

# CRÉDITO REAL

## Corporate Presentation

### 2Q19 Financial Update

#### CONTACT INFORMATION

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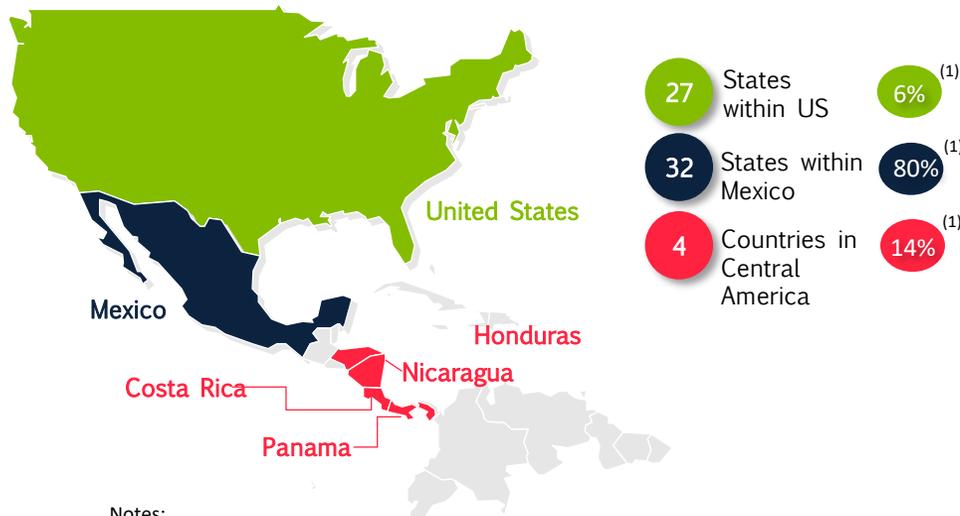
CREAL\*

# Crédito Real in a Nutshell

## Key Company Highlights

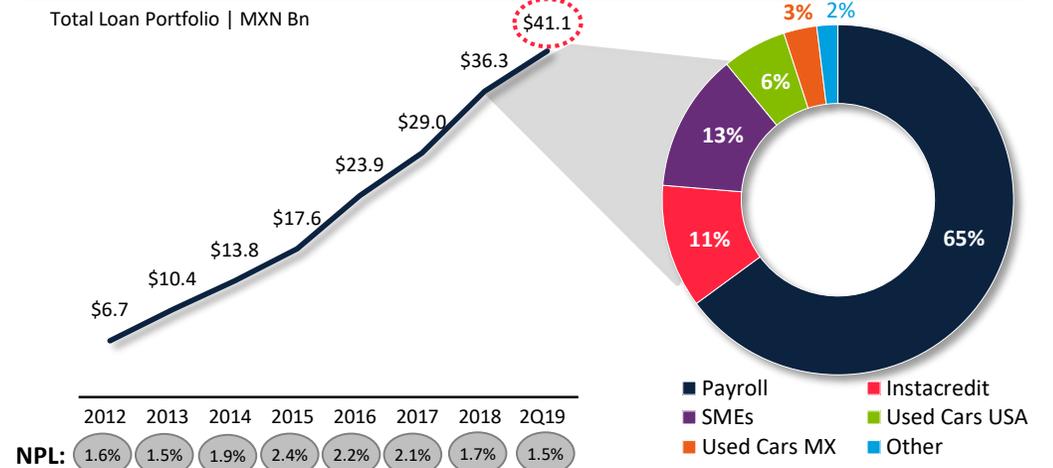
- + A leading specialty finance company in Mexico with a growing international presence (United States and Central America).
- + Highly recognized by its product offering, designed specifically for our customer base which is underserved by the traditional banking sector.
- + Over 25 years of experience in understanding the credit profile of customers and in developing and refining proprietary underwriting standards.
- + Listed on the Mexican Stock Exchange since 2012, being actively a public debt issuer in Mexico and in international bond-markets since 1995 and 2010, respectively.

## Market presence



Notes:  
(1) Percentage of Loan Portfolio as of 2Q19.

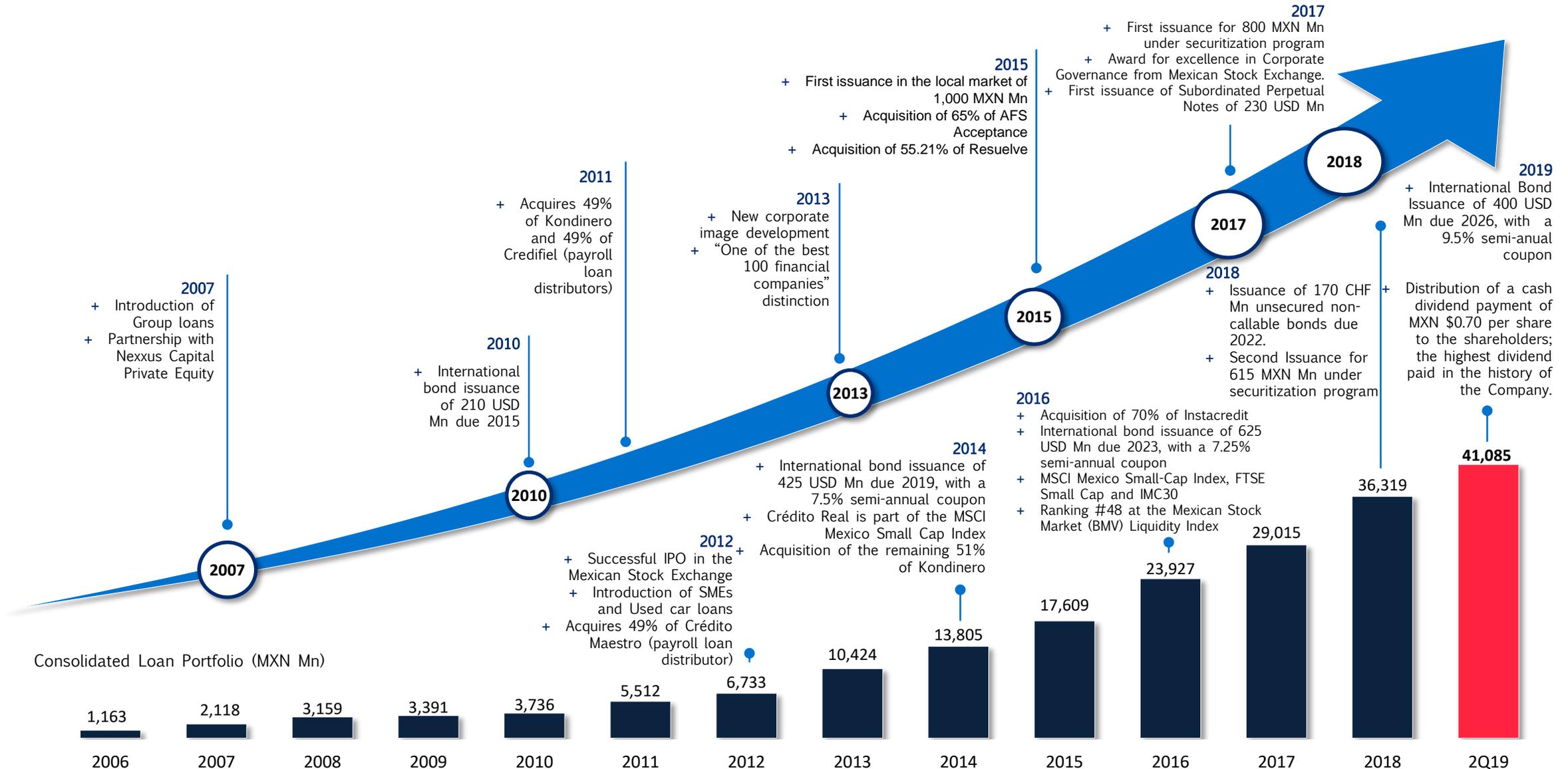
## Consistently Growing Loan Portfolio



## Selected Financials

MXN Mn	2015	2016	2017	2018	YTD'18	YTD'19	CAGR / Avg. 2015-2018
<b>Income Statement</b>							
Interest Income	\$4,264	\$6,958	\$8,557	\$10,288	\$4,904	\$5,690	34.1%
Financial Margin	\$3,312	\$5,042	\$5,773	\$7,080	\$3,308	\$3,525	28.8%
Net income	\$1,371	\$1,714	\$1,661	\$1,955	\$882	\$1,117	12.6%
<b>Balance Sheet</b>							
Assets	\$25,996	\$35,915	\$42,238	\$49,562	\$45,736	\$54,015	24.0%
Debt	\$17,444	\$24,589	\$23,585	\$30,647	\$27,481	\$35,028	20.7%
Equity	\$6,713	\$9,277	\$14,768	\$15,809	\$15,018	\$15,936	33.0%
<b>Key Ratios</b>							
ROAA	6.0%	5.0%	4.5%	4.2%	4.2%	4.3%	4.9%
ROAE	22.2%	20.2%	15.9%	12.9%	13.2%	14.0%	17.8%
Capitalization	38.1%	38.8%	50.9%	43.5%	44.6%	38.8%	42.8%
Efficiency	35.9%	55.2%	50.2%	42.4%	45.1%	41.9%	45.9%

