

Research

Mexican RMBS Index:

After A Lackluster 2013, Expectations Are Higher For Mexican RMBS In 2014

18-Feb-2014

Following a sharp decline in economic growth last year, the Mexican residential mortgage-backed securities (RMBS) market is looking to make a comeback. During 2013, the Mexican economy's growth slowed to approximately 1.2%, affecting both job creation and disposable income for households, a negative for RMBS performance. In 2014, however, Standard & Poor's Ratings Services anticipates a better macroeconomic environment, with a GDP growth rate of more than 3% and stronger job creation, both of which are expected to positively affect transaction performance. On the other hand, challenges may come from the fiscal reform passed in January 2014 (which will negatively affect the disposable income of mostly middle- and higher-income households) and the performance of loans targeted to low-income borrowers, which will continue to be generally weak.

Overall, we don't expect major changes in the performance of existing Mexican RMBS transactions. Deals by the two largest and most recurrent issuers, Fondo de la Vivienda del Instituto de Seguridad y Servicios Sociales de los Trabajadores del Estado (Fovissste) and Instituto del Fondo Nacional de la Vivienda para los Trabajadores (Infonavit), will continue to perform well. Securitizations by most retail banks, however, could be the most affected by the fiscal reform, although we believe that most of them will be able to weather the storm.

Last year we saw a lower number of downgrades and defaults than the year before, and we expect the trend towards overall higher rating stability to continue in 2014; however, ratings on transactions by non-bank financial institutions (NBFIs, known as Sofol or Sofom) will remain under pressure and could suffer additional downgrades. On the new issuance front, securitization volume increased nominally by 0.5% in 2013. In 2014, we expect a similar issuance volume to 2013's \$30.26 billion Mexican pesos (MXN), mainly from Fovissste and Infonavit, with one or two other deals from private originators. In the longer term, we believe some of the changes introduced as part of the recently approved financial reform--such as a stronger framework for foreclosures and repossessions--may enhance lending incentives. A benign economic environment, with low unemployment and interest rates, could also foster mortgage securitization growth. As origination accelerates, we believe that securitization will too.

Mexican RMBS Market Outlook

The return of private originators in 2013 to the market through BBVA Bancomer S.A. (BBVA Bancomer)'s MXN4.19 billion BMERCB 13 transaction compensated for Infonavit and Fovissste's decreased securitization appetite, as their volumes decreased by 16.7% and 11.6%, respectively. This year should bring a similar volume and mix of new issuance as last year, when new issuance reached MXN30.26 billion, an increase of only 0.5% over 2012. In the long run, however, we see a renewed potential for mortgage securitization growth thanks to better expected economic and labor market growth, low (albeit, upwardly pressured) interest rates, and an improved framework for the recovery of defaulted loans coming from the financial reform signed into law in January by President Enrique Peña. This reform also included an enhanced mechanism to refinance existing loans, which could push prepayments upwards in the coming years, mostly in loans originated by retail banks. Nonetheless, we believe that these factors will also be subject to the approval and implementation of the secondary laws that will govern the reforms.

We expect a GDP growth rate of about 3% in 2014 and 3.5% in 2015, bolstered by the passage of a landmark energy reform and supported by changes in the fiscal framework (see "[Mexico Long-Term Foreign Currency Rating Raised To 'BBB+', Local Currency Rating Raised To 'A'; Outlook Is Stable](#)," published Dec. 19, 2013). Job creation should also pick up, supporting the relatively low recent unemployment rate of around 4.8%.

Index Highlights

In the second half of 2013, we observed the following trends:

