



## Rule 17g-7 Information Disclosure Form

### Ratings

Senior Notes 2023 HR BBB- (G)

Outlook Stable

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

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:**

Entity/Instrument	Rating Action	Rating Type	Rating Code
Senior Notes due 2023 (the Issuance) issued by UNIFIN Financiera (the Issuer / the Company) for an amount of US\$400.0m	Affirmed	Long-Term Rating	<a href="#">HR BBB- (G) / Stable Outlook</a>

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, May 2009  
<https://www.hrratings.com/docs/metodologia/3.2.3.%20Non%20Bank.pdf>
- ADDENDUM – Rating Methodology for Financial Leasing Agents and Pure Leasing Agents, January 2010  
<https://www.hrratings.com/docs/metodologia/3.2.5.%20Leasing%20Agents.pdf>
- General Methodological Criteria, November 2017  
<https://www.hrratings.com/docs/metodologia/General%20Methodology%20Criteria%20Nov%2017.pdf>
- Rating Methodology for Sovereign Debt, May 2017  
<https://www.hrratings.com/docs/metodologia/0Sovereign%20Debt%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

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### Definition

The long-term global rating assigned to the Senior Notes due 2023 placed by Unifin is HR BBB- (G) with Stable Outlook. The issuer or issue with this rating provides moderate safety for timely payment of debt obligations. Maintains moderate credit risk on a global scale, with weakness in the ability to pay in adverse economic scenarios. The negative sign means a relative weakness within the assigned rating.



A NRSRO Rating\*

Credit  
Rating  
Agency

# Senior Notes

Unifin Financiera, S.A.B. de C.V., SOFOM, E.N.R.

ISIN US90470TAA60

# HR BB- (G)

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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.

For the financial projections, the analyst focuses on the capacity of the institution to maintain a capital adequacy ratio and its ability to generate cash flow, even under a high stress scenario. Both factors are fundamental so that the entity can reliably meet its financing needs. The factors the analyst takes into consideration for the projections and to present a reliable scenario include economic environment, industry growth expectations, competition, business plan, business cycle, business financial situation, concentration risks of the portfolio and funding structure, among others. With the historically financial information and with the projection we calculate the key financial ratios for the quantitative analysis. The financial ratios taken into consideration are the profitability level, the operating efficiency, portfolio quality, market risk, solvency ratios and liquidity risk. The final rating represents the sum of the rating assessment given by the qualitative risks analysis and in the quantitative risk analysis.

#### **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 does not use Servicer or Remittance Reports to conduct surveillance of this rating.



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**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:

- Annual Audited reports obtained from public record, regulatory filings and from the Company.
- Inter-annual financial statements and operational results.
- Projections, budget and guidelines provided by the Company.
- Presentations provided by the Company.
- Credit Loan and Leasing Portfolio.
- Funding Structure.
- Liquidity Positions.
- 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 17q-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 17q-7**

The main factors that could lead to the volatility of the rating are:

- An increase in non-performing loans due to the aggressive growth plan that has been maintained for the past twelve months, especially due to the incorporation of new regional markets into the operation of the Company.
- An increase in competition in the leasing industry that would limit the Issuer's ability to increase its portfolio rate as planned for the coming quarters.
- A sharp increase in operative expenses due to the expected increase in the leasing portfolio volume and the opening of regional offices in Mexico.
- Conditions of market volatility that would limit the Issuer's ability to carry out its funding and capitalization strategy as planned, given that Unifin is a recurring issuer of fiduciary and unsecured bonds in local and international markets.
- Solvency deterioration due to the increase of risky assets and the negative impact on capital from the net losses forecasted for 2018 in the stress scenario.
- Possible inorganic growth through company mergers and acquisitions.
- Changes in the Mexican financial regulation, which might negatively impact the expected growth and current business plan of the company.
- Changes in Mexico's sovereign rating by HR Ratings, which would imply deteriorated macroeconomic conditions and a stressed performance of the country's financial sector.



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**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**

- Adequate evolution of solvency metrics due to the issuance of the Subordinates Perpetual Bond, which was granted an Equity Weight of 50.0% given the redemption clauses included in the Issuance. Adjusted capitalization ratio and adjusted leverage ratio improved at 3Q18 to 28.1% y 3.9x (vs. 27.3% & 4.7x at 3Q17).
- Low maturity of the originated portfolio, given an average seasoning of 10.1 months at 3Q18 (vs- 8.2 months at 3Q17), and aggressive portfolio growth in the past years, so an increase in portfolio delinquency should be expected.
- Recurrent profit generation, which has strengthened shareholders equity, and ROAA and ROAE performing above expectations at 3.3% and 19.6% at 3Q18 (vs. 2.4% & 16.3% expected in our base case scenario). Nonetheless, profitability decreased compared to last year due to a reduction in margins.
- High flexibility of funding tools, with an authorized amount of P\$52,514m with an availability of 14.9% at 3Q18 (vs. P\$44,623m and 12.9% at 3Q17). The Company's funding strategy involves debt issuance in local and international markets, warehousing lines and commercial and development bank loans.
- Solid risk management, given the reduction of unhedged floating-rate debt from 14.5% of total debt at 3Q17 to 6.5% at 3Q18. Additionally, debt issuances in dollars are fully hedged, which has reduced the impact of rising funding costs.

**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.



A NRSRO Rating\*

Credit  
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# Senior Notes

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## Credit Rating Attestation

I, Fernando Sandoval, Financials / ABS Executive 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, February 30th, 2018

/s/ Fernando Sandoval Oseguera  
Financials / ABS Executive Director  
HR Ratings de México, S.A. de C.V.



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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.

HR Ratings de México SA de CV (HR Ratings) ratings and/or opinions are opinions of credit quality and/or regarding the ability of management to administer assets; or opinions regarding the efficacy of activities to meet the nature or purpose of the business on the part of issuers, other entities or sectors, and are based exclusively on the characteristics of the entity, issuer or operation, independent of any activity or business that exists between HR Ratings and the entity or issuer. 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.

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\$2,000,00 (or the foreign currency equivalent).

\*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.