

CRÉDITO REAL

Rebasa tus límites.

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Crédito Real Day

November 12th, 2013



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Crédito Real overview

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Business model and strategy

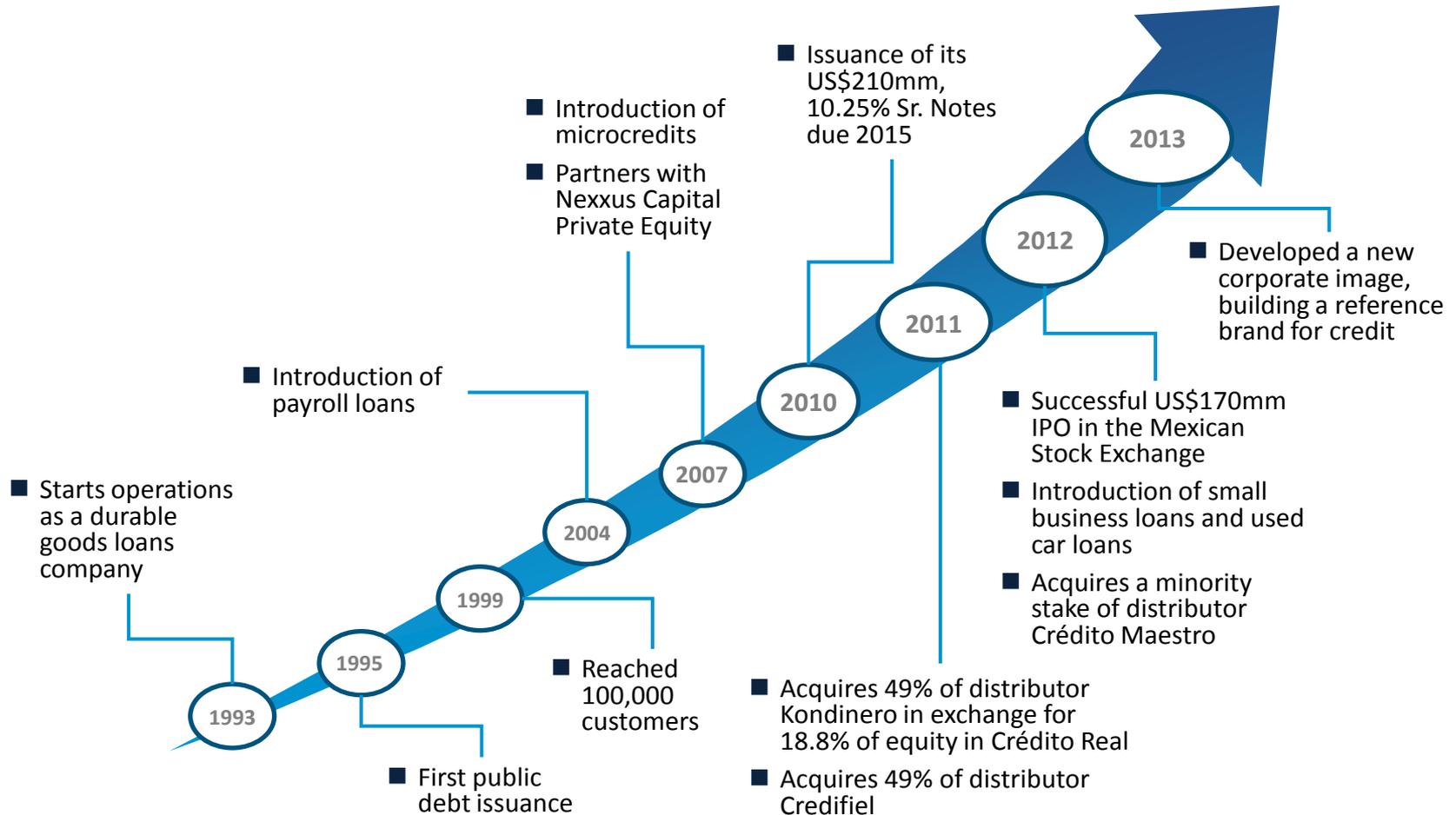
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Funding and financial results

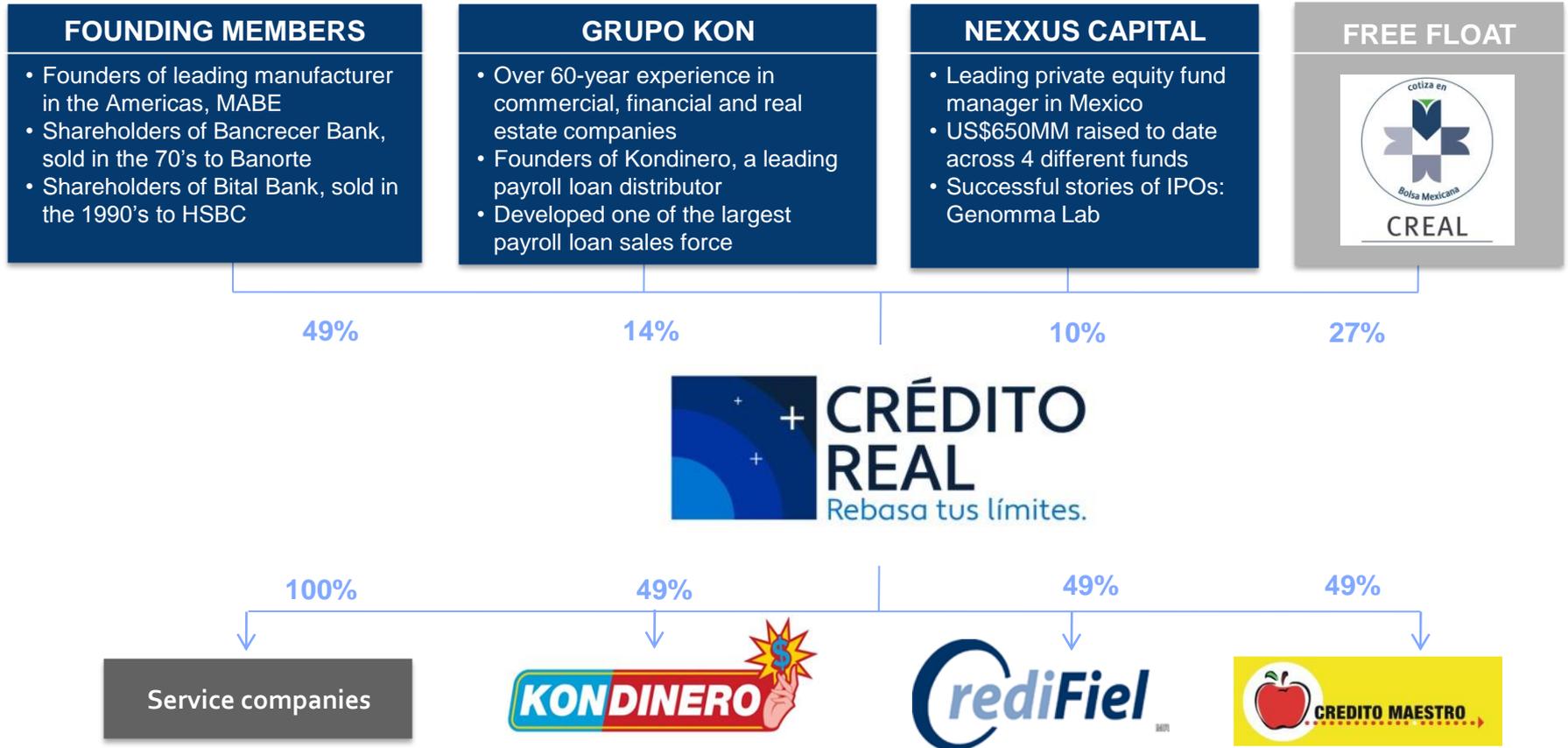
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Value drivers