# Corporate History

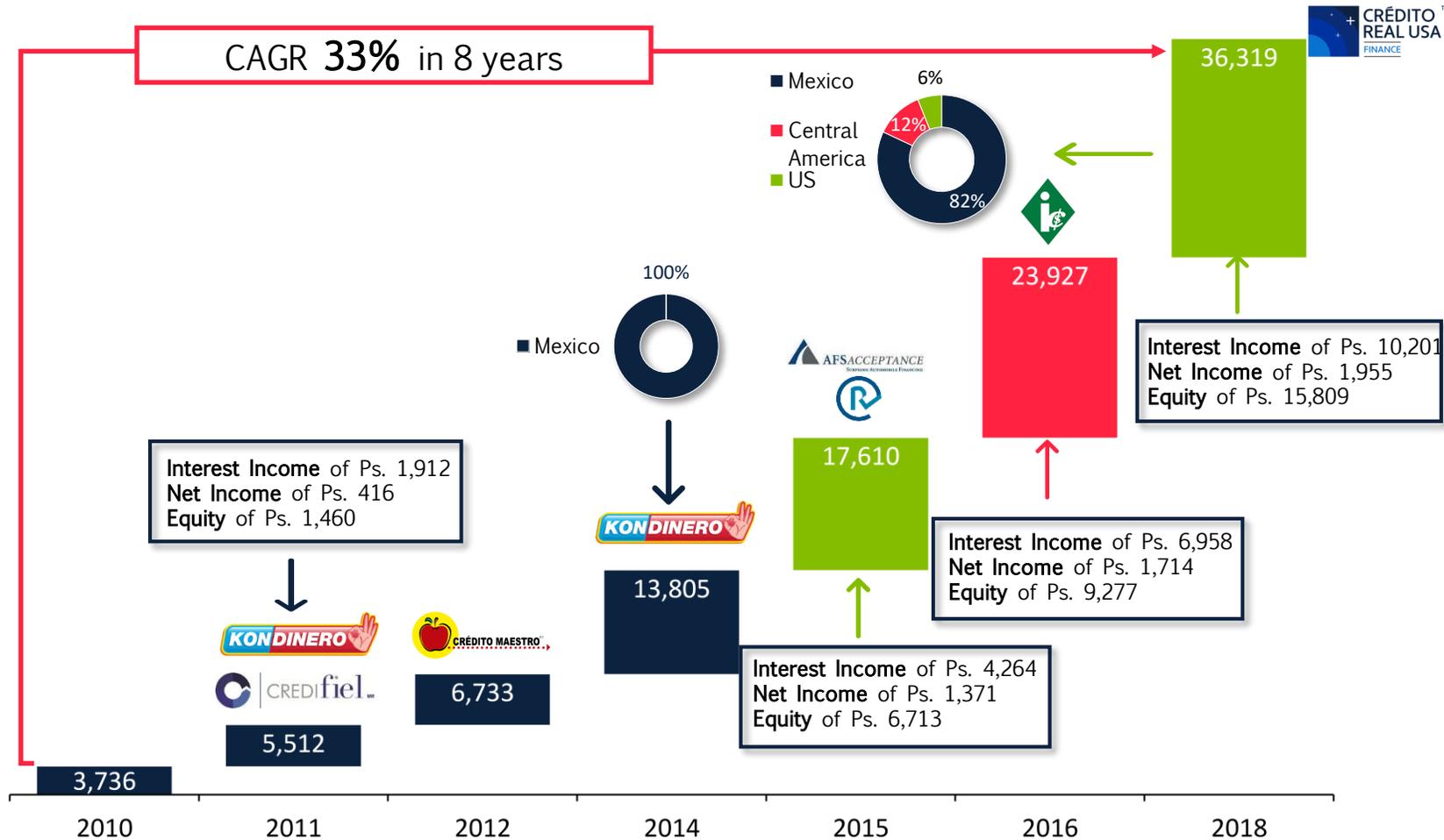


# Key Investment Highlights



# 1 Products

## Company's Evolution



## Products

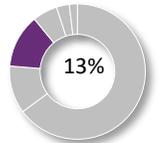
### Payroll

Payroll-deducted loans to public employees and pensioners



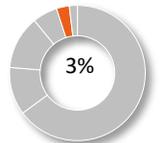
### SMEs

Non-revolving lines to fund working capital and investment activities, as well as leasing



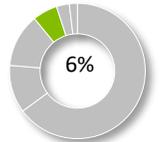
### Used Cars MX

Financing to individuals and legal entities through cars and commercial vehicle warranty



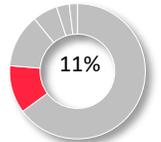
### Used Cars US

Loans for used cars through strategic partners



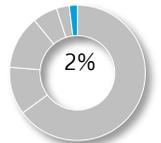
### Instacredit

Consumer Loans, Auto Loans, SMEs Loans and Home Equity Loans in Central America



### Others

Integrated by Group Loans and Durable Goods



+ Profitable growth through our product diversification.

+ Sustained Double-digit growth rates.

## Product overview



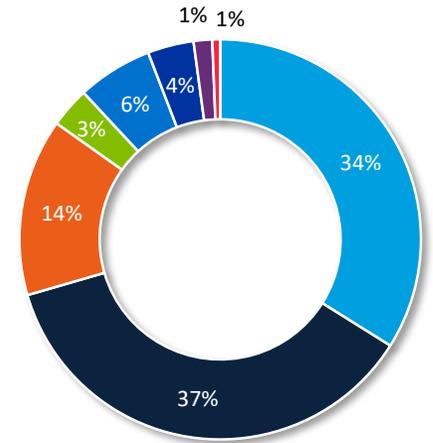
Presence all over Mexico

+ Personal loans granted mainly to unionized state and federal public-sector employees, retirees and pensioners

- Ps. 63,349
- Bi-weekly
- 41 months
- 420,917
- 56%
- 1.2%

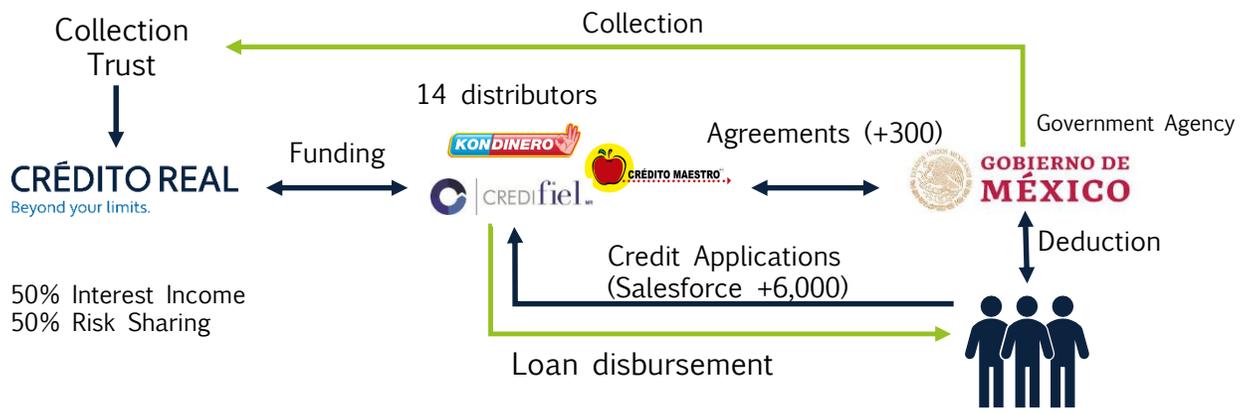
## Payroll portfolio by sector

Payroll Portfolio | 26,664.6 MXN Mn



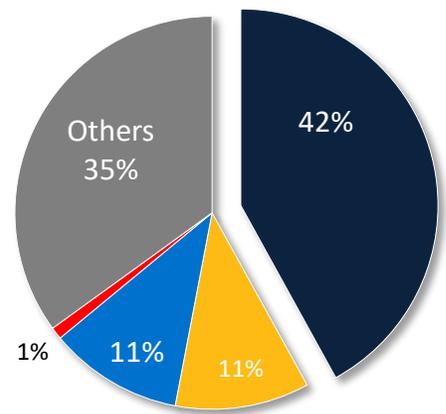
- Federal Education
- IMSS
- Government
- Education Ministry
- Health
- State Education
- Non-centralized agencies
- Others

## Origination and Collection Process



50% Interest Income  
50% Risk Sharing

## Market Share

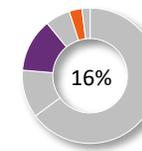


- Crédito Real
- Alphacredit
- Consubanco
- Findep
- Others

- Average loan amount
- Average term
- Average annual interest rate
- Payment frequency
- Customers
- Non-performing loan ratio

Source: Company estimates, based on AMDEN's information. Filled with financial reports as of December 2018

# SMEs and Used Cars MX



## SMEs – Product overview

+ Providing financing sources to **small and medium businesses** for working capital requirements and investment activities as well as leasing

Ps. 8.4 billion Monthly

37 months 622

19% 0.5%



Presence all over Mexico

## Used Cars MX – Product overview

+ Focused on financing **semi-new and used cars** through strategic alliances with a network of distributors that use their own sales force to promote our loans

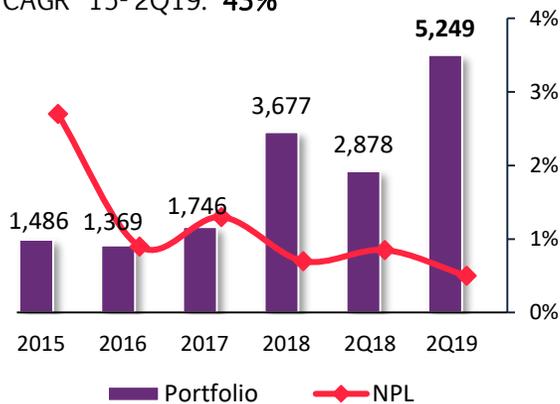
Ps. 128,471 Monthly

39 months 9,750

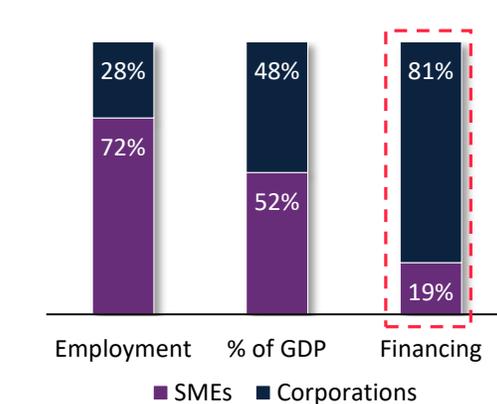
36% 1.0%

## Solid Growth in the portfolio

CAGR '15-'2Q19: 43%

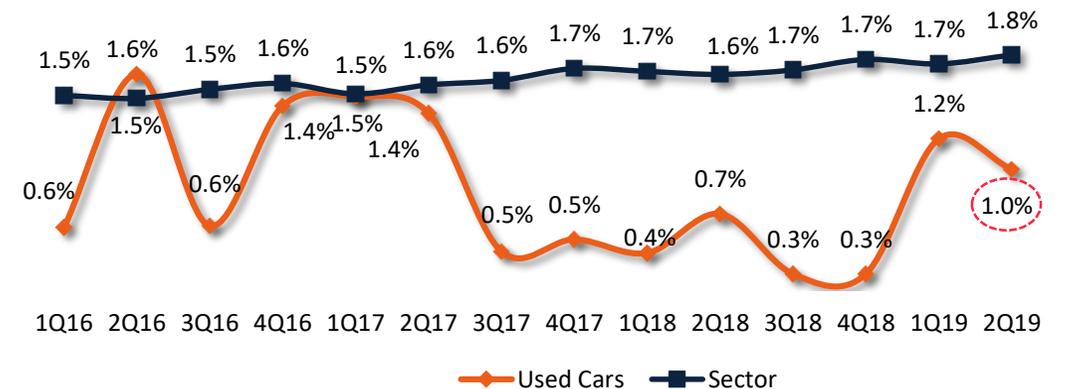


## Market Underserved in Mexico



Source: INEGI

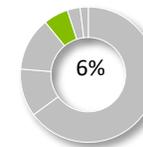
## Attractive Low-Risk Business



Source: CNBV

- Average loan amount
- Average term
- Average annual interest rate
- Payment frequency
- Customers
- Non-performing loan ratio

