

FitchRatings

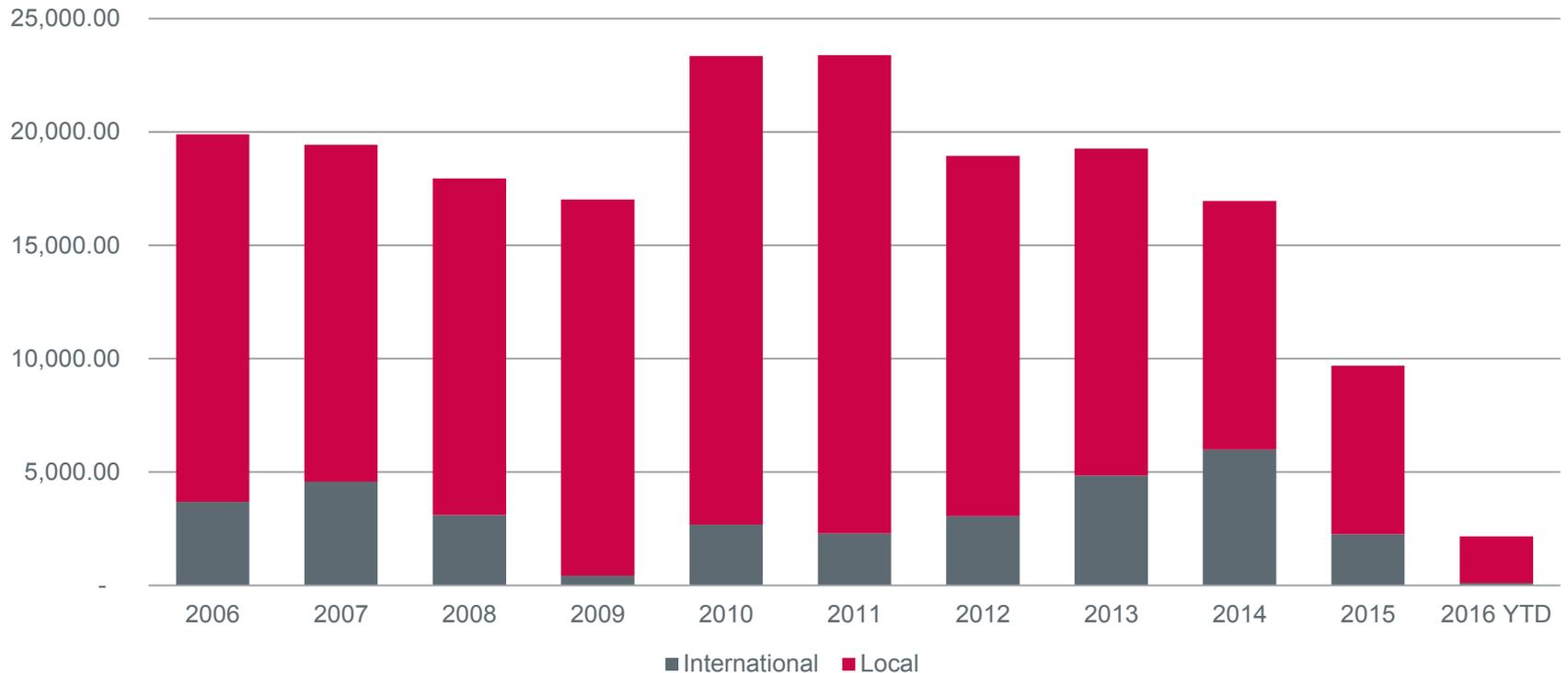
Latin American SF – State of the Market and Outlook

