargo
Angel Francisco Romanos Berrondo	Chairman
Luis Ramón Rodríguez Rodríguez Chief Operating Officer	Member
Ana Laura Arrecillas Casas Compliance Officer	Member
Luis Calixto López Lozano General Counsel	Secretary

CODE OF ETHICS AND CONDUCT

GRI 102-16, GRI 102-17

Our Code of Ethics and Conduct was renewed in 2015, therefore, in 2016 we were committed to continue spreading its contents among our main stakeholders. This tool helps strengthening the link within our working groups in order to reach the objectives and encourage a good behavior on the employees.

This policy is characterized by:

- Establishing rights and obligations of the employees, respecting their dignity as individuals.
- Ensuring equal opportunities as well as respect for each one of the employees. It also rejects any kind of discrimination and protects their human rights.
- Promoting honesty and integrity of the people at any level of the business.
- Encouraging ethical principles and the attachment to the standards of the internal regulations in order to promote a pleasant work environment according to the laws.
- Supporting the staff selection process, ensuring that the issues to evaluate includes qualities, skills, abilities, experience, among others and guaranteeing non-discrimination.



TELEPHONE



E-MAIL



WEBSITE

REPORTING LINE

Our reporting line is a tool that allows us to report any attempt of bribery, corruption, theft of property, abuse of authority, fraud, sexual harassment, physical or verbal assault as well as any other circumstance that infringes upon the established regulations in the Code of Ethics and Conduct.

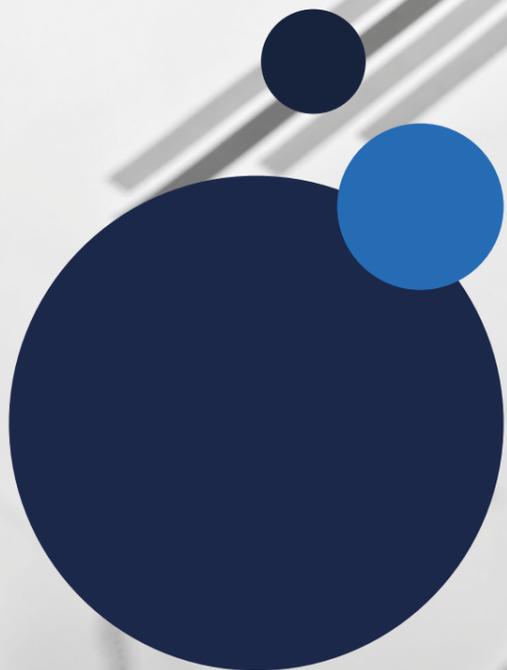
This line is anonymous, confidential and independent and all of our employees have access to it by:

To make sure this document will be understood by our employees, besides its inclusion in the induction courses at their arrival to the Company, we carry out annual training programs.

In 2016, we trained 363 Crédito Real employees and 176 from Kondinero, through our e-learning platform. This course contains several issues linked to organizational culture, the Company's identity and the updates we have performed.



ABOUT THIS REPORT



ABOUT THIS REPORT

GRI 102-45, GRI 102-50, GRI 102-51, GRI 102-52

We present our Annual and Sustainable Report for the sixth consecutive year, which covers the occurred events from January to December 2016 of all our business units, including recent acquisitions. The purpose of this document is to inform our main stakeholders about operative and finance results, challenges and goals reached along the year. For this reason, it contains information related to the results of strategic programs for the Company, and initiatives, which provide value.

GRI 102-49, GRI 102-54

This report has been elaborated according to the GRI Standards Essential option and was verified by e3 Consultora Ambiental.

MATERIALITY

GRI 102-48

In 2015, we did a materiality analysis with the purpose of knowing the most relevant aspects for our business. In this analysis, material aspects were defined based on the following methodology:

GRI 102-46

1. Identification. We held a series of interviews with key players within the organization in order to detect the most relevant economic, social and environmental aspects.

GRI 102-48

2. Priorization. Based on interests and expectations of the stakeholders, risk levels, evaluation of impact for the value chain and the contribution of each issue for a sustainable performance, material aspects were placed in order.

To reach this, a qualitative and quantitative analysis was made, through which the risk/opportunity level was determined, as well as the maturity the Company shows, regarding different subjects. From this analysis, a grade was obtained for each aspect, in order to develop a matrix where the order of the aspects is graphically showed.

3. Validation. The Company validated the two first phase's results of this study.

4. Review. To make the report, hard data of every material aspect was reviewed.

In 2016, we took this study as a base for the development of our Sustainable and Annual Report.



ORGANIZATION ASPECT IMPACT

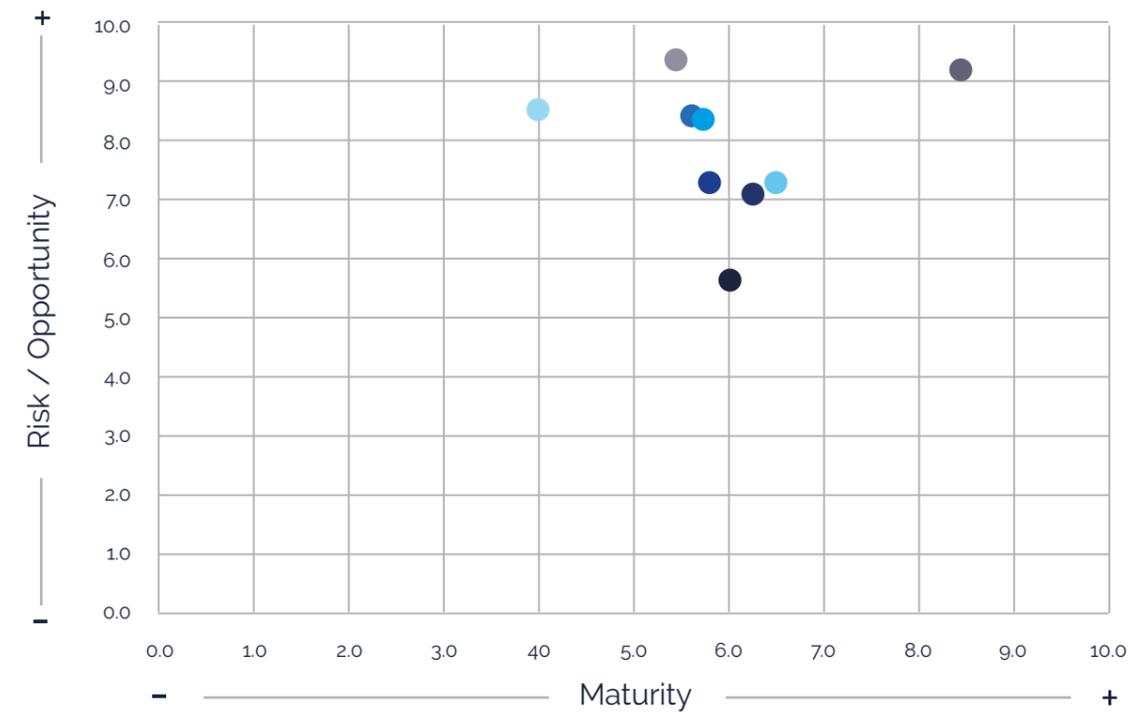
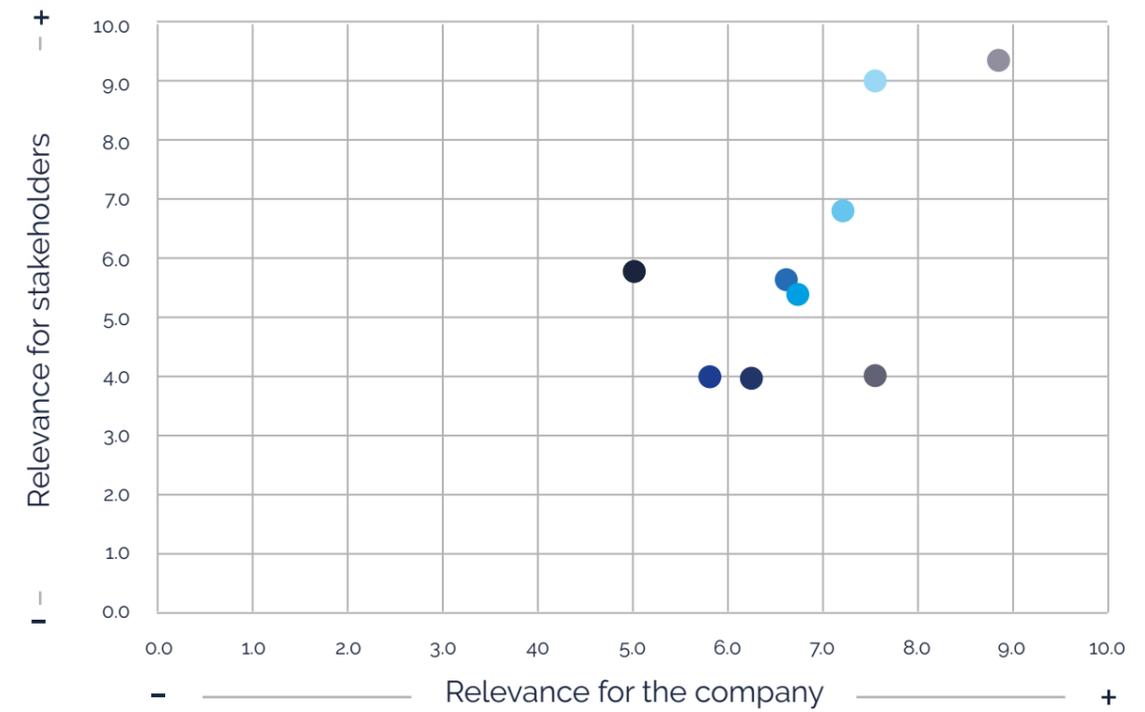
GRI 102-47

Material Issues	In	Out	Stakeholders that consider it material
Training and Development	✓		Employees
Communication and relations with Stakeholders	✓	✓	Employees, business partners
Diversification strategy	✓	✓	Employees, costumers, business partners
Ethics in the organization	✓	✓	Employees, authorities, shareholders, customers
Risk Management	✓	✓	Employees, authorities, customers, shareholders
Corporate Governance	✓		Employees
Investment in infrastructure for the operation	✓		Employees
Environment	✓		Employees
Social Responsibility	✓		Community

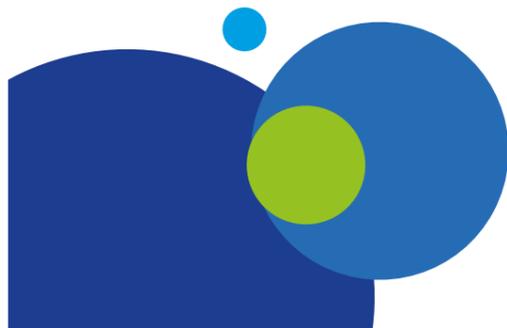
MATERIAL MATRICES

GRI 102-47.

Materiality matrix



- Risk management
- Ethics in the organization
- Training and development
- Corporate Governance
- Environment
- Communication and relations with Stakeholders
- Diversification strategy
- Investment and infrastructure for the operation
- Social Responsibility



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GRI 102: General Contents 2016			
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102-3	10-11		
102-4	10-11		
102-5	3		
102-6	16		
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102-36	99		
102-37	99		
102-38	99		
5. Stakeholders participation			
102-40	46, 48-51		
102-41		In the Collective Contract, 4 positions are considered, representing 1%	
102-42	46, 48-51		
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6. Practices for the reports elaboration			
102-45	106		
102-46	106		
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102-49	106		
102-50	106		
102-51	106		
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102-53	184		
102-54	106	There were no claims	
102-55	112		
102-56	111		

GRI Standards			
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Economic Standars			
GRI 103: Management approach 2016			
103	55, 80		
GRI 201: Economic performance 2016			
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GRI 203: Indirect economic impacts 2016			
Thematics contents			
203-1	71		
203-2	23-27		
Environmental Standars			
GRI 103: Management approach 2016			
103	87		
GRI 301: Materials 2016			
Thematics contents			
301-1	88, 89		
GRI 302: Energy 2016			
Thematics contents			
301-1	88, 89		
302-2	91		
302-3	91	Total energy consumption is considered: fuels (Scope 1) and electric energy (Scope 2)	
GRI 303: Water 2016			
Thematics contents			
303-1	92		
GRI 305: Emissions 2016			
Thematics contents			
305-2	92		
305-4	92		
305-7	92		
GRI 306: Effluents and wastes 2016			
Thematics contents			
306-2	90		

GRI Standards			
Content	Page	Answer or omission	External verification
GRI 307: Environmental compliance 2016			
Thematics contents			
307-1	89	Until today, we haven't been fined or penaltied for environmental regulations non-compliance applicable to Crédito Real	
Social Standars			
GRI 103: Management approach 2016			
103	58-59		
GRI 401: Employment 2016			
Thematics contents			
401-2	57		
GRI 403: Health and safety at work 2016			
Thematics contents			
403-1	76		
403-3		We do not have employees whose profession has an impact or high risk of illness.	
GRI 404: Training and education 2016			
Thematics contents			
404-1	65		
GRI 405: Diversity and equal opportunities 2016			
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405-1	63		
GRI 412: Human rights evaluation 2016			
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CRÉDITO REAL, S.A.B. DE C.V., SOCIEDAD FINANCIERA DE OBJETO MÚLTIPLE,
ENTIDAD REGULADA AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014
AND INDEPENDENT AUDITORS' REPORT
DATED FEBRUARY 28, 2017

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Independent Auditors' Report to the Board of Directors and Stockholders of Crédito Real, S.A.B. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad Regulada and Subsidiaries

Opinion

We have audited the accompanying consolidated financial statements of Crédito Real, S.A.B. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad Regulada and subsidiaries (the "Entity"), which comprise the consolidated balance sheets as of December 31, 2016, 2015 and 2014, the consolidated statements of income, the consolidated statements of changes in stockholders' equity and the consolidated statements of cash flows for the years then ended, and a summary of the significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements have been prepared, in all material respects, in accordance with the accounting criteria established by the National Banking and Securities Commission (the Commission), through the "General Provisions applicable to public bonded warehouses, exchange houses, credit unions and regulated multiple purpose financial institutions" (the Accounting Criteria).

Basis for opinion

We conducted our audits in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of Financial Consolidated Statements* section of our report. We are independent of the Entity in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for professional Accountants* ("IESBA Code") and with the Ethics Code issued by the Mexican Institute of Public Accountants (*IMCP Code*), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code and IMCP Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matter

The accompanying consolidated financial statements have been translated into English for the convenience of readers.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined that the matters described below are the key audit matters which should be communicated in our report.

DELLOITTE SE REFIERE A SU RED DE ENTIDADES UNIDAS A NIVEL MUNDIAL, CUYAS RESPONSABILIDADES SE DESCRIBEN EN SU INFORME ANUAL, Y A SU RED DE ENTIDADES EN EL PAÍS DE SU COMUNIDAD ENTIDAD MEXICO EN LA INFORMACIÓN CONTINUA EN SU INFORME ANUAL EN SU COMUNIDAD MEXICANA DE CREDITO REAL, S.A.B. DE C.V. Y SU COMUNIDAD MEXICANA.



Valuation of Financial Derivatives (See Note 6 to the consolidated financial statements)

The valuation of the Entity's financial instruments was considered as a key audit area given the degree of complexity involved in the valuation of certain financial instruments and the significance of the judgments and estimates made by management.

In the Entity's accounting policies, management has described the principal sources of estimates involved in the determination of the valuation of financial derivatives and, in particular, when fair value is established through the use of a valuation technique due to the complexity of the instrument or the unavailability of market data. Our audit focused on the tests of the valuation adjustments, including those for inclusion of collateral.

Our audit procedures to address these significant matters included:

- We have tested the design and implementation, as well as the operating effectiveness of the key controls in the processes of identifying, measuring and supervising the valuation risk of financial derivatives of the Entity, including the controls over data sources, pricing validation and other inputs used in the valuation models.
- We have tested the design and operational efficiency of the controls over the approval of the models or changes in existing models.
- Our audit work also included an analysis of the variables used in the models. This work included the calculation of the valuation as of August 31 and December 31, 2016, of a sample of financial instruments using independent variables and, in certain cases, resulted in valuations different from those calculated by the Entity. In our opinion the differences were within reasonable ranges.
- We have tested as of December 31, 2016, the inputs to the valuation model and involved the Firm's internal specialists from our valuation area to review the results of the model.
- We validated as of December 31, 2016 their correct presentation and disclosure in the consolidated financial statements.

We did not detect any exceptions in our tests of controls and substantive tests.

Allowance for loan losses (See Notes 3 and 8 to the consolidated financial statements)

The Entity establishes the allowance for loan losses of its loan portfolio based on the portfolio classification rules established in the Provisions issued by the Commission, which establish methodologies for the evaluation and creation of reserves by type of loan. However, when classifying the loan portfolio, the Entity considers the Probability of Default, Severity of Loss and Exposure to Default, while also classifying the aforementioned loan portfolio into different groups and establishing different variables for the estimate of the probability of default. The estimate has been considered a key audit matter due to the significance of the completeness and accuracy of the information used for the determination of the risk parameters and the updating of the risk parameters in the determination of the calculation.

Our audit procedures to address this key audit matter included:

- We have tested the design and operating effectiveness of the relevant controls with a focus on the review-type controls, for the classification of the commercial loan portfolio into different groups, as well as consumer loans and home loans and the review of the variables for the estimate of the probability of default for each type of loan.
- We have tested the design and operating effectiveness of the determination of the credit rating and/or score, determined based on the quantitative factors related to the financial information of the borrower, credit bureau information and qualitative factors related to their environment, behavior and performance.

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- We tested a sample of loans as of August 31 and December 31, 2016, assessed the reasonableness of the criteria and considerations used for the calculation of the estimate based on an independent calculation exercise, compared the results against those determined by the Entity with the aim of assessing any indication of management error or bias, and identified that the results were within reasonable ranges.

The results of our audit procedures were reasonable.

Impairment of long-lived assets (See Notes 1 and 12 to the consolidated financial statements)

The Entity has identified the business segment of payroll loan products, for which the Entity conducts the annual impairment analysis as established in Bulletin C-15 of Mexican Financial Reporting Standards, in which the discounted future flows are calculated to determine whether the value of the assets has been impaired, according to future cash flows and based on current conditions and future forecasts.

Furthermore, on February 22, 2016 the Entity entered into a share purchase and sale agreement in which it acquired 70% of the common stock of Marevalley Corporation, a Panamanian company which holds various entities in Costa Rica, Nicaragua and Panama operating under the name "Instacredit".

The acquisition was recognized in conformity with Financial Reporting Standard B-7 ("NIF B-7") "Business acquisitions", under which a business acquisition is defined as a transaction whereby an entity directly or indirectly acquires the net assets of one or more businesses and thus obtains control.

The acquisition of shares of Marevalley Corporation by the Entity is considered a business combination under the scope of NIF B-7, on the basis that immediately prior to the purchase of shares these entities were not under common control.

Given the significance of the goodwill balance, it is essential to ensure that the tests performed by management to assess the impairment of goodwill are appropriate under the relevant standards.

The determination that the book value of goodwill is recoverable requires management to make significant estimates about future cash flows, discount rates and growth rates, based on management's views as to the future outlook of the business.

The Entity concluded the analysis for the identification and measurement of the intangible assets as follows: Goodwill of \$30,980 (thousands of pesos) and intangible assets of \$1,052,749 (thousands of pesos). The identified assets have an indefinite useful life and will undergo impairment testing at least once a year.

Our audit procedures to address the risk in relation to impairment of long-lived assets included the following:

Tests of internal control and substantive tests, in order to:

- Obtain a general understanding of the transaction, the financial performance and environment of the Entity as an analysis of the business segments, referred to in accounting parlance as cash generating units ("CGU").
- Understand the methodologies applied by the Entity to determine the estimate of the value of the intangible assets.
- Perform a technical analysis of the calculations prepared for the estimated valuations and used in the impairment test, as well as the results obtained, including the following activities:
 - a) Ascertain that the models consider the application of methodologies which are generally accepted and valid under applicable regulations;
 - b) Check that the financial models were prepared in accordance with Bulletin C-15, mainly with regard to the projection assumptions;

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- c) Estimate a discount rate based on the Average Cost of Capital methodology for GGU with the aim of making a comparison with the discount rate estimated by the Entity.
- d) Analyze the arithmetic accuracy of the models, particularly in relation to the calculation of cash flows and the discount of such cash flows;
- e) Ascertain the appropriate determination of the selected multiples of comparable public companies, and of the adjustment variables used by the Entity for their application to the information of the CGU;
- f) Examine the general consistency of the valuation assumptions prepared and used by the Entity;
- g) Conduct a general analysis of the supporting information available.

Furthermore, our procedures to address the risk of the acquisition values prepared by the Entity included the following procedures:

- a) Our specialists in fair value calculations assisted us in the independent assessment of the discounts rates used and the methodology used in the preparation of the method to determine the fair value of the assets acquired.
- b) We also performed tests to assess the completeness and accuracy of the valuation model.
- c) We also considered sensitivity tests of the impairment model for changes in the assumptions.

Furthermore, we considered the appropriateness of the disclosures in relation to its impairment tests and whether the disclosures on sensitivity and assessment of the possible variations in key assumptions adequately reflect the risks of such assumptions.

We concluded that the assumptions used by management, including the discount rate and the assessment of the determination of goodwill recorded in the year, are appropriate. Furthermore, the Entity has not recognized impairment as of December 31, 2016 that required adjustments to the values of its long-lived assets.

Other Information Included in the Document Containing the Consolidated Audited Financial Statements

Management is responsible for the other information. The other information will include the consolidated financial information which will be included in the Annual Report that the Entity is required to prepare in accordance with Article 33, section I, subsection b) of Title Four, First Chapter of the *General Provisions Applicable to Issuers and Other Stock Market Participants in Mexico* (the Annual Report) and the instructions accompanying such provisions (the Provisions applicable to Issuers). The Annual Report is expected to be available after the date of this audit report.

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

In relation to our audit of the consolidated financial statements, our responsibility will be to read the Annual Report, when it is available, and when we do so, to consider whether the other information contained therein is materially inconsistent with the consolidated financial statements or our knowledge obtained during the audit, or appears to contain a material misstatement. When we read the Annual Report, we will issue the representations on the reading of the annual report, as required in Article 33, section I, subsection b) number 1.2 of the Provisions applicable to Issuers.

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

Management is responsible for the preparation of the accompanying consolidated financial statements in accordance with the Accounting Criteria, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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In preparing the consolidated financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA's, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

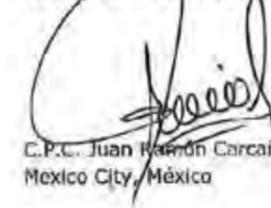
We communicate with those charged with governance of the Entity regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance of the Entity with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Deloitte

From the matters communicated with those charged with governance of the Entity, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Galaz, Yamazaki, Ruiz Urquiza, S.C.
Member of Deloitte Touche Tohmatsu Limited



C.P.C. Juan Ramón Carcaño López
Mexico City, México

February 28, 2017

CONSOLIDATED BALANCE SHEETSAs of December 31, 2016, 2015 and January 1, 2015
(In thousands of Mexican pesos)

	2016	2015	JANUARY 1, 2015
ASSETS			
Cash and cash equivalents	\$ 315,774	\$ 120,840	\$ 53,778
Investment in securities:			
Trading securities	992,675	543,266	1,251,201
	992,675	543,266	1,251,201
Derivatives:			
Trading proposes	286,792	197,184	30,049
Hedging proposes	2,180,134	1,915,634	920,209
	2,466,926	2,112,818	950,258
Performing loan portfolio:			
Commercial loans:			
Commercial or business activity	16,656,043	15,706,653	13,544,267
Consumer loans	6,753,971	1,486,897	-
Total performing loan portfolio	23,410,014	17,193,550	13,544,267
Non-Performing loan portfolio:			
Commercial loans:			
Commercial or business activity	323,793	393,849	260,638
Consumer loans	193,215	22,240	-
Total non-performing loan portfolio	517,008	416,089	260,638
Loan portfolio	23,927,022	17,609,639	13,804,905
Less - Allowance for loan losses	(767,460)	(485,506)	(420,131)
Loan portfolio, net	23,159,562	17,124,133	13,384,774
Other accounts receivable, net	3,577,298	2,258,895	1,156,180
Foreclosed assets, net	28,004	-	-
Property furniture and fixtures, net	262,126	149,115	85,482
Long-term investment in shares	1,057,821	835,624	859,009
Other assets, (net)			
Deferred charges, advance payments and intangibles	3,849,668	2,599,489	2,174,801
Other short and long-term assets	205,502	251,317	-
	4,055,170	2,850,806	2,174,801
Total assets	\$ 35,915,356	\$ 25,995,497	\$ 19,915,483

	2016	2015	JANUARY 1, 2015
LIABILITIES			
Notes Payable (Securitized Certificates)	\$ 2,759,170	\$ 3,610,368	\$ 2,571,872
Senior Notes Payable	14,129,273	7,334,554	6,560,995
	16,888,443	10,944,922	9,132,867
Bank loans:			
Short-term loans	5,051,718	3,490,484	1,120,286
Long-term loans	2,648,335	3,008,447	3,140,759
	7,700,053	6,498,931	4,261,045
Other accounts payable			
Income taxes payable	236,252	88,312	51,946
Employee profit sharing payable	18,427	12,183	185
Accrued liabilities and other accounts payable	448,921	642,098	346,111
	703,600	742,593	398,242
Deferred taxes, net	1,345,913	1,096,506	766,123
Total liabilities	26,638,009	19,282,952	14,558,277
STOCKHOLDERS' EQUITY			
Paid in Capital:			
Capital stock	660,154	660,154	660,154
Share subscription premium	1,450,269	1,447,985	1,474,814
	2,110,423	2,108,139	2,134,968
Earned Capital:			
Legal reserve	132,030	132,030	126,136
Retained earnings	4,244,142	2,901,503	1,851,225
Result from valuation of cash flow hedges, net	229,447	89,270	5,596
Cumulative translation adjustment	167,623	2,754	-
Re-measurements of employee defined benefits	2,459	1,650	-
Net income attributable to controlling interest	1,714,001	1,371,358	1,224,801
Non-controlling interest	677,222	105,841	14,480
	7,166,924	4,604,406	3,222,238
Total stockholders' equity	9,277,347	6,712,545	5,357,206
Total liabilities and stockholder equity	\$ 35,915,356	\$ 25,995,497	\$ 19,915,483

MEMORANDUM ACCOUNTS (NOTE 22)

	2016	2015	JANUARY 1, 2015
Credit Commitments	\$ 452,071	\$ 1,096,563	\$ 481,429
Uncollected interest earned on non-performing portfolio	\$ 505,852	\$ 313,547	\$ 188,158

"The historical balance of capital stock as of December 31, 2016, 2015, and 2014 is \$657,238, for each year".