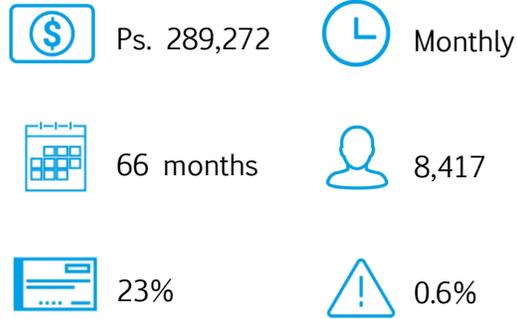
# Used Cars US



## Product overview

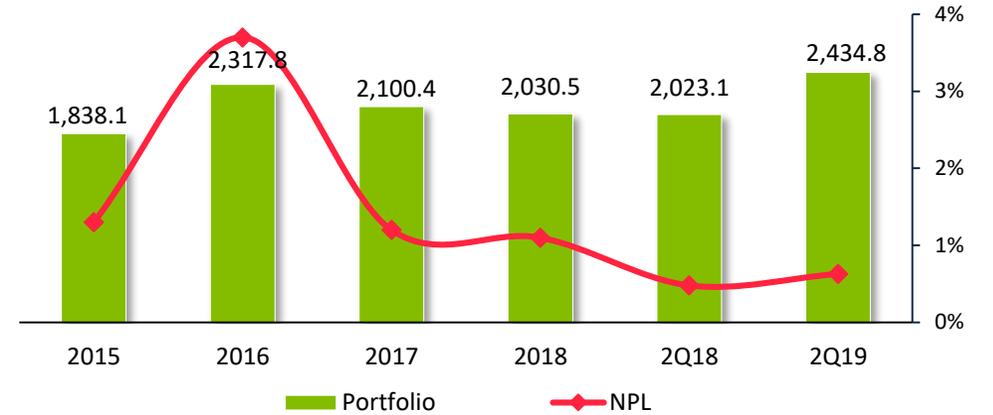


+ Commercial and financing business for used cars through our strategic alliances

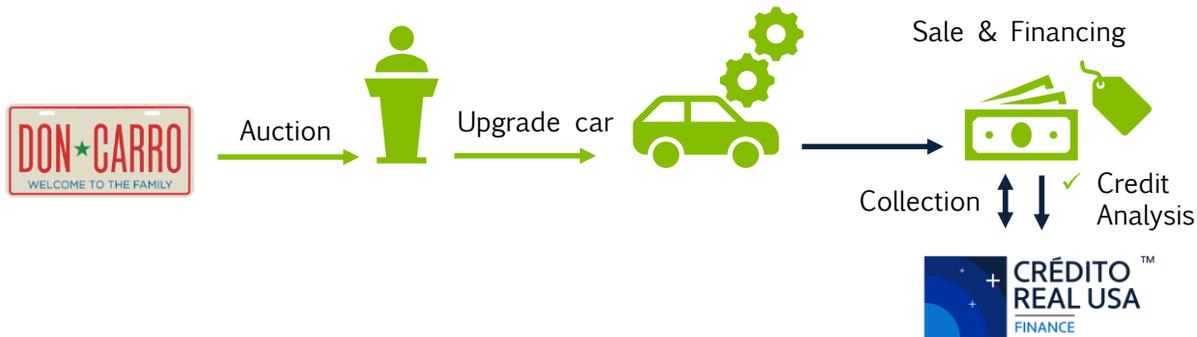


Headquarters

## Portfolio Evolution

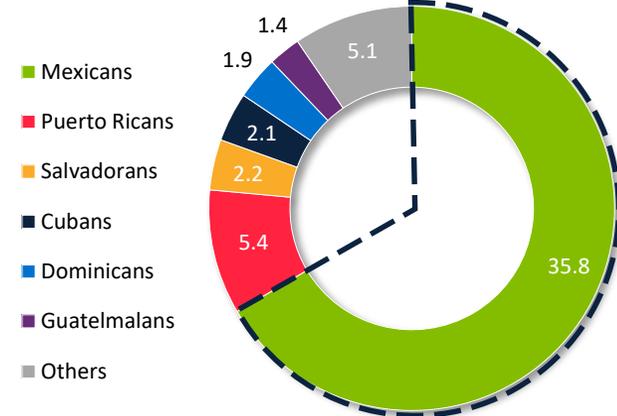


## Origination and Collection Process



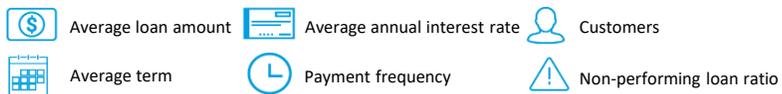
## Hispanics in the US

In millions



+ Biggest hispanic market outside Mexico with more than 53 million people, which represents a big **opportunity** to offer our financial services in the US.

Source: Pew Research Center.



## Product overview

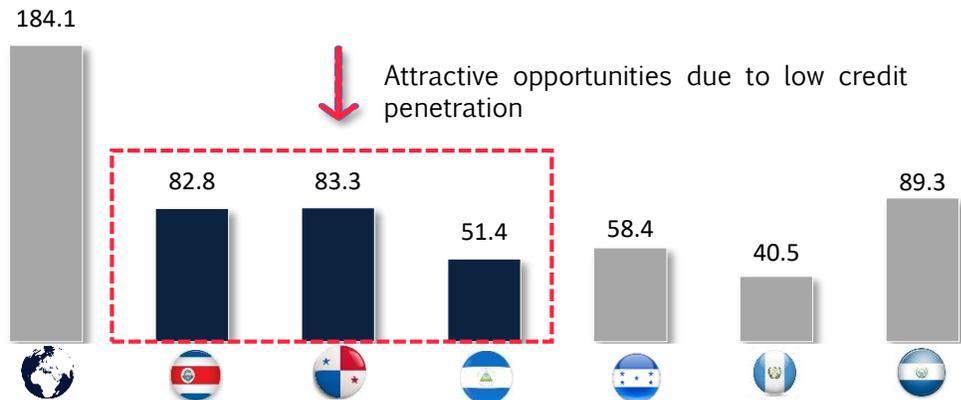
+ Consumer loans, SMEs loans, auto loans and mortgage loans granted in Costa Rica, Nicaragua and Panama



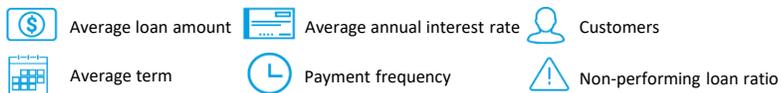
## Portfolio by product

Products	Personal	Used Cars	Small Business	Home Equity
% Mix Portfolio	52.5%	35.8%	9.1%	2.6%
Customers	113,915	33,279	21,462	1,003
Avg. Loan Amount	19,126	44,635	17,581	106,557
Avg. Term	40	49	40	57
Avg. Interest Rate	61.5%	48.9%	56.0%	51.8%

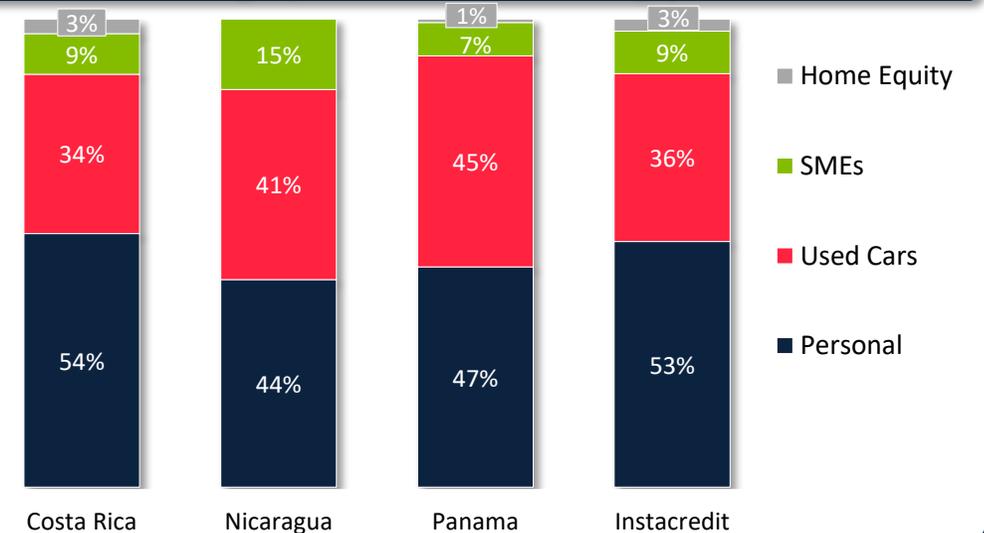
## Domestic credit provided by Financial Sector (% of GDP)



