

# CRÉDITO REAL<sup>®</sup>

Beyond your limits

## Special Report #3

### Cash Balance Reconciliation and Payroll Yield

#### CONTACT

Renata González Muñoz

+52 (55) 5228 9753

[rgonzalez@creditoreal.com.mx](mailto:rgonzalez@creditoreal.com.mx)

Eduardo Hanono Gómez

+52 (55) 5340 5200 Ext. 2182

[ehanono@creditoreal.com.mx](mailto:ehanono@creditoreal.com.mx)



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## **CRÉDITO REAL REPORTS ADDITIONAL DETAILS OVER THE CASH BALANCE RECONCILIATION AND YIELD IMPROVEMENT WITHIN ITS PAYROLL BUSINESS**

As part of Crédito Real's commitment to transparency and accountability, and in response to questions and feedback recently received, we are publishing this special report to provide further detail on the Company's cashflow balance reconciliation and the principal factors that influenced the reported payroll yield growth, including income related to the acquired portfolio from Banco Ahorro Famsa ("BaFamsa").

# Cash Balance Reconciliation

During 3Q21, Crédito Real sought to utilize cash in the most efficient way, maximizing the Company's resources and taking the right approach towards eliminating negative elements of liquidity through amortization of debt and expansion of its operations.

	<b>3Q21</b>
<b>Cash and Equivalents 2Q21 (BoP)</b>	<b>3,472.5</b>
Collections	9,207.9
Originations	(7,194.1)
Interest expense	(1,567.4)
FX effect	23.3
Commissions paid	(71.2)
SG&A expenses	(901.9)
Taxes	(323.5)
Liabilities net of derivatives	(993.8)
<b>Cash and Equivalents 3Q21 (EoP)</b>	<b>1,651.8</b>

(1) Figures expressed in million pesos.

The payroll business has been showing a remarkable improvement in the yield from 17.5% in 9M20 to 19.5% in 9M21, mainly attributed to the following factors:

- 1 A sound origination throughout the year that totaled 5,483 MXN Mn in 9M21 compared to 3,617 MXN Mn in 9M20.
- 2 A shift towards the most profitable segments within the payroll business such as Federal Education, Health and Government, while decreasing the weight of the IMSS portfolio, which implies lower interest rates. As a result, Government and Health have increased its weight to 31% from 26%, while the weight in the IMSS portfolio has decreased from 33% to 26%. With this strategy the Company expects to increase the average interest rate.
- 3 During 9M21, the Company registered a 248 MXN Mn gain in interest income compared to a 263 MXN Mn loss during the same period last year, corresponding to foreign exchange variations on the balance sheet exposed positions. These effects are prorated based on the businesses weights on the portfolio, allocating the biggest impact in the payroll business (~57%).
- 4 The acquisition of the loan portfolio from BaFamsa resulted in a positive contribution from collections received (which collections correspond to interests of 82 MXN Mn during the 3Q21 and 362 MXN since its acquisition in early 2021). Further details about the contribution and accounting are included in the next slide.

Overall, payroll origination represented 24% of total origination in 9M21 compared to 15% in the same period last year. The Company's strategy continues to be the maximization of capital towards the most profitable businesses.

# BaFamsa Portfolio Contribution

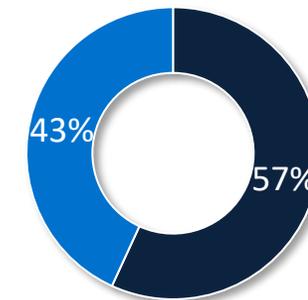
- We acquired the portfolio from BaFamsa in early 2021 for 1,230 MXN Mn.
- Up until the end of 3Q21, we had collected 839 MXN Mn. This figure is comprised by 477 MXN Mn of principal and 362 MXN Mn of interest. Accordingly, only the corresponding interest of collections (362 MXN Mn) have been recognized as revenue<sup>2</sup>.
  - The interest portion considers 1) the amount paid for the portfolio<sup>3</sup> (1,230 MXN Mn), 2) collections received since the portfolio's acquisition (839 MXN Mn), and 3) the fair value of the portfolio, as indicated in the consortium's valuation, which is based on collected amounts as of September 2021 (753 MXN Mn). In this case, calculation looks as follows:  $362 = 839 + 753 - 1,230$ .
  - There is no mark-to-market valuation in this calculation.
- The results obtained from valuating the portfolio at fair value are equivalent to an amortized cost accounting treatment using an implicit rate of return of 48%.
- As collections progress, reducing overall portfolio size, income from this portfolio has declined throughout the year as follows: 170 MXN Mn in 1Q21, 111 MXN Mn in 2Q21 and 82 MXN Mn in 3Q21.

## 9M21 Collection breakdown

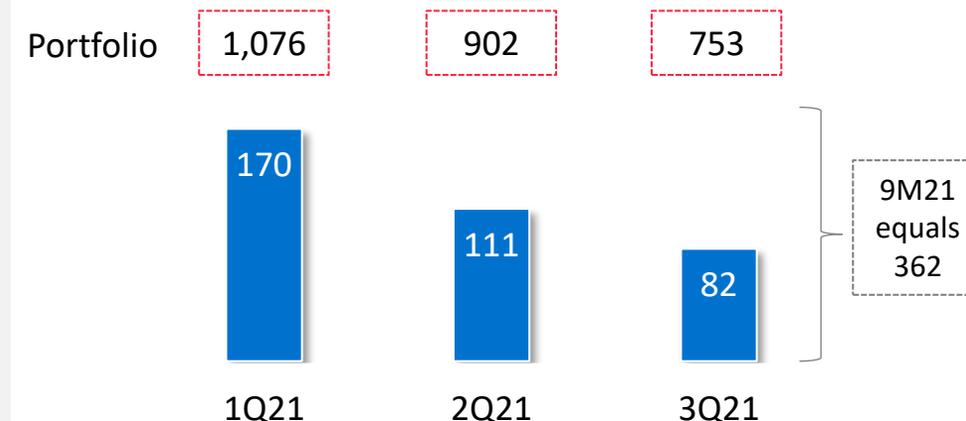
■ Principal =  
477 MXN Mn

■ Interest =  
362 MXN Mn

Total Collection =  
839 MXN Mn



## Recognized interest income



(1) Figures expressed in million pesos.

(2) No gain is being recognized on such interest portion (see footnote 3).

(3) Based on the purchase price of 40 cents per peso corresponding to Credito Real's portion of the portfolio

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## About Crédito Real

Crédito Real is a leading financial institution in Mexico, with presence in the United States, Costa Rica, Panama, Nicaragua and Honduras, focusing on consumer lending with a diversified business platform in the following main lines of business: payroll loans, small business loans, used car loans, consumer loans through Instacredit and group loans. Crédito Real offers its products mainly to low and middle-income segments of the population that have historically been underserved by other financial institutions. The Company’s stock is listed on the Mexican Stock Exchange under the ticker symbol “CREAL\*”. (Bloomberg identification number is CREAL\*:MF)



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