

# CRÉDITO REAL

Rebasa tus límites.

## Company Presentation

September 2013

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CONSUMO

NÓMINA

MICROCRÉDITOS

PYMES

AUTOS



# Disclaimer

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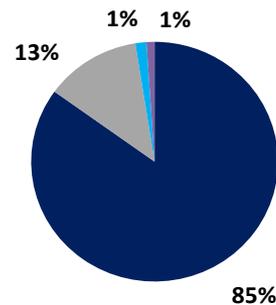
# Specialty Finance Company in Mexico...

## Key Attributes

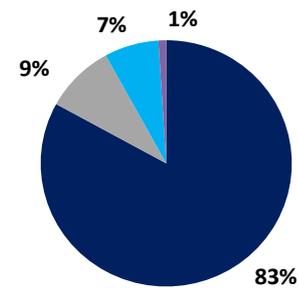
- 20 years of proven track record with over 4 million loans disbursed to more than 2 million customers
- Recurring customer base with + 470,000 active customers
- Adaptable product offering targeting the bulk of the Mexican population across economic segments
- Large, underpenetrated and underserved market with strong growth fundamentals
- Reliable proprietary credit approval process
- High quality loan portfolio
- Easy to understand products with fixed installments
- Diversified nationwide origination platform
- Scalable model with attractive risk-reward proposition
- Strong shareholder base including institutional investors and private families with over 30 years of experience in Mexican financial market

## Attractive and High-Quality Product Mix

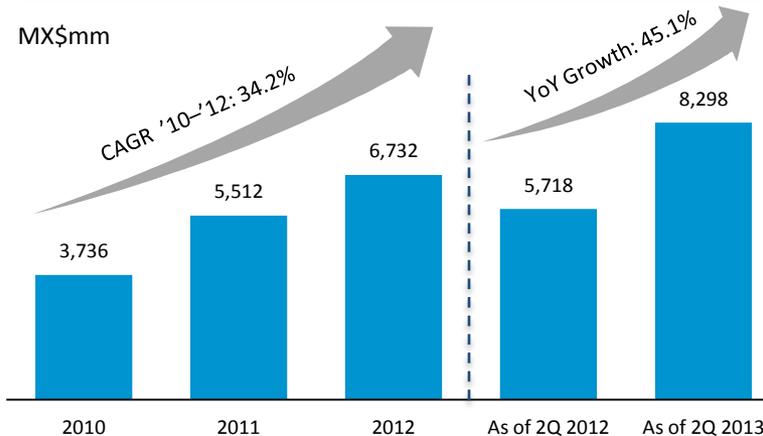
Total Loan Portfolio as of 2Q 2013 MX\$8,298mm



1H 2013 Interest Income MX\$1,243mm

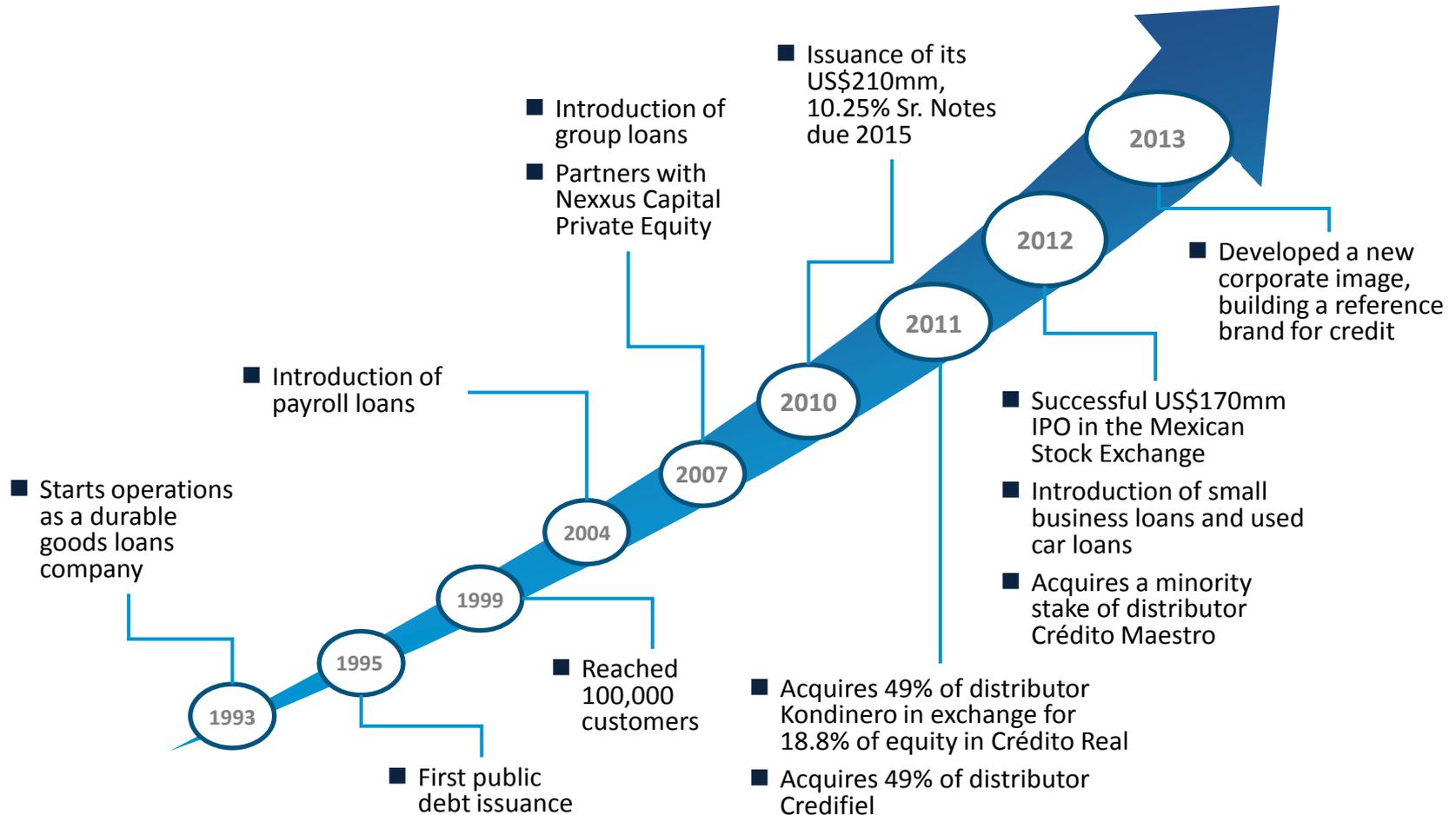


## Superior Loan Growth



# ...with a Long Track Record of Achievements

## Milestones of Crédito Real



# Investment Highlights

1

Scalable, proprietary and open ended platform that supports expansion

2

Resilient business model with strong capacity to generate cash flow

3

Low risk and diversified loan portfolio with + 470,000 active customers

4

Ample and diversified sources of funding, with comfortable debt maturity profile and adequate asset and liability management

5

Positioned to benefit from attractive fundamentals and strong growth prospects in a large underpenetrated and underserved market

6

Strong corporate governance and one of the most experienced and professional management teams in the industry

# 1 Scalable, Proprietary and Open Ended Platform that Supports Expansion

Open-Ended Platform that Supports Expansion

## Product Development

- Easy to understand product offering
- Flexible credit attributes facilitate product development
- Deep understanding of credit behavior from our customer database

## Active Promotion

- Direct / on-site presence with each customer
- Proactive approach to increase client base
- Above average renewal rates

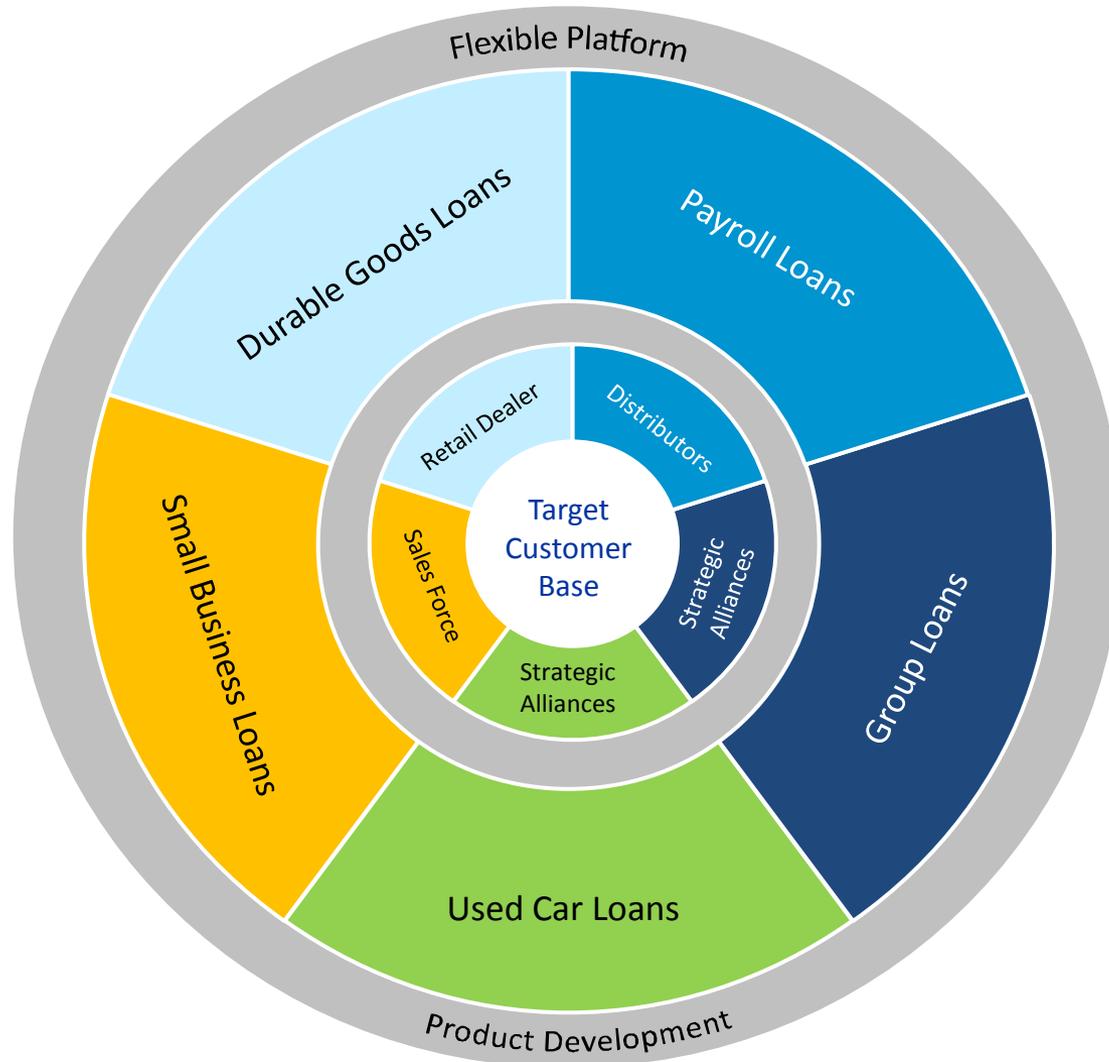
## Operating Platform

- Modular architecture enhances flexibility and new product development
- Reliable, secure, proprietary IT system with proven track record
- Qualitative analysis and parametric models allows high credit quality
- Solid, standardized operational processes support growth across current and new loan products

