



Rule 17g-7 Information Disclosure Form

The Rating Action Commentary (RAC) associated with this disclosure form is an integral part of the form.

Ratings

Perpetual Bond HR BB (G)

Review on Process

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1. Symbol, Number, or Score in the Rating Scale used by HR Ratings as required by Paragraph (a)(1)(ii)(A) of Rule 17g-7:

Table with 4 columns: Entity/Instrument, Rating Action, Rating Type, Rating Code. Row 1: Perpetual Bond (the Issuance) issued by UNIFIN Financiera... Affirmed with a change of Outlook from Stable to Review on Process, Long Term Rating, HR BB (G) / Review on Process

2. Version of the Procedure or Methodology used to determine the credit rating as required by Paragraph (a)(1)(ii)(B) of Rule 17g-7:

The rating assigned by HR Ratings to the entity is based in accordance with the following methodologies established by the rating agency:

- Rating Methodology for Non-Bank Financial Institutions (NBFIs), February 2022
https://www.hrratings.com/docs/metodologia/Methodology\_for\_NBFI\_February\_2022.pdf
General Methodological Criteria, January 2022
https://www.hrratings.com/docs/metodologia/General\_Methodological\_Criteria\_January\_2022.pdf
Rating Methodology for Hybrid Instruments, October 2020
https://www.hrratings.com/docs/metodologia/Hybrid%20Instruments%20Credit%20Methodology.pdf

3. Main assumptions and principles used in constructing the procedures and methodologies to determine the credit rating as required by Paragraph (a)(1)(ii)(C) of Rule 17g-7:

The objective of the Rating Methodology for Non-Bank Financial Institutions is to evaluate the financial institution's ability and willingness to pay its debt through the relevant parameters that specifically affects these conditions. Also, HR Ratings evaluates the institution's capacity to maintain a certain level of capitalization. For this, the applicable Methodology identifies the main risk indicators within each credit risk category that affect the Non-Bank Financial Institution assessed; both those that are specific to the entity and those from external factors. Regarding the ability to pay, the major sources of risk that could cause delay or default on the settlement of any liability are determined.

To evaluate all the relevant risks that affect the Non-Bank Financial Institution credit quality, HR Ratings classifies them into qualitative risks and quantitative risks. The division of categories is fundamental to differentiate between the numerically measurable factors and based on the financial model (quantitative risks) of the factors that are sensitive to the management of the institution, and which are unrelated to the financial model (qualitative risks).

The qualitative risks category includes risk factors such as: 1) Industry risk, 2) Assessment of management and operational risks and 3) Accounting, regulatory and competitive risks. Given the nature of the category, HR Ratings assigns a rating to each of these risks. This category includes factors not only related to the management of the business, but also with growth expectations of the rated institution.



The Financial projections for Non-Bank Financial Institutions represents the structural basis for the quantitative risks category. These projections incorporate historical financial information that the institution delivers to HR Ratings and with which forecasts are prepared minimum for the next 8 quarters. The information required by HR Ratings includes quarterly reports of Income Statements, Balance Sheets, and Cash Flow Statements for the last five years; however, in the event the institution has a shorter financial record, it will be considered from earliest information available.

**4. Potential limitations of the credit rating as required by Paragraph (a)(1)(ii)(D) of Rule 17q-7**

- HR Ratings does not validate, guarantee or certify the accuracy, correctness or completeness of any information and is not responsible for any errors or omissions or for results obtained from the use of such information.
- Ratings and/or opinions assigned by HR Ratings are based on an analysis of the creditworthiness of an entity, issue or issuer, and do not necessarily imply a statistical likelihood of default.
- The credit ratings do not opine on the liquidity of the issuer's securities or stock.
- The credit ratings do not consider the possible loss severity on an obligation default.
- The credit ratings are not an opinion of the market value of any issuer's securities or stock, or the possibility that this value suffer a deterioration.

