INVESTMENT AND SOVEREIGN RESEARCH *February-20-2019*

Your Best Interest At Heart. Full Stop.

Credito Real

PLEASE SEE IMPORTANT DISCLOSURES & COPYRIGHT INFRINGEMENT IN THE APPENDIX

Company Overview

Credito Real is a leading financial institution in Mexico, with a presence in the United States, Costa Rica, Panama and Nicaragua. The Company's focus is consumer lending with a diversified business platform in the following main lines of business: payroll loans, small business loans, group loans, car loans and personal loans through Instacredit. Credito Real offers its products mainly to the low and middle income segments of the population that have historically been underserved by other financial institutions. In February 2019, the company issued a new 9.5% bond due 2026, raising US$400,000,000.00.

Term Sheet

Issuer	Credito Real S.A.B. de C.V.
Country of Risk	Mexico
Instrument	Senior Unsecured Notes
Issue Size	US$400,000,000.00
Minimum Piece/Increment	US$200,000.00/US$1,000.00
Maturity Date	February 07, 2026
Coupon Rate/Frequency	9.50%. Coupon paid semi-annually
Bid/Ask	$101.707/$102.142 – 9.121%/9.026%
Yield	Yield to Worst – 9.026% Yield to Maturity – 9.077% Yield to Call – 9.840%
Credit Rating	Fitch – BB+/Stable S&P – BB+/Stable
Interest Accrual Date	February 07, 2019

Credito Real

Financial Performance (Mexican Pesos) – Nine Months ended September 30

Profitability

Credito Real reported net revenues of (Mexican Peso) Ps. 4.49B for the first nine months of 2018, up 11.1% from the comparable period of 2017. Interest income rose 22.2% to Ps. 7.47B while interest expense rose 26.2% to Ps. 2.43B, resulting in a financial margin (net interest income) of Ps. 5.04B, a 20.3% improvement year-over-year. The increase in interest income was driven by growth in the loan portfolio, primarily the SME, Used Cars MX and Payroll business. The increase of interest expense was attributed to higher costs of funding and higher total debt. The average cost of funds for 3Q18 was 12.0%, an 80 basis point increase when compared to average cost of funds of 11.2% in 3Q17. There has been a general increase in funding costs during the year to date, moving from 10.5% in 1Q18 to 11.4% in 2Q18.

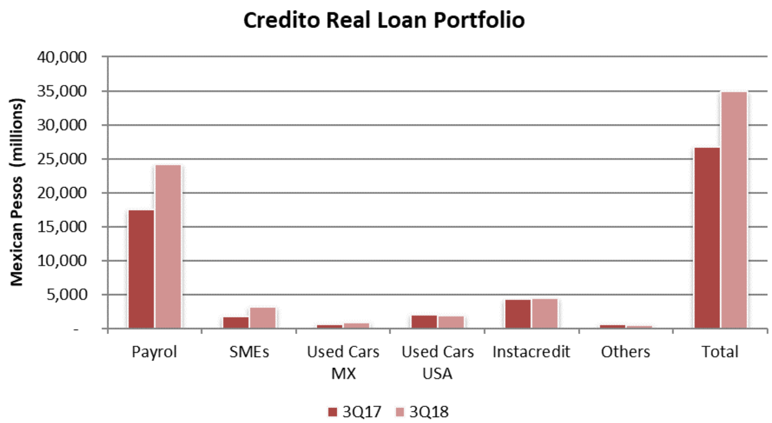
The provision for loan losses surged 41.6% to Ps. 1.35B due to the growth in the loan portfolio. Credito Real has a solid allowance for loan losses which stood at 148.8% as at September 2018, compared to 157.7% in 3Q17. The non-performing loan ratio contracted from 2.3% a year earlier to 2.1% in 3Q18.