- Defaults for most banks and NBFIs have stabilized when measured over initial balances (IB) on an absolute time scale. Infonavit's defaults are growing within our expectations, and Fovissste's appear to be stabilizing after the step-up observed in first-quarter 2013, which reflected a change in reporting methodology.
- The aggregate default ratio over outstanding balance (OB) of Standard & Poor's Mexican RMBS Index as of December 2013 reached 9.7%, close to the 9.4% observed in June of that year. When measured over initial balance, aggregate default ratio remained at 6.5%--the same level from six months before.
- Prepayment rates picked up across the board, but particularly for banks sector. As usual, prepayment rates increased at the end of the year, reaching 9.5% in December 2013 versus 8.6% the year before. We anticipate that prepayments could increase further in the medium term now that the financial reform in Mexico has been approved.
- NBFIs' default rate over IB increased to 25.4% as of December 2013 from 24.4% in June 2013, while banks' defaults actually decreased to 2.9% from 3.0% in that same period.
- Infonavit's default levels over IB increased, as anticipated, to 5.3% from 4.7% in the second half of 2013 because of the higher seasoning, but remain well within our expectations. Defaults in Fovissste's transactions are more volatile, but appear to be stabilizing; they closed 2013 at 3.7%, down from June's 4.2%.
- We affirmed our ratings on 11 classes, lowered our ratings on six (see table 2), and raised our rating on one class (see table 3) from 16 different Mexican RMBS transactions. Overall, ratings stability improved in 2013 compared with 2012.
- No new defaults were recorded during 2013. The only default was on Hipotecaria Su Casita S.A. de C.V. SOFOM E.N.R.'s (Su Casita's) series 2007 class B notes after it missed interest payments in January and September 2013; it also defaulted in 2012. In the past, when this class cured the default, we raised the rating to 'mxCC (sf)'. Going forward, we will now keep this rating at 'D (sf)' even if the missed payment is cured, reflecting that the deal is undercollateralized. This supports our expectation for repeated missed interest payments and ultimate principal repayment default in the future. We will take the same approach for other classes in a similar situation.
- We withdrew our ratings on three classes from three RMBS transactions after repayment in full (Su Casita's BRHCCB 07U, BBVA Bancomer's BACOMCB 09-2, and Infonavit's CEDEVIS 08U).

Market Snapshot

The Mexican RMBS Index focuses on Mexican housing market performance data from November 2003 to December 2013. The report includes data from 14 originators:

- Banco Mercantil del Norte S.A. (Banorte)
- BBVA Bancomer
- Fincasa Hipotecaria S.A. de C.V. SOFOM E.R. Grupo Financiero Banorte (Fincasa)
- Fovissste
- Hipotecaria Credito y Casa S.A. de C.V. S.F.O.L. (Credito y Casa)
- Su Casita
- Hipotecaria Total (HiTo)
- HSBC Mexico S.A. (HSBC Mexico)
- Infonavit

- ING Hipotecaria S.A. de C.V. S.F.O.M. E.N.R. (ING Hipotecaria)
- Metrofinanciera S.A.P.I. de C.V. SOFOM E.N.R. (Metrofinanciera)
- Patrimonio S.A. de C.V. SOFOM E.N.R. (Patrimonio)
- Proyectos Adamantine S.A. de C.V. SOFOM E.N.R. (Adamantine; formerly GMAC Financiera)
- Scotiabank Inverlat S.A. (Scotiabank Inverlat)

The index tracks 103 transactions: 36 from the NBFIs, 35 from Infonavit, 11 from commercial banks, 17 from Fovissste, and four from HiTo (see table 1 for the status of each Mexican RMBS originator's aggregated securitization portfolio as of Dec. 31, 2013, and Appendix A for a full list of the transactions included in the Index). One of the HiTo transactions includes Infonavit collateral and another one includes underlying Fovissste loans. HiTo placed another transaction with Infonavit collateral (INFOHIT 09U) in 2009, but we never assigned a rating to it and do not include it in the index. Two other HiTo transactions (BONHITO F8531 and BONHITO F9531) are excluded from the index as well. For more information on the Mexican RMBS Index's construction methodology, see "[Overview Of Standard & Poor's Mexican RMBS Index](#)," published Oct. 8, 2007.

Table 1

Mexican RMBS Snapshot As Of Dec. 31, 2013

Originator	Outstanding balance (MXN)	31-60 delinquent (%)	61-90 delinquent (%)	90+ delinquent (%)	Prepayment rate (%)
Index	244,280,361,415	3.85	1.75	9.67	8.64
Banorte	520,155,463	5.97	2.22	22.68	7.22
BBVA Bancomer	15,616,815,041	1.32	0.26	3.82	13.48
Credito y Casa	3,530,563,916	5.19	2.27	49.77	5.44
Fincasa	332,661,065	3.00	1.71	47.09	5.80
Fovissste	97,846,826,238	3.29	2.15	4.53	1.51
HiTo	650,341,042	2.71	2.28	42.94	9.46
HSBC Mexico	2,955,084,473	3.65	1.90	15.60	17.52
Infonavit*	101,255,803,568	4.74	1.26	6.16	N/A
ING Hipotecaria	376,850,046	5.54	2.26	20.68	16.88
Metrofinanciera	2,784,772,020	5.09	3.64	38.47	9.10
Patrimonio	1,512,391,193	3.01	3.05	31.97	8.78
Proyectos Adamantine	4,464,923,860	3.64	2.33	59.04	5.80
Scotiabank Inverlat	971,977,287	1.89	1.16	12.08	22.06
Su Casita	11,461,196,204	3.92	3.52	45.30	3.94

*As of Nov. 30, 2013. N/A—Not applicable.