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

For the years ended December 31, 2016, 2015 and 2014

(In thousands of Mexican pesos)

	2016	2015	2014
Interest income	\$ 6,958,201	\$ 4,264,239	\$ 3,327,074
Interest expense	(1,916,396)	(952,291)	(882,257)
Financial Margin	5,041,805	3,311,948	2,444,817
Provisions for loan losses	(831,593)	(345,628)	(264,526)
Financial margin after provision for loan losses	4,210,212	2,966,320	2,180,291
Commissions and fees income	539,596	-	-
Commissions and fees paid	(283,383)	(142,193)	(98,966)
Intermediation income	375,786	-	-
Other operating income	267,251	36,241	23,684
Administrative and marketing expense	(2,921,990)	(1,138,065)	(629,573)
Operating result	2,187,472	1,722,303	1,475,436
Equity in income of associates	136,096	69,153	98,605
Income before income taxes	2,323,568	1,791,456	1,574,041
Current income taxes	(234,046)	(85,927)	(20,063)
Deferred income taxes	(270,356)	(335,659)	(314,697)
	(504,402)	(421,586)	(334,760)
Net income	1,819,166	1,369,870	1,239,281
Non-controlling interest	(105,165)	1,488	(14,480)
Net income attributable to controlling interest	\$ 1,714,001	\$ 1,371,358	\$ 1,224,801
Earnings per share	\$ 4.37	\$ 3.50	\$ 3.12
Weighted average shares outstanding	392,219,424	392,219,424	392,219,424

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

For the years ended December 31, 2016, 2015 and 2014

(In thousands of Mexican pesos)

	PAID IN CAPITAL			EARNED CAPITAL						
	CAPITAL STOCK	SHARE SUBSCRIPTION PREMIUM	LEGAL RESERVE	RETAINED EARNINGS	EARNINGS FROM VALUATION OF CASH FLOW HEDGES	CUMULATIVE TRANSLATION EFFECT	RE-MEASUREMENTS OF EMPLOYEE DEFINED BENEFITS	NET INCOME ATTRIBUTABLE TO CONTROLLING INTEREST	NON-CONTROLLING INTEREST	TOTAL STOCKHOLDERS' EQUITY
Balances as of December 31, 2013	\$ 630,677	\$ 1,385,482	\$ 110,870	\$ 1,215,266	\$ 7,014	\$ -	\$ -	\$ 1,003,609	\$ -	\$ 4,352,918
Changes arising from stockholder decisions-										
Transfer of prior year results	-	-	-	988,343	-	-	-	(1,003,609)	-	(15,266)
Constitution of reserves	-	-	15,266	-	-	-	-	-	-	15,266
Repurchase of own shares	-	57,410	-	10,125	-	-	-	-	-	67,535
Effect of merger with Desarrollo 51, S.A. de C.V.	29,477	31,922	-	-	-	-	-	-	-	61,399
Dividend payments	-	-	-	(168,654)	-	-	-	-	-	(168,654)
Allowance for loan losses of commercial portfolio by change in classification methodology	-	-	-	(193,855)	-	-	-	-	-	(193,855)
Total entries approved by stockholders	29,477	89,332	15,266	635,959	-	-	-	(1,003,609)	-	(233,575)
Changes affecting comprehensive income-										
Result from valuation of cash flow hedging instruments	-	-	-	-	(1,418)	-	-	-	-	(1,418)
Net income	-	-	-	-	-	-	-	1,224,801	14,480	1,239,281
Total comprehensive income	-	-	-	-	(1,418)	-	-	1,224,801	14,480	1,237,863
Balances as of December 31, 2014	660,154	1,474,814	126,136	1,851,225	5,596	-	-	1,224,801	14,480	5,357,206
Re-measurements for employee defined benefits	-	-	-	-	-	-	(2,796)	-	-	(2,796)
Balances as of December 31, 2014 (restated)	660,154	1,474,814	126,136	1,851,225	5,596	-	(2,796)	1,224,801	14,480	5,354,410
Changes arising from stockholder decisions-										
Transfer of prior year results	-	-	-	1,218,907	-	-	-	(1,224,801)	-	(5,894)
Constitution of reserves	-	-	5,894	-	-	-	-	-	-	5,894
Repurchase of own shares	-	(26,829)	-	(10,092)	-	-	-	-	-	(36,921)
Dividend payments	-	-	-	(156,887)	-	-	-	-	-	(156,887)
Total entries approved by stockholders	-	(26,829)	5,894	1,051,928	-	-	-	(1,224,801)	-	(193,808)
Changes affecting comprehensive income-										
Result from consolidation of minority interest companies	-	-	-	-	-	-	-	-	90,865	90,865
Result from valuation of cash flow hedging instruments	-	-	-	-	83,674	-	-	-	-	83,674
Cumulative translation effect	-	-	-	-	-	2,754	-	-	1,984	4,738
Re-measurements of employee defined benefits	-	-	-	1,155	-	-	1,641	-	-	2,796
Net income	-	-	-	-	-	-	-	1,371,358	(1,488)	1,369,870
Total comprehensive income	-	-	-	1,155	83,674	2,754	1,641	1,371,358	91,361	1,551,943
Balances as of December 31, 2015	660,154	1,447,985	132,030	2,904,308	89,270	2,754	(1,155)	1,371,358	105,841	6,712,545
Changes arising from stockholder decisions-										
Transfer of prior year results	-	-	-	1,369,636	-	-	-	(1,371,358)	-	(1,722)
Constitution of reserves	-	-	-	-	-	-	-	-	-	-
Repurchase of own shares	-	2,284	-	(27,910)	-	-	-	-	-	(25,626)
Dividend payments	-	2,284	-	1,341,726	-	-	-	(1,371,358)	-	(27,348)
Total entries approved by stockholders	-	2,284	-	1,341,726	-	-	-	(1,371,358)	-	(27,348)
Changes affecting comprehensive income-										
Result from consolidation of minority interest companies	-	-	-	-	140,177	-	-	-	485,312	485,312
Result from valuation of cash flow hedging instruments	-	-	-	-	-	164,869	-	-	(19,096)	145,773
Cumulative translation effect	-	-	-	(1,892)	-	-	3,614	-	-	1,722
Net income	-	-	-	-	-	-	-	1,714,001	105,165	1,819,166
Total comprehensive income	-	-	-	(1,892)	140,177	164,869	3,614	1,714,001	571,381	2,592,150
BALANCES AS OF DECEMBER 31, 2016	\$ 660,154	\$ 1,450,269	\$ 132,030	\$ 4,244,142	\$ 229,447	\$ 167,623	\$ 2,459	\$ 1,714,001	\$ 677,222	\$ 9,277,347

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2016, 2015 and 2014
(In thousands of Mexican Pesos)

	2016	2015	2014
Net income	\$ 1,819,166	\$ 1,369,870	\$ 1,239,281
Adjustments for items that do not result in cash flows:			
Depreciation of furniture and fixtures	117,098	36,096	11,922
Amortization of intangibles assets	42,727	11,420	1,813
Provisions	63,834	(12,248)	66,702
Deferred income taxes	504,402	421,586	334,760
Equity in income of associate companies	(136,096)	(72,525)	(98,605)
	2,411,131	1,754,199	1,555,873
Operating Activities:			
Change in investment in securities	(449,409)	707,935	(605,022)
Change in derivatives (asset)	(354,108)	(1,162,560)	(721,582)
Change in loan portfolio (net)	(6,035,429)	(3,739,359)	(3,358,372)
Change in other accounts receivables (net)	(1,318,400)	(1,102,715)	(188,217)
Change in foreclosed assets (net)	(28,004)	-	-
Change in other assets	(110,699)	(680,040)	(242,603)
Change in senior notes and notes payable	5,943,521	1,812,055	3,261,561
Change in bank loans	1,201,123	2,237,886	180,160
Change in other accounts payable	(357,825)	265,396	34,732
Net cash flows from operating activities	(1,509,230)	(1,661,402)	(1,639,343)
Investing activities:			
Net cash and marketable securities (delivered) acquired in connection with business acquisition	(1,136,393)	-	100,751
Acquisitions of property and equipment	(230,109)	(107,114)	(76,307)
Dividends received in cash	96,672	51,944	127,033
Decrease (increase) in investments in shares	283,443	136,815	(101,424)
Net cash flows from investing activities	(986,387)	81,645	50,053
Financing activities:			
Cash flow generated from hedging instruments	140,177	83,674	-
Unpaid dividends declared	-	(156,887)	-
Dividends paid in cash	-	-	(85,000)
Share subscriptions premium	2,284	(26,829)	5,678
Repurchase of own shares	(27,910)	(10,092)	10,125
Other	-	-	29,477
Net cash flows from financing activities	114,551	(110,134)	(39,720)
Net increase (decrease) in cash and cash equivalents	30,065	64,308	(73,137)
Effect for change in the value of cash and equivalents	164,869	2,754	-
Cash and cash equivalents at beginning of year	120,840	53,778	126,915
Cash and cash equivalents at end of year	\$ 315,774	\$ 120,840	\$ 53,778

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2016, 2015 and 2014
(In thousands of Mexican pesos)

1. ACTIVITIES, REGULATORY ENVIRONMENT AND SIGNIFICANT EVENTS

Crédito Real, S.A.B. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad Regulada and Subsidiaries (the "Entity" or "Crédito Real"), is a non-banking institution in Mexico, focused on consumer lending which has diversified business platform integrated mainly by six business lines: (i) payroll lending, (ii) durable goods loans, (iii) small and medium business loans, (iv) group loans, and (v) used car loans and (vi) Instacredit (Central America), where the loans offered include personal loans, automobile loans, loans for small and medium businesses (PYMES) and others. Loans paid via the payroll are offered to unionized government employees through a national network of 12 distributors with which credit granting agreements have been executed. Crédito Real has executed exclusivity agreements with three of the main distributors and also holds a significant amount of their common stock. The origination of consumer loans ceased as of June 2016, and only internal collection activities for the performing portfolio are being carried out. Loans are granted to small and medium businesses to cover the working capital requirements and investment activities of micro, small and medium enterprises; these resources are provided through a specialized broker or under the Entity's own trademark. Group loans are mainly offered to groups of women with a productive activity by using the joint credit methodology; these loans are granted by two associate entities with a network of 1,334 promoters and 162 branches. Used car loans are granted to acquire preowned automobiles through agreements with 18 car dealers specialized in the purchase-sale of automobiles and a subsidiary with a network of 45 branches that offers financing by receiving automobiles and commercial vehicles as collateral; and finally through two entities which focus mainly on the Hispanic-American market with limited credit history in the United States of America ("EUA"): Don Carro, with five branches in Texas, and AFS Acceptance, which has around 400 distributors in 40 US states. The Entity has a presence in Costa Rica, Nicaragua and Panama with the brand Instacredit, through a network of 69 branches and more than 420 promoters. Instacredit is a recognized brand in Central America, with more than 15 years' experience, and has a multiproduct platform offering loans in the segments of personal loans, automobile loans, PYMES and home improvements.

Article 87-D of the General Law on Credit Organizations and Ancillary Activities ("LGOAAC") establishes that multiple purpose financing companies that issue securities listed on the National Securities Registry pursuant to the Securities Law must prepare consolidated financial statements according to the accounting criteria set forth in the General Provisions applicable to public bonded warehouses, exchange houses, credit unions and regulated multiple purpose financial institutions (the "Provisions") established by the National Banking and Securities Commission (the "Commission").

As the Entity is a regulated multiple purpose financial institution, it is obligated to prepare its consolidated financial statements in accordance with the accounting criteria established by the Commission as set forth in the Provisions.

Payroll loans

The Entity purchases loans with payment via payroll from distributors which offer credit products to the unionized workers of government agencies. These loans are also offered at times to pensioners or retired persons from the public sector. These loans are granted by distributors with which the Entity operates, and are then acquired by the Entity through financial factoring contracts in portfolio purchase transactions.

The payroll loans are settled through semimonthly installments which are made by the borrowers' employers, which consist of government agencies and other entities, in accordance with loan agreements signed by the borrower. Based on such loan agreements, a borrower authorizes the employer to use amounts deducted from the payroll for the fixed installment payments of the loan during its effective term. The risk of nonperformance decreases substantially over the term of the typical loan. The maximum limit established by government agencies in terms of the percentage of a worker's net salary that can be applied to settle a loan is 30%. The Entity offers certain customers the option of renewing their loans before they expire. However, the Entity does not preauthorize loans under any circumstances.

The relationships that have been established by the distributors, directly and through service providers such as public relations agencies, with the entities and unions that they use or affiliate workers of the federal government agencies and state agencies in different parts of the country, have been formalized through the execution of cooperation agreements, which enable the distributors to offer payroll loans to the affiliated workers of such unions and establish that the government agencies and entities execute the instruction received from the borrowers for the installments of principal and interest on the loans.

In accordance with the cooperation agreements, the government agencies and entities or unions process and grant the "discount codes" so that such agencies or entities can pay the loans by payroll directly (on behalf of the borrowers). Apart from making the payroll deductions and rendering payments directly to the collection trust in which the Entity is the beneficiary, the employers compile periodic reports to the distributors regarding the payroll deductions made on behalf of borrowers. The Distributors are responsible for coordinating with the different agencies and entities, so that the respective computer systems are accurate, and the payments are issued on a timely fashion. The employers do not intervene in any way in the negotiation, credit approval process or in the negotiations of the terms of the loan contract executed by the distributors with the affiliated workers.

The Entity estimates that the cost of procurement and maintenance of the aforementioned cooperation agreements ranges between 3% and 5% of the revenues generated by the payroll loan portfolio. Such cost is fully covered by the distributors.

The Entity's business model enables both the Entity and its distributors to make the most of their respective competitive advantages. While the Entity concentrates on administrating the credit risk, minimizing financial costs and maintaining diversified financing sources, the Distributors concentrate on increasing the number of possible customers through the execution of contracts with additional government agencies and entities or unions or renewing existing contracts, and on promoting the Entity's products among the affiliated workers of such agencies.

PYMES loans

The Entity has a partnership with Fondo H, S.A. de C.V. SOFOM, ENR ("Fondo H"), a company engaged in making short and medium-term loans to small and medium businesses (PYMES) in Mexico. Its customer base includes businesses from the manufacturing, distribution and services sectors. Based on this partnership, financing is provided exclusively for loans originated by Fondo H.

Used car loans

Used car loans in Mexico are originated through contracts with car companies that sell used cars. Currently 18 partnerships have been executed with distributors in more than 150 points of sale. Additionally, the Entity has a 51% holding in a company which operates under the brand "Drive & Cash", which is engaged in offering financing through the warranty of automobiles and commercial vehicles. As of December 31, 2016, the distribution network of Drive & Cash is composed of 45 branches located in 20 States Nationwide.

The Entity also offers loans for used cars in the US through a subsidiary and/or distributor in which it has a majority stake that operates under the brand "Don Carro" with five branches in Texas. It also has a majority stake in a credit operator for used cars doing business as "AFS Acceptance". Such operator has a service platform which enables it to operate in 45 states throughout the US, and also operating agreements in place with more than 400 distributors in that country.

Consumer loans

The Entity ceased offering consumer loans as of June 30, 2016, and dedicates resources exclusively to the collection of performing portfolio until completed.

Group loans

Group loans are originated through two specialized operators which have 1,334 promoters in a network comprising 162 branches. The promoters are familiar with the specific needs of micro-entrepreneurs and the self-employed.

The aforementioned group credit loans refer to non-revolving consumer loan portfolio, with a weekly or halfmonthly payment period, granted to groups of persons in which each member is held jointly and severally liable for the total payment of the loan, although the classification of such loan is made individually for each member of the group.

Significant events 2016 -

- A)** On August 4, 2016, Crédito Real reported that the short-term securitized certificates with ticker symbol CREAL 00715, in the amount of \$200,000,000 (two hundred million Mexican pesos), issued on September 3, 2015, were fully redeemed under the respective terms for the principal and interest. It also reported that the short-term securitized certificates with ticker symbol CREAL 00615, in the amount of \$100,000,000 (one hundred million Mexican pesos), issued on August 27, 2015, were fully redeemed on July 28, 2016.
- B)** On July 20, 2016, Crédito Real announced the issue of Senior Notes for US \$625,000,000 (six hundred twenty-five million US dollars) under Rule 144A of the 1933 US Securities Act ("Securities Act") and Regulation S, with maturity in 2023.

The Senior Notes have a semiannual coupon of 7.250% at a price of US \$99.326 and can be paid on or after the fourth anniversary of the settlement date. The Senior Notes received a global rating of "BB+" from Fitch Ratings and Standard & Poor's.

- C)** On February 22, 2016, Crédito Real entered into a sale purchase and share agreement whereby it acquired 70% of the common stock of Marevalley Corporation, a nationalized Panamanian company ("Marevalley Corporation"), for the amount of US \$70,000,000 (seventy million US dollars). The remaining 30% of the shares belong to Fundación Miriel.

Marevalley Corporation is the owner of various entities in Costa Rica, Nicaragua and Panama which operate under the name "Instacredit". Instacredit is a group of financial institutions that offer loan products for medium and low income segments, which are poorly served by traditional banking institutions.

The acquisition was recognized in conformity with Financial Reporting Standard B-7 ("NIF B-7") "Business acquisitions", in which a business acquisition is defined as a transaction whereby an entity directly or indirectly acquires the net assets of one or more businesses and thus obtains control.

The acquisition of shares of Marevalley Corporation by the Entity is considered a business combination under the scope of NIF B-7, on the basis that immediately prior to the purchase of shares these entities were not under common control.

Accordingly, based on the analysis performed by management, we identified the following fair values of assets and liabilities acquired:

BALANCE SHEET	AMOUNT
Acquisition consideration paid	\$ 1,263,976
Amounts recognized for identifiable assets and liabilities assumed at December 31, 2016 (unaudited)	
<i>Current Assets:</i>	
Cash and cash equivalents	\$ 122,336
Sundry debtors	1,123
Loan portfolio	2,354,585
Transportation equipment, furniture and equipment	102,602
Other assets	300,345
<i>Intangible Assets:</i>	
Brand	1,052,750
Total identifiable assets	3,933,741
Short-term liabilities	(104,652)
Long-term liabilities	(2,067,667)
Total liabilities assumed	(2,172,319)
Non-controlling interest	(528,427)
Net assets acquired	\$ 1,232,995
Goodwill	\$ 30,981

Results recognized for the period from January 1, to December 31, 2016 (unaudited):

STATEMENT OF INCOME	AMOUNT
Total revenues	\$ 1,634,166
Total costs	(246,255)
Provisions for loan losses	(326,648)
Financial margin after provision for loan losses	1,061,263
Administrative and marketing expense	(927,518)
Other operating income	259,506
Net income	\$ 189,940

The identified intangible assets refer to the brand "Instacredit", which operates in Costa Rica, Nicaragua and Panama.

Accounting effects of the acquisition of Marevalley:

At the close of the year 2016, the Entity concluded the analysis of identification and recognition of intangible assets over the course of the 12 months after the acquisition, in conformity with NIF B-7, and did not identify any intangibles additional to those indicated in the preceding paragraph.

During the period from the acquisition date up to December 31, 2016, Instacredit has contributed interest income of \$1,634,167 and net income of \$189,940, consolidated amounts which are reported in the statement of income. The combined interest income and net income for the year 2016, for pro forma acquisition purposes at the acquisition if they had been realized as of January 1, 2016, are \$550,402 and \$117,616, respectively.

- D)** A share purchase and sale agreement signed on February 21, 2016 approved the subscription and payment of 7,714 Series A common stock shares of Marevalley Corporation by Crholdingint, S.A de C.V. ("Crholdingint").
- E)** Crédito Real Honduras S.A. de C.V. ("Crédito Real Honduras"), a 99.9% subsidiary of Crholdingint, which is in turn a 99.9% subsidiary of Crédito Real, was incorporated on November 24, 2016 in Tegucigalpa, Honduras with the subscription and payment of capital of \$338,960, equivalent to 4,150,248 shares.

Crédito Real Honduras is a company engaged in making loans through financial factoring and has a commercial partnership with CA Capital, S.A. de C.V ("CA Capital").

Significant events 2015 -

- F)** Pursuant to documentation prepared on June 1, 2015, the subscription and payment of 1,000 no Series, no Class common stock shares of Crédito Real USA, Inc., ("CR USA") was approved, representing 100% of CR USA's common stock, thereby becoming the Entity's subsidiary. CR USA was established in the state of Delaware, USA.
- G)** Pursuant to a Share Purchase Agreement executed on October 20, 2015, CR USA approved the subscription of 65,000 no Series, no Class common stock shares of AFS Acceptance, LLC, (AFS), which represents 65% of its common stock, and it is therefore considered a subsidiary of CR USA.
- H)** Pursuant to deed No 15,210 executed on November 6, 2015, the subscription and payment of 999 Series A shares of the common stock of Controladora CR México, S.A. de C.V., ("Controladora CR") was approved, which represents 99.9% of Controladora CR's outstanding shares, thereby becoming the Entity's subsidiary.
 - I.** In the Extraordinary General Meeting held on December 13, 2015 the subscription and payment of 120,188 Series C, Class C common stock shares of CAT 60, S.A.P.I. de C.V. ("Resuelve tu Deuda") was approved, which represents 55.21% of that company's outstanding shares, thereby becoming a subsidiary of Controladora CR.
 - II.** Additionally, at the Stockholders' Extraordinary Meeting held on December 14, 2015, the subscription and payment of 38,886 Class A common stock shares of Servicios Adquiridos, S.A. de C.V. ("Servicios Adquiridos") was approved, which represents 77.72% of that company's outstanding shares, thereby becoming a subsidiary of Controladora CR.
 - III.** Finally, at the Stockholders' Extraordinary Meeting held on December 2, 2015, the subscription and payment of 1,465,169 Series "II", Class "C" common stock shares of Confianza Digital, S.A.P.I. de C.V., SOFOM, E.N.R. ("Credilikeme") was approved, which represents 23.86% of its outstanding shares, thereby becoming an associate of Controladora CR.

As a result of the aforementioned transactions, the Entity's management has analyzed the fair values of the assets and liabilities acquired in this transaction, which generated goodwill of \$353,587, as discussed in Note 12.

Significant Events 2014 -

- I)** Among other matters, during the Ordinary and Extraordinary General Meeting held on April 28, 2014, the Entity's stockholders resolved to approve the amendment of Article 1 of the Entity's corporate bylaws to establish its compliance with the regime applicable to regulated multiple purpose financing companies according to the fourth and fifth paragraphs of article 87-B of the LGOAAC. Accordingly, as of this date, the Entity's corporate denomination is Crédito Real, S.A.B. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad Regulada.
- J)** Pursuant to a Share Purchase and Sale Agreement executed on September 19, 2014, the Entity subscribed and paid 800 no Series, no Class common stock shares of Creal Dallas, LLC (Creal Dallas), which represents 80% of its common stock, thereby becoming a subsidiary of Crédito Real. Such company was incorporated in the state of Delaware, USA.

Pursuant to a Share Purchase and Sale Agreement executed on September 19, 2014, the Entity subscribed and paid 800 no Series no Class common stock shares of CR MPM, LLC (Don Carro), which represents 80% of its common stock, thereby becoming a subsidiary of Creal Dallas. Such company was incorporated in the state of Delaware, USA.

- K)** In accordance with resolutions approved during the Stockholders' Extraordinary General Meeting of October 31, 2014, Crédito Real acquired Directodo México, S.A.P.I. de C.V. ("Directodo") as a result of the merger with Desarrollo 51, S.A. de C.V. The merger took effect as of November 1, 2015, whereby the Entity remained as the absorbing Entity. At this meeting, the Entity increased its variable capital by \$29,477 through the delivery of 18,677,115 ordinary, nominative treasury Single Series Class II shares. The transaction amount was paid by exchanging shares issued by the Entity for the shares of Desarrollo 51, S.A. de C.V., which ceased to exist as a legal Entity following the merger. As of November 1, 2014, Directodo consolidates its financial statements with those of Crédito Real.

As a result of the above, Crédito Real obtained full control of Desarrollo 51, SA de CV as of October 31, 2014.

In relation to the analysis performed by management, the following assets and liabilities were identified and measured at fair value:

BALANCE SHEETS	AMOUNT
Acquisition consideration paid	\$ 1,401,495
Amounts recognized for identifiable assets and liabilities assumed at October 31, 2014 (unaudited)	
<i>Current Assets:</i>	
Cash and cash equivalents	\$ 100,751
Sundry debtors	518,006
Notes receivable and other receivables	6,993
Transportation equipment, furniture and equipment	6,008
Other assets	32,100

BALANCE SHEETS	AMOUNT
<i>Intangible Assets:</i>	
Brand	88,248
Software	4,931
Agreements with institutions	1,161,834
Total identifiable assets	1,918,871
Short-term liabilities	(538,277)
Long-term liabilities	(13,896)
Total liabilities assumed	(552,173)
Net assets acquired	\$ 1,366,698
Goodwill	\$ 34,797

Results recognized for the period from January 1, to October 31 2014 (unaudited):

STATEMENT OF INCOME	AMOUNT
Total revenues	\$ 16,610
Total costs	(19,477)
Gross Loss	(2,867)
Interest receivable from factoring operations	362,039
Operating expenses	(255,914)
Participation in results of subsidiary	(200)
Income before tax	103,058
Income tax	(26,441)
Net income	\$ 76,617

Identified intangible assets are related to the trademark, software and agreements with government institutions for placing loans.

Accounting effects of the acquisition of Directodo:

At the year-end 2015, the Entity completed its analysis, identification and recognition of intangible assets over the 12 month period following the acquisition in conformity with NIF B-7, and did not identify any intangibles in addition to those indicated in the preceding paragraph.

During the period from the date of acquisition until December 31, 2014, Directodo has contributed interest income of \$129,849 and a net profit of \$34,260; these consolidated amounts are reported in the statement of income. The combined interest income and net income for 2015, giving pro forma effect to the acquisition as though it had taken place on January 1, 2015, are \$550,402 and \$117,616, respectively.

- L)** In the Stockholders' Ordinary General Meeting on March 3, 2014, the subscription and payment of 2,550,000 Series "C" shares of the common stock of CR Fact, S.A.P.I. de C.V. ("CR-Fact") was approved. Such acquired shares represent 51% of the outstanding shares of CR-Fact, which became a subsidiary of the Entity.

- M)** A Stockholders' Ordinary General Meeting held on March 31, 2014 approved the subscription and payment of 245,000 Class I, Series B ordinary, no par value common stock shares of Cege Capital, S.A.P.I. de C.V., SOFOM ENR., ("Cege"), which represent 37.98% of its shares outstanding, in which the Entity has a participation.

- N)** Through unanimous resolutions adopted at a stockholders' meeting held on January 14, 2014, the Entity subscribed and paid 29,862 Class II ordinary, no par value common stock shares of Bluestream Capital, S.A. de C.V. ("Bluestream"), representing 23% of its shares outstanding, in which the Entity has a participation.

2. BASIS OF PRESENTATION

Explanation for translation into English - The accompanying consolidated financial statements has been translated from Spanish into English for use outside of Mexico. These consolidated financial statements are presented under the accounting rules issued by the Commission. Certain accounting practices applied by the Entity that are in conformity with the accounting rules issued by the Commission may not conform with accounting principles generally accepted in the country of use.

Monetary unit of the consolidated financial statements - The consolidated financial statements and notes as of December 31, 2016, 2015 and 2014 and for the years then ended include balances and transactions denominated in Mexican pesos of different purchasing power. Cumulative inflation rates over the three-year periods ended December 31, 2016, 2015 and 2014 were 10.52%, 12.08% and 11.80% in each period. Accordingly, the economic environment is not inflationary in either such period and no inflationary effects were recognized in the accompanying consolidated financial statements. Inflation rates for the years ended December 31, 2016, 2015 and 2014 were 3.36%, 2.13% and 4.08%, respectively.

As of January 1, 2008, the Entity's suspended the recognition of the effects of inflation in the consolidated financial statements; however, nonmonetary assets and liabilities and stockholders' equity include the effects of re-expression recognized up to December 31, 2007.

Comprehensive income - Is composed of the net result for the year plus other items that represent a gain or loss for the same period which, in conformity with the accounting practices followed by the Entity, are presented directly in stockholders' equity. As of December 31, 2016, 2015 and 2014, comprehensive income and loss is represented by the net result, the result from valuation of cash flow hedge instruments and the actuarial losses from defined benefit plans.

Consolidation of financial statements - The consolidated financial statements include the financial statements of Crédito Real and those of its subsidiaries over which it exercises control. Crédito Real's shareholding in its subsidiaries is shown below:

SUBSIDIARIES	SHAREHOLDING PERCENTAGE		
	2016	2015	2014
Servicios Corporativos Chapultepec, S.A. de C.V.	99.99%	99.99%	99.99%
Directodo México, S.A.P.I. de C.V.	99.99%	99.99%	99.99%
CR-Fact, S.A.P.I. de C.V.	51.00%	51.00%	51.00%
Controladora CR México, S.A. de C.V.	99.97%	99.90%	-
Crédito Real USA, Inc	100.00%	100.00%	-
Creal Dallas, LLC	80.00%	80.00%	-
CRholdingint S.A. de C.V.	99.94%	99.9%	-

Servicios Corporativos Chapultepec, S.A. de C.V. ("Servicios Corporativos") -

The main activity of Servicios Corporativos is the provision of services. At December 31, 2016, 2015 and 2014, the majority of service revenues are derived from contracts with Crédito Real which has a 99.99% equity interest.

Directodo México, S.A.P.I. de C.V. ("Directodo") -

Directodo's main activity is lending cash to employees of government entities with which Directodo has entered into payroll discounting agreements, which are given in factoring arrangements with Crédito Real.

CR-Fact, S.A.P.I. de C.V. ("CR-Fact") -

CR-Fact's main activity is providing financing through lending that is secured by cars and commercial vehicles.

Crédito Real USA, Inc. ("CR USA") -

As indicated in Note 1f., as of June 1, 2016, CR USA is a subsidiary of Crédito Real, which holds 100% of its equity.

The main activity is making investments in companies resident in the USA; it currently maintains the following investment:

I. AFS Acceptance, LLC. ("AFS") -

As indicated in Note 1g., AFS became a subsidiary of CR USA on October 21, 2016 by virtue of CR USA's shareholding of 65%.

AFS is a financial institution with more than 10 years operating in the market, granting loans for the acquisition of used cars in the US. The most important characteristics of AFS are: (1) its management team, which is comprised of shareholders, which have extensive experience in the used car market in the US, as well as specific market intelligence regarding the Latin market in the USA; (2) a presence in 40 states with a network of more than 300 used car dealers; (3) a sound understanding of the Hispanic market, and (4) a sophisticated, well-tested process for collections, risk analysis and credit origination.

Creal Dallas, LLC ("Creal Dallas") -

As indicated in Note 1j., as of September 19, 2014, Creal Dallas is a subsidiary of Crédito Real, which holds 80% of its equity. Its principal activity is the sale of used cars through the following subsidiary:

I. CR MPM, LLC ("CR MPM") -

As indicated in Note 1j., Don Carro became a subsidiary of Crédito Real on September 19, 2015 by virtue of Crédito Real's shareholding of 80%.

Don Carro focuses on offering loans for the acquisition of used cars in the US, and at the close of the year 2016, has five branches in the state of Texas.

At year-end 2016, the Entity completed its analysis, identification and recognition of intangible assets over the 12 month period following the acquisition in conformity with NIF B-7, and did not identify any intangibles in addition to those recognized by CR MPM.

Controladora CR México, S.A. de C.V. ("Controladora CR") -

As indicated in Note 1h. Controladora CR became a subsidiary of Crédito Real on November 6, 2016 by virtue of Crédito Real's shareholding of 99.90%.

The principal activity is to make investments in companies acquired in national territory; at the close of December 2016, it maintains the following investments:

I. CAT 60, S.A.P.I. de C.V. ("CAT 60") -

As indicated in Note 1h. CAT 60, as of December 1, 2016, this company is a subsidiary of Controladora CR, which holds 55.21% of its equity.

CAT 60 is the holding company of four subsidiaries, of which the most important is Reparadora RTD, S.A. de C.V. ("RTD"), offering credit repair services focusing on individuals who have taken on excessive debt, advising on savings plans and negotiating with creditors to reach an agreement and liquidate their debts, thereby rehabilitating the customer and enabling them to once again gain access to credit. RTD has rendered services to approximately 90,000 customers in Mexico and manages more than 3 billion pesos in debt without assuming the credit risk of its customers.

Currently, CAT 60 has investments in the following subsidiaries: Reparadora RTD, S.A. de C.V. (99.998%), Factivo, S.A. de C.V. (99.998%), RTF Agente de Seguros, S.A. de C.V. (99.98%) and Resuelve tu Deuda Colombia, S.A.S. (100%).