Gregory J. Kabance, Managing Director

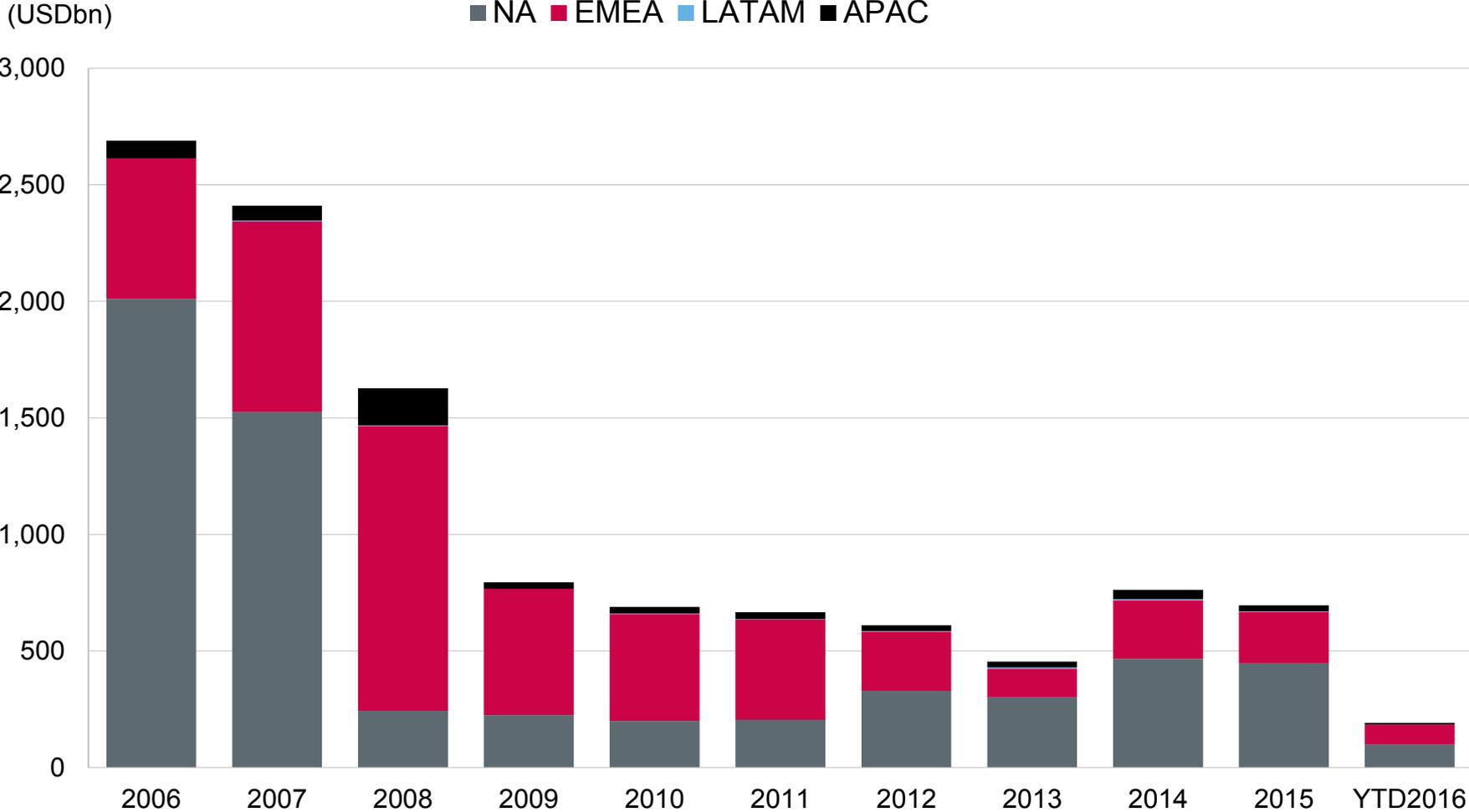
June 15, 2016

SF Issuance in Latin America

Latin America Structured Finance Issuance (\$)



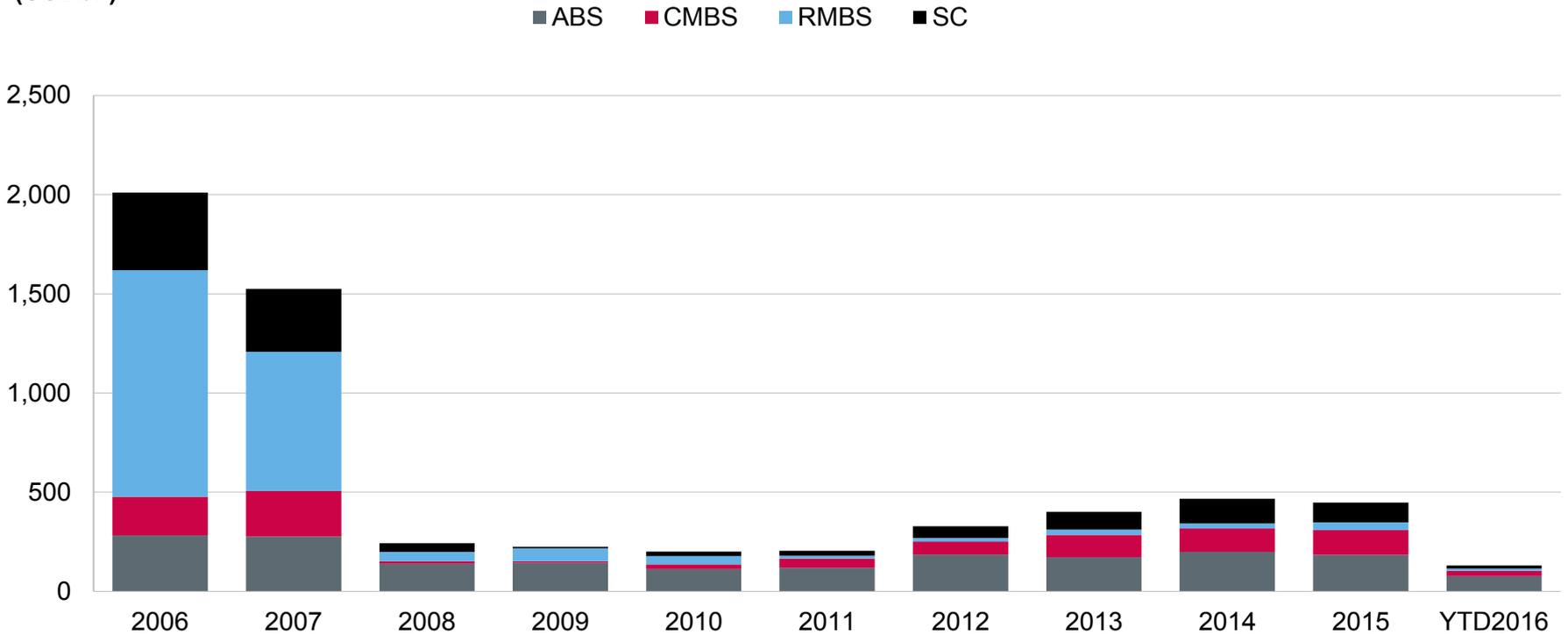
Global SF Market Issuance by \$ Volume of Issuance (by region)



