

Profit & Loss

MXN Mn	2Q20	2Q19	(%) Var.	2Q19 Proforma	2Q20 ⁽¹⁾ (USD)	YTD20	YTD19	(%) Var.	YTD19 Proforma	YTD20 ⁽¹⁾ (USD)
Interest income	2,399.8	2,859.6	(16.1%)	2,773.9	103.9	5,092.2	5,690.0	(10.5)	5,573.2	220.5
Interest expense	(1,181.2)	(1,099.3)	7.4%	(1,080.5)	(51.2)	(2,261.1)	(2,165.1)	4.4	(2,158.8)	(97.9)
Financial margin	1,218.6	1,760.3	(30.8%)	1,693.4	52.8	2,831.1	3,524.9	(19.7)	3,414.4	122.6
Provision for loan losses, net	(404.4)	(254.3)	59.1%	(269.1)	(17.5)	(864.4)	(591.4)	46.2	(586.2)	(37.4)
Adjusted financial margin	814.2	1,506.1	(45.9%)	1,424.3	35.3	1,966.7	2,933.5	(33.0)	2,828.2	85.2
Commissions and fees collected	78.5	139.8	(43.8%)	169.4	3.4	78.4	274.6	(71.5)	319.7	3.4
Commissions and fees paid	(55.1)	(95.0)	(41.9%)	(95.0)	(2.4)	(119.2)	(180.5)	(34.0)	(180.5)	(5.2)
Intermediation income	1.9	(6.4)	-	(6.4)	0.1	63.2	251.0	(74.8)	251.0	2.7
Other income from operations	304.7	9.8	-	200.9	13.2	393.5	40.6	869.0	389.6	17.0
Administrative and promotion expenses	(785.1)	(851.7)	(7.8%)	(876.0)	(34.0)	(1,557.6)	(1,705.8)	(8.7)	(1,754.6)	(67.5)
Depreciation expense	(154.6)	-	-	(126.4)	(6.7)	(154.6)	-	-	(222.5)	(6.7)
Operating result	204.5	702.5	(70.9%)	690.8	8.9	670.4	1,613.4	(58.4)	1,630.8	29.0
Income taxes	(25.5)	(167.1)	(84.7%)	(170.6)	(1.1)	(153.0)	(432.2)	(64.6)	(444.2)	(6.6)
Income before participation in the results of subsidiaries	179.0	535.4	(66.6%)	520.2	7.8	517.5	1,181.2	(56.2)	1,186.6	22.4
Participation in the results of subsidiaries, associates and non-controlling participation	(47.7)	(43.1)	10.5%	(27.1)	(2.1)	(80.7)	(64.3)	25.5	(50.5)	(3.5)
Net income	131.4	492.3	(73.3%)	493.2	5.7	436.8	1,116.9	(60.9)	1,136.1	18.9

