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# Crédito Real 4Q13

*March, 2014*



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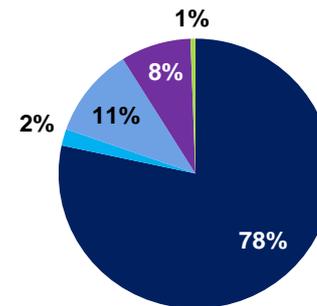
# Specialty Finance Company in Mexico...

## Key Attributes

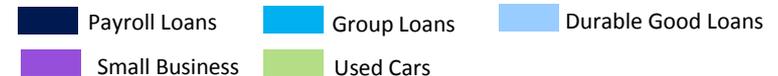
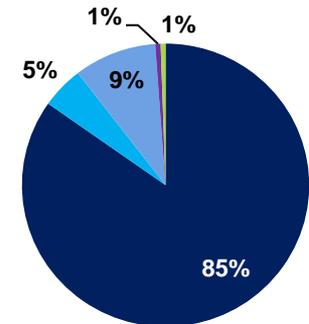
- **+ 20 years of proven track record** with over 4 million loans disbursed to more than 2 million customers
- Recurring customer base with **+ 470,000 active customers**
- Adaptable product offering targeting the bulk of the Mexican population across economic segments
- Large, underpenetrated and underserved market with strong growth fundamentals
- Reliable proprietary credit approval process
- High quality loan portfolio with **1.5% NPL**
- Easy to understand products with fixed installments
- **Diversified** nationwide origination platform
- **Scalable model** with attractive risk-reward proposition
- Strong shareholder base including institutional investors and private families with over 30 years of experience in Mexican financial market

## Attractive and High-Quality Product Mix

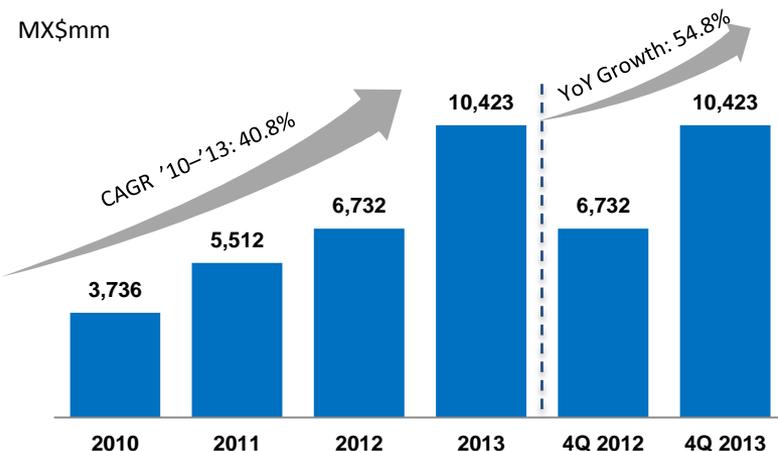
Total Loan Portfolio as of 4Q 2013 MX\$10,423mm



YTD Interest Income MX\$2,724.5mm



## Superior Loan Growth



# Corporate structure

## MAIN SHAREHOLDERS

- Founding members are founders of leading manufacturer in the Americas, MABE. Also were shareholders of Bancrecer and Bital banks, sold in the 70's to Banorte and in the 1990's to HSBC respectively.
- Grupo Kon are founders of Kondinero with over 60-year experience in commercial, financial and real estate companies

