

Japan Credit Rating Agency, Ltd. (JCR) announces the following credit ratings.

Crédito Real, S.A.B. de C.V., SOFOM, E.N.R. (security code: -)

<Assignment>	
Bonds:	BBB-
<Affirmation>	
Foreign Currency Long-term Issuer Rating:	BBB-
Outlook:	Stable
MTN program:	
(Senior notes):	BBB-
(Subordinated notes):	BB

Rationale

- (1) Crédito Real, S.A.B. de C.V., SOFOM, E.N.R. (Crédito Real) is one of major consumer finance companies based in Mexico. The ratings on Crédito Real are supported by: (i) its solid business base and high profitability backed by its leading share in the payroll loan business in Mexico and (ii) its solid capital base. On the other hand, they are constrained by regulatory risks in the country's consumer finance business. In addition, there remains room for improvement in its funding structure, where the bump of debt redemption is large. Although net interest margin has been compressed and credit costs increased due to the impact of the COVID-19 pandemic, Crédito Real continued to secure a net profit in FY2020, retaining a reasonable level of capital adequacy. JCR holds that its profitability will improve along with the country's economic recovery from the pandemic and that the current capital base will be generally maintained. Based on the above, JCR has affirmed the ratings with a Stable outlook.
- (2) Established in 1993, Crédito Real initially specialized in durable goods loan business. After launching the payroll loan business for public school teachers in 2004, it expanded its coverage to pension recipients, establishing a leading position in such a niche market. In addition, the company has branched out into other businesses such as used car loans and SME loans. It acquired used car loan businesses in the US in 2014-2015 and a consumer finance business in Central America in 2016, and has since been actively evolving its business overseas. By segment, payroll loans accounted for 58% of the total loan portfolio at the end of March 2021. The portfolio stayed reasonably diversified, with SME loans accounting for 23%, those to Central American borrowers for 9% and used car loans for 7%. In response to the pandemic, the company has been applying the Mexican financial regulatory authority's Relief Program mainly to its SME loans, deferring repayments and extending repayment deadlines. Those loans are not classified as nonperforming during the period of the Program, with accrual of interests fully or partially suspended in accordance with the Program's specifications. The share of the loans covered by the Program in the total portfolio peaked at 8.6% at the end of June 2020 but declined to 2.0% at the end of March 2021. No loans are expected to be covered by the Program in the second half of FY2021.
- (3) The net interest margin, which has been around 10-20% range in recent years, narrowed to 10.1% in the second quarter of FY2020 due to the introduction of the Relief Program following the pandemic, but it has stopped declining since then. Meanwhile, the credit cost ratio closed below the 4% toward the first quarter of FY2021 due to additional provisions for loans including the ones covered by the Program to cope with COVID-19 related impacts. However, the company continued to cover the credit cost ratio as it managed to keep its profit ratio, as indicated by the ratio operating profit adjusted by provisions to the average credit balance, which was higher than 4.5% during the same period. In FY2020, the company secured a bottom-line net profit for the full year, although the range of the profit decline was large. Going forward, JCR expects its profitability to improve following the recovery of the Mexican economy and a reduction of the share of the loans with the Program.
- (4) The company's consolidated loan portfolio was growing at a stronger annual rate of 28% in the five years (2014-2019) prior to the pandemic, but the growth pace slowed to 9.0% in 2020. The pandemic temporarily made physical approaches to customers harder and the company had to

limit its new lending to customers with higher credit standing. For FY2021, the company plans to moderate its growth by continuing its focus on such customers and prioritize the asset quality and control leverage. Its nonperforming loan (NPL) ratio remained at 3.3% at the end of 2020 and reached 3.9% at the end of March 2021 due to the impact of the ongoing COVID-19 outbreak, especially in the SMEs segment. The NPL ratio excluding such impact in the SMEs sector was 2.6%. JCR holds that a further rise of the NPL ratio in the future can be contained through remedy measures such as an accelerated write-off of NPLs.