Since our last publication, we withdrew our ratings on three classes from three RMBS transactions after repayment in full (Su Casita's BRHCCB 07U, BBVA Bancomer's BACOMCB 09-2, and Infonavit's CEDEVIS 08U). In an effort to continue to offer the most relevant information to the market, and to the extent possible, we also include publicly available information on outstanding transactions that are not rated by Standard & Poor's.

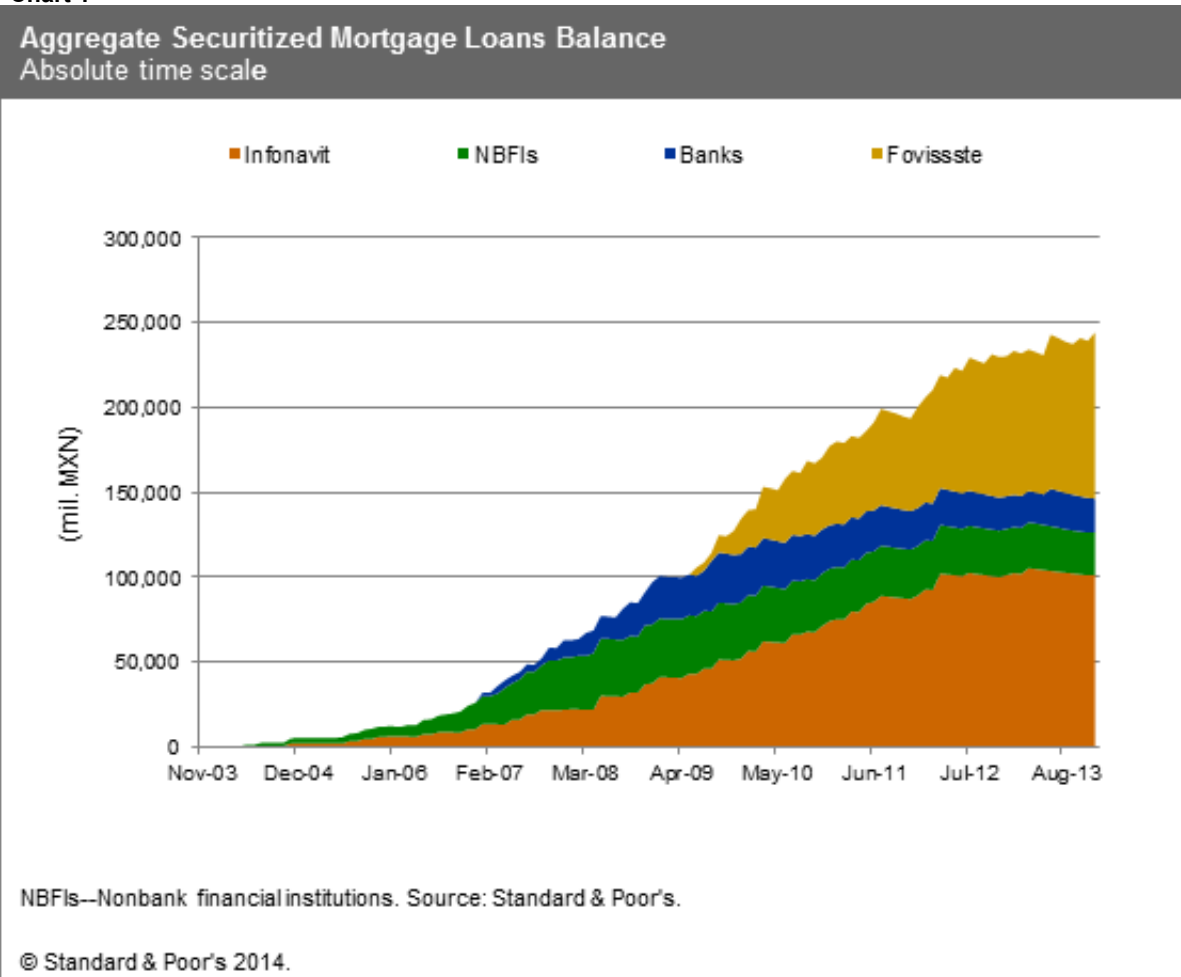
Infonavit is the administrator of a mutual savings and loan fund for private-sector employees. Its CEDEVIS, CDVITOT, and HITOTAL transactions constitute the largest portion of the Mexican RMBS market with close to 42% of the total RMBS outstanding amount (see chart 1). Fovissste is very similar in concept to Infonavit, but it is for public-sector employees and teachers. Its transactions account for 40% of the total RMBS outstanding amount and have grown, since it has been the largest issuer every year since it began securitizing in 2009. We anticipate that by the end of second-quarter 2014, Fovissste will make up the largest portion of the market, since they are already working on their first deal