Source: Fitch

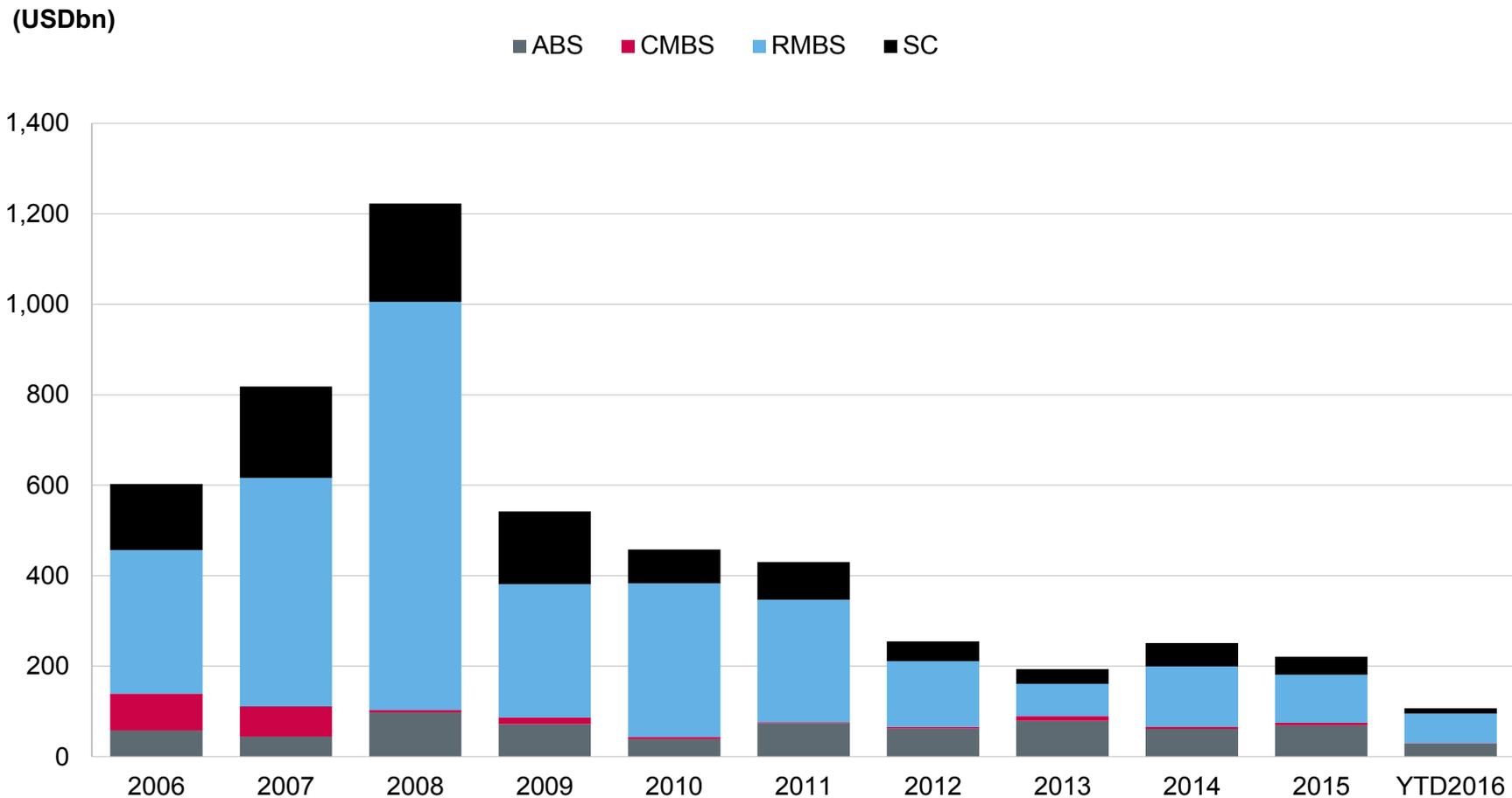
NA SF Market Issuance by Volume of Issuance (by region)

(USDbn)



Source: Fitch

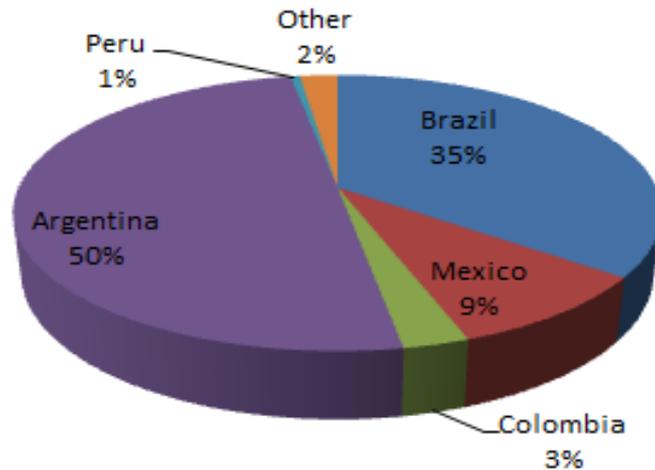
EMEA SF Market Issuance by Volume of Issuance (by region)



