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Operator: This is a recording of the Manuel Perez conference with IRSTRAT on April 26, 2018 at 10:00 AM CT. Ladies and gentlemen good morning and welcome everyone to Crédito Reale's first quarter 2018 Earnings Conference Call. Credito Reale issued its quarterly report on Wednesday, April 25, 2018. If you did not receive a copy via email please do not hesitate to contact us in Mexico City at +52-55-5228-9753. It is important to note that the presentation and the MP3 recording referred to this call will be available at www.cReale.mx. Before we begin the call today I would like to remind you that the information discussed in today's call may include forward-looking statements on Crédito Reale's future financial performance and prospects which are subject to risks and uncertainties. Actual results may differ materially and the Company cautions not to rely unduly on these forward-looking statements. The Company undertakes no obligation to publicly update or revise any forward-looking statements. With us this morning from Credito Reale we have Mr. Angel Romanos, CEO, Mr. Carlos Ochoa, Deputy CEO and Mrs. Iga Wolska, IRO. They will discuss on the more important strategic financial and operating aspects of the first quarter of 2018. I will now turn the call over to Mr. Romanos.

Angel Romanos: Thank you, Operator. Good morning and thank you for your participation in our conference call for the first quarter of 2018. I would like to begin by informing you that this first quarter marked Credit Reale's 25th anniversary since its creation. We would not be here if it were not for the incessant work and dedication of all the people who are or were part of this great Company and the unwavering support and trust of our shareholders. You will have my most profound and sincere gratitude. Now allow me to continue with my comments on this quarter's results. This reporting period became a good starting point to meet our 2018 guidance as we were able to achieve a stable performance and advance in the execution of our key initiatives oriented to enhance our financial position. It is important to emphasize that our key performance indicators showed a solid resiliency against the challenging economic environment which has been accentuating by the uncertainties surrounding. Outstanding in this uncertainty we can name the Mexican federal elections scheduled to take place in July and a NAFTA renegotiation process and the (ph Hawkish Policion 02:51) interest rates which are still on a rising trend. In this context, during the first quarter of the year our consolidated loan portfolio solidly increased by 29.4 percent to reach Ps. 31.3 billion while our net income went up 6.6 percent amounting Ps. 423 million. As our origination life alongside with a firm financial margin more than offsetting an increase in the average cost of funds and higher provisions. I would like to note that Crédito Reale's sound origination traction does not compromise the quality of the new assets incorporated as it is shown by our non-performing loan ratio that remains stable in a downward trend. Our non-performing loan ratio as of March 31st stands 1.9 percent and this means a decrease of 20 bps on an annual basis firm proof of our operational edge. It is important to mention that we sustained a healthy loan origination towards an orderly and disciplined operation and by keeping strict but adaptable origination standards which are being dynamically adjusted to the prevailing environment of rising interest rates. Next in order on the results breakdown by segment once again the payroll business recorded a deep double-digit annual growth above 38 percent in loan origination this quarter reaching Ps. 1.6 billion as we successfully continue to the addition of high quality assets into our portfolio which this quarter was primarily supported from the