for this year.

Commercial banks have historically concentrated at the mid- to high-end of the market; they account for around 8% of the outstanding RMBS amount. In 2013, BBVA Bancomer became the first private originator to place a transaction since 2009, and we expect other originators could follow its lead in the following years. Finally, NBFIs are non-depository lenders that dominated the market in the early 2000s; they tapped the market from 2003-2008, but we don't expect them to place any new transactions in the near term. They constitute the remaining 10% of the outstanding market and are declining as their deals pay down.

As of December 2013, the Mexican RMBS Index included MXN244.28 billion (approximately US\$18.67 billion) of outstanding collateral backing Mexican RMBS. To date, more than 1.16 million Mexican mortgage loans have been securitized in 107 transactions. The percentage of each originator type has shifted significantly in recent years (see chart 1), because NBFIs have not securitized since 2008 and banks had placed their last deal in 2009 until BBVA Bancomer returned to market in June 2013. As a result, NBFIs and bank portfolios have been paying down while Infonavit, and more recently Fovissste, have dominated yearly issuance.

Chart 1

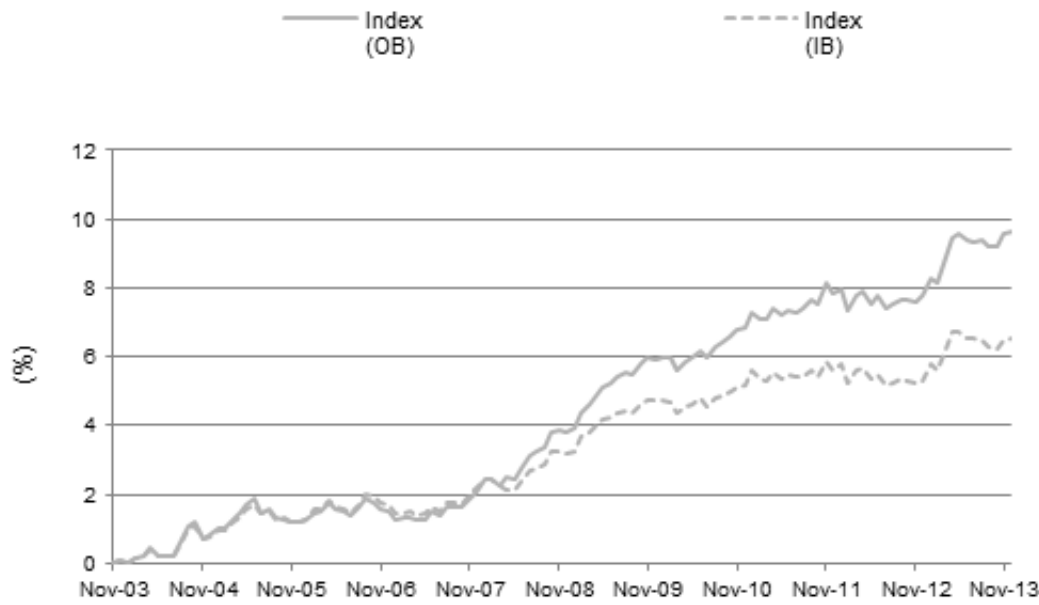


Overall Market Performance

Overall, the Mexican RMBS Index, which aggregates data over all originators, suggests that defaults continued stabilizing in recent months, excluding the effect of the recent change in reporting for Fovissste, which pulled the data up significantly around first-quarter 2013 (see chart 2).

Chart 2

Defaults (More Than 90 Days Late) Absolute time scale



OB--Calculated as a percentage of outstanding balance. IB--Calculated as a percentage of initial balance. Source: Standard & Poor's.