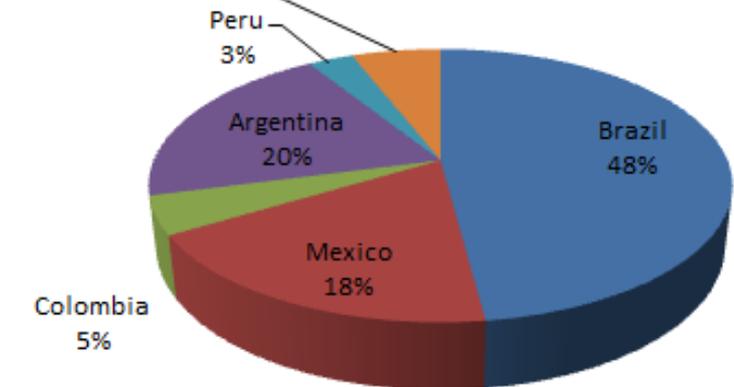
Source: Fitch

Latin America Portfolio – Country

Total Issuance by Transaction 2011-2016



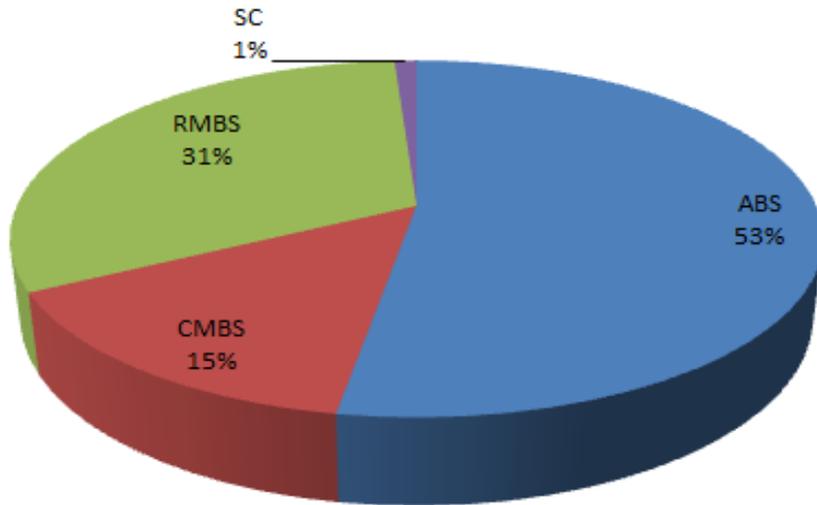
Total Issuance by \$ amount 2011-2016



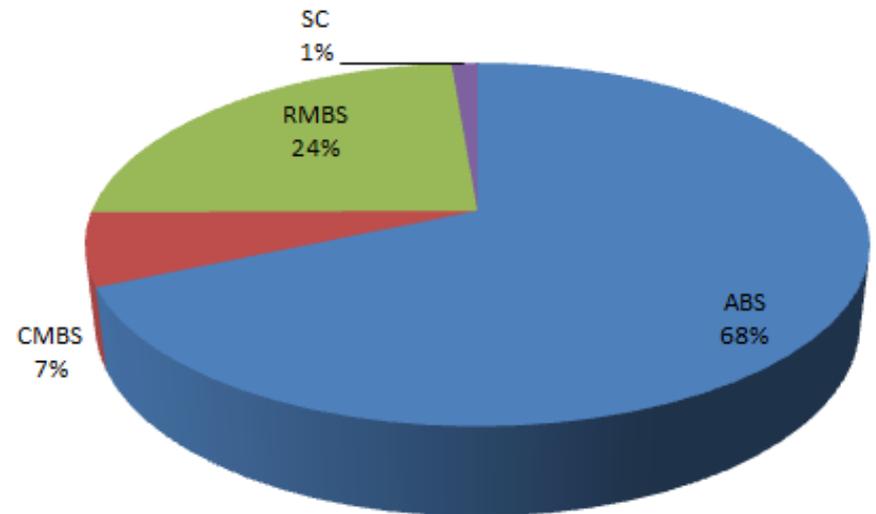
*Others include Guatemala, Costa Rica, El Salvador, Jamaica, Ecuador, Central America, Panama and Chile

Latin America Portfolio – Asset Breakdown

Asset Class total by Transaction 2011-2016



Asset Class total by \$ amount 2011-2016



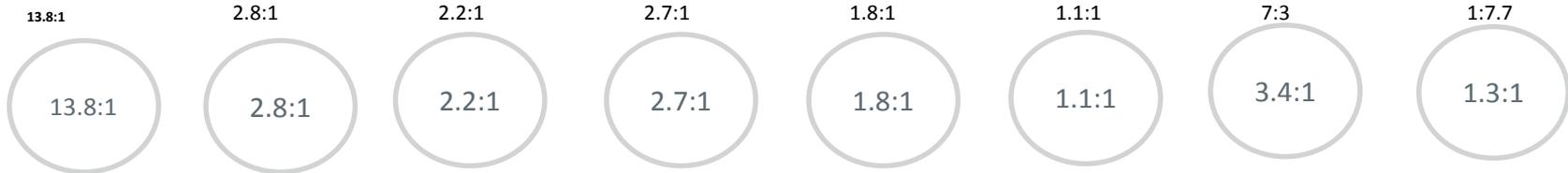
Latam SF Credit Summary

- Downgrades have continued to outpace upgrades in the region (majority Brazilian)
 - Majority of negative rating action relate to Petrobras and oil prices with limited exposure to overall Brazilian economic downturn.
 - Some downgrades with concentrated RMBS transactions and a few CMBS transactions.
 - Counterparty risk related to certain corporate credit linked notes
- Mexico has performed well in recent years.
 - Legacy RMBS continued to be impacted by high NPL's and servicer substitutions. lack of servicing incentives.
 - Mexican Government Backed RMBS transactions have performed exceptional well with upgrades during past 12 months.
- Colombian SF performance continues to be better than expected.
 - Significant Upgrades in RMBS backed transactions over the past 3-4 years.

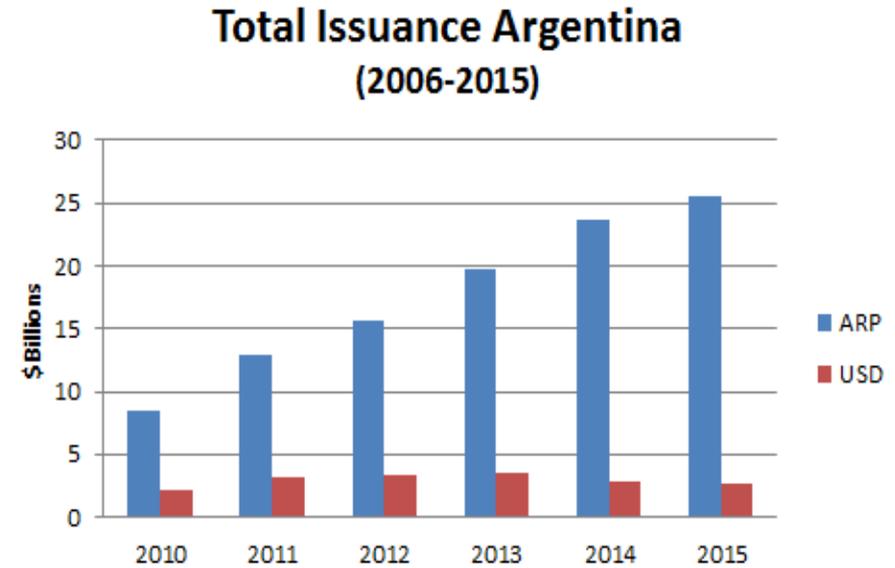
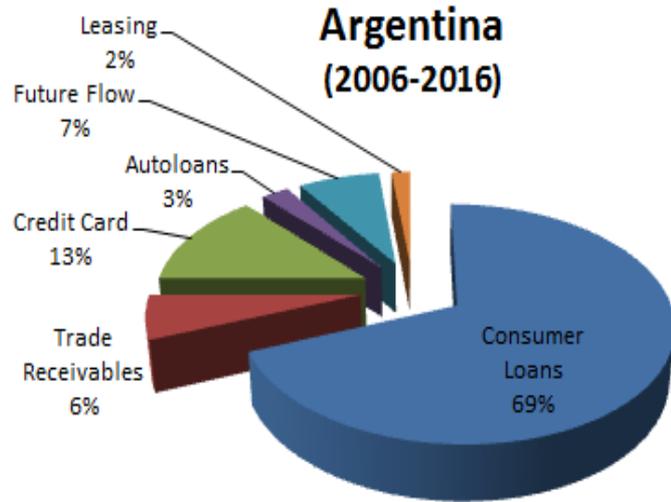
Latin America Downgrade/Upgrade Ratio

	2009		2010		2011		2012		2013		2014		2015		2016	
	Downgrade	Upgrade														
Argentina	28	2	3	4	2	5	4	2	1	3						
Brazil	4	0	4	6	6	29	23	11	26	11	29	18	93	7	44	20
Colombia	0	0	3	12	1	15	2	20	0	17	8	27	8	21	2	5
Mexico	60	3	42	5	61	1	54	6	39	6	19	20	19	2	9	18
Other	74	7	54	11	72	15	65	16	48	27	2	25	2	6	2	0
TOTAL	166	12	106	38	142	65	148	55	114	64	58	90	122	36	57	43