Balance Sheet

MXN Mn	2Q20	2Q19	(%) Var.	2Q19 Proforma	2Q20 ⁽¹⁾ (USD)	4Q19	(%) Var.
Cash and cash equivalents	1,129.2	511.5	-	545.3	48.9	1,180.9	(4.4)
Investments in securities	1,801.1	888.1	-	929.1	78.0	1,294.4	39.2
Securities and derivatives transactions	6,500.7	442.7	-	442.7	281.5	-	-
Total performing loan portfolio	46,479.2	40,465.0	14.9	38,298.2	2,013.0	46,325.7	0.3
Total non-performing loan portfolio	695.0	619.9	12.1	619.9	30.1	632.7	9.8
Loan portfolio	47,174.2	41,084.9	14.8	38,918.1	2,043.1	46,958.4	0.5
Less: Allowance for loan losses	1,708.1	1,272.0	34.3	1,288.5	74.0	1,390.0	22.9
Loan portfolio (net)	45,466.0	39,812.9	14.2	37,629.6	1,969.1	45,568.4	(0.2)
Factoring portfolio	1,957.1	237.9	-	656.1	84.8	231.5	-
Other accounts receivable (net)	7,499.5	5,570.7	34.6	5,401.2	324.8	6,565.5	14.2
Foreclosed assets (net)	25.6	8.6	-	8.6	1.1	10.8	-
Property, furniture and fixtures (net)	3,511.4	737.6	-	2,661.2	152.1	625.3	-
Long-term investments in shares	1,251.5	1,186.7	5.5	1,156.4	54.2	1,273.6	(1.7)
Debt insurance costs, intangibles and others	5,511.5	4,618.7	19.3	4,619.2	238.7	4,841.5	13.8
Total assets	74,653.6	54,015.4	38.2	54,049.4	3,233.3	61,591.7	21.2
Notes payable (securitizations)	1,013.5	1,220.4	(17.0)	1,220.4	43.9	1,261.0	(19.6)
Senior notes payable	31,596.8	21,853.7	44.6	21,853.7	1,368.5	24,636.7	28.3
Bank loans and borrowings from other entities (short-term)	9,835.6	8,661.9	17.9	8,661.9	442.4	7,597.6	34.4
Bank loans and borrowings from other entities (long-term)	10,582.9	3,291.9	-	3,291.9	442.0	8,015.9	27.3
Total bank loans	20,418.5	11,953.7	70.8	11,953.7	884.3	15,613.5	30.8
Total debt	53,028.8	35,027.8	51.4	35,027.8	2,296.7	41,511.2	27.7
Income taxes payable	313.0	306.7	2.0	316.3	13.6	330.5	(5.3)
Securities and derivatives transactions	-	-	-	-	-	765.3	-
Other accounts payable	905.4	399.6	-	763.8	39.2	810.2	11.8
Deferred taxes	2,550.5	2,344.9	8.8	1,977.4	110.5	2,110.6	20.8
Total liabilities	56,797.7	38,079.1	49.2	38,085.4	2,459.9	45,527.8	24.8
Capital stock	1,738.6	1,845.9	(5.8)	1,845.9	75.3	1,852.4	(6.1)
Perpetual notes	4,206.7	4,206.7	(0.0)	4,206.7	182.2	4,206.7	-
Accumulated results from prior years	9,660.2	8,045.5	20.1	8,045.5	418.4	7,778.3	24.2
Result from valuation of cash flow hedges, net	(174.7)	(226.3)	(22.8)	(226.3)	(7.6)	(708.2)	(75.3)
Cumulative translation adjustment	758.4	(66.4)	-	(66.4)	32.8	5.5	-
Controlling position in subsidiaries	1,230.0	1,014.1	21.3	1,022.5	53.3	949.1	29.6
Net income	436.8	1,116.9	(60.9)	1,136.1	18.9	1,980.1	(77.9)
Total stockholders' equity	17,856.0	15,936.3	12.0	15,964.0	773.3	16,063.9	11.2
Total liabilities and stockholders' equity	74,653.6	54,015.4	38.2	54,049.4	3,233.3	61,591.7	21.2

Financial Ratios

	2Q20	2Q19	(%) Var.	2Q19 Proforma	YTD20	YTD19	(%) Var.	YTD19 Proforma
Yield	19.8%	28.8%	(9.0)	29.4%	21.2%	29.5%	(8.3)	30.4%
Net interest margin	10.1%	17.7%	(7.7)	18.0%	11.8%	18.3%	(6.5)	18.6%
Return on average loan portfolio	1.1%	5.0%	(3.9)	5.2%	1.8%	5.8%	(4.0)	6.2%
ROAA: return on average assets	0.7%	3.8%	(3.0)	3.8%	1.3%	4.3%	(3.1)	4.4%
ROAE: return on average stockholders' equity	2.8%	12.3%	(9.5)	12.3%	4.9%	14.0%	(9.0)	14.2%
ROAE: return on average stockholders' equity (excluding perpetual notes)	3.7%	16.7%	(13.0)	16.7%	6.5%	19.1%	(12.6)	19.3%
Debt to equity ratio	3.0	2.2	0.8	2.2	3.0	2.2	0.8	2.2
Debt to equity ratio (excluding perpetual notes)	3.9	3.0	0.9	3.0	3.9	3.0	0.9	3.0
Average cost of funds	9.1%	13.2%	(4.1)	13.0%	9.3%	13.3%	(4.0)	13.3%
Efficiency ratio	62.1%	41.9%	20.2	49.6%	55.4%	41.9%	13.6	49.4%
Capitalization ratio	37.9%	38.8%	(0.9)	41.0%	37.9%	38.8%	(0.9)	41.0%
Capitalization ratio (excluding perpetual notes)	28.9%	28.5%	0.4	30.2%	28.9%	28.5%	0.4	30.2%
Provisions for loan losses as a percentage of total loan portfolio	3.3%	2.5%	0.8	2.7%	3.7%	2.9%	0.8	3.0%
Allowance for loan losses as a percentage of total past-due loan portfolio	245.8%	205.2%	40.6	207.9%	245.8%	205.2%	40.6	207.9%
Total past-due loan portfolio as a percentage of total loan portfolio	1.5%	1.5%	-	1.6%	1.5%	1.5%	-	1.6%