**5. Information on the uncertainty of the credit rating as required by Paragraph (a)(1)(ii)(E) of Rule 17q-7**

The Analysis Committee noted no material limitations on the reliability, accuracy and quality on the data relied on in determining the credit rating.

The Analysis Committee noted no material limitations on the scope of historical data or on the accessibility to certain documents or other information that would have better informed any credit rating listed in this disclosure form.

The ratings and/or opinions assigned are issued on behalf of HR Ratings, not of its management or technical staff, and do not constitute an investment recommendation to buy, sell, or hold any instrument nor to perform any business, investment or other operation. The assigned ratings and/or opinions issued may be subject to updates at any time, in accordance with HR Ratings' methodologies.

**6. Use of third party due diligence services as required by Paragraph (a)(1)(ii)(F) of Rule 17q-7**

HR Ratings did not use third party due diligence services for this rating.

**7. Use of servicer or remittance reports to conduct surveillance of the credit rating as required by Paragraph (a)(1)(ii)(G) of Rule 17q-7**

HR Ratings did not use Servicer or Remittance Reports to conduct surveillance of this rating.

**8. Description of types of data about any obligor, issue, security or money market instrument relied upon for determining credit rating as required by Paragraph (a)(1)(ii)(H) of Rule 17q-7**

Among the main information used for the rating is:

- 2019 Annual Audited reports obtained from public records, regulatory filings and from the Company.
- Inter-annual financial statements and operational results.
- Presentations provided by the Company.
- Credit Loan and Leasing Portfolio.
- Funding Structure.
- Derivatives Position.
- Corporate Governance.
- Accounting Policies.

**9. Overall assessment of quality of information available and considered in determining credit rating as required by Paragraph (a)(1)(ii)(I) of Rule 17q-7**



The quality of the information provided by the entity is considered to be consistent with the quality observed within the asset class.

#### **10. Information relating to conflicts of interest as required by Paragraph (a)(1)(ii)(J) of Rule 17g-7**

The rating was solicited by the entity or issuer, or on its behalf, and therefore, HR Ratings has received the corresponding fees for the rating services provided. The following information can be found on our website at [www.hrratings.com](http://www.hrratings.com): (i) The internal procedures for the monitoring and surveillance of our ratings and the periodicity with which they are formally updated, (ii) the criteria used by HR Ratings for the withdrawal or suspension of the maintenance of a rating, and (iii) the procedure and process of voting on our Analysis Committee. The Analysis has been performed with complete independence from the received fees or any other business relation with the entity and in absolute concordance with the applicable methodologies.

The ratings and/or opinions assigned are issued on behalf of HR Ratings, not of its management or technical staff, and do not constitute an investment recommendation to buy, sell, or hold any instrument nor to perform any business, investment or other operation. The assigned ratings and/or opinions issued may be subject to updates at any time, in accordance with HR Ratings' methodologies.

#### **11. Explanation or measure of potential volatility to the credit rating as required by Paragraph (a)(1)(ii)(K) of Rule 17g-7**

1. Factors that are reasonably likely to lead to a change in the credit rating:

- **Improved profitability.** An increase in ROA and Average ROE above 3.5% and 10.0% as a result of a healthy evolution of UNIFIN's financial situation could positively impact the rating.
- **Decrease in delinquency levels.** An improvement in the quality of productive assets with an NPL ratio below 3.0% could have a positive impact on the rating.
- **Strengthening solvency levels.** This could be achieved through a combination of capital strengthening through profits generated, as well as a more conservative growth strategy, leading to an increase in the capitalization ratio above 20.0%.
- **Deterioration in the delinquency rate, which would affect the generation of reserves, higher administrative expenses and, in turn, net income.** The rating could have a negative impact in the event that the delinquency rate reaches levels above 6.0%.
- **Deterioration of solvency levels.** A pressure on the capitalization ratio as a result of accumulated net losses, placing the ratio at levels below 15.0%, could negatively impact the rating.