Ratio of Downgrades to Upgrades



Argentina ABS Breakdown



Argentina SF Market - Characteristics

- **Trust and securitization law**

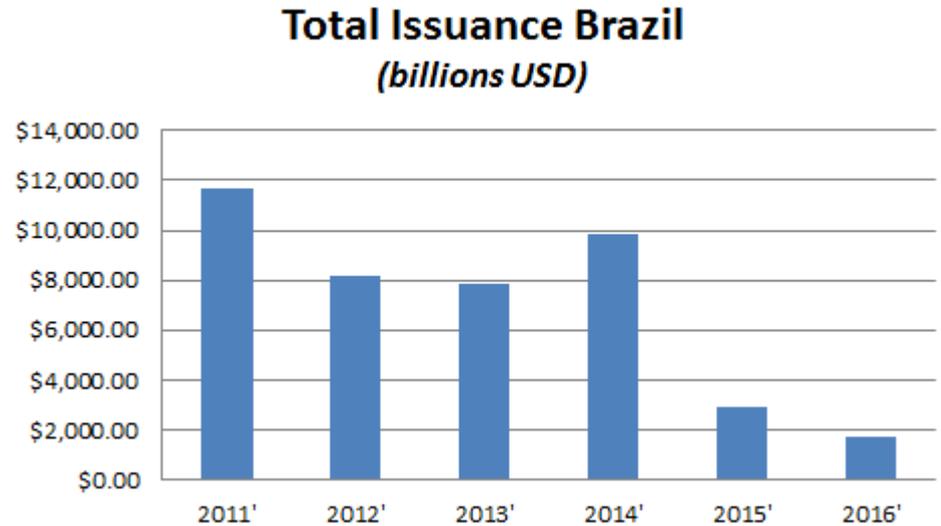
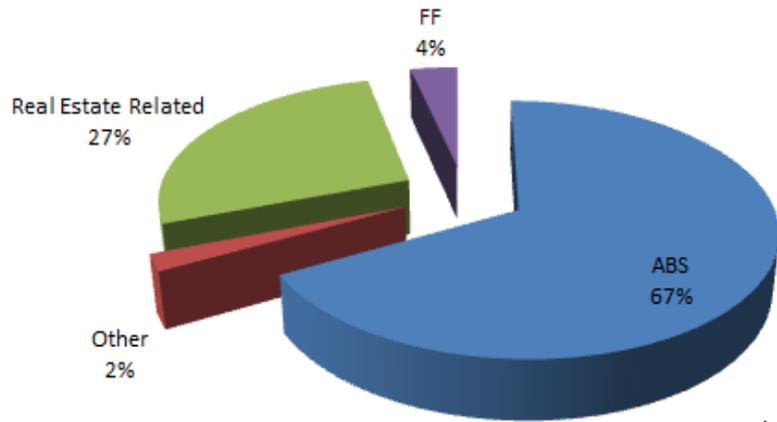
- Law passed in Dec.'95. First deal 1996.
- Since 2015, included in the Civil and Commercial Code.
- Law tested and true sale challenged in several occasions (e.g. 2001/2 crisis and Bonesi).
- CNV regulations for public offering trusts.

- **ABS account for 93% of the issuance volume**

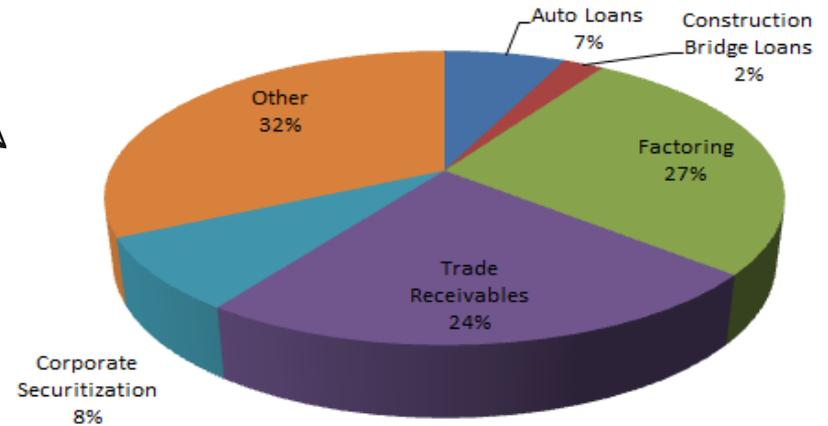
- Consumer Loans (Consumer Loans + Credit Card + Autoloans): 85% of total issuance
- Most of the deals are static pools and short term.
- Autoloans and Leasings loans are fully amortized. No balloon payment or negative equity risk.
- Positive OC for the senior notes and high excess spread.
- Gain on sale or premium (for tax purposes)
- Originator/Seller/Service generally the same entity and holds subordinated tranche.

Brazil

Brazil
(2011-2016)



ABS Breakdown



2011-2016

	# of deals	USD
ABS	268	\$ 28,291.29
Real Estate Related	164	\$ 9,683.53
FF	16	\$ 2,036.37
Other	9	\$ 2,239.18

Brazil: Market Overview

Main Securitization Structures in Brazil:

- **Fundo de Investimento em Direitos Creditórios (FIDCs)** : Issue quotas (units) in various classes of seniority (up senior/mezz/sub). No limitation for types of assets securitized (mostly ABS).
- **Real Estate Securitization Companies**: Issue certificates (CRIs), in generally senior/sub classes. Limited to real estate-related assets.
- **Agribusiness Securitization Companies**: Issue certificates (CRAs), in various classes. Limited to trade receivables, corporate loans specifically related to agribusiness sector (grains, sugar & ethanol, etc.).

Main Assets Securitized in Brazil:

- **ABS**: Auto loans, payroll deductible loans, unsecured consumer loans, trade receivables, corporate loan securitization, future flow receivables (e.g. water utilities, electric utilities, etc.)
- **RMBS**: retail bank resi mortgage, home equity loans, (small- and mid-sized mortgage companies (home equity loans), etc.
- **CMBS**: Credit tenant lease, large loan (regional shopping malls), commercial office, etc.
- **CDO**: Corporate loans originated by mid-sized institutions, private equity and investment companies, etc.

Brazil SF Market - Characteristics

- **FIDC's and CRI's**

- FIDC's are funds issuing ABS transactions – various asset classes including consumer loans, auto loans, trade receivables, and future flow transactions.
- CRI's main vehicle's issuing real estate transactions including CMBS and RMBS.