- (5) The company's consolidated equity-to-asset ratio stood reasonable at 22.3% at the end of March 2021 and at 16.8% excluding its perpetual subordinated bonds issued in November 2017. On the funding side, its short-term bank borrowings increased to bridge the funding gap caused by the decline of the loan collection rate resulting from the application of the Program, with the debt scheduled for redemption in 2021 swelling to MXN 11.7 billion. Yet most of them are bank borrowings, with 67% being revolving credit facilities (RCFs) with major banks for which renewals has been progressing one after another. Its liquidity on hand reached MXN 5.6 billion at the end of March 2021 partly due to the issuance in January 2021 of a 7-year USD-denominated bond to raise USD 500 million. The liquidity surpassed its MXN 3.8 billion worth of debt due in 2021 excluding the RCFs. On the other hand, other bonds have formed a bump in the debt repayment schedule in 2022, which may require the company to improve its funding structure in the near future.
- (6) The newly rated USD-denominated bond is a senior bond issued in January 2021 under the MTN program. Under the MTN program, the company can issue both senior and subordinated notes. JCR has rated subordinated notes two notches below the long-term issuer rating because the MTN program stipulates a subordination clause and an option to defer interest payments.

Atsushi Masuda, Hajime Oyama, Shinichi Endo

Rating

Issuer: Crédito Real, S.A.B. de C.V., SOFOM, E.N.R.

<Assignment>

Issue	Amount (mn)	Issue Date	Due Date	Coupon	Rating
8.000% Senior Notes due 2028	USD 500	January 21, 2021	January 21, 2028	8.00%	BBB-

<Affirmation>

Foreign Currency Long-term Issuer Rating: BBB-

Outlook: Stable

Program Name:	Medium-Term Note Program
Maximum Outstanding:	USD 1.5 billion or its equivalent in other currencies
Date of Program Established:	April 20, 2020
Status:	
(Senior notes):	Unsubordinated and unsecured obligations ranking pari passu with all other senior obligations
(Subordinated notes):	Subordinated and unsecured obligations ranking junior to all of senior obligations, and ranking pari passu with all other subordinated obligations
Credit Enhancement:	Senior notes to be guaranteed by Crédito Real, S.A. and Creal Nómina, S.A. de C.V. (subsidiaries of the company)
Covenants and other important clause:	
(Senior notes):	Negative pledge and cross default clauses
(Subordinated notes):	Subordination clause and option to defer interest payments
Rating:	
(Senior notes):	BBB-
(Subordinated notes):	BB

Rating Assignment Date: May 18, 2021

The assumptions for the credit ratings and the definitions of the rating symbols are published as "Types of Credit Ratings and Definitions of Rating Symbols" (January 6, 2014) in Information about JCR Ratings on JCR's website (<https://www.jcr.co.jp/en/>).

Outline of the rating methodology is shown as "JCR's Rating Methodology" (November 7, 2014), "Consumer Finance" (July 1, 2013) and "Ratings of Hybrid Securities" (September 10, 2012) in Information about JCR Ratings on JCR's website (<https://www.jcr.co.jp/en/>).

Glossary:

A program rating is assigned to evaluate the creditworthiness of a program. The credit standing of an individual note issued under the program may be regarded as the same as that of the rated program. However, JCR does not consider the credit standing of the individual note as the same as that of the program, in the cases where the principal and interest payments of the individual note rely on the credit standing of a third party rather than the issuer of the program and notes (e.g. credit linked notes and exchangeable notes). JCR usually does not assign a rating to the individual note issued under the program, unless the issuer solicits a rating.

Japan Credit Rating Agency, Ltd.

Jiji Press Building, 5-15-8 Ginza, Chuo-ku, Tokyo 104-0061, Japan
Tel. +81 3 3544 7013, Fax. +81 3 3544 7026

Information herein has been obtained by JCR from the issuers and other sources believed to be accurate and reliable. However, because of the possibility of human or mechanical error as well as other factors, JCR makes no representation or warranty, express or implied, as to accuracy, results, adequacy, timeliness, completeness or merchantability, or fitness for any particular purpose, with respect to any such information, and is not responsible for any errors or omissions, or for results obtained from the use of such information. Under no circumstances will JCR be liable for any special, indirect, incidental or consequential damages of any kind caused by the use of any such information, including but not limited to, lost opportunity or lost money, whether in contract, tort, strict liability or otherwise, and whether such damages are foreseeable or unforeseeable. JCR's ratings and credit assessments are statements of JCR's current and comprehensive opinion regarding redemption possibility, etc. of financial obligations assumed by the issuers or financial products, and not statements of opinion regarding any risk other than credit risk, such as market liquidity risk or price fluctuation risk. JCR's ratings and credit assessments are statements of opinion, and not statements of fact as to credit risk decisions or recommendations regarding decisions to purchase, sell or hold any securities such as individual bonds or commercial paper. The ratings and credit assessments may be changed, suspended or withdrawn as a result of changes in or unavailability of information as well as other factors. JCR receives a rating fee paid by issuers for conducting rating services in principle. JCR retains all rights pertaining to this document, including JCR's rating data. Any reproduction, adaptation, alteration, etc. of this document, including such rating data, is prohibited, whether or not wholly or partly, without prior consent of JCR.