2. The magnitude of the change that could occur under different market conditions determined by HR Ratings to be relevant to the rating:

- **Severe recession of the local economy in 2021.** In the event of a contraction in GDP, as well as a significant deterioration in inflation and/or the exchange rate, which could pressure upward pressure the net debt to GDP metric, could lead to a Mexico's sovereign debt downgrade, affecting the Senior Note credit rating.
- **Significant impact in the Company borrower's capacity.** Deterioration in the borrowers' ability to pay as a result of the health contingency, could affect Unifin income and asset quality, resulting in lower profit margins and increased delinquency ratios and could negatively affect its local credit rating.

#### **12. Historical performance and expected probability of default and expected loss in event of default as required by Paragraph (a)(1)(ii)(L) of Rule 17g-7**

For historical performance of each rating listed in the disclosure form, click on the link in the ratings table presented on the first page.

Our credit ratings need to be understood as rankings of the relative creditworthiness of different entities or credits. Creditworthiness takes into consideration both the ability and willingness to meet debt obligations in the manner prescribed in the relevant documentation. Default refers to the noncompliance of previously agreed obligations. As our ratings measure relative creditworthiness, they do not necessarily reflect any specific statistical probability of default. In order to make more valid rankings of creditworthiness our different methodologies will apply stress case scenarios to complement our base case analysis.



**13. Assumptions made by HR Ratings in determining announced credit ratings and examples of how assumptions impact the rating as required by Paragraph (a)(1)(ii)(M) of Rule 17g-7**

1. Assumptions made in the ratings process that, without accounting for any other factor, would have the greatest impact on the credit rating if proven false or inaccurate:
  - The rating for the company is based on the Strength of solvency indicators and is expected to maintain a total capital ratio and leverage ratio of 17.3% as of 4Q23 (20.6% at the end of the 3Q21).
  - Adequate profitability levels, with an average ROA and ROE of 1.6% and 10.6% as of 3Q21 (vs. 1.9% and 14.2% as of 3Q20).
  - Loan portfolio quality is maintained, with a delinquency rate of 4.4% as of 3Q21 (vs. 4.9% as of 3Q21).
  - Increase in the coverage ratio, closing at 0.9x as of 3Q21 (vs. 0.7x as of 3Q20).
  - Maturity of Senior Notes issuance in 2022 for USD\$200m. The maturity would be refinanced through a new Senior Notes issuance. However, the Company has sufficient liquidity and funding lines to amortize the issue.
2. Analysis, using specific examples, of how each of the assumptions identified in the preceding paragraph impacts the credit rating:
  - If the Company's solvency levels close below our expectations, at levels below 10.5%, it could negatively impact the credit rating. In case that the loan portfolio shows an aggressive increase and poor quality after origination, the solvency ratios could show a pressure.
  - If the Company's profit margins close below our expectations, reaching levels below a ROA of 0.5%, it could negatively impact the credit rating. In addition to the quality deterioration of the Company's assets, an increase in loan loss provisions could significantly lower the ROA and ROE levels.
  - If the Company's delinquency ratios close above our expectations, at levels above 6.0%, it could negatively impact the credit rating. Significant pressure on the quality of the loan portfolio as a consequence of the health contingency.
  - If the Company's coverage ratio falls below 0.5x, it could negatively impact the credit rating.
  - If the Company is unable to repay the debt maturing in 2022, the rating would be significantly impacted.

**14. Representations, warranties and enforcement mechanisms available to investors as required by Paragraph (a)(1)(ii)(N) of Rule 17g-7**

The reporting of representations, warranties, and enforcement mechanisms does not apply to the credit rating listed in the disclosure form as it is not assigned to an asset-backed security.



# Perpetual Bonds

Unifin Financiera, S.A.B. de C.V.

# HR BB (G)

Financial Institutions  
May 24, 2022

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## Credit Rating Attestation

I, Angel García, Financial Institutions / ABS Director have the responsibility for this rating action and, to the best of my knowledge:

- No part of the credit rating was influenced by any other business activities;
- The credit rating was based solely upon the merits of the obligor, security, or money market instrument being rated; and
- The credit rating was an independent evaluation of the credit risk of the obligor, security, or money market instrument

Mexico City, May 24<sup>th</sup>, 2022

/s/ Angel García, Financial Institutions / ABS Director  
HR Ratings de México, S.A. de C.V.