## FREE FLOAT



52.4%

47.6%



100%

49%

49%

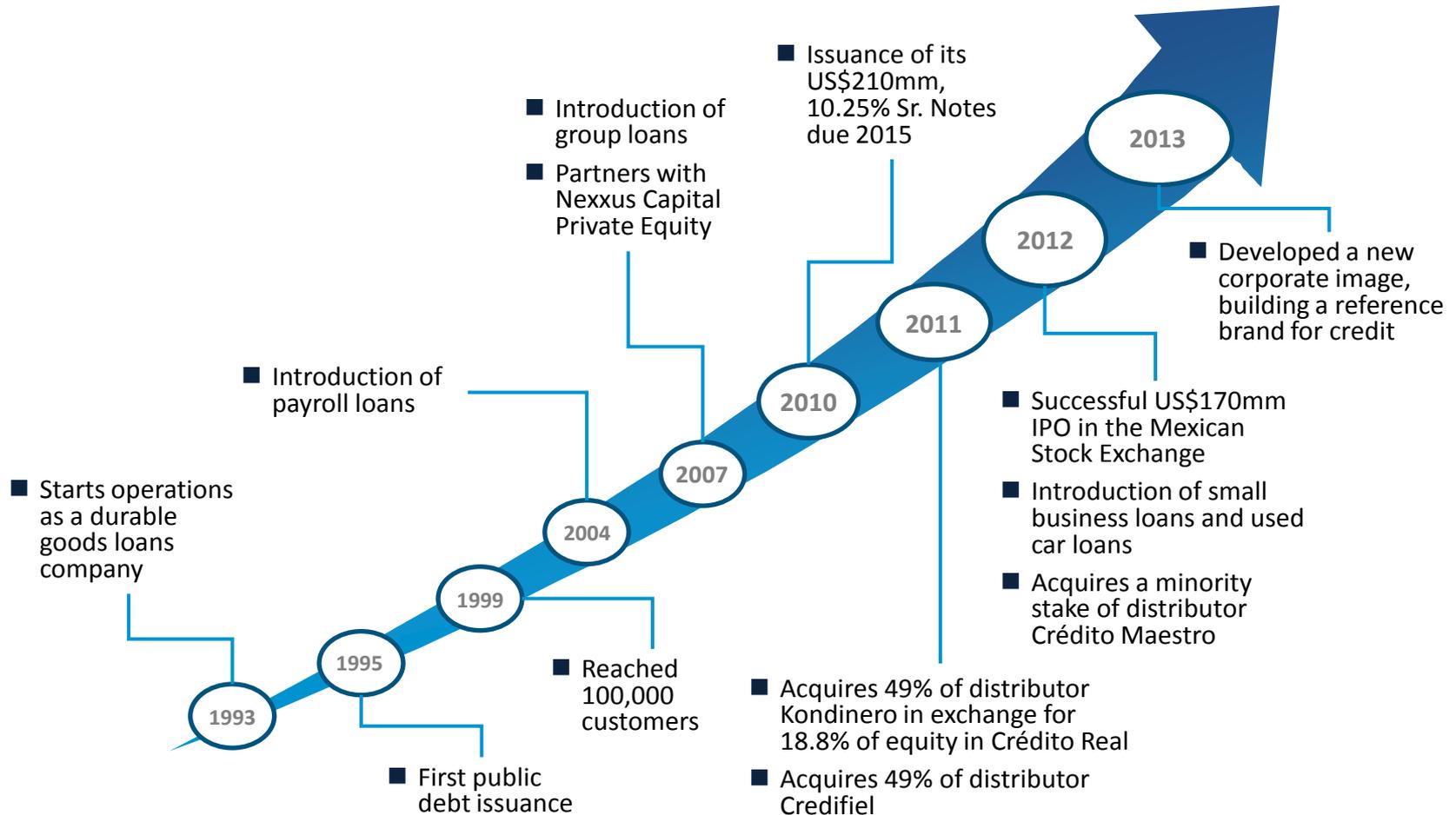
49%

Service companies



# ...with a Long Track Record of Achievements

## Milestones of Crédito Real



# Value Drivers

1

## Sustainable growth

Low risk products  
Superior financial margins

2

## Healthy loan portfolio

Lowest NPL's in the sector

3

## Differentiated product platform

Flexibility vs banks  
Diversified

4

## Diversified funding sources

Decreasing funding cost  
Higher capitalization index

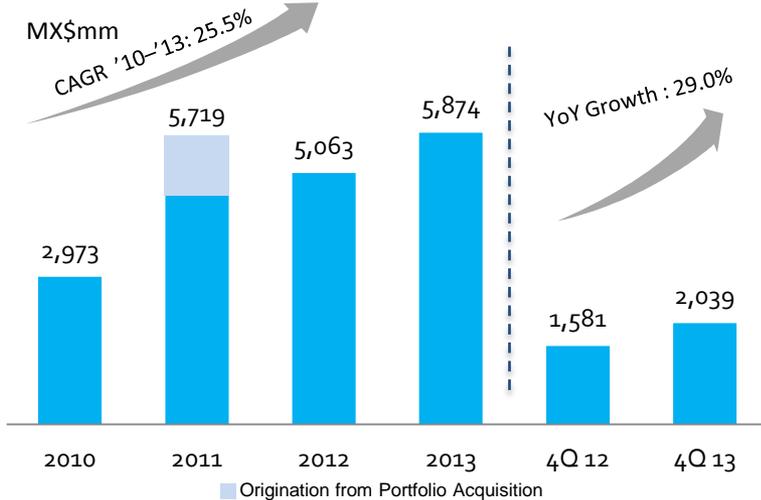
5

## Qualified management and governance

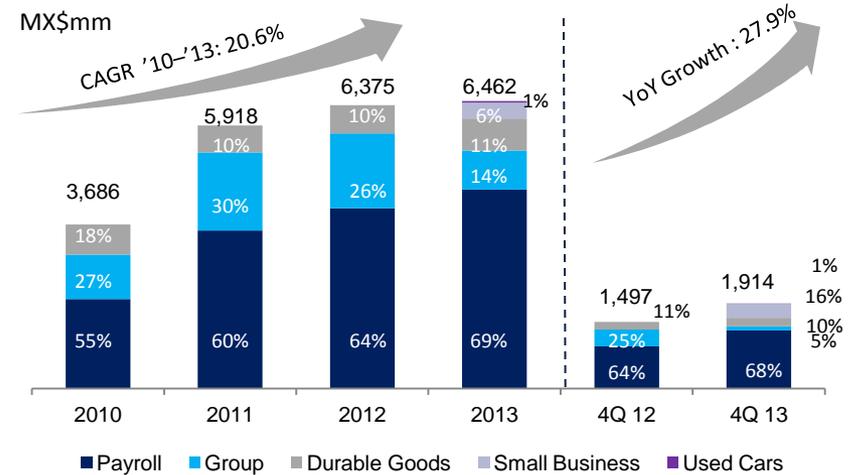
Banking background  
Best Corporate Gov. practices

# ...with Strong Capacity to Generate Cash Flow

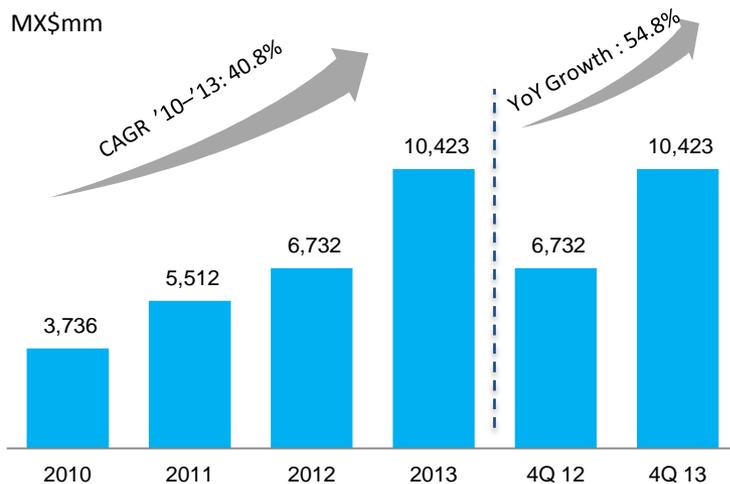
## Loan Origination



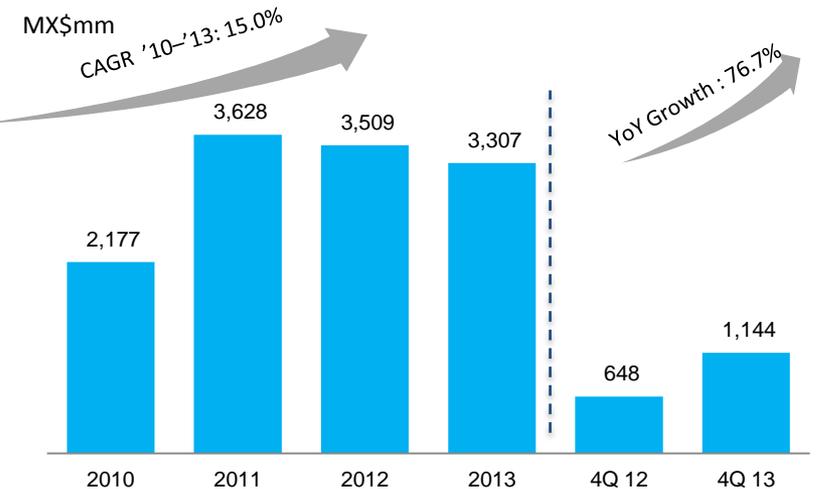
## Collections



## Loan Portfolio



## Operating Cash Flow

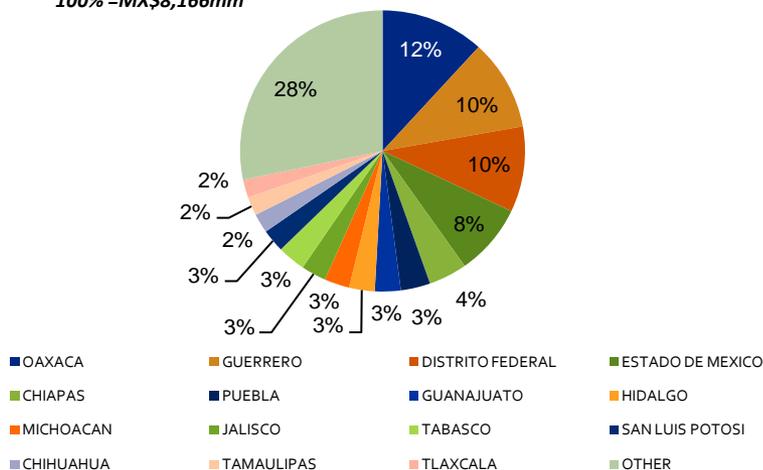


Source: Crédito Real

# Low Risk and Diversified Loan Portfolio

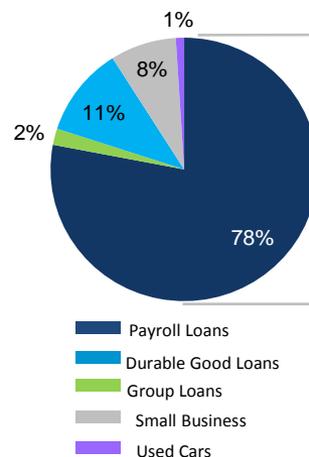
## 4Q13 Portfolio Distribution by State

100% = MX\$8,166mm

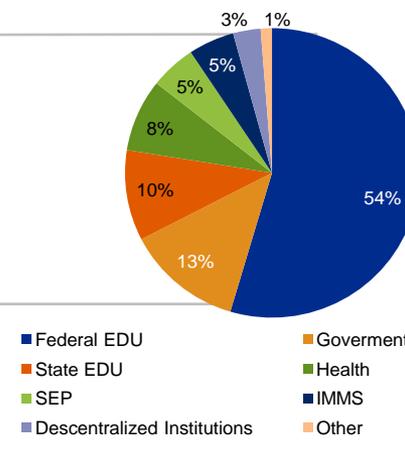


## 4Q13 Portfolio Distribution by Sector <sup>(1)</sup>

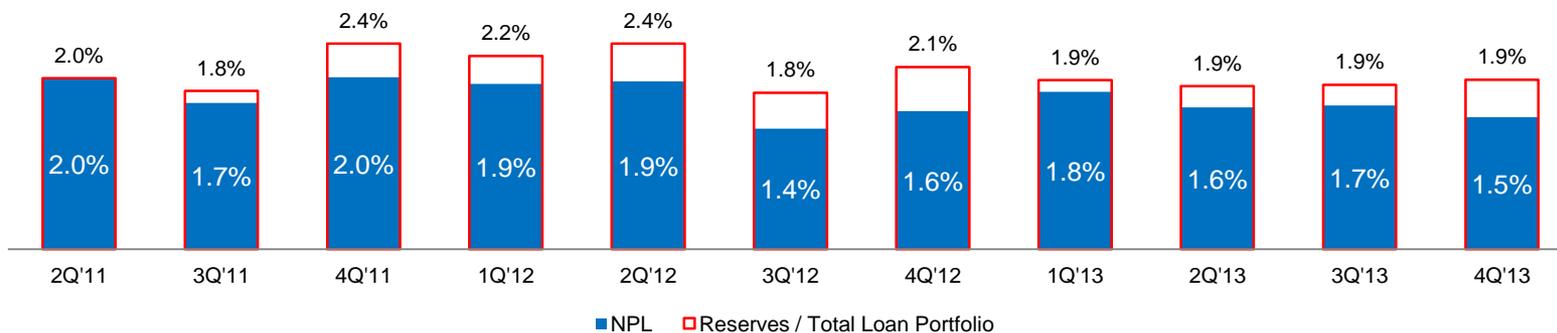
100% = MX\$10,423mm



100% = MX\$8,166mm



## Stable Levels of NPLs with Sufficient Reserves <sup>(2)</sup>



Source: Crédito Real

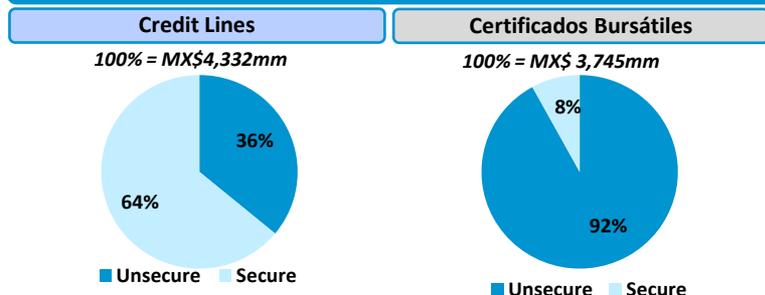
(1) EDU refers to the educational syndicate. Federal and State EDU education segment includes 58 different sections  
 (2) Reserves calculated as end of period allowance for loan losses divided by total loan portfolio