JCR is registered as a "Nationally Recognized Statistical Rating Organization" with the U.S. Securities and Exchange Commission with respect to the following four classes. (1) Financial institutions, brokers and dealers, (2) Insurance Companies, (3) Corporate Issuers, (4) Issuers of government securities, municipal securities and foreign government securities.

JCR publishes its press releases regarding the rating actions both in Japanese and in English on the same day. In case that it takes time to translate rating rationale, JCR may publicize the summary version, which will be replaced by the full translated version within three business days. (Regarding Structured Finance products, JCR only publicize the summary version in English.)

Copyright © Japan Credit Rating Agency, Ltd. All rights reserved.



INFORMATION DISCLOSURE FORM

Japan Credit Rating Agency, Ltd.

Disclosure Required by Paragraph (a)(1)(ii) of Rule 17g-7

Issuer:	Crédito Real, S.A.B. de C.V., SOFOM, E.N.R.
Rating Publication Date:	May 21, 2021

1

The Symbol, Number, or Score in the Rating Scale used to Denote Credit Rating Categories and Notches and, the Identity of the Obligor or the Identity and a Description of the Security or Money Market Instrument as Required by Paragraph (a)(1)(ii)(A) of Rule 17g-7

- Please see the news release. If the credit rating is a private rating, please see the report for private rating.

2

The version of the procedure or methodology used to determine the credit rating; as Required by Paragraph (a)(1)(ii)(B) of Rule 17g-7

- Please see the news release. If the credit rating is a private rating, please see the report for private rating.

3

The Main Assumptions and Principles used in Constructing the Procedures and Methodologies used to Determine the Credit Rating as Required by Paragraph (a)(1)(ii)(C) of Rule 17g-7

- The credit rating methodology assumes, in principle, to be applied to assess the likelihood of a given debt payment in light of its issuer's condition and business environment, etc. in the relevant future. There is certain limitation, however, in the time horizon that the rating foresees.
- The credit rating methodology assumes, in principle, that the factors posted in the below are particularly important for such likelihood to be determined, and that the rating determination is made by evaluating each of them not only quantitatively but also employing qualitative analyses.

A) Business Bases

The likelihood of a given debt payment is highly conditional to its issuer's business bases - how they can be maintained/ expanded into the future and thereby secure earnings and cash flows in adequacy and in a sustainable way.

B) Financial Grounds and Asset Quality

The likelihood of debt payment is highly dependent on the degree of the issuer's indebtedness and loss absorption capacity in terms of equity capital. Also notable is that a financial institution might see a significant loss of financial grounds as a result of changes in value of the assets under its possession.

C) Liquidity Positions

The likelihood of debt payment is highly dependent on the adequacy of the issuer's cash and other sources of repayment (liquidity positions).

D) Related Parties' Status and Stance of Support/ Assistance for the Issuer

The likelihood of debt payment is affected one way or the other by the issuer's related parties such as parent company, subsidiary, guarantor, and the government of the issuer's business domicile, etc. - by their own conditions and/ or position of support/ assistance for the issuer.

E) Order of Seniority in Debt Payment

The likelihood of debt payment can be different between given debts of the same issuer. The likelihood of debt payment for an individual debt is dependent on the issuer's discretion, and/ or its rank relative to other debts of the same issuer in the order of seniority in principal/ interest payment which is determined by design as financial product or by laws, etc.

4 The Potential Limitations of the Credit Rating as Required by Paragraph (a)(1)(ii)(D) of Rule 17g-7

- The credit rating herewith presented by JCR is its summary opinion with regard to the likelihood of given debt payment and hence not necessarily a perfect representation of such likelihood. The credit rating is not intended to estimate the probability of default or the loss on given default, either.
- The objective of the credit rating herewith presented does not include any concerns other than the likelihood of debt payment, such as risks of price changes, market liquidity, etc.
- The credit rating herewith presented is necessary to be reviewed along with possible changes of the issuer of rated objects in its business performance and/ or circumstances which include regulatory environment, and hence subject to possible alteration.

5 Information on the Uncertainty of the Credit Rating as Required by Paragraph (a)(1)(ii)(E) of Rule 17g-7

- The information used for the determination of credit rating as herewith presented is obtained by JCR from the issuer of rated objects and other sources that JCR trusts in terms of accuracy and reliability but possibly contains errors due to human, non-human or other causes. Consequently, the credit rating determined on the grounds of such information does not constitute, explicitly or implicitly, any representation or warrant of JCR on the information itself or any consequences of its use in terms of accuracy, relevance, timeliness, wholeness, market value, or usefulness for any specific purposes.