Our history in brief

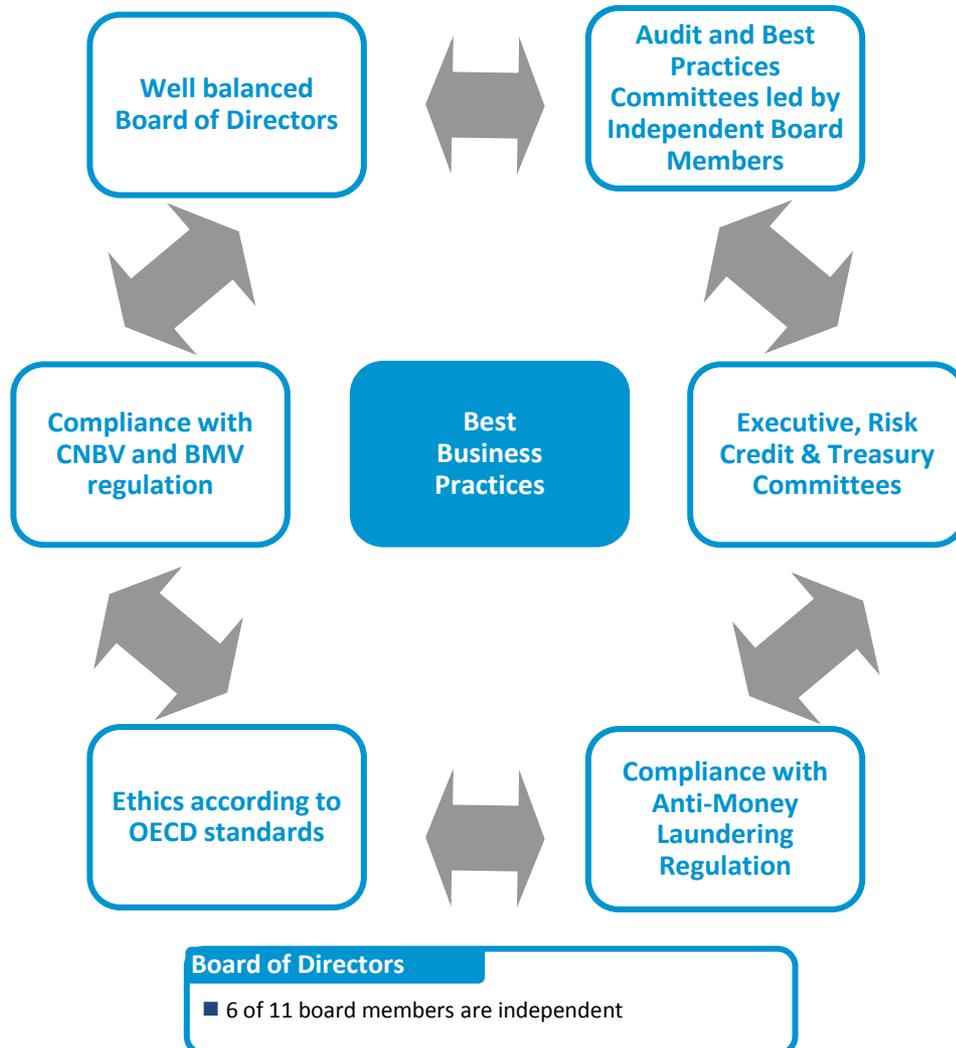


Corporate structure



Corporate Governance and Management Team

Corporate Governance and Compliance



Experienced Management Team

Angel Romanos - CEO

- Founder of Crédito Real
- CEO of the Company since inception
- MBA from Wharton School of Business

Lorena Cardenas - CFO

- CFO since 2008
- Previously acted as CFO for GMAC and Nortel Networks in Mexico, nearly 20 years of CFO experience
- MBA from University of Miami

Carlos Ochoa - COO

- COO since 2003
- 11 years with the Company, critical to the creation of Crédito Real's current operative model
- Master's degree in Economics and Finance from the University of Bristol

Luis Carlos Aguilar – Payroll Commercial Officer

- Payroll commercial officer since 2009
- 16 years with the Company, privileged knowledge of payroll industry in Mexico
- MBA from IPADE