# Ample and Diversified Sources of Funding...

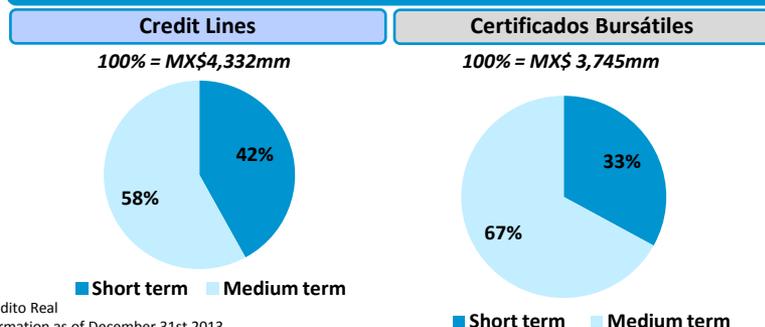
## Drawn vs. Undrawn



## Secured vs. Unsecured <sup>(1)</sup>

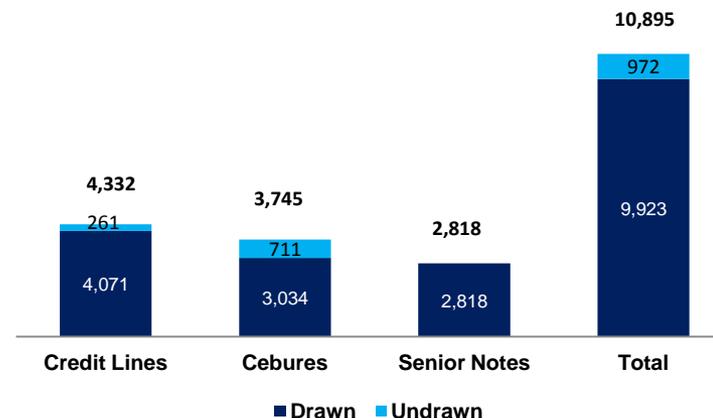


## Term <sup>(2)</sup>



## Total Debt

MX\$mm



## Other Considerations

- Authorized credit line capacity of MX\$4,332mm (MX\$261mm of available credit lines)
- Cash and equivalents of MX\$773mm as of December 31, 2013
- Funding program in the Mexican Market of MX\$3,745mm (MX\$711mm still available)
- US\$210mm 10.25% 144/Reg S Senior Unsecured Notes
- Total Shareholders Equity amounts to MX\$4,353

Source: Crédito Real

Notes: Information as of December 31st 2013

(1) 14.9% of the loan portfolio, or MX\$1,522mm is pledged to guarantee credit facilities

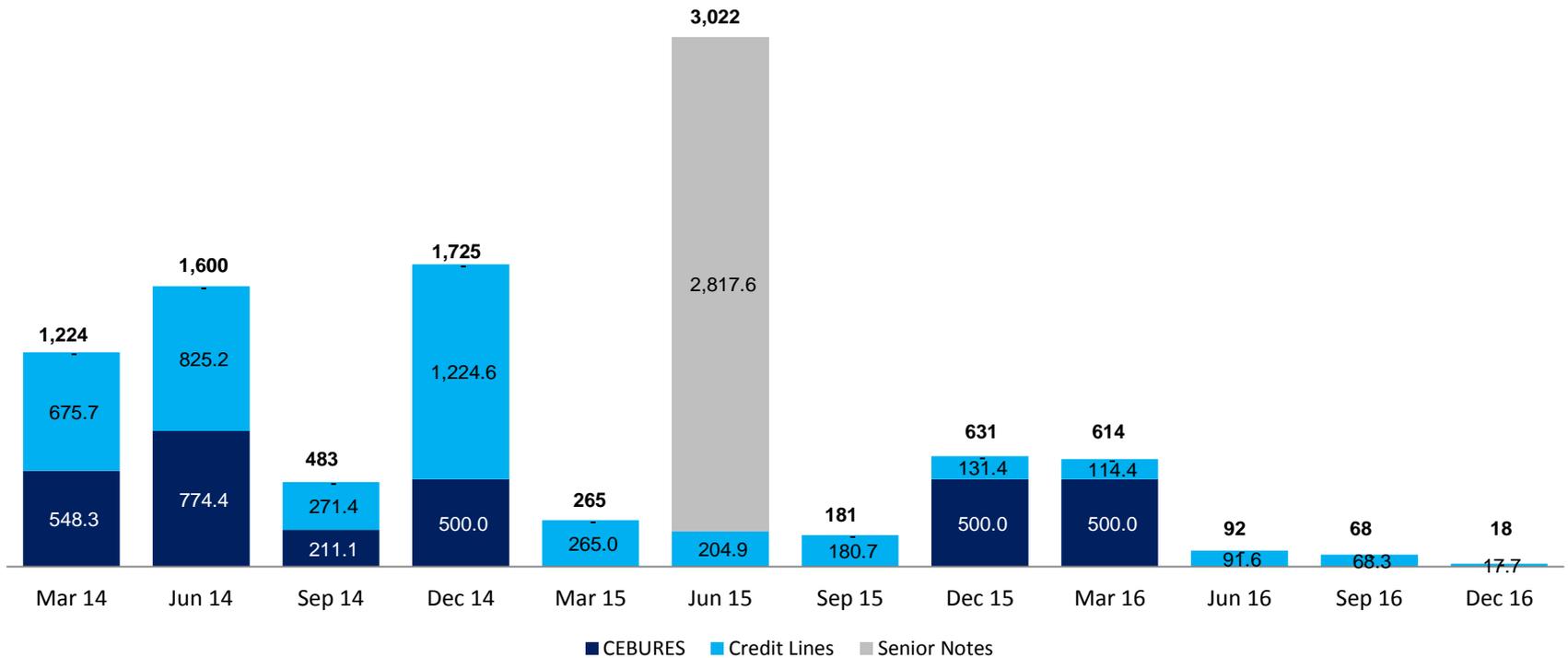
(2) Short term refers to amortization under 1 year. Medium term ranges from 1 to 5 years

(3) Certificados Bursátiles original funding program of MX\$4,000mm, however, MX\$255mm is no longer available

# ...Comfortable Debt Maturity Profile...

## Maturity Schedule (as of 4Q 2013)

MX\$m



Source: Crédito Real

# ... with Adequate Asset and Liability Management...

Cumulative Liquidity Profile (December 31, 2013)



Source: Crédito Real

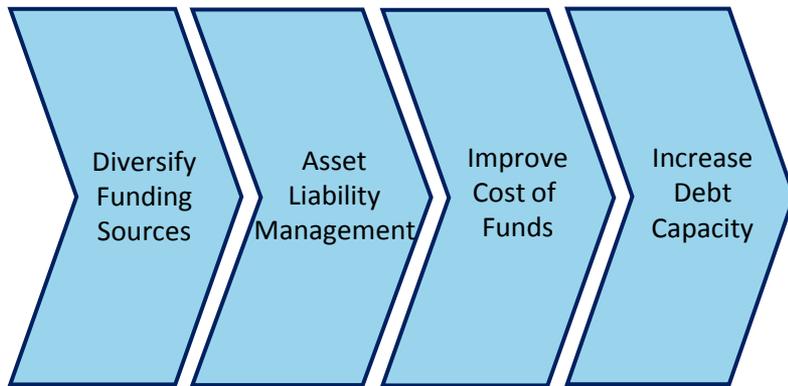
Note: Scheduled collections include only current outstanding portfolio collections, and does not include new origination projections