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Initial balance versus outstanding balance

Defaults are typically calculated as the defaulted loans balance divided by the total pool's OB. Because pool balances continually decrease by virtue of the current loans' repayments, even a fixed amount of defaults will proportionally grow every month, especially in Mexico, where recoveries take a long time.

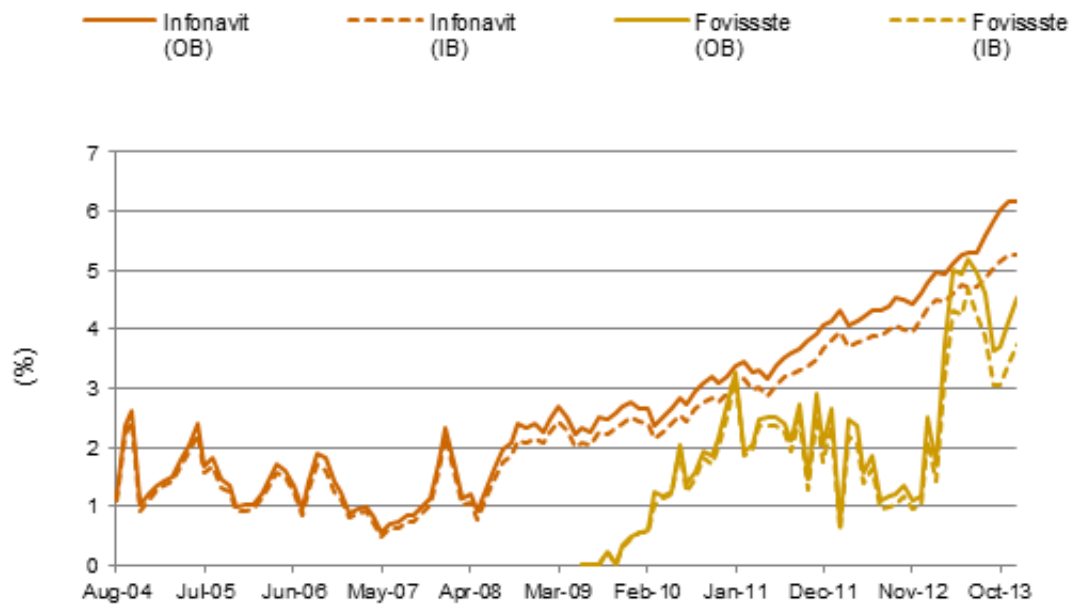
If we calculate defaults as a percentage of the pool's IB instead of the OB, this statistical effect is eliminated, which helps us better view default behavior over time. In chart 3B, defaults for banks and NBFIs appear to be stabilizing in the dotted-line series.

Performance

Aggregate default levels (loans more than 90 days delinquent) continue to grow for Infonavit deals (see chart 3A); however, they remain within our expectations and we consider the performance of their transactions to be stable. This growth can be attributed to more matured vintages, as there are now fewer new transactions pushing the average down. For Fovissste deals, defaults seemed to have stabilized at a new, higher level of around 4.5%-5% since the master servicer, Administradora de Activos Financieros S.A. (Acfin), changed the way they report them (see the Infonavit, Fovissste, And Banks section for more information).

Chart 3A

Defaults (More Than 90 Days Late)-- Infonavit And Fovissste
 Absolute time scale



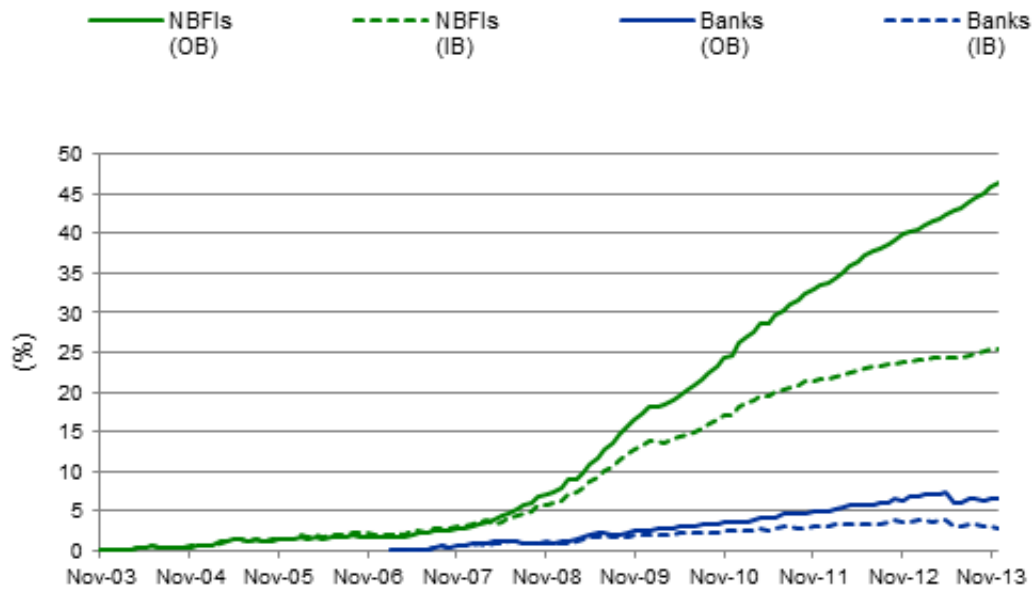
OB--Calculated as a percentage of outstanding balance. IB--Calculated as a percentage of initial balance. Source: Standard & Poor's.

