

CREDICAFE



History

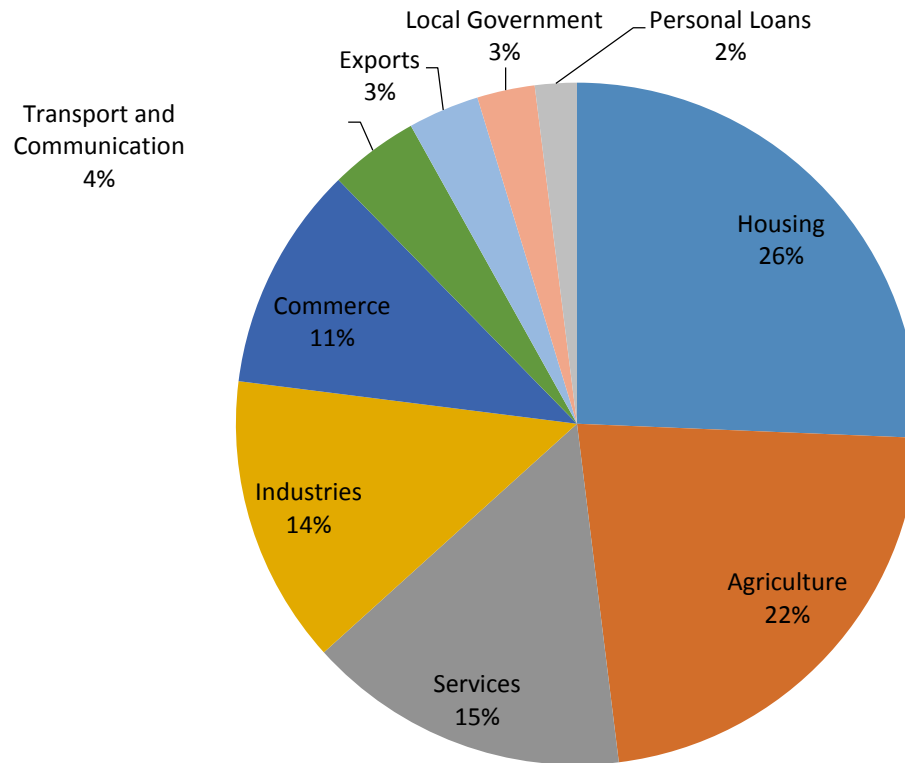
Banco Continental, S.A. was founded on March 20, 1974. The bank's main objective was to serve the commercial and agroindustrial sector in Honduras.

Banco Continental has 98 branches, strategically located throughout Honduras with over 980 employees.

Banco Continental's assets add up to US\$ 606.2 million which places us, in terms of assets and equity, among the most important financial institutions in Honduras, with over 106,206 clients.

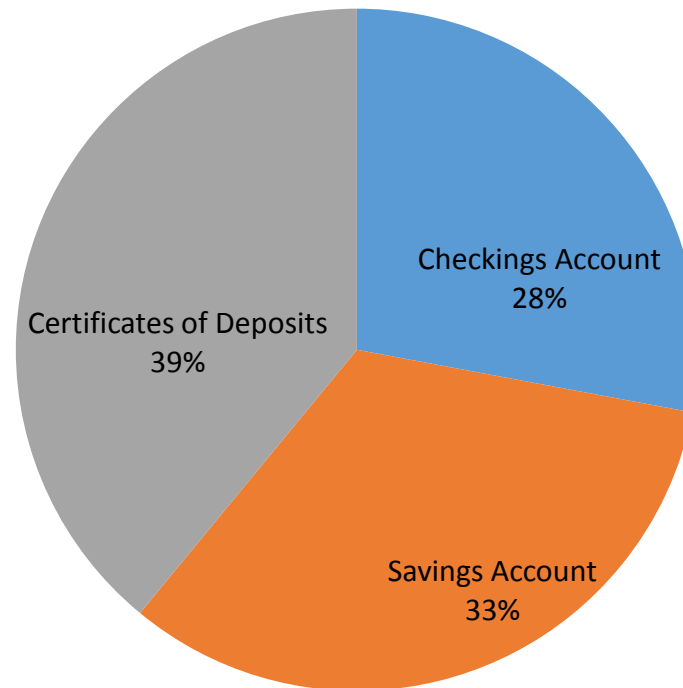
One of our biggest competitive advantages is that we are part of a very strong group of businesses, which, as a whole, are called Grupo Financiero Continental. Affiliates, as part of Grupo Financiero Continental include: banks, Insurance, Brokers, Investment firms, Leasing, Housing and Construction, Industrial Parks, Systems and technology and Agribusinesses. These separate companies back our service, stability and safety.