II. Servicios Adquiridos, S.A. de C.V. ("Servicios Adquiridos") -

As indicated in Note 1h. Acquired Services became a subsidiary of Controladora CR on December 1, 2016 by virtue of Controladora CR's, shareholding of 77.72%.

III. Confianza Digital, S.A.P.I. de C.V., SOFOM, E.N.R. ("Credilikeme") -

As indicated in Note 1b, Credilikeme became an associate of Controladora CR on December 1, 2015 by virtue of Controladora CR's shareholding of 23.86%. Credilikeme's main activity is financing by granting loans through a Plataforma Digital Gamificado (Digital Gaming Platform), which incorporates gaming elements into its digital platform to generate stimulating experiences, as well as desirable credit behavior and habits. The payment terms range from 2 to 6 months and the credit amounts from \$2,000 to \$12,000.

IV. CReal Arrendamiento, S.A. de C.V. ("CReal Arrendamiento") -

CReal Arrendamiento, as of November 1, 2016 is an associated company of Controladora CR, which holds 49% of its equity. Its main activity is the provision of financing through operating leases.

CRholdingint, S.A. de C.V. ("CRholdingint") -

As indicated in Note 1d, CRholdingint as of November 6, 2015 is a subsidiary of Crédito Real, which holds 99.99% of its equity.

Its primary activity is to make investments in companies acquired abroad; at the close of December 2016 it holds the following investments:

I. Marevalley Corporation -

As indicated in Note 1 d, CRholdingint holds 70% of the shares of Marevalley Corporation, which is the holding company of the entities located in Costa Rica, Nicaragua and Panama operating under the brand "Instacredit". Instacredit is a group of financial institutions which collectively offer loans geared to medium and low income segments, whose credit needs are poorly served by traditional banking institutions.

As of December 31, it has 69 branches in the aforementioned three countries, deals with 161,785 customers and has a total portfolio of more than \$4,390.

II. Crédito Real Honduras, S.A. de C.V. ("Crédito Real Honduras") -

As indicated in Note 1e, CRholdingint holds 99% of the shares of Crédito Real Honduras, is a company engaged in the provision of financing through factoring and has a commercial partnership with CA Capital.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies of the Company are in accordance with the accounting criteria prescribed by the Commission, which are set forth in the Provisions, which require management to make certain estimates and use certain assumptions to determine the valuation of certain items and disclosures included in the consolidated financial statements. Although actual results may differ, management believes that the estimates and assumptions used were appropriate under the current circumstances.

According to Accounting Criterion A-1 issued by the Commission, entities shall apply Mexican Financial Reporting Standards ("MFRS", which is comprised of individual standards that are referred to as "NIF") as issued by the Mexican Board of Financial Reporting Standards, A.C. ("CINIF"), except when in the opinion of the Commission, it is necessary to apply a specific accounting standard or criterion.

As of January 1, 2016 the Entity adopted the following modifications to the accounting criteria issued by the Commission.

The most significant changes are described below:

- A.** a. It is established that the net asset for defined benefits to employees must be presented on the balance sheet under the heading of "Other assets".
- B.** The definition of "Transaction costs" in Accounting Criterion B-2, Investments in securities and in Accounting Criterion B-5, *Derivatives and hedge operations*.
- C.** The definitions of "Borrower", "Appraisal Percentage Guarantees", "Payment capacity", "Extended Portfolio", "Assignment of Credit Rights", "Consolidation of Credits", "Debtor of Credit Rights", "Vendor of Discounted Receivables", "Financial Factoring", "Purchaser of Discounted Receivables", "Line of Credit", "Discount Transaction", "Special Repayment Regime", "Ordinary Repayment Regime" and "Housing Subaccount", are incorporated into Accounting Criterion B-6, Loan Portfolio.
- D.** The definition of "Renewal" is modified in Accounting Criterion B-6, Loan Portfolio, to now consider it as that transaction in which the loan balance is settled partially or totally, through an increase in the total amount of the loan, or using the proceeds derived from another loan contracted with the same entity, involving either the same debtor, a joint obligor of such debtor, or another person who, due to his asset ties, represents common risks.
- E.** Loans for financial factoring, discount and credit right assignment operations are incorporated in the definition of "Commercial Loans".
- F.** It is clarified that a loan will not be considered as renewed for any dispositions made during the effective term of a preestablished line of credit, provided that the borrower has settled the total amount of the payments which are due and payable under the original loan conditions.
- G.** It is stipulated that for restructurings of loans with periodic payments of principal and interest whose repayments are less than or equal to 60 days in which the periodicity of payment is modified to shorter periods, the number of repayments equivalent to three consecutive repayments under the original loan payment scheme must be considered.
- H.** The assumptions are established to consider that sustained payment exists for those loans with a single payment of principal at maturity, regardless of whether the payment of interest is periodic or at maturity, as follows:
 - i. The borrower must have paid at least 20% of the original loan amount at the time of the restructuring or renewal, or,

- ii. The amount of the accrued interest must have been paid in accordance with the payment scheme for the respective restructuring or renewal at a term of 90 days.

- I.** It is established that evidence must be made available to the Commission when demonstrating sustained payment to substantiate that the borrower has the appropriate payment capacity at the time the restructuring or renewal is performed, so as to meet the new loan conditions.
- J.** It is clarified that the advance payment of installments of restructured or renewed loans, different from those with a single payment of principal at maturity, regardless of whether the interest is paid periodically or at maturity, is not considered to be sustained payment. This is the case with repayments of restructured or renewed loans which are paid before the calendar days equivalent to loans with repayments that cover periods greater than 60 calendar days have elapsed.
- K.** The extension of the loan term is incorporated as a restructuring situation.
- L.** The respective standards for the recognition and valuation of financial factoring, discounting and credit right assignment transactions are included.
- M.** It is established that commissions and fees different from those collected for granting the credit will be recognized in results of the year on the date that they are accrued, and if part or all of the consideration received for the collection of the respective commission or fee is received before the accrual of the respective income, such advance must be recognized as a liability.
- N.** The item stating that overdrafts in customer checking accounts should be reported as non-performing portfolio is eliminated.
- O.** The transfer to non-performing portfolio of the loans referred to in the preceding point will be subject to the exceptional deadline of 180 or more days in arrears as of the date on which:
 - i. The loan resources are disposed of for the purpose for which they were granted,
 - ii. The borrower begins a new employment relationship in which he has a new employer, or
 - iii. The partial payment of the respective repayment was received. The exception contained in this subsection will be applicable provided that it refers to loans under the ROA scheme, and each of the payments made during such period represents at least 5% of the repayment agreement.
- P.** It is specified that loans with a single payment of principal at maturity, regardless of whether the interest is paid periodically or at maturity, will be considered as non-performing portfolio as long as there is no evidence of sustained payment.
- Q.** It will be considered that loans granted under a new line of credit, revolving or not, which are restructured or renewed at any time, may remain in performing portfolio provided that there are grounds to justify the payment capacity of the debtor. Furthermore, the borrower must have:
 - i. Settled the total amount of due and payable interest;
 - ii. Settled all of the payments for which he is liable under the terms of the contract at the date of the restructuring or renewal.
- R.** It is established that when credit dispositions made under a line of credit are restructured or renewed independently from the line of credit which supports them, they must be assessed in accordance with the characteristics and conditions applicable to the restructured or renewed disposition or dispositions.

When as a result of such evaluation it is concluded that one or more dispositions granted under a line of credit should be transferred to non-performing portfolio due to the effect of their restructuring or renewal and such dispositions, individually or collectively, represent at least 40% of the total disposed balance of the line of credit at the date of the restructuring or renewal, such balance, as well as its subsequent dispositions, must be transferred to non-performing portfolio

as long as there is no evidence of sustained payment of the dispositions which originated the transfer to non-performing portfolio, and the total dispositions granted under the line of credit fulfilled the due and payable obligations at the date of transfer to performing portfolio.

The aforementioned percentage is applicable as of January 1, 2016, and will be reduced to 30% for the year 2017, and 25% for the year 2018 and thereafter.

- S.** The requirement that the borrower must have paid the total amount of the interest accrued at the date of renewal or restructuring to consider that a loan remains current will be considered as fulfilled, when after the interest accrued at the final cutoff date has been paid, the term elapsed between such date and the restructuring or renewal does not exceed the lower of half of the payment period under way or 90 days.
- T.** Performing loans with periodic partial payments of principal and interest which are restructured or renewed more than once may remain in performing portfolio if there are elements to justify the payment capacity of the debtor. It is specified that in the case of commercial loans, such elements must be duly documented and placed in the loan file.
- U.** If different loans granted by the same entity to the same borrower are consolidated in a restructuring or renewal, each of the consolidated loans must be analyzed as if they were restructured or renewed separately and, if as a result of such analysis it is concluded that one or more of such loans would have been transferred to non-performing portfolio due to the effect of such restructuring or renewal, then the total balance of the consolidated loan must be transferred to non-performing portfolio.
- V.** With regard to presentation standards in the balance sheet and the statement of income, it is established that:
 - i. It is specified that the amount of loans for financial factoring, discount and credit rights assignment transactions will be presented net of the respective appraisal percentage guarantee.
 - ii. Any commissions received before the accrual of the respective revenue will be presented under the heading of "Deferred credits and advance collections".
 - iii. The financial revenue accrued in the financial factoring, discount and credit rights assignment transactions will be considered as interest income.
- W.** Accounting Criterion C-5, *Consolidation of special purpose entities*, is eliminated.
- X.** For the consolidated financial statements, it is incorporated in the application of specific standards that for those special purpose entities (SPE) created prior to January 1, 2009, in which control has been maintained, entities will not be required to apply the provisions contained in NIF B-8, Consolidated or combined financial statements, with regard to their consolidation.
- Y.** It is specified that users should adhere to the applicable regulation established by Banxico to include the purchase of foreign currencies that are not considered derivatives as "Funds available".
- Z.** It is now stipulated that if the balance of foreign currencies to be received offset with foreign currencies to be paid, shows a negative balance, such item must be presented under "Other accounts payable".

- AA.** aa. In the case of consolidated loans, if two or more loans originated the transfer to non-performing portfolio of the total balance of the consolidated loan, to determine the payments required to consider sustained payment, it is essential to observe the original payment scheme of the loan requiring repayments over the longest period. Previously, it was considered appropriate to apply the treatment for the worst of the loans to the total balance of the restructuring or renewal.
- BB.** If in a restructuring or renewal, sundry loans granted by the same entity to the same borrower are consolidated, each of the consolidated loans must be analyzed as if they were restructured or renewed separately, and if based on such analysis it is concluded that one or more of such loans would have been transferred to non-performing portfolio as a result of such restructuring or renewal, the total balance of the consolidated loan must be transferred to non-performing portfolio.
- CC.** As an amendment to Accounting Criterion C-4, *Information by segments*, the purchase and sale of foreign currencies is incorporated in the Treasury operations and investment banking segment.
- DD.** It is established in Accounting Criterion B-7, *Foreclosed assets*, that in the case of assets whose valuation to determine fair value may be made through an appraisal, the latter must comply with the requirements established by the CNBV for providers of bank appraisal services.
- EE.** It is clarified in Accounting Criterion C-2, *Stock market operations*, that in the case of stock market instruments executed and recognized in the consolidated financial statement prior to January 1, 2009, it will not be necessary to reevaluate the transfer of recognized financial assets prior to such date.

In this regard, the principal effects that this exception might have on such financial statements should be disclosed in the notes to the financial statements, as well as the effects of recognition of the adjustments for valuation of the profits on the residual of the assignee (recognized in results or in stockholders' equity) and of the asset or liability recognized for administration of transferred financial assets.
- FF.** The definition of "Agreement with Joint Control", "Joint Control" is incorporated, and the definition of "Associate", "Control" "Holding Company", "Significant Influence", "Related Parties" and "Subsidiary" is modified in Accounting Criterion C-3, *Related parties*.
- GG.** Individuals or business entities which, directly or indirectly, through one or more intermediaries exert significant influence on, are significantly influenced by, or are under significant influence of the entity, as well as agreements with joint control in which the entity participates, are now considered to be related parties.
- HH.** The disclosure requirements contained in Accounting Criterion C-3, *Related parties*, are extended to agreements with joint control.
- II.** A heading named "*Re-measurements of defined benefits to employees*" is added as part of earned capital on the balance sheet, as a result of the enactment of NIF D-3, *Employee benefits*.
- JJ.** The heading "Collateral granted" is incorporated at the foot of the balance sheet within memorandum accounts.
- KK.** The statement of changes in stockholders' equity should include re-measurements for defined benefits to employees as part of movements inherent to the recognition of comprehensive income, as a result of the enactment of NIF D-3, *Employee benefits*.

As of January 1, 2016, the Entity adopted the following new NIF issued by the CINIF applicable to Crédito Real:

New NIF D-3, Employee benefits. The principal modifications generated by the application of this new NIF in the financial information of Crédito Real are as follows:

- Discount rate for liabilities – Defined Benefits Obligation (OBD)
The discount rate to calculate the OBD will be determined based on the market rate of high-quality corporate bonds, provided that there is a deep market for such bonds. Otherwise, the market rate of the bonds issued by the federal government must be used.
- Recognition of actuarial gains and losses
 - The use of the broker is eliminated for the deferral of actuarial gains and losses.
 - The accumulated balance of retained earnings and accumulated losses as of December 31, 2016 will be recognized as part of stockholders' equity and in liabilities as of January 1, 2016.
 - Any actuarial gains and losses generated as of January 1, 2016 will be treated as re-measurements of defined benefits to employees, and will be recognized in stockholders' equity and in liabilities.
- Amortization of actuarial gains and losses
The actuarial gains and losses recognized in stockholders' equity must be recycled to results in the Remaining Useful Life of the Plan.
- Expected return on plan assets
The expected return on the plan assets will be estimated with the discount rate of the liabilities instead of the expected rate of return for the fund.

In this regard, the initial effect of applying NIF D-3 in subsequent years will be that originated by the accumulated balance of unrecognized actuarial losses as of December 31, 2015. This balance is recognized in Earned capital under "Remeasurements of defined employee benefits" in 2016.

Furthermore, this accumulated balance of unrecognized actuarial losses as of December 31, 2015 will be recycled to results over the remaining labor life of the plan, which ranges between 9.5 and 14 years, depending on the respective benefit.

Changes in the NIF issued by the CINIF applicable to the Entity

NIF D-3, Employee benefits

Improvements to the NIF 2016

NIF D-3, Employee benefits – When a pre-existing payment condition exists due to the termination of the employment relationship, such payments must be valued as postemployment benefits. Furthermore, the cost of past services, plan amendments, personnel cutbacks, and the gains and losses from advance severance payments, such as compensation which qualifies as termination benefits, are recognized in results immediately. In contrast, the actuarial gains and losses resulting from the re-measurements should be recognized in other comprehensive income and loss (OCI) and recycled to the statement of (comprehensive) income over the average labor life. Such re-measurements result from comparing the defined benefits obligation and the plan assets determined at the close of the year, against the amounts that were projected at the beginning of the period for the current year. Another relevant change consists of matching the discount rate of the benefits obligation with a rate based on high-quality corporate bonds, in a deep market and, otherwise, using government bond rates. This same rate will be used to calculate the projection of the plan assets (net rate). Changes are recognized retrospectively.

Furthermore, with the enactment of NIF D-3, on December 31, 2015 the Commission issued different transitory articles to the "Ruling Modifying the General Provisions Applicable to Credit Institutions", published in the Federal Official Gazette on November 9, 2015.

These transitory articles establish that credit institutions may recognize the entire balance of plan amendments (past service) and the accumulated balance of gains and losses from the plan not recognized for entities which used the corridor approach progressively at the latest by December 31 each year.

If electing to progressively apply the balances described above, recognition of such balances should begin in the year 2016, recognizing 20% of the balances in that year and an additional 20% in each of the subsequent years, until reaching 100% over a maximum period of five years. The Entity elected not to defer it over the term permitted by the Commission.

Re-measurements of gains or losses on the defined benefits plan which should be recognized at the end of each period, as well as their respective recycling to results of the year, should be calculated on the total amount of the plan gains or losses; i.e., on the sum of the plan gains or losses, plus those not recognized on the balance sheet of the institutions.

Likewise, if all or part of the remaining effect is recognized earlier than the deadlines established, the Commission should be informed within the 30 calendar days following that on which the respective accounting adjustment is made. The entities may apply recognition early provided that at least 20% or the total remaining amount is recognized in the respective year.

Credit institutions which applied one of the above-mentioned options should disclose in the financial reporting public statements for the years 2016 and up to that in which the progressive recognition of the aforementioned effects is concluded, the adjustments derived from applying the option chosen.

Changes in accounting estimates applicable in 2015

Methodology for the determination of the allowance for loan losses applicable to consumer loan portfolio.

On August 27, 2015, the Commission issued a Ruling that modifies the Provisions whereby it makes certain adjustments to the methodology applicable to the classification of consumer loan portfolio in order to recognize therein the expected losses coverage scheme, as well as certain guarantees in the aforementioned process and to better provision the allowances for loan losses, taking into account that such guarantees are already recognized in the commercial loans granted.

For these consumer loans, the Commission considers it advisable to recognize the pari passu or first losses distribution scheme for such portfolio classification, in order to eliminate regulatory inconsistency.

The Entity did not have any material effects in the consolidated financial statements as of December 31, 2015 due to this change in estimate.

Improvements to NIF that generate accounting changes are:

NIF B-7, *Business acquisitions* – Clarifies that the acquisition and/or merger of entities under common control, and the acquisition of noncontrolling equity or the sale without losing control of the subsidiary, are outside the scope of this NIF, regardless of how the amount of the consideration was determined.

NIF C-7, *Investments in associates*, joint ventures and other permanent investments – Establishes that contributions in kind should be recognized at the fair value that was negotiated between owners or shareholders, unless they are the result of debt capitalization, in which case they should be recognized for the capitalized amount.

Improvements to NIF that do not generate accounting changes are:

Methodology for determination of the allowance for loan losses applicable to loans made under the Commercial Bankruptcies Law

On August 27, 2015, the Commission issued a Ruling which modifies the Provisions, clarifying the term in which credit institutions may continue using the methodology for the calculation of the allowances for loan losses with regard to loans made to borrowers declared bankrupt with a prior restructuring plan. This Ruling establishes that once an agreement is adopted between the borrower and the recognized creditors, or the bankruptcy of the borrower is determined in accordance with the Commercial Bankruptcies Law, such methodology cannot continue to be applied.

It also states that authorization may be requested from the Commission to continue using the methodology for the calculation of the allowances for loan losses with regard to loans granted to borrowers declared bankrupt with a prior restructuring plan for a term which cannot exceed six months computed as of the adoption of the agreement.

There were no material effects to the Entity's consolidated financial statements as of December 31, 2015 due to this change in estimate.

Below is a description of the most significant accounting policies followed by the Entity.

Reclassifications – Certain amounts in the consolidated financial statements as of and for the year ended December 31, 2015 and 2014 have been reclassified to conform to the presentation of the 2016 consolidated financial statements.

Translation of financial statements of subsidiaries in foreign currency – To consolidate the financial statements of foreign transactions, they are modified in the recording currency for presentation in the consolidated financial statements of the Entity. The financial statements are translated to Mexican pesos, using the following methodologies:

The foreign transactions whose recording currency and functional currency are the same, translate the financial statements at the following exchange rates: 1) closing rate for assets and liabilities, 2) historical rate for stockholders' equity and 3) that of the accrual date for revenues, costs and expenses. The effects of conversion are recorded in stockholders' equity.

ENTITIES	RECORDING CURRENCY	FUNCTIONAL CURRENCY	REPORTING CURRENCY
Creal Dallas	U.S. Dollar	U.S. Dollar	Mexican Peso
CR USA	U.S. Dollar	U.S. Dollar	Mexican Peso
Marevalley Corporation	U.S. Dollar	U.S. Dollar	Mexican Peso
Crédito Real Honduras	Lempira	U.S. Dollar	Mexican Peso

Cash and cash equivalents – It consists mainly of bank deposits in checking accounts, which are presented at face value, bank deposits and equivalent in foreign currency are valued at the exchange rate issued by Banco de Mexico at year end.

Investments in securities – The Entity invests in highly liquid, readily convertible into cash and subject to insignificant risk of changes in value. The investments of the Company as of December 31, 2016, 2015 and 2014, are classified as trading securities, which are securities that are acquired with the purpose of selling them in the near term to realize gains arising from changes in market prices. The investments are initially recognized at their acquisition price, and subsequently valued at fair value using market values provided by price vendors authorized by the Commission. Changes in fair value are recorded in results of the year.

Impairment in the value of investments in securities – The Entity assesses whether the date of the consolidated balance sheet there is objective evidence that a security is impaired. A security is considered to be impaired and, therefore, a loss from impairment is incurred if, and only if, there is objective evidence of the impairment as a result of one or more events that took place after the initial recognition of the security, which had an impact on its estimated future cash flows that can be determined reliably. It is highly unlikely that one event can be identified that is the sole cause of the impairment, and it is more likely that the combined effect of different events might have caused the impairment. The expected losses as a result of future events are not recognized, regardless of how probable they are. As of December 31, 2016, 2015 and 2014, management has not identified objective evidence of impairment of any investment in security.

Transactions with derivative financial instruments – The Entity recognizes all derivative financial instruments on the balance sheet at fair value, regardless of the purpose or intent for holding them. The accounting for changes in fair value of the derivative financial instruments varies, depending on whether the derivative is considered to be a hedge for accounting purposes, and whether the hedging instrument is a fair value or a cash flow hedge, as follows:

1. Certain derivative financial instruments, although considered to be an effective hedge from an economic perspective, are not designated as hedges for accounting purposes. Such contracts are recognized in the balance sheet at fair value with changes in fair value recognized in earnings.
2. For fair value hedges, changes in the fair value of the derivative instrument and the hedged item are recognized to the income or expense line item that is affected by the hedged item.
3. For cash flow hedges, the effective portion is recognized in stockholders' equity under other comprehensive income and the ineffective portion is recognized in earnings. The unrecognized gain or loss of the hedging instrument is recognized in earnings when the hedged transaction occurs.
4. Derivatives are presented in a specific heading of assets or liabilities, depending on whether their fair value (as a result of the rights and/or obligations they may establish) refers to a debit or credit balance, respectively. Such debit or credit balances may be offset subject to compliance with the applicable criteria.

Management performs transactions with derivatives for hedging purposes using interest rate and foreign exchange swaps to cover fluctuations in both interest rates and foreign currency exchange rates.

Financial assets and liabilities that are designated and qualify to be designated as hedged items and derivative financial instruments which are part of a hedging relationship are recognized in accordance with the provisions relating to hedge accounting in accordance with the provisions of Criterion B-5, Derivatives and hedging, issued by the Commission.

A hedging relationship qualifies to be designated as such when all the following conditions are met:

- Formal designation and sufficient documentation of the hedging relationship
- Coverage must be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk.
- For cash flow hedges, the forecasted transaction to be covered must be highly likely to occur
- Coverage must be reliably measurable.
- Coverage must be continually evaluated (at least quarterly).

The Entity suspends hedge accounting when the derivative instrument matures, has been sold, canceled or exercised, when the derivative does not reach a high effectiveness to offset the changes in fair value or cash flows of the hedged item, or when the Entity decides to cancel the hedge designation.

The Entity formally documents all relationships between hedging instruments and hedged items, as well as its risk management objectives and strategies for undertaking various derivative transactions. The Entity's policy is not to acquire these instruments for speculative purposes.

Foreign currency transactions - Transactions denominated in foreign currencies are recorded at the exchange rate of the transaction date. Monetary assets and liabilities denominated in foreign currencies are converted into Mexican pesos at the exchange rate published by Banco de México in effect at the balance sheet date; the effect of changes in exchange rates is recorded in the income statement as profit or loss.

Performing and non-performing loan portfolio - Represents amounts granted to borrowers plus uncollected and interest which is accrued on the unpaid balance. Interest collected in advance is recognized in the income statement during the period in which it is earned.

The unpaid balance of the loans is classified as Non-performing loan portfolio when the borrower fails to pay installments under the original contractual terms and the loan is 90 days past due. The unpaid balance of the loans considers the joint and several obligation of the distributor. The distributor is considered jointly and severally liable with the debtors for the unpaid amounts in the non-performing loan portfolio. The joint and several obligations arise in accordance with the financial factoring contracts and executed agreements. The amount of the joint and several obligations is equivalent to the percentages of the unpaid balances determined as part of each origination. The recognition of the interest income on these loans is suspended and is only recorded as income once it is collected. For control purposes, this unrecognized interest is recorded in memorandum accounts. The Entity's policy is to write off loans that are more than 181 days past due against the respective allowance for loan losses.

Payroll loans are originated by Directodo, Publiseg and Grupo Empresarial Maestro, S.A. de C.V. and Publiseg, S.A.P.I. de C.V. SOFOM ENR under the brand names Kondinero, Credifiel and Crédito Maestro, respectively, and other independent distributors from which the Entity acquires them subsequently through financial factoring contracts in portfolio purchase transactions.

Such financial factoring contracts stipulate (i) the payment owed by the Entity (principal) of a determinable price to the distributor (agent) for the acquisition of the credit rights (the financial factoring contracts contain the formulas to determine the final price based on variable discount rates, considering the quality of the credit rights acquired, in accordance with their actual collection); (ii) the payment of the price in installments (part of the price is paid at the time the credit rights are acquired and part is paid subsequently under the terms established in the financial factoring contract); (iii) the establishment of the distributor as partial joint and several obligor, if the debtor of the credit rights acquired by the Entity does not settle the amounts owed to the Entity, under the terms established in article 419, section II of the LGTOC (for the percentage of the unpaid amount owed); and (iv) the Company's right to offset, pursuant to article 2185 of the

Federal Civil Code ("CCF"), any and all amounts which are owed to it by the distributors as a result of such partial joint and several obligation, against the amounts owed by the Company to the distributor in question.

Pursuant to article 419, section II of the LGTOC, the financial factoring contracts executed by the Entity establish the partial recourse against the distributor if the debtor of the credit rights acquired by the Entity does not fulfill its respective payment obligations. Pursuant to the financial factoring contracts themselves, the distributors are considered jointly and severally liable with the debtors for the percentages defined in such contracts for any amounts not paid to the Entity.

With regard to the ordinary uncollected accrued interest on loans that are considered non-performing portfolio, the Entity creates an allowance for the total amount of such interest, at the time of the transfer of the loan as non-performing portfolio.

The transfer from non-performing portfolio to performing portfolio is made when the borrower achieves sustained payment on the loan and does not present any arrears. Sustained payment is achieved when three consecutive installment payments that comply with the terms of the loan are received. The advance payment of the installments is not considered as sustained payment.

Restructurings and renewals

A restructuring is a transaction which derives from any of the following situations:

- a) Extension of credit enhancements (i.e. guarantees or collateral) which cover the loan in question, or
- b) Modifications to the original conditions of the loan or the payment scheme, which include:
 - A change in the interest rate established for the remaining term of the credit:
 - A change in currency or account unit, or
 - The granting of a payment grace period that offers temporary relief from compliance with the payment obligations under the original terms of the loan, unless such concession is granted after the conclusion of the original contractual term, in which case it will be treated as a renewal

Restructurings do not include transactions that involve performing loans and only result in modifications to one or more of the following original conditions of the loan:

Credit enhancements: only when they involve the extension or substitution of credit enhancements for others of higher quality.

Interest rate: when the interest rate is agreed.

Currency: provided that the market exchange rates applicable to the new currency are used.

Payment date: only if the change does not mean extending or modifying the scheduled payments. The change in scheduled payments must under no circumstances permit nonpayment in any period.

A renewal occurs when the term of the loan is extended during such term or upon its maturity, or when settlement occurs using the proceeds derived from a new loan entered into among the same counterparties or when the debtor is another party that, due to common shareholders with the original debtor, has similar credit risks. Take downs on existing lines of credit are not considered to be renewals.

Classification of loan portfolio - The loans made by the Entity to businesses or individuals with a commercial or financial business activity are classified as commercial portfolio.

The Entity classifies direct loans, including liquidity loans which do not have collateral for real property, granted to individuals, derived from credit card operations, personal loans, payroll loans, loans for the acquisition of consumer durables, including among others, auto loans and finance leasing operations carried out with individuals, as consumer loans.

Allowance for loan losses

The Entity recognizes the allowance for loan losses on commercial portfolio based on the criteria of the Commission, as follows:

Methodology for commercial loan portfolio

When classifying the commercial loan portfolio, the Entity considers the Probability of Default, Severity of Loss and Exposure to Default, and also classifies the aforementioned commercial loan portfolio into different groups and establishes different variables for the estimate of the probability of default.

The amount of the allowance for loan losses of each loan will be determined by applying the following formula:

$$R_i = PI_i \times SP_i \times EI_i$$

Where:

R_i = Amount of the allowance for loan losses to be created for the nth credit.

PI_i = Probability of default of the nth credit.

SP_i = Severity of loss of the nth credit.

EI_i = Exposure to default of the nth credit.

The probability of default of each credit La (PI_i), will be calculated using the following formula:

$$PI_i = \frac{1}{1 + e^{-(500 - TotalCreditScore_i) \times \frac{\ln(2)}{40}}}$$

For purposes of the above:

The total credit score of each borrower will be obtained by applying the following:

$$TotalCreditScore_i = \alpha \times (QuantitativeCreditScore_i) + (1 - \alpha) \times (QualitativeCreditScore_i)$$

Where:

$QuantitativeCreditScore_i$ = is the score obtained for the nth borrower when evaluating the risk factors.

$QualitativeCreditScore_i$ = is the score obtained for the nth borrower when evaluating the risk factors.

α = is the relative weight of the quantitative credit score.