Commissions and fees charged fell 6.3% to Ps. 564.0M while commissions and fees paid rose 2.0% to Ps. 177.8M. Intermediation income from derivative financial instruments fell 26.0% to Ps. 81.1M while other income amounted to Ps. 330.8M, a 24.8% increase year-over-year. Administrative and promotional expenses rose to Ps. 2.70B, driven by portfolio expansion in Mexico and organic growth in Central America.

As such, operating profits amounted to Ps. 1.78B, a 10.2% increase year-over-year. The operating profit margin closed the period at 39.7%, down marginally from 40.1% in the comparable period of 2017. A 9.9% increase in income taxes to Ps. 437.5M led to net income of Ps. 1.39M, a 13.5% year-over-year. The net profit margin stood at 30.9%, up from 30.3% in the comparable period of 2017. The return on assets stood at 4.2% compared to 4.6% during the same period of 2017 while the return on equity stood at 12.4%, down from 17.9% in 9M17 due the issuance of perpetual notes which added over Ps. 4.0B to equity. Excluding, the perpetual notes, the return on equity stood at 17.3%.

Solvency & Liquidity

Credito's total assets amounted to Ps. 47.0B at the end of the third quarter, up 29.1% or Ps. 10.59B from its balance a year earlier, driven primarily by growth in the loan portfolio. The loan portfolio amounted to Ps. 34.95b, an increase of 31% on double-digit growth in the SMEs, Used Cars MX and Payroll business line. The non-performing loan portfolio (NPL) was 2.1% at the end of the quarter, down from 2.3% a year prior due to improvements in NPL in the SMEs and Payroll businesses. Other accounts receivables increased to Ps. 5.48B, a 42.9% increase from a year prior, consisting of income paid in advance to payroll distributors. Cash & cash equivalents amounted to Ps 459.7M, a 20.8% decline year on year. Investments in securities totalled Ps. 997.7M, up 34.7% from a year prior.



Total liabilities stood at Ps. 31.72B as at September 30, 2018, up 17.3% from a year earlier as total debt rose 12.8% to Ps. 27.87B. Debt consisted of notes payable of Ps. 850.9M, senior notes of Ps. 15.45B and bank loans of Ps. 11.57B. Shareholders' equity rose 63.0% to Ps. 15.31B driven predominantly by the booking of Ps. 4.31B in perpetual notes in 4Q17. Retained profits rose 25.9% to Ps. 6.9B. The debt-to-equity ratio stood 1.82x, down from 2.63x at the end of 3Q17. The table below displays CR's debt amortization schedule. The company's next major redemption is in 2023, with no major debt repayments required between 2023 and 2026. Given the company's strong profitability and solvency, we do not foresee any challenges to debt service in the short-to-medium term.

Debt Distribution Schedule up to 2026 as at February 18, 2019 (USD millions)

Date	Total	Bond Principal	Term Loan Outstanding	Interest
2019	211	136	-	75
2020	208	15	77	116
2021	139	25	-	114
2022	304	193	-	112
2023	741	635	-	106
2024	60	-	-	60

2025	60	-	-	60
2026	441	400	-	41
Total	**2,165**	**1,403**	**77**	**685**

Credit Rating

On February 06, 2019, Fitch Ratings affirmed Credit real, S.A.B. de C.V., SOFOM, E.N.R.'s long-term foreign- and local currency issuer default ratings at 'BB+'. The rating outlook for the long-term ratings is Stable. Fitch also assigned Credito Real's US$400M unsecured notes due 2026 a final rating of 'BB+'.

Credito Real's ratings were driven by its well-established franchise in the payroll deductible loans business in Mexico and its "business model differentiators", such as its income/risk sharing agreements with distributors, which has in the past led to peer-superior asset quality. Other factors which drove the rating were the relatively higher risk appetite to peers, evidenced by its inorganic growth strategy, growing footprint in low-rated Central American countries as well as the operational, political and reputational risks inherent to the payroll business.

