

NOVEMBER, 2022

CRÉDITO REAL (CREAL)

PLEASE SEE IMPORTANT DISCLOSURES & COPYRIGHT INFRINGEMENT IN THE APPENDIX

COMPANY OVERVIEW

Crédito Real (CREAL) is a leading financial institution in Mexico, with a presence in the United States and Central America. The Company's focus is 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. CREAL's target market is low and middle-income segments of the population that have historically been underserved by other financial institutions.

BOND DETAILS

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|---|---|
| Issuer | Crédito Real S.A.B. de C.V. |
| Country of Risk | Mexico |
| Instrument | Senior Unsecured Notes |
| Issue Size | US\$400,000,000.00 |
| Maturity Date | February 07, 2026 |
| Coupon Rate/Frequency | 9.50%. Payable semi-annually |
| Bid/Ask¹ | US\$1.086/US\$1.955 |
| Last Price²/Yield² | US\$1.504/357.634% |
| Credit Rating/Outlook | Fitch: C/Negative ¹ S&P: Rating Withdrawn |

¹As at September 12, 2022

OCTOBER 2022 UPDATE

On July 13, 2022, a judge approved the dissolution request filed by the former Chairman of the Board of Directors of Crédito Real and ordered its liquidation. The court-appointed liquidator, Fernando Alonso de Florida Rivero, has reported on the liquidation activities completed since his appointment and until August 31, 2022. The liquidator

terminated the employment of the remaining executive staff and took possession of the Company's records. The analysis of the accounting records, documents, books and other financial information of the Company continues in order to accurately identify the assets and liabilities of Crédito Real.

The liquidator added that it had successfully concluded accords with its creditors, some of whom had exercised legal action to collect and foreclose guarantees. Agreements were executed with secured and privileged creditors of the Company. All account receivables pledged in favour of these creditors were released. A Trust that may be used for the implementation of settlement agreements with unsecured creditors, particularly bondholders, is in the process of execution.

As it relates to current judicial processes, the following are pending decisions: (i) insolvency procedure (Chapter 11) filed by a group of bond-holders, which has been challenged by the Company before the Delaware Bankruptcy Court, simultaneously, in such country, the Company filed a petition for recognition of the Company's dissolution and liquidation procedure; (ii) Amparo procedure (extraordinary constitutional appeal which may be filed in federal court) against the resolution that recognized dissolution and ordered liquidation of the Company filed by a group of bond holders; and, (iii) appeal procedure filed by a minority group of shareholders against the final judgment that recognized the dissolution and ordered the liquidation of the Company.

Of note, the liquidator also stated that competent authorities were advised of possible criminal activities that have been executed to the detriment of the Company and that investigations were currently underway. This update is of particular note as the findings of these investigations may shed light on how the Company's financial position unravelled so spectacularly.

S&P Credit Rating Action

On September 1, Fitch Ratings agency downgraded

Crédito Real's long and short-term foreign currency and national scale ratings from "RD" to "D". It withdrew the unsecured debt and hybrid notes ratings due to the ongoing liquidation proceedings.

RECOMMENDATION

Despite the pending challenges to the Mexican court-approved dissolution from some shareholders and bondholders, the Company is continuing with the liquidation process. It has successfully struck accords with its secured and privileged creditors. While the Company has expressed that a Trust is currently being executed, which may be used for settlement agreements with unsecured creditors, which include CREAL 2026 bondholders, they did not elect to provide further information on the size of the Trust. As such, we cannot assess the recovery value for bondholders at this time. Typically, creditors would rely on rating agencies to provide recovery ratings in their credit assessments, but Fitch Ratings has followed in the steps of S&P and withdrawn its credit ratings following the dissolution order.

We await further information on the outcome for unsecured bondholders and **maintain our recommendation of Strongly Underweight**.

Source: JMMB Investment & Research, Bloomberg, Crédito Real, Fitch Ratings, S&P Global 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/MARKET WEIGHT -

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

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