Unsecured loans

The Severity of Loss (SP_i) of commercial loans which are not secured by real, personal guarantees or creditbased collateral will be:

- 45%, for Preferential Positions.
- 75%, for Subordinated Positions, in the case of syndicated loans, those which for purposes of their payment order or preference, are contractually subordinated in relation to other creditors.
- 100%, for loans which report 18 or more months of arrears in payment of the due and payable amount under the terms originally agreed.

The Exposure to Default of each loan (EI_i) will be determined based on the following:

- For disposed balances of uncommitted credit lines, which may be canceled unconditionally or which in practice permit an automatic cancellation at any time and without prior notice:

$$EI_i = S_i$$

- For the other lines of credit:

$$EI_i = S_i \cdot \text{Max} \left\{ \left(\frac{S_i}{AuthorizedLineofCredit} \right)^{-0.5794}, 100\% \right\}$$

Where:

S_i : The unpaid balance of the nth credit at the classification date, which represents the amount of credit effectively granted to the borrower, adjusted for interest accrued, less payments of principal and interest, as well as debt reductions, forgiveness, rebates and discounts granted. In any case, the amount subject to the classification must not include uncollected accrued interest recognized in memorandum accounts on the balance sheet, for loans classified as non-performing portfolio.

Authorized Credit Line: the maximum authorized amount of the credit line at the classification date.

The Entity may recognize the security interest in personal or real property, personal security and credit derivatives in the estimate of the Severity of the Loss of the loans, in order to decrease the reserves derived from the portfolio classification. In any case, it may elect not to recognize the aforementioned securities if greater reserves are generated as a result. The provisions established by the Commission are utilized for such purpose.

Consumer loan portfolio

The classification of the commercial portfolio is carried out quarterly and is calculated based on the outstanding balance as of the final day of each month, considering the classification levels of the portfolio classified at the last known quarter, restated for the modification of the risk at the close of the current month. The allowance for loan losses is calculated according to the current methodology, as explained below.

Methodology for consumer loan portfolio

When classifying the consumer portfolio, the Entity considers the Probability of Default, the Severity of the Loss and Exposure to Default, while also classifying the aforementioned portfolio into different groups of risks.

As it is a non-revolving consumer credit portfolio, the calculation of the Probability of Default, Severity of the Loss and Exposure to Default, must adhere to the following:

Determination of the following items for each credit operation.

Due and payable amount: The amount payable by the borrower in the billing period in accordance with the loan agreement. For loans with weekly and half-monthly billing periods, the accumulation of previous unpaid due and payable amounts must not be included. For loans with a monthly billing period, the due and payable amount must include both the amount applicable to the month and the previous unpaid due and payable amounts, as the case may be.

Rebates and discounts may decrease the due and payable amount, only when the borrower fulfills the conditions required in the credit contract to do so.

Payment made: The amount applicable to the sum of the payments made by the borrower in the billing period.

Write-offs, reductions, waivers, rebates and discounts made to the credit or group of loans are not considered as payments. The value of this variable must be greater than or equal to zero.

Days in arrears: The number of calendar days at the classification date, during which the borrower has not fully paid off the due and payable amount under the terms originally agreed.

Total term: The number of billing periods (weekly, half-monthly or monthly) established contractually in which the credit must be settled.

Remaining term: Number of weekly, half-monthly or monthly billing periods which, as established in the contract, remain pending to settle the credit at the portfolio classification date. In the case of loans whose maturity date has elapsed without the borrower making the respective payment, the remaining period must be equal to the total term of the credit.

Original loan amount: The amount applicable to the total loan amount at the time it is granted.

Original value of the asset: The amount applicable to the value of the financed asset recorded by the borrower at the time the loan is granted. If the loan is not to finance the purchase or acquisition of an asset, the original value of the asset will be equal to the original amount of the loan. Also, the original amount of the loan may be used for loans which do not reflect the original value of the asset and were granted prior to the enactment of these provisions.

Loan balance: The unpaid balance at the classification date, which represents the amount of the loan granted to the borrower, adjusted for accrued interest, less payments for financed insurance coverage, collections of principal and interest, and any applicable reductions, waivers, rebates and discounts granted.

In any case, the amount subject to the classification must not include uncollected accrued interest, recognized in memorandum accounts on the balance sheet for loans classified as non-performing portfolio.

Type of loan: Personal loans include those that are collected by the Entity through any means of payment other than from the payroll account.

The recognition of the allowance for loan losses on the non-revolving consumer loan portfolio are based on outstanding balances as of the final day of each month.

The Entity determines the percentage used to determine the allowances to be created for each loan, which will be the result of multiplying the Probability of Default by the Severity of the Loss.

$$R_i = PI_i \times SP_i \times EI_i$$

Where:

R_i = Amount of reserves to be established for the nth credit.

PI_i = Probability of Default on the nth credit.

SP_i = Severity of the Loss on the nth credit.

EI_i = Exposure to Default of the nth credit.

The Probability of Default of the non-revolving consumer loan portfolio whose Billing Periods are monthly or when involving loans with a single payment at maturity, as follows:

a) If $ATR_i^M \geq 4$ then $PI_i^M = 100\%$

b) If $ATR_i^M < 4$ then:

$$P_i^M = \frac{1}{1 + e^{-[-0.5755 + 0.4056 ATR_i^M + 0.7923 VECES_i^M - 4.1591 \% PAGO_i^M + 0.9962 PER_i^M]}}$$

Where:

P_i^M = Monthly Probability of Default or the nth credit.

ATR_i^M = Number of Arrears observed at the calculation date of reserves, which is obtained by applying the following formula:

$$\text{Number of Monthly Days in Arrears} = \left(\frac{\text{Day in Arrears}}{10.4} \right)$$

When this number is not complete, it will take the value of the immediately higher complete number.

$VECES_i^M$ = Number of times that the borrower pays the original value of the asset or, if there is no financed asset, the number of times that the borrower pays the original amount of the loan. This number will be the coefficient resulting from dividing the sum of all the scheduled payments at the time of origination, by the original value of the asset.

If the payments of the loan include a variable component, the Entity's best estimate will be used to determine the value of the sum of all the scheduled payments to be made by the borrower. The value of such sum cannot be less than or equal to the original amount of the credit.

$\%PAGO_i^M$ = Average Percentage which the payment made represents of the due and payable amount in the last four monthly billing periods at the calculation date. The average must be obtained after having calculated the payment as a percentage of the due and payable amount for each of the most recent four monthly billing periods at the calculation date of the reserves. If less than four monthly billing periods have elapsed at the calculation date of the reserves, the percentage of those monthly billing periods remaining needed to comprise four billing periods will be 100% for purposes of calculating this average, so that the variable of this calculation element will always be obtained using the average of four monthly percentages.

The Severity of the Loss (SP) for the non-revolving consumer loan portfolio will be 65%, provided that the element ATR_t^M does not exceed 9. Otherwise, an SP of 100% is determined.

The Exposure to Default (E/I) of each loan from the non-revolving consumer loan portfolio will be equal to the Loan Balance (S).

Loan portfolio acquisitions - On the acquisition date of the loan portfolio, the contractual value of the acquired portfolio is recognized and classified in accordance with the type of portfolio acquired. Any difference between the acquisition price and the contractual values are recorded as follows:

- a) When the acquisition price is lower than its contractual value, a gain is recognized in "Other revenues from operations" up to the amount recognized as allowance for loan losses, with the remaining difference recognized as a deferred credit, which will be recognized as the loan is amortized;
- b) When the acquisition price of the portfolio is greater than its contractual value, a deferred charge is recognized which will be recognized as the collections are made according with the proportion which these represent in the credit contract;
- c) For revolving loans, such difference will be recognized directly to results of the year on the acquisition date.

Other accounts receivable, net - Represents amounts owed to the Entity but not included in the loan portfolio and includes recoverable taxes, amounts paid to distributors and the amounts to be received from the distributors, interest accrued in a period before the first repayment of the loan, other debtors, as well as allowances for bad debts on these accounts. The amounts paid or to be received from the distributors are comprised of both (a) the amounts related to the distributor's jointly and severally liable for the amounts not paid by the debtors established in the financial factoring contracts, which are in non-performing portfolio and (b) the advances applicable to the distributor established in the financial factoring contract.

This items is also comprised of balances that are aged less than 90 days from initial recognition. Balances older than 90 days are reserved in full against income, regardless of their chances of recovery or the collection process for such assets.

Foreclosed assets - Foreclosed assets are recorded at fair value and are presented net on the balance sheet, discounting the reserve for impairment due to the drop in value, which is calculated as established in Accounting Criterion B-7 and Article 132 of the General Provisions Applicable to Credit Institutions. The reserve is recorded in the statement of income under Other income (expenses) from operations.

Furniture and fixtures, net - Furniture and fixtures is recorded at acquisition cost. Depreciation and amortization are calculated using a percentage based on the economic useful life of the assets.

Investments in subsidiaries - Permanent investments in entities in which they have control, are initially recognized based on the net fair value of identifiable assets and liabilities of the entity at the date of acquisition. This value is adjusted after the initial recognition of the corresponding portion of both the comprehensive income or loss of the subsidiary and the distribution of earnings or capital reimbursements thereof.

When the fair value of the consideration paid is greater than the value of the investment in the subsidiary, the difference represents goodwill, which is presented as part of the same investment.

Other permanent investments - Permanent investments made by the Entity over which control, joint control or significant influence are not exercised are recorded at acquisition cost.

Goodwill - The excess of cost over the fair value of the shares of subsidiaries at the date of acquisition is not amortized and is subject to impairment tests at a minimum, on an annual basis.

Impairment of long-lived assets in use - The Entity makes an impairment tests for the long-lived assets in use when an impairment indicator suggests that such amounts might not be recoverable, considering the greater of the present value of future net cash flows or the net sales price upon disposal. Impairment is recorded when the book value exceeds the greater of the aforementioned amounts.

Income taxes - Income tax ("ISR") is recorded in the result of the year in which it is incurred. The Entity records deferred taxes by comparing accounting and tax basis of assets and liabilities. The resulting deductible and taxable temporary differences are multiplied by the tax rate expected to be in effect when such items reverse.

Employee Benefits - They are those granted to personnel and / or their beneficiaries in return for services rendered by the employee including all kinds of remuneration accrues as follows:

- I. **Direct benefits to employees** - They are assessed in proportion to the services provided, considering their current salaries and liability is recognized as it accrues. It includes mainly the Employee Profit Sharing ("PTU"), compensated absences, such as vacation and vacation premiums, and incentives.
- II. **Employee benefits from termination, retirement and other** - The liability for seniority premiums and termination of the employment relationship are recognized as they accrue and are calculated by independent actuaries based on the method of projected unit credit using nominal interest rates, as indicated in Note 16 to the consolidated financial statements.
- III. **Employee participation in profits** - PTU is recorded in income for the year in which it is incurred and presented under the heading of "Administrative expenses" in the income statement. Deferred PTU is derived from temporary differences that result from comparing the accounting and tax bases of assets and liabilities and is recognized only when it can be reasonably assumed that a liability may be settled or a benefit is generated, and there is no indication that circumstances will change in such a way that the liabilities will not be paid or benefits will not be realized.

As result of the 2014 Tax Reform, as of December 31, 2016, 2015 and 2014 PTU is determined based on taxable income, according to Section I of Article 9 of the Income Tax Law. Deferred PTU derived from temporary differences between the accounting and tax bases of assets and liabilities is recognized only when it can be reasonably assumed that a liability may be settled or a benefit is generated, and there is no indication that circumstances will change in such a way that the liabilities will not be paid or benefits will not be realized. As of December 31, 2016, 2015 and 2014, the Entity determined a tax loss, for which reason it did not have a basis for the determination of current and deferred PTU.

Other assets, net - Are represented mainly by (i) fees and expenses required financing activities as bank lines of credit and debt issues in the market that are amortized according to the term of the related contract, (ii) ISR, (iii) advance to third parties and (iv) other intangible assets. Intangible assets are classified as definite and indefinite useful life, the amortization of intangible assets is calculated using the straight-line method over the remaining life and are subject to impairment tests. Within this category in other assets short and long term car inventory is presented. Vehicles are initially recognized at acquisition value. The acquisition value of vehicles, including the costs have been incurred initially to be acquired and subsequently incurred to replace or increase its service potential. The repair and maintenance costs are recognized in the income statement as incurred.

Notes payable (Secured certificates), bank loans and other loans – Include financial liabilities from the issuance of debt financial instruments in the stock market and bank loans and other agencies, which are recorded at the value of the contractual obligation to represent and includes accrued interest related to the debt. In the case of foreign currency obligations these are valued at the exchange rate on the last day of the year. Accrued interest is recorded in the income statement under “Interest expense”.

Senior notes – They include financial liabilities from the issuance of financial instruments of unsecured debt securities in US dollars, listed on the Luxembourg Stock Exchange. These notes are aimed at institutional investors under Regulation 144A (CUSIP 22547AAA9) and under Regulation S (CUSIP P32506AA8) of the Securities Act of 1933 of USA. The value of the Senior Notes at year-end is estimated considering the exchange rate on the last day of the year and the valuation of the primary position using the same consideration valuation Instrument Cross Currency Swaps (“CCS”) and accrued interest. Furthermore, all premiums and discounts paid for the issue of the Senior Notes are recorded in such item.

Sundry creditors and other payables – They are represented mainly by disposals of portfolio and Value Added Tax (“VAT”) derived from portfolio purchases to various distributors pending payment.

Provisions – When the Entity has a present obligation as a result of a past event, which will probably result in the use of economic resources and that can be reasonably estimated, a provision is recognized.

Financial margin – The net interest margin of Entity consists of the difference resulting from total interest income less interest expense.

Recognition of interest income – Interest income is determined by applying the applicable interest rate to the outstanding principal balance during the reporting period.

The accrual of interest is suspended when an outstanding loan balance is deemed to be non-performing and is recorded as non-performing portfolio. Interest on non-performing loans is recognized as collected.

When installment payments are received on past due repayments which include principal and interest, they are first applied to the oldest interest.

Interest income recognized by the Entity refers exclusively to the Entity’s share and, accordingly, excludes the share applicable to the distributors. Pursuant to the agreements executed, the Entity shares with each distributor the credit risk and the revenues generated on the loans originated by the distributor. The distributor is responsible for servicing the loan and covering all of the operating expenses related to the portfolio that it originates.

Interest expenses – They are recorded as accrued in accordance with contracts made are recorded in the income statement monthly.

Statements of cash flows – The cash flows statement presents consolidated Entity’s ability to generate cash and cash equivalents, as well as how the entity uses those cash flows to meet your needs. The preparation of the cash flow statement is performed on the indirect method, based on the net income for the period based on the provisions of Criterion D-4, *cash flow statements*, the Commission.

Earnings per share – Basic earnings per common share are calculated by dividing consolidated net income of the controlling interest by the weighted average number of common shares outstanding during the year. Diluted earnings per share are determined only when there is income from continuing operations by adjusting consolidated net income and common shares on the assumption that the Entity’s commitments to issue or exchange its own shares are to be met.

Memorandum accounts (see Note 22)

Loan commitments – The balance represents irrevocable letters of credit and unused credit lines.

Uncollected interest earned on non performing portfolio – They represent accrued interest recognized in the income statement, because it loans classified as non-performing loans.

4. CASH AND CASH EQUIVALENTS

As of December 31, 2016, 2015 and 2014, the cash and cash equivalents were as follows:

	2016	2015	JANUARY 1, 2015
Banks:			
National currency	\$ 126,921	\$ 72,532	\$ 53,778
Foreign currency	188,853	48,308	-
	<u>\$ 315,774</u>	<u>\$ 120,840</u>	<u>\$ 53,778</u>

5. INVESTMENTS IN SECURITIES

As of December 31, 2016, 2015 and January 1, 2015, investments in securities were as follows:

	2016		
	AMOUNT INVESTED	RATE	AMOUNT
Investments in Mexican pesos (pesos)			
Commercial paper (a)	\$ 473,470	5.39%	\$ 561,566
Bank promissory notes (a)	200,000	5.91%	200,000
		Between TIIE +1.75 and +2.25	
Bank promissory notes (a)	44,862		45,642
Total	<u>718,332</u>		<u>807,208</u>
Investments in foreign currency (USD)			
Government paper (b)	\$ 10,306	0.64%	\$ 10,306
Commercial paper (b)	170,541	7.25%	175,161
Total	<u>180,847</u>		<u>185,467</u>
Total	<u>\$ 899,179</u>		<u>\$ 992,675</u>
		2015	
	AMOUNT INVESTED	RATE	AMOUNT
Commercial paper (c)	\$ 129,641	7.5%	\$ 131,226
Bank promissory notes (d)	411,836	3.38%	412,040
Total securities available for sale	<u>541,477</u>		<u>543,266</u>
Total investments in securities	<u>\$ 541,477</u>		<u>\$ 543,266</u>

	JANUARY 1, 2015		
	AMOUNT INVESTED	RATE	AMOUNT
Commercial paper (c)	\$ 39,165	10.25%	\$ 41,540
Bank promissory notes (d)	1,209,646	1.65%	1,209,661
Total securities available for sale	1,248,811		1,251,201
Total investments in securities	\$ 1,248,811		\$ 1,251,201

(a) Investments denominated in Mexican pesos are comprised as follows:

Investments in bank paper are comprised of bank debt in pesos, with a three-day maturity. At the close of December 2016, they represent a total value of \$561,566.

Investments in corporate paper are comprised of corporate debt in pesos with maturities of between three and 132 days. At the close of December 2016, they represent a total value of \$245,642.

(b) Investments denominated in US dollars are composed as follows:

As of December 31, 2006, investments in government paper denominated in US dollars, with a 10 day maturity, are \$10,306.

As of December 31, 2016, investments in corporate paper in US dollars are \$175,161. These investments are composed of corporate debt sold on international markets, maturing in July 2023, with limited liquidity and the risk proportionally linked to the issuer and the exchange rate.

(c) Investments in US dollar-denominated negotiable securities are composed of investment grade corporate debt instruments traded in international markets, maturing in April, 2016, with limited liquidity, and risk proportionally tied to the issuer and the exchange rate.

As of December 31, 2016, 2015 and 2014, investments in marketable securities denominated in U.S. dollars amounts to \$10,306, \$131,226 and \$41,540, respectively.

(d) Investments in bank paper and government paper consist of bank debt in Mexican pesos, whose maturities range from one to 31 days and which at December 2016, 2015 and 2014 amount to \$175,132, \$411,190 and \$534,510, respectively. Also, the Entity held one-day investments in bank paper denominated in U.S. dollars in the amount of MXP\$850, MXP\$675,151 and MXP\$119,645 as of December 31, 2016, 2015 and 2014, respectively.

6. FINANCIAL DERIVATIVES

The policy established by management is to contract financial derivatives with the aim of hedging the risks inherent to exposure in foreign currency (exchange rate) and due to interest rate risk generated by the contracting of debt instruments established in a currency other than the Mexican peso. Some instruments have been recognized as trading for accounting purposes because the accounting criterion establishes certain restrictions, mainly in transactions where there are ask option positions (short options).

Trading derivatives

Cross Currency Swap and Currency Option (CCS & CP)

On March 15, 2016, Crédito Real entered into a transaction with Morgan Stanley Bank in which based on a notional amount of MX \$1,790,000, it pays a monthly rate of 3.475% and also has a long call for a total of US 100,000 with a strike price of MX \$20.00 for each US dollar to cover the payment of principal of the line contracted with Credit Suisse for US \$100,000, beginning on February 19, 2016 and maturing February 19, 2018.

For accounting purposes, the Entity designated such financial derivative as held for trading purposes and records the changes in fair value in results for the period.

TRADING CHARACTERISTICS	MORGAN STANLEY ID ENE1A	OPTION DETAILS	MORGAN STANLEY ID ENE1A
Foreign currency:	Pesos (MXN)	Style of option:	European
Required to pay a fixed rate for foreign currency amounts:	CR	Type of option:	USD Call Largo
Transaction date:	March 15, 2016	Currency and amount of Call:	USD 100,000,000
Swap reference amount in pesos:	N/A		
Start date:	February 20, 2016	Strike:	\$ 20.00 MXN/USD
Maturity date:	February 20, 2018	Maturity Date:	February 19, 2017 February 19, 2017 February 19, 2018
Reference amount in currency B:	MXN \$1,790,000,000		
Settlement dates currency B:	Every month as of February 20, 2016	Premium:	-
Fixed rate for amounts in currency B:	3.475%	Market value MXN (thousands)	\$ 166,639
Fraction for the count of days applicable to floating or fixed rate amounts in currency B:	Actual/360	Market value USD (thousands)	\$ 8,082
Market value MXN (thousands)	\$ (43,828)	Collateral MXN	\$ -
Market value USD (thousands)	\$ (2,126)	\$ -	\$ -
Collateral MXN	\$ -	\$ -	\$ -

On March 8, 2016, Crédito Real entered into a Cross Currency Swap with Credit Suisse AG, Cayman Islands Branc ("CS") for US \$100,000 at an exchange rate of MX \$17.90 for each US dollar, in which it pays a fixed interest rate of 0.27% denominated in pesos with swaps of principal, to cover the payment of the principal on the line of credit signed with Credit Suisse for US \$100,000, whose transaction date was February 19, 2016 and will be payable on February 19, 2018. Crédito Real also sold a call option (short call) of MX \$20.00 for each US dollar at maturity of the transaction.

Given that the option contains the obligation to purchase, for accounting purposes, the Entity has recognized such financial derivative as held for trading purposes and records the changes in fair value in results for the period.

Trading characteristics:

TRADING CHARACTERISTICS	CREDIT SUISSE ID 60576531	OPTION DETAILS	CREDIT SUISSE ID 60576531
Currency A:	Dollar (USD)	Style of option:	European
Currency B:	Pesos (MXN)	Type of option	USD Call Corto
Required to pay floating rate amounts in currency A:	Credit Suisse	Currency and amount of Call:	USD 100,000,000
Required to pay fixed rate amounts in currency B:	CR		
Transaction date:	March 8, 2016	Strike:	\$ 20.00 MXP/USD
Swap reference amount in both currencies:	At the beginning and at Maturity	Maturity Date:	February 19, 2017 August 19, 2017 February 19, 2018
Start date:	March 10, 2016		
Maturity date:	February 19, 2018	Premium:	-
Reference amount in currency A:	USD 100,000,000	Market value MXN (thousands)	\$ (166,639)
Reference amount in currency B:	MXN \$1,790,000,000	Market value USD (thousands)	\$ (8,082)
Exchange rate used to calculate the reference amount in currency B:	\$17.9000 MXN per USD	Collateral MXN	-
Fixed rate for amounts in currency A:	0.00%	\$ -	\$ -
Spread	N/A	\$ -	\$ -
Fraction for the count of days applicable to the fixed rate for amounts in foreign currency A:	Actual/360		
A currency payment dates A:	The 19 th day of each month as of March 19, 2016		
A currency settlement date A:	February 19, 2018		
A currency payment dates B:	Every three months as of February 19,		
Fixed rate for amounts in currency B:	0.27%		
Fraction for the count of days applicable to floating or fixed rate amounts in currency B:	Actual/360		
Market value MXN (thousands)	\$ 330,621		
Market value USD (thousands)	\$ 16,034		
Collateral MXN	\$ -		

Derivatives for hedging purposes

Derivatives designated as hedges recognize the changes in valuation according to the type of hedge in question: (1) when they are fair value hedges, the fluctuations in both the derivative and the hedged item are covered at fair value and recognized in results; (2) when they are cash flow hedges, the effective portion of the result of the hedging instrument is recognized in stockholders' equity as part of other comprehensive income, and the ineffective portion of the result of the hedging instrument is recognized immediately in results for the period.

Furthermore, in fair value hedges, the fair value of foreign currency debt is recognized on the consolidated balance sheet and the changes to this debt are recognized in results.

Changes in the fair value of the financial derivatives and changes in the fair value of the debt are recorded in the result from intermediation. The valuation of financial derivatives and of the primary position is made using widely accepted valuation techniques.

Relationship of Senior Notes with maturity in 2019

The Entity uses financial derivatives for hedging purposes to manage the risks related to fluctuations in the exchange rate applicable to its issue of Senior Notes with a yield of 7.50%, maturing in 2019. The Senior Notes were issued for US \$ 425,000. However, on August 9, 2016, a portion was paid in advance, resulting in a remaining outstanding balance of US \$134, 853. With the original amount, there were five financial derivatives for hedging purposes; however, when the prepayment was made, there were also modifications in the derivatives in order to not generate overhedging. Below is a description of the derivatives in effect as of December 31, 2016, which continue to hedge the Senior Notes.

On July 2, 2015, the Entity entered into a Cross Currency Swap with Bank Morgan Stanley (France) sas ("Morgan") for US \$75,000 at an exchange rate of MX \$14.50 per US dollar, in which a fixed rate of 6.30% is paid, to cover part of the senior note maturing in the year 2019. Furthermore, the Entity contracted a strategy with exchange rate options (collar) with the purchase of a put option at MX \$14.50 per US dollar and the sale of a call option at MX \$20.00 per US dollar in the final swap.

On August 9, 2016, the Entity restructured a Cross Currency Swap with Deutsche Bank, modifying only the notional amount to a remaining balance of US \$59,853 at an exchange rate of MX \$14.50 per US dollar, in which a fixed rate of 7.18% is paid to cover the rest of the Senior Note maturing in the year 2019.

For accounting purposes, given that the option is a zero cost collar, the Entity has designated the aforementioned financial derivatives as cash flow hedges. In the case of the currency swaps, the changes in the fair value of the derivative are recorded in other comprehensive income and loss, by reclassifying any ineffective portion and the respective amounts to the statement of income when the hedged forecast cash flows affect the results for the year. With regard to the options, only the intrinsic value was designated as cash flow hedges, for which reason the changes in the intrinsic value of the derivative are recorded in other comprehensive income and loss, reclassifying any ineffective portion to the statement of income and the extrinsic value is recognized immediately in results for the period.

Trading characteristics:

CHARACTERISTICS OF CCS	MORGAN STANLEY ID ELGKW	DEUTSCHE BANK (2) ID 6258211MX	OPTION DETAILS	MORGAN STANLEY ID ELGKW
Currency A:	Dollar (USD)	Dollar (USD)	Style of option:	Europea
Currency B:	Pesos (MXN)	Pesos (MXN)	Type of option:	USD Call / USD Put Collar (Call Corto, Put Largo)
Required to pay floating rate amounts in currency A:	Morgan Stanley	DB	Currency and amount of Call:	USD 75,000
Required to pay fixed rate amounts in currency B:	CR	CR	Currency and amount of Put:	USD 75,000
Transaction date:	July 2, 2015	August 9, 2015	Floor Rate:	\$ 14.50
Reference exchange amount in both currencies:	At the beginning and at Maturity	At the beginning and at Maturity	Cap Rate:	\$ 20.00
Start date:	March 13, 2015	March 13, 2014	Maturity date:	March 13, 2019
Maturity date:	March 13, 2019	March 13, 2019	Day of payment:	March 13, 2019
A currency settlement date A:	USD 75,000	USD 59,853	Premium:	-
A currency settlement date B:	MXN \$ 1,087,500	MXN \$ 867,869	Market value MXN (thousands)	\$ (251,178)
Fixed rate for the amount in currency B for the first period:	\$ 14.5000 MXN per USD	\$ 14.5000 MXN per USD	Market value USD (thousands)	\$ (12,181)
Floating rate for currency A:	7.50%	7.50%	Collateral MXN	\$ -
Spread	N/A	N/A		
Fraction for the count of days applicable to the fixed rate for amounts in foreign currency A:	30/360	30/360		
A currency payment dates A:	The 13th day of every March and September	The 13th day of every March and September		
A currency settlement date A:	March 13, 2019	March 13, 2019		
A currency payment dates B:	Every 28 days as of July 2, 2015	Every 28 days as of March 13, 2014		
Floating or fixed rate for currency B:	6.30%	7.18%		
Fraction for the count of days applicable to floating or fixed rate amounts in currency B:	Actual/360	Actual/360		
Market value MXN (thousands)	\$ 697,365	\$ 540,489		
Market value USD (thousands)	\$ 33,820	\$ 26,213		
Collateral MXN	\$ 0	\$ 0		

As of December 31, 2016, due to the appreciation of the US dollar, there were no margin calls; accordingly, no financial assets were pledged as collateral. At the end of 2016, there were no funds available restricted due to margin calls. The Entity has mechanisms and committees in place to measure risk management and therefore ensure appropriate management thereof.

As of December 31, 2016, the fair value of the aforementioned financial derivatives for the hedging relationship of the Senior Note maturing in 2019, is \$986,676 pesos (\$47,852 US dollars), which was recorded as an asset with a credit to the supplemental account subsequent to the effect of the period through comprehensive income. The effect as of December 31, 2016 recognized in equity is \$ 303,038 (\$14,697 US dollars) and the effect recognized in the statement of income, as a gain, due to the exchange re-expression of the currency swaps and the extrinsic value of the options is \$683,638 (\$33,155 US dollars).

The periods in which the cash flows from the derivatives in relation to the hedging of the Senior Notes maturing in 2019 are expected to occur and impact the statement of results are as follows:

YEAR	PESOS	US DOLLARS
2017	\$ 16,188,439	785,107
2018	\$ 84,650,999	4,105,406
2019	\$ 202,198,858	9,806,244

Relationship Medium-Term Securitized Certificates (C-REAL 15)

The Entity uses financial derivatives for hedging purposes to manage the risks related to fluctuations in the interest rate applicable to its issue of C-REAL 15 (ticker symbol) medium-term securitized certificates, which were placed on October 9, 2015, bearing interest at two percentage points above the 28 day TIIE rate, and maturing on March 23, 2018.

On October 14, 2015, the Entity contracted an interest rate swap with Barclays Bank México, S.A. ("Barclays") for \$250,000 at a fixed rate of 6.405%, to cover 25% of the C-REAL 15 securitized certificate.