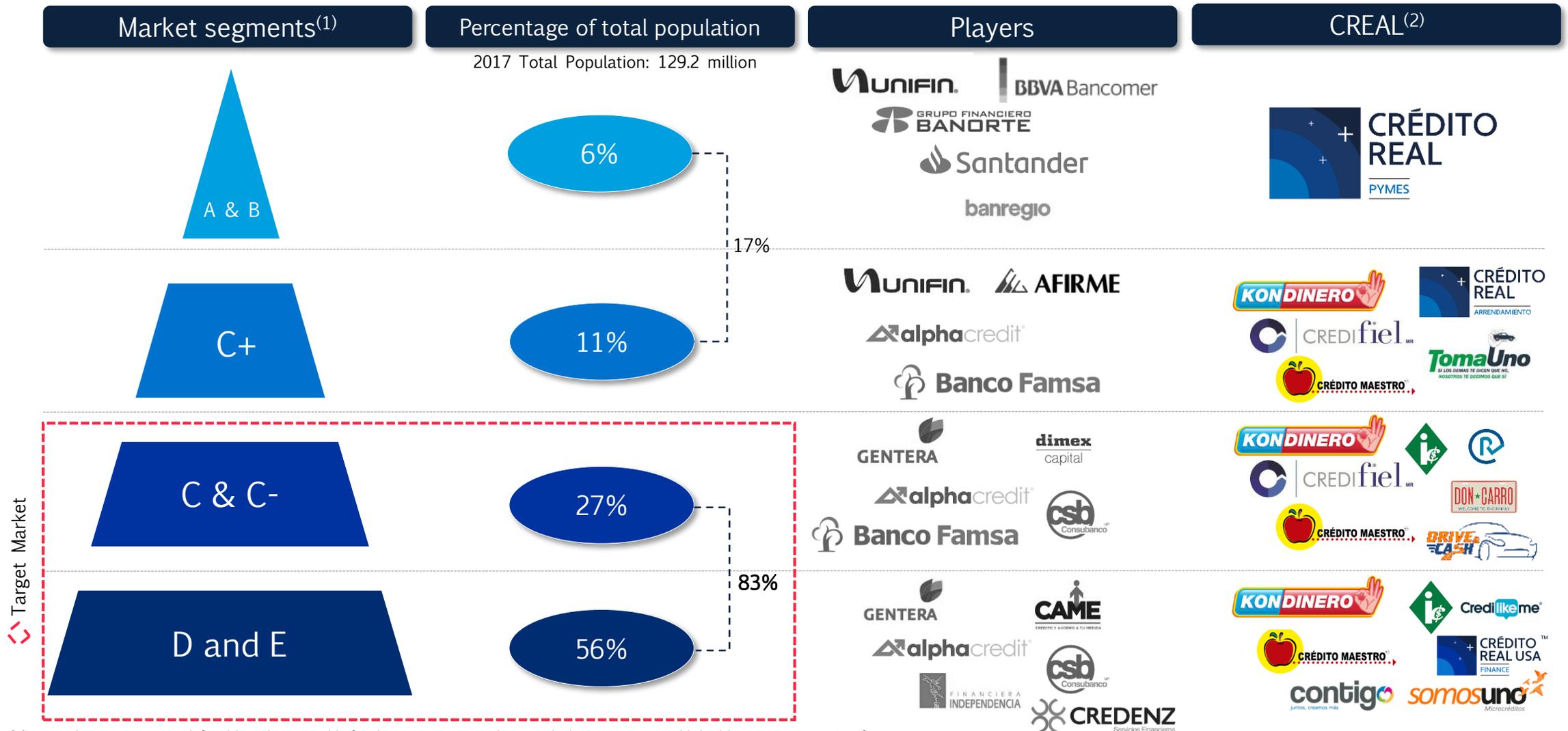
Source: World Bank as of 2017.



## Geographic concentration by product



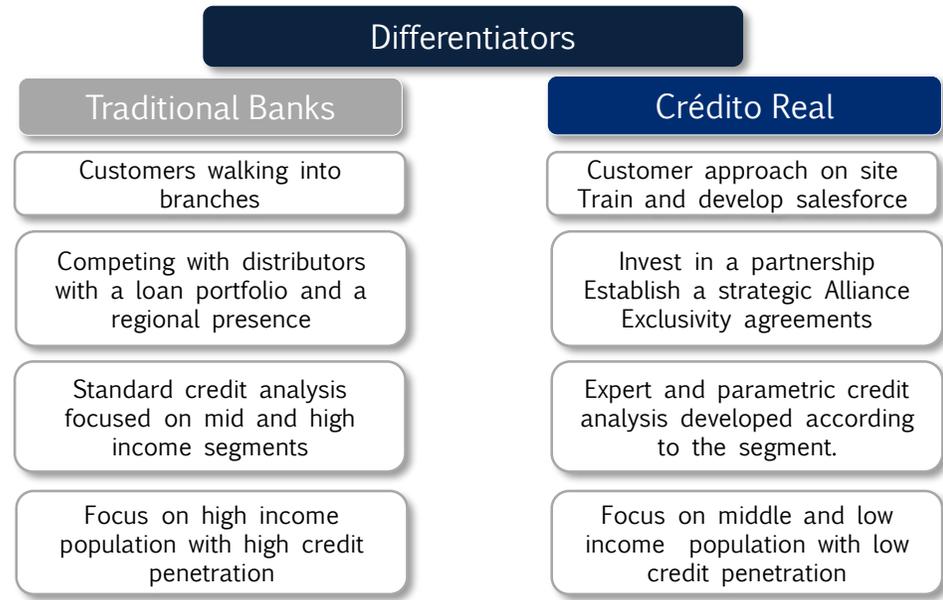
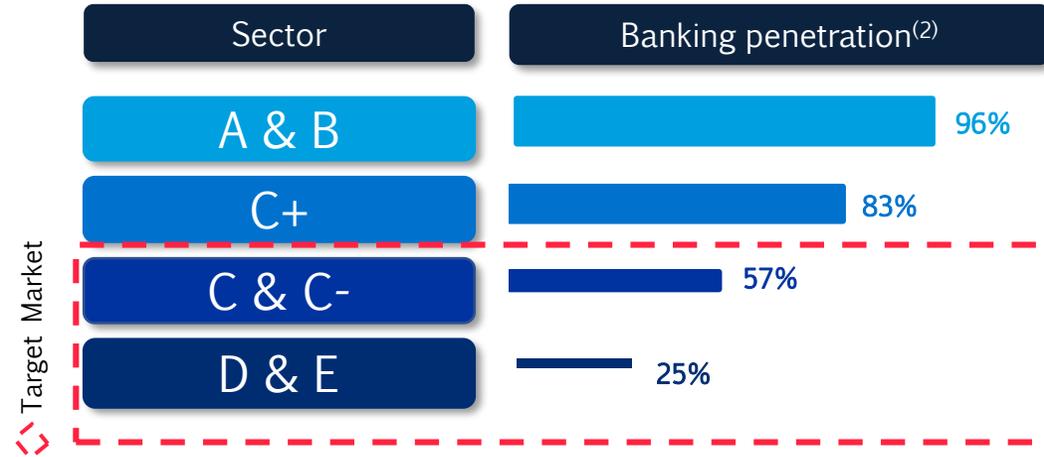
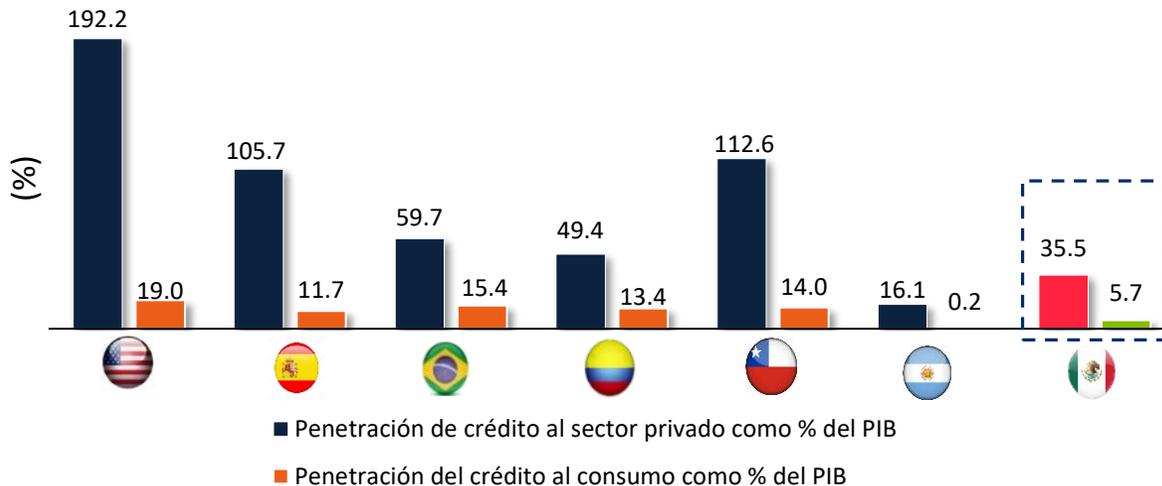
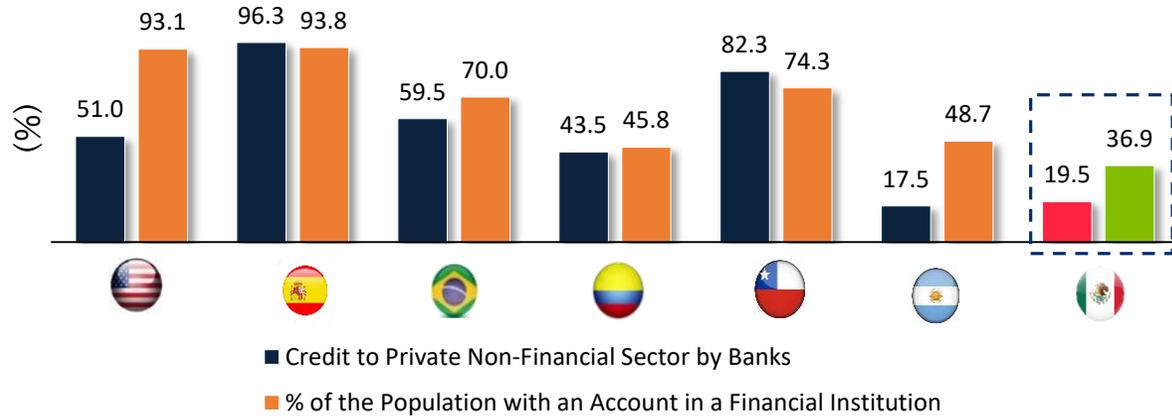
# Market opportunity – Focused on Underserved Segments(1/2)



(1) Market segments are defined based on monthly family income, in accordance with the categories established by AMAI: Segment E, from Ps.0.00 to Ps.2,699; Segment D, from Ps.2,700 to Ps.6,799; Segment C, from Ps.11,600 to Ps.34,999, Segment C+, from Ps.35,000 to Ps.84,999, Segment A and B, from Ps.85,000 or more.

(2) The market segments of Instacredit, Don Carro and Crédito Real USA are defined based on their average loan amount as of 3Q18.