Fitch noted that Credito Real's main financial strengths consisted of strong profitability metrics and resilient margins coupled with a growing loan portfolio and adequate loss absorption capacity. The rating was constrained by reliance on wholesale funding sources and the Company's exposure to FX rate fluctuations stemming from an unhedged principal on its subordinated notes and its operations outside of Mexico.

Outlook & Recommendation

Fitch sees Mexican policies shifting decisively to the left for the first in time decades, following the victory of leftist populist Andrés Manuel López in the recent presidential elections. With strong majorities in both houses of Congress, policy formation should be eased with significant changes to banking and mining sector regulators, security and anti-corruption measures and a rollback of education reform likely. Lopez is expected to increase the role of the government in the economy via increased government spending on social programmes and infrastructure.

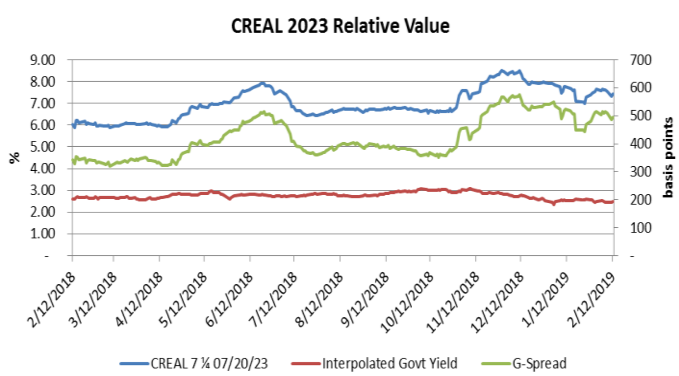
Increased spending is seen widening the fiscal deficit but the 2019 budget plan points to relative fiscal prudence and credible macroeconomic assumptions which should reassure investors wary of a populist policy shift. The signing of a new NAFTA deal in September 2018 should also allay concerns surrounding US-Mexico trade relations, but there remains risk to US Congressional approval.

Fitch expects real GDP growth of 2.1% in 2019, down from an initial estimate of 2.7%. The Mexican Peso is expected to see modest gains over the course of the current year but is seen averaging lower than in 2018 due to weaker market confidence.

The 2026 Bond is an attractive investment for investors seeking above average returns with a medium-to-high risk appetite. The table below outlines the relative value in comparison to a peer group of Latin American financial companies' notes of similar credit rating and tenor. The peer group average spread above the US Treasury risk free rate is 569 basis points, while the CREAL 2026 notes offer a premium of 653 basis points, and compares to a spread of 470 basis points for the CREAL 2023 note.

Security	Yield	Spread	Modified Duration
Avg of Comparables	8.21	569	4.64
CREAL 9 ½ 02/26	9.07	658	4.5

This investment is most suitable for investors with a moderate-to-high risk tolerance. The company enjoys a prominent market position with strong operating and profitability margins but is in the business of relative high risk consumer loans with concentration risk in the payroll loans segment. This risk is slowly being addressed as the company expands into other business lines which include: SME, used car and business loans. CR's outlook is highly dependent on that of Mexico as a serious deterioration in macroeconomic variables will sour the demand for its suite of products and also lead to deterioration in the loan book from a surge in bad debts. These risks are mitigated by the company's current focus on revenue and geographical diversification. **As such, we recommend Credito Real as MARKETWEIGHT.**