Loans Portfolio Banco Continental, S.A.



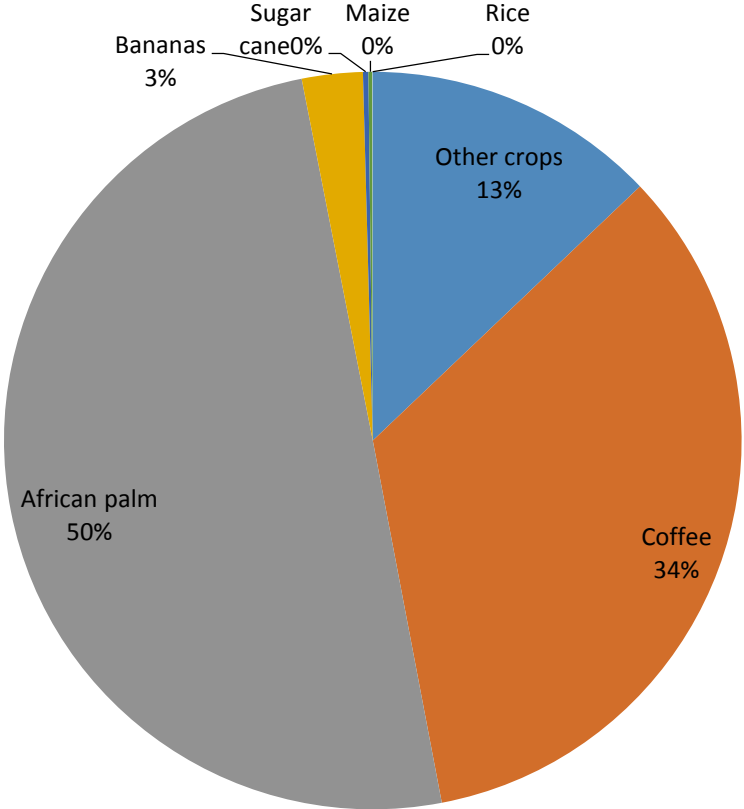
By March 2015, our direct loans portfolio represented US\$ 369,266,037.88, of which 26% is housing, 22% agricultura and 15% services. These areas represent the biggest segments in our portfolio distribution.

Deposits Portfolio Banco Continental, S.A.



By March 2015, our Deposits portfolio represented US\$ 326.38 MM, of which 28% is checkings accounts, 33% savings account, and 39% certificates of deposits.

Agriculture Loans Portfolio Banco Continental, S.A.



By March 2015, Agriculture represented U\$ 63,932,796.21 of our total loans portfolio. Other crops include: Jalapeños, tomatoes, sweet potato, malanga, cacao, pineapple. No specific data on percentages of these crops.

Background

- Within Central America, Honduras is the country most affected by coffee rust.
- Coffee represents approximately 8.50% of the country's GDP.
- There were more than 100,000 farmers affected nationwide.
- Approximately 175,000 acres damaged.
- 35,000 acres of coffee plantations were completely lost.
- Almost 1.5 million jobs at risk.

What is Coffee Rust?