\* US\$210mm 2015 note to mature in April

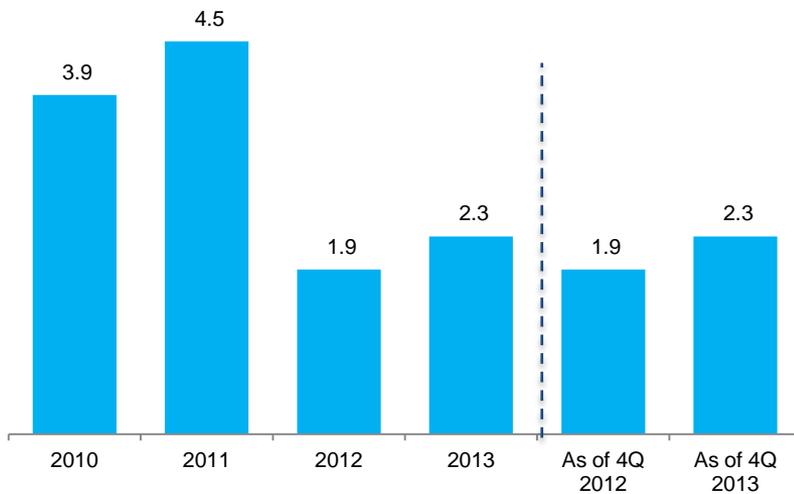
(1) Debt service refers to principal outstanding plus interest

# ...and Decreasing Funding Cost

## Funding Strategy Focus

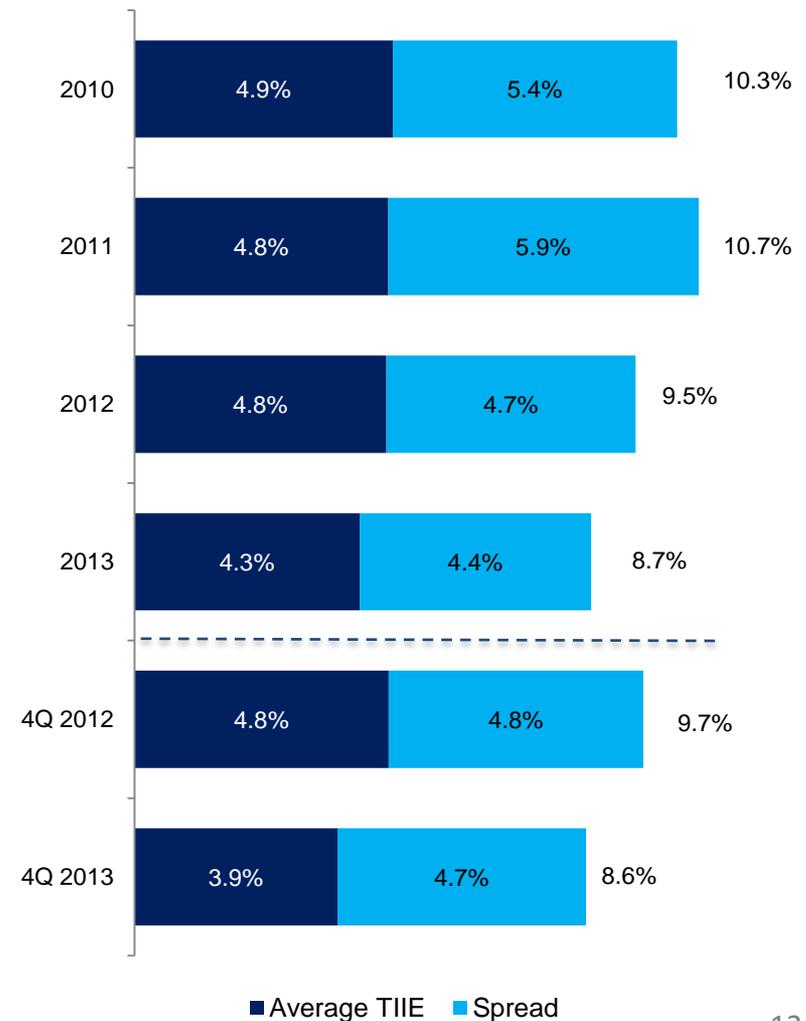


## Debt / Equity Ratio Evolution



Source: Crédito Real

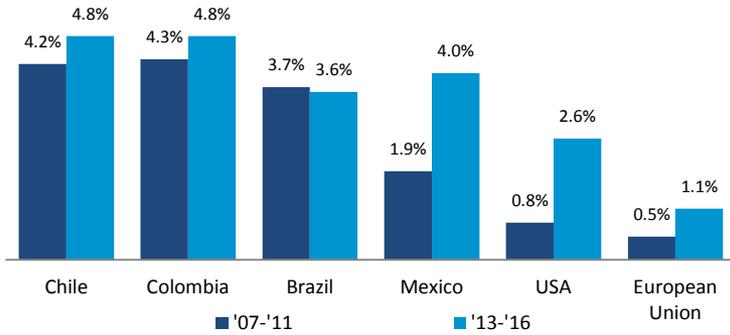
## Improving Funding Cost



# Positioned to Benefit from Mexico's Attractive Fundamentals...

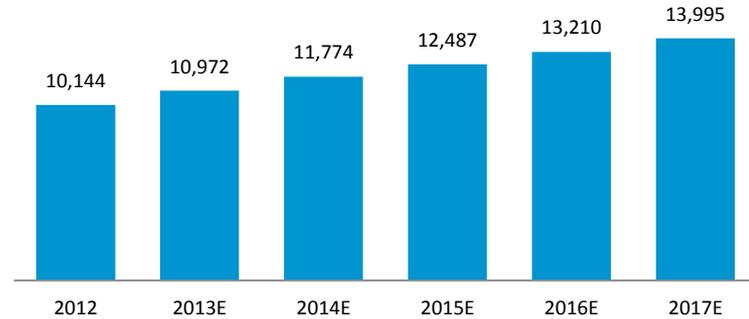
## Solid Forecasted GDP Growth ...

GDP growth



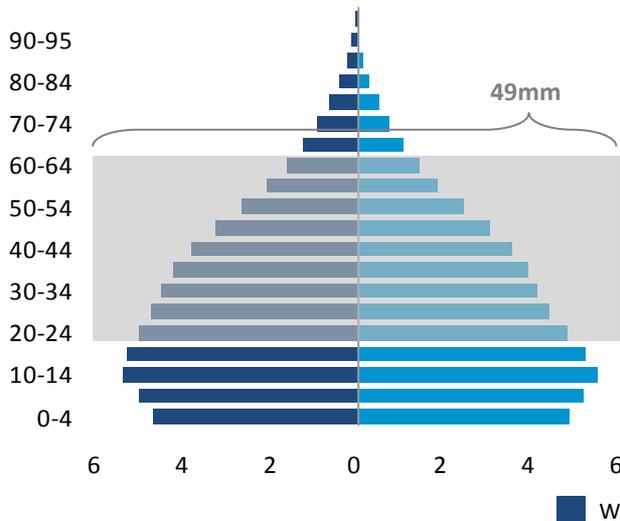
## ..Rising Per-Capita Income Projections ...

US\$



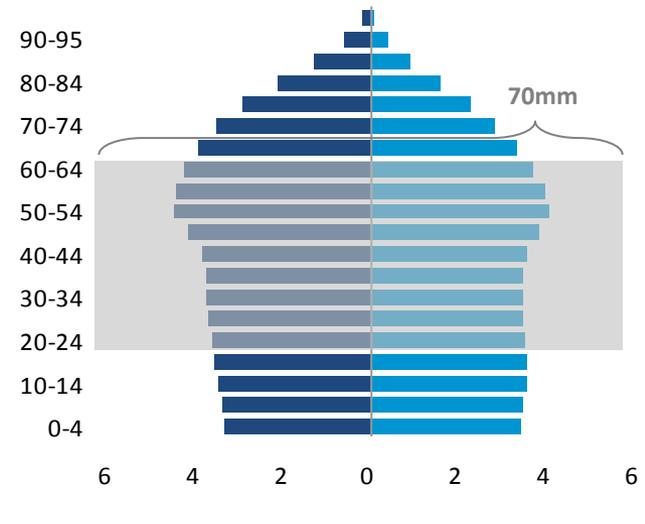
## ...and Favorable Demographics which are Expected to Improve