On October 14, 2015, Crédito Real also contracted an interest rate swap with Deutsche Bank México, S.A., institución de banca múltiple ("db"), for \$250,000 at a fixed rate of 6.38%, to cover another 25% of the C-REAL 15 securitized certificate.

For accounting purposes, the Entity has designated the aforementioned financial derivatives as cash flow hedges, recording the changes in the fair value of the derivative in other comprehensive income and loss and reclassifying any ineffective portion and the respective amounts to the statement of income when the hedged forecast cash flows affect results for the year.

Trading characteristics:

CHARACTERISTICS	BARCLAYS ID 9005150	DEUTSCHE BANK ID 8669130MX
Notional:	\$ 250,000	\$ 250,000
Currency:	MXN	MXN
Required to pay fixed rate:	Crédito Real	Crédito Real
Required to pay floating rate:	Barclays	Deutsche Bank
Transaction date:	October 14, 2015	October 14, 2015
Start date:	October 15, 2015	October 9, 2015
Maturity date:	March 23, 2018	March 23, 2018
Fixed rate:	6.4050%	6.38%
Floating rate:	TIIE	TIIE
Floating rate spread:	2.00%	2.00%
Fraction for the count of days applicable to floating or fixed rate:	Actual/360	Actual/360
Interest payment dates:	Every 28 days as of November 6, 2015	Every 28 days as of November 6, 2015
Market value MXN (thousands)	\$ 7,868	\$ 7,942
Collateral MXN (thousands)	\$ -	\$ -

As of December 31, 2016 no financial assets have been pledged as collateral. At the end of 2016 there were no funds available restricted due to margin calls. The Entity has mechanisms and committees in place to measure risk management and thus ensure appropriate management thereof.

As of December 31, 2016, the fair value of the aforementioned financial derivatives for the C-REAL 15 hedging relationship is \$15,811, which was recorded as an asset with a credit to the stockholders' equity supplemental account subsequent to the effect of the period through comprehensive income. The effect as of December 31, 2016 recognized in equity is \$13,236, and the effect reclassified to the statement of income as gains for accrued interest is \$2, 575.

The periods in which the cash flows from the derivatives in the C-REAL15 hedge relationship are expected to occur and impact the statement of income are as follows:

YEAR	PESOS	
2017	\$	10,110
2018	\$	3,126

Syndicated Line Relationship

The Entity uses financial derivatives for hedging purposes to manage the risks related to fluctuations in the exchange rate and the interest rate applicable to its line of credit with Credit Suisse, for US \$100,000, whose transaction date was February 19, 2016, and will be payable on February 19, 2018, at the rate of monthly LIBOR plus 8.15%.

On February 23, 2016, the Entity entered into a Cross Currency Swap with Credit Suisse AG, Cayman Islands Branc ("CS"), at MX \$18.21 per US \$1.00, where it receives interest at LIBOR plus 8.15% and pays fixed interest of 9.32% denominated in Mexican pesos, with pure swaps of interest, to cover the interest on the line of credit signed with Credit Suisse.

For accounting purposes, the Entity has designated the aforementioned financial derivative as a cash flow hedge, recording the changes in the fair value of the derivative in other comprehensive income and reclassifying any ineffective portions and the respective amounts to the statement of income when the forecast cash flows hedged affect the results of the year.

CHARACTERISTICS OF CCS

CREDIT SUISSE ID 60564894

Currency A:	Dollars (USD)
Currency B:	Pesos (MXN)
Required to pay floating rate amounts in currency A:	Morgan Stanley
Required to pay fixed rate amounts in currency B:	CR
Transaction date:	February 23, 2016
Reference exchange amount in both currencies:	N/A
Start date:	February 22, 2016
Maturity date:	February 19, 2018
A currency settlement date A:	USD 100,000
A currency settlement date B:	MXN \$1,821,000
Fixed rate for the amount in currency B for the first period:	\$18.2100 MXN per USD
Floating rate for currency A:	USD-LIBOR-BBA
Spread	8.15%

CHARACTERISTICS OF CCS

CREDIT SUISSE ID 60564894

Fraction for the count of days applicable to the fixed rate for amounts in foreign currency A:	Actual/360
A currency payment dates A:	The 19 th day of every February, May, August and November, beginning May 19, 2016
A currency settlement date A:	N/A
A currency payment dates B:	The 19 th day of each month beginning March 19, 2016
Floating or fixed rate for currency B:	9.32%
Fraction for the count of days applicable to floating or fixed rate amounts in currency B:	Actual/360
Market value MXN (thousands)	\$ 32,391
Market value USD (thousands)	\$ 1,570
Collateral MXN	\$ -

As of December 31, 2016, no financial assets have been pledged as collateral. At the end of 2016, there were no funds available restricted due to margin calls. The Entity has mechanisms and committees in place to measure risk management and thus ensure appropriate management thereof.

As of December 31, 2016, the fair value of the aforementioned financial derivative in relation to the syndicated line hedge, is MX \$32,391 (\$1,570 US dollars), which was recorded as an asset with a credit to the stockholders' equity supplemental account subsequent to the effect of the period through comprehensive income. The effect as of December 31, 2016 recognized in equity is MX \$11,507 (\$558 US dollars) and the effect reclassified to the statement of income as gains for accrued interest is MX \$20,883 (\$1,013 US dollars).

The periods in which the cash flows from the derivative in the syndicated line hedging relationship are expected to occur and impact the statement of income are as follows:

YEAR	PESOS		US DOLLARS	
2017	\$	2,452	\$	119
2018	\$	9,056	\$	439

Senior Notes Relationship with maturity in 2023

The Entity uses financial derivatives for hedging purposes to manage the risks related to the fair value of its issue of Senior Notes with a yield of 7.25%, maturing in 2023.

On July 20, 2016, the Entity entered into five Cross-Country Swaps which hedge the fair value of the debt principal for the Senior Notes maturing in 2023, with the following financial institutions: (i) Barclays, (ii) Morgan Stanley, (iii) UBS, (iv) Banamex and (v) Deutsche Bank. This is because it is being converted into a debt that pays a fixed rate in US dollars payable in the Mexican peso variable rate derivatives. The issue of the Senior Notes maturing in 2023 was US \$625,000, whereas the financial derivatives were only contracted to cover up to the amount of US \$550,000.

Given the characteristics of the aforementioned five derivative instruments in relation to the hedge of the Senior Notes maturing in 2023, all such instruments were designated as fair value hedges for accounting purposes; i.e., the fluctuations in the derivative and in the hedged item are valued at fair value and are recognized in results in the same financial statement captions.

TRADING CHARACTERISTICS	BARCLAYS 9007408	MORGAN STANLEY DMFS4	UBS 95007852	BANAMEX 32754151EC _ 1	DEUTSCHE BANK 9767201M
Currency A:	Dólares (USD)				
Currency B:	Pesos (MXN)				
Obligated to pay fixed rate for amounts in currency A:	Barclays	Morgan Stanley	UBS	Banamex	Deutsche Bank
Obligated to pay floating or fixed rate for amounts in currency B:	CR	CR	CR	CR	CR
Date of transaction:	July 20, 2016				
Swap reference amount in both currencies:	At the start and at maturity				
Starting date:	July 20, 2016				
Maturity date:	July 20, 2023				
Reference amount in currency A:	USD 125,000	USD 100,000	USD 100,000	USD 100,000	USD 125,000
Reference amount in currency B:	MXN \$2,361,250	MXN \$1,889,000	MXN \$1,889,000	MXN \$1,889,000	MXN \$2,361,250
Exchange rate used to calculate reference amount in currency B:	\$18.8900 MXN per USD				
Fixed rate for amounts in currency A:	7.25%	7.25%	7.25%	7.25%	7.25%
Spread	N/A	N/A	N/A	N/A	N/A
Fraction for counting of days applicable to fixed rate for amounts in currency A:	30/360	30/360	30/360	30/360	30/360
Payment dates currency A:	The 20th day of every January and July as of July 20, 2016	The 20th day of every January and July as of July 20, 2016	The 20th day of every January and July as of July 20, 2016	The 20th day of every January and July as of July 20, 2016	The 20th day of every January and July as of July 20, 2016
Settlement date currency A:	July 20, 2023				
Payment dates currency B:	Every 28 days as of July 20, 2016	Every 28 days as of July 20, 2016	Every 28 days as of July 20, 2016	Every 28 days as of July 20, 2016	Every 28 days as of July 20, 2016
Floating rate for amounts in currency B:	TIIE 28D				
Spread Currency B:	6.13%	6.16%	6.215%	6.19%	6.17%
Fraction for the count of days applicable to the floating rate for amounts in currency B:	Actual/360	Actual/360	Actual/360	Actual/360	Actual/360
Market value MXN (thousands)	\$ 262,450	\$ 221,146	\$ 200,217	\$ 203,976	\$ 257,464
Market value USD (thousands)	\$ 12,728	\$ 10,725	\$ 9,710	\$ 9,892	\$ 12,486
Collateral MXN (thousands)	\$ -	\$ -	\$ -	\$ -	\$ -

As of December 31, 2016, the fair value of the aforementioned financial derivatives in relation to the hedge of the Senior Notes maturing in 2023 is MX \$1,145,255 (\$55,452 US dollars), which was recorded as an asset and a gain in the statement of income. The effect as of December 31, 2016 recognized in the statement of income for the hedged item is MX \$1,145,255 (\$55,452 US dollars) as a loss.

Nature and degree of risks arising from the derivatives

The exchange rate as of December 31, 2016 is MX \$20.6194

The majority of the Entity's CCS enable it to fix the exchange rate to be used for the payment of the US dollar denominated debt on the date of maturity. When financing in foreign currency is entered into, the hedge enables the exchange rates to be appropriately managed.

By entering into the CCS to hedge the fair value of the Senior Notes maturing in 2023, the Entity has hedged the risk of a devaluation of the Mexican peso against the US dollar and has exposure to the risk of an appreciation in the Mexican peso against the US dollar. With regard to exchange rate risk, by entering into the CCS the Entity is exposed to the risk of variances in the TIIE rate in the contracts that include a floating rate.

By entering into the IRS, the Entity can fix the exchange rate for the payment of the interest on the debt in Mexican pesos derived from the CREAL15 securitized certificate.

Formal hedge documentation -

Once cash flow and fair value hedges are structured, the Entity prepares an individual file for each transaction containing the following documentation:

- The strategy and objective of the Entity's risk management, as well as the rationale that lead the decision to carry out the hedging operation.
- The specific risk or risks to be hedged.
- Hedge structure identifying the derivative financial instruments contracted for hedging purposes and the item generating the hedged risk.
- Definition of the elements composing the hedge, its objective and a reference to the effectiveness valuation method.
- Contracts for the hedged item and hedging instrument, as well as confirmation from the counterparty.
- Periodic hedge effectiveness tests at the prospective level regarding its estimated future evolution and at the retrospective level, concerning its past behavior. These tests are applied at least at the end of each quarter, according to the valuation method defined when creating the hedge files.

Risk management

The Entity has segregated risk evaluation and management under the following headings:

Credit risk: The credit risk refers to the risk whereby a customer or counterparty defaults on its contractual obligations, thus resulting in a financial loss for the Entity.

Market risk: the income volatility resulting from market changes that affect the evaluation of active or passive transaction positions such as interest rates and exchange rates.

Liquidity risk: the loss potentially generated by the Entity's inability to renew its liabilities or contract others under normal conditions.

Counterparty credit risk

The Entity manages the credit risk generated by its derivatives portfolio by only performing transactions with recognized counterparties with an investment-grade rating. At December 31, 2016, the Entity maintains a position composed by derivative financial instruments based on foreign currency swaps that represent an asset for it. The total potential loss expected from this type of derivative financial instrument is \$2,702,294, Mexican pesos. The Entity also has interest rate swaps, which represent an asset for the Entity and the potential loss expected from this type of financial derivatives amounts to MX \$15,811.

Sensitivity analysis

The Entity performed a sensitivity analysis so as to forecast situations that could result in extraordinary losses as regards the valuation of the derivative financial instruments composing its position at the December 2016 close.

A derivatives sensitivity analysis is performed by considering the following elements:

Estimate the surplus value or shortfall of the securities valuation in the event of:

- An increase of + 1 peso in the MXN/USD exchange rate
- A decrease of - 1 in the MXN/USD exchange rate
- An increase of + 100 interest rate basis points
- A decrease of - 100 interest rate basis points

Foreign currency sensitivity

HEDGING DERIVATIVES FAIR VALUE	+1 EXCHANGE RATE	-1 EXCHANGE RATE
Foreign currency swap	\$ 724,780	\$ (724,780)
CASH FLOW HEDGE DERIVATIVES		
	+1 EXCHANGE RATE	-1 EXCHANGE RATE
Foreign currency swap	\$ 153,997	\$ (153,997)
Foreign currency option	\$ (61,249)	\$ 61,249

Interest rate sensitivity of interest rate

CASH FLOW HEDGE DERIVATIVES	+100 BP INTEREST RATE	-100 BP INTEREST RATE
Interest rate swap	\$ 15,811	\$ (15,811)

If any of the sensitivity scenarios detailed in the above table actually arise, the losses generated by derivative instruments held for trading purposes and fair value hedges will directly affect the statement of income, while cash flow hedges will affect the Entity's capital.

Maturity analysis

Below is an analysis of the future obligations of the financial derivatives. Please note that even though the foreign currency swaps represent active positions as of December 31, 2016, the Entity elects to present the undiscounted future flows which represent a liability according to their maturity.

	2017	2018	2019	2020	2021	2022	2023
Foreign currency swaps	\$ 2,613,193	\$ 2,316,656	\$ 3,508,622	\$ 1,568,380	\$ 1,619,827	\$ 1,680,750	\$ 11,357,673
Interest rate Swaps	\$ 111,966	\$ 511,691	\$ -	\$ -	\$ -	\$ -	\$ -

7. LOAN PORTFOLIO

At December 31, 2016, 2015 and January 1, 2015, the loan portfolio was comprised as follows:

	2016	2015	JANUARY 1, 2015
Loan portfolio -			
Commercial portfolio	\$ 25,425,100	\$ 20,793,043	\$ 19,400,536
Consumer portfolio	6,753,970	1,486,896	-
Performing loan portfolio	32,179,070	22,279,939	19,400,536
Less -			
Interest accrued on factoring operations	(8,748,522)	(5,069,765)	(5,844,153)
Gauging warranty	(20,534)	(16,624)	(12,116)
Performing Loan Portfolio	23,410,014	17,193,550	13,544,267
Non-performing loan portfolio	517,008	416,089	260,638
Loan Portfolio	23,927,022	17,609,639	13,804,905
Less -			
Allowance for loan losses	(767,460)	(485,506)	(420,131)
Performing Loan Portfolio, net	\$ 23,159,562	\$ 17,124,133	\$ 13,384,774

At the end of December 2016, 2015 and January 1 2015, \$2,260,406, \$1,233,350 and \$1,474,378, respectively, of the loan portfolio is pledged to guarantee certain credit facilities.

The portfolio is comprised of 783,546, 619,000, and 531,000 customers at the end of 2016, 2015 and January 1, 2015, respectively.

The average loan balance is \$30, \$28 and \$26 at December 31, 2016, 2015 and January 1, 2015, respectively, with an average term of 38, 34 and 32, respectively, for both the commercial and consumer portfolios.

The interest income recognized by the Entity refers exclusively to the Entity's participation and, accordingly, excludes the participation applicable to the distributors. In accordance with the agreements executed, the Entity shares with the distributor the credit risk and the revenues generated by the loans originated by the distributor. The distributor is responsible for administering the service of the credit granted and covering all the operating expenses related to the portfolio that it originates.

At December 31, 2016, the performing loan portfolio that has a balance with at least one day of aging is as follows:

	0 TO 30	31 TO 60	61 TO 90	TOTAL
Commercial loan	\$ 15,424,298	\$ 652,666	\$ 579,081	\$ 16,656,045
Consumer loan	6,507,656	176,993	69,320	6,753,969
	\$ 21,931,954	\$ 829,659	\$ 648,401	\$ 23,410,014

At December 31, 2016, the non-performing loan portfolio that has balance with at least once day of aging is as follows:

	91 TO 180
Commercial loan	\$ 323,792
Consumer loan	193,216
	\$ 517,008

8. ALLOWANCES FOR LOAN LOSSES

At December 31, 2016, 2015 and January 1, 2015, the Entity maintained an allowance for loan losses equivalent to 148%, 161% and 128% of non-performing portfolio, respectively.

As of December 31, 2016, 2015 and January 1, 2015, changes in the allowance for loan losses were as follows:

	2016	2015	JANUARY 1, 2015
Opening balance	\$ 485,506	\$ 420,131	\$ 203,218
Portfolio applications	(1,026,759)	(355,158)	(241,468)
Adjustment for the modification of the rating methodology with an effect on capital	-	-	193,855
CR USA, Creal Dallas and Controladora CR consolidation effect	477,120	74,905	-
Charge to results	831,593	345,628	264,526
Closing balance	\$ 767,460	\$ 485,506	\$ 420,131

9. OTHER ACCOUNT RECEIVABLE, NET

As of December 31, 2016, 2015 and January 1, 2015, other accounts receivable were as follows:

	2016	2015	JANUARY 1, 2015
Other accounts receivable from distributors	\$ 2,707,174	\$ 1,887,883	\$ 870,708
Value added tax (VAT) receivable	60,968	57,921	289,747
Other debtors	828,910	306,611	9,617
Recoverable income tax	11,351	42,500	13,816
	<u>3,608,403</u>	<u>2,294,915</u>	<u>1,183,888</u>
Allowance for other accounts receivable	(31,105)	(36,020)	(27,708)
	<u>\$ 3,577,298</u>	<u>\$ 2,258,895</u>	<u>\$ 1,156,180</u>

As of December 31, 2016, 2015 and January 1, 2015, other accounts receivable from distributors were as follows:

	2016	2015	JANUARY 1, 2015
Interest accrued in advance period	\$ 113,247	\$ 569,909	\$ 128,244
Advances to distributors	1,610,107	761,852	356,322
Joint and several liability of the distributor	409,307	442,074	300,819
Other	574,513	114,048	85,323
	<u>\$ 2,707,174</u>	<u>\$ 1,887,883</u>	<u>\$ 870,708</u>

10. PROPERTY AND FURNITURE

As of December, 31, 2016, 2015 and 2014, property and equipment are as follows:

	DEPRECIATION PERIOD (YEARS)	2016	2015	JANUARY 1, 2015
Office Furniture and fixtures	10	\$ 175,833	\$ 56,329	\$ 22,267
Computers	3	137,428	52,467	14,868
Transportation equipment	4	25,225	18,479	15,269
		<u>338,486</u>	<u>127,275</u>	<u>52,404</u>
Less - Accumulated depreciation		(173,594)	(56,496)	(20,400)
		<u>164,892</u>	<u>70,779</u>	<u>32,004</u>
Installation expenses	20 and 10	129,566	91,068	58,825
Less - Accumulated amortization		(32,332)	(12,732)	(5,347)
		<u>97,234</u>	<u>78,336</u>	<u>53,478</u>
		<u>\$ 262,126</u>	<u>\$ 149,115</u>	<u>\$ 85,482</u>

11. INVESTMENT IN SHARES OF ASSOCIATES

As of December 31, 2016, 2015 and January 1, 2015, investments in shares of associated companies are as follows:

ENTITY	% OWNERSHIP 2016, 2015 AND JANUARY 1, 2015	BOOK VALUE			PARTICIPATION IN RESULTS		
		2016	2015	JANUARY 1, 2015	2016	2015	JANUARY 1, 2015
Directodo México, S.A.P.I. de C.V. (Indicated in Note 1e.) (a)	99.99%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 37,249
Publiseg, S.A.P.I. de C.V. SOFOM (a)	49.00%	463,119	448,502	340,251	14,617	24,716	24,038
Grupo Empresarial Maestro S.A. de C.V. (a)	49.00%	502,949	388,906	411,639	114,043	33,364	34,124
Bluestream Capital, S.A. de C.V. (b)	23.00%	1,173	507	703	666	(639)	(2,448)
Cege Capital, S.A.P.I. de C.V., SOFOM ENR (c)	36.3%	89,245	75,415	105,917	13,830	13,831	5,642
Other	23.98%	1,335	8,395	499	(7,060)	(2,119)	-
		<u>\$ 1,057,821</u>	<u>\$ 921,725</u>	<u>\$ 859,009</u>	<u>\$ 136,096</u>	<u>\$ 69,153</u>	<u>\$ 98,605</u>

(a) Directodo, Publiseg, and Grupo Empresarial Maestro, are the Entity's principal distributors, and their origination efforts are performed exclusively for the Entity. As of December 31, 2016, 2015 and 2014, these companies have cooperation agreements executed with different unions around the country, including several chapters of the National Education Workers' Union, the National Social Security Workers' Union, the Union of the Federal Public Education Department and the Health Workers' Union. Their operations began in 2006, 2005 and 2002, respectively, and their work forces have a nationwide presence and they have over 257 branches.

(b) As indicated in Note 1n., by unanimous resolutions adopted at shareholders' meeting held on January 14, 2014, the Entity subscribed and paid 29,862 no par value, Class II common shares of Bluestream, which represent 23% of Bluestrem's outstanding shares.

(c) As indicated in Note 1m, in the Ordinary General Meeting of Shareholders held on March 31, 2014, the shareholders authorized the subscription and payment of 245,000 no par value, Class I, Series "B" common shares of Cege, which accounts for 37.98% of Cege's outstanding shares.

At the Extraordinary General Meeting of Shareholders held on December 17, 2014, the subscription and payment of 100,000,000 Series "C" preferred shares was approved, which is part of the variable capital of Cege, which was paid on December 29, 2014.

12. OTHER ASSETS

As of December 31, 2016, 2015 and January 1, 2015, other assets were as follows:

	2016	2015	JANUARY 1, 2015
Goodwill (a)	\$ 1,053,517	\$ 1,022,536	\$ 623,437
Costs for issuance of securities and bank loans	40,400	85,076	86,013
Prepaid expenses (b)	205,502	178,587	156,319
Other long and short term assets (c)	441,961	251,317	-
	<u>1,741,380</u>	<u>1,537,516</u>	<u>865,769</u>
Intangible asset branch network (d)	80,641	80,641	80,641
Instacredit's Intangible Assets (See Note 1c)	1,052,750	-	-
Directodo's Intangible Assets (See Note 1k)	1,255,013	1,255,013	1,255,013
	<u>2,388,404</u>	<u>1,335,654</u>	<u>1,335,654</u>
Accumulated amortization	(77,676)	(34,949)	(30,914)
	<u>2,310,728</u>	<u>1,300,705</u>	<u>1,304,740</u>
Guarantee	3,062	12,585	4,292
	<u>\$ 4,055,170</u>	<u>\$ 2,850,806</u>	<u>\$ 2,174,801</u>

(a) The acquisition of 49% of Grupo Empresarial Maestro implied the recognition of goodwill of \$580,223 for 2015, based on the book value and the price paid.

The acquisition of 23.86% of Credilikeme implied the recognition of goodwill of \$11,887 for 2016, based on the book value and the price paid.

The acquisition of 55.21% of RTD implied the recognition of goodwill of \$242,288 for 2016, based on the book value and the price paid.

The acquisition of 65% of AFS implied the recognition of goodwill of \$118,886 for 2016, based on the book value and the price paid.

The acquisition of 70% of Marevalley resulted in the recognition of goodwill of \$30,981 for 2016, in accordance with the fair value and the purchase price paid.

(b) Is composed of licenses acquired for the portfolio system and expenses incurred for the execution of the loan portfolio operation and acquisition agreement with Fondo H, which will be amortized during the life of the portfolio acquired.

(c) The other short- and long-term assets represent an inventory of 1,025 automobiles derived from consolidating the figures with Creal Dallas; the balance at the close of December 2016 in US dollars is \$12,209,019.

(d) In a contract dated December 26, 2006, between the Entity and Crediplus, S.A. de C.V. (an affiliated Entity), the Entity acquired Crediplus' branch network, which originated and issued loans, as well as the know how developed by Crediplus regarding its branch network. This know how consists of: (i) analyzing and studying markets (ii) analyzing and studying customers; (iii) analyzing and studying demographic and socio-demographic profiles of zones; (iv) analyzing and studying area flows; (v) analyzing and studying backgrounds of zones; (vi) analyzing and studying competition; (vii) designing branches internally and externally; (viii) preparing operating and policies and procedures manuals; (ix) developing and implementing advertising schemes, and (x) preparing market strategies. The Entity also registered the Crediplus trademark and commercial advertisements with the Mexican Institute of Industrial Property. Such intangible was defined by

Management as having a definite life of 20 years, for which reason it is being amortized over such term beginning May 2007.

(e) At a Stockholders' Special Meeting held on October 31, 2014, Crédito Real carried out the acquisition of Directodo, as a result of the merger with Desarrollo 51, S.A. de C.V.; in accordance with NIF B-7, the Entity concluded the analysis for the identification and quantification of the intangible assets as follows: (i) brand \$88,248, (ii) software \$4,931, and (iii) agreements with government agencies for the placement of loans \$1,161,834, the identified assets have an indefinite useful life and are subjected to impairment testing at least once a year.

13. INDEBTEDNESS

As of December 31, 2016, 2015 and January 1, 2015, indebtedness was comprised as follows:

	RATE	DATE OF MATURITY	2016	2015	JANUARY 1, 2015
Notes payable					
(Securitized	TIIE + 1.4%	Between 2017			
Certificates)	to 2.80%	and 2018	\$ 2,750,000	\$ 3,605,000	\$ 2,565,000
Senior	10.25%	Between March			
Notes	and 7.50%	2019 and July 2023	13,817,895	7,310,693	6,538,461
Accrued					
interest			320,548	29,229	29,406
			<u>\$ 16,888,443</u>	<u>\$ 10,944,922</u>	<u>\$ 9,132,867</u>
Total					

As of December 31, 2016 the stock certificates program (Certificados Bursátiles) has unsecured securities with a value of \$2,750,000.

Currently the Entity has two issues of Senior Notes, which is unsecured debt, issued abroad, for a total amount of US \$559 million.

The first issue was carried out on March 13, 2014, for US \$425 million, bears interest of 7.50% a year payable on a semiannual basis on March 13 and September 13 of each year until maturity on March 13, 2019. In July 2016, the option was taken to make a partial prepayment, for which reason the remaining balance as of December 31, 2016 is US \$134 million.

This first issue was rated by Standard & Poor's, which granted a long-term global rating of "BB", which rose to "BB+", on February 3, 2015. By the same token, HR Ratings on May 27, 2015 assigned the rating of HR BB+ (G), which rose to HR BBB-(G), on May 25, 2016.

The second issue was made on July 20, 2016, for US \$625 million, bearing interest of 7.25% a year payable on a semiannual basis on January 20 and July 20 of each year until maturity on July 20, 2023, and may be prepaid as of the fourth year of the issue.

This second issue was rated by Standard & Poor's, which granted a long-term global rating of "BB+"; by Fitch Ratings, which granted a rating of "BB+(EXP)"; and by HR Ratings, which granted a rating of HR BB-(G).

The Securities were issued and offered in accordance with Rule 144A and Regulation S of the US Securities Act of 1933. Principal will be paid at maturity of the instruments or, as the case may be, on the date of their advance redemption.

14. BANK LOANS AND OTHER LOANS

As of December 31, 2016, 2015 and January 1, 2015, debt was comprised as follows:

	RATE	DATE OF MATURITY	2016	2015	JANUARY 1, 2015
Bank Loans in MXN (a)	TIEE + spread	Between 2017 and 2019	\$ 2,502,786	\$ 3,696,902	\$ 3,164,678
Bank Loans in USD (b)	LIBOR + spread	Between 2017 and 2019	5,147,597	2,794,000	1,091,694
Accrued Interest			49,670	8,029	4,673
Total			\$ 7,700,053	\$ 6,498,931	\$ 4,261,045

(a) As of December 31, 2016, the Entity has bank loans guaranteed with portfolio for \$4,461,892 and unsecured bank loans for \$3,582,991. Such lines were granted by 13 institutions to finance the growth of the loan portfolio and increase working capital. The loans are granted by financial institutions widely recognized in the Mexican Financial System. The lines of credit have maturity dates of between 90 days and three years and pay interest at a variable rate.

(b) As of December 31, 2016 the Entity has two syndicated bank loans in foreign currency for a total of US \$100 million, which, valued at the close of the year, represents MX \$2,024,462 and pays interest at a variable LIBOR rate plus percentage points.

Contractual maturities of debt are as follows:

	AMOUNT
2017	\$ 5,752,048
2018	4,207,255
2019	2,635,975
2020	11,623,000
Accrued interest	370,218
Total	\$ 24,588,496

15. ACCRUED LIABILITIES AND OTHER ACCOUNTS PAYABLE

As of December 31, 2016, 2015 and January 1, 2015, were comprised as follows:

	2016	2015	JANUARY 1, 2015
Provisions for various obligations	\$ 125,215	\$ 61,381	\$ 44,924
Liability for employee retirement obligations	29,615	24,891	19,953
Taxes payable	50,472	38,316	27,129
Dividends payable	2,361	158,712	1,825
Other accounts payable to distributors	208,087	287,845	196,781
Value Added Tax (VAT) payable	15,812	53,743	40,880
Other	17,359	17,210	14,619
Total	\$ 448,921	\$ 642,098	\$ 346,111

16. LABOR OBLIGATIONS

Under the Federal Labor Law, the Entity has obligations for severance and seniority premiums payable to employees who cease rendering services under certain circumstances, as well as other obligations derived from a labor agreement.

Net periodic cost for the obligations derived from seniority premium and severance payments for obligations assumed was \$5,236, \$4,553 and \$3,616 in 2016, 2015 and 2014, respectively.