## Effective Collection

- Strict monitoring of loan portfolio, current & past-due
- Best-business practices consistent with low NPLs
- In-house call center

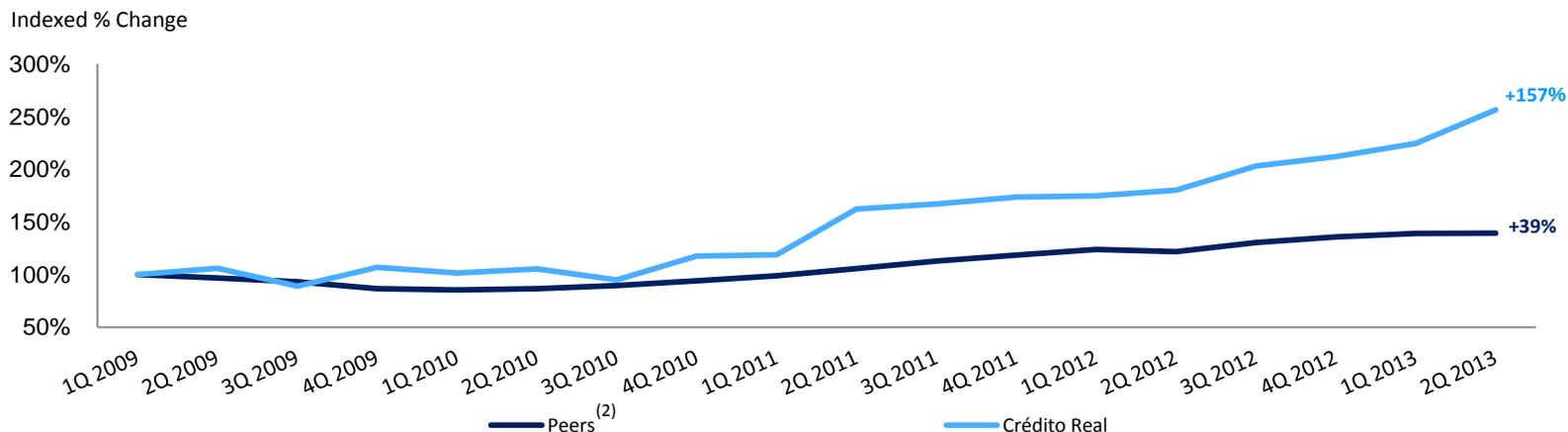
# 1 Business Strategy Focused on Accessible Products for the Needs of Underserved Population



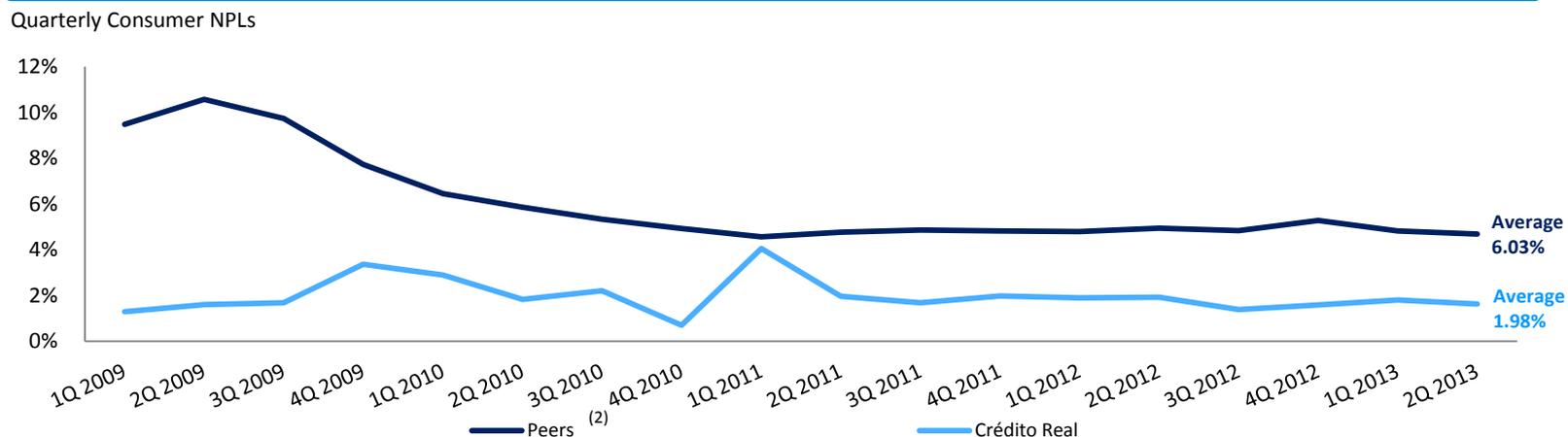
## 2

# Resilient Business Model...

### Crédito Real Consumer Loan Portfolio Growth vs Peers <sup>(1)</sup>



### Crédito Real Consumer NPLs vs Peers <sup>(3)</sup>



Source: CNBV, Crédito Real

(1) Consumer loan portfolio growth includes performing and non-performing loans

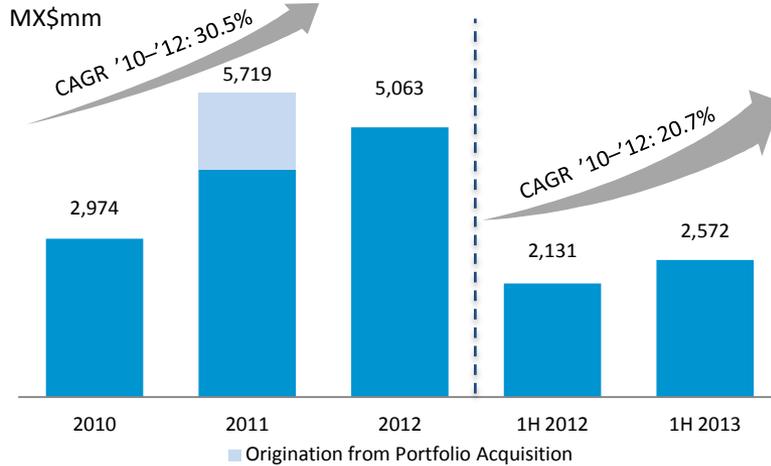
(2) Peers include: BBVA Bancomer, Banamex, Santander, HSBC, Banorte, Scotiabank, BanCoppel, Banregio, Compartamos, Banco Azteca, Banco Walmart, BNP Paribas Personal Finance and Financiera Independencia

(3) In 1Q2011 Crédito Real, following a recommendation from CNBV, started to include partial payments in NPL calculations