2010, Million people



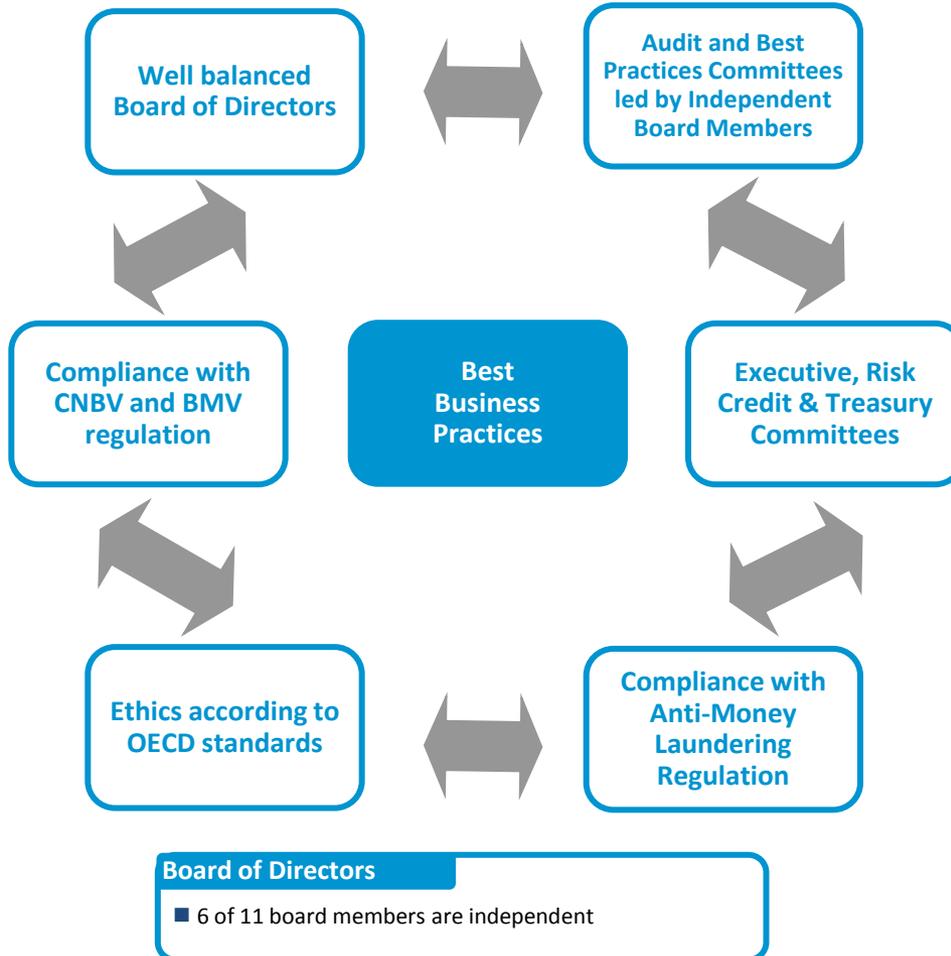
By year 2050,  
active workforce  
population is  
expected to  
significantly  
increase

2050, Million people

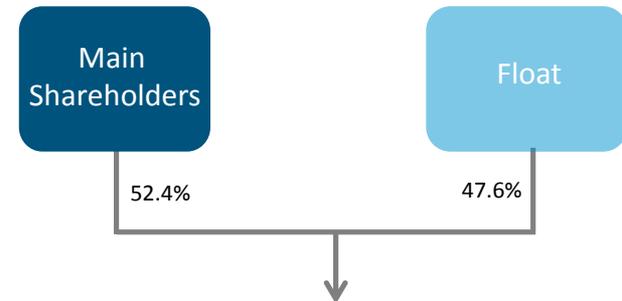


# Strong Corporate Governance, Experienced Management Team and Strong Shareholder Base

## Corporate Governance and Compliance



## Strong Shareholder Base



### Main Shareholders

- Founders of Crédito Real and Mabe, a global leading appliance manufacturer, JV with General Electric for Latin America operations
- Main shareholders of Bital Bank (sold to HSBC in 2003)
- Grupo Kon has over 60 years of experience in commercial, financial and real estate and developed one of the largest payroll loan origination sales forces in Mexico

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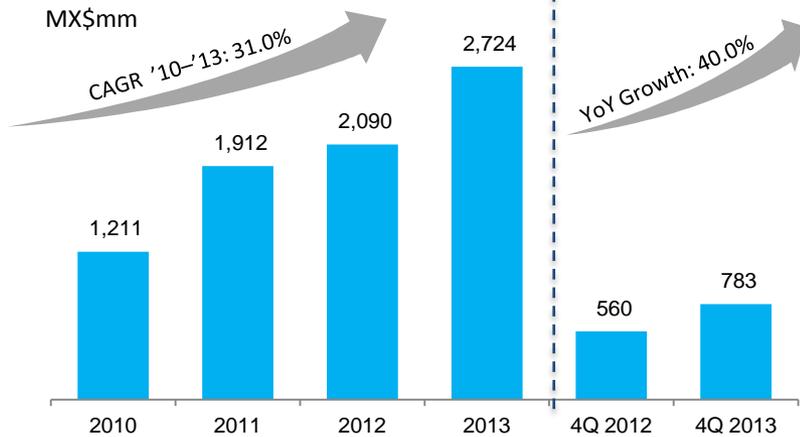
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## **Financial Performance and Key Metrics**

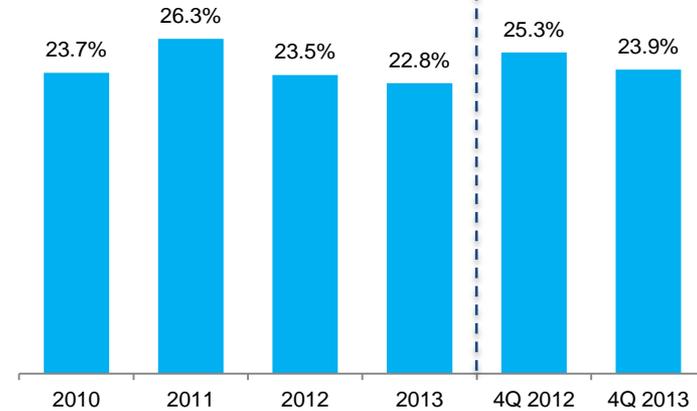
# Profitable and well Capitalized Company...

## Interest Income

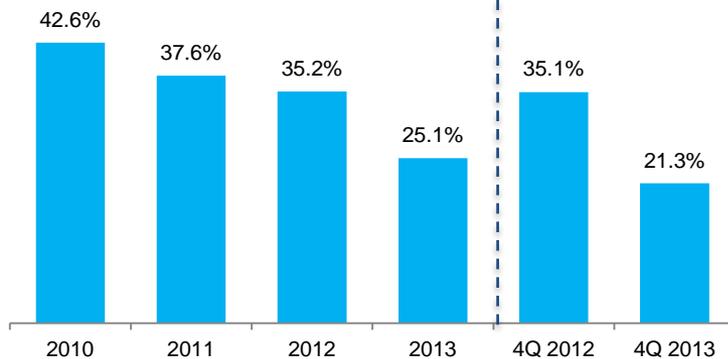
MX\$m



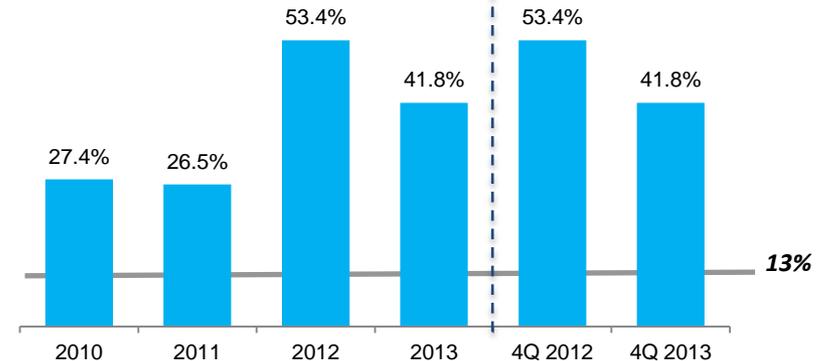
## NIM % <sup>(1)</sup>



## Efficiency Ratio <sup>(2)</sup>



## Capitalization Ratio



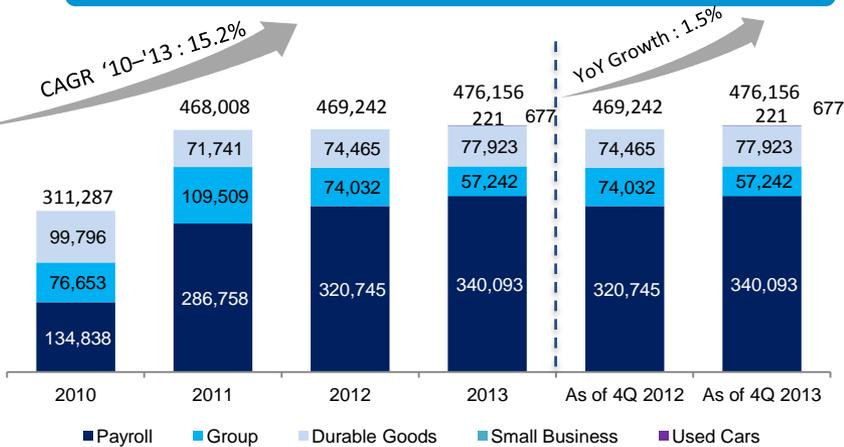
Source: Crédito Real, Moody's analytics

(1) Net Interest Margin is calculated by dividing annualized financial margin by average quarterly total loan portfolio