6 Use of Due Diligence Services of a Third Party in Taking the Rating Action as Required by Paragraph (a)(1)(ii)(F) of Rule 17g-7

- There is no use of any third-party due diligence service in the determination of the credit rating herewith presented.

7 Use of Servicer or Remittance Reports to Conduct Surveillance of the Credit Rating Required by Paragraph (a)(1)(ii)(G) of Rule 17g-7

- There is no use of any servicer or remittance report to conduct surveillance of the credit rating herewith presented.

8 The Types of Data Relied Upon for the Purpose of Determining the Credit Rating as Required by Paragraph (a)(1)(ii)(H) of Rule 17g-7

- The information posted in the below, which includes data, is used for the determination of the credit rating herewith presented.

- A) Audited financial statements presented by the rating stakeholders
- B) Explanations of business performance, management plans, etc. presented by the rating stakeholders
- C) Documentation of the rated financial product presented by the rating stakeholders

9 Overall assessment of the Quality of Information Available and Considered in Determining the Credit Rating as Required by Paragraph (a)(1)(ii)(I) of Rule 17g-7

- JCR holds its basic policies for securing the quality of information as a base of due diligence for the determination of credit ratings. The information used as a base for the determination of credit rating herewith presented satisfies such policies, which include the audit by an independent auditor, the publication by the issuer, some independent media or, otherwise, JCR analyst's scrutiny, etc.
- JCR sees no particular weakness in the quality of information used for the determination of the credit rating herewith presented as compared to the information used in other cases of the credit rating for comparable issuers or ratable objects.
- If the credit rating is an Indication, please see the report for Indication.

10 Information Relating to Conflicts of Interest as Required by Paragraph (a)(1)(ii)(J) of Rule 17g-7

- JCR receives payment of compensation for the determination of the credit rating herewith presented from either one of those parties who are issuer, underwriter, depositor or sponsor.
- JCR did not receive in the last fiscal year in the past payment of compensation from the same party for any kind of JCR's service other than the determination of public or private credit rating, such as one in the ancillary business.

11 Explanation or Measure of the Potential Volatility of the Credit Rating as Required by Paragraph (a)(1)(ii)(K) of Rule 17g-7

A) Business Bases

The credit rating is subject to alteration if there is improvement or deterioration of the issuer's business bases, since its revenue, etc. may improve or deteriorate by the change in its business management policies, clients' preferences, competitive situation, or a technological innovation. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change in the business bases is large.

B) Financial Grounds and Asset Quality

The credit rating is subject to alteration if the issuer increases/ decreases its debt/ capital or vice versa and thereby makes its individual debt payment liability less or more bearable and its loss absorption capacity into the future decreased or increased. Also, the changes in the quality of asset under the issuer's holding may affect the credit rating, since such changes could raise or lower the likelihood of future loss of the issuer's financial grounds. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change in the financial grounds and/ or asset quality is large.

C) Liquidity Positions

The credit rating is subject to alteration if there is a change in the issuer's financial management policy or in the relations with fund procurement sources and the change thereby makes its liquidity positions improve or deteriorate. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change is large.

D) Related Parties' Status and Stance of Support/ Assistance for the Issuer

The credit rating is subject to alteration if there is a change in the issuer's parent company or subsidiary, guarantor or other provider of credit enhancement, or the government of the issuer's business domicile, or other related parties' own conditions and/ or position of support/ assistance for the issuer, and the change thereby makes its business bases, financial grounds and/ or liquidity positions improve or deteriorate, and/ or making the effectiveness of guarantee and other credit enhancement improve or deteriorate. The resultant alteration of the credit rating is usually a notch, with possibility of a few notches if and when the change is large.

E) Order of Seniority in Debt Payment and Non-Payment Forgiven by Contract

The credit rating is subject to alteration if there is a change in the rated debt's status in the order of seniority relative to other debts caused by the improvement/ deterioration of the issuer's financial condition. The resultant alteration of the credit rating is usually a notch, with possibility of a few notches if and when the change is large. Also, in case of the financial products for which non-payment of interest/ principal is contractually permissible, the credit rating is subject to alteration if and when the likelihood of such non-payment is projected to increase or decrease. The resultant alteration of the credit rating could be by a notch but often as much as a few notches.