# Market opportunity – Focused on Underserved Segments(2/2)



Source: CNBV, ENIF, BCRA, BCRB, SBIF, SBS, Superfinanciera de Colombia, IMF and World Bank.  
Note: Serving an underpenetrated market date reported as of 2017. Bancarization reported as of 2013.

<sup>(1)</sup> US show figures as of 2016,

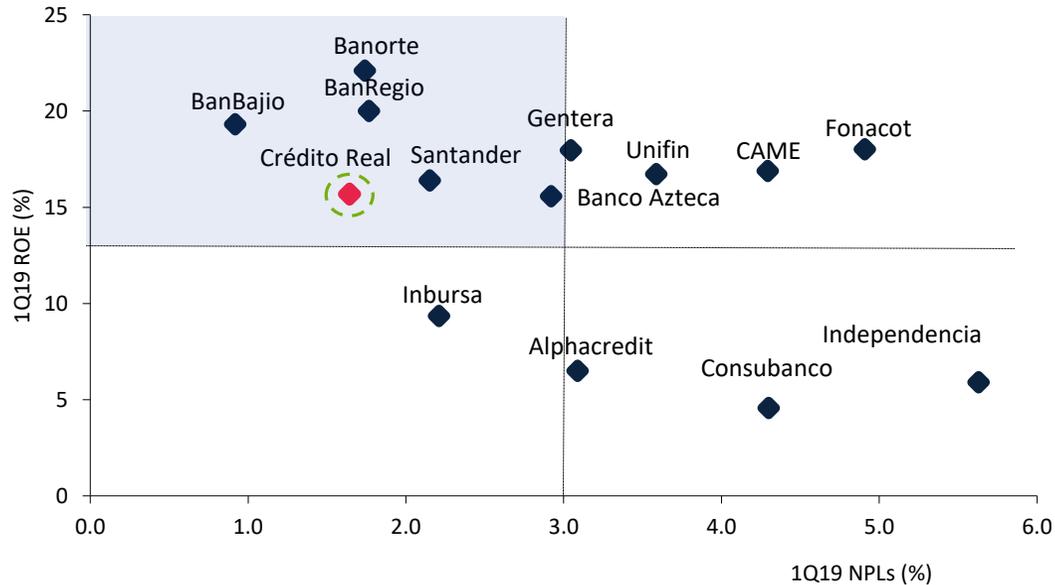
<sup>(2)</sup> Population utilizing banking services. Income level by bracket (approximate annual amount in US\$): "A/B" +108,400; "C+" 76,500; "Cm/C" 29,700; "D" 8,900; "E" 3,400.

# Current businesses growth strategy

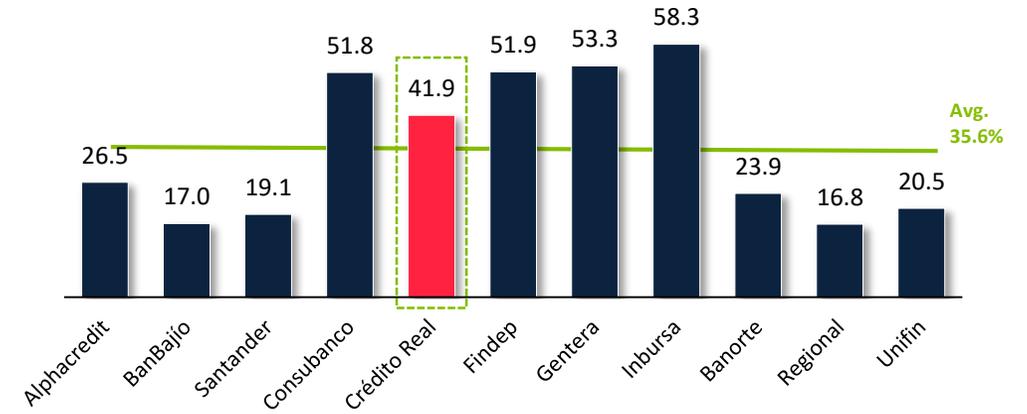
Product	Key Subsidiaries Ownership	Distribution Network	Annual Interest Rate	Customers	Avg. Loan Amount (Ps\$)	Strategy	Yield 2022
PAYROLL	100% 	14 distributors +6,000 reps	56%	420,917	63,349	Pensioners market development Focus on federal-level employees	35%
	49% 						
	49% 						
INSTACREDIT	70% 	46 branches in Costa Rica 14 branches in Nicaragua and 5 in Panama	56%	169,659	27,658	Efficiency in funding cost and general expenses Improvement in asset quality Expansion in Central America	60%
USED CARS MX	51% 	20 branches and agreements with 106 agencies in 32 States of Mexico	36%	9,750	128,471	Used Cars MX expansion Enlarge dealers network Increase competitive positioning	30%
	80% 						
USED CARS US	99%  	One strategic alliances with one Branch and +900 distributors in the US	23%	8,417	289,272	Grow dealers network New Crédito Real USA brand, merger of Don Carro and CR USA Finance, Coupled with the enhancement in servicing and collection	30%
SMEs		Alliance with Fondo H	19%	622	8.4 Million	Diversification of Fondo H portfolio Define new products sized for our clients Leasing and factoring	20%
Average yield							>35%

# 2 Profitability – Defensive Competitive Positioning

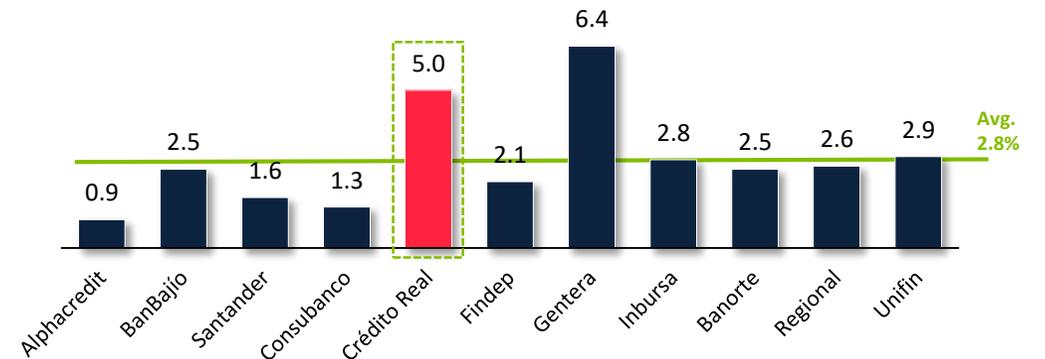
## Risk-return view<sup>(1)</sup>



## Solid capital base<sup>(2)</sup>



## Delivering bottom-line results (ROAA)<sup>(3)</sup>

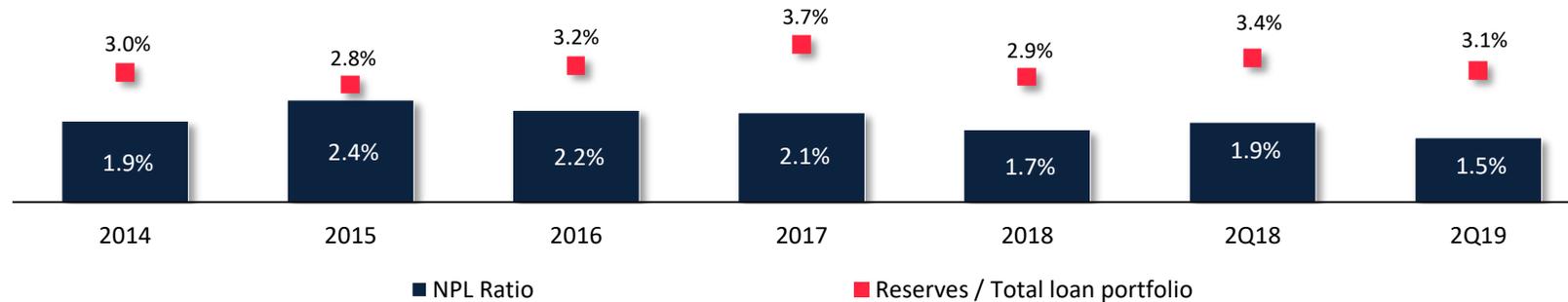


Source: Crédito Real Research and last updated information filed with BMV – *Bolsa Mexicana de Valores*. Information as of 1Q19, except Alphacredit which show figures as of 2018.

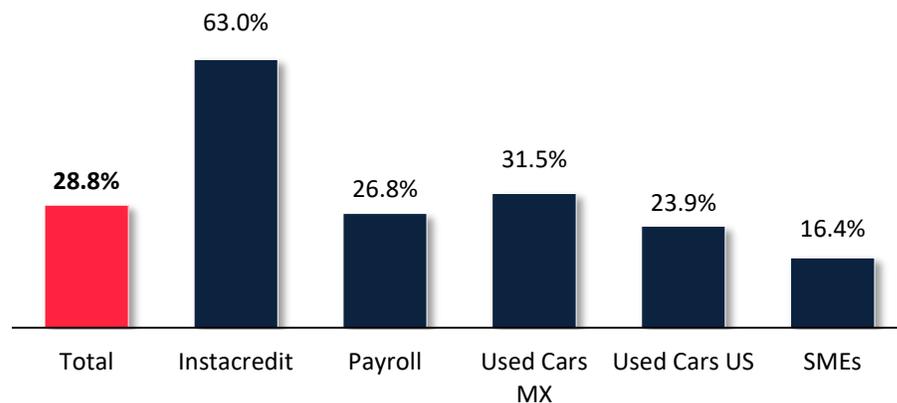
- Notes:
- (1) ROAE = 1Q19 Net Income / Average Stockholders' Equity between 1Q19 and 4Q18
  - (2) Capitalization Ratio = 1Q19 Stockholders' Equity / 1Q19 Total Loan Portfolio
  - (3) ROAA = 1Q19 Net Income / Average Assets between 1Q19 and 4Q18.

