Fitch Assigns ‘BBB+/F2’ to Nacional Financiera’s Outstanding Certificates of Deposits Program

Fitch Ratings, Monterrey, 13 November 2015: Fitch Ratings assigns a ‘BBB+/F2’ foreign currency long and short-term ratings to Nacional Financiera S.N.C.’s (Nafin) senior unsecured certificates of deposits (CDs) program and its outstanding issuances that make through its London branch. CDs with an aggregate value of USD2 billion (or its equivalent in other currencies) may have a tenor of between seven days a five years at fixed or discount rate.

Because CDs are senior unsecured debt and ranks at least equally with all of the bank’s other present and future unsecured and unsubordinated external debt the ratings assigned to this debt level are the same as Nafin’s long and short-term Issuer Default Ratings (IDRs).

KEY RATING DRIVERS
Nafin’s IDRs and Rating Outlook are aligned with the sovereign ratings and reflect the high ability and willingness of Mexico’s federal government to support the enterprise at all times if needed. The ability to support is reflected in Mexico’s investment-grade rating of ‘BBB+’; while the willingness of support relies on Nafin’s explicit guarantee stated in its Organic Law (Article 10).

Under this law, the Mexican government is explicitly responsible for the operations held by Nafin with domestic or foreign institutions, as well as for its deposits. The willingness of support also considers the high importance of Nafin as the second-largest development bank in Mexico in terms of total assets and loan portfolio and that the Mexican federal government is its major shareholder (99.99%).

Nafin’s key role is to encourage the development of private-sector micro, small and medium enterprises (MSMEs) by providing financing options and general services. Its credit activities are mainly ‘2nd floor’ loans (financial intermediaries) and to a less extent, but gradually growing, ‘1st floor’ loans; however, the entity has become an important player in providing loans guarantees, complemented by a menu of products including factoring, derivatives and fiduciary services.

RATING SENSITIVITIES
Changes in the ratings of this debt level would come from any potential change in Nafin’s ratings, which generally would move in the same magnitude and direction.

In turn, Nafin’s ratings would reflect any change in Mexico's sovereign ratings, given that the bank's IDRs are driven by the explicit support granted by the Mexican federal government as in Nafin’s organic law.

Fitch currently rates Nafin as follows:

-- Long-term foreign currency IDR ‘BBB+’; Stable Outlook;
-- Short-term foreign currency IDR ‘F2’;
-- Long-term local currency IDR ‘A-‘; Stable Outlook;
-- Short-term local currency IDR ‘F2’;
-- Support Rating ‘2’;
-- Support Rating Floor ‘BBB+’.

Contact:

Primary Analyst
Diego Garcia
Analyst
+52 818 399 9100 ext.1502
Fitch Mexico S.A. de C.V.
Prol. Alfonso Reyes 2612
64920 Monterrey, Mexico

Secondary Analyst
Monica Ibarra
Director
+52 818 399 9150

Committee Chairperson
Franklin Santarelli
Managing Director
+1 212 908-0739

Additional information is available on www.fitchratings.com

Applicable Criteria and Related Research: