

Profit & Loss

<i>MXN Mn</i>	4Q19	4Q18	%Var.	4Q19 ⁽¹⁾ (USD)	4Q19 Proforma	2019	2018	%Var.	2019 ⁽¹⁾ (USD)
Interest income	3,293.0	2,735.4	20.4	174.6	3,293.0	11,933.0	10,201.1	17.0	632.6
Interest expense	(1,310.9)	(692.0)	89.4	(69.5)	(1,211.7)	(4,671.1)	(3,120.9)	49.7	(247.6)
Financial margin	1,982.0	2,043.4	(3.0)	105.1	2,081.2	7,261.9	7,080.2	2.6	385.0
Provision for loan losses, net	(351.3)	(383.1)	(8.3)	(18.6)	(351.3)	(1,306.6)	(1,540.3)	(15.2)	(69.3)
Adjusted financial margin	1,630.8	1,660.3	(1.8)	86.4	1,730.0	5,955.2	5,539.9	7.5	315.7
Commissions and fees collected	104.1	0.2	-	5.5	104.1	515.7	564.1	(8.6)	27.3
Commissions and fees paid	(110.3)	(78.2)	41.1	(5.8)	(59.8)	(373.4)	(256.0)	45.9	(19.8)
Intermediation income	(42.1)	(101.9)	(58.6)	(2.2)	(42.1)	156.2	(20.8)	-	8.3
Other income from operations	37.0	25.1	47.5	2.0	37.0	126.6	164.7	(23.2)	6.7
Administrative and promotion expenses	(971.6)	(778.7)	24.8	(51.5)	(917.3)	(3,607.0)	(3,483.1)	3.6	(191.2)
Operating result	647.8	726.8	(10.9)	34.3	851.8	2,773.3	2,508.8	10.5	147.0
Income taxes	(186.0)	(213.1)	(12.7)	(9.9)	(247.2)	(735.9)	(650.6)	13.1	(39.0)
Income before participation in the results of subsidiaries	461.8	513.8	(10.1)	24.5	604.6	2,037.4	1,858.2	9.6	108.0
Participation in the results of subsidiaries, associates and non-controlling participation	(34.5)	54.3	-	(1.8)	(34.5)	(57.3)	97.2	-	(3.0)
Net income	427.2	568.1	(24.8)	22.6	570.0	1,980.1	1,955.4	1.3	105.0

Balance Sheet

<i>MXN Mn</i>	2019	2018	% Var.	2019 ⁽¹⁾ (USD)
Cash and cash equivalents	1,180.9	1,106.3	6.7	62.6
Investments in securities	1,294.4	410.3	-	68.6
Securities and derivatives transactions	-	1,028.0	-	-
Total performing loan portfolio	46,325.7	35,701.6	29.8	2,455.7
Total non-performing loan portfolio	632.7	617.6	2.5	33.5
Loan portfolio	46,958.4	36,319.1	29.3	2,489.3
Less: Allowance for loan losses	1,390.0	1,067.9	30.2	73.7
Loan portfolio (net)	45,568.4	35,251.2	29.3	2,415.6
Other accounts receivable (net)	6,796.9	5,378.8	26.4	360.3
Foreclosed assets (net)	10.8	10.5	2.5	0.6
Property, furniture and fixtures (net)	625.3	341.5	83.1	33.1
Long-term investments in shares	1,273.6	1,193.4	6.7	67.5
Debt insurance costs, intangibles and others	4,841.5	4,842.5	(0.0)	256.7
Total assets	61,591.7	49,562.5	24.3	3,265.0
Notes payable (securitizations)	1,261.0	1,463.5	(13.8)	66.8
Senior notes payable	24,636.7	17,018.8	44.8	1,306.0
Bank loans and borrowings from other entities (short-term)	7,597.6	7,359.7	3.2	402.8
Bank loans and borrowings from other entities (long-term)	8,015.9	4,804.7	66.8	424.9
Total bank loans	15,613.5	12,164.4	28.4	827.7
Total debt	41,511.2	30,646.7	35.5	2,200.5
Income taxes payable	330.5	264.0	25.2	17.5
Securities and derivatives transactions	765.3	-	-	40.6
Other accounts payable	810.1	457.4	77.1	42.9
Deferred taxes	2,110.6	2,258.8	(6.6)	111.9
Total liabilities	45,527.8	33,626.9	35.4	2,413.4
Capital stock	1,852.4	2,067.7	(10.4)	98.2
Perpetual notes	4,206.7	4,206.7	-	223.0
Accumulated results from prior years	7,778.3	6,698.8	16.1	412.3
Result from valuation of cash flow hedges, net	(708.2)	128.6	-	(37.5)
Cumulative translation adjustment	5.5	(30.1)	-	0.3
Controlling position in subsidiaries	949.1	908.5	4.5	50.3
Net income	1,980.1	1,955.4	1.3	105.0
Total stockholders' equity	16,063.9	15,935.6	0.8	851.6
Total liabilities and stockholders' equity	61,591.7	49,562.5	24.3	3,265.0