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Credit  
Rating  
Agency

# Perpetual Bonds

## Unifin Financiera, S.A.B. de C.V.

# HR BB (G)

Financial Institutions  
May 24, 2022

A NRSRO Rating\*

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*\*HR Ratings de México, S.A. de C.V. (HR Ratings), is a Credit Rating Agency registered by the Securities and Exchange Commission (SEC) of the United States as an NRSRO for this type of rating. HR Ratings' recognition as an NRSRO is limited to government securities, corporates and financial institutions, described in clause (v) of section 3(a)(62)(A) of the US Securities Exchange Act of 1934.*

The rating was solicited by the entity or issuer, or on its behalf, and therefore, HR Ratings has received the corresponding fees for the rating services provided. The following information can be found on our website at [www.hrratings.com](http://www.hrratings.com): (i) The internal procedures for the monitoring and surveillance of our ratings and the periodicity with which they are formally updated, (ii) the criteria used by HR Ratings for the withdrawal or suspension of the maintenance of a rating, and (iii) the procedure and process of voting on our Analysis Committee.

The ratings and/or opinions of HR Ratings de México S.A. de C.V. (HR Ratings) are opinions regarding the credit quality and/or the asset management capacity, or relative to the performance of the tasks aimed at the fulfillment of the corporate purpose, by issuing companies and other entities or sectors, and are based on exclusively in the characteristics of the entity, issue and/or operation, regardless of any business activity between HR Ratings and the entity or issuer. The ratings and/or opinions granted are issued on behalf of HR Ratings and not of its management or technical personnel and do not constitute recommendations to buy, sell or maintain any instrument, or to carry out any type of business, investment or operation, and may be subject to updates at any time, in accordance with the HR Ratings classification methodologies, in terms of the provisions of article 7, section II and/or III, as appropriate, of the "General provisions applicable to the issuers of securities and other participants in the stock market".

HR Ratings bases its ratings and/or opinions on information obtained from sources that are believed to be accurate and reliable. HR Ratings, however, does not validate, guarantee or certify the accuracy, correctness or completeness of any information and is not responsible for any errors or omissions or for results obtained from the use of such information. Most issuers of debt securities rated by HR Ratings have paid a fee for the credit rating based on the amount and type of debt issued. The degree of creditworthiness of an issue or issuer, opinions regarding asset manager quality or ratings related to an entity's performance of its business purpose are subject to change, which can produce a rating upgrade or downgrade, without implying any responsibility for HR Ratings. The ratings issued by HR Ratings are assigned in an ethical manner, in accordance with healthy market practices and in compliance with applicable regulations found on the [www.hrratings.com](http://www.hrratings.com) rating agency webpage. There Code of Conduct, HR Ratings' rating methodologies, rating criteria and current ratings can also be found on the website.

Ratings and/or opinions assigned by HR Ratings are based on an analysis of the creditworthiness of an entity, issue or issuer, and do not necessarily imply a statistical likelihood of default, HR Ratings defines as the inability or unwillingness to satisfy the contractually stipulated payment terms of an obligation, such that creditors and/or bondholders are forced to take action in order to recover their investment or to restructure the debt due to a situation of stress faced by the debtor. Without disregard to the aforementioned point, in order to validate our ratings, our methodologies consider stress scenarios as a complement to the analysis derived from a base case scenario. The rating fee that HR Ratings receives from issuers generally ranges from US\$1,000 to US\$1,000,000 (or the foreign currency equivalent) per issue. In some instances, HR Ratings will rate all or some of the issues of a particular issuer for an annual fee. It is estimated that the annual fees range from US\$5,000 to US\$2,000,000 (or the foreign currency equivalent).