# Peer-superior asset quality

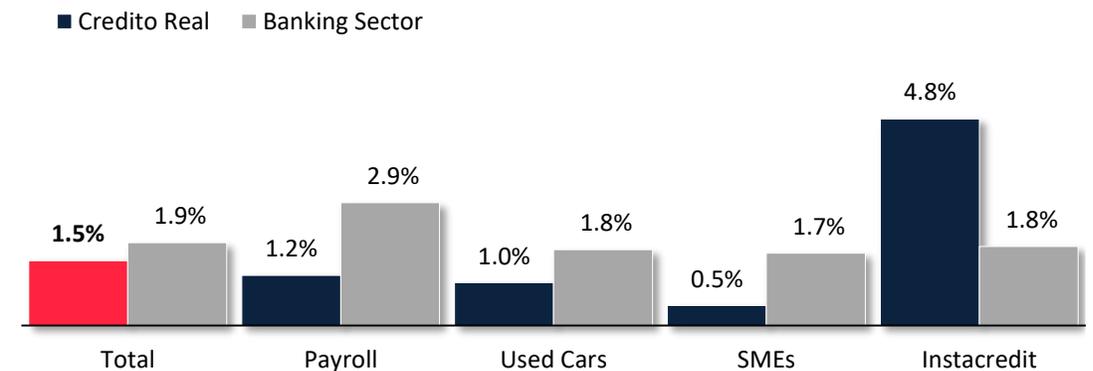
## Improving levels of NPL while maintaining healthy reserves<sup>(1)</sup>



## Average Yield Breakdown by Product



## NPL Breakdown by Product<sup>(2)</sup>



+ Below the banking sector in most of our products

Source: Company filings, CNBV, SUGEF

(1) Reserves calculated as end of period allowance for loan losses divided by total loan portfolio.

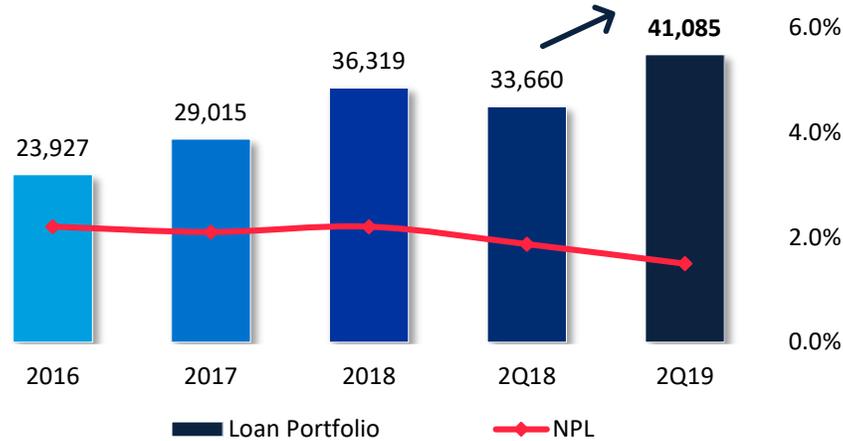
(2) Average LTM as of May 2019.