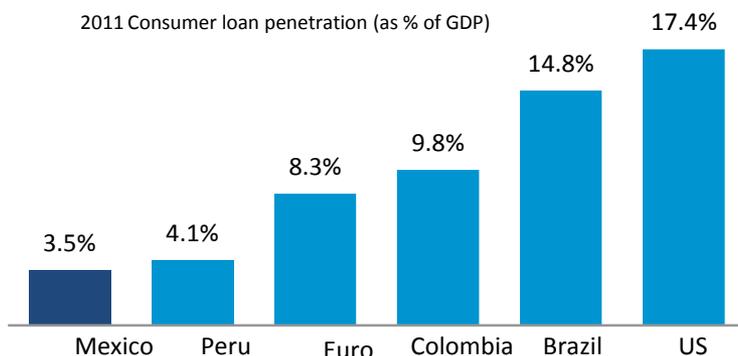
Jonathan Rangel – IR Officer

- Former IR Officer of Comerci, from 2010 to 2013
- Background in Genworth Financial (GE)
- MBA from IPADE, CFA Candidate Level III

Market opportunity – Our credit platform

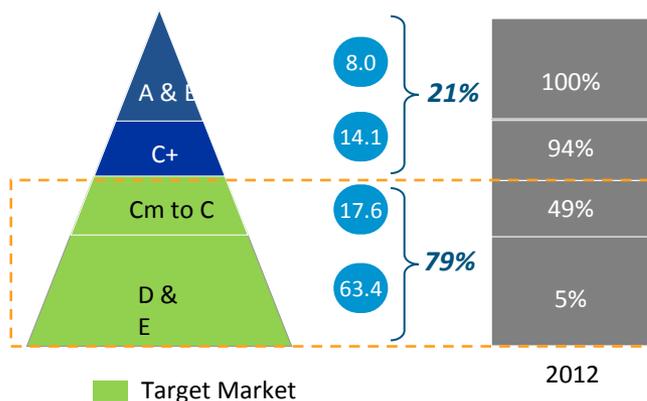
Low penetration of consumer credit

2011 Consumer loan penetration (as % of GDP)



Limited access to banking services

Population SegmenPopulation (mm) Bancarization⁽¹⁾



Credito Real Platform Key Attributes

- **Base of costumers** over 4 million loans disbursed to over 2 million customers , 0.5 million active
- **Diversified nationwide** origination platform
- **Tailor made products** with fixed interest, installments and payments
- **Unique distribution** with more than 2,000 sales reps
- **Scalable products model** with attractive risk -reward proposition
- **Proprietary credit approval process**
- **High quality loan portfolio** with an average **NPL of 1.7%**

Source: Banco de Mexico, World Economic Outlook Database, CONAPO.CGAP Financial Access Report 2010, Acción Institucional, AMAI.

Note 1: Population utilizing banking services.
Income level by bracket (approximate annual amount in USD):
"A/B" +108,400; "C+" 76,500; "Cm/C" 29,700; "D" 8,900; "E" 3,400.



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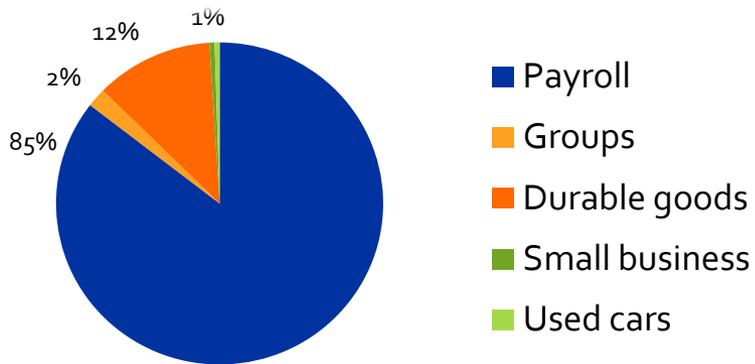
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Value drivers

Expansion Plan



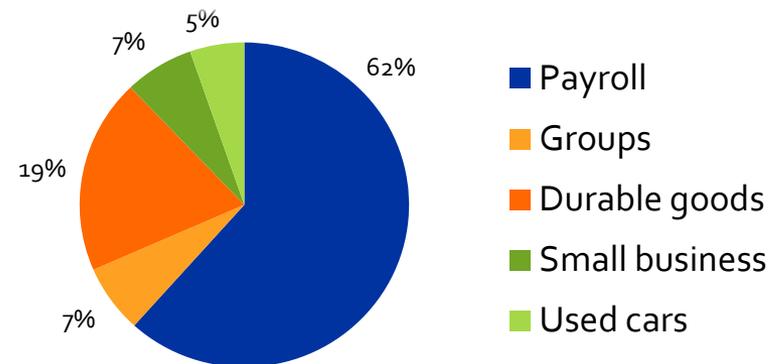
3Q 2013



Portfolio of \$9.2 billion pesos



2018



Portfolio of \$21 billion pesos

- ✓ Diversifies risk
- ✓ Takes advantage of our platform and replicate know-how in other products
- ✓ Enhances growth
- ✓ Is supported with alliances

Expansion Plan

Growth potential

15% - 20% loan portfolio annual growth

ROE \approx 25% - 30%

NPL \approx 2% - 3%

Inorganic growth	Flexibility	Other growth criteria
<ul style="list-style-type: none">• Alliances with distributors & payroll, PyMES, used cars• New products: To complement SME customer needs• Enter new markets in Latin America	<ul style="list-style-type: none">• Options to purchase 51% stake of 3 main distributors• Reinforce processes and product platform	<ul style="list-style-type: none">• Strengthen the Brand with an integrated communication plan, advertising, media presence• In the mid-long term apply for a bank license (in order to strengthen Credito Real as a financial institution)

PYME

Crédito Real

Fondo H - Alliance

Product Description

Loans for working capital to independent professionals and ongoing small businesses

Target Market

Annual Sales MXM\$5 - \$25
New customers

Annual Sales MXM\$50 - \$100
High customer retention

Distribution Platform

Business center
Financial Advisors

Experienced Sales Force

Product Statistics

- Loan amount – MX \$100,000 - \$750,000
- Term – 3 - 36 months
- Rate – 28% - 32%