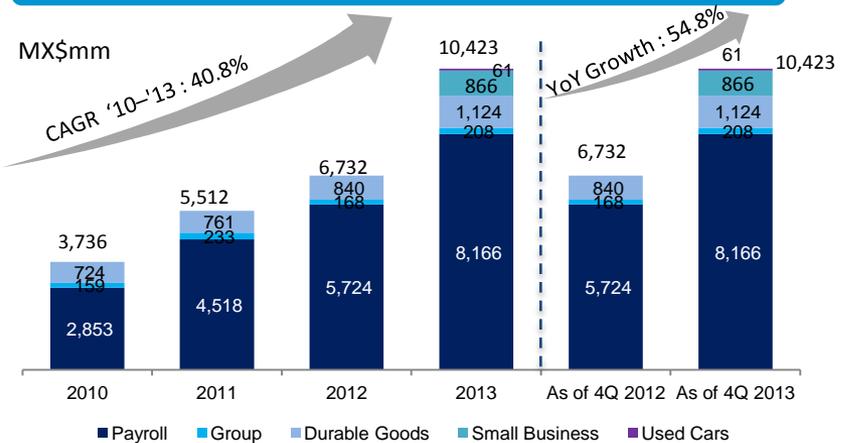
(2) Efficiency ratio is calculated by dividing administrative and promotion expenses for the period by the sum of (a) financial margin and (b) the difference between (i) commissions and fees collected and (ii) commissions and fees paid for the period

# Loan Portfolio by Products

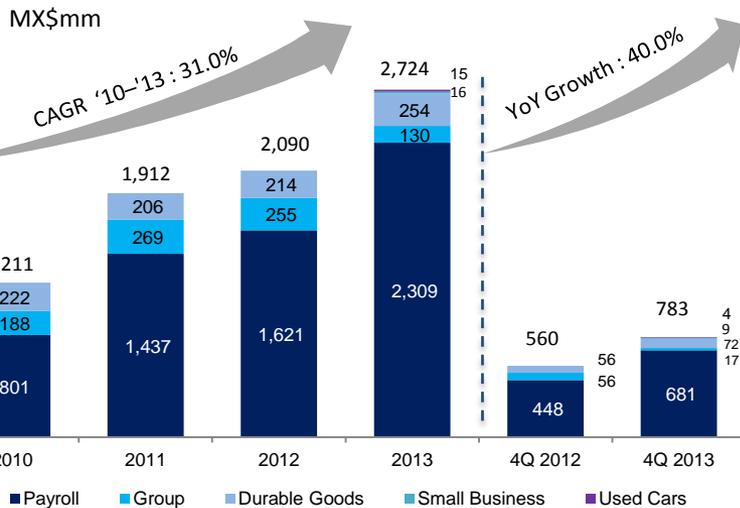
## Number of Clients by Product



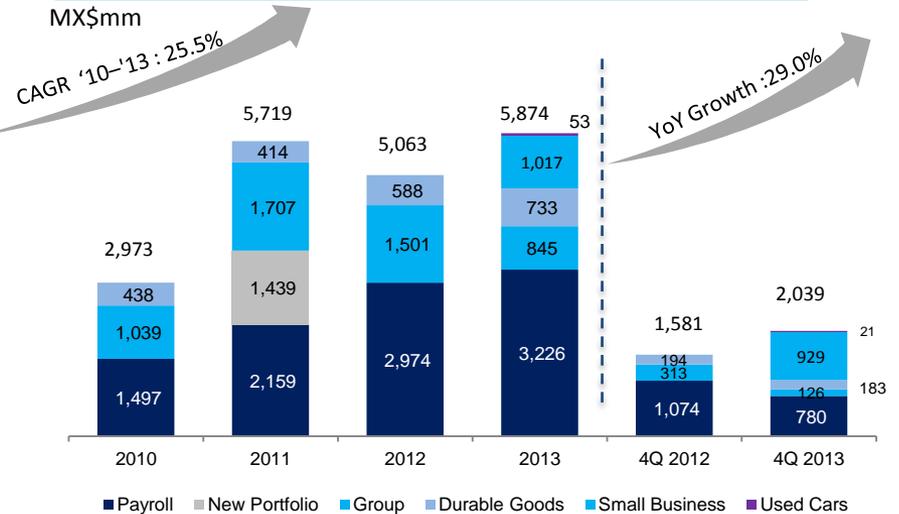
## Total Portfolio by Product



## Interest Income by Product

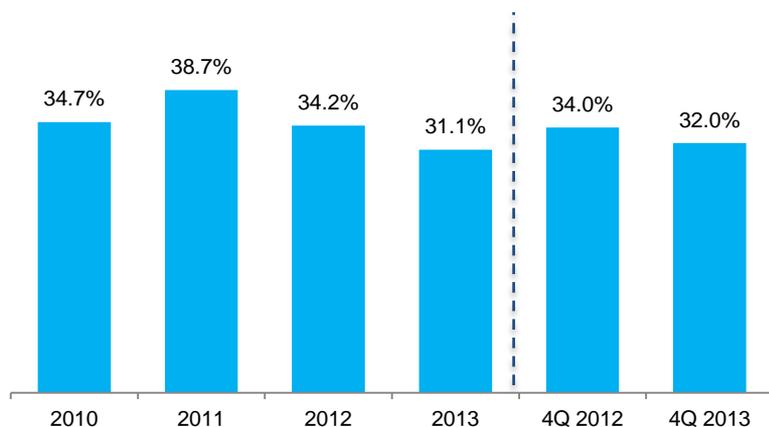


## Loan Origination by Product (1)

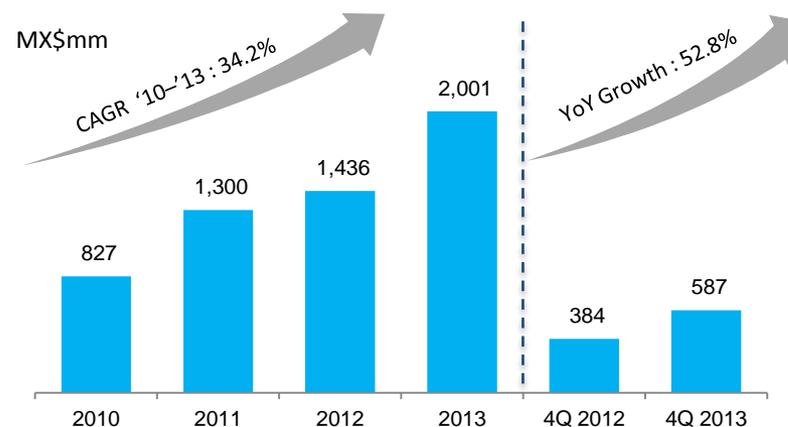


# Solid Financial Performance

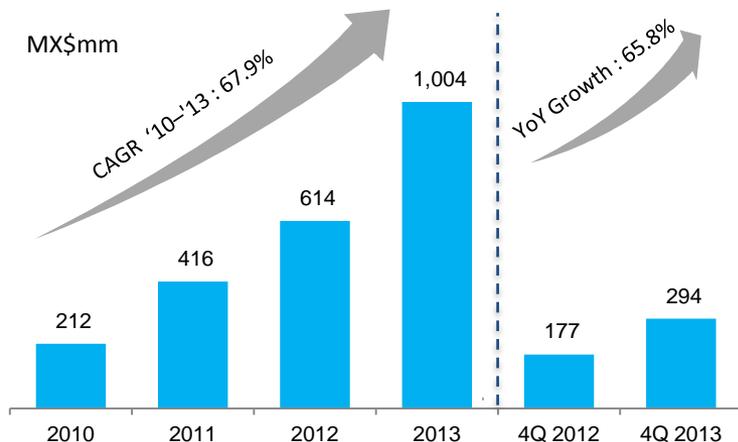
## Yield (1)