incorporation of employees of the Mexican Federal Public Health System. At quarter end the participation of the payroll segment in the consolidated loan portfolio recorded a 67.7 percent share. As for our used car segment we registered this quarter an increase of more than Ps. 350 million origination wise. As the credit generation of used car units posted a sound performance that more than offset the seasonal and migratory pressure in the United States. At quarter end used cars accounted for 8.9 percent of the consolidated loan portfolio. Lastly, Instacredit loan origination amounted Ps. 407 million. This is below what we recorded in the first quarter of 2017 as a result of a temporary operating adjustment that followed an implementation of more comprehensive credit generation standards. We expect to resume growth as soon as these initiatives become fully operational during the incoming quarters. These initiatives will bring us in return a better adjusted metrics into fortify our margins. Subsequently we also faced a slower rhythm in the dynamics of the financial sector in Costa Rica corresponding to the uncertainties surrounding the presidential elections that ended in a second electoral round. Instacredit held a 14.1 percent share of our consolidated loan portfolio as of March 31st. Moving to our financial position I would like to highlight the successful closing of our 170 million Swiss Franc bond in the Swiss market being the first debt placement carried out in this currency by a non-banking financial institution in Mexico. The risk resources from these Swiss francs will be primarily used for refinancing purposes with the objective to extend maturities and maintain adequate levels of liquidity to face any contingency that could arise from the prevailing environment. In this regard, we recently subscribed a cross-border swap to minimize the financial impact of the transaction covering 70 percent of the principal and converted the remaining 30 percent portion into American dollars for natural hedging purposes. Another relevant event this quarter was the adoption of a new dividend policy at the Company's shareholders meeting in which the maximum cash dividend payout to our shareholders was set to an amount equivalent to 10 percent to 30 percent of the net income for the corresponding year compared to the previous limit of 20 percent. As our generation of cash flow has behaved resilient among the last years thus allowing us to deliver a higher portion of the value generation of each operating exercise to our shareholders complying with framework of prudent distributions aligned to a macroeconomic backdrop and sector's dynamic Realeity. It is important to highlight that this measure does not compromise at all the financial position of the Company. As we count on a profitable operation and a solid balance sheet and only seek to retribute the trust of our shareholders which is a paramount factor to care of for Credit Reale. Before ending my participation I would to express my most sincere gratitude for your valuable insight which grants us the required confidence to take the next steps for building a stronger and more sustainable company. It is clear that we are trying to reach an even more profitable and sustainable growth path. In this sense I want to underscore that Credito Reale's 25 year loan history has not been exempt from many major political shifts, being all of them successfully overcome thanks to our flexible business model, proven risk management and sound balance sheet. To conclude the positive results of this quarter alongside with our underlying fundamental enhancement provide a solid ground to beat our 2018 guidance. With this, I want to thank you again and leave you with Iga Wolska, our Investor Relations Officer that will be heading the last part of the presentation on behalf of Carlos Ochoa today. Thank you very much and goodbye.