- Loan amount – MX \$ 1 M - \$ 10 M
- Term – 3 - 24 months
- Rate – 20% - 25%

PYME Fondo H Transaction

Who is Fondo H

- More than 6 years proven track record financing PYME
- Strong customer-relationship:
 - ✓ Customer Retention
 - ✓ NPL's 3%

The Alliance

- Exclusivity & Non-Compete
- Sharing 30% of operating margin
(Interest income – Funding cost – Provisions)

What the Alliance brings to Credito Real

- Significant increase to existing customer base
- Expansion of PYME
 - Expected anual growth 15% - 20%
- Increase market share for PYME financing

PYME Fondo H Transaction

Credit process

Close to the customer

Understand Financing Needs

Customer Oriented Service

Overall credit process is concluded significantly faster than competitors

Portfolio financial Indicators

Loan Portfolio	\$657
Financial margin	12% - 15%
Average maturity	14 months
Profit-Risk sharing agreement	70% - 30%
Crédito Real annual margin	\$62
ROE (assuming current leverage)	20%
Expected annual growth	15% - 20%
SME customer size (annual sales)	\$50 - \$100 MXM

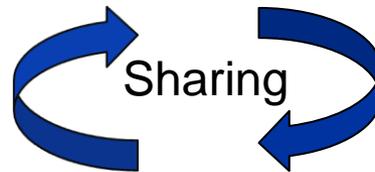
Payroll business model

Distributors

- Sales force that goes to the customer (+2,000 reps)
- +250 Agreements with government agencies
- Strong P&L



- Strong Balance Sheet (Funding)
- Credit Analysis (Quality of assets)
- Infraestructure, processes



Interest income and risk 50% - 50%
Joint collection efforts

P&L flow

	Crédito Real	Distributor	Consolidated	Stress scenario
Loan Portfolio	\$100	\$0	\$100	\$100
Interest Income (60%)	30	30	60	40
Funding Cost	9	0	9	9
Provisions	1	1	2	2
SG&A	1	14	15	12
Operating Result	19	15	34	17
Taxes	4	4	8	4
Part. in subsidiaries	5	0	0	0
Net Income	20	11	26	13
ROA	20%	NA	26%	13%

Competitive landscape



		ConsuBanco	Crediamigo	Infonacot	Banks & other
Market share	35%	20%	10%	NA	NA
Product description	Personal loan linked to payroll (low risk)	✓	✓	Different products linked to payroll	Personal loan linked to a payroll or debit account
Distribution	+300 branches +2000 Sales reps Network in rural areas	Integrated operations	Integrated operations	80 branches Urban areas	Branching network, urban areas
CAGR	35%	20%	35%	NA	NA
Interest rate	50% - 60%	50% - 60%	50% - 60%	30% (5% upfront fee)	30% - 40%
Average Duration	34 months	✓	✓	12 months	32 months
Onsite presence	Yes	Yes	Yes	No	No
Differentiators	Exclusivity with 3 main distributors. 30 alliances.			Lower rates. Depends on government policy	Few or no agreements. Sales force do not fit with branching model.

Challenges and Mitigators

Regulation

- Increased regulation and reporting:
- Financial reform promotes credit availability for underserved customers

- Credito Real already reports and complies with most of banking regulation
- Introduction of Used Car Loans and SME Loans

Competition

- Increased competitive pressures

- Business Practices & Flexibility allow a very good position among new and existing players
- Distribution network: +250 agreements, renewal rate 95%, +2000 reps, +300 branches)

Political

- Initiative to promote economic development; (Education, Fiscal, Energy & Financial Reforms)
- Centralizing Federal public-employee payroll
- Increased government auction processes

- Crédito Real will benefit from a more organized public sector
- Crédito Real distributors have been selected in government auctions



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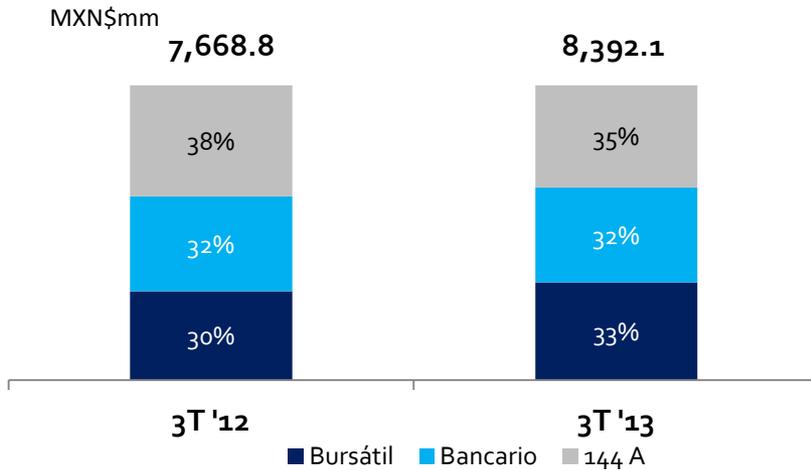
Funding and financial results

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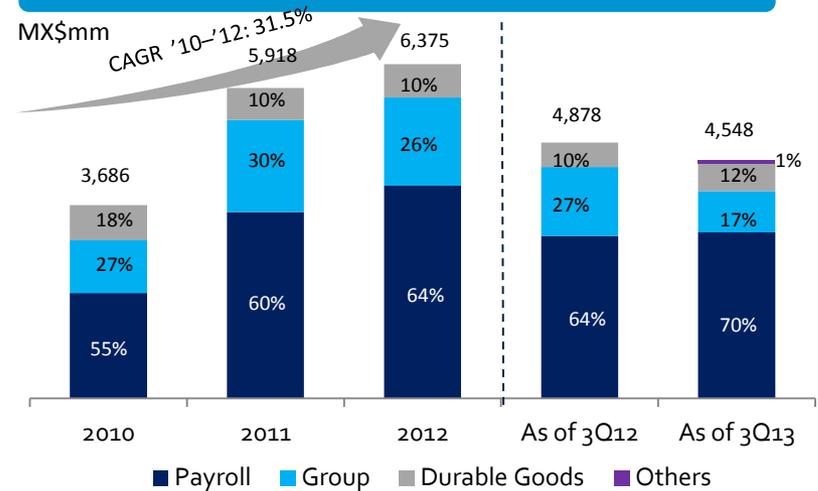
Value drivers