Coffee rust is a disease caused by the fungus *hemileia vastatrix* which infects the coffee plant leaves. This fungus infection also causes the fruit to fall prematurely, it is also then more susceptible to insect attacks, poor fertilization and deficient growing conditions, finally affecting the overall production of the plant.

NEEDS:

- Capital for farm renovations.
- Capital for farm rehabilitation.
- Capital for Recepa/ Pruning

Recepa / Pruning

is a type of pruning that is done by cutting off the stem (30-40cm above the ground) of every plant. This is done when that plant shows exhaustion and can still be renovated via pruning as a new plant will grow from the cut stem.

Renovation

is the replanting of the entire farm. This is done when there is no possibility of a satisfactory recuperation of the farm through better management.

Rehabilitation

When the farm as a whole shows signs of exhaustion, measures can be taken to return it to productivity such as: replanting, higher pruning of plants than recepa, management of fertilizers, and management of shadow.

Instituto Hondureño del Café

IHCAFE, is a private institution, a non-profit organization, that regulates coffee growing nation wide and oversees the needs of the industry, seeking fast and adequate solutions for the industry.



SEEKING A SOLUTION:

- **PARTICIPANTS:** IHCAFE, Banco Continental, S.A. and Banco Hondureño del Café, S.A.

CHALLENGES:

- Availability of funds; long term.
- Farmers without collateral.
- High operating costs. (small loan amounts and multiple disbursements).

Solutions for fighting the roya at a national level:

1. Renovating farms with Roya-resistant material (genetically altered seeds that are resistant).
2. Learning to live with the disease by applying preventive materials to plants.
3. Regulating shadow to allow better lighting, reducing moisture and allowing for better ventilation.
4. Reinforcing the nutritional aspect (Fertilization).

CREDICAFE

Is the product designed as the solution. The program is directed at the farmers affiliated to IHCAFE. It is designed to finance those farmers specifically affected by coffee rust, for both rehabilitation purposes as well as complete renovation.



Product Detail:

- The product, “Credicafe” was created and started operating on May 2013.
- Financing of up to US\$ 45,000,000.00, divided between both banks (Banco Continental and BANHCAFE)
- Loans are between US\$. 750.00 to a maximum US\$. 7,500.00 for each farmer, depending on what the funds will be destined towards (renovation, rehabilitation and recepa)
- Interest Rate: 10%
- Term: Up to 84 months, depending on what the use of funds will be.
- Financing will be in US Dollars to be able to lower financing costs.
- Multiple disbursements.
- Grace period: Up to 36 months. (in case of renovation)
- Payment secured with IHCAFE’s withholdings.