# Key financial performance

## Loan Portfolio

CAGR '16-'18: 23%

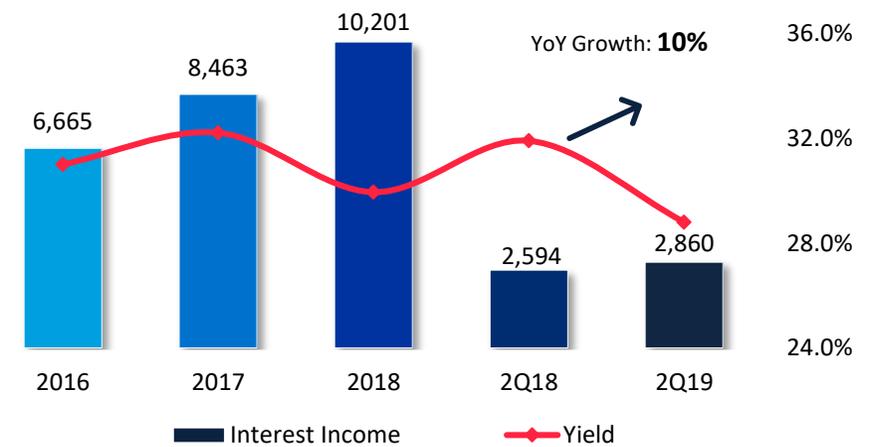
YoY Growth: **22%**



## Interest Income

CAGR '16-'18: 24%

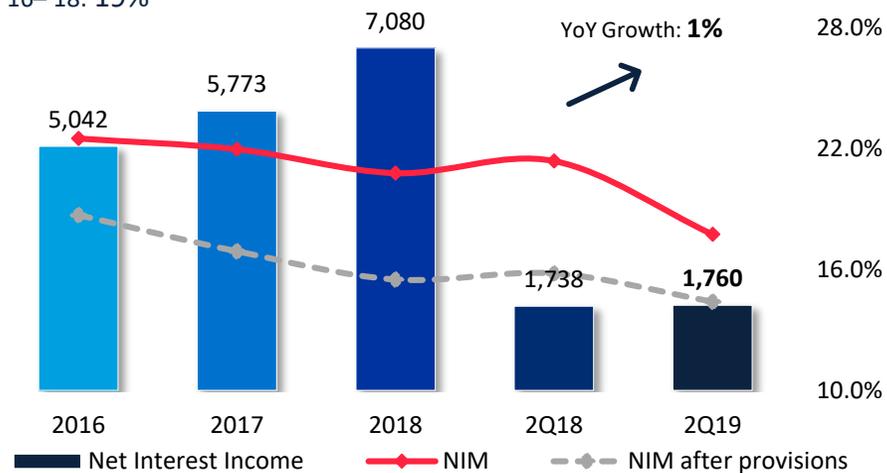
YoY Growth: **10%**



## Financial Margin

CAGR '16-'18: 19%

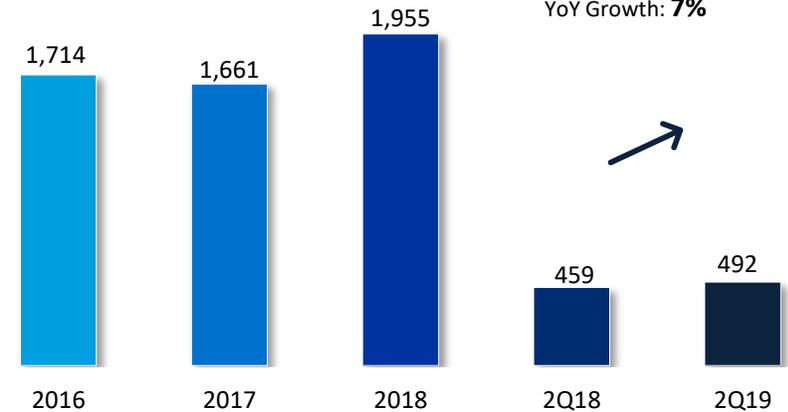
YoY Growth: **1%**



## Net Income

CAGR '16-'18: 7%

YoY Growth: **7%**

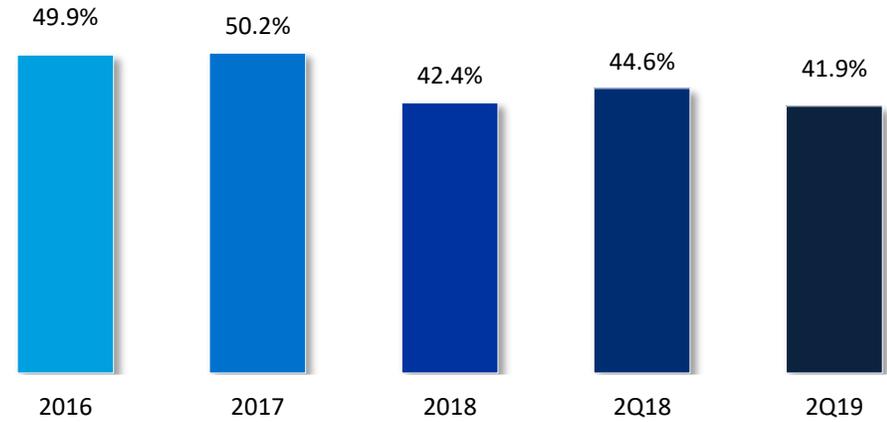


# Key financial measures

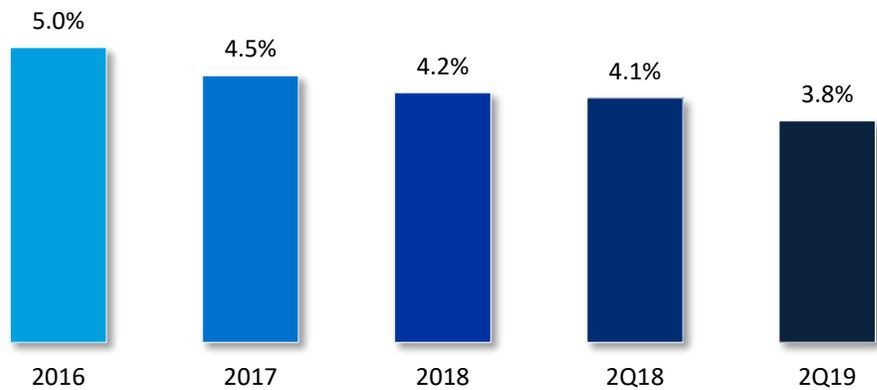
## Capitalization



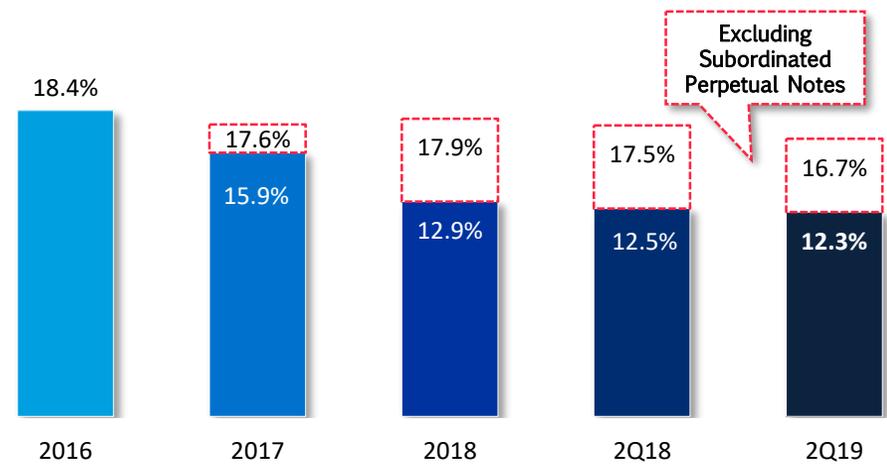
## Efficiency



## ROAA



## ROAE



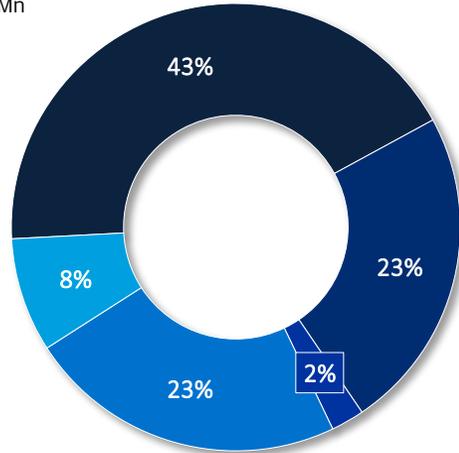
# 3 Funding sources

## Capital Structure

Adjusted Capitalization | 50,964.1 MXN Mn

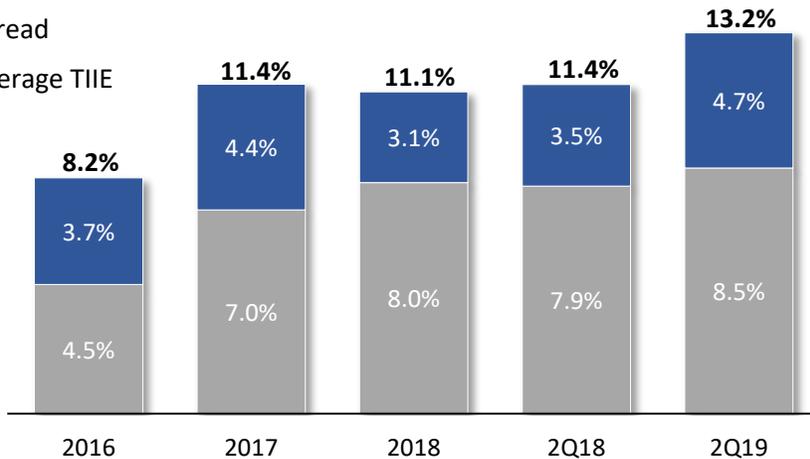
- Senior Notes
- Credit Lines
- Securitizations
- Equity
- Hybrid

31.3%<sup>(1)</sup>



## Cost of funds

- Spread
- Average TIIE



(1) Hybrid plus Equity as percentage of total Assets

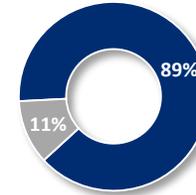
(2) Short term refers to amortization under 1 year. Long term ranges from 1 to 5 years.

## Consolidated Debt Status

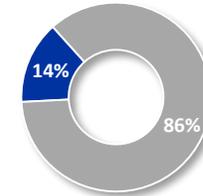
MXN Mn

### Drawn vs. Undrawn

- Drawn
- Undrawn



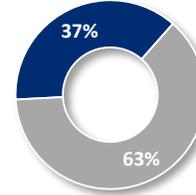
Credit Lines  
100% = \$13,447



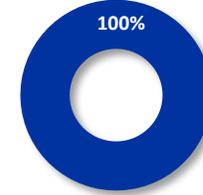
Securitizations  
100% = \$10,000

### Secured vs. Unsecured

- Secured
- Unsecured



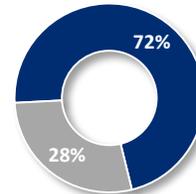
Credit Lines  
100% = \$11,965



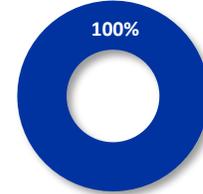
Securitizations  
100% = \$1,415

### Term

- Short Term
- Long Term



Credit Lines  
100% = \$11,965



Securitizations  
100% = \$1,415

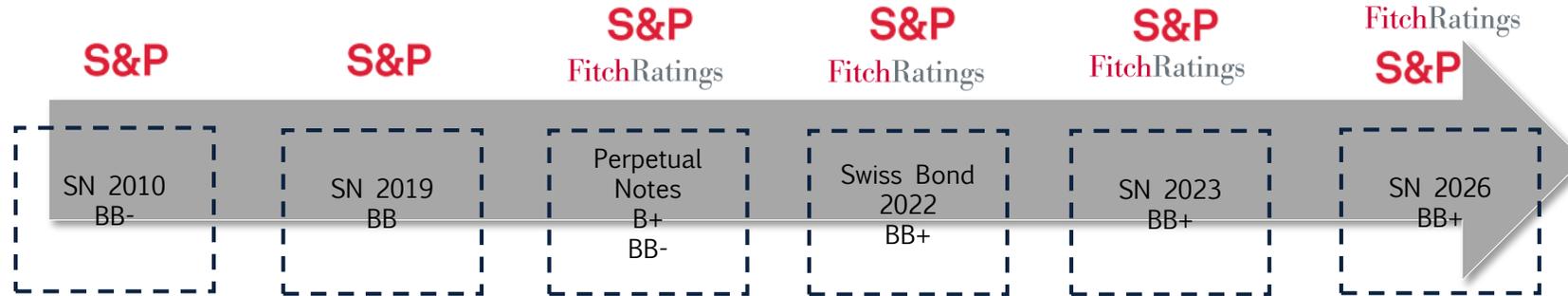
## Market risks

Interest Rate Risk ..... 48.7% of Crédito Real's consolidated debt is fixed

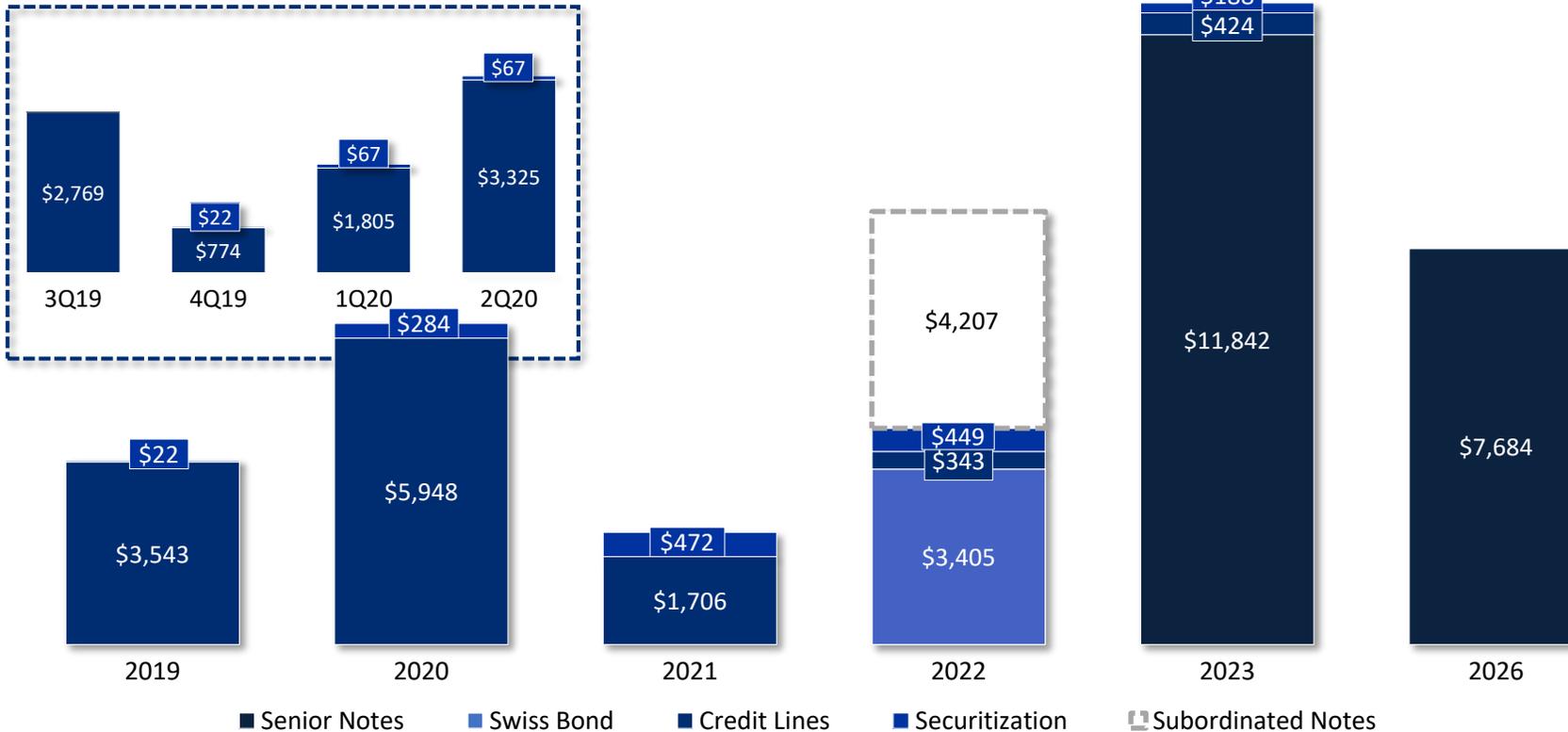
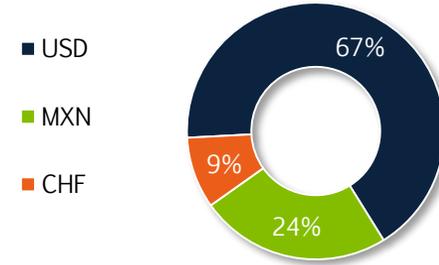
Asset & Liabilities duration	Assets	Liabilities
	1.6 years	3.5 years

Assets in USD: +100 million

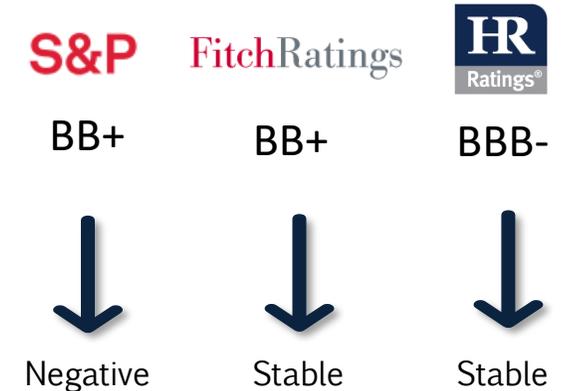
# Debt Profile



## Debt by currency



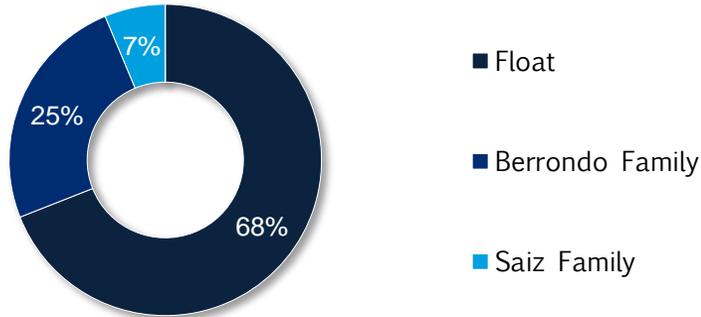
## Global Scale



<sup>(1)</sup> All the figures represent only the notional and exclude accrued interests and mark-to-market of hedges. Debt converted using US\$ 1 / Ps\$ 19.2087 as of June 30, 2019.