Diversified sources of funding

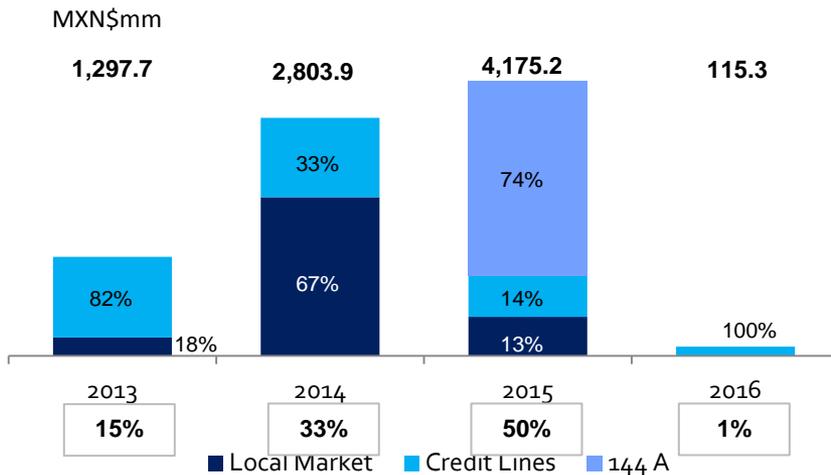
Debt Profile



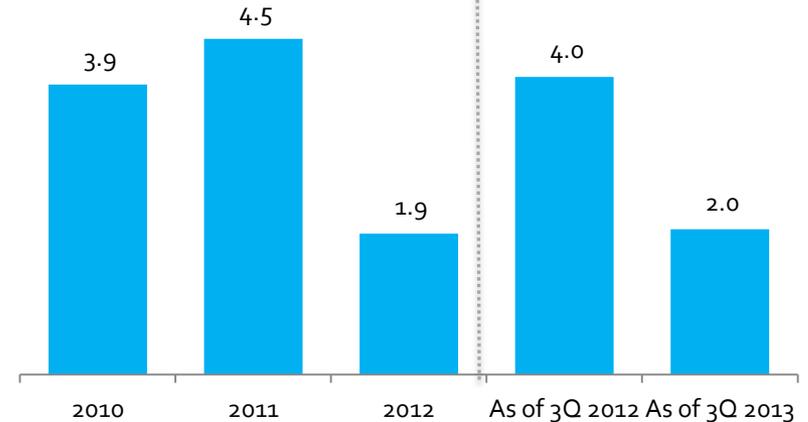
Collection



Debt Maturity Schedule as of 3Q13

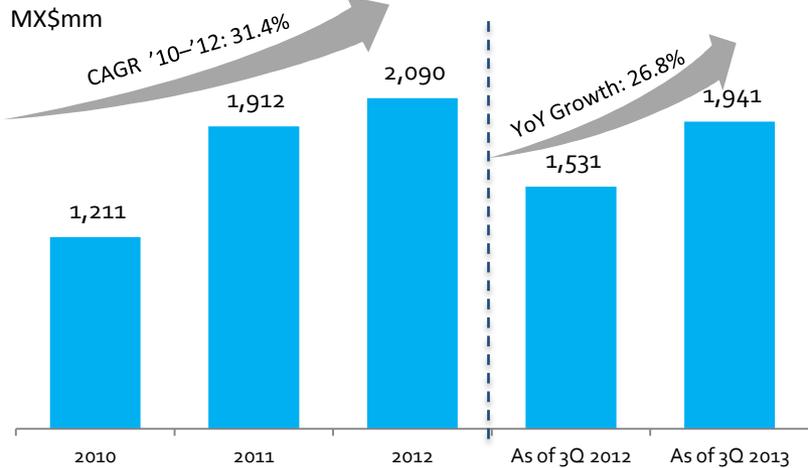


Debt / Equity Ratio

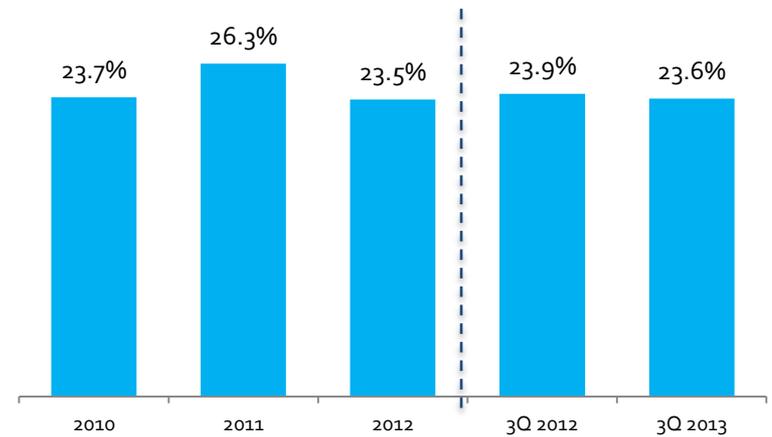


Financial Performance

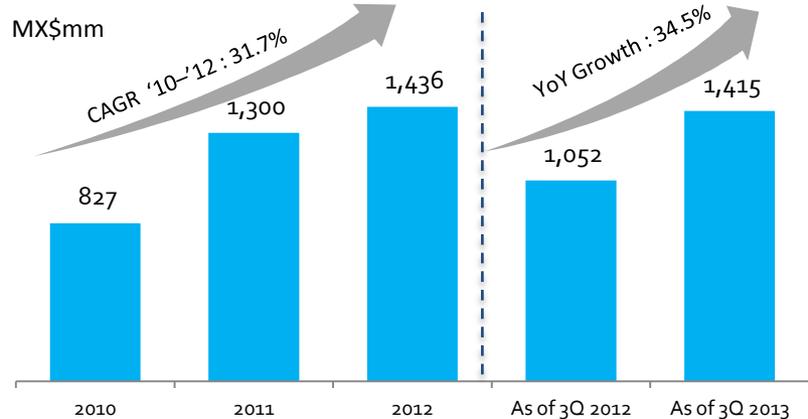
Interest Income



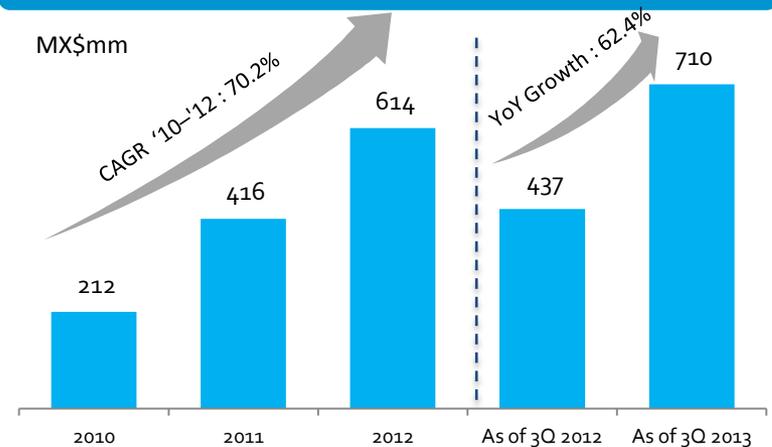
NIM % ⁽¹⁾



Financial Margin



Net Income



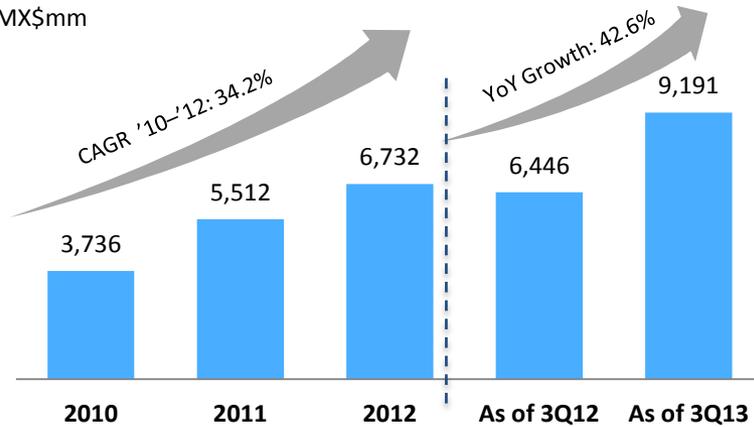
Source: Crédito Real

(1) Net Interest Margin is calculated by dividing annualized financial margin by average quarterly total loan portfolio