The Entity each year records the net periodic cost to create a fund to cover the net projected liability for seniority premiums, pensions and severance, thereby increasing the related liability, in accordance with actuarial calculations made by independent actuaries. These calculations are based on the projected unit credit method. Therefore, a provision is being created for the liability which at present value will cover the defined benefits obligation at the estimated retirement date of all the covered employees.

As of December 31, 2016, 2015 and January 1, 2015, the balance of the defined benefits plan fund was \$307, \$289 and \$281, respectively

As of December 31, 2016, 2015 and January 1, 2015, the Entity amortizes the variations in actuarial assumptions for seniority premiums over approximately 4.29, 3.37 and 4.40 years, respectively, based on the average remaining years of employee services.

The accounting changes generated by the initial application of NIF D-3 were recognized retrospectively and therefore the consolidated financial statements were reformulated for an accounting change as established in NIF B-1 "Accounting changes and error corrections".

As of December 31, 2016 and 2015, the gains and losses recorded in the OCI are presented net of their deferred tax liability (asset), which amounted to \$2,459 and (\$1,155), respectively.

The actuarial gains and losses at the time of adoption were recognized in the equity account Other Comprehensive Income and Loss. This amount will be recycled in the results for the year over the remaining average labor life.

As of December 31, 2016, 2015 and January 1, 2015, the balances and movements of the liabilities related to the Entity's defined benefits plan, which includes the pension plan, seniority premiums and severance payments, are shown below:

	2016	2015	JANUARY 1, 2015
Obligations from defined benefits	\$ (30,037)	\$ (28,363)	\$ (25,922)
Fair value of plan assets	307	289	281
Overfunded (underfunded) status	(29,730)	(28,074)	(25,641)
Unamortized items:			
Unrecognized plan improvements	-	1,501	1,696
Unrecognized actuarial losses	-	1,682	3,992
Projected net liability	\$ (29,730)	\$ (24,891)	\$ (19,953)

Net periodic cost is composed as follows:

	2016	2015	JANUARY 1, 2015
Services cost for the year	\$ 2,899	\$ 2,500	\$ 2,052
Financial cost	2,361	2,087	1,802
Expected yield on assets	(24)	(34)	(20)
Amortization of actuarial losses	-	-	(1)
Obligation reduction effect	-	-	(292)
Modification of obligations	-	-	195
Immediate recognition of actuarial losses for the year	-	-	(120)
Services cost for the year	\$ 5,236	\$ 4,553	\$ 3,616

Interest rates used in actuarial calculation in nominal terms for 2016, 2015 and 2014 were as follows:

	2016	2015	JANUARY 1, 2015
Discount rate	9.00%	8.50%	8.25%
Expected rate of return on assets	9.00%	8.50%	3.75%
Percentage increase in wages	4.75%	4.75%	3.75%

The movement of the projected net liability was as follows

	2016	2015	JANUARY 1, 2015
Opening balance	\$ (24,891)	\$ (19,953)	\$ (16,337)
Re-measurements recognized in ORI	180	(470)	-
Consolidated Company	-	-	(631)
Provision of the year	(5,019)	(4,468)	(2,985)
Projected net liability	\$ (29,730)	\$ (24,891)	\$ (19,953)

17. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

The Entity, its subsidiaries and affiliates perform transactions between related parties including investments, credit and the provision of services, among others, the majority of which generate income for one entity and expenses for another. Transactions and balances with consolidated entities consolidate were eliminated and those of entities which do not consolidate are reflected in these consolidated financial statements.

A) Transactions with related parties, carried out in the ordinary course of business were as follows:

	2016	2015	JANUARY 1, 2015
Assets:			
Corporate loan portfolio	\$ 2,441,264	\$ 982,856	\$ 146,292
Receivables for services provided	10,032	9,091	751,100
Total Assets	\$ 2,451,296	\$ 991,947	\$ 897,392

	2016	2015	JANUARY 1, 2015
Liabilities:			
Intercompany loans	\$ (2,441,264)	\$ (982,856)	\$ 146,292
Payables for services received	(10,032)	(9,091)	751,100
Total Liabilities	\$ (2,451,296)	\$ (991,947)	\$ 897,392
Results:			
Positive interest accrued	\$ 704,933	\$ 560,318	37,032
Interest paid	(704,933)	(560,318)	(37,032)

18. STOCKHOLDERS' EQUITY

Capital stock as of December 31, 2016, 2015 and January 1, 2015, was comprised as follows:

	NUMBER OF SHARES (CLASS I) FIXED CAPITAL	NUMBER OF SHARES (CLASS II) VARIABLE CAPITAL	TOTAL STOCKS
"Unique" Series shares at no par value	37,555,390	354,664,034	392,219,424

A Stockholders' Ordinary Meeting held on February 26, 2016 agreed that because the individual financial statements approved by such Meeting reported net income of \$1,371,358 in fiscal year 2015, the following application should be made:

- The transfer of \$1,371,358 of the Entity's individual income was transferred to the account "Result from previous years".

As of December 31, 2016, common stock is \$660,154, of which MX \$62,931 refers to fixed capital (with no right of withdrawal), represented by 37,555,390 Unique Series, Class I ordinary, no par value shares, while \$597,223 refers to variable capital, represented by 354,664,034 Unique Series, Class II ordinary, no par value shares.

A Stockholders' Ordinary and Extraordinary Meeting held on April 22, 2015 agreed that because the individual financial statements approved by such Meeting reported net income of \$1,224,801 in fiscal year 2014, the following applications should be made:

- The transfer of \$5,894 from the Entity's individual net income, equivalent to 0.48% of the result for the year, to the heading "Legal reserve", because with such transfer the legal reserve represents 20% of common stock.
- The remnant of \$1,218,907 of the Entity's individual income was transferred to the account "Result from previous years".

A Stockholders' Ordinary General Meeting held on November 13, 2015 adopted the following resolutions:

The payment to shareholders of a cash dividend taken from the account "Results from previous years" up to the amount of \$156,888, payable at the latest January 29, 2015.

The dividend payments approved to stockholders, as described above, were from the Net Tax Income Account ("CUFIN").

The Entity has a share buyback program up to the amount of net income, including the retained earnings from the immediately preceding year. At the close of the year 2016, 2015 and 2014 the amount of repurchased shares is \$75,570, \$51,203 and \$10,125 equivalent to 2,612,248, 1,342,516 and 320,313 shares.

In accordance with the General Corporate Law, at least 5% of the net profits for the year must be set aside to form the legal reserve until reaching 20% of common stock at par value. The legal reserve may be capitalized, but cannot be distributed unless the Company is dissolved, and must be replenished when it is decreased for any reason. As of December 31 2016, 2015 and January 1, 2015, the legal reserve established by the Entity amounts to \$132,030, \$132,030 and \$126,136, respectively.

Stockholders' equity, except restated paid-in capital and tax-retained earnings, will incur income tax payable by the Entity at the rate in effect when the dividend is distributed. Any tax paid on such distribution may be credited against income tax of the year in which the dividend tax is paid and, in the following two years, against tax for the year and the related estimated payments.

Dividends paid from the profits generated from January 1, 2014 to residents in Mexico and to nonresident shareholders may be subject to an additional tax of up to 10%, which will be withheld by the Entity.

Retained earnings that may be subject to withholding of up to 10% on distributed dividends is as follows:

PERIOD	AMOUNT	DISTRIBUTED EARNINGS	REINVESTED EARNINGS	AMOUNT NOT SUBJECT TO WITHHOLDING
2014	\$ 85,000	\$ 168,655	\$ -	\$ 168,655
2015	\$ -	\$ 156,888	\$ 156,888	\$ -

The balances of the stockholders' equity tax accounts as of December 31, 2016, 2015 and 2014 are:

	2016	2015	JANUARY 28, 2015
Net tax income account	\$ 16,894	\$ 98,122	\$ 58,758
Net tax income account	\$ 16,894	\$ 98,122	\$ 58,758

19. BALANCES AND TRANSACTIONS IN FOREIGN CURRENCIES

A. The monetary position of foreign currencies as of December 31, 2016, 2015 and January 1, 2015 is:

	2016	2015	JANUARY 1, 2015
USD Dollars:			
Monetary assets	390,012	103,131	-
Monetary liabilities	257,494	86,788	-
Position (short) long	132,518	16,343	-
Equivalent in pesos	\$ 2,732,500	\$ 281,895	\$ -

B. Transactions in foreign currencies were as follows:

	2016	2015	JANUARY 1, 2015
		(USD Dollars)	
Interest expenses	(18,173)	(1,771)	-
Interest income	107,182	12,088	-

C. Exchange rates in pesos wing force date of the financial statements and the date of the auditor's report were as follows:

	2016	DECEMBER 31, 2015	2014	FEBRUARY 28, 2017
Dólar estadounidense, bancario	\$ 20.6198	\$ 17.2487	\$ 14.7414	\$ 19.9957

20. OTHER OPERATING INCOME

As December 31, 2016, 2015 and 2014, were as follow:

	2016	2015	2014
Other revenue Central América	\$ 143,932	\$ -	\$ -
Other revenue US	108,393	-	-
Other revenue management services	14,926	36,241	23,684
	\$ 267,251	\$ 36,241	\$ 23,684

21. INCOME TAXES

The Entity is subject to ISR. Under the LISR, the rate is 30% in 2015 and 2014 and it will continue at 30% in 2016 and thereafter.

ISR is computed taking into consideration the taxable and deductible effects of inflation, such as depreciation calculated on values in constant pesos, increased or reduced by the effect of inflation on certain monetary assets and liabilities through the annual inflation adjustment.

The provision of ISR results is as follows:

	2016	2015	JANUARY 1, 2015
ISR:			
Current	\$ (234,046)	\$ (85,927)	\$ (20,063)
Deferred	\$ (270,356)	\$ (335,659)	\$ (314,697)
Stock deferred	\$ (98,335)	\$ -	\$ -

As of December 31 2016, 2015 and January 1, 2015, the deferred tax balance is as follows:

	2016	2015	JANUARY 1, 2015
Deferred ISR assets:			
Allowance for loan losses	\$ 497,977	\$ 320,761	\$ 176,155
Furniture and fixtures	22,950	41,473	4,598
Provisions	17,152	19,518	13,143
Tax loss carryforwards	369,168	89,863	172,328
Other assets, net	37,078	1,968	1,930
Deferred ISR	944,325	473,583	368,154
Deferred ISR (liability):			
Other accounts receivable, net (a)	(1,749,544)	(1,456,761)	(998,861)
Advance payments	(167,109)	(113,328)	(135,416)
Derivative financial instruments	(373,585)	-	-
Deferred ISR liability	(2,290,238)	(1,570,089)	(1,134,277)
Deferred ISR (net)	\$ (1,345,913)	\$ (1,096,506)	\$ (766,123)

- (a) Mainly advance earned income in the first period loan amortization.

Value-added tax – Pursuant to the Value-Added Tax Law, in order to obtain a credit for the value-added taxes paid by the Entity in the years 2016, 2015 and 2014, the Entity determined the amount of the credit considering the total of its taxed activities compared to the total activities subject to that tax. As a result, the Entity determined tax that was non-creditable and deductible for income tax purposes in the amount of \$82, \$26 and \$34, respectively, which was recognized in results of such year.

Accounting-tax reconciliation – The main items that affected the determination of the Entity's tax result were those related to the annual adjustment for inflation, interest accrued in advance period, advance payments and the allowances for loan losses which have not been deductible.

Following is a reconciliation of the statutory ISR rate and the effective rate expressed as a percentage of income before ISR:

	2016	2015	2014
Statutory rate	30%	30%	30%
Effects of inflation	-%	(3%)	(8%)
Interest accrued in advance period	(6%)	(1%)	(1%)
Allowance for loan losses	1%	2%	2%
Advance payments	1%	2%	(1%)
Others	1%	(6%)	(2%)
Effective rate	27%	24%	20%

Tax loss carry forwards – As of December 31, 2016, the Entity has tax loss carry forwards for ISR purposes:

MATURITY DATE	AMOUNT
2024	\$ 336,003
2026	887,786
	\$ 1,223,789

Review and tax matters

Action for annulment filed against the unpaid tax liability for rejection of deductions for the year 2007.

On July 9, 2015, the Entity filed an action for annulment against the Federal Tax Court to challenge official notice 900 06-2016-13558, dated April 29, 2015, whereby the Central Administrator for Inspection of the Financial Sector of the General Administration for Large Taxpayers of the Tax Administration Service, assessed against the Company an unpaid tax liability for \$38,090, related to income tax payable for fiscal year 2007, plus the respective restatements, surcharges and fines.

Such lawsuit was turned over to the First Metropolitan Regional Court of the Federal Tax Court which, through a ruling dated September 1, 2016, accepted the case, and assigned it docket number 17549/15-17-01-8.

The Entity is currently waiting for the expert evidence to be submitted in the lawsuit, after which a date will be set to present closing arguments, after which the respective verdict will be issued.

Management and its outside legal advisors consider it very unlikely that the tax liability assessed will be confirmed.

22. MEMORANDUM ACCOUNTS

Memorandum accounts for purposes of presentation required by the Commission in accounting policies are an integral part of the balance sheet, however, the memorandum accounts were only subject of external audit and relate to operations that have a direct bearing on the balance sheet accounts, however, these are not reviewed.

23. COMPARATIVE TABLE OF MAIN ASSET AND LIABILITY MATURITIES

Main asset and liability maturities at December 31, 2016 are as follows:

	UNTIL 6 MONTHS	FROM 6 MONTHS TO 1 YEAR	FROM 1 YEAR TO 5 YEARS	TOTAL
Cash and cash equivalents	\$ 315,774	\$ -	\$ -	\$ 315,774
Investment in securities	992,675	-	-	992,675
Derivative financial instrument	-	-	2,466,926	2,466,926
Loan portfolio,(net)	3,284,613	2,465,129	17,409,820	23,159,562
Other accounts receivable	491,317	386,233	2,727,752	3,605,302
Total assets	\$ 5,084,379	\$ 2,851,362	\$ 22,604,498	\$ 30,540,239
Notes payable and Senior Notes	\$ 1,070,548	\$ -	\$ 15,817,895	\$ 16,888,443
Bank loans	3,257,774	1,793,942	2,648,337	7,700,053
Other accounts payable	674,321	-	29,279	703,600
Total liabilities	5,002,643	1,793,942	18,495,511	25,292,096
Assets less liabilities	\$ 81,736	\$ 1,057,420	\$ 4,108,987	\$ 5,248,143

24. CONTINGENCIES

As of December 31, 2016, 2015 and January 1, 2015, management and its legal, tax and labor internal and external advisers, consider that it has not received any legal claims or has not been subject to lawsuits that arise in the recognition of a contingent liability by the Entity.

25. COMMITMENTS

The Entity at December 31 2016, 2015 and January 1, 2015, has its own commitments and the operation mentioned in Note 13 "Indebtedness" and Note 14 "Bank Loans and other loans".

26. SUBSEQUENT EVENTS

As of February 2017, the Entity entered into an unsecured loan contract with Credit Suisse Ag. Cayman Islands Branch for US \$110,000,000 at a fixed annual rate in Mexican pesos of 7.22%, for a three-year term, whose principal and interest are covered by the respective financial derivative. The resources will be used for debt refinancing.

27. BUSINESS SEGMENT INFORMATION

Currently, the Entity has one operating segment, the loan portfolio, which represents the Entity's sole strategic business unit. Operating segment information is determined based on the information used by management to assess performance and allocate resources. The following presents information for each business unit determined by Management. In addition, information is presented by products and geographical area.

	2016			
	MEXICO	UNITED STATE	CENTRAL AMERICA	TOTAL
Payroll loans	\$ 14,530,433	\$ -	\$ 4,390,736	\$ 18,921,169
Group loans	418,402	-	-	418,402
Durable goods loans	440,381	-	-	440,381
Small business loans	1,368,462	-	-	1,368,462
Used car loans	460,797	2,317,811	-	2,778,608
Instacredit				
Total	\$ 17,218,475	\$ 2,317,811	\$ 4,390,736	\$ 23,927,022

	2015			
	MEXICO	UNITED STATE	CENTRAL AMERICA	TOTAL
Payroll loans	\$ 12,952,957	\$ -	\$ -	\$ 12,952,957
Group loans	304,785	-	-	304,785
Durable goods loans	1,028,362	-	-	1,028,362
Small business loans	1,485,472	-	-	1,485,472
Used car loans	366,628	1,471,435	-	1,838,063
Total	\$ 16,138,204	\$ 1,471,435	\$ -	\$ 17,609,639

	JANUARY 1, 2015			
	MEXICO	UNITED STATE	CENTRAL AMERICA	TOTAL
Payroll loans	\$ 10,697,066	\$ -	\$ -	\$ 10,697,066
Group loans	290,901	-	-	290,901
Durable goods loans	1,138,273	-	-	1,138,273
Small business loans	1,318,326	-	-	1,318,326
Used car loans	360,339	-	-	360,339
Total	\$ 13,804,905	\$ -	\$ -	\$ 13,804,905

28. NEW ACCOUNTING PRINCIPLES

As of December 31, 2016, the CINIF has issued the following NIFs and Improvements to NIFs which may affect the financial statements of the Entity.

Improvements to NIF 2017 – The following improvements were issued which generate accounting changes effective as of January 1, 2017:

NIF B-13, *Events after the date of the financial statements*, NIF B-6, *Statement of financial position*, NIF C-19, *Financial instruments payable*, and NIF C-20, *Financial instruments receivable* – If an agreement is reached as of the authorization date for the issuance of the financial statements to maintain the contractual long-term payments of a debt instrument that is in default, such liability may be classified as a long-term item at the date of the financial statements; early application of this guidance as of January 1, 2016 is permitted.

NIF C-4, *Inventories* and NIF C-6, *Properties, plant and equipment* – Require the disclosure of the amount of the inventories or machinery and equipment received and held temporarily on consignment, under administration, for maquila operations or for display, when there is a commitment to return them.

NIF C-11, *Stockholders' equity* – Establishes that the costs incurred to list shares in a stock market which at the date of such listing were already the property of investors, and for which the issuing entity had already received the respective proceeds, should be recognized in net income or loss at the time of their accrual, because it is considered that there was no equity transaction. It also clarifies that any expense incurred in the re-issuance of repurchased shares should be recognized as a reduction of the capital issued and placed.

NIF D-3, *Employee benefits* – Is modified to establish, as a basic principle, that the discount rate to be used in the determination of the present value of the long-term labor liability should be a free market rate with a very low credit risk, which represents the value of money over time. Consequently, either the *government bond market rate or the market rate for high-quality corporate bonds in absolute terms in a deep market*, could be used, indistinctly, provided that the latter complies with the requirements established in Appendix B- *Application guidance*, B1- *Guidance for the identification of issues of high-quality corporate bonds in absolute terms in a deep market*. Early application is allowed.

A. Improvements to NIF 2017 – The following improvements do not generate accounting changes:

NIF C-2, *Investment in financial instruments*

NIF C-3, *Accounts receivable*

Bulletin C-15, *Impairment in the value of long-lived assets and their disposal*

NIF C-16, *Impairment of financial instruments receivable*

NIF C-20, *Financial instruments to collect principal and interest*

The improvements consist of outlining the scopes and definitions of these NIF to clearly indicate the appropriate application and accounting treatment; consequently, no effective date was established for these improvements. Furthermore, improvements were made to different NIF to change the acronyms used to identify certain receivable financial instruments.

B. The following NIF were issued and are effective January 1, 2018:

NIF B-17, *Determination of fair value*

NIF C-2, *Investments in financial instruments*

NIF C-3, *Accounts receivable*

NIF C-9, *Provisions, contingencies and commitments*

NIF C-10, *Financial derivatives and hedging relationships*

NIF C-16, *Impairment of financial instruments receivable*

NIF C-19, *Financial instruments payable*

NIF C-20, *Financial instruments receivable*

NIF D-1, *Revenues from contracts with customers*

NIF D-2, *Costs from contracts with customers*

NIF B-17, *Determination of fair value* – Defines fair value.

NIF C-2, *Investment in financial instruments (FI)* – The main change in this standard is the classification of the FI in which the investment is made. The intention of acquisition and utilization of an investment in an FI is discarded for purposes of determining its classification, and is replaced by the business model concept for the management of investments in FI to procure cash flows, which may be obtaining a contractual return from an FI, from the collection of contractual returns and/or sale or obtaining profits from their purchase and sale, with the aim of classifying the different FI. Furthermore, the investments in FI cannot be reclassified between the different categories (loans and receivables, financial liabilities at fair value and trading), unless the business model changes, which is considered unlikely to occur.

NIF C-3, *Accounts receivable* – The main changes consist of specifying that: a) the accounts receivable based on a contract represent a financial instrument; b) the allowance for bad debts for commercial accounts is recognized from the time the revenue is accrued, based on the expected credit losses; c) the time value of money should be considered as of the initial recognition; consequently, if the effect of the present value of the account receivable is material based on its term, it should be adjusted based on such present value, and d) required disclosures include an analysis of the change between the opening and closing balances of the allowance for bad debts.

NIF C-9, *Provisions, contingencies and commitments* – The term probable replaced the term virtually avoidable in the definition of liabilities. The first-time application of this NIF does not generate accounting changes in the financial statements.

NIF C-16, *Impairment of financial instruments receivable (FIR)* – Determine when and how the expected losses from impairment of FIR should be recognized; this is when, as result of an increase in the credit risk, it is concluded that a part of the future cash flows from the FIR will not be recovered, and proposes that the expected loss should be recognized based on the historical experience of credit losses, current conditions and reasonable and sustainable forecasts of the various quantifiable future events that might affect the amount of the future recoverable cash flows of the FIR, which means that estimates must be made and should be periodically adjusted based on past experience. Furthermore, in relation to interest-bearing FIR, entities shall estimate the amount and timing for the cash flows expected to be recovered, as the recoverable amount must be recognized at present value.

NIF C-19, *Financial instruments payable* – Establishes: a) the possibility of valuing, after their initial recognition, certain financial liabilities at fair value, when certain exceptional conditions are fulfilled; b) the valuation of long-term liabilities at their present value at initial recognition, considering their present value when their term exceeds one year or outside normal credit conditions, and c) when a liability is restructured, but the future cash flows to settle the liability are not substantially modified, the costs and commissions disbursed in this process will affect the amount of the liability and will be amortized based on a modified effective interest rate, instead of directly affecting the net income or loss.

NIF C-20, *Financial instruments receivable* – Specifies the classification of financial instruments in the assets, based on the business model: a) if the intention is to generate a profit through a contractual return, predetermined in a contract, they are recognized at amortized cost; b) if they are also used to generate a profit based on their purchase and sale, they are recognized at fair value. Any embedded financial derivative that modifies the cash flows of principal and interest from the host instrument will not be separated; instead, all will be valued at fair value, as if it were a negotiable financial instrument.

NIF D-1, *Revenues from contracts with customers* – Previously there was no Mexican accounting standard for revenue recognition, for which reason the main changes focus on providing greater consistency in revenue recognition and eliminating weaknesses in the previous supplemental standards. The most important changes consist of establishing a model for revenue recognition based on the following steps: a) transfer of control, the basis for the timeliness of revenue recognition; b) the identification of the different performance obligations in a contract; c) the allocation of the transaction amount between the different unfulfilled obligations based on independent selling prices; d) the introduction of the concept *conditional account receivable*, when an unfulfilled obligation is satisfied and an unconditional right to the consideration is generated because only the passage of time is required for the payment of such consideration to become enforceable; e) the recognition of collection rights, where in certain cases there may be an unconditional right to the consideration before an unfulfilled obligation is satisfied, and f) the valuation of the revenue, considering aspects such as the recognition of significant financing components, the noncash consideration cash and the consideration payable to a customer.

NIF D-2, *Costs from contracts with customers* – Separates the standard for recognition of the costs from contracts with customers from that related to recognition of the revenues from contracts with customers, and expands the scope to include costs related to all types of contracts with customers.

At the date of issuance of these consolidated financial statements, the Entity has not completed its evaluation of the potential effects of adopting these new standards on its financial information.

29. AUTHORIZATION TO ISSUE THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were authorized for issuance on February 28, 2017, by the Director General of the Entity and are subject to approval by the Board of Directors and Shareholders, who may be modified in accordance with the provisions in the General Law of Commercial Companies.

GRI 102-53

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**Unaudited Condensed Consolidated Interim Financial Statements as of
September 30, 2017 and for the Nine Months Ended September 30, 2017 and 2016**

**Crédito Real, S.A.B. de
C.V., Sociedad Financiera
de Objeto Múltiple,
Entidad Regulada and
Subsidiaries**

Unaudited Condensed
Consolidated Interim
Financial Statements as of
September 30, 2017 and for
the nine months Ended
September 30, 2017 and
2016

**Crédito Real, S.A.B. de C.V., Sociedad Financiera de Objeto Múltiple,
Entidad Regulada and Subsidiaries**

Av. Insurgentes Sur 730 Piso 20, Colonia Del Valle, Mexico City, México

**Unaudited Condensed Consolidated Interim
Statements of Income**

For the nine months ended September 30, 2017 and 2016
(In thousands of Mexican pesos)

	Nine months ended September 30,	
	2017	2016
Interest income	\$ 6,199,852	\$ 5,119,018
Interest expense	<u>(2,013,404)</u>	<u>(1,316,552)</u>
Financial margin	4,186,448	3,802,466
Provisions for loan losses	<u>(951,928)</u>	<u>(541,470)</u>
Financial margin after provision for loan losses	3,234,520	3,260,996
Commissions and fees received	599,147	393,064
Commissions and fees paid	(174,342)	(297,142)
Intermediation income	112,814	302,247
Other operating income	265,066	317,506
Administrative and marketing expense	<u>(2,419,652)</u>	<u>(2,115,477)</u>
Operating result	1,617,553	1,861,194
Equity in income of associates	<u>109,034</u>	<u>92,305</u>
Income before income taxes	1,726,587	1,953,499
Current income taxes	194,953	147,445
Deferred income taxes	<u>203,079</u>	<u>344,679</u>
	<u>398,032</u>	<u>492,124</u>
Consolidated net income	<u>\$ 1,328,555</u>	<u>\$ 1,461,375</u>
Net income attributable to controlling interest	<u>\$ 1,222,142</u>	<u>\$ 1,368,718</u>
Non-controlling interest	<u>\$ 106,413</u>	<u>92,657</u>
Earnings per share	<u>\$ 3.12</u>	<u>\$ 3.49</u>
Weighted average shares outstanding	392,219,424	392,219,424

See accompanying notes to unaudited condensed consolidated interim financial statements.

**Crédito Real, S.A.B. de C.V., Sociedad Financiera de Objeto Múltiple,
Entidad Regulada and Subsidiaries**

Av. Insurgentes Sur 730 Piso 20, Colonia Del Valle, Mexico City, México

**Unaudited Condensed Consolidated Interim
Statements of Changes in Stockholders' Equity**

For the nine months ended September 30, 2017 and 2016

(In thousands of Mexican pesos)

	Paid in Capital		Legal reserve	Retained earnings	Results from valuation of cash flow hedges	Earned Capital		Re-measurements of employee defined benefits	Net income attributable to controlling interest	Non-controlling interest	Total stockholders' equity
	Capital stock	Share subscription premium				Cumulative translation effect	Net income				
Balances as of January 1, 2016	\$ 660,154	\$ 1,447,985	\$ 132,030	\$ 2,904,308	\$ 89,270	\$ 2,754	\$ 1,371,358	\$ (1,155)	\$ 1,371,358	\$ 105,841	\$ 6,712,545
Changes arising from stockholder decisions- Transfer of prior year results	-	-	-	1,371,358	-	-	(1,371,358)	-	-	-	-
Repurchase of own shares	-	6,253	-	41,871	-	-	-	-	-	-	48,124
Total entries approved by stockholders	-	6,253	-	1,413,229	-	-	(1,371,358)	-	-	-	48,124
Changes affecting comprehensive income- Result from consolidation of minority interest companies	-	-	-	-	-	-	-	-	-	-	-
Result from valuation of cash flow hedging instruments	-	-	-	-	190,269	109,574	-	-	-	(14,774)	449,665
Cumulative translation effect	-	-	-	-	-	-	-	-	-	-	190,269
Re-measurements of employee defined benefits	-	-	-	-	-	-	-	-	-	-	94,800
Net income	-	-	-	-	-	-	1,368,718	-	1,368,718	92,657	1,461,375
Total comprehensive income	-	-	-	-	-	-	1,368,718	-	1,368,718	92,657	2,196,109
Balances as of September 30, 2016	<u>\$ 660,154</u>	<u>\$ 1,454,238</u>	<u>\$ 132,030</u>	<u>\$ 4,317,537</u>	<u>\$ 279,539</u>	<u>\$ 112,328</u>	<u>\$ 1,368,718</u>	<u>\$ (1,155)</u>	<u>\$ 1,714,001</u>	<u>\$ 677,222</u>	<u>\$ 9,277,347</u>
Balances as of January 1, 2017	\$ 660,154	\$ 1,450,269	\$ 132,030	\$ 4,244,142	\$ 229,447	\$ 167,623	\$ 1,714,001	\$ 2,459	\$ 1,714,001	\$ 677,222	\$ 9,277,347
Changes arising from stockholder decisions- Transfer of prior year results	-	-	-	1,714,001	-	-	(1,714,001)	-	-	-	-
Allowance for loan losses portfolio by change in classification methodology, net of income tax	-	-	-	(361,898)	-	-	-	-	-	-	(361,898)
Repurchase of own shares	-	-	-	(90,032)	-	-	-	-	-	-	(90,032)
Dividend payments	-	-	-	(96,800)	-	-	-	-	-	-	(96,800)
Total entries approved by stockholders	-	-	-	1,165,271	-	-	-	-	-	-	(528,352)
Changes affecting comprehensive income- Result from valuation of cash flow hedging instruments	-	-	-	-	-	-	-	-	-	-	-
Cumulative translation effect	-	-	-	-	(246,969)	(276,948)	-	-	-	(164,802)	(246,969)
Re-measurements of employee defined benefits	-	-	-	-	-	-	-	-	-	-	(439,291)
Net income	-	-	-	2,459	-	-	-	(2,459)	-	-	1,328,555
Total comprehensive income	-	-	-	2,459	-	-	-	(2,459)	-	-	639,836
Balances as of September 30, 2017	<u>\$ 660,154</u>	<u>\$ 1,470,647</u>	<u>\$ 132,030</u>	<u>\$ 5,411,872</u>	<u>\$ (17,522)</u>	<u>\$ (109,325)</u>	<u>\$ 1,222,142</u>	<u>\$ -</u>	<u>\$ 1,222,142</u>	<u>\$ 618,833</u>	<u>\$ 9,388,831</u>

See accompanying notes to unaudited condensed consolidated interim financial statements.