# 4 Strong Corporate Governance and Experienced Management Team CRÉDITO REAL Beyond your limits.

## Shareholder Structure



## Governance Highlights

- + Listed on Mexican stock exchange (BMV:CREAL\*) with a market cap of ~380 USD Mn<sup>(1)</sup>
- + Founding members well-known and reputable in the Mexican business community (founders of leading manufacturer in the Americas, MABE)
- + Our management have a proven expertise on the sector
- + 50% of Crédito Real's Board is integrated by independent members

Well-respected shareholders driving the business

Robust standards of corporate governance

CNBV Supervision

<sup>(1)</sup> As of June, 2019

## Management team

<b>Ángel Romanos</b> <b>CEO</b> 25 years in CR	<b>Carlos Ochoa</b> <b>Co-CEO / CFO</b> 22 years in CR	<b>Luis Carlos Aguilar</b> <b>Commercial Officer for Payroll Loans</b> 23 years in CR
<b>Jose Juan González</b> <b>COO</b> 10 years in CR	<b>Luis Magallanes</b> <b>CMO</b> 6 years in CR	<b>Claudia Jolly</b> <b>General Treasurer</b> 21 years in CR
<b>Luis Calixto López</b> <b>General Counsel</b> 18 years in CR	<b>Adalberto Robles</b> <b>Human Resources Officer</b> 11 years in CR	<b>Luis Berrondo</b> <b>M&amp;A Officer</b> 4 years in CR
<b>Pablo Bustamante</b> <b>Controller</b> 3 years in CR	<b>Felipe Guelfi</b> <b>Project Officer</b> 3 years in CR	<b>Hector Huelgas</b> <b>Internal Audit Officer</b> 3 years in CR

## Key Committees



A modern conference room with a large window overlooking a city. The room features a long table, chairs, and a large screen. The ceiling has two large circular pendant lights. The room is dimly lit, with a blue tint. The word "Appendix" is overlaid in white text on the right side of the image.

# Appendix

# Profit & Loss

MXN Mn	2Q19	2Q18	% Var.	2Q19 (million dollars)	YTD'19	YTD'18	% Var.	YTD'19 (million dollars)
Interest income	2,859.6	2,593.9	10.2	145.5	5,690.0	4,903.7	16.0	289.6
Interest expense	(1,099.3)	(856.1)	28.4	(55.9)	(2,165.1)	(1,595.8)	35.7	(110.2)
<b>Financial margin</b>	<b>1,760.3</b>	1,737.8	1.3	89.6	3,524.9	3,307.9	6.6	179.4
Provision for loan losses	(335.3)	(454.8)	(26.3)	(17.1)	(721.0)	(876.3)	(17.7)	(36.7)
<b>Adjusted financial margin</b>	<b>1,425.1</b>	1,283.0	11.1	72.5	2,803.9	2,431.6	15.3	142.7
Commissions and fees collected	139.8	193.7	(27.8)	7.1	274.6	375.8	(26.9)	14.1
Commissions and fees paid	(95.0)	(54.1)	75.4	(4.8)	(180.5)	(121.9)	48.1	(9.2)
Intermediation income	(6.4)	(34.0)	(81.2)	(0.3)	251.0	49.6	-	12.8
Other income from operations	90.8	110.3	(17.7)	4.5	170.2	173.2	(1.7)	8.6
Administrative and promotion expenses	(851.7)	(906.8)	(6.1)	(43.3)	(1,705.8)	(1,763.1)	(3.2)	(86.8)
<b>Operating result</b>	<b>702.5</b>	592.0	18.7	35.7	1,613.4	1,145.1	40.9	82.1
Income taxes	(167.1)	(151.9)	10.0	(8.5)	(432.2)	(281.1)	53.7	(22.0)
Income before participation in the results of subsidiaries	535.4	440.2	21.6	27.2	1,181.2	864.0	36.7	60.1
Participation in the results of subsidiaries, Associates and non-controlling participation	(43.1)	19.0	-	(2.2)	(64.3)	17.8	-	(3.3)
<b>Net income</b>	<b>492.3</b>	459.2	7.2	25.1	1,116.9	881.8	26.7	56.8

# Balance Sheet

MXN Mn	2Q19	2Q18	% Var.	2Q19 (million dollars)	4T18	% Var.
Cash and cash equivalents	511.5	420.8	21.5	26.0	1,106.3	(53.8)
Investments in securities	888.1	781.8	13.6	45.2	410.3	-
Securities and derivatives transactions	442.7	1,064.7	(58.4)	22.5	1,028.0	(56.9)
Total performing loan portfolio	40,465.0	33,029.4	22.5	2,059.2	35,701.6	13.3
Total non-performing loan portfolio	619.9	630.7	(1.7)	31.5	617.6	0.4
<b>Loan portfolio</b>	41,084.9	33,660.1	22.1	2,090.7	36,319.1	13.1
Less: allowance for loan losses	1,272.0	1,138.5	11.7	64.7	1,067.9	19.1
Loan portfolio (net)	39,812.9	32,521.6	22.4	2,026.0	35,251.2	12.9
Other accounts receivable (net)	5,808.6	4,998.9	16.2	295.6	5,389.3	7.8
foreclosed assets (net)	8.6	-	-	0.4	-	-
Property, furniture and fixtures (net)	737.6	324.6	-	37.5	341.5	-
Long-term investments in shares	1,186.7	1,092.2	8.6	60.4	1,193.4	(0.6)
Debt insurance costs, intangibles and others	4,618.7	4,531.6	1.9	235.0	4,842.5	(4.6)
<b>Total assets</b>	54,015.4	45,736.1	18.1	2,748.7	49,562.5	9.0
Notes payable (securitizations)	1,220.4	1,982.9	(38.5)	62.1	1,415.0	(13.8)
Senior notes payable	21,853.7	15,345.1	42.4	1,112.1	17,084.2	27.9
Bank loans short-term	8,661.9	4,186.7	-	440.8	7,342.9	18.0
bank loans long-term	3,291.9	5,965.9	(44.8)	167.5	4,804.7	(31.5)
Total bank Loans	11,953.7	10,152.7	17.7	608.3	12,147.6	(1.6)
<b>Total debt</b>	35,027.8	27,480.7	27.5	1,782.5	30,646.7	14.3
Income taxes payable	306.7	342.3	(10.4)	15.6	390.7	(21.5)
Other accounts payable	399.6	902.7	(55.7)	20.3	1,078.6	(63.0)
Deferred taxes	2,344.9	1,992.3	17.7	119.3	1,637.6	43.2
<b>Total liabilities</b>	38,079.1	30,717.9	24.0	1,937.7	33,753.6	12.8
Capital stock	1,845.9	2,123.6	(13.1)	93.9	2,067.7	(10.7)
Perpetual notes	4,206.7	4,206.7	-	214.1	4,206.7	-
Accumulated results from prior years	8,045.5	6,997.1	15.0	409.4	6,572.1	22.4
Result from valuation of Cash Flow hedges, net	(226.3)	(31.4)	-	(11.5)	128.6	-
Cumulative translation adjustment	(66.4)	12.0	-	(3.4)	(30.1)	-
Controlling position in subsidiaries	1,014.1	828.4	22.4	51.6	908.5	11.6
Net income	1,116.9	881.8	26.7	56.8	1,955.4	(42.9)
<b>Total stockholders' equity</b>	15,936.3	15,018.3	6.1	811.0	15,808.8	0.8
<b>Total liabilities and stockholders' equity</b>	54,015.4	45,736.1	18.1	2,748.7	49,562.5	9.0

# Financial Ratios

	<b>2Q19</b>	<b>2Q18</b>	<b>% Var.</b>	<b>YTD'19</b>	<b>YTD'18</b>
Yield	28.8%	31.9%	(3.1)	29.5%	32.5%
Net Interest Margin	17.7%	21.4%	(3.6)	18.3%	21.9%
Return on Average Loan Portfolio	5.0%	5.6%	(0.7)	5.8%	5.8%
ROAA: Return on Average Assets	3.8%	4.1%	(0.4)	4.3%	4.2%
ROAE: Return on Average Stockholders' Equity	12.3%	12.5%	(0.2)	14.0%	13.2%
ROAE: Return on Average Stockholders' Equity (excluding Perpetual Notes)	16.7%	17.5%	(0.8)	19.1%	19.2%
Debt to Equity ratio	2.2	1.8	0.4	2.2	1.8
Debt to Equity ratio (excluding Perpetual Notes)	3.0	2.5	0.4	3.0	2.5
Average cost of funds	13.2%	11.4%	1.8	13.4%	11.3%
Efficiency ratio	41.9%	44.6%	(2.8)	41.9%	45.1%
Capitalization ratio	38.8%	44.6%	(5.8)	38.8%	44.6%
Capitalization ratio (excluding Perpetual Notes)	28.5%	32.1%	(3.6)	28.5%	32.1%
Provisions for loan losses as a percentage of total loan portfolio	3.3%	5.4%	(2.1)	3.5%	5.2%
Allowance for loan losses as a percentage of total past-due loan portfolio	205.2%	180.5%	24.7	205.2%	180.5%
Total past-due loan portfolio as a percentage of total loan portfolio	1.5%	1.9%	(0.4)	1.5%	1.9%

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## About Crédito Real

Crédito Real is a leading financial institution in Mexico, with presence in the United States, Costa Rica, Panama, Nicaragua and Honduras, focusing on consumer lending with a diversified business platform in the following main lines of business: payroll loans, small business loans, used car loans, consumer loans through Instacredit and group loans. Crédito Real offers its products mainly to low and middle-income segments of the population that have historically been underserved by other financial institutions. The Company’s stock is listed on the Mexican Stock Exchange under the ticker symbol “CREAL\*”. (Bloomberg identification number is CREAL\*:MF)





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