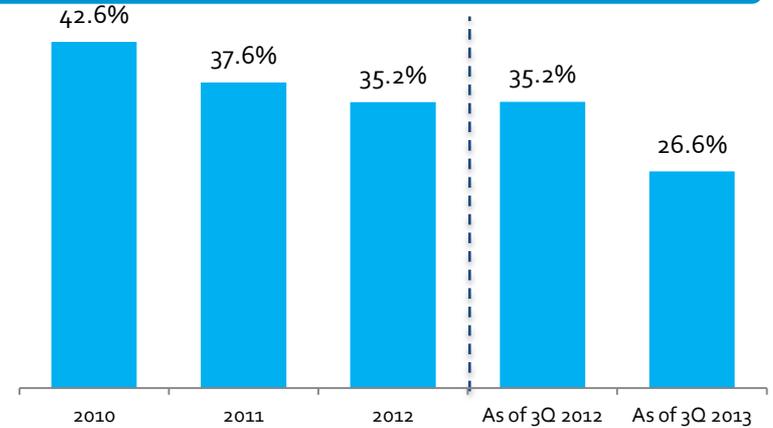
Performance metrics

Loan Growth

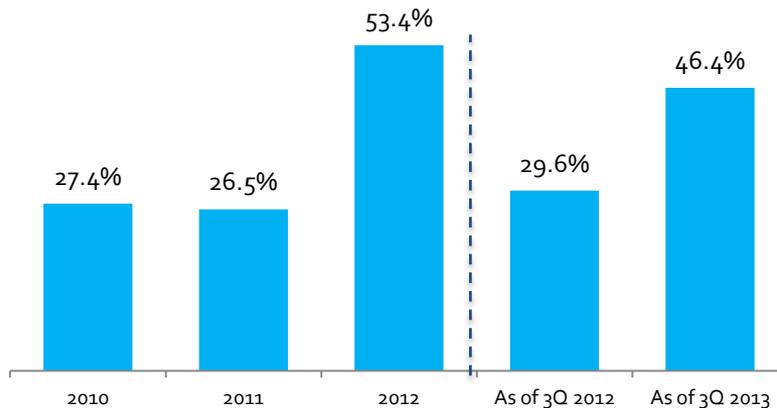
MX\$mm



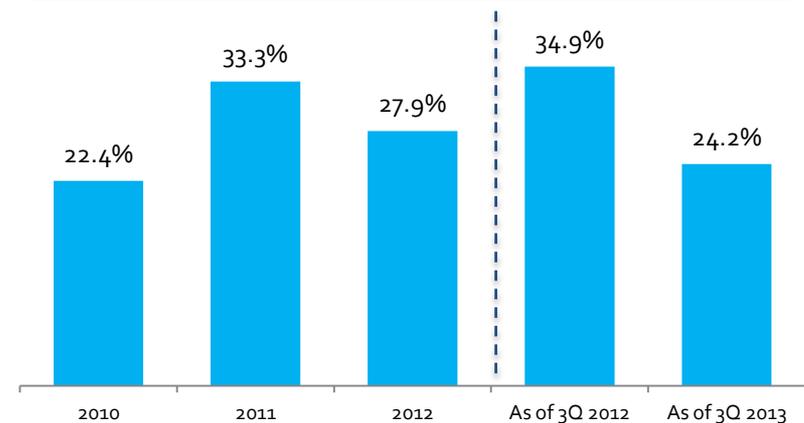
Efficiency Ratio ²



Capitalization



ROAE



Source: Crédito Real. — Required Level for Regulated Banks

Notes:

1. Calculated as: Interest Income / Average Earnings Assets.
2. Efficiency index consists of administrative and promotion expenses for the period divided by the sum of (a) financial margin and (b) the difference between (i) commissions and fees collected and (ii) commissions and fees paid for the period.