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As for NBFIs and banks, defaults calculated over the OB further increased to 46.4% and 6.5%, respectively, from 42.9% and 5.9% six months ago (see chart 3B). When we calculate defaults over IB, however, defaults continued stabilizing. While the overall numbers for NBFIs continued to increase to 25.4% from 24.4% six months ago, this increase seems to decrease over time (see the Initial balance versus outstanding balance section for more information). The recent step-down in banks' defaults reflects the inclusion of BBVA Bancomer's BMERCB 13 transaction into the index, which pushed the average down. Still, defaults over IB actually decreased slightly in the past six months to 2.9% from 3%.

Chart 3b

Defaults (More Than 90 Days Late) Absolute time scale



NBFIs--Nonbank financial institutions. OB--Calculated as a percentage of outstanding balance. IB--Calculated as a percentage of initial balance. Source: Standard & Poor's.

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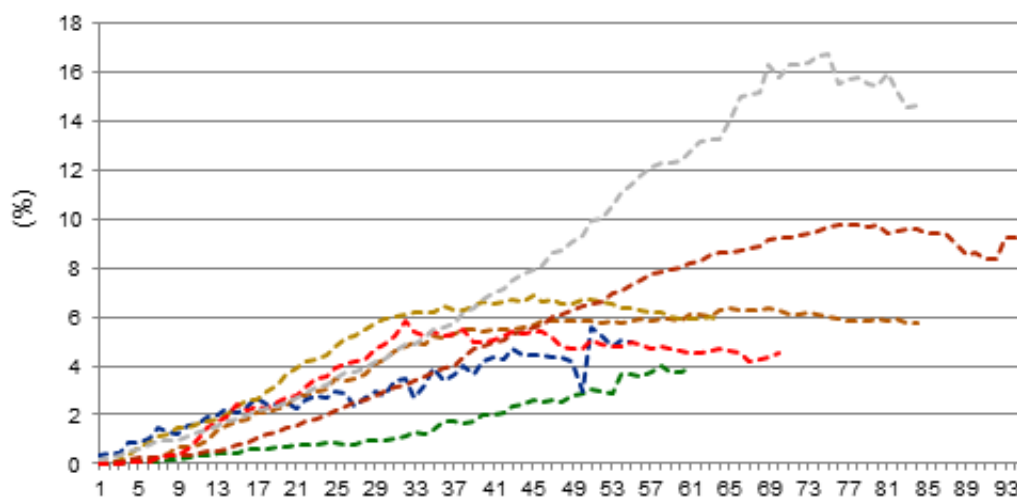
Infonavit, Fovissste and Banks

Infonavit and Fovissste transaction performance continues to be stable and within our expectations (see chart 4), which still support our assigned ratings on all rated classes from these two originators. We expect it to again remain stable over the next 12 months.

Chart 4

Defaults Over IB By Credit Institution

--- Banorte --- BBVA Bancomer --- Fovissste --- HSBC Mexico
--- Infonavit --- Scotiabank Inverlat --- Index



IB--Calculated as a percentage of initial balance. Source: Standard & Poor's.
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Among banks, BBVA Bancomer continues to show the strongest performance while HSBC Mexico shows the weakest. For all of them, however, we saw that defaults calculated over IB have remained stable, and in some cases even decreased, indicating that recoveries from defaulted portfolios are slowly coming into the issuing trusts (see charts 5-10).