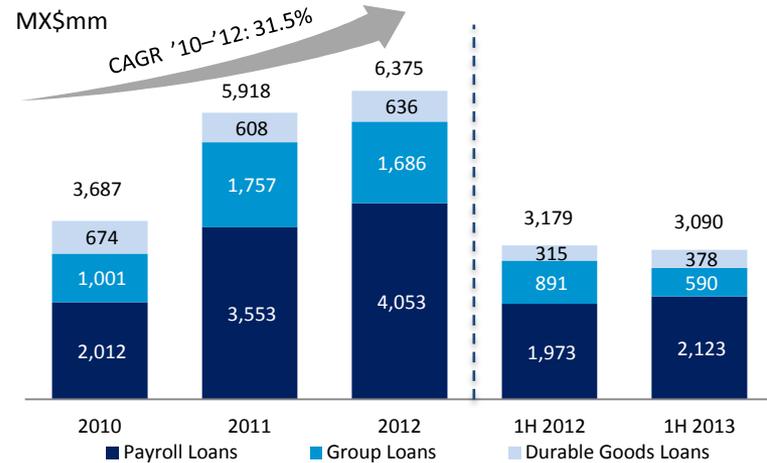
# 2

## ...with Strong Capacity to Generate Cash Flow

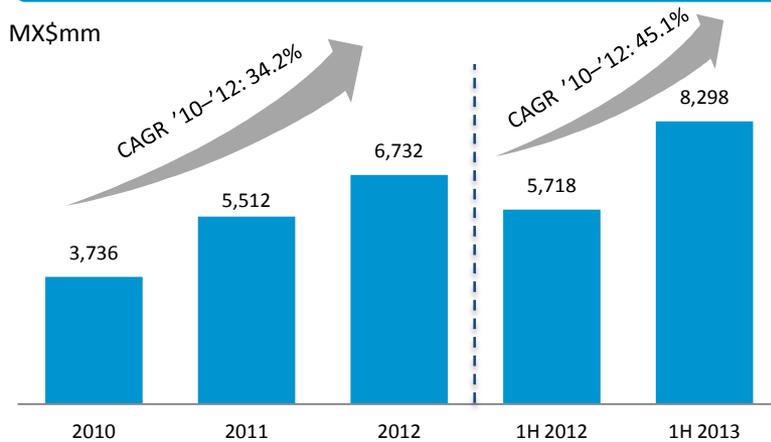
### Loan Origination



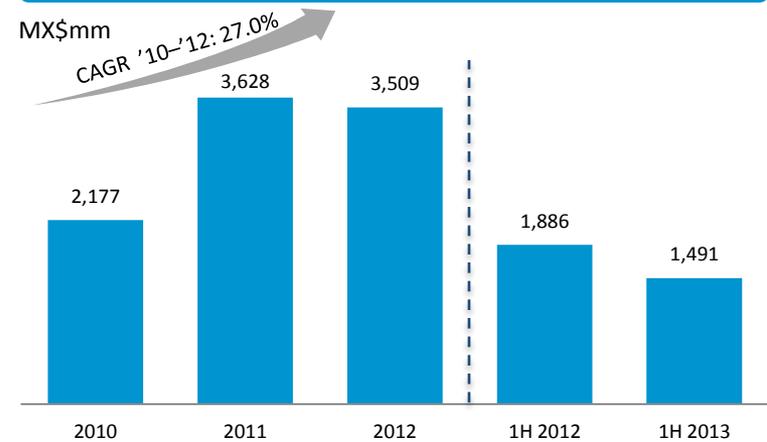
### Collections



### Loan Portfolio



### Operating Cash Flow

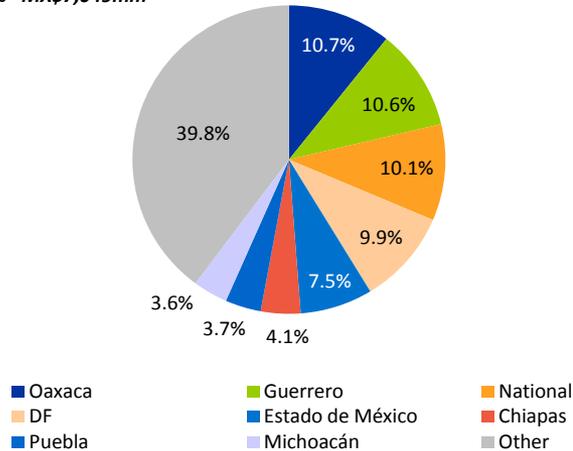


# 3

## Low Risk and Diversified Loan Portfolio

### 2Q13 Portfolio Distribution by State <sup>(1)</sup>

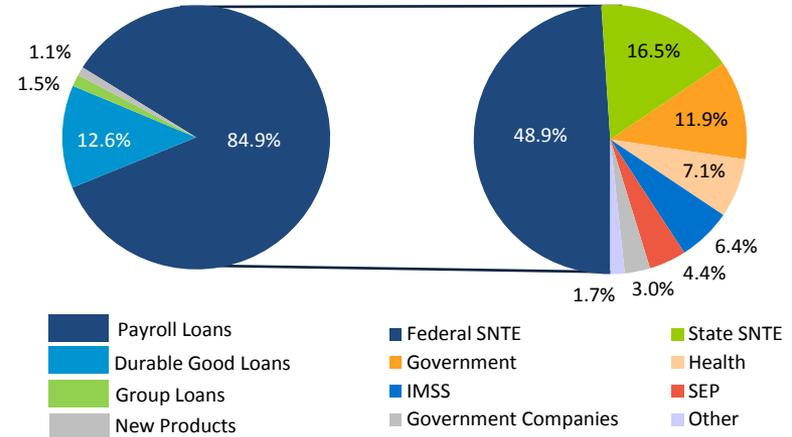
100% =MX\$7,049mm



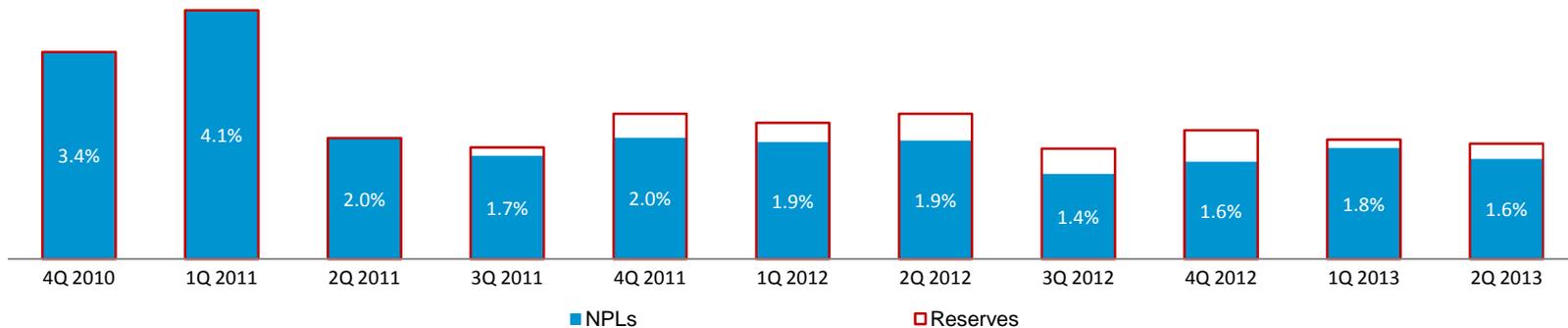
### 2Q13 Portfolio Distribution by Sector <sup>(2)</sup>

100% =MX\$8,298mm

100% =MX\$7,049mm



### Stable Levels of NPLs with Sufficient Reserves <sup>(3)</sup>



Source: Crédito Real

- (1) Refers to payroll loans. National refers to contracts with PEMEX and IMSS with a nationwide reach
- (2) SNTE refers to the educational syndicate. Federal and State SNTE education segment includes 58 different sections
- (3) Reserves calculated as end of period allowance for loan losses divided by total loan portfolio

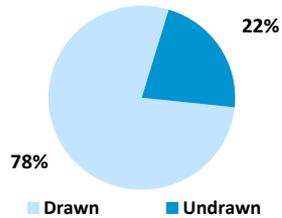
# 4

## Ample and Diversified Sources of Funding...

### Drawn vs. Undrawn

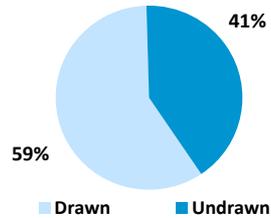
#### Credit Lines

100% = MX\$3,246mm



#### Certificados Bursátiles

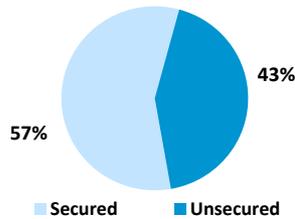
100% = MX\$4,000mm



### Secured vs. Unsecured (1)

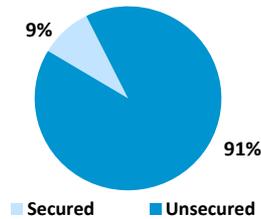
#### Credit Lines

100% = MX\$3,246mm



#### Certificados Bursátiles

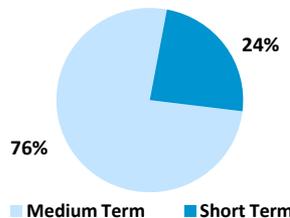
100% = MX\$ 4,000mm



### Term (2)

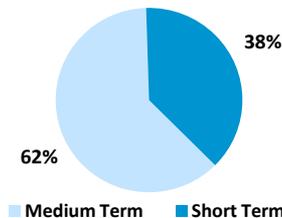
#### Credit Lines

100% = MX\$3,246mm



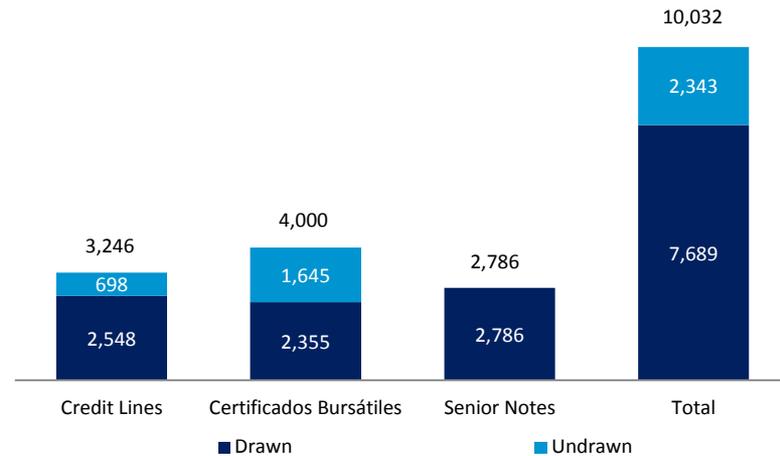
#### Certificados Bursátiles

100% = MX\$ 4,000mm



### Total Debt

MX\$mm



### Other Considerations

- Authorized credit line capacity of MX\$3,246mm (MX\$698mm of available credit lines)
- Cash and equivalents of MX\$287mm as of July 1, 2013
- Funding program in the Mexican Market of MX\$4,000mm (MX\$1,645mm still available)
- US\$210mm 10.25% 144/Reg S Senior Unsecured Notes
- Total Shareholders Equity amounts to MX\$3,994mm

Source: Crédito Real

Notes: Information as of June 30th 2013

(1) 15.5% of the loan portfolio, or MX\$1,264mm is pledged to guarantee credit facilities

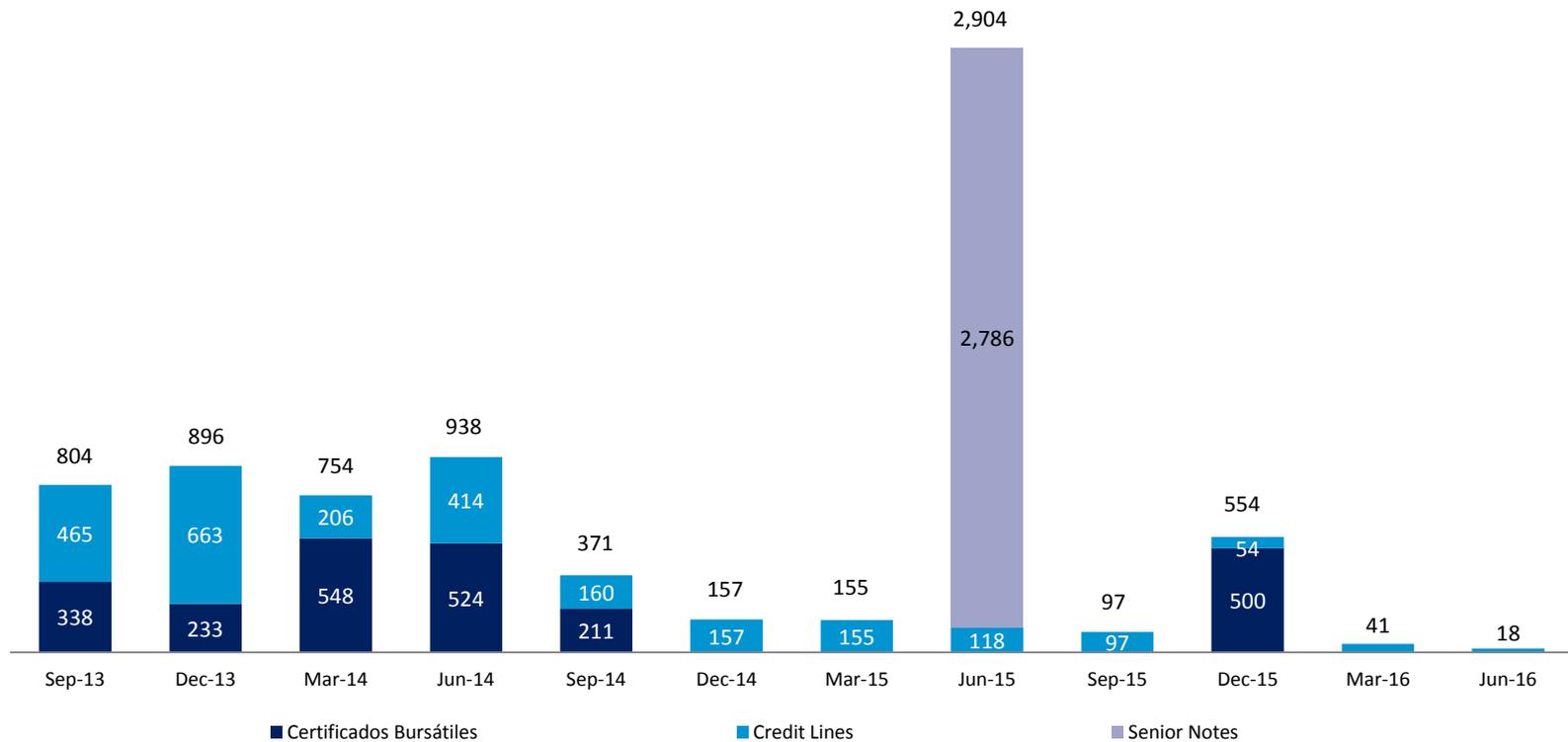
(2) Short term refers to amortization under 1 year. Medium term ranges from 1 to 5 years