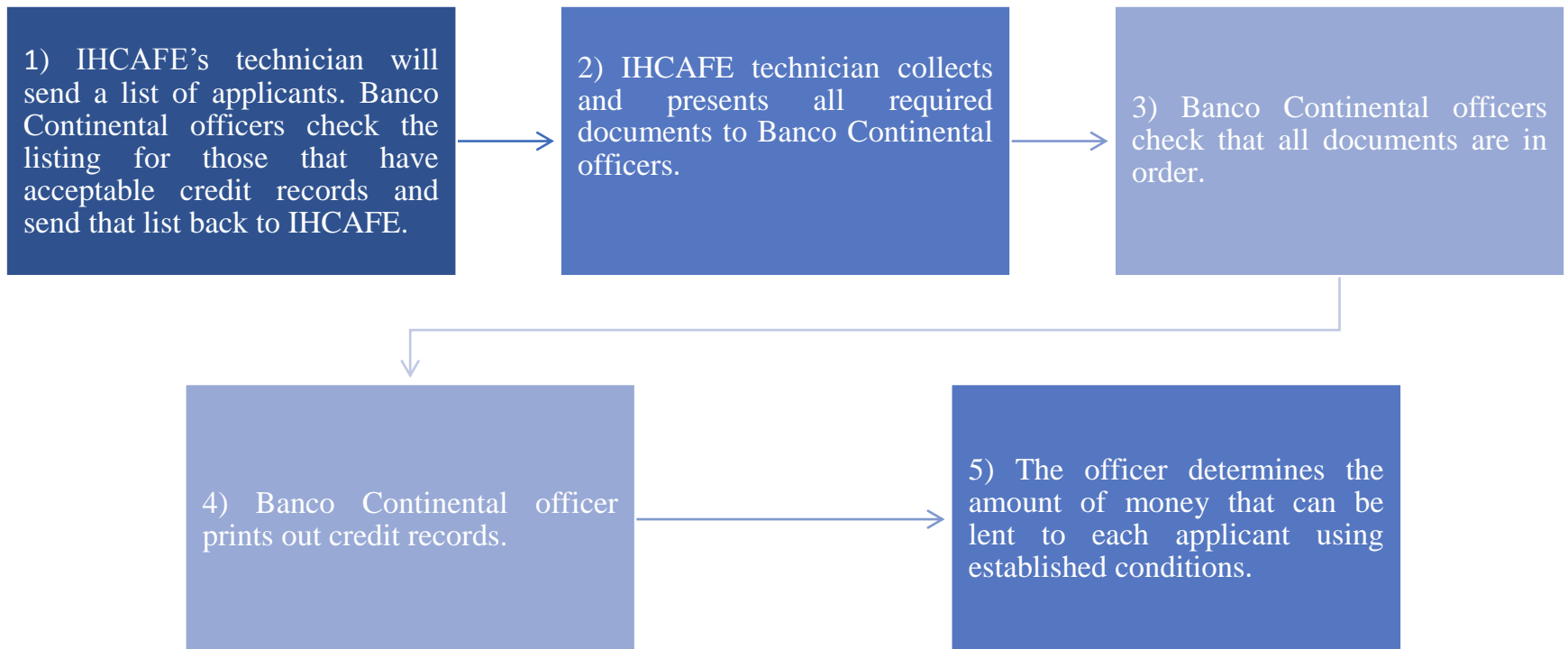
Who can apply for Credicafe?

- Coffee growers affected by Coffee Rust that are affiliated to IHCAFE
- Coffee growers that are not currently in debt with IHCAFE
- Coffee growers that do not have a bad credit record with other banks

Requirements:

- Life insurance application form
- Copy of ID
- Coffee producer ID
- Copy of deed of ownership of land
- Investment plan created and signed by the Ihcafe technician.
- Letter from Ihcafe certifying that the farmer is not in debt
- Disbursement plan created by the Ihcafe technician