F) Rise and Fall in General Economy and Markets

The credit rating is subject to alteration if there is a rise/ fall in the general economy and/ or the markets inducing the issuer's revenues/ expenses to increase/ decrease and vice versa, etc. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change is exceptionally large.

G) Various Events

The credit rating is subject to alteration on occurrence of various events, such as change in the issuer's major shareholders, M&A and other organizational change, accident, violation of the law, litigation, legal/ regulatory change, natural disaster, etc., which are unforeseeable at the time when the credit rating is determined, causing a significant change on the issuer's business bases, financial grounds, etc. The resultant alteration of the credit rating could be by a notch but more often than not as much as a few notches.

12

Information on the Content of the Credit Rating, Including the Historical Performance of the Credit Rating and the Expected Probability of Default and the Expected Loss in the Event of Default as Required by Paragraph (a)(1)(ii)(L) of Rule 17g-7

- Historical records of the credit rating herewith presented are posted in the end of this paper.
- The credit rating herewith presented by JCR is its summary opinion with regard to the likelihood of given debt payment and hence not necessarily a perfect representation of such likelihood. The credit rating is not intended to estimate the probability of default or the loss on given default, either.
- Facts of the probability of default are posted as Form NRSRO Exhibit 1 on the JCR website under the URL:

<https://www.jcr.co.jp/en/service/company/regu/nrsro/>

13

Information on the Sensitivity of the Credit Rating to Assumptions Made as Required by Paragraph (a)(1)(ii)(M) of Rule 17g-7

A) Business Bases

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's business bases and powers of earning or cash flow generation, etc. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if the development is rapid in improvement or deterioration of the issuer's business bases on some drastic change in the operational environments, etc.

B) Financial Grounds and Asset Quality

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's financial grounds and asset

quality. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if the development is rapid in improvement or deterioration of the issuer's financial grounds and/ or asset quality on some drastic change in its business bases.

C) Liquidity Risks

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's liquidity positions. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if the development is rapid in improvement or deterioration of the issuer's liquidity positions on some drastic change in its financial management policy or relations with fund procurement sources, etc.

D) Related Parties' Status and Stance of Support/ Assistance for the Issuer

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's parent company or subsidiaries, guarantor or other providers of credit enhancement, the government of the issuer's business domicile or other related parties' status and stance of support/ assistance for the issuer. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if there is a major change on the part of related parties, such as replacement, disappearance, some drastic improvement/ deterioration of financial grounds/ balances, etc.

E) Rise and Fall in General Economy and Markets

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the prospects of general economy and markets. JCR expects the change should be most likely by a notch but could be as much as a few notches, should the economy or the markets change so greatly.

14

Information on the Representations, Warranties, and Enforcement Mechanisms of an Asset-backed Security as Required by Paragraph (a)(1)(ii)(N) of rule 17g-7

- The credit rating herewith presented is not for an ABS product, and hence no relevant issue.

Japan Credit Rating Agency, Ltd.

Jiji Press Building, 5-15-8 Ginza, Chuo-ku, Tokyo 104-0061, Japan
Tel. +81 3 3544 7013, Fax. +81 3 3544 7026

The Historical Performance of the Credit Rating

Issuer Name	Issue Name	Publication Date	Rating	Outlook/Direction
Credito Real, S.A.B. de C.V., SOFOM, E.N.R.	Issuer(Long-term)(FC)	September 4, 2019	BBB-	Stable
Credito Real, S.A.B. de C.V., SOFOM, E.N.R.	Issuer(Long-term)(FC)	June 22, 2020	BBB-	Stable
Credito Real, S.A.B. de C.V., SOFOM, E.N.R.	Medium-Term Note Program (Senior notes)	June 22, 2020	BBB-	
Credito Real, S.A.B. de C.V., SOFOM, E.N.R.	Medium-Term Note Program (Subordinated notes)	June 22, 2020	BB	

Attestation Required by Paragraph (a)(1)(iii) of Rule 17g-7

I, Toshihiko Naito, have responsibility to this Rating Action and to the best of my knowledge:

- A) No part of the credit rating was influenced by any other business activities.
- B) The credit rating was based solely upon the merits of the obligor, security, or money market instrument being rated.
- C) The credit rating was an independent evaluation of the credit risk of the obligor, security, or money market instrument.



Toshihiko Naito
General Manager of International Rating Department

Japan Credit Rating Agency, Ltd.

Jiji Press Building, 5-15-8 Ginza, Chuo-ku, Tokyo 104-0061, Japan
Tel. +81 3 3544 7013, Fax. +81 3 3544 7026