## 4

## ...Comfortable Debt Maturity Profile...

## Maturity Schedule (as of 2Q 2013)

MX\$mm

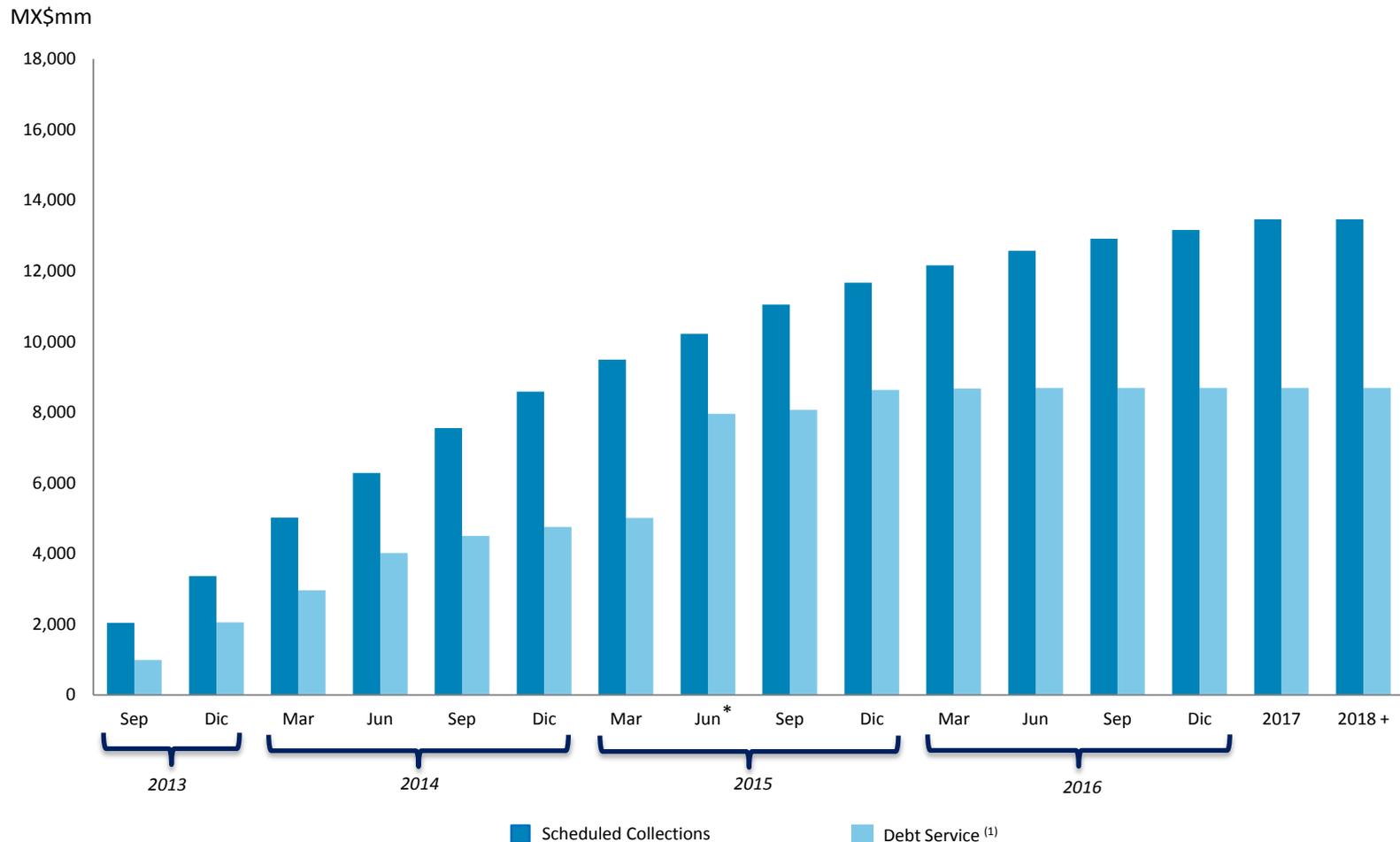


Source: Crédito Real

# 4

## ... with Adequate Asset and Liability Management...

Cumulative Liquidity Profile (June 30, 2013)



Source: Crédito Real

Note: Scheduled collections include only current outstanding portfolio collections, and does not include new origination projections

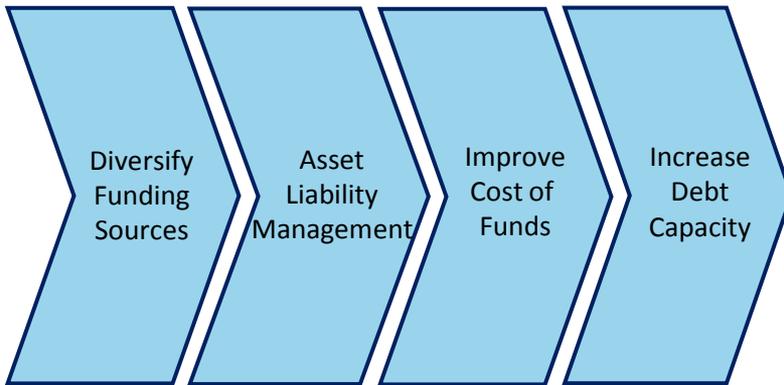
\* US\$210mm 2015 note to mature in April

(1) Debt service refers to principal outstanding plus interest

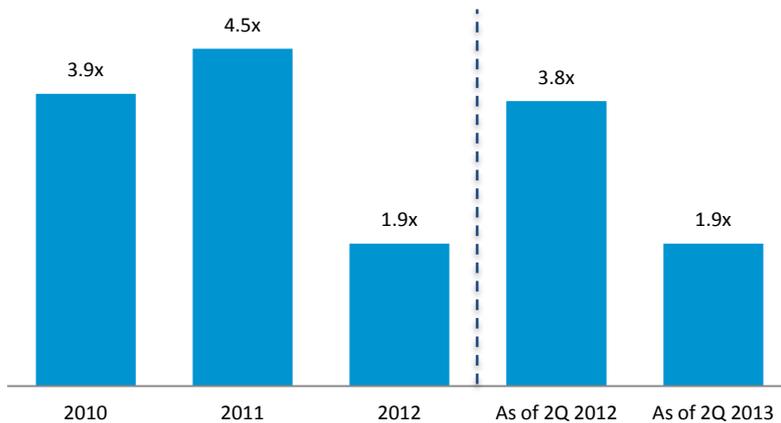
# 4

## ...and Decreasing Funding Cost

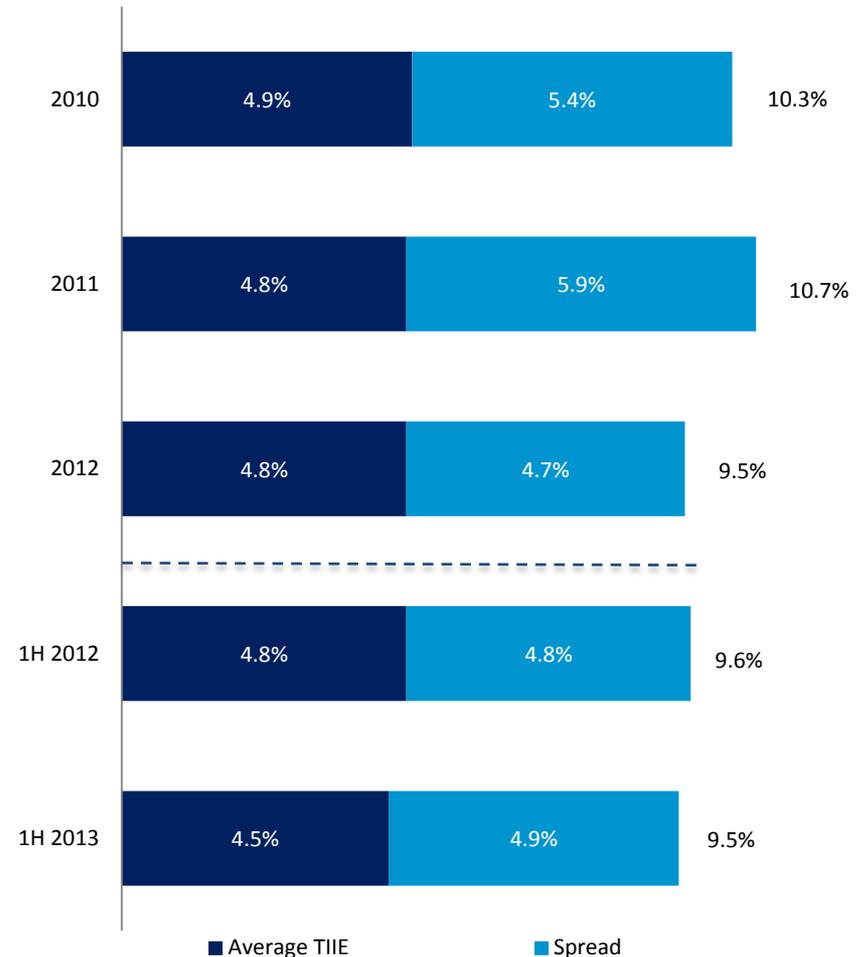
### Funding Strategy Focus



### Debt / Equity Ratio Evolution



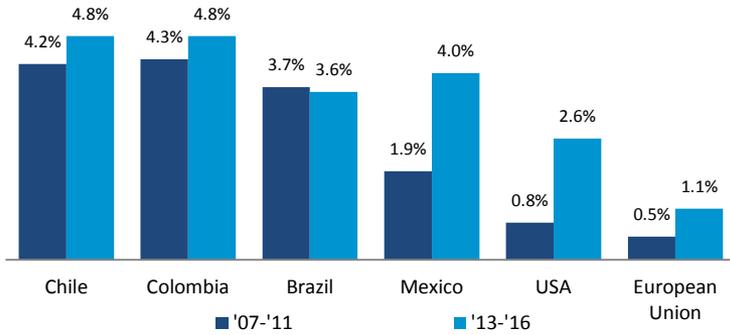
### Improving Funding Cost



# 5 Positioned to Benefit from Mexico's Attractive Fundamentals...

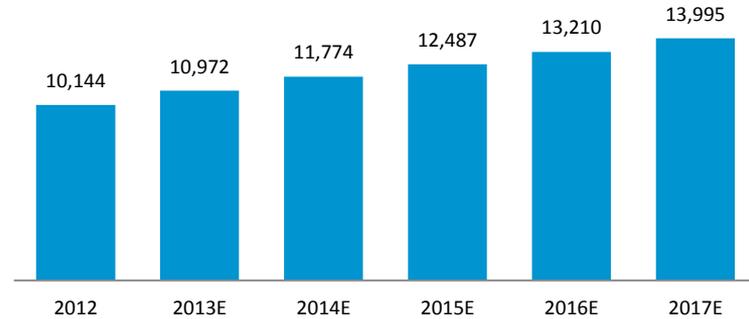
## Solid Forecasted GDP Growth ...