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Value drivers

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Sustainable growth

Low risk products
Superior financial margins

2

Healthy loan portfolio

Lowest NPL's in the sector

3

Differentiated product platform

Push distribution network
Flexible vs. banks, diversified

4

Diversified funding sources

Decreasing funding cost
Higher capitalization index

5

Qualified management and governance

Banking background
Best Corporate Gov. practices



Increase stock visibility

- Investor Relations Plan
- Actively Meeting Investors
- Scheduling NDRS
- Attending investor conferences
- Current coverage
 - Banorte – Ixe, BBVA Bancomer, Deutsche Bank, Barclays, JP Morgan
- Increase sell – side coverage

Expand CREAL visibility among investors*

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Financial Information

Balance Sheet								
	3Q'13	3Q'12	Var	% Var	2012	2011	% Var	
Ps. Million								
Cash and cash equivalents	81.8	83.2	-	1.3	-1.6%	85.2	64.3	32.5%
Investments in securities	209.4	819.7	-	610.3	-74.5%	346.8	253.6	36.7%
Securities and derivatives transactions	320.8	300.4	20.5	6.8%	241.5	521.4	-53.7%	
Performing loan portfolio								
Commercial loans	9,039.1	6,356.8	2,682.3	42.2%	6,625.6	5,403.1	22.6%	
Total performing loan portfolio	9,039.1	6,356.8	2,682.3	42.2%	6,625.6	5,403.1	22.6%	
Non-performing loan portfolio								
Commercial loans	152.1	89.4	62.7	70.1%	106.9	109.0	-2.0%	
Total non-performing loan portfolio	152.1	89.4	62.7	70.1%	106.9	109.0	-2.0%	
Loan portfolio	9,191.2	6,446.2	2,745.0	42.6%	6,732.5	5,512.2	22.1%	
Less: Allowance for loan losses	174.0	116.1	57.9	49.8%	141.3	130.5	8.2%	
Loan portfolio (net)	9,017.2	6,330.1	2,687.1	42.4%	6,591.2	5,381.6	22.5%	
Other accounts receivable (net)	2,325.4	1,928.5	397.0	20.6%	2,504.3	1,574.0	59.1%	
Foreclosed assets (net)	-	-	-	-	-	-	-	
Property, furniture and fixtures (net)	21.4	16.5	4.9	29.9%	17.8	14.3	24.7%	
Long-term investments in shares	762.0	392.0	370.0	94.4%	752.5	364.0	106.7%	
Deferred taxes (net)	-	-	-	-	-	-	-	
Other assets								
Debt insurance costs, intangibles and others	592.4	175.9	416.5	236.8%	425.9	179.4	137.4%	
Total assets	<u>13,330.4</u>	<u>10,046.1</u>	<u>3,284.3</u>	<u>32.7%</u>	<u>10,965.3</u>	<u>8,352.7</u>	<u>31.3%</u>	
Liabilities								
Notes payable (certificados bursatiles)	2,775.4	2,310.4	465.0	20.1%	1,751.0	1,944.0	-9.9%	
Senior notes payable	2,907.1	2,892.9	14.2	0.5%	2,814.4	3,122.1	-9.9%	
Bank loans and borrowings from other entities								
Short-term	1,014.9	1,633.5	-	618.6	-37.9%	1,562.4	1,053.9	48.2%
Long-term	1,694.7	832.0	862.7	103.7%	719.6	516.0	39.5%	
	2,709.6	2,465.5	244.0	9.9%	2,282.0	1,569.9	45.4%	
Securities and derivatives transactions	-	-	-	-	-	-	-	
Other accounts payable	12.8	28.4	-	15.6	-54.9%	17.8	4.2	326.2%
Income taxes payable	660.3	443.8	216.5	48.8%	503.7	252.1	99.8%	
Total liabilities	9,065.2	8,141.0	924.3	11.4%	7,368.9	6,892.3	6.9%	
Stockholders' equity								
Capital stock	2,017.3	507.4	1,509.9	297.5%	2,017.2	507.4	297.5%	
Earned capital:								
Accumulated results from prior years	1,523.0	952.9	570.1	59.8%	935.8	537.4	74.1%	
Result from valuation of cash flow hedges, net	14.8	7.7	7.1		29.3	-		
Net income	710.0	437.1	272.9	62.4%	614.1	415.5	47.8%	
Total stockholders' equity	<u>4,265.2</u>	<u>1,905.2</u>	<u>2,360.0</u>	<u>123.9%</u>	<u>3,596.4</u>	<u>1,460.4</u>	<u>146.3%</u>	
Total Liabilities and Stockholders' equity	<u>13,330.4</u>	<u>10,046.1</u>	<u>3,284.3</u>	<u>32.7%</u>	<u>10,965.3</u>	<u>8,352.7</u>	<u>31.3%</u>	