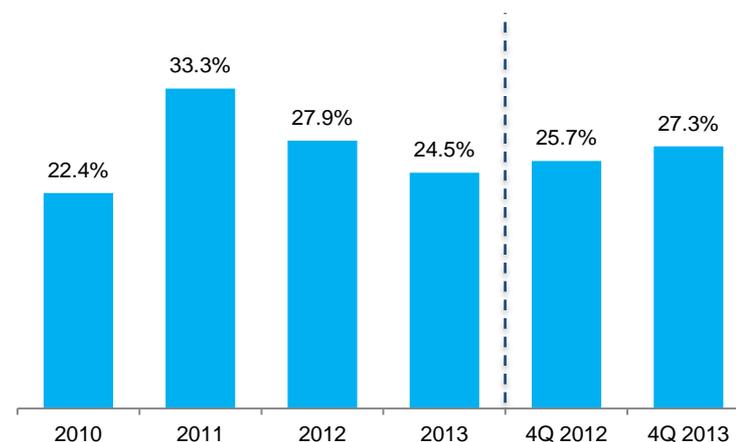
## Financial Margin



## Net Income



## ROAE (2)



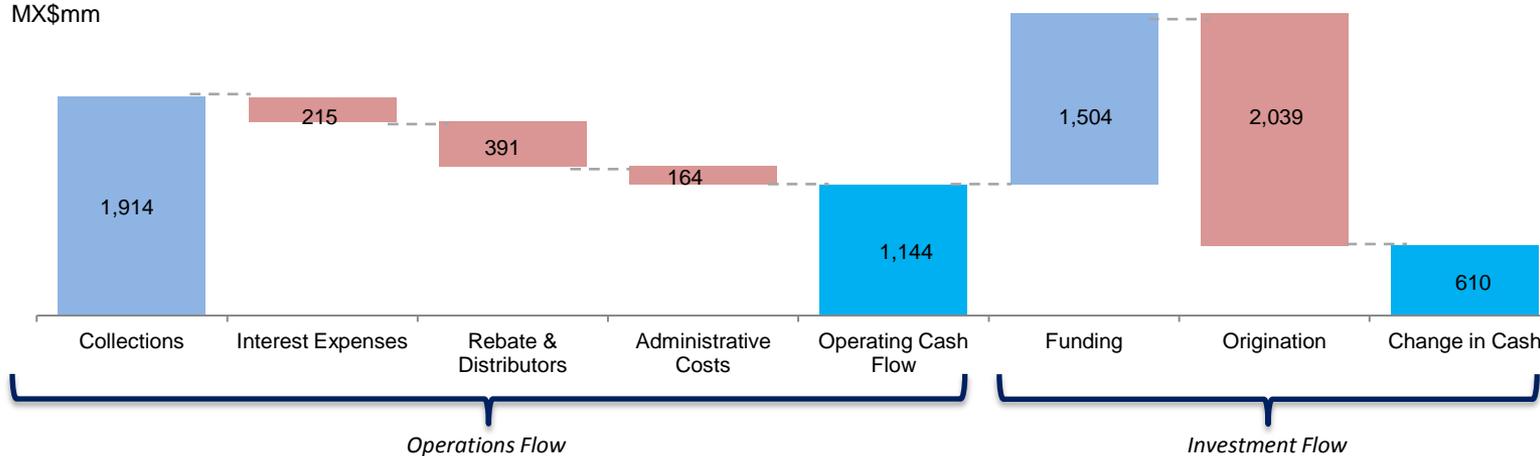
Source: Crédito Real

- (1) Yield is calculated by dividing the accrued income for the period by the average quarterly balance of the total loan portfolio  
 (2) Return on average stockholders' equity consists of net income for the period divided by average stockholders' equity

# Cash Flow Generation

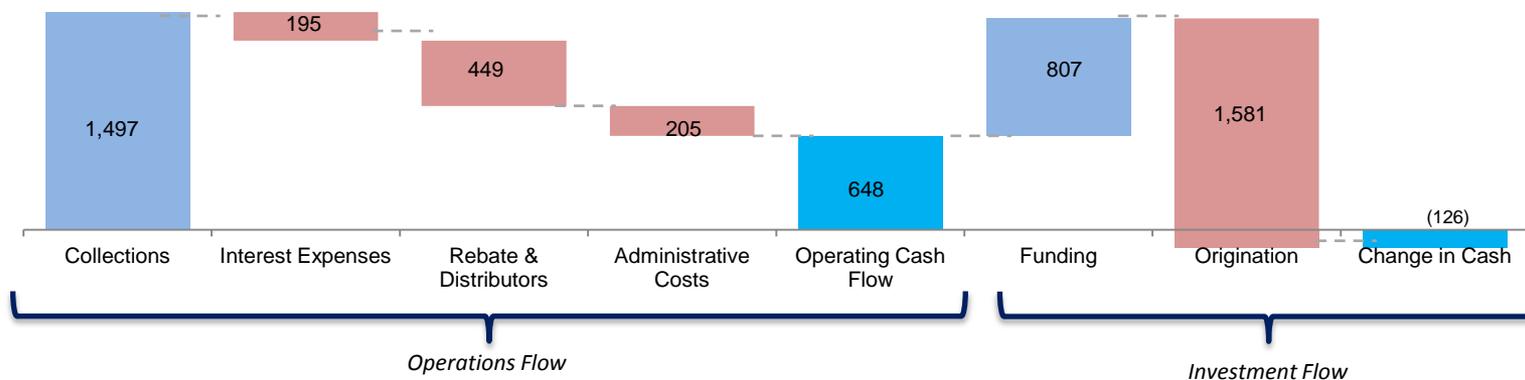
## 4Q 2013 Operating & Investment Cash Flow Composition

MX\$m



## 4Q 2012 Operating & Investment Cash Flow Composition

MX\$m



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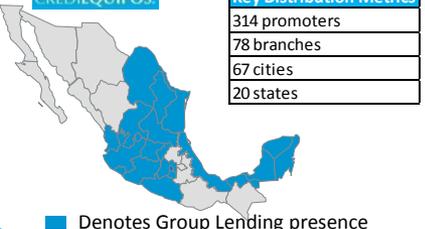
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**Appendix**

# Products Overview

## Products Offered

	Payroll Loans	Group Loans	Durable Goods Loans										
Product Description	Personal loans for unionized government employees repaid through direct payroll	Loans to finance micro-business working capital requirements	Loans to finance purchases of durable goods from selected retailers										
Target Markets	Unionized public employees C+, Cm, C and D+	Women in suburban areas C-, D and E	B, C+, Cm, C and D										
Product Statistics	<ul style="list-style-type: none"> <li>Avg. loan amount – MX\$24,010</li> <li>Avg. term – 35 months</li> <li>Avg. annual interest rate – 50% - 65%</li> <li>Payment frequency – Bi-weekly</li> <li>Delinquency rate – 1.6%</li> <li>Customers – 340,093 (71% of total customers)</li> </ul>	<ul style="list-style-type: none"> <li>Avg. loan amount – MX\$3,629</li> <li>Avg. term – 3.5 months / 14.1 weeks</li> <li>Avg. annual interest rate – 90% - 110%</li> <li>Payment frequency – Weekly</li> <li>Delinquency rate – 0.5%</li> <li>Customers – 57,242 (12% of total customers)</li> </ul>	<ul style="list-style-type: none"> <li>Avg. loan amount – MX\$14,424</li> <li>Avg. term – 12 months</li> <li>Avg. annual interest rate – 40% - 50%</li> <li>Payment frequency – Monthly</li> <li>Delinquency rate – 2.0%</li> <li>Customers – 77,923 (16% of total customers)</li> </ul>										
Distribution Platform	<ul style="list-style-type: none"> <li>Extensive sales forces of 25 different distributors – partner in 3 leading loan originators</li> <li>Full nation – wide coverage</li> </ul> 	<ul style="list-style-type: none"> <li>Proprietary branch network under brand</li> <li>New strategic alliances with third parties</li> </ul>  <table border="1"> <thead> <tr> <th colspan="2">Key Distribution Metrics</th> </tr> </thead> <tbody> <tr> <td>314 promoters</td> <td></td> </tr> <tr> <td>78 branches</td> <td></td> </tr> <tr> <td>67 cities</td> <td></td> </tr> <tr> <td>20 states</td> <td></td> </tr> </tbody> </table>	Key Distribution Metrics		314 promoters		78 branches		67 cities		20 states		<ul style="list-style-type: none"> <li>Financing agreements with 44 independent retailers, operating 1,271 points of sale, in over 117 cities throughout Mexico</li> </ul>
Key Distribution Metrics													
314 promoters													
78 branches													
67 cities													
20 states													