GDP growth



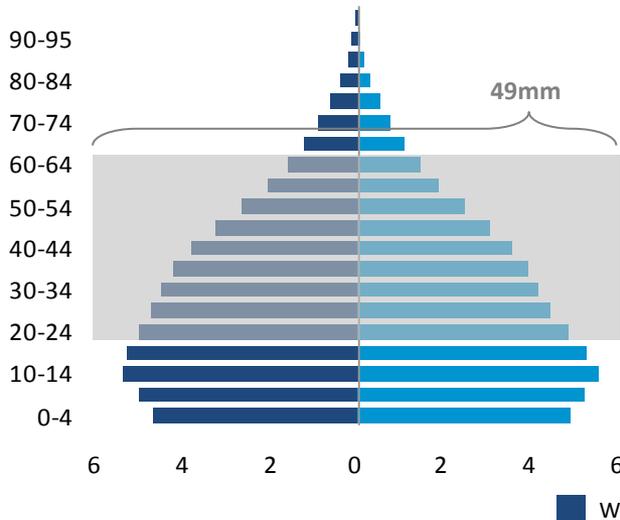
## ..Rising Per-Capita Income Projections ...

US\$



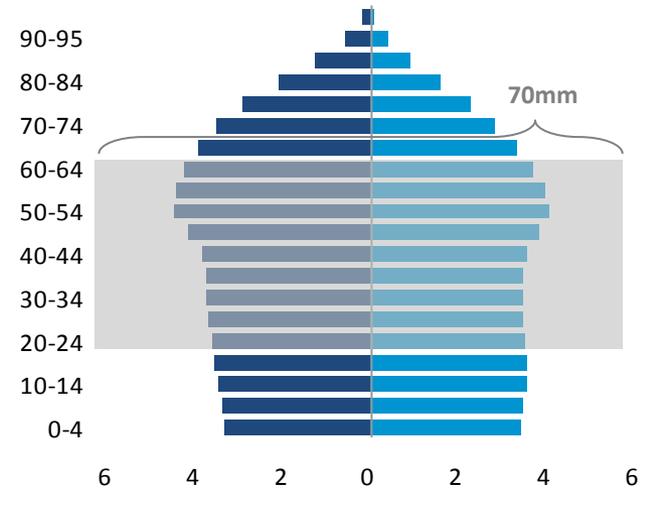
## ...and Favorable Demographics which are Expected to Improve

2010, Million people



By year 2050, active workforce population is expected to significantly increase

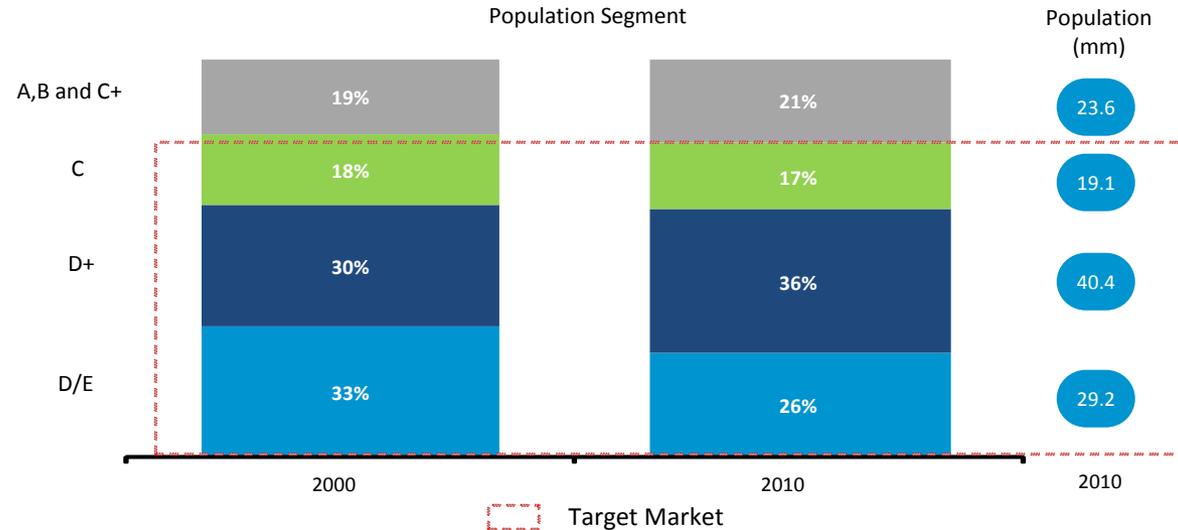
2050, Million people



# 5 ...with Focus on a Large Underpenetrated and Underserved Market with Strong Growth Prospects

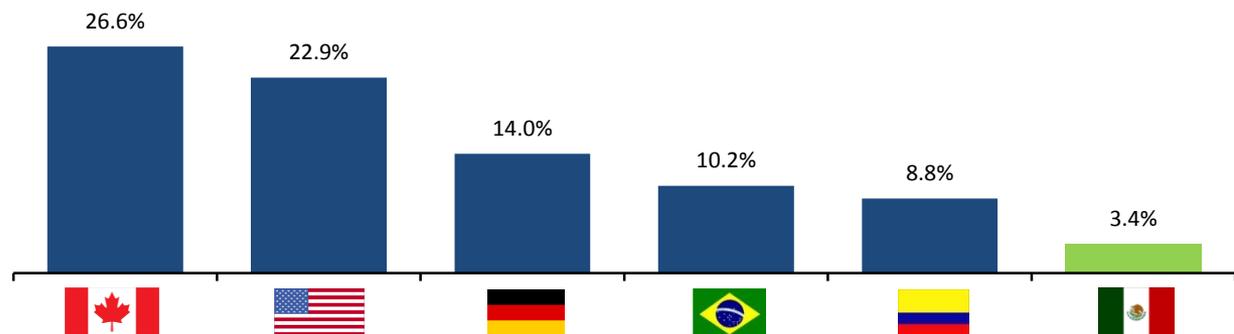
- According to the World Bank, out of the 60% of the population with the lowest level of income in Mexico, only 12.1% are already users of banking services<sup>(1)</sup>, and only 5.9% are loan holders<sup>(2)</sup>
- Underserved segments of the population have been adopting credit rapidly, however penetration is still below peer countries
- According to ISSSTE, the total compensation for public sector employees amounted to MX\$130,600mm in 2011, representing a market size potential of approximately MX\$39,060mm<sup>(3)</sup> for payroll lending

## High Concentration in Target Market



## With Low Penetration of Credit

2012 Consumer loan penetration (as % of GDP)

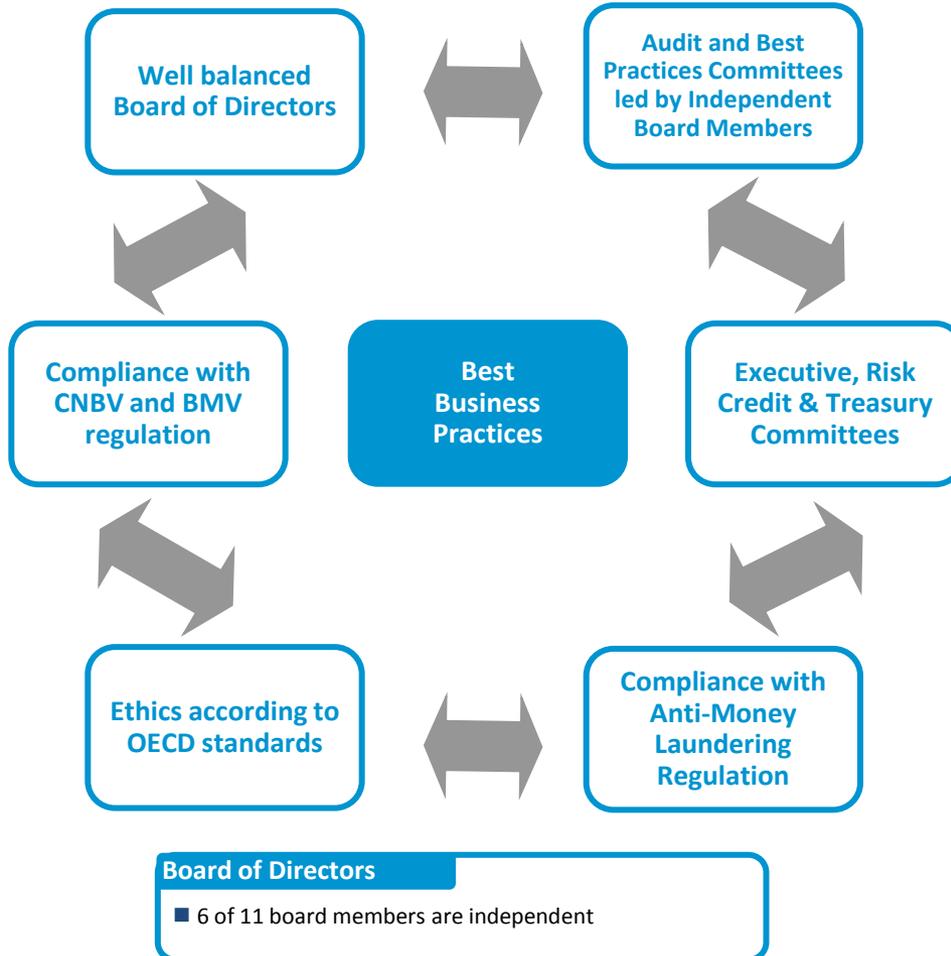


Source: AMAI, World Bank, Euromonitor

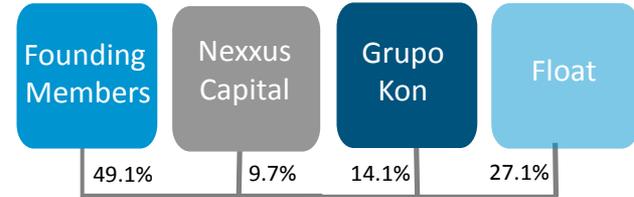
- Population utilizing banking services, percentage of account holders in population segment as of 2011
- Percentage of loan holders (including holders of non-bank loans) in population segment as of 2011
- Assuming a 30% maximum loan limit of an employee's net disposable wage

# 6 Strong Corporate Governance, Experienced Management Team and Strong Shareholder Base

## Corporate Governance and Compliance



## Strong Shareholder Base



### Founding Members

- Founders of Crédito Real and Mabe, a global leading appliance manufacturer, JV with General Electric for Latin America operations
- Main shareholders of Bital Bank (sold to HSBC in 2003)

### Grupo Kon

- Over 60 years of experience in commercial, financial and real estate
- Developed one of the largest payroll loan origination sales forces in Mexico

### Nexus Capital

- Leading private equity fund manager in Mexico
- Successful history of Company management