2Q20 Highlights

- **Cash and investment in securities balance** amounted Ps. 2,930.4 million, reflecting a solid liquidity position toward the rest of the year.
- **Operating loan portfolio** reached 51,942.9 million at the end of 2Q20, up 28.6% year-over-year. As a result of CREAL Arrendamiento's consolidation, hereinafter, this figure includes the leasing and factoring portfolios (that as of 2Q20 are registered in fixed assets and other accounts receivable, respectively).
- 2Q20 **average cost of funds** stood at 9.1%, a decrease of 410 bps. when compared to 13.2% in 2Q19.
- **Net provision for loan losses** reached Ps. 404.4 million and **cost of risk** stood at 3.3% in 2Q20.
- **Financial margin** reached Ps. 1,218.6 million and **net income** totaled Ps. 131.4 million.
- **Capitalization ratio** ended the quarter at 37.9%, a clear illustration of the Company's strong capitalization.
- During the quarter, the share of **fixed-rate debt** represented 58.2% of the total consolidated debt.
- Following Crédito Real's approach to value creation, the Company increased its participation in **CREAL Arrendamiento** to a controlling interest. Therefore, from the second quarter onwards, CREAL Arrendamiento's operations are consolidated in Crédito Real's Financial Statements.
- On April 27, 2020, the Company successfully established a **Medium-Term Note Program** ("MTN Program") for up to US\$1.5 billion.
- During the quarter, the Company arranged three credit line extensions for a total amount of Ps. 1.4 billion with international banks. Additionally, revolvers maturing during the quarter for a total amount of Ps. 2.5 billion were successfully renewed.

Summary of Operations

Loan portfolio summary

	2Q20					2Q19					
	Portfolio ⁽²⁾	% Customers	NPL's	Average Loan	Portfolio ⁽²⁾	% Customers	NPL's	Average Loan	% Var. Portfolio		
Mexico											
Payroll	28,995.4	61.5%	446,155	1.8%	64,990	26,664.6	64.9%	420,917	1.2%	63,349	8.7
SMEs ⁽³⁾	6,042.9	12.8%	606	0.4%	9,971,814	5,249.0	12.8%	622	0.5%	8,438,856	15.1
Used Cars	1,382.4	2.9%	11,835	1.5%	116,803	1,252.6	3.0%	9,750	1.0%	128,471	10.4
Others ⁽⁴⁾⁽⁵⁾	501.7	1.1%	257,367	5.9%	1,949	791.6	1.9%	260,197	3.8%	3,042	(36.6)
Central America											
Instacredit	5,793.9	12.3%	159,178	1.3%	36,399	4,692.4	11.4%	169,659	4.8%	27,658	23.5
United States											
Used Cars	2,656.3	5.6%	9,956	0.9%	266,801	1,650.3	4.0%	7,498	0.9%	220,104	61.0
SMEs	1,801.6	3.8%	2,575	0.2%	699,640	784.5	1.9%	919	0.0%	853,611	-
Total	47,174.2	100.0%	887,672	1.5%	53,144	41,084.9	100.0%	869,562	1.5%	47,248	14.8
SMEs ⁽⁶⁾	4,768.7	-	-	4.7%	-	-	-	-	-	-	-
Total operating	51,942.9	-	-	1.8%	-	40,393.4	-	-	1.5%	-	28.6

Origination summary

	2Q20		2Q19			YTD'20		YTD'19		
	Origination ⁽²⁾	%	Origination ⁽²⁾	%	(%) Var.	Origination ⁽²⁾	%	Origination ⁽²⁾	%	(%) Var.
Mexico										
Payroll	908.1	11.4%	1,350.0	18.5%	(32.7)	2,133.5	13.3%	2,684.0	19.7%	(20.5)
SMEs ⁽⁷⁾	4,350.5	54.4%	2,493.0	34.1%	74.5	7,089.1	44.1%	4,312.7	31.6%	64.4
Used Cars	76.5	1.0%	289.4	4.0%	(73.6)	390.3	2.4%	751.3	5.5%	(48.0)
Others ⁽⁴⁾⁽⁵⁾	1,609.6	20.2%	1,641.9	22.4%	(2.0)	3,675.6	22.9%	3,093.6	22.7%	18.8
Central America										
Instacredit	521.5	6.5%	841.3	11.5%	(38.0)	1,441.1	9.0%	1,596.2	11.7%	(9.7)
United States										
Used Cars	172.0	2.2%	254.3	3.5%	(32.4)	572.6	3.6%	654.6	4.8%	(12.5)
SMEs	323.1	4.0%	445.9	6.1%	(27.5)	735.1	4.6%	560.3	4.1%	31.2
Total	7,961.3	100.0%	7,315.8	100.0%	8.8	16,037.3	100.0%	13,652.5	100.0%	17.5

(1) Figures are expressed in millions of dollars at period-end exchange rate: \$23.0893; (2) Figures are expressed in millions of pesos

(3) Includes SMEs traditional portfolio and CRA credit portfolio; (4) Integrated by Group Loans and Durable Goods

(5) Includes strategic alliances; (6) Integrated by factoring and leasing portfolios

(7) Includes SMEs traditional operations and CRA's whole operations

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The shares of Crédito Real are listed in the Mexican Stock Exchange under the ticker "CREAL*".

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