Credito Real

Abridged Financials

Millions of Pesos	Year Ended December 31					Nine Months Ended Sept 30		
	2013	2014	2015	2016	2017	2017	2018	% Change
Net Revenue	**1,677**	**2,303**	**2,860**	**5,110**	**5,583**	**4,037**	**4,487**	**11.1%**
Net interest income	2,001	2,445	3,312	5,042	5,773	4,187	5,037	20.3%
Administrative & promotional expenses	**484**	**630**	**1,138**	**2,922**	**3,418**	**2,420**	**2,705**	**11.8%**
Operating Profit	1,053	1,475	1,722	2,188	2,166	1,618	1,782	10.2%
Net Income available to shareholders	**1,004**	**1,225**	**1,371**	**1,714**	**1,661**	**1,222**	**1,387**	**13.5%**
Total Assets	**15,100**	**19,916**	**25,996**	**35,915**	**42,238**	**36,431**	**47,024**	**29.1%**
Total Liabilities	**10,747**	**14,558**	**19,283**	**26,638**	**27,469**	**27,042**	**31,716**	**17.3%**
Shareholders' equity	**4,353**	**5,357**	**6,713**	**9,277**	**14,768**	**9,389**	**15,307**	**63.0%**
Key Ratios								
operating profit margin (%)	62.8	64.1	60.2	42.8	38.8	40.1	39.7	
Net profit margin	59.9	53.2	47.9	33.5	29.8	30.3	30.9	
Return on average assets (%)	7.7	7.0	6.0	5.5	4.3	4.6	4.2	
Return on average equity (%)	25.3	25.3	22.7	21.4	13.8	17.9	12.4	
debt/equity (x)	2.29	2.50	2.60	2.65	2.65	2.63	1.82	

Source: http://www.jamstockex.com, JMMB Investment & Research, Bloomberg, Company Financial Statements, Fitch Ratings

APPENDIX

IMPORTANT DISCLOSURES

ABSTRACT—As a part of our new Portfolio Strategy we are recommending strict adherence to the following Portfolio Allocation **DEFINITIONS/RECOMMENDATIONS**.

PLEASE NOTE THAT NO INDIVIDUAL ASSET IN YOUR PORTFOLIO SHOULD HAVE A WEIGHTING GREATER THAN 5% UNLESS OTHERWISE RECOMMENDED BY YOUR PORTFOLIO MANAGER OR A SPECIFIC JMMB RESEARCH REPORT. CONSEQUENTLY THE FOLLOWING **DEFINITIONS** ARE PROVIDED FOR CLARITY.

UNDERWEIGHT—REDUCE EXPOSURE IN YOUR PORTFOLIO TO LESS THAN 5% FOR THIS PARTICULAR ASSET

SELL—REDUCE EXPOSURE IN YOUR PORTFOLIO TO ZERO.

HOLD/MARKETWEIGHT—EXPOSURE TO THE ASSET SHOULD BE EQUAL TO 5% OF YOUR TOTAL PORTFOLIO HELD AT JMMB.

OVERWEIGHT/BUY—EXPOSURE TO THIS ASSET SHOULD BE BETWEEN 5% AND 10% OF YOUR TOTAL PORTFOLIO HELD AT JMMB

COPYRIGHT INFRINGEMENT

Web, or over any network, or local area network or otherwise) without written permission from JMMB.

No part of this research report may be modified or changed or exploited or used in any way for derivative works, or offered for sale, or used to construct any kind of database or mirrored at any other location without the express written permission of JMMB.

Thank you for respecting our intellectual property rights."

The investments referred to in this report may not be suitable for you should consult your licensed investment advisor. Nothing in this report constitutes investment, legal, accounting or tax advice or a representation that any investment or strategy is suitable to your individual circumstances or otherwise constitutes a personal recommendation to you.

Disclosure Under The Securities Act

This disclosure is being provided pursuant to section 39 of the Securities Act. This research report is prepared by Jamaica Money Market Brokers Limited (JMMB) and the information and views expressed are those of JMMB. JMMB is a subsidiary of the JMMB Group Limited (JMMBGL). Associated persons of JMMB include JMMBGL and its subsidiaries and affiliated companies, including JMMB Fund Managers Limited, a licensed securities dealer and manager of collective investment schemes.

As at the date of this report, JMMB and its affiliates, directors, officers, employees and other associated persons may from time to time buy or sell, or act as principal or agent in, the securities mentioned in this research report. JMMB or its affiliates, directors, officers and employees have no interest in or interest in the acquisition or disposal of the securities other than expressed above. No part of their compensation is or will be related to the recommendations or opinions in this report.