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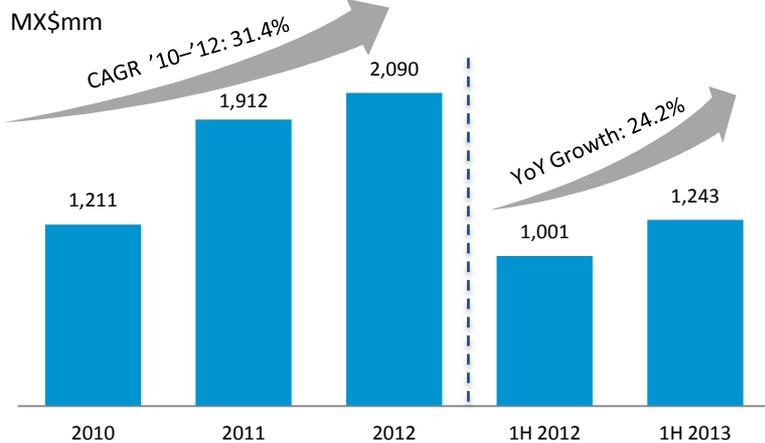
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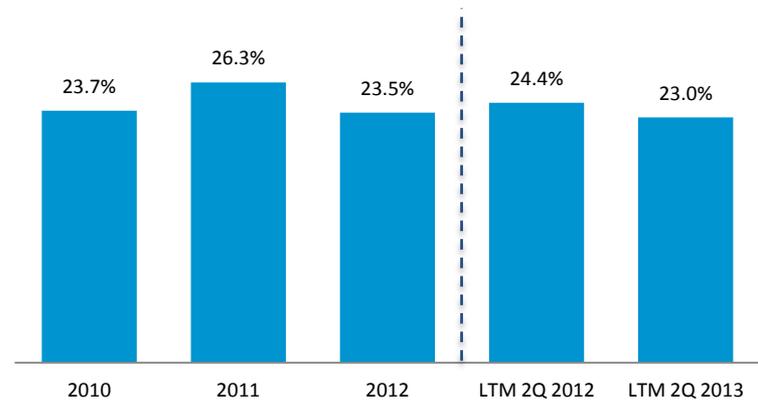
## **Financial Performance and Key Metrics**

# Profitable and well Capitalized Company...

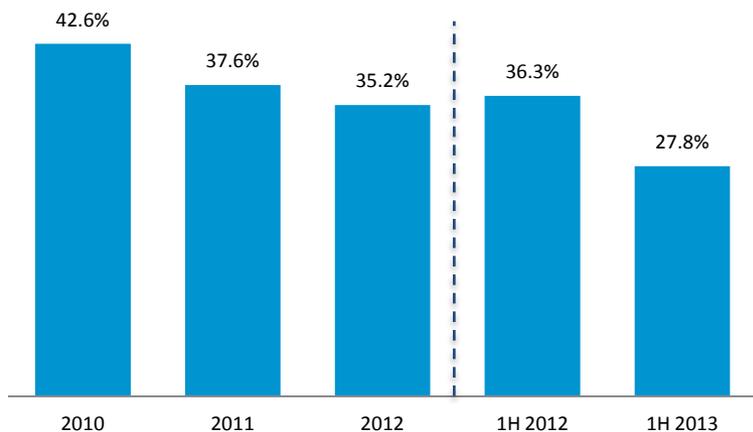
## Interest Income



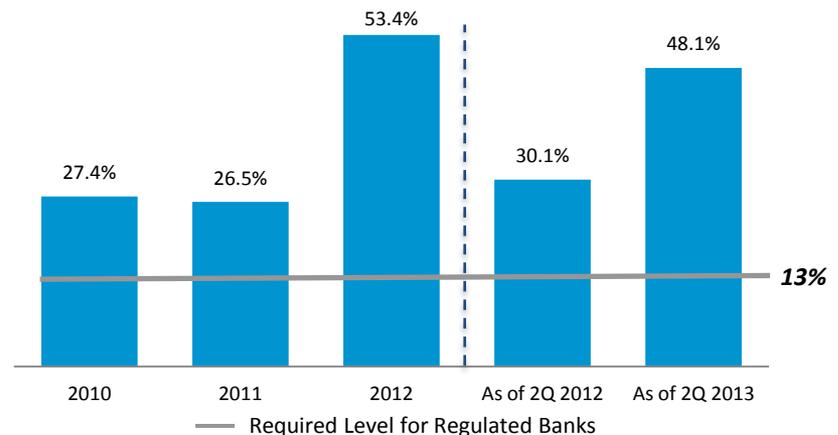
## NIM % <sup>(1)</sup>



## Efficiency Ratio <sup>(2)</sup>



## Capitalization Ratio



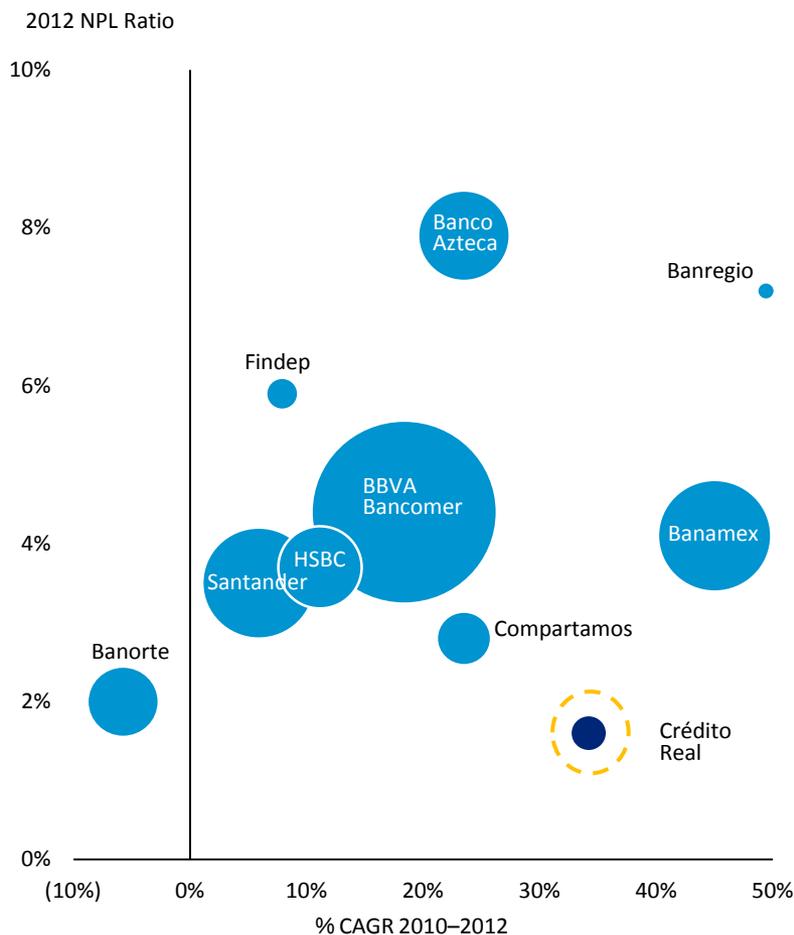
Source: Crédito Real, Moody's analytics

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

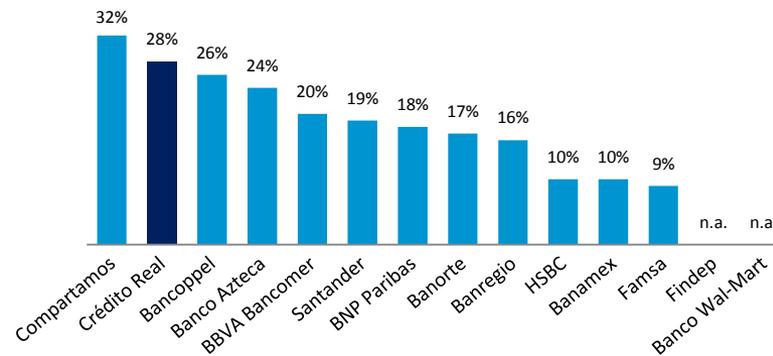
(2) Efficiency ratio is calculated by dividing administrative and promotion expenses for the period by the sum of (a) financial margin and (b) the difference between (i) commissions and fees collected and (ii) commissions and fees paid for the period

# ... with Superior Track Record

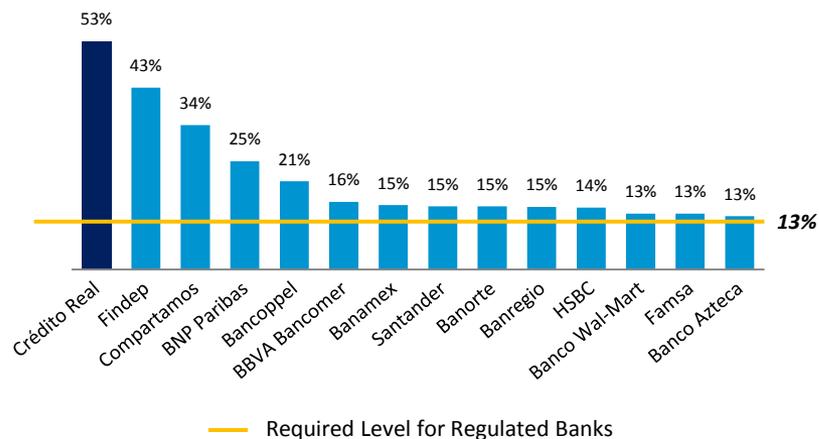
## High Quality Loan Portfolio Growth (1)



## 2012 ROAE (2)



## 2012 Capitalization Ratio (2)



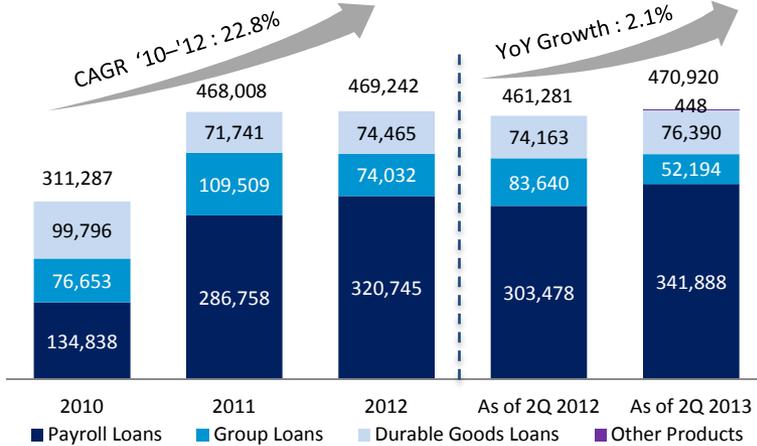
Source: Crédito Real, CNBV, Companies filings

(1) Size of the circle reflects size of consumer loan portfolio. Excludes Banco Wal-Mart, BNP Paribas, Banco Ahorro Famsa and BanCoppel