- **Outlook is Negative, but limited downgrade expectations**

- Credit Enhancement has been sufficient to absorb any potential increase in losses for RMBS, CMBS, and ABS.
- Real Estate prices have declined in Real terms, but not driven completely by credit access, so we believe this will level of at a reasonable level.
- Retail Shopping centers have seen a modest decrease in sales and expected rent declines
- Public Finance entities under stress
 - We believe Utility related future flow transactions to be resilient.
 - Royalty backed transactions benefit from strong structures.
 - Restructured tax transaction will be under pressure.

Brazil Transition table 2003-2015

Brazil Structured Finance National Ratings Transition Matrices: 2003 - 2015											
Average Annual											
Total Rated #		AAA	AA	A	BBB	BB	B	CCC	CC & Below	WD	PIF
237	AAA	79.75%	3.38%	1.69%	-	-	-	-	-	1.69%	13.50%
280	AA	4.64%	72.50%	6.43%	-	-	-	-	0.36%	2.50%	13.57%
316	A	0.63%	6.33%	73.42%	4.43%	0.95%	0.32%	-	-	4.75%	9.18%
85	BBB	-	1.18%	10.59%	60.00%	1.18%	-	-	1.18%	8.24%	17.65%
21	BB	-	-	-	4.76%	57.14%	4.76%	9.52%	4.76%	9.52%	9.52%
3	B	-	-	-	-	-	66.67%	33.33%	-	-	-
8	CCC	-	-	-	-	-	-	37.50%	25.00%	-	37.50%

Brazil: 2016 Outlook and Beyond

Brazilian Structured Finance Ratings — Outlook by Main Asset Class

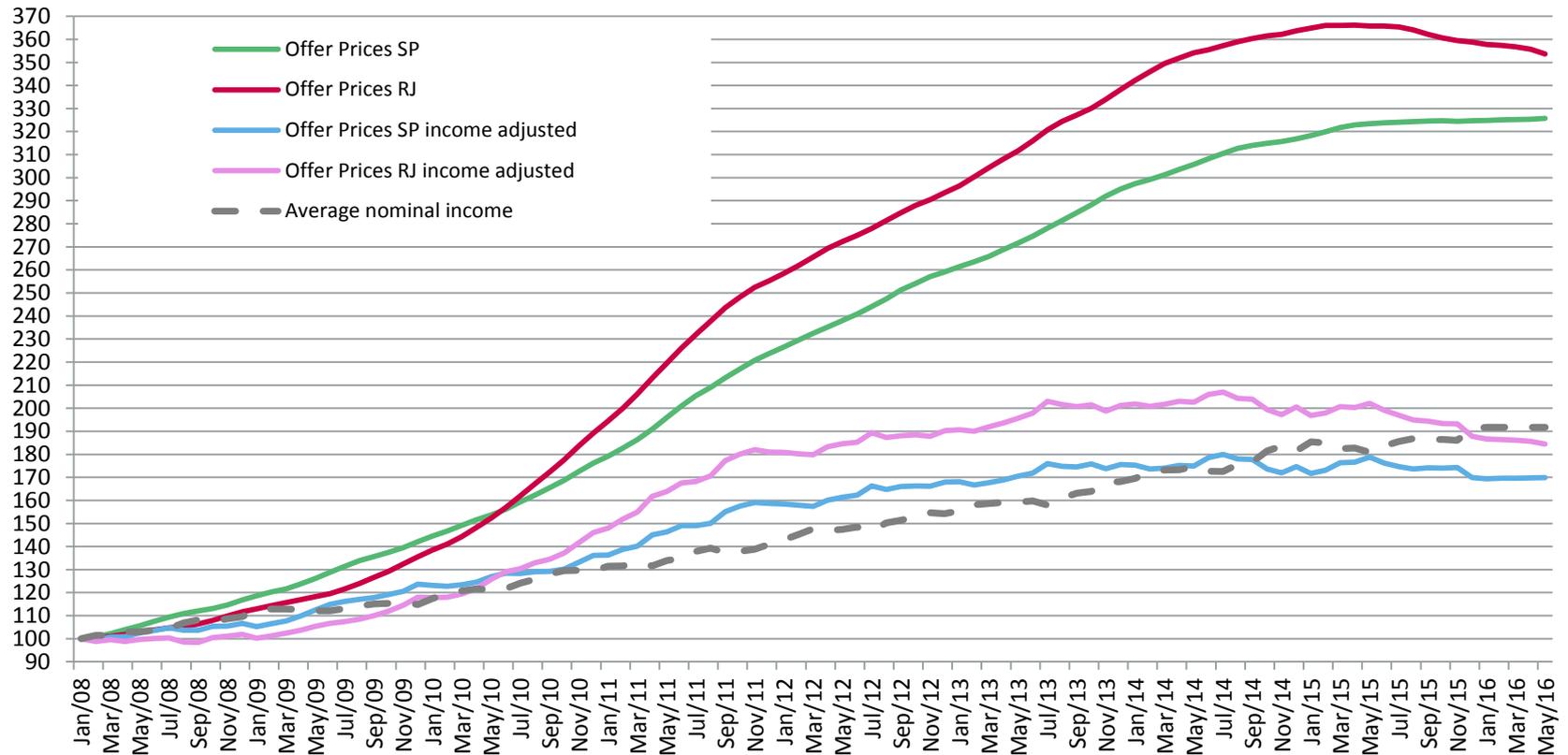
Asset Class	Key Macro Issue for 2016-2017	Comments
ABS – Auto Loan	Rising Unemployment	Favorable loan characteristics, strong underwriting and low arrears ratios limit potential rating impact.
ABS – Credit Linked Securitizations	Deteriorating Obligor Credit Quality	High exposure to macro scenario, mixed portfolio of high- and mid-tier credit quality tenants/obligors.
ABS – Trade Receivables	Deteriorating Obligor Credit Quality, Rising Bankruptcy Rate	Exposure depth to macro scenario varies by industry. Receivables by mid-tier obligors in retail sector and commodities-based industries considered to be more sensitive. Overall, originators of trade receivables are of high- and mid-tier credit quality.
ABS – Future Flow	Hydrological Risks, Political risk	Improving hydrological risks for water utility sponsored transactions. Limited impact of subnational credit quality deterioration on state-owned water utility originators.
ABS – Oil-Vessel	Low Commodity Prices, Lava Jato Investigation, Weakening sponsors	Low oil prices. Mix of unleveraged and leveraged issuers. Large differentiation between production and exploration assets.
CMBS – Shopping Mall	Rising Inflation, Lower Household Incomes	Macro scenario may pressure sales and ability to adjust rents by inflation. Fitch DSCRs incorporate an expected real net operating income (NOI) decrease, as opposed to historically benign operating performance.
CMBS – Single Tenant	Deteriorating Tenant Credit Quality	High exposure to macro scenario, mixed portfolio of high- and mid-tier credit quality tenants/obligors.
RMBS – Standard	Rising Unemployment , House Price Decreases	Decreasing loan installments in real terms, high average seasoning and consistently low arrears ratios strongly limit upward potential for defaults. Moderate LTVs lead to low expected losses in case of defaults.
RMBS – Non-Standard	Rising Unemployment, Rising Inflation, House Price Decreases	High arrears ratios counterbalanced by conservative transaction structures. LTVs are moderate and defaulted loans show high recovery rates.

