

FITCH ASSIGNS 'BBB+' EXPECTED RATING TO NACIONAL FINANCIERA'S DEBT ISSUE

Fitch Ratings-Monterrey-21 October 2015: Fitch Ratings expects to assign a 'BBB+(exp)' rating to Nacional Financiera S.N.C.'s (Nafin) senior unsecured bonds. The amount of this issue could be up to USD500 million, with a tenor up to 10 years. The final rating is contingent upon receipt of the final documents to confirm the preliminary information received.

Because it is an issue of senior unsecured debt the rating assigned to this issue is the same as Nafin's long-term Issuer Default Rating (IDR).

KEY RATING FACTORS

The 'BBB+' rating reflects the long-term counterparty risk of Nafin. 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 loan guarantees, complemented by a menu of products including factoring, derivatives and fiduciary services.

RATING SENSITIVITIES

Changes in the rating of this issue 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+'.

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Date of Relevant Committee: October 7, 2015

Additional information is available on www.fitchratings.com

Applicable Criteria
Global Bank Rating Criteria (pub. 20 Mar 2015)
https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=863501

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