# Products Overview

## New Products

	Small Business Loans	Used Car Loans
Product Description	Loans for working capital to independent professionals and ongoing small businesses	Loans for used cars
Target Markets	C and C-	C+, C and C-
Product Statistics	<ul style="list-style-type: none"> <li>▪ Loan amount – MX \$100,000 - \$10'000,000</li> <li>▪ Avg. term – 12 months</li> <li>▪ Avg. annual interest rate – 20% - 30%</li> <li>▪ Payment frequency – Monthly</li> <li>▪ Delinquency rate – 0.5%</li> <li>▪ Customers – 221</li> </ul>	<ul style="list-style-type: none"> <li>▪ Loan amount – MX \$50,000 - \$100,000</li> <li>▪ Avg. term – 30 months</li> <li>▪ Avg. annual interest rate – 25% - 35%</li> <li>▪ Payment frequency – Monthly</li> <li>▪ Income from insurance</li> <li>▪ GPS systems to secure cars</li> <li>▪ Delinquency rate – 2.3%</li> <li>▪ Customers - 677</li> </ul>
Distribution Platform	<ul style="list-style-type: none"> <li>▪ One business center in Mexico City with own sales force</li> <li>▪ A loan provider, aiming medium size businesses</li> </ul>	<ul style="list-style-type: none"> <li>▪ Financing agreements with 9 distributors that have in + 100 points of sale</li> </ul>

# Financial Information

Balance Sheet							
	4Q'13	4Q'12	% Var	2013	2012	2011	% Var
<b>Ps. Million</b>							
Cash and cash equivalents	126.9	85.2	48.9%	126.9	85.2	64.3	48.9%
Investments in securities	646.2	346.8	86.3%	646.2	346.8	253.6	86.3%
Securities and derivatives transactions	230.1	241.5	-4.7%	230.1	241.5	521.4	-4.7%
Performing loan portfolio							
Commercial loans	10,265.0	6,625.6	54.9%	10,265.0	6,625.6	5,403.1	54.9%
Total performing loan portfolio	10,265.0	6,625.6	54.9%	10,265.0	6,625.6	5,403.1	54.9%
Non-performing loan portfolio							
Commercial loans	158.5	106.9	48.3%	158.5	106.9	109.0	48.3%
Total non-performing loan portfolio	158.5	106.9	48.3%	158.5	106.9	109.0	48.3%
Loan portfolio	10,423.5	6,732.5	54.8%	10,423.5	6,732.5	5,512.2	54.8%
Less: Allowance for loan losses	203.2	141.3	43.9%	203.2	141.3	130.5	43.9%
Loan portfolio (net)	10,220.3	6,591.2	55.1%	10,220.3	6,591.2	5,381.6	55.1%
Other accounts receivable (net)	2,390.4	2,504.3	-4.5%	2,390.4	2,504.3	1,574.0	-4.5%
Property, furniture and fixtures (net)	22.9	17.8	28.6%	22.9	17.8	14.3	28.6%
Long-term investments in shares	786.0	752.5	4.5%	786.0	752.5	364.0	4.5%
Other assets							
Debt insurance costs, intangibles and others	677.2	425.9	59.0%	677.2	425.9	179.4	59.0%
Total assets	<u>15,100.0</u>	<u>10,965.3</u>	<u>37.7%</u>	<u>15,100.0</u>	<u>10,965.3</u>	<u>8,352.7</u>	<u>37.7%</u>
Liabilities							
Notes payable (certificados bursatiles)	3,041.8	1,751.0	73.7%	3,041.8	1,751.0	1,944.0	73.7%
Senior notes payable	2,829.6	2,814.4	0.5%	2,829.6	2,814.4	3,122.1	0.5%
Bank loans and borrowings from other entities							
Short-term	1,950.1	1,562.4	24.8%	1,950.1	1,562.4	1,053.9	24.8%
Long-term	2,130.8	719.6	196.1%	2,130.8	719.6	516.0	196.1%
	4,080.9	2,282.0	78.8%	4,080.9	2,282.0	1,569.9	78.8%
Other accounts payable	14.6	17.8	-18.3%	14.6	17.8	4.2	-18.3%
Income taxes payable	780.3	503.7	54.9%	780.3	503.7	252.1	54.9%
Total liabilities	10,747.1	7,368.9	45.8%	10,747.1	7,368.9	6,892.3	45.8%
Stockholders' equity							
Capital stock	2,016.2	2,017.2	-0.1%	2,016.2	2,017.2	507.4	-0.1%
Earned capital:							
Accumulated results from prior years	1,326.1	935.8	41.7%	1,326.1	935.8	537.4	41.7%
Result from valuation of cash flow hedges, net	7.0	29.3	-76.1%	7.0	29.3	-	-76.1%
Net income	1,003.6	614.1	63.4%	1,003.6	614.1	415.5	63.4%
Total stockholders' equity	<u>4,352.9</u>	<u>3,596.4</u>	<u>21.0%</u>	<u>4,352.9</u>	<u>3,596.4</u>	<u>1,460.4</u>	<u>21.0%</u>
Total Liabilities and Stockholders' equity	<u>15,100.0</u>	<u>10,965.3</u>	<u>37.7%</u>	<u>15,100.0</u>	<u>10,965.3</u>	<u>8,352.7</u>	<u>37.7%</u>

# Financial Information

Profit & Loss							
	4Q'13	4Q'12	% Var	2013	2012	2011	% Var
<b>Ps. Millions</b>							
Interest Income	783.5	559.5	40.0%	2,724.5	2,090.4	1,912.3	30.3%
Interest Expense	(196.9)	(175.6)	12.1%	(723.1)	(654.8)	(612.8)	10.4%
Financial Margin	586.5	383.9	52.8%	2,001.4	1,435.6	1,299.5	39.4%
Provision for Loan Losses	(106.0)	(89.2)	18.7%	(404.5)	(272.8)	(309.0)	48.3%
Financial Margin adjusted for Credit Risks	480.6	294.7	63.1%	1,596.9	1,162.8	990.5	37.3%
Commissions and fees paid	(18.1)	(16.6)	9.3%	(69.7)	(69.5)	(61.3)	0.2%
Other income from the operation	1.8	5.2	-65.5%	10.1	20.6	18.1	-51.0%
Administrative and promotion expenses	(120.9)	(129.0)	-6.3%	(484.1)	(480.5)	(465.6)	0.7%
Operating result	343.4	154.4	122.5%	1,053.3	633.4	481.7	66.3%
Income taxes	(87.6)	(42.5)	106.0%	(241.6)	(144.4)	(102.5)	67.3%
Income before participation in the results of subsid	255.8	111.9	128.7%	811.7	489.1	379.2	66.0%
Participation in the results of subsidiaries and assr	37.8	65.2	-42.0%	191.9	125.1	36.3	53.4%
Net Income	293.6	177.0	65.8%	1,003.6	614.1	415.5	63.4%

# Financial Information

Financial Ratios							
	4Q'13	4Q'12	% Var	2013	2012	2011	% Var
Yield	32.0%	34.0%	-2.0%	31.1%	34.2%	38.7%	-3.1%
Return on Average Loan Portfolio	12.0%	10.7%	1.2%	11.5%	10.0%	8.4%	1.4%
ROAE: Return on average stockholders' equity	27.3%	25.7%	1.5%	24.5%	27.9%	33.3%	-3.3%
Debt to Equity Ratio	2.3	1.9	0.4	2.3	1.9	4.5	0.4
Average cost of funds	8.6%	9.7%	-1.1%	8.7%	9.5%	10.7%	-0.8%
Efficiency ratio	21.3%	35.1%	-13.8%	25.1%	35.2%	37.6%	-10.1%
Capitalization Ratio	41.8%	53.4%	-11.7%	41.8%	53.4%	26.5%	-11.7%
Provisions for loan losses as a percentage of total loan portfolio	4.1%	5.3%	-1.2%	3.9%	4.1%	5.6%	-0.2%
Allowance for loan losses as a percentage of total past-due loan portfolio	128.2%	132.2%	-3.9%	128.2%	132.2%	119.7%	-3.9%
Total past-due loan portfolio as a percentage of total loan portfolio	1.5%	1.6%	-0.1%	1.5%	1.6%	2.0%	-0.1%