Source: Fitch.

Real Estate Prices in Brazil

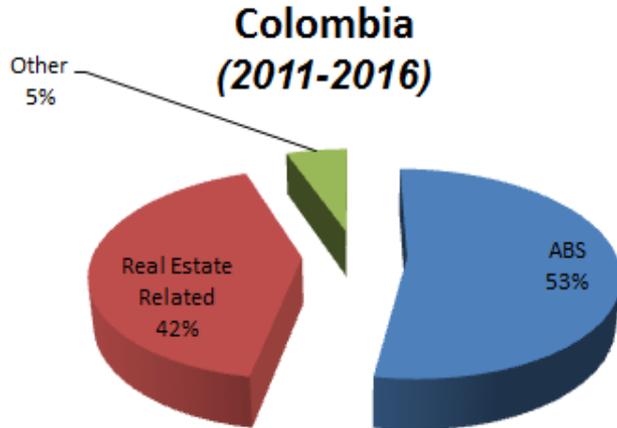
Nominal v Income Adjusted Property Prices

RJ and SP (2008=100)

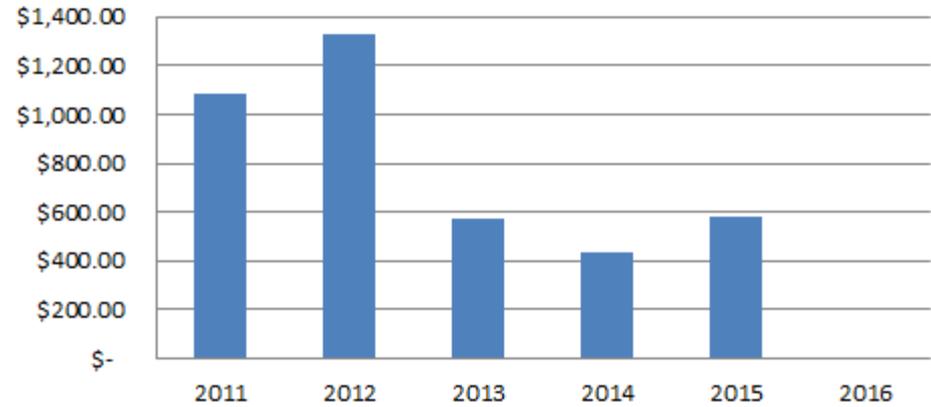


Sources: FIPE, Ipeadata. Nominal offer prices for 1 to 4 bedroom apartments in metropolitan regions of SP and RJ, deflated by index of average nominal income from primary activity for 6 metropolitan regions

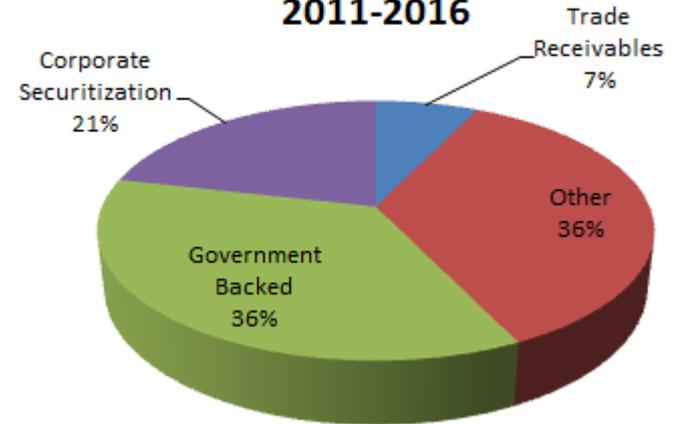
Colombia



Total issuance Colombia (billions USD)



ABS Breakdown 2011-2016



2011-2016

	# of deals	USD
ABS	19	\$ 1,320.86
Real Estate Related	15	\$ 1,876.75
Other	2	\$ 225.42

Colombia Transition table 2010-2015

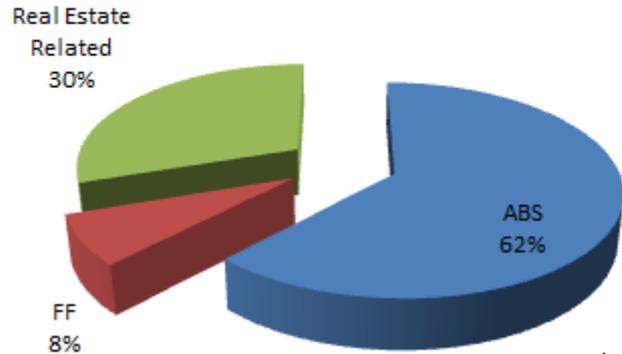
Colombia Structured Finance National Ratings Transition Matrices: 2010 - 2015											
Average Annual											
Total Rated #		AAA	AA	A	BBB	BB	B	CCC	CC & Below	WD	PIF
314	AAA	78.66%	-	-	-	-	-	-	-	0.64%	20.70%
117	AA	7.69%	72.65%	-	-	-	-	-	-	2.56%	17.09%
83	A	-	34.94%	60.24%	1.20%	-	-	-	-	1.20%	2.41%
77	BBB	1.30%	-	20.78%	68.83%	5.19%	1.30%	-	-	2.60%	-
15	BB	-	-	-	6.67%	46.67%	20.00%	-	-	6.67%	20.00%
8	B	-	-	-	-	25.00%	62.50%	-	-	-	12.50%
-	CCC	-	-	-	-	-	-	-	-	-	-