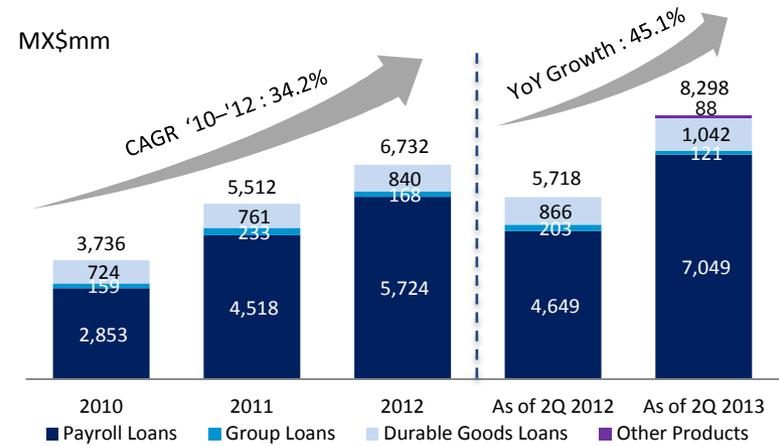
(2) Findep and Famsa, refer to Financiera Independencia and Banco Ahorro Famsa respectively

# Loan Portfolio by Products

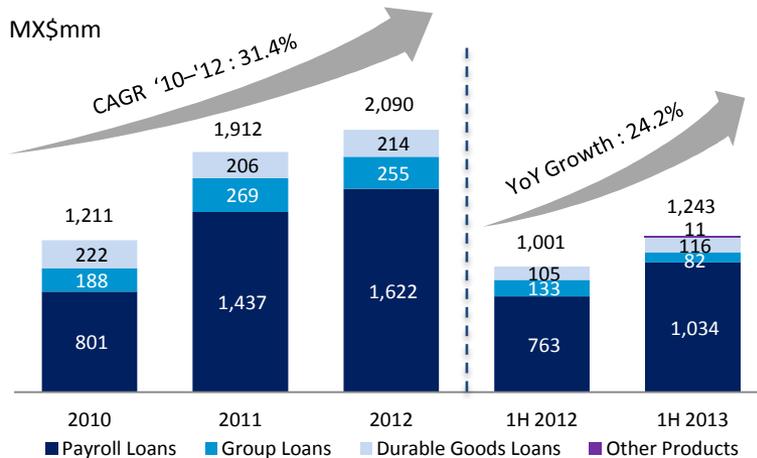
## Number of Clients by Product



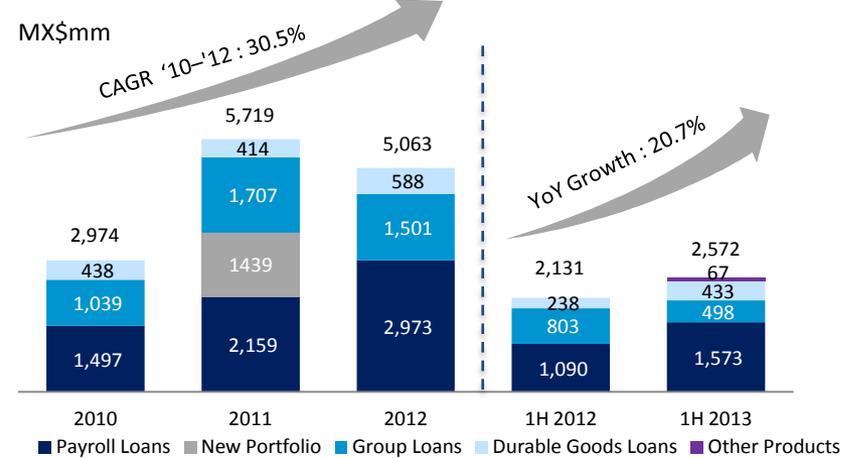
## Total Portfolio by Product



## Interest Income by Product



## Loan Origination by Product (1)

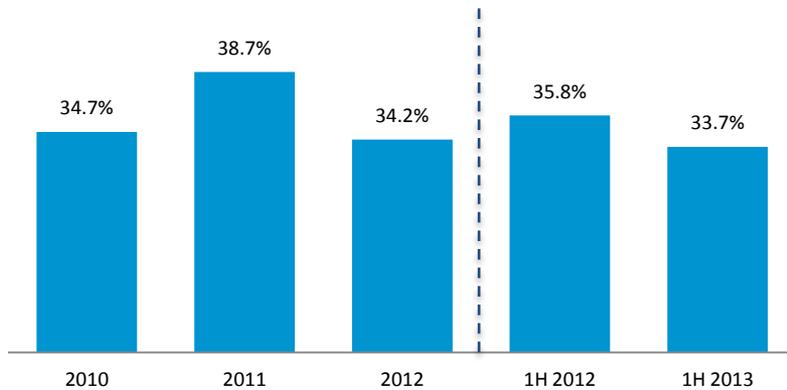


Source: Crédito Real

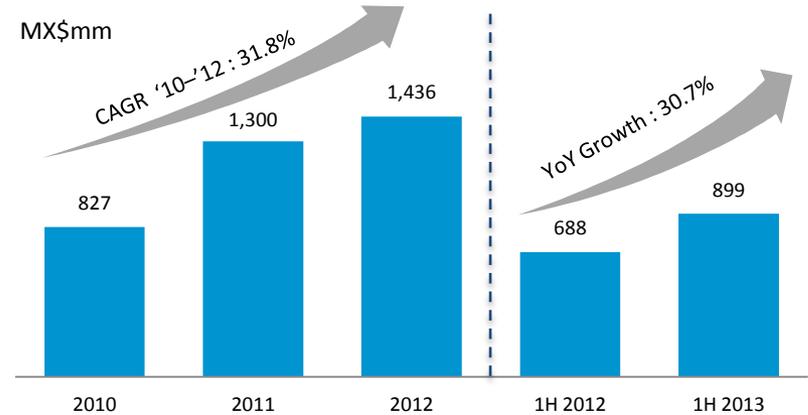
(1) New portfolio refers to portfolio acquired in 2011

# Solid Financial Performance

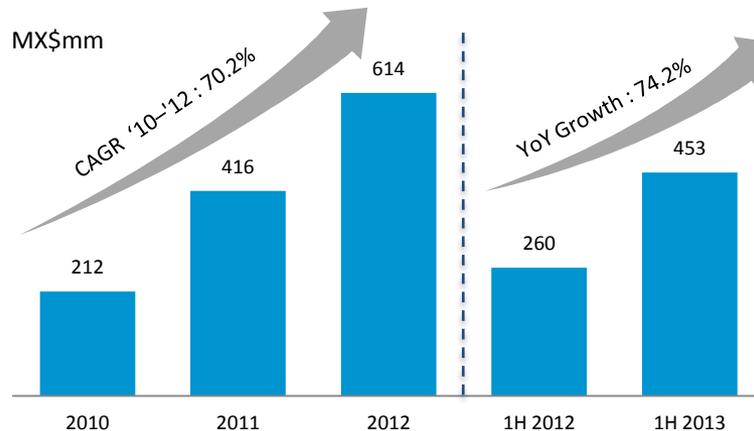
## Yield (1)



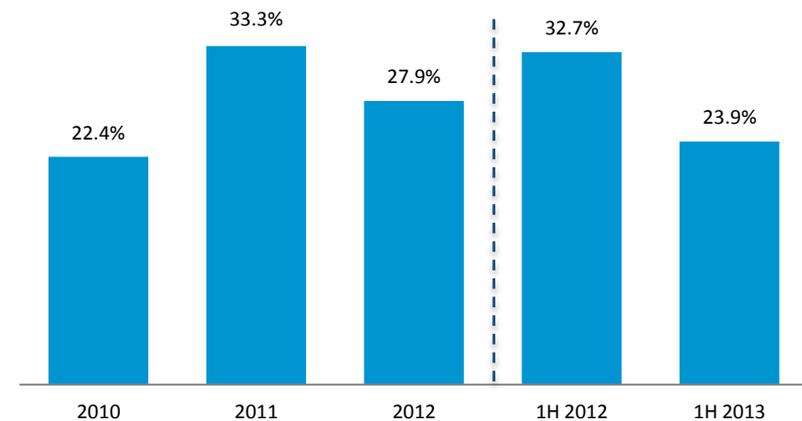
## Financial Margin



## Net Income



## ROAE (2)



Source: Crédito Real

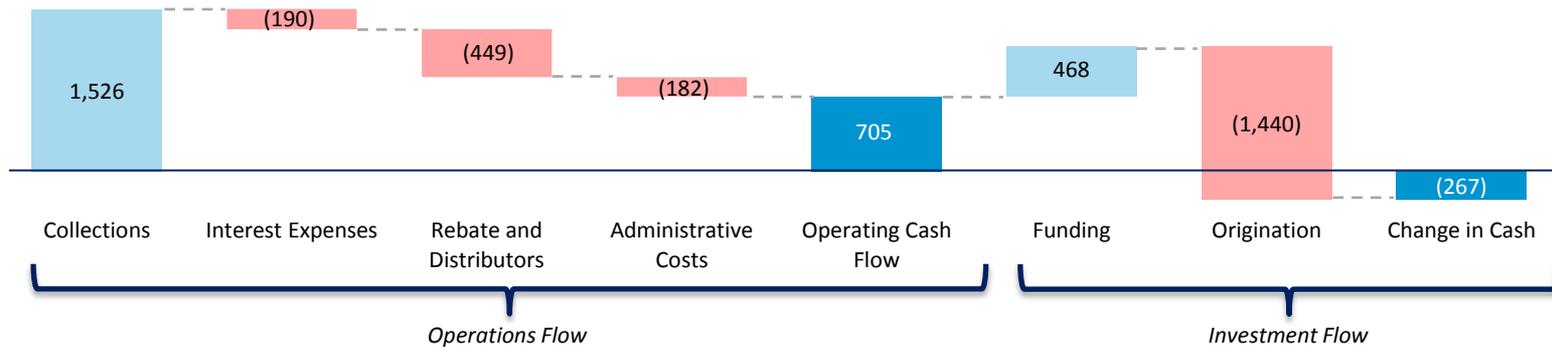
(1) Yield is calculated by dividing the accrued income for the period by the average quarterly balance of the total loan portfolio

(2) Return on average stockholders' equity consists of net income for the period divided by average stockholders' equity