**Crédito Real, S.A.B. de C.V., Sociedad Financiera de Objeto Múltiple,
Entidad Regulada and Subsidiaries**
Av. Insurgentes Sur 730 Piso 20, Colonia Del Valle, Mexico City, México

**Unaudited Condensed Consolidated Interim
Statements of Cash Flows**

For the nine months ended September 30, 2017 and 2016
(In thousands of Mexican Pesos)

	Nine months ended September 30,	
	2017	2016
Consolidated net income	\$ 1,328,555	\$ 1,461,375
Adjustments for items that do not result in cash flows:		
Depreciation of furniture and fixtures	237,937	95,000
Amortization of intangibles assets	84,370	30,000
Deferred income taxes	203,079	492,124
Equity in income of associates	<u>(109,034)</u>	<u>(92,305)</u>
	1,744,907	1,986,194
Operating activities:		
Change in investment in securities	251,738	(2,660,724)
Change in derivatives (asset)	2,494,363	46,346
Change in loan portfolio (net)	(2,897,562)	(2,506,803)
Change in other accounts receivables (net)	(261,634)	(1,681,231)
Change in foreclosed assets (net)	18,266	-
Change in other assets	(141,139)	198,579
Change in senior notes and notes payable	(1,848,445)	4,908,317
Change in bank loans	1,952,669	(489,436)
Change in other accounts payable	<u>(177,773)</u>	<u>215,201</u>
Net cash flows from operating activities	1,135,390	16,443
Investing activities:		
Net cash and marketable securities delivered in connection with business acquisition	-	(392,912)
Acquisitions of property and equipment	(408,667)	(100,362)
Dividends received in cash	63,782	26,672
Investments in shares	<u>82,119</u>	<u>-</u>
Net cash flows from investing activities	<u>(262,766)</u>	<u>(466,602)</u>
Financing activities:		
Cash flow generated from hedging instruments	-	752,300
Dividends paid in cash	(96,800)	-
Share subscriptions premium	94,574	-
Repurchase of own shares	(164,228)	-
Other	<u>-</u>	<u>6,523</u>
Net cash flows from financing activities	<u>(166,454)</u>	<u>758,823</u>
Net increase in cash and cash equivalents	706,170	308,664
Effect for change in the value of cash and equivalents	(441,750)	94,801
Cash and cash equivalents at beginning of the period	<u>315,774</u>	<u>120,840</u>
Cash and cash equivalents at end of the period	<u>\$ 580,194</u>	<u>\$ 524,305</u>

See accompanying notes to unaudited condensed consolidated interim financial statements.

**Crédito Real, S.A.B. de C.V., Sociedad Financiera de Objeto Múltiple,
Entidad Regulada and Subsidiaries**
Av. Insurgentes Sur 730 Piso 20, Colonia Del Valle, Mexico City, México

**Notes to the Unaudited Condensed Consolidated
Interim Financial Statements**

As of September 30, 2017 and December 31, 2016 and for the period of nine months ended September 30, 2017 and 2016
(In thousands of Mexican pesos)

1. Activities and regulatory environment

Crédito Real, S.A.B. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad Regulada and Subsidiaries (the "Entity" or "Crédito Real"), is a non-banking institution in Mexico, focused on consumer lending which has diversified business platform integrated mainly by six business lines: (i) payroll lending, (ii) durable goods loans, (iii) small and medium business loans, (iv) group loans, and (v) used car loans and (vi) Instacredit (Central America), where the loans offered include personal loans, automobile loans, loans for small and medium businesses (PYMES) and others. Loans paid via the payroll are offered to unionized government employees through a national network of 11 distributors with which credit granting agreements have been executed. Crédito Real has executed exclusivity agreements with three of the main distributors and also holds a significant amount of their common stock. The origination of consumer loans ceased as of July 2016, and only internal collection activities for the performing portfolio are being carried out. Loans are granted to small and medium businesses to cover the working capital requirements and investment activities of micro, small and medium enterprises; these resources are provided through a specialized broker or under the Entity's own trademark. Group loans are mainly offered to groups of women with a productive activity by using the joint credit methodology; these loans are granted by two associate entities with a network of 1,523 promoters and 181 branches. Used car loans are granted to acquire preowned automobiles through agreements with 18 car dealers specialized in the purchase-sale of automobiles and a subsidiary with a network of 28 branches that offers financing by receiving automobiles and commercial vehicles as collateral; and finally through two entities which focus mainly on the Hispanic-American market with limited credit history in the United States of America ("EUA"): Don Carro, with five branches in Texas, and AFS Acceptance, which has around 396 distributors in 32 US states. The Entity has a presence in Costa Rica, Nicaragua and Panama with the brand Instacredit, through a network of 72 branches and more than 481 promoters. Instacredit is a recognized brand in Central America, with more than 15 years' experience, and has a multiproduct platform offering loans in the segments of personal loans, automobile loans, PYMES and home improvements.

Article 87-D of the General Law on Credit Organizations and Ancillary Activities ("LGOAAC") establishes that multiple purpose financing companies that issue securities listed on the National Securities Registry pursuant to the Securities Law must prepare consolidated financial statements according to the accounting criteria set forth in the General Provisions applicable to credit institutions, exchange houses, regulated credit unions and multiple purpose financial institutions (the "Provisions") issued by the Mexican National Banking and Securities Commission (the "Commission").

As the Entity is a regulated multiple purpose financial institution, it is obligated to prepare its consolidated financial statements in accordance with the accounting criteria established by the Commission as set forth in the Provisions.

Payroll Loans

The Entity purchases loans with payment via payroll from distributors which offer credit products to the unionized workers of government agencies. These loans are also offered at times to pensioners or retired persons from the public sector. These loans are granted by distributors with which the Entity operates, and are then acquired by the Entity through financial factoring contracts in portfolio purchase transactions.

The payroll loans are settled through semimonthly installments which are made by the borrowers' employers, which consist of government agencies and other entities, in accordance with loan agreements signed by the borrower. Based on such loan agreements, a borrower authorizes the employer to use amounts deducted from the payroll for the fixed installment payments of the loan during its effective term. The risk of nonperformance decreases substantially over the term of the typical loan. The maximum limit established by government agencies in terms of the percentage of a worker's net salary that can be applied to settle a loan is 30%. The Entity offers certain customers the option of renewing their loans before they expire. However, the Entity does not preauthorize loans under any circumstances.

The relationships that have been established by the distributors, directly and through service providers such as public relations agencies, with the entities and unions that they use or affiliate workers of the federal government agencies and state agencies in different parts of the country, have been formalized through the execution of cooperation agreements, which enable the distributors to offer payroll loans to the affiliated workers of such unions and establish that the government agencies and entities execute the instruction received from the borrowers for the installments of principal and interest on the loans.

In accordance with the cooperation agreements, the government agencies and entities or unions process and grant the "discount codes" so that such agencies or entities can pay the loans by payroll directly (on behalf of the borrowers). Apart from making the payroll deductions and rendering payments directly to the collection trust in which the Entity is the beneficiary, the employers compile periodic reports to the distributors regarding the payroll deductions made on behalf of borrowers. The Distributors are responsible for coordinating with the different agencies and entities, so that the respective computer systems are accurate, and the payments are issued on a timely fashion. The employers do not intervene in any way in the negotiation, credit approval process or in the negotiations of the terms of the loan contract executed by the distributors with the affiliated workers.

The Entity estimates that the cost of procurement and maintenance of the aforementioned cooperation agreements ranges between 3% and 5% of the revenues generated by the payroll loan portfolio. Such cost is fully covered by the distributors.

The Entity's business model enables both the Entity and its distributors to make the most of their respective competitive advantages. While the Entity concentrates on administrating the credit risk, minimizing financial costs and maintaining diversified financing sources, the Distributors concentrate on increasing the number of possible customers through the execution of contracts with additional government agencies and entities or unions or renewing existing contracts, and on promoting the Entity's products among the affiliated workers of such agencies.

PYMES Loans

The Entity has a partnership with Fondo H, S.A. de C.V. SOFOM, ENR ("Fondo H"), a company engaged in making short and medium-term loans to small and medium businesses (PYMES) in Mexico. Its customer base includes businesses from the manufacturing, distribution and services sectors. Based on this partnership, financing is provided exclusively for loans originated by Fondo H.

Used car loans

Used car loans in Mexico are originated through contracts with car companies that sell used cars. Currently 18 partnerships have been executed with distributors in more than 150 points of sale. Additionally, the Entity has a 51% holding in a company which operates under the brand "Drive & Cash", which is engaged in offering financing through the warranty of automobiles and commercial vehicles. As of September 30, 2017, the distribution network of Drive & Cash is composed of 28 branches located in 13 States Nationwide.

The Entity also offers loans for used cars in the US through a subsidiary and/or distributor in which it has a majority stake that operates under the brand "Don Carro" with five branches in Texas. It also has a majority stake in a credit operator for used cars doing business as "AFS Acceptance". Such operator has a service platform which enables it to operate in 32 states throughout the US, and also operating agreements in place with more than 396 distributors in that country.

Consumer Loans

The Entity ceased offering consumer loans as of June 30, 2016, and dedicates resources exclusively to the collection of performing portfolio until completed.

Group Loans

Group loans are originated through two specialized operators which have 1,523 promoters in a network comprising 181 branches. The promoters are familiar with the specific needs of micro-entrepreneurs and the self-employed.

The aforementioned group credit loans refer to non-revolving consumer loan portfolio, with a weekly or half-monthly payment period, granted to groups of persons in which each member is held jointly and severally liable for the total payment of the loan, although the classification of such loan is made individually for each member of the group.

2. Basis of presentation

Interim financial statements - The accompanying unaudited condensed consolidated interim financial statements as of September 30, 2017 and nine-month periods ended September 30, 2017 and 2016, have not been audited. In the opinion of Entity's management, all the adjustments (consisting mainly of ordinary, recurring adjustments) necessary for a fair presentation of the accompanying unaudited condensed consolidated interim financial statements are included. The results of the periods are not necessarily indicative of the results for the full year. These unaudited condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements of the Entity and the respective notes for the year ended December 31, 2016.

Monetary unit of the financial statements - The unaudited condensed consolidated interim financial statements and notes as of September 30, 2017 and December 31, 2016 and for the period and year then ended, respectively 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 Entity and those of its subsidiaries in which control is exercised. All significant intercompany balances and transactions have been eliminated.

Subsidiaries	Shareholding percentage	
	2017	2016
Servicios Corporativos Chapultepec, S.A. de C.V.	99.99%	99.99%
Directodo México, S.A.P.I. de C.V. ("Directodo")	99.99%	99.99%
CR-Fact, S.A.P.I. de C.V.	51.00%	51.00%
Controladora CR México, S.A. de C.V. ("Controladora CR")	99.97%	99.97%
Crédito Real USA, Inc. ("CR USA")	100.00%	100.00%
Creal Dallas, LLC ("Creal Dallas")	98.00%	80.00%
CRholdingint, S.A. de C.V.	99.94%	99.94%

Comprehensive income - Is composed of the net result for the period plus other items that represent a gain or loss for the same period which, in conformity with the accounting practices followed by the Entity, are presented directly in stockholders' equity. As of September 30, 2017 and December 31, 2016, comprehensive income and loss is represented by the net result, the result from valuation of cash flow hedge instruments and the actuarial losses from defined benefit plans.

Translation of financial statements of subsidiaries in foreign currency - To consolidate the financial statements of foreign transactions, they are modified in the recording currency for presentation in the consolidated financial statements of the Entity. The financial statements are translated to Mexican pesos, using the following methodologies: The foreign transactions whose recording currency and functional currency are the same, translate the financial statements at the following exchange rates: 1) closing rate for assets and liabilities, 2) historical rate for stockholders' equity and 3) that of the accrual date for revenues, costs and expenses. The effects of conversion are recorded in stockholders' equity.

Entities	Recording currency	Functional currency	Reporting currency
Creal Dallas	U.S. Dollar	U.S. Dollar	Mexican Peso
CR USA	U.S. Dollar	U.S. Dollar	Mexican Peso
Marevalley Corporation	U.S. Dollar	U.S. Dollar	Mexican Peso
Crédito Real Honduras	Lempira	U.S. Dollar	Mexican Peso

3. Significant account policies

For significant accounting policies, the Entity are in accordance with the accounting criteria prescribed by the Commission, which are set forth in the Provisions and has applied the same accounting policies and methods of computation in the preparation of these unaudited condensed consolidated interim financial statements as those applied in the consolidated financial statements for the year ended December 31, 2016.

According to Accounting Criterion A-1 issued by the Commission, entities shall apply Mexican Financial Reporting Standards (“MFRS, which is comprised of individual standards that are referred to as “NIF”) as issued by the Mexican Board of Financial Reporting Standards, A.C. (“CINIF”), except when in the option of the Commission, it is necessary to apply a specific accounting standard or criterion.

As of January 1, 2017 the Entity adopted the following modifications to the accounting criteria issued by the Commission and its effects are as follows:

The most significant changes are described below:

Improvements to NIF 2017 - The following improvements were issued which generate accounting changes effective as of January 1, 2017:

NIF B-13, *Events after the date of the financial statements*, NIF B-6, *Statement of financial position*, NIF C-19, *Financial instruments payable*, and NIF C-20, *Financial instruments receivable* – If an agreement is reached as of the authorization date for the issuance of the financial statements to maintain the contractual long-term payments of a debt instrument that is in default, such liability may be classified as a long-term item at the date of the financial statements; early application of this guidance as of January 1, 2016 is permitted.

NIF C-11, *Stockholders’ equity* – Establishes that the costs incurred to list shares in a stock market which at the date of such listing were already the property of investors, and for which the issuing entity had already received the respective proceeds, should be recognized in net income or loss at the time of their accrual, because it is considered that there was no equity transaction. It also clarifies that any expense incurred in the re-issuance of repurchased shares should be recognized as a reduction of the capital issued and placed.

NIF D-3, *Employee benefits* – Is modified to establish, as a basic principle, that the discount rate to be used in the determination of the present value of the long-term labor liability should be a free market rate with a very low credit risk, which represents the value of money over time. Consequently, either the *government bond market rate* or the *market rate for high-quality corporate bonds in absolute terms in a deep market*, could be used, indistinctly, provided that the latter complies with the requirements established in Appendix B– *Application guidance, B1– Guidance for the identification of issues of high-quality corporate bonds in absolute terms in a deep market*. Early application is allowed.

Improvements to NIF 2017 – The following improvements do not generate accounting changes:

NIF C-2, *Investment in financial instruments*

NIF C-3, *Accounts receivable*

Bulletin C-15, *Impairment in the value of long-lived assets and their disposal*

NIF C-16, *Impairment of financial instruments receivable*

NIF C-20, *Financial instruments to collect principal and interest*

The improvements consist of outlining the scopes and definitions of these NIF to clearly indicate the appropriate application and accounting treatment; consequently, no effective date was established for these improvements. Furthermore, improvements were made to different NIF to change the acronyms used to identify certain receivable financial instruments.

The above improvements did not impact the Entity’s unaudited condensed consolidated financial statements.

4. Investments in securities

As of September 30, 2017 and December 31, 2016, investments in securities were as follows:

	September 30, 2017		
	Amount invested	Rate	Amount
Investments in Mexican pesos (pesos)			
Commercial paper (a)	\$ 400,000	7.20%	\$ 400,000
Bank promissory notes (a)	<u>268,049</u>	6.64%	<u>268,194</u>
Total	<u>\$ 668,049</u>		<u>\$ 668,194</u>
Investments in foreign currency (USD)			
Commercial paper (b)	\$ <u>72,743</u>	3.21%	\$ <u>72,743</u>
Total	<u>72,743</u>		<u>72,743</u>
Total	<u>\$ 740,792</u>		<u>\$ 740,937</u>
	December 31, 2016		
	Amount invested	Rate	Amount
Investments in Mexican pesos (pesos)			
Commercial paper (c)	\$ 473,470	5.39%	\$ 561,566
Bank promissory notes (c)	200,000	5.91%	200,000
Bank promissory notes (c)	<u>44,862</u>	Between +1.75 and +2.25	<u>45,642</u>
Total	<u>\$ 718,332</u>		<u>\$ 807,208</u>
Investments in foreign currency (USD)			
Government paper (d)	\$ 10,306	0.64%	\$ 10,306
Commercial paper (d)	<u>170,541</u>	7.25%	<u>175,161</u>
Total	<u>180,847</u>		<u>185,467</u>
Total	<u>\$ 899,179</u>		<u>\$ 992,675</u>

(a) As of September 30, 2017, investments in trading securities denominated in Mexican pesos are comprised as follows:

Investments in corporate debt with a three-day maturity, for a total value of \$400,000. Investments in bank debt, with maturities ranging between three and 14 months for a total value of \$268,194.

(b) As of September 30, 2017, U.S. dollar denominated investments of the Entity are comprised of bank deposits with three-day maturity for a total amount of \$72,743.

(c) Investments denominated in Mexican pesos are comprised as follows:

Investments in bank paper are comprised of bank debt in pesos, with a three-day maturity. At the close of December 2016, they represent a total value of \$561,566. Investments in corporate paper are comprised of corporate debt in pesos with maturities of between three and 132 days. At the close of December 2016, they represent a total value of \$245,642.

(d) Investments denominated in US dollars are comprised as follows:

As of December 31, 2006, investments in government paper denominated in US dollars, with a 10 day maturity, are \$10,306. As of December 31, 2016, investments in corporate paper in US dollars are \$175,161. These investments are composed of corporate debt sold on international markets, maturing in July 2023, with limited liquidity and the risk proportionally linked to the issuer and the exchange rate.

5. Financial derivatives

(In thousands of USD)

The policy established by management is to contract financial derivatives with the aim of hedging the risks inherent to exposure in foreign currency (exchange rate) and due to interest rate risk generated by the contracting of debt instruments established in a currency other than the Mexican peso or a variable interest rate.

Margin Call

Any appreciation of the peso with respect to the U.S. dollar during the term of the debt may result in mark-to-market losses, which in turn, could trigger margin calls. Therefore, we have entered into credit lines with our cross currency swap counterparties that help mitigate the risks of having post collateral with our swap counterparties in order to satisfy margin calls. As of September 30, 2017, we have MX \$13,690 posted as collateral to satisfy margin calls with three different counterparties.

Derivatives for hedging purposes

Relationship of Senior Notes with maturity in 2019

The Entity uses financial derivatives for hedging purposes to manage the risks related to fluctuations in the exchange rate applicable to its issue of Senior Notes with a yield of 7.50%, maturing in 2019. The Senior Notes were issued for US \$ 425,000. However, on August 9, 2017, a portion was paid in advance, resulting in a remaining outstanding balance of US \$134,853. With the original amount, there were five financial derivatives for hedging purposes; however, when the prepayment was made, there were also modifications in the derivatives in order to not generate over-hedging. Below is a description of the derivatives in effect as of September 2017, which continue to hedge the Senior Notes.

On July 2, 2016, the Entity entered into a Cross Currency Swap with Bank Morgan Stanley (France) (“Morgan”) for US \$75,000 at an exchange rate of MX \$14.50 per US dollar, in which a fixed rate of 6.30% is paid, to cover part of the senior note maturing in the year 2019. Furthermore, the Entity contracted a strategy with exchange rate options (collar) with the purchase of a put option at MX \$14.50 per US dollar and the sale of a call option at MX \$20.00 per US dollar in the final swap.

On August 9, 2017, the Entity restructured a Cross Currency Swap with Deutsche Bank, modifying only the notional amount to a remaining balance of US \$59,853 at an exchange rate of MX \$14.50 per US dollar, in which a fixed rate of 7.50% is paid to cover the rest of the Senior Note maturing in the year 2019.

For accounting purposes, given that the option is a zero cost collar, the Entity has designated the aforementioned financial derivatives as cash flow hedges. In the case of the currency swaps, the changes in the fair value of the derivative are recorded in other comprehensive income, by reclassifying any ineffective portion and the respective amounts to the statement of income when the hedged forecast cash flows affect the results for the year. With regard to the options, only the intrinsic value was designated as cash flow hedges, for which reason the changes in the intrinsic value of the derivative are recorded in other comprehensive income, reclassifying any ineffective portion to the statement of income and the extrinsic value is recognized immediately in results for the period.

Relationship Medium-Term Securitized Certificates (C-REAL 15)

The Entity uses financial derivatives for hedging purposes to manage the risks related to fluctuations in the interest rate applicable to its issue of C-REAL 15 (ticker symbol) medium-term securitized certificates, which were placed on October 9, 2015, bearing interest at two percentage points above the 28 day TIIE rate, and maturing on March 23, 2018.

On October 14, 2015, the Entity contracted an interest rate swap with Barclays Bank México, S.A. (“Barclays”) for MX \$250,000 at a fixed rate of 6.405%, to cover 25% of the C-REAL 15 securitized certificate.

On October 14, 2015, Crédito Real also contracted an interest rate swap with Deutsche Bank México, S.A., institución de banca múltiple (“db”), for MX \$250,000 at a fixed rate of 6.38%, to cover another 25% of the C-REAL 15 securitized certificate.

On April 05, 2017, Crédito Real also contracted an interest rate swap with Bank Morgan Stanley for MX \$500,000 at a fixed rate of 7.15%, to cover another 50% of the C-REAL 15 securitized certificate

For accounting purposes, the Entity has designated the aforementioned financial derivatives as cash flow hedges, recording the changes in the fair value of the derivative in other comprehensive income and reclassifying any ineffective portion and the respective amounts to the statement of income when the hedged forecast cash flows affect results for the year.

Trading characteristics:

Characteristics	Barclays ID 9005150	Deutsche Bank ID 8669130MX	Morgan Stanley YQOSW
Notional:	\$ 250,000	\$ 250,000	\$ 500,000
Currency:	MXN	MXN	MXN
Required to pay fixed rate:	Crédito Real	Crédito Real	Crédito Real
Required to pay floating rate:	Barclays	Deutsche Bank	Morgan Stanley
Transaction date:	October 14, 2015	October 14, 2015	April 5, 2017
Start date:	October 15, 2015	October 9, 2015	March 24, 2017
Maturity date:	March 23, 2018	March 23, 2018	March 23, 2018
Fixed rate:	6.4050%	6.38%	7.15%
Floating rate:	TIIE	TIIE	TIIE
Floating rate spread:	2.00%	2.00%	N/A
Fraction for the count of days applicable			
To floating or fixed rate:	Actual/360	Actual/360	Actual/360
Interest payment dates:	Every 28 days as of November 6, 2016	Every 28 days as of November 6, 2016	Every 28 days as of April 6, 2017
Market value MXN (thousands)	\$ 3,943	\$ 3,976	\$ 550

As of September 30, 2017, the fair value of the aforementioned financial derivatives for the C-REAL 15 hedging relationship is MX \$8,469, which was recorded as an asset with a credit to the stockholders' equity supplemental account with the effect of the period through comprehensive income. The effect as of September 30, 2017 recognized in equity is MX \$3,002, and the effect reclassified to the statement of income as gains for accrued interest is MX \$5,467

The periods in which the cash flows from the derivatives in the C-REAL15 hedge relationship are expected to occur and impact the statement of income are as follows:

Year	Pesos
2017	\$ (517)
2018	\$ 3,519

Syndicated Line Relationship

The Entity uses financial derivatives for hedging purposes to manage the risks related to fluctuations in the exchange rate and the interest rate applicable to its line of credit with Credit Suisse, for US \$110,000, whose transaction date was February 21, 2017, and will be payable on February 19, 2018, at the Libor rate plus 5.5% of monthly

On February 21, 2017, the Entity entered into a Cross Currency Swap with Credit Suisse AG, Cayman Islands Branc (“CS”), at MX \$20.4698 per US \$1.00, where it pays fix rate 7.22% in MXN and receives libor plus 5.50% denominated in USD, to cover the exchange and interest rate of the syndicate line signed with Credit Suisse.

For accounting purposes, the Entity has designated the aforementioned financial derivative as a cash flow hedge, recording the changes in the fair value of the derivative in other comprehensive income and reclassifying any ineffective portions and the respective amounts to the statement of income when the forecast cash flows hedged affect the results of the year.

Characteristics of CCS	Credit Suisse ID 9003636
Currency A:	Dollars (USD)
Currency B:	Pesos (MXN)
Required to pay floating rate amounts in currency A:	Credit Suisse
Required to pay fixed rate amounts in currency B:	CR
Transaction date:	February 21, 2017
Reference exchange amount in both currencies:	N/A
Start date:	February 21, 2017
Maturity date:	February 21, 2020
A currency settlement date A:	USD 110,000
A currency settlement date B:	MXN \$2,251,678
Fixed rate for the amount in currency B for the first period:	\$20.4698 MXN per USD
Floating rate for currency A:	USD-LIBOR-BBA
Spread	5.50%
Fraction for the count of days applicable to the fixed rate for amounts in foreign currency A:	Actual/360
A currency payment dates A:	Quarterly, beginning 21 February 2017
A currency settlement date A:	N/A
A currency payment dates B:	The 21th day of each month beginning February 21, 2017
Floating or fixed rate for currency B:	7.22%

Characteristics of CCS	Credit Suisse ID 9003636
Fraction for the count of days applicable to floating or fixed rate amounts in currency B:	Actual/360
Market value MXN (thousands)	\$ (71,524)
Market value USD (thousands)	\$ (3,939)
Collateral MXN	\$ -

As of September 30, 2017, the fair value of the aforementioned financial derivatives for the syndical line hedge relationship is MX \$(71,523) (\$3,939 US dollars), which was recorded as an liability with a debit to the stockholders’ equity supplemental account with the effect of the period through comprehensive income. The effect as of September 30, 2017 recognized in equity is MX \$98,541 (\$5,427 US dollars), and the effect reclassified to the statement of income as gains for accrued interest is MX \$14,788 (\$814 US dollars) and FX Impact MX\$(254,118) (\$13,994US dollars).

Additionally, there was an impact due to a compensatory fee of MX \$266,418 (\$1,455 US dollar), this fee was paid in March to Credit Suisse to enter the derivative with this characteristics.

The periods in which the cash flows from the derivative in the syndicated line hedging relationship are expected to occur and impact the statement of income are as follows:

Year	Pesos	US dollars
2017	\$ (287,157)	(15,183)
2018	\$ 19,028	1,048
2019	\$ 54,232	2,987
2020	\$ 115,356	6,353

Senior Notes Relationship with maturity in 2023

The Entity uses financial derivatives for hedging purposes to manage the risks related to the fair value of its issue of Senior Notes with a yield of 7.25%, maturing in 2023.

On July 20, 2017, the Entity entered into five Cross-Country Swaps which hedge the fair value of the debt principal for the Senior Notes maturing in 2023, with the following financial institutions: (i) Barclays, (ii) Morgan Stanley, (iii) UBS, (iv) Banamex and (v) Deutsche Bank. This is because it is being converted into a debt that pays a fixed rate in US dollars payable in the Mexican peso variable rate derivatives. The issue of the Senior Notes maturing in 2023 was US \$220,000, whereas the financial derivatives were contracted to cover all the amount. This Instruments designated as fair value and cash flow hedges for accounting purposes; i.e., the fluctuations in the derivative and in the hedged item are valued at fair value and are recognized in results in the same financial statement captions and the fluctuations in the derivative and in the hedged item are valued at cash flow are recognized in equity

Since in the CCS acquired at the beginning, the Entity paid pesos (MXN) at a variable rate, this year the Entity entered into four Interest Rate Swaps to partially switch that variable rate into a fixed rate, with the next institutions: Barclays, Morgan Stanley and two IRS with Credit Suisse. These instruments are designated as cash flow hedges for accounting purposes, recording the changes in the fair value of the derivative in other comprehensive income and reclassifying any ineffective portions and the respective amounts to the statement of income when the forecast cash flows hedged affect the results of the period.