Colombia

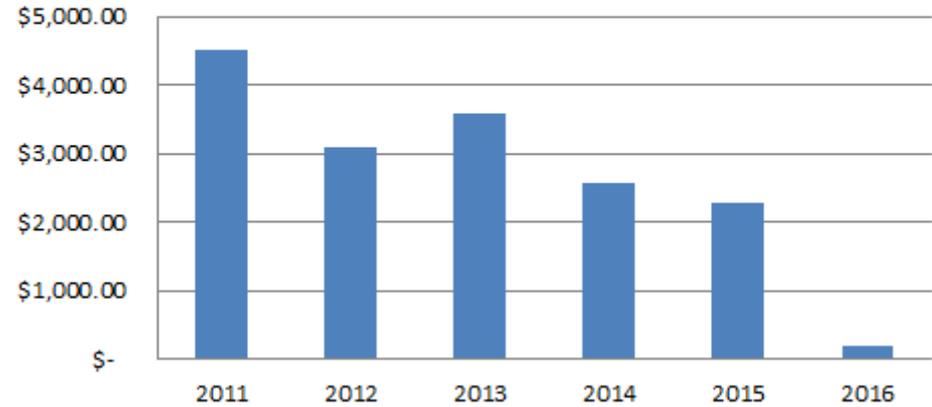
- ABS market –
 - In 2015, Fitch rated the first PDL securitization Titularización de Libranza TIL Pesos L-1 following the passing of new legislation supporting this asset class.
 - PDLs are the fastest growing consumer loans in Colombia. Default rates have been low because of the PDL scheme.
 - Fitch believes this trend will continue; however, jumps in unemployment could affect future performance.
- RMBS segment –
 - Ratings assigned to Colombian RMBS issuances contemplate challenges stemming from a slowing economic environment.
 - However, most transactions continue to benefit from increasing OC levels that enhance transaction resilience to stress scenarios.
 - Prepayment levels are expected to moderate as the central bank intervention rate continues to increase to counter inflationary pressure.
 - Mortgage origination is expected to slow down in line with general economic trends.
 - New RMBS issuances will depend on funding needs of traditional mortgage originators as well as the availability of securitizable portfolios originated by nonbanking mortgage lenders.
- Infrastructure Bonds – Long term project.
 - First three issuances expected to come by end 2016. Total expected issuance size of USD 16 billion

Mexico

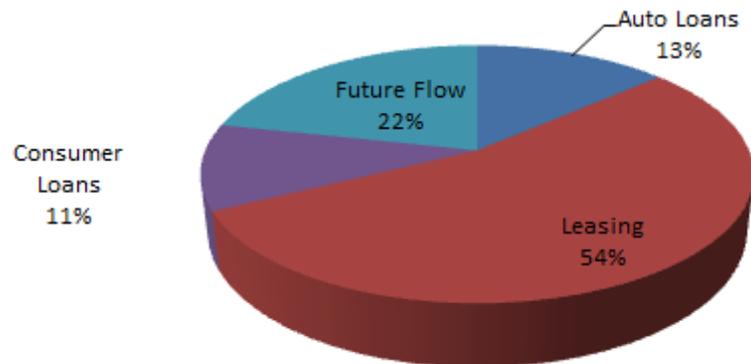
**Mexico
(2011-2016)**



**Total issuance Mexico
(billions USD)**



**ABS Breakdown
2011-2016**



2011-2016

	# of deals	USD
ABS	74	\$ 3,803.36
Future Flow	9	\$ 982.22

Mexico SF Market - Characteristics

- **RMBS – Stable/Negative**

- Banks and Government Performing well.
- Legacy NBFIs continue to struggle
 - While new delinquencies have stabilized, Past due loans and REOs remain high – Servicer Incentives.
- Government Backed issuance continues from Fovissste (TFOVIS)
- Upgrades with Infonavit as transactions de-lever.

- **ABS Outlook is Stable**

- Consumer loans ABS – quasi-payroll deductible loans of public sector borrowers high XS and hard OC are traditional credit enhancers
- Equipment Lease Transactions – Some concerns due to fast growth and high concentrations, long revolving periods and purchasing at premiums.

Mexico Transition 2002-2015

Mexico Structured Finance National Ratings Transition Matrices: 2002 - 2015											
Average Annual											
Total Rated #		AAA	AA	A	BBB	BB	B	CCC	CC & Below	WD	PIF
700	AAA	84.29%	3.57%	0.71%	1.14%	-	-	-	0.43%	1.86%	8.00%
254	AA	0.79%	80.71%	6.69%	1.18%	0.39%	-	-	0.39%	2.36%	7.48%
166	A	-	0.60%	66.27%	13.25%	4.82%	1.20%	-	6.02%	1.20%	6.63%
45	BBB	-	-	-	35.56%	22.22%	13.33%	2.22%	17.78%	4.44%	4.44%
25	BB	-	-	-	-	36.00%	36.00%	4.00%	24.00%	-	-
17	B	-	-	-	-	-	5.88%	47.06%	47.06%	-	-
12	CCC	-	-	-	-	-	-	16.67%	83.33%	-	-

Latam Outlook 2016 and beyond

- **Performance will continued to be mixed throughout the region.**
- **Continued Future Flow issuance expected in Central America, Caribbean, and Brazil.**
- **Brazilian real estate backed transactions will continue.**
- **Argentina continued Consumer Backed/Provincial Debt Issuance**
- **Peru and Colombia issuance will be structured/project debt related to Government Supported payments.**
- **Auto Loan, Leasing, and other consumer backed transactions in Mexico**
- **Selective RMBS issuance throughout the region including Salvador, Caribbean, Colombia, and Mexico.**

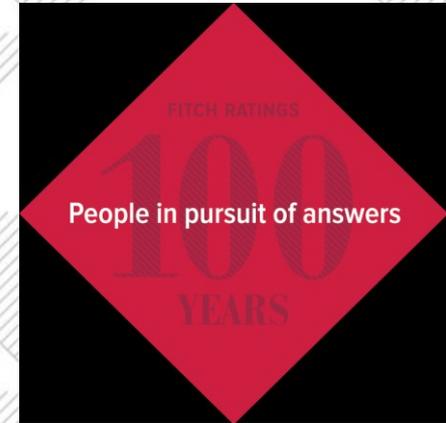
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