Financial Information

Profit & Loss													
	3Q'13	3Q'12	Var	% Var	YTD'13	YTD'12	Var	% Var	2012	2011	% Var		
Ps. Millions													
Interest Income	697.9	530.4	167.5	31.6%	1,941.0	1,530.9	410.1	26.8%	2,090.4	1,912.3	9.3%		
Interest Expense	(182.5)	(166.3)	16.3	9.8%	(526.2)	(479.2)	47.0	9.8%	(654.8)	(612.8)	6.9%		
Financial Margin	515.4	364.1	151.3	41.5%	1,414.8	1,051.7	363.2	34.5%	1,435.6	1,299.5	10.5%		
Provision for Loan Losses	(112.7)	(31.7)	81.0	-255.6%	(298.5)	(183.6)	115.0	-62.6%	(272.8)	(309.0)	-11.7%		
Financial Margin adjusted for Credit Risks	402.7	332.4	70.3	21.1%	1,116.3	868.1	248.2	28.6%	1,162.8	990.5	17.4%		
Commissions and fees paid	(17.9)	(16.5)	1.4	8.5%	(51.5)	(52.9)	-	1.4	(69.5)	(61.3)	13.3%		
Other income from the operation	2.3	5.2	-	2.9	-56.3%	8.3	15.4	-	7.1	-46.0%	20.6	18.1	13.8%
Administrative and promotion expenses	(122.5)	(115.3)	7.2	6.3%	(363.2)	(351.5)	11.7	3.3%	(480.5)	(465.6)	3.2%		
Operating result	264.5	205.8	58.7	28.5%	709.9	479.1	230.8	48.2%	633.4	481.7	31.5%		
Income taxes	(58.1)	(48.7)	9.3	19.2%	(154.0)	(101.9)	52.2	51.2%	(144.4)	(102.5)	40.9%		
Income before participation in the results of subsidiaries	206.4	157.1	49.3	31.4%	555.8	377.2	178.6	47.4%	489.1	379.2	29.0%		
Participation in the results of subsidiaries and associates	50.4	19.8	30.6	155.0%	154.2	59.9	94.3	157.3%	125.1	36.3	244.5%		
Net Income	256.8	176.8	79.9	45.2%	710.0	437.1	272.9	62.4%	614.1	415.5	47.8%		

Financial Information

Financial Ratios									
	3Q'13	3Q'12	Var	YTD'13	YTD'12	Var	2012	2011	Var
Yield	31.9%	34.9%	-3.0%	33.0%	35.1%	-2.1%	34.2%	38.7%	-4.5%
Return on Average Loan Portfolio	11.7%	11.6%	0.1%	12.1%	10.0%	2.0%	10.0%	8.4%	1.6%
ROAE: Return on average stockholders' equity	24.9%	39.0%	-14.1%	24.2%	34.9%	-10.7%	27.9%	33.3%	-5.4%
Debt to Equity Ratio	2.0	4.0	- 2.1	2.0	4.0	- 2.1	1.9	4.5	- 2.6
Average cost of funds	9.1%	9.4%	-0.3%	9.3%	9.4%	-0.1%	9.5%	10.7%	-1.2%
Efficiency ratio	24.6%	33.2%	-8.5%	26.6%	35.2%	-8.6%	35.2%	37.6%	-2.4%
Capitalization Ratio	46.4%	29.6%	16.9%	46.4%	29.6%	16.9%	53.4%	26.5%	26.9%
Provisions for loan losses as a percentage of total loan portfolio	4.9%	2.0%	2.9%	4.3%	3.8%	0.5%	4.1%	5.6%	-1.6%
Allowance for loan losses as a percentage of total past-due loan portfolio	114.3%	129.8%	-15.5%	114.3%	129.8%	-15.5%	132.2%	119.7%	12.4%
Total past-due loan portfolio as a percentage of total loan portfolio	1.7%	1.4%	0.3%	1.7%	1.4%	0.3%	1.6%	2.0%	-0.4%

Products Overview

Products Offered													
	Payroll Loans	Microcredit	Durable Goods Loans										
Product Description	Personal loans for unionized government employees repaid through direct payroll	Loans to finance micro-business working capital requirements	Loans to finance purchases of durable goods from selected retailers										
Target Markets	Unionized public employees C+, Cm, C and D+	Women in suburban areas D and E	B, C+, Cm, C and D										
Product Statistics	<ul style="list-style-type: none"> Avg. loan amount – MX\$22,512 Avg. term – 34 months Avg. annual interest rate – 50% - 65% Payment frequency – Bi-weekly Delinquency rate – 1.5% Customers – 348,186 (73% of total customers) 	<ul style="list-style-type: none"> Avg. loan amount – MX\$3,334 Avg. term – 3.5 months / 14.1 weeks Avg. annual interest rate – 90% - 110% Payment frequency – Weekly Delinquency rate – 1.1% Customers – 52,330 (11% of total customers) 	<ul style="list-style-type: none"> Avg. loan amount – MX\$14,478 Avg. term – 12 months Avg. annual interest rate – 40% - 50% Payment frequency – Monthly Delinquency rate – 2.2% Customers – 73,791 (16% of total customers) 										
Distribution Platform	<ul style="list-style-type: none"> Extensive sales forces of 30 different distributors – partner in 3 leading loan originators Full nation – wide coverage 	<ul style="list-style-type: none"> Proprietary branch network under brand New strategic alliances with third parties  <table border="1"> <thead> <tr> <th colspan="2">Key Distribution Metrics</th> </tr> </thead> <tbody> <tr> <td>307 promoters</td> <td></td> </tr> <tr> <td>80 branches</td> <td></td> </tr> <tr> <td>75 cities</td> <td></td> </tr> <tr> <td>20 states</td> <td></td> </tr> </tbody> </table>	Key Distribution Metrics		307 promoters		80 branches		75 cities		20 states		<ul style="list-style-type: none"> Financing agreements with 46 independent retailers, operating 1,157 points of sale, in over 130 cities throughout Mexico
Key Distribution Metrics													
307 promoters													
80 branches													
75 cities													
20 states													

Products Overview

New Products

	Small Business Loans	Used Car Loans
Product Description	Loans for working capital to independent professionals and ongoing small businesses	Loans for used cars
Target Markets	C and C-	C and C-
Product Statistics	<ul style="list-style-type: none">▪ Loan amount – MX \$100,000 - \$750,000▪ Avg. term – 3 - 36 months▪ Avg. annual interest rate – 28% - 32%▪ Payment frequency – Monthly fixed payments▪ Delinquency rate – 5.1%▪ Loans - 148	<ul style="list-style-type: none">▪ Loan amount – MX \$50,000 - \$100,000▪ Avg. term – 12 – 24 months▪ Avg. annual interest rate – 24% - 30%▪ Payment frequency – Monthly▪ Income from insurance▪ GPS systems to secure cars▪ Delinquency rate – 3.3%▪ Loans - 532
Distribution Platform	<ul style="list-style-type: none">▪ One business center in Mexico City▪ Own sales force	<ul style="list-style-type: none">▪ Financing agreements with 5 distributors that have 6 brands in presence in 90 points of sale