Iga Wolska: Thank you, Angel. Good morning, and thank you all for taking the part in the Crédito Reale quarterly conference call. Regarding interest income during this quarter we reached interest income of Ps. 2.3 billion increasing 6.4 percent compared to the first quarter of 2017. This variation was mainly driven by the growth recorded in the consolidated loan portfolio which in turn was largely supported by used cars in Mexico, small- and medium-sized companies and payroll dividends. The decrease in the yield compared to the first quarter of 2017 was largely attributable to a more intensive known organization from the workers related to the NIM which implies a lower variable interest rate on loans but representing the best in class asset quality and a Mexican peso depreciation against the US dollar which released a decrease of 57 cents. It is worth noting that during the first quarter of 2018 in payroll portfolio represented 47 percent of the total payroll portfolio origination. Regarding expenses other (10:39) rates to same .5 percent and increase of 40 bps when compared to the 10.1 percent in the first quarter of 2017 attributed to the higher cost of funding. The financial margin increased 10.9 percent to Ps. 1.6 billion driven by the interest income growth. Thus, our international businesses computed at 39 percent to the consolidated financial margin. Provisions for loan losses reached Ps. 421 million during this quarter representing 5.3 percent of the consolidated loan portfolio. The Ps. 106 million increase compared to the first quarter of 2017 was finally attributed to Ps. 81 million increase in other lines, a Ps. 24 million increase in the payroll business by the one portfolio expansion, a Ps. 10 million increase due to the decoration of the used car portfolio in Instacredit, a Ps. 10 million increase in the small- and medium-sized businesses, and Ps. .6 million increase due to the registered payroll loan portfolio under the securitization program partially offset by a Ps. 20 million decrease ratio to the Used car business to the United States. Cost of risk during this quarter was 5.3 percent versus 5.2 percent in the first quarter of 2017 as a result of the increase in the provision for the loan losses line. However, the recovery of charge of accounts which totaled Ps. 46 million, the provision line would have decreased to Ps. 376 million. Therefore the cost of risk would be 4.8 percent. Commissions and fees collected decreased 10.3 percent during the first quarter 2018 to Ps. 182 million compared to the first quarter of 2017 integrated by Ps. 130 million and Ps. 44 million commissions collected from Resuelve and Instacredit, respectively. Administrative expenses reached Ps. 856 million during the first quarter showing a 2.8 percent increase when compared to Ps. 833 million in the first quarter of 2017. The Ps. 24 million increase was driven by Ps. 37 million increase in expenses associated with the portfolio expansion of businesses in Mexico and Ps. 4 million increase in the United States administrative expenses due to the business organic growth partially offset by Ps. 9 million decrease in Central America and Ps. 8 million decrease in the debt issue expenses. This quarter net income reached Ps. 423 million showing an increase of 6.6 percent year over year. Regarding key financial ratios ROAA was 11.6 percent during the quarter while ROAE was 4 percent excluding the perpetual notes which (inaudible 13:39) has decreased equipment and is registered in the Company's capital stock ROAE reached 15.8 percent in the first quarter of 2018. The quarter's efficiency ratio decreased to 46.7 percent in the first quarter of 2018 compared to the 49.9 percent in the first quarter of 2017. This quarter's capitalization ratio reached 46 percent compared to the 36.1 percent in the first quarter of 2017. Excluding the subordinated Perpetual Notes the capitalization ratio reached 32.6 percent. Regarding our loan portfolio it increased by 29.4 percent to Ps. 31.3 billion at the end of the first quarter of 2018 driven by the double-digit growth of the Used cars in Mexico, small- and medium-sized companies and the payroll. It is worth noting the current environment of (14:40) and rising interest rates our loan origination was higher this quarter compared to the first quarter of 2017 and fourth quarter of 2017. Our payroll portfolio increased by 40 percent to Ps. 21.2 billion supported by the Pensioner's segment growth which represented 47 percent of the total payroll origination during the quarter. Almost 80 percent of the payroll loans originated during the quarter they're divided to our three main distributor in which we own equity. In addition, the MPNO decreased from 1.9 percent in the first quarter of 2017 to 1.3 percent in the first quarter of 2018. Our SME portfolio increased 60 percent year over year, totaling Ps. 2.4 billion as of the first quarter of 2018. Also the MPNL decreased from 3 percent in first quarter of 2017 to 1.9 percent in the first quarter of 2018. Our Used cars in Mexico portfolio reached Ps. 762 million at the end of the first quarter, a 64 percent increase year over year, while the origination amounted Ps. 476 million. This quarter the MPNL was 2.4 percent compared to 1.45 percent for the same period last year. Our Used cars in United States portfolio reached Ps. 2 billion at the end of the first quarter 2018 decreasing 6.8 percent year over year. Origination portfolio amounted to Ps. 383 million while the non-performing loan ratio decreased from 2.9 percent in the first quarter 2017 to .7 percent in first quarter of 2018. Instacredit loan portfolio reached Ps. 4.4 billion during the quarter showing an increase of 5 percent year over year, and representing 40 percent of total consolidated loan portfolio with an MPNL of 5 percent. The line others which integrated by durable goods and group loan businesses registered a loan portfolio of Ps. 574 million during the quarter, an 8 percent decrease year over year, driven by the business investment in durable goods. Moreover, the origination reached Ps. 1.3 million increasing 9 percent year over year, driven by the group loan businesses. This quarter the consolidated MPNL portfolio was 1.9 percent compared to 2.1 percent last year. The MPNL improved mainly in the Used cars as well as payroll businesses. With this I conclude my remarks. Now let me turn back the call to the Operator to open the line for Q&A.