Financial Ratios

	4Q19	4Q18	% Var.	4Q19 Proforma	2019	2018	% Var.
Yield	29.1%	30.7%	(1.6)	29.1%	28.1%	29.9%	(1.8)
Net interest margin	17.5%	22.9%	(5.4)	18.4%	17.1%	20.8%	(3.7)
Return on average loan portfolio	3.8%	6.4%	(2.6)	5.0%	4.7%	5.7%	(1.1)
ROAA: return on average assets	2.9%	4.7%	(1.8)	3.9%	3.6%	4.2%	(0.7)
ROAE: return on average stockholders' equity	10.5%	14.5%	(4.0)	13.8%	12.3%	12.9%	(0.6)
ROAE: return on average stockholders' equity (excluding perpetual notes)	14.2%	19.9%	(5.7)	18.5%	16.6%	17.8%	(1.2)
Debt to equity ratio	2.6	1.9	0.7	2.5	2.6	1.9	0.7
Debt to equity ratio (excluding perpetual notes)	3.5	2.6	0.9	3.4	3.5	2.6	0.9
Average cost of funds	13.3%	12.0%	1.3	12.3%	12.8%	11.1%	1.8
Efficiency ratio	45.6%	34.6%	11.0	39.6%	43.9%	42.4%	1.6
Capitalization ratio	34.2%	43.9%	(9.7)	34.2%	34.2%	43.9%	(9.7)
Capitalization ratio (excluding perpetual notes)	25.3%	32.3%	(7.0)	25.3%	25.3%	32.3%	(7.0)
Provisions for loan losses as a percentage of total loan portfolio	3.0%	4.2%	(1.2)	3.0%	2.8%	4.2%	(1.5)
Allowance for loan losses as a percentage of total past-due loan portfolio	219.7%	172.9%	46.8	219.7%	219.7%	172.9%	46.8
Total past-due loan portfolio as a percentage of total loan portfolio	1.3%	1.7%	(0.4)	1.3%	1.3%	1.7%	(0.4)

4Q19 Highlights

- **Consolidated loan portfolio** increased by 29.3% YoY, to reach Ps. 46,958.4 million at the end of 4Q19, while the **non-performing loan** ratio stood at 1.3%.
- **Financial margin** reached Ps. 1,982.0 million in 4Q19.
- **Net income** totaled Ps. 427.2 million in 4Q19. Net income, adjusted for the Ps. 142.8 million loss from the liability management of the Senior Notes 2027, amounted Ps. 570.0 million.
- 4Q19 **average cost of funds** rose to 13.3%, an increase of 130 bps. when compared to 12.0% in 4Q18; adjusted for the non-recurring effect associated to liability management of the Senior Notes 2027, CoF stood to 12.3%.
- **Provision for loan losses** decreased 8.3% YoY in 4Q19 to Ps. 351.3 million and **Cost of Risk** stood at 3.0%.
- During the quarter, the share of **fixed rate debt** represented 62.3% of the total consolidated debt.
- On January 27, 2020, Crédito Real's ordinary general shareholders' meeting approved the **cancellation of 3 million shares**, which represents 0.8% of the capital stock.
- On December 10, 2019, Crédito Real arranged a **credit line for US\$50 million** for a 5-year term with IDB Invest, member of Inter-American Development Bank (IDB) Group.

Summary of Operations

Loan portfolio summary

	4Q19					4Q18					
	Portfolio ⁽²⁾	%	Customers	NPL's	Average Loan	Portfolio ⁽²⁾	%	Customers	NPL's	Average Loan	% Var. Portfolio
Mexico											
Payroll	28,242.3	60.1%	432,173	1.0%	65,350	24,807.4	68.3%	404,066	1.1%	61,394	13.8
SMEs	7,419.7	15.8%	730	0.5%	10,163,918	3,676.7	10.1%	575	0.7%	6,394,233	-
Used Cars	1,401.0	3.0%	11,360	1.0%	123,330	917.7	2.5%	8,132	0.3%	112,849	52.7
Others ⁽³⁾⁽⁴⁾	895.9	1.9%	287,149	2.9%	3,120	424.1	1.2%	256,710	6.1%	1,652	-
Central America											
Instacredit	4,918.0	10.5%	172,628	4.8%	28,489	4,462.7	12.3%	173,974	6.1%	25,652	10.2
USA											
Used Cars	2,136.0	4.5%	10,080	1.3%	211,907	1,092.7	3.0%	5,365	2.1%	203,678	95.5
SMEs	1,945.5	4.1%	2,200	0.3%	884,309	937.7	2.6%	3,047	0.0%	307,761	-
Total	46,958.4	100.0%	916,320	1.3%	51,246.7	36,319.1	100%	851,869	1.7%	42,635	29.3

Origination summary

	4Q19		4Q18		% Var.	2019		2018		% Var.
	Origination ⁽²⁾	%	Origination ⁽²⁾	%		Origination ⁽²⁾	%	Origination ⁽²⁾	%	
Mexico										
Payroll	1,409.9	14.6%	1,490.1	24.1%	(5.4)	5,528.5	18.0%	6,523.4	27.1%	(15.3)
SMEs	4,126.0	42.8%	1,665.1	26.9%	-	10,481.8	34.1%	5,434.3	22.6%	92.9
Used Cars	316.2	3.3%	320.6	5.2%	(1.4)	1,355.2	4.4%	1,475.0	6.1%	(8.1)
Others ⁽³⁾⁽⁴⁾	1,748.9	18.2%	1,483.8	24.0%	17.9	6,647.0	21.6%	5,572.6	23.2%	19.3
Central America										
Instacredit	807.1	8.4%	760.6	12.3%	6.1	3,312.8	10.8%	2,992.1	12.4%	10.7
USA										
Used Cars	547.1	5.7%	206.8	3.3%	-	1,812.5	5.9%	1,335.2	5.6%	35.8
SMEs	676.4	7.0%	249.1	4.0%	-	1,582.7	5.2%	705.8	2.9%	-
Total	9,631.7	100.0%	6,176.1	100.0%	55.9	30,720.5	100.0%	24,038.3	100.0%	27.8

(1) Figures are expressed in millions of dollars at period-end exchange rate: \$18.8642

(2) Figures are expressed in millions of pesos

(3) Others is integrated by Group Loans and Durable Goods

(4) Includes strategic alliances

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

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