Credit Process Flow Chart



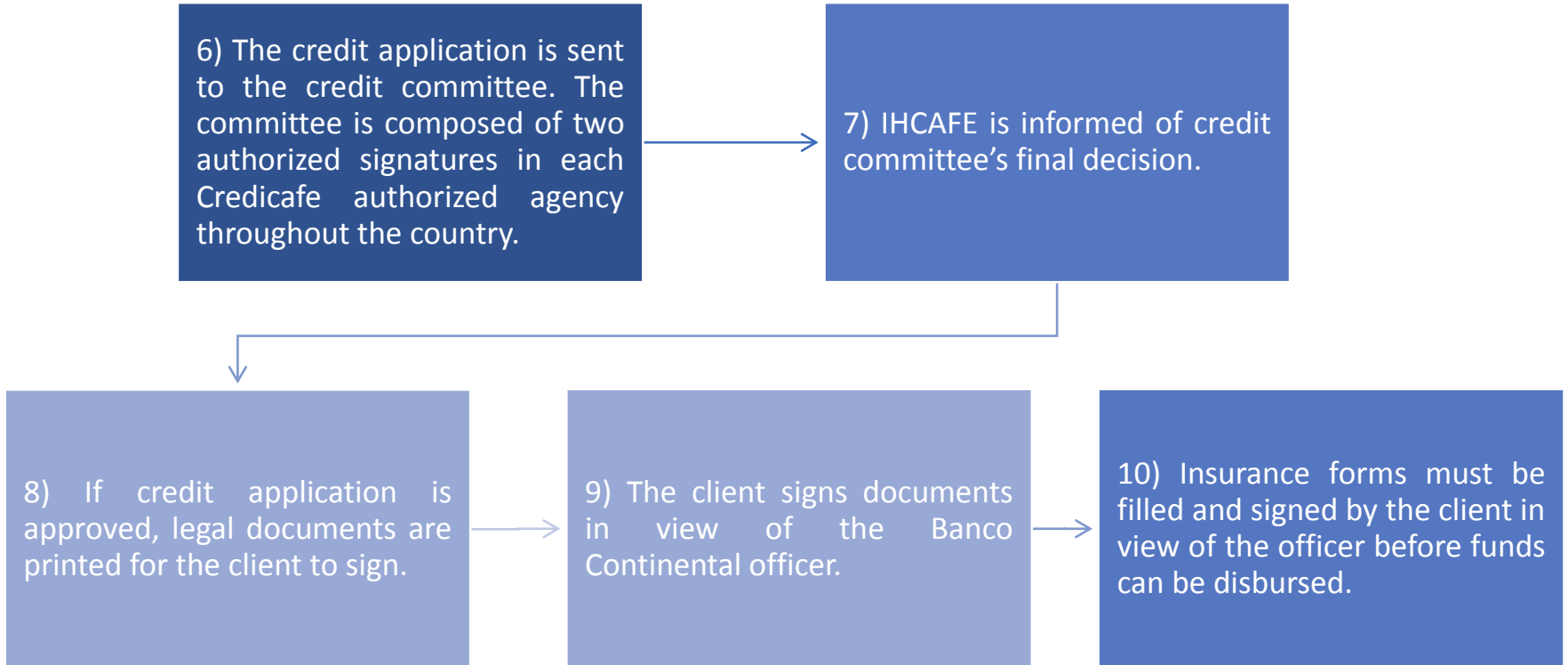
6) The credit application is sent to the credit committee. The committee is composed of two authorized signatures in each Credicafe authorized agency throughout the country.

7) IHCAFE is informed of credit committee's final decision.

8) If credit application is approved, legal documents are printed for the client to sign.

9) The client signs documents in view of the Banco Continental officer.

10) Insurance forms must be filled and signed by the client in view of the officer before funds can be disbursed.



CONVENIO DE COOPERACIÓN PARA LA EJECUCIÓN DEL PROGRAMA DE CRÉDITO DE EMERGENCIA CONTRA LA ROYA
Instituto Hondureño del Café (IHCAFE)

SOLICITUD DE CRÉDITO

Nombre Completo	Identidad	
RTN Numérico	Carné de Productor	
Domicilio		
Dirección / Ubicación de fincas		
Extensión de la finca		
Área cultivada de café		
Nacionalidad	Estado Civil	
Teléfono Fijo	Teléfono Móvil	
Referencias Familiares:		
1. Nombre		
Dirección		
Teléfono	Parentesco	
2. Nombre		
Dirección		
Teléfono	Parentesco	
Monto Solicitado	Plazo	
Forma de Pago	Oficina	
Destino del Crédito		
Firma del cliente	Firmado el	Nombre y firma de Encargado de Agencia

IHCAFE's Commitment

- IHCAFE, is in charge of supervising that funds reach destination and provide technical assistance to farmers.
- IHCAFE's technicians, will visit farmers financed as part of the supervision.
- IHCAFE will aid banks in the cases needed for recoveries.

The Numbers:

Banco Continental, S.A.

Number of loans	Total funds approved
2,189	\$ 6,405,933.77

*As of April 2015 The Credicafe portfolio currently has a 0.38% of defaults, making this a very healthy portfolio.