Operator: Thank you. Ladies and gentlemen, to ask a question please press *1 on your telephone keypad at this time. If you are using a speaker phone, please make sure that your mute function is turned off to allow your signal to reach our equipment. We'll give one moment to populate for questions. Our first question comes from Ernesto Gabilondo with Bank of America Merrill Lynch.

Ernesto Gabilondo: Hi, good morning Angel and Iga. Three questions from my side. The first one in terms of NAFTA. If we reach a deal do you think this could also help the negative rhetoric in the Hispanic market, and therefore this could help to reduce that business in the US? My second question is in terms of cost of risk. It was 5.6 percent in the first quarter. I remember that you were expecting normalized levels of 4.5 percent. I just wanted to know if you are still seeing this as a possibility after cleaning up the Instacredit portfolio and if we see a recovery in the used car business. Finally, when should we think net earnings to return to levels of double-digit growth in the next quarters? Thank you.

Carlos Ochoa: Hello Ernesto, this is me, Carlos, for the voice. Regarding your NAFTA question, the first one of your questions, we don't believe we have much NAFTA exposure on the Mexican side. As for the US business we believe that this will settle things and will help us in a significant way especially in the Used car business but we definitely cannot observe will be the impact on that side, on that end. However, the positive effect you see by our NAFTA village reach, I would say that could come on the FX side and at least at some point the volatility on the FX diminishes due to the NAFTA renegotiations I think that that will benefit the Company in that sense. Then come to your question the cost of risk. You get to see the cost of risk now as of the first quarter was 5.3 percent but it's trending downwards from the 5.4 percent that we saw on the ground the fourth quarter last year. Even if it's 10 bps more, it's 10 bps higher compared to 1Q17, now it's trending downwards and this counts as the measures we've been taken in Instacredit in particular combined with the performance of the payroll business that's going to help us a lot. Actually, if you look at the cost of risk and if you net it out of the other income operations, the cost of risk is around 4.6 percent, 4.5 percent which is a level at which we feel comfortable. We are confident that we are on the right way for the interest of managing the portfolio. Finally, when it comes to the net income growth, I would say that now that the cost of funds we are starting from some clarity in terms of the cost of funds. If you look especially at the SG&A part that is being trending along with the efficiency ratio, it's been trending downward. Probably by the end of the year we could be seeing double-digits probably net incomes.

Ernest Gabilondo: Thank you very much, Carlos. Hope you recover soon.

Carlos Ochoa: Thanks.

Operator: Again, if you would like to ask a question press *1 at this time for any questions. Our next question comes from Natalia Corfield with JP Morgan.

Natalia Corfield: Good morning all and Carlos I hope you feel better soon. We can see from your voice that you are not great. But anyway, thanks for doing the call. My question is with respect to margins of credit health because what we saw in this quarter is that market is, where negativity impacted by the fact that you have 46 percent of your payroll loan book on this segment where you have lower interest rates. I wanted to understand a little bit what is the strategy there? Is this strategy is going to continue to grow in this segment and if so does that impact margins or do you foresee other ways with your margins throughout 2018?

Carlos Ochoa: Sure. Definitely the direction you mentioned was the pressures on the margin was mostly due to two factors. On the one hand we have the FX that in fact were about something around Ps. 70 million affecting the FX because of the income that we generate we have points of the area. As you mentioned in the payroll business the fraction that we have in the pensioner segment we definitely are convinced that the asset quality that we get on the pensioner segment definitely offsets any other pressure that we might have on the financial margin. We feel very comfortable with that one. Probably at some point that segment is a seasonality working there in the pensioner segment in the first quarter but it continues to level in the following quarters, mostly in the 2nd and the 3rd Quarter. I believe that the fourth quarter the pensioner portfolio should be amounting roughly around 45 percent. But as I was telling you, that's a very class portfolio. We like that one a lot. Although again, if you look at the payroll business it continues to weigh pretty much the same amount in terms of the book. The changes that we saw on the remaining third on the foreign business in particular, has the pressure on the NIMs is all explained by the decline in the participation in the Instacredit which is the one with the highest margin. Due to the growth in the SME, both due to the growth in the Used car business here in Mexico. That's particularly an explanation. We feel comfortable with NIMs above the 20 percent but we believe that we could easily be at the end of the year close to the 22 percent range or something.