Trading characteristics	Barclays 9007408	Morgan Stanley DMFS4	UBS 95007852	Banamex 32754151EC_1	Deutsche Bank 9767201M
Currency A:	Dollars (USD)				
Currency B:	Pesos (MXN)				
Obligated to pay fixed rate for amounts in currency A:	Barclays	Morgan Stanley	UBS	Banamex	Deutsche Bank
Obligated to pay floating or fixed rate for amounts in currency B:	CR	CR	CR	CR	CR
Date of transaction:	July 20, 2017				
Swap reference amount in both currencies:	At the start and at maturity				
Starting date:	July 20, 2017				
Maturity date:	July 20, 2023				
Reference amount in currency A:	USD 125,000	USD 100,000	USD 100,000	USD 100,000	USD 125,000
Reference amount in currency B:	MXN \$2,361,250	MXN \$1,889,000	MXN \$1,889,000	MXN \$1,889,000	MXN \$2,361,250
Exchange rate used to calculate reference amount in currency B:	\$18,8900 MXN per USD				
Fixed rate for amounts in currency A:	7.25%	7.25%	7.25%	7.25%	7.25%
Spread	N/A	N/A	N/A	N/A	N/A
Fraction for counting of days applicable to fixed rate for amounts in currency A:	30/360	30/360	30/360	30/360	30/360
Payment dates currency A:	The 20th day of every January and July as of July 20, 2017	The 20th day of every January and July as of July 20, 2017	The 20th day of every January and July as of July 20, 2017	The 20th day of every January and July as of July 20, 2017	The 20th day of every January and July as of July 20, 2017
Settlement date currency A:	July 20, 2023				
Payment dates currency B:	Every 28 days as of July 20, 2017	Every 28 days as of July 20, 2017	Every 28 days as of July 20, 2017	Every 28 days as of July 20, 2017	Every 28 days as of July 20, 2017
Floating rate for amounts in currency B:	TIIE 28D				
Spread Currency B:	6.13%	6.16%	6.215%	6.19%	6.17%
Fraction for the count of days applicable to the floating rate for amounts in currency B:	Actual/360	Actual/360	Actual/360	Actual/360	Actual/360
Market value MXN (thousands)	\$ (170,417)	\$ (139,098)	\$ (145,594)	\$ (141,873)	\$ (175,038)
Market value USD (thousands)	\$ (9,384)	\$ (7,660)	\$ (8,018)	\$ (7,813)	\$ (9,639)
Characteristics IRS	Credit Suisse 9003699	Barclays 9009053	Morgan Stanley OZNNJ	Credit Suisse 9003793	
Notional:	\$1,500	\$1,000	\$1,000	\$500	
Currency:	MXN	MXN	MXN	MXN	
Required to pay fixed rate:	CR	CR	CR	CR	
Required to pay floating rate:	Credit Suisse	Barclays	Morgan Stanley	Credit Suisse	
Transaction date:	April 18, 2017	May 15, 2017	June 14, 2017	June 14, 2017	
Start date:	March 29, 2017	May 16, 2017	May 24, 2017	May 24, 2017	
Maturity date:	July 29, 2023	July 20, 2023	July 23, 2023	July 20, 2023	
Fixed rate:	7.26%	7.27%	7.12%	7.12%	
Floating rate:	TIIE	TIIE	TIIE	TIIE	
Fraction for the count of days applicable to floating or fixed rate:	Actual/360	Actual/360	Actual/360	Actual/360	
Interest payment dates:	Every 28 days as of March 29, 2017	Every 28 days as of May 16, 2017	Every 28 days as of June 21, 2017	Every 28 days as of May 24, 2017	
Market value MXN (thousands)	\$ (29,672)	\$ (20,269)	\$ (12,709)	\$ (6,355)	
Market value USD (thousands)	\$ (1,634)	\$ (1,116)	\$ (700)	\$ (350)	

As of September 30, 2017, the fair value of the Cross currency in relation to the hedge of the Senior Notes maturing in 2023 is MX (\$772,019) (\$42,514 US dollars), which was recorded as an liability and a loss in the statement of income. The effect as of September 30, 2017 recognized in the statement of income for the hedged item is MX\$(772,020) (\$42,514 US dollars) as a gains.

As of September 30, 2017, the fair value of the interest rate swaps for the Senior Notes 2023 in a hedging relationship is MX \$(69,005), which was recorded as an liability with a debit to the stockholders' equity supplemental account through comprehensive income. The effect as of September 30, 2017 recognized in equity is MX \$69,005, (\$3,800 US dollars)

The periods in which the cash flows from the derivatives in relation to the hedging of the Senior Notes maturing in 2023 are expected to occur and impact the statement of results are as follows:

Year	Pesos
2017	\$ 1,570
2018	\$ (531)
2019	\$ (19,707)
2020	\$ (24,573)
2021	\$ (16,647)
2022	\$ (9,583)
2023	\$ 466

Relationship Medium-Term Securitized Certificates (C-REAL 16)

The Entity uses financial derivatives for hedging purposes to manage the risks related to fluctuations in the interest rate applicable to its issue of C-REAL 16 (ticker symbol) medium-term securitized certificates, which were placed on March 31, 2016, bearing interest at two point five percentage points above the 28 day TIIE rate, and maturing on September 13, 2018.

On April 5, 2017, the Entity contracted an interest rate swap with Morgan Stanley for MX \$1,000,000 at a fixed rate of 7.18%, to cover 100% of the C-REAL 16 securitized certificate.

For accounting purposes, the Entity has designated the aforementioned financial derivatives as cash flow hedges, recording the changes in the fair value of the derivative in other comprehensive income and loss and reclassifying any ineffective portion and the respective amounts to the statement of income when the hedged forecast cash flows affect results for the year

Characteristics	Morgan Stanley ID YQOSZ
Notional:	\$ 1,000,000
Currency:	MXN
Required to pay fixed rate:	CR
Required to pay floating rate:	Morgan Stanley
Transaction date:	April 5, 2017
Start date:	March 30, 2017
Maturity date:	September 13, 2018
Fixed rate:	7.18%
Floating rate:	TIIE
Floating rate spread:	N/A
Fraction for the count of days applicable to floating or fixed rate:	Actual/360
Interest payment dates:	Every 28 days as of March 30, 2017
Market value MXN (thousands)	\$ 1,042

As of September 30, 2017, the fair value of the aforementioned financial derivatives for the C-REAL 16 hedging relationship is MX \$1,042, which was recorded as an asset with a credit to the stockholders' equity supplemental account subsequent to the effect of the period through comprehensive income. The effect as of September 30, 2017 recognized in equity is MX \$2,029, and the effect reclassified to the statement of income as gains for accrued interest is MX \$3,071.

September 30, 2017 recognized in equity is MX \$2,029, and the effect reclassified to the statement of income as gains for accrued interest is MX \$3,071.

Year	Pesos
2017	\$ (2,608)
2018	\$ 579

Nature and degree of risks arising from the derivatives

The exchange rate as of September 30, 2017 is MX \$18.1590

The majority of the Entity's CCS enable it to fix the exchange rate to be used for the payment of the US dollar denominated debt on the date of maturity. When financing in foreign currency is entered into, the hedge enables the exchange rates to be appropriately managed.

By entering into the CCS as a fair value hedge of the Senior Notes maturing in 2023 and entering into a cash flow hedge of the Senior Notes maturing 2019, the Entity has hedged the risk of a devaluation of the Mexican peso against the US dollar and the risk of the interest rate. With regard to exchange rate risk, by entering into the IRS as a cash flow hedge of part of the Senior Notes 2023, the Entity is managing its risk to the variability of the interest rate TIIIE by fixing its rate

By entering into the CCS and the collar to hedge the cash flow of the Senior Notes 2019, the entity has hedged the risk of devaluation of the Mexican peso against the US dollar

By entering into the CCS to hedge the cash flow of the syndicated line, the entity has hedged the risk of a devaluation of the Mexican peso against the US dollar and the risk of the interest rate. By entering into the IRS, the Entity can fix the exchange rate for the payment of the interest on the debt in Mexican pesos derived from the securitized certificate like Creal-15 and Creal-16.

Sensitivity analysis

The Entity performed a sensitivity analysis so as to forecast situations that could result in extraordinary losses as regards the valuation of the derivative financial instruments composing its position as of September 30, 2017 close.

A derivatives sensitivity analysis is performed by considering the following elements:

Estimate the surplus value or shortfall of the securities valuation in the event of:

- An increase of +1 peso in the MXN/USD exchange rate
- A decrease of -1 in the MXN/USD exchange rate
- An increase of +100 interest rate basis points
- A decrease of -100 interest rate basis points

Foreign currency sensitivity

	+1 exchange rate	-1 exchange rate
Hedging derivatives fair value		
Foreign currency swap	\$ 703,778	\$ (703,778)
Cash flow hedge derivatives		
Foreign currency swap	\$ 266,592	\$ (266,592)
Foreign currency option	\$ (40,593)	\$ 40,593
Interest rate sensitivity of interest rate		
Cash flow hedge derivatives		
Interest rate swap	\$ 142,097	\$ (142,097)

If any of the sensitivity scenarios detailed in the above table actually arise, the losses generated by derivative instruments held for trading purposes and fair value hedges will directly affect the statement of income, while cash flow hedges will affect the Entity's capital.

Maturity analysis

Below is an analysis of the future obligations of the financial derivatives. Please note that even though the foreign currency swaps represent active positions as of September 30, 2017, the Entity elects to present the undiscounted future flows which represent a liability according to their maturity.

	2017	2018	2019	2020	2021	2022	2023
Foreign currency swaps	(475,024)	(755,115)	(247,608)	(810,998)	(735,630)	(763,491)	(528,160)
Interest rate Swaps	7,401	17,360	12,027	14,231	20,890	31,616	24,072

6. Allowances for loan losses

As of September 30, 2017 and December 31, 2016, the Entity maintained an allowance for loan losses equivalent to 128%, of non-performing portfolio, respectively.

The Commission issued changes related to the rating methodology for the consumer portfolio, in order to change the model for estimating the allowance for loan losses. During the nine month period ended September 30, 2017, the cumulative effect recognized in stockholders' equity derived from the application of the change in the rating methodology for the loan portfolio amounted to \$361,898, net of income tax.

As of September 30, 2017 and December 31, 2016, changes in the allowance for loan losses were as follows:

	September 30, 2017	December 31, 2016
Opening balance	\$ 767,460	\$ 485,506
Portfolio applications	(1,244,615)	(1,026,759)
CR USA, Creal Dallas and Controladora CR consolidation effect	507,911	477,120
Charge to results	951,928	831,593
Closing balance	\$ 982,684	\$ 767,460

7. Investment in shares of associates

As of September 30, 2017 and December 31, 2016, investments in shares of associates companies are as follows:

Entities	% Ownership	Participation in stockholder's equity		Participation in Results	
		September 30, 2017	December 31, 2016	September 30, 2017	September 30, 2016
Publiseq, S.A.P.I. de C.V. SOFOM (a) ("Publiseq")	49.00%	\$ 481,313	\$ 463,119	\$ 18,194	\$ 9,664
Grupo Empresarial Maestro S.A. de C.V. (a) ("GEMA")	49.00%	440,955	502,949	60,037	72,531
Bluestream Capital, S.A. de C.V. (b)	23.00%	2,637	1,173	1,464	436
Cege Capital, S.A.P.I. de C.V., SOFOM ENR (c)	36.30%	94,423	89,245	9,971	11,096
Others	23.98%	1,626	1,335	19,368	(1,422)
		\$ 1,020,954	\$ 1,057,821	\$ 109,034	\$ 92,305

- (a) Directodo, Publiseg, and GEMA, are the Entity's principal distributors, and their origination efforts are performed exclusively for the Entity. As of September 30, 2017 and December 31, 2016 these companies have cooperation agreements executed with different unions around the country, including several chapters of the National Education Workers' Union, the National Social Security Workers' Union, the Union of the Federal Public Education Department and the Health Workers' Union. Their operations began in 2006, 2005 and 2002, respectively, and their work forces have a nationwide presence and they have over 257 branches.
- b) Pay two dividends, the first was paid in June 2017 by MX \$63,782, and the second will be pay in October 2017 by MX \$27,335.

8. Indebtedness

As of September 30, 2017 and December 31, 2016, indebtedness was comprised as follows:

	Rate	Date of maturity	September 30, 2017	December 31, 2016
Notes payable (Securitized Certificates)	TIIE + 0.85% to 2.70%	Between 2017 and 2018	\$ 3,450,000	\$ 2,750,000
Senior Notes	7.50% and 7.25%	Between 2019 and march 2023	11,480,797	13,817,895
Accrued interest			<u>109,201</u>	<u>320,548</u>
Total			<u>\$ 15,039,998</u>	<u>\$ 16,888,443</u>

On March 7, 2017, the Entity established a revolving long-term note program with an aggregate principal amount of up to \$5,000.0 million. Under this program the Entity has two outstanding issuances for an aggregate amount of \$2,000,000.

On March 7, 2017, the Commission authorized the registration on the RNV of a new short-term note program, under which the Entity was allowed to publicly issue a maximum aggregate principal amount of \$2,500,000. As of September 30, 2017, the Entity had six outstanding issuances with an aggregate principal amount of \$1,450,000 million.

The unsecured US\$134,853 Senior Notes remaining amount will mature on March 13, 2019, and pay semiannual interest at a 7.5% annual rate on March 13 and September 13 of each year.

The second unsecured US\$625,000 Senior Notes will mature on July 20, 2023, and pay semiannual interest at a 7.25% annual rate on July 20 and January 20 of each year and may be prepaid as of the fourth year of the issue.

Both notes are rated by Standard & Poor's, with a long-term global rating of "BBand by HR Ratings with the rating HR BB-(G). The second issue was also rated by Fitch Ratings, with a rating of "BB+(EXP).

Contractual maturities of indebtedness and bank loans and other loans are as follows:

	Amount
2017	\$ 750,000
2018	2,700,000
2019	1,386,685
2020	-
2023	10,094,112
Accrued interest	<u>109,201</u>
Total	<u>\$ 15,039,998</u>

9. Bank loans and other loans

As of September 30, 2017 and December 31, 2016, debt was comprised as follows:

	Rate	Date of Maturity	September 30, 2017	December 31, 2016
Bank Loans in MXN (a)	TIIE + spread	Between 2017 and 2020	\$ 4,999,350	\$ 2,502,786
Bank Loans in USD (b)	LIBOR + spread	Between 2017 and 2020	4,609,426	5,147,597
Accrued Interest			<u>43,946</u>	<u>49,670</u>
Total			<u>\$ 9,652,722</u>	<u>\$ 7,700,053</u>

- a) As of September 30, 2017, the Entity has bank loans guaranteed with portfolio for \$4,937,510 and unsecured bank loans for \$4,638,487 (excluding accrued interest). Such lines were granted by 27 institutions to finance the growth of the loan portfolio and increase working capital. The loans are granted by financial institutions widely recognized in the Financial System. The lines of credit have maturity dates of between 90 days and three years and pay interest at variable and fixed rate.
- b) As of September 30 2017, the Entity has a syndicated bank loan in foreign currency for a total of US \$110 million, which, valued as of September 30, 2017, represents \$2,251,678 and pays interest at a variable LIBOR rate plus percentage points.

Contractual maturities of indebtedness and bank loans and other loans are as follows:

	Amount
2017	\$ 1,486,356
2018	4,953,043
2019	2,175,070
2020	990,698
2023	3,609
Accrued interest	<u>43,946</u>
Total	<u>\$ 9,652,722</u>

10. Stockholders' Equity

Capital stock as of September 30, 2017 and December 31, 2016, was comprised as follows:

	Number of Shares (Class I) Fixed Capital	Number of Shares (Class II) Variable Capital	Total stocks
"Unique" Series shares at no par value	<u>37,555,390</u>	<u>354,664,034</u>	<u>392,219,424</u>

As of September 30, 2017 and December 31, 2016, common stock is \$660,154, of which \$62,931 refers to fixed capital (with no right of withdrawal), represented by 37,555,390 Unique Series, Class I ordinary, no par value shares, while \$597,223 refers to variable capital, represented by 354,664,034 Unique Series, Class II ordinary, no par value shares.

Pursuant to a resolution approved at the General Ordinary Stockholders' Meeting held on March 1, 2017, dividends of up to \$96,800 were declared payable from the "Results from previous years" account. The aforementioned dividend payments approved to stockholders are payable from the Net Tax Income Account ("CUFIN").

The Entity has a share buyback program up to the amount of net income, including the retained earnings from the immediately preceding year. As 30 of September and as of the December 31, 2016 the amount of repurchased shares is \$175,456 and \$75,570 equivalent to 5,259,479 and 2,612,248 shares.

In accordance with the General Corporate Law, at least 5% of the net profits for the year must be set aside to form the legal reserve until reaching 20% of common stock at par value. The legal reserve may be capitalized, but cannot be distributed unless the Entity is dissolved, and must be replenished when it is decreased for any reason. As of September 30, 2017 and December 31, 2016, the legal reserve established by the Entity amounts to \$132,031, respectively.

Stockholders' equity, except restated paid-in capital and tax-retained earnings, will incur income tax payable by the Entity at the rate in effect when the dividend is distributed. Any tax paid on such distribution may be credited against income tax of the year in which the dividend tax is paid and, in the following two years, against tax for the year and the related estimated payments.

Dividends paid from the profits generated from January 1, 2014 to residents in Mexico and to nonresident shareholders may be subject to an additional tax of up to 10%, which will be withheld by the Entity.

Retained earnings that may be subject to withholding of up to 10% on distributed dividends is as follows:

Period	Amount	Distributed earnings	Taxable withholding Amount	Amount not subject to withholding
2014	\$ 85,000	\$ 168,655	\$ -	\$ 168,655
2015	\$ -	\$ 156,888	\$ 156,888	\$ -
2017	\$ -	\$ 96,800	\$ 96,800	\$ -

11. Balances and transactions in foreign currencies (In thousands of USD)

a. The monetary position of foreign currencies as of September 30, 2017 and December 31, 2016 is:

	September 30, 2017	December 31, 2016
USD Dollars:		
Monetary assets	443,164	390,012
Monetary liabilities	(279,063)	(257,494)
Long position	<u>164,101</u>	<u>132,518</u>
Equivalent in pesos	<u>\$ 2,979,910</u>	<u>\$ 2,732,500</u>

b. Transactions in foreign currencies were as follows as of September 30, 2017 and 2016 is:

	September 30, 2017	September 30, 2016
Interest expenses	<u>\$ (16,344)</u>	<u>\$ (12,660)</u>
Interest income	<u>\$ 111,736</u>	<u>\$ 79,201</u>

c. Mexican peso exchange rates in effect at the dates of the unaudited condensed consolidated financial statements and at the date of auditor's were as follows:

	November 3, 2017	September 30, 2017	December 31, 2016	September 30, 2016
U.S. dollar	<u>\$ 19.1850</u>	<u>\$ 18.1590</u>	<u>\$ 20.6194</u>	<u>\$ 19.3776</u>

12. Income taxes

Review and tax matters

Action for annulment filed against the unpaid tax liability for rejection of deductions for the year 2007.

On July 9, 2015, the Entity filed an action for annulment against the Federal Tax Court to challenge official notice 900 06-2017-13558, dated April 29, 2015, whereby the Central Administrator for Inspection of the Financial Sector of the General Administration for Large Taxpayers of the Tax Administration Service, assessed against the Entity an unpaid tax liability of \$38,090 related to income tax payable for fiscal year 2007, plus the respective restatements, surcharges and fines.

Such lawsuit was referred to the First Metropolitan Regional Court of the Federal Tax Court which, through a ruling dated September 1, 2016, accepted the case, and assigned it docket number 17549/15-17-01-8.

The Entity is currently waiting for the expert evidence to be submitted in the lawsuit, after which closing arguments will be presented and a verdict will be issued.

Management and its outside legal advisors consider it very unlikely that the tax liability assessed will be upheld.

13. Comparative table of main asset and liability maturities

Main asset and liability maturities at September 30, 2017 are as follows:

	Until 6 months	From 6 months to 1 year	From 1 year to 5 years	Total
Cash and cash equivalents	\$ 580,194	\$ -	\$ -	\$ 580,194
Investment in securities	740,937	-	-	740,937
Derivative financial instrument	-	-	715,094	715,094
Loan portfolio, net	1,909,156	1,803,804	21,982,266	25,695,226
Other accounts receivable, net	<u>801,211</u>	<u>1,025,571</u>	<u>2,012,150</u>	<u>3,838,932</u>
Total assets	<u>\$ 4,031,498</u>	<u>\$ 2,829,375</u>	<u>\$ 24,709,510</u>	<u>\$ 31,570,383</u>
	Until 6 months	From 6 months to 1 year	From 1 year to 5 years	Total
Notes payable and Senior Notes	\$ (2,150,000)	\$ (1,300,000)	\$(11,589,998)	\$(15,039,998)
Bank loans	(933,889)	(1,258,833)	(7,460,000)	(9,652,722)
Derivative financial instruments	-	-	(989,500)	(989,500)
Other accounts payable	<u>(496,549)</u>	<u>-</u>	<u>(29,278)</u>	<u>(525,827)</u>
Total liabilities	<u>(3,580,438)</u>	<u>(2,558,833)</u>	<u>(20,068,776)</u>	<u>(26,208,047)</u>
Assets less liabilities	<u>\$ 451,060</u>	<u>\$ 270,542</u>	<u>\$ 4,640,734</u>	<u>\$ 5,362,336</u>

14. Commitments

As of September 30, 2017 and December 31, 2016, the Entity, has its own commitments and the operation mentioned in Note 8 "Indebtedness" and Note 9 "Bank Loans and other loans".

15. Subsequent events

On October 30, 2017 a public offer of trust certificates was issued between the Entity and Banco Invex, S.A., Multiple Banking Institution, Invex Grupo Financiero for an amount of \$800,000. The certificates will be backed by collection rights.

Pursuant to a resolution at the Board of Directors' Meeting held on July 25, 2017, the merger of the Credit Entities Dallas, LLC and Crédito Real USA, LLC was approved which is in the process of being completed by the fourth quarter of 2017 and once the Entity receive the North American authorities' approval.

16. Business segment information

Currently, the Entity has one operating segment, the loan portfolio, which represents the Entity's sole strategic business unit. Operating segment information is determined based on the information used by management to assess performance and allocate resources. The following presents information for each business unit determined by the Entity, management. Financial information presented by products and geographical area is presented below.

	September 30, 2017			
	Mexico	USA	Central America	Total
Payroll loans	\$ 17,562,298	\$ -	\$ 4,263,778	\$ 21,826,076
Group loans	211,926	-	-	211,926
Durable goods loans	364,759	-	-	364,759
Small business loans	1,707,059	-	-	1,707,059
Used car loans	<u>567,747</u>	<u>2,000,343</u>	<u>-</u>	<u>2,568,090</u>
Total	<u>\$ 20,413,789</u>	<u>\$ 2,000,343</u>	<u>\$ 4,263,778</u>	<u>\$ 26,677,910</u>
	December 31, 2016			
	Mexico	USA	Central America	Total
Payroll loans	\$ 14,530,433	\$ -	\$ 4,390,736	\$ 18,921,169
Group loans	418,402	-	-	418,402
Durable goods loans	440,381	-	-	440,381
Small business loans	1,368,462	-	-	1,368,462
Used car loans	<u>460,797</u>	<u>2,317,811</u>	<u>-</u>	<u>2,778,608</u>
Total	<u>\$ 17,218,475</u>	<u>\$ 2,317,811</u>	<u>\$ 4,390,736</u>	<u>\$ 23,927,022</u>

17. New accounting principles

The following NIF were issued and are effective January 1, 2018:

NIF B-17, Determination of fair value
NIF C-3, Accounts receivable
NIF C-9, Provisions, contingencies and commitments
NIF C-10, Financial derivatives and hedging relationships
NIF C-16, Impairment of financial instruments receivable
NIF C-19, Financial instruments payable

NIF C-20, Financial instruments receivable
NIF D-1, Revenues from contracts with customers
NIF D-2, Costs from contracts with customers
NIF B-17, *Determination of fair value* - Defines fair value.

NIF C-3, *Accounts receivable* - The main changes consist of specifying that: a) the accounts receivable based on a contract represent a financial instrument; b) the allowance for bad debts for commercial accounts is recognized from the time the revenue is accrued, based on the expected credit losses; c) the time value of money should be considered as of the initial recognition; consequently, if the effect of the present value of the account receivable is material based on its term, it should be adjusted based on such present value, and d) required disclosures include an analysis of the change between the opening and closing balances of the allowance for bad debts.

NIF C-9, *Provisions, contingencies and commitments* - The term *probable* replaced the term *virtually avoidable* in the definition of liabilities. The first-time application of this NIF does not generate accounting changes in the financial statements.

NIF C-16, *Impairment of financial instruments receivable (FIR)* - Determine when and how the expected losses from impairment of FIR should be recognized; this is when, as result of an increase in the credit risk, it is concluded that a part of the future cash flows from the FIR will not be recovered, and proposes that the expected loss should be recognized based on the historical experience of credit losses, current conditions and reasonable and sustainable forecasts of the various quantifiable future events that might affect the amount of the future recoverable cash flows of the FIR, which means that estimates must be made and should be periodically adjusted based on past experience. Furthermore, in relation to interest-bearing FIR, entities shall estimate the amount and timing for the cash flows expected to be recovered, as the recoverable amount must be recognized at present value.

NIF C-19, *Financial instruments payable* - Establishes: a) the possibility of valuing, after their initial recognition, certain financial liabilities at fair value, when certain exceptional conditions are fulfilled; b) the valuation of long-term liabilities at their present value at initial recognition, considering their present value when their term exceeds one year or outside normal credit conditions, and c) when a liability is restructured, but the future cash flows to settle the liability are not substantially modified, the costs and commissions disbursed in this process will affect the amount of the liability and will be amortized based on a modified effective interest rate, instead of directly affecting the net income or loss.

NIF C-20, *Financial instruments receivable* - Specifies the classification of financial instruments in the assets, based on the business model: a) if the intention is to generate a profit through a contractual return, predetermined in a contract, they are recognized at amortized cost; b) if they are also used to generate a profit based on their purchase and sale, they are recognized at fair value. Any embedded financial derivative that modifies the cash flows of principal and interest from the host instrument will not be separated; instead, all will be valued at fair value, as if it were a negotiable financial instrument.

NIF D-1, Revenues from contracts with customers - Previously there was no Mexican accounting standard for revenue recognition, for which reason the main changes focus on providing greater consistency in revenue recognition and eliminating weaknesses in the previous supplemental standards. The most important changes consist of establishing a model for revenue recognition based on the following steps: a) transfer of control, the basis for the timeliness of revenue recognition; b) the identification of the different performance obligations in a contract; c) the allocation of the transaction amount between the different unfulfilled obligations based on independent selling prices; d) the introduction of the concept *conditional account receivable*, when an unfulfilled obligation is satisfied and an unconditional right to the consideration is generated because only the passage of time is required for the payment of such consideration to become enforceable; e) the recognition of collection rights, where in certain cases there may be an unconditional right to the consideration before an unfulfilled obligation is satisfied, and f) the valuation of the revenue, considering aspects such as the recognition of significant financing components, the noncash consideration cash and the consideration payable to a customer.

NIF D-2, Costs from contracts with customers - Separates the standard for recognition of the costs from contracts with customers from that related to recognition of the revenues from contracts with customers, and expands the scope to include costs related to all types of contracts with customers.

At the date of issuance of these unaudited condensed consolidated financial statements, the Entity has not completed its evaluation of the potential effects of adopting these new standards on its financial information.

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Summary of Certain Significant Differences between SOFOM GAAP and IFRS

SUMMARY OF CERTAIN SIGNIFICANT DIFFERENCES BETWEEN SOFOM GAAP AND IFRS

Our financial statements are prepared and presented in accordance with *Sofom* GAAP as prescribed by the CNBV. Certain differences exist between *Sofom* GAAP and International Financial Reporting Standards, or IFRS, 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 *Sofom* GAAP to IFRS 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 *Sofom* GAAP and IFRS, and how those differences might affect the financial information herein.

Accounting for the Effects of Inflation

Mexico

Through December 31, 2007, *Sofom* 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, *Sofom* 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.

IFRS

Under IFRS, historical costs must be maintained in the basic financial statements unless the entity is deemed to operate in a hyperinflationary economy. A hyperinflationary economy is generally defined as one in which the cumulative three year inflation rate exceeds 100%.

Labor Obligations

Mexico

Under *Sofom* GAAP, the discount rate to calculate the Defined Benefits Obligation OBD will be determined based on the market rate of high-quality corporate bonds, provided that there is a deep market for such bonds. Otherwise, the market rate of the bonds issued by the federal government must be used.

Under *Sofom* GAAP, the use of the broker is eliminated for the deferral of actuarial gains and losses and the actuarial gains and losses recognized in stockholders' equity must be recycled to results in the Remaining Useful Life of the Plan.

IFRS

The benchmark rate used to discount employee benefits liabilities to present value for purposes of IFRS is the market rate for debt issued by the Mexican government.

Under IFRS, actuarial gains or losses recorded directly stockholders' equity and are not subsequently recycled to earnings.

Deferred Income Tax and Statutory Employee Profit Sharing

Mexico

The asset and liability approach is used under SOFOM GAAP to calculate and recognize deferred tax assets and liabilities. Under *Sofom* 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.

Under *Sofom* GAAP, through 2007, deferred employee profit sharing is recognized only for timing differences arising from the reconciliation between accounting and taxable income for employee profit sharing purposes, for which it may be reasonably estimated that a future liability or benefit will arise and there is no indication that the liability will not be paid or the benefits will not be realized. Effective January 1, 2008, *Sofom* GAAP was modified such that it now requires a balance sheet methodology for determining deferred employee profit sharing, similar to that used for deferred income taxes.

IFRS

Under IFRS, 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 probable of realization. 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.

For purposes of IFRS, PTU benefits are accounted for as a short-term employee benefit under IAS 19, *Employee Benefits*. This accounting model does not contemplate the recognition of deferred PTU assets or liabilities arising from temporary differences between the income tax and financial reporting bases of assets and liabilities.

Fair Value of Financial Instruments

Mexico

Sofom 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.

IFRS

IFRS 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, IFRS 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

Sofom 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.

IFRS

IFRS 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 IFRS purposes are based on an incurred loss model through December 31, 2017. Beginning January 1, 2018, companies must use an expected loss methodology for purposes of estimating loan loss reserves under IFRS.

Acquisitions of Loan Portfolios

Mexico

Under *Sofom* GAAP, a loan portfolio that is acquired in a transaction that is accounted for as an asset acquisition or a business combination is initially measured based on the accounting criteria of the CNBV, net of allowances for loan losses determined in accordance with the CNBV's models. Such amounts generally coincide with the seller's basis and may differ materially from the fair value of the acquired loan portfolio.

IFRS

Under IFRS, a loan portfolio that is acquired in a transaction that is accounted for as an asset acquisition or a business combination is initially recognized at fair value.

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