# Cash Flow Generation

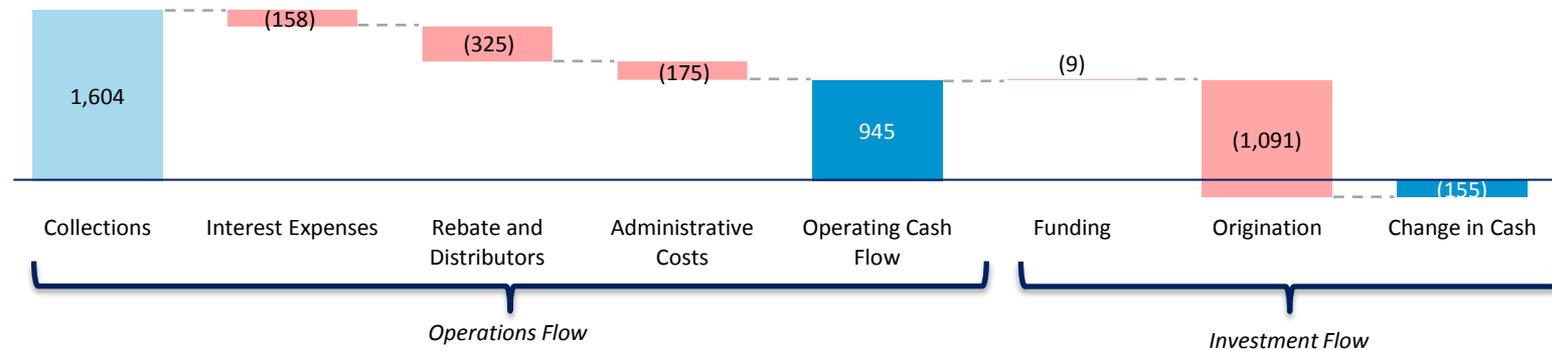
## 2Q 2013 Operating & Investment Cash Flow Composition

MX\$m



## 2Q 2012 Operating & Investment Cash Flow Composition

MX\$m



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**Appendix**

# Products Overview

## Products Offered

	Payroll Loans	Group Loans	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"> <li>Avg. loan amount – MX\$20,616</li> <li>Avg. term – 34 months</li> <li>Avg. annual interest rate – 50% - 65%</li> <li>Payment frequency – Bi-weekly</li> <li>Delinquency rate – 1.5%</li> <li>Customers – 341,888 (73% of total)</li> </ul>	<ul style="list-style-type: none"> <li>Avg. loan amount – MX\$2,315</li> <li>Avg. term – 3.5 months / 14.1 weeks</li> <li>Avg. annual interest rate – 90% - 110%</li> <li>Payment frequency – Weekly</li> <li>Delinquency rate – 2.6%</li> <li>Customers – 52,194 (11% of total)</li> </ul>	<ul style="list-style-type: none"> <li>Avg. loan amount – MX\$13,634</li> <li>Avg. term – 12 months</li> <li>Avg. annual interest rate – 40% - 50%</li> <li>Payment frequency – Monthly</li> <li>Delinquency rate – 2.4%</li> <li>Customers – 76,390 (16% of total)</li> </ul>
Distribution Platform	<ul style="list-style-type: none"> <li>Extensive sales forces of 30 different distributors – partner in 3 leading loan originators</li> <li>Full nation – wide coverage</li> </ul> 	<ul style="list-style-type: none"> <li>Proprietary branch network under brand</li> <li>New strategic alliances with third parties</li> </ul> 	<ul style="list-style-type: none"> <li>Financing agreements with 43 independent retailers, operating 1,160 points of sale, in over 124 cities throughout Mexico</li> </ul>

# 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"><li>▪ Avg. loan amount – MX \$100,000 – MX\$750,000</li><li>▪ Avg. term – 3 - 36 months</li><li>▪ Avg. annual interest rate – 28% - 32%</li><li>▪ Payment frequency – Monthly fixed payments</li></ul>	<ul style="list-style-type: none"><li>▪ Avg. loan amount – MX \$50,000</li><li>▪ Avg. term – 12 – 24 months</li><li>▪ Avg. annual interest rate – 24% - 30%</li><li>▪ Payment frequency – Monthly</li><li>▪ Income from insurance</li><li>▪ GPS systems to secure cars</li></ul>
Distribution Platform	<ul style="list-style-type: none"><li>▪ One business center in Mexico City</li><li>▪ Own sales force</li></ul>	<ul style="list-style-type: none"><li>▪ Financing agreements with 5 distributors that have 6 brands in presence in 90 points of sale</li></ul>

# Summary Financials

Balance Sheet						
	2Q'13	2Q'12	% Var	2012	2011	% Var
<b>MX\$mm</b>						
Cash and cash equivalents	95.5	66.4	43.9%	85.2	64.3	32.5%
Investments in securities	191.6	153.8	24.6%	346.8	253.6	36.7%
Securities and derivatives transactions	195.5	313.2	-37.6%	241.5	521.4	-53.7%
Performing loan portfolio						
Commercial loans	8,162.9	5,607.0	45.6%	6,625.6	5,403.1	22.6%
Total performing loan portfolio	8,162.9	5,607.0	45.6%	6,625.6	5,403.1	22.6%
Non-performing loan portfolio						
Commercial loans	135.5	110.5	22.7%	106.9	109.0	-2.0%
Total non-performing loan portfolio	135.5	110.5	22.7%	106.9	109.0	-2.0%
Loan portfolio	8,298.4	5,717.5	45.1%	6,732.5	5,512.2	22.1%
Less: Allowance for loan losses	155.9	135.3	15.2%	141.3	130.5	8.2%
Loan portfolio (net)	8,142.6	5,582.2	45.9%	6,591.2	5,381.6	22.5%
Other accounts receivable (net)	2,413.0	1,907.2	26.5%	2,504.3	1,574.0	59.1%
Foreclosed assets (net)	-	-		-	-	
Property, furniture and fixtures (net)	20.2	13.5	50.1%	17.8	14.3	24.7%
Long-term investments in shares	711.6	372.6	91.0%	752.5	364.0	106.7%
Deferred taxes (net)	-	-		-	-	
Other assets						
Debt insurance costs, intangibles and others	584.8	165.3	253.8%	425.9	179.4	137.4%
Total assets	<u>12,354.8</u>	<u>8,574.0</u>	<u>44.1%</u>	<u>10,965.3</u>	<u>8,352.7</u>	<u>31.3%</u>
Liabilities						
Notes payable (certificados bursátiles)	2,360.2	1,689.0	39.7%	1,751.0	1,944.0	-9.9%
Senior notes payable	2,809.6	2,927.4	-4.0%	2,814.4	3,122.1	-9.9%
Bank loans and borrowings from other entities						
Short-term	1,121.3	1,435.5	-21.9%	1,562.4	1,053.9	48.2%
Long-term	1,437.6	458.2	213.8%	719.6	516.0	39.5%
	2,558.9	1,893.7	35.1%	2,282.0	1,569.9	45.4%
Securities and derivatives transactions	-	-		-	-	
Other accounts payable	10.8	9.9	8.8%	17.8	4.2	326.2%
Income taxes payable	621.2	333.3	86.4%	503.7	252.1	99.8%
Total liabilities	8,360.7	6,853.4	22.0%	7,368.9	6,892.3	6.9%
Stockholders' equity						
Capital stock	2,015.3	507.4	297.1%	2,017.2	507.4	297.5%
Earned capital:						
Accumulated results from prior years	1,525.6	952.9	60.1%	935.8	537.4	74.1%
Result from valuation of cash flow hedges, net	0.0	-		29.3	-	
Net income	453.2	260.3	74.1%	614.1	415.5	47.8%
Total stockholders' equity	<u>3,994.1</u>	<u>1,720.7</u>	<u>132.1%</u>	<u>3,596.4</u>	<u>1,460.4</u>	<u>146.3%</u>
Total Liabilities and Stockholders' equity	<u>12,354.8</u>	<u>8,574.0</u>	<u>44.1%</u>	<u>10,965.3</u>	<u>8,352.7</u>	<u>31.3%</u>

Source: Crédito Real

# Summary Financials

Profit & Loss									
	2Q'13	2Q'12	% Var	1H'13	1H'12	% Var	2012	2011	% Var
MX\$mm									
Interest Income	630.2	491.9	28.1%	1,243.1	1,000.5	24.2%	2,090.4	1,912.3	9.3%
Interest Expense	(174.2)	(157.3)	10.7%	(343.7)	(313.0)	9.8%	(654.8)	(612.8)	6.9%
Financial Margin	455.9	334.6	36.3%	899.4	687.5	30.8%	1,435.6	1,299.5	10.5%
Allowance for Loan Losses	(107.2)	(74.8)	43.3%	(185.8)	(151.9)	22.4%	(272.8)	(309.0)	-11.7%
Financial Margin adjusted for Credit Risks	348.8	259.8	34.2%	713.6	535.7	33.2%	1,162.8	990.5	17.4%
Commissions and fees paid	(17.6)	(15.6)	13.1%	(33.6)	(36.4)	-7.7%	(69.5)	(61.3)	13.3%
Other income from the operation	2.6	4.8	-45.1%	6.0	10.2	-40.8%	20.6	18.1	13.8%
Administrative and promotion expenses	(121.2)	(127.6)	-5.0%	(240.7)	(236.2)	1.9%	(480.5)	(465.6)	3.2%
Operating result	212.5	121.4	75.0%	445.4	273.3	63.0%	633.4	481.7	31.5%
Income before income taxes	212.5	121.4	75.0%	445.4	273.3	63.0%	633.4	481.7	31.5%
Income taxes	(40.1)	(18.7)	114.6%	(96.0)	(53.2)	80.6%	(144.4)	(102.5)	40.9%
Income before participation in the results of subsidiaries	172.5	102.8	67.8%	349.4	220.1	58.7%	489.1	379.2	29.0%
Participation in the results of subsidiaries and associates	61.0	22.2	174.6%	103.8	40.2	158.5%	125.1	36.3	244.5%
Net Income	233.4	125.0	86.8%	453.2	260.3	74.1%	614.1	415.5	47.8%

Source: Crédito Real

# Key Financial Ratios

Financial Ratios									
	2Q'13	2Q'12	Var	1H'13	1H'12	Var	2012	2011	Var
Yield	32.7%	34.9%	-2.2%	33.7%	35.8%	-2.1%	34.2%	38.7%	-4.5%
Return on Average Loan Portfolio	12.1%	8.9%	3.2%	12.3%	9.3%	3.0%	10.0%	8.4%	1.6%
ROAE: Return on average stockholders' equity	24.1%	30.1%	-6.1%	23.9%	32.7%	-8.7%	27.9%	33.3%	-5.4%
Debt to Equity Ratio	1.9	3.8	-1.8	1.9	3.8	-1.8	1.9	4.5	-2.6
Average cost of funds	9.3%	9.7%	-0.4%	9.5%	9.6%	-0.1%	9.5%	10.7%	-1.2%
Efficiency ratio	27.7%	40.0%	-12.3%	27.8%	36.3%	-8.5%	35.2%	37.6%	-2.4%
Capitalization Ratio	48.1%	30.1%	18.0%	48.1%	30.1%	18.0%	53.4%	26.5%	26.9%
Provisions for loan losses as a percentage of total loan portfolio	5.2%	5.2%	-0.1%	4.5%	5.3%	-0.8%	4.1%	5.6%	-1.6%
Allowance for loan losses as a percentage of total past-due loan portfolio	115.0%	122.4%	-7.4%	115.0%	122.4%	-7.4%	132.2%	119.7%	12.4%
Total past-due loan portfolio as a percentage of total loan portfolio	1.6%	1.9%	-0.3%	1.6%	1.9%	-0.3%	1.6%	2.0%	-0.4%