Natalia Corfield: Okay. You're expecting increase for the year. Go ahead.

Carlos Ochoa: No, no. That's because of the seasonality in the pensioner segment is very, very steep the seasonality of the pensioner in the first quarter.

Natalia Corfield: Okay. A follow-up on asset quality at Instacredit. Because we have seen the NPL ratio has now declined in the quarter. Nevertheless, if we look at provisions, provisions continue to increase and if you look at the number it is still related. A big chunk of the increase in 2017 was related to Instacredit. What can we expect going forward? Do you think that Instacredit is at the end or there still more to come from Instacredit?

Carlos Ochoa: No. We believe that we reached the peak. Also it was mentioned in that you know that provisions are computed based on expected losses. That's basically an algorithm and basically that's how it works. However, if we consider the performance of the book due to the measures we are taking in the last three quarters, I would say that we already, the measures that we took both on the collection side as well as the origination were the right ones.

Natalia Corfield: Okay. All right. Thank you.

Carlos Ochoa: You're welcome.

Operator: Our next question comes from Nick Dimitrov with Morgan Stanley.

Nick Dimitrov: Hi there. Just two quick questions from me. I was looking at your funding and you mentioned that about 56 percent of your funding is fixed rate. Considering the volatile interest environment. What are your plans? Are you going to leave it at 56 percent or you'll go with starting to increase the percentage of the fixed rate funding? The only reason why I'm asking is some of your peers that are also known financial institutions have increased their fixed funding percentages to significantly above your level. My next question is going to be on your Used car business in the US as acceptances. It's been loss making and I noticed that the losses have been declining but what is your long term commitment with regard to that business? I also saw that NPL has declined there and I assume that they've declined because of write-offs. I just want to confirm that this is the case. Thank you.

Carlos Ochoa: Hi Nick. We feel comfortable with the fixed level portion of our (28:18). You know there are a couple of elements that affect that. We believe that the high cycle in Mexico has come to an end. In the new flation is the inflation will start trending downwards and by the end of the year between the range of 4-4.5 percent Only we could start thinking not only hiking non-interest loan increase and cost in interest rates but also in terms of cost might be on the next year probably if not dramatic changes between due to the elections here in Mexico. We believe that with the combination of our businesses meaning outside Mexico a more beneficial escape of the economy next year, I think that we are on the right amount of fixed debt.

Nick Dimitrov: Okay. Okay.

Carlos Ochoa: When it comes to the used car, the used car business as a whole you know the last year was very challenging for us and we were very active in that sense and basically both our businesses especially the area is going to start generating cash this year. That's basically the commitment that we have that year to make all of our businesses especially those two businesses in the States are going to be generating cash by the end of the year. We already reached that point in the case of (inaudible 30:06) and in the case of loan capital given that we have to make some changes in the commercial side of the business probably going to take a little bit longer but definitely is going to be a good year for the States.

Nick Dimitrov: Okay, got it. Then if you don't mind I would like to sneak in one more question. Regarding your funding plans for the year, you did the hybrid issue which has been very successful, but if you can let us know how you think about funding like longer term, do you intend to tap markets with seeing debt or once or twice a year or how should we think about this?

Carlos Ochoa: Yes. I mean for the remaining of the year, we believe that whatever we have on cash and the cash that we generate along with probably another securitization of a portfolio here in Mexico, probably that will be it for the year. That's our deal on that one. And those, yes, given the dynamic that the business has at this point, probably we will be tapping international markets once a year. That's my view at this point.

Nick Dimitrov: Once a year. Okay, excellent. Thank you.

Carlos Ochoa: Thank you Nick.

Operator: As a final reminder press *1 at this time for any questions. With no further questions in queue, the question and answer session will now conclude. Thank you all for being in today's conference call. Now you may disconnect.

Carlos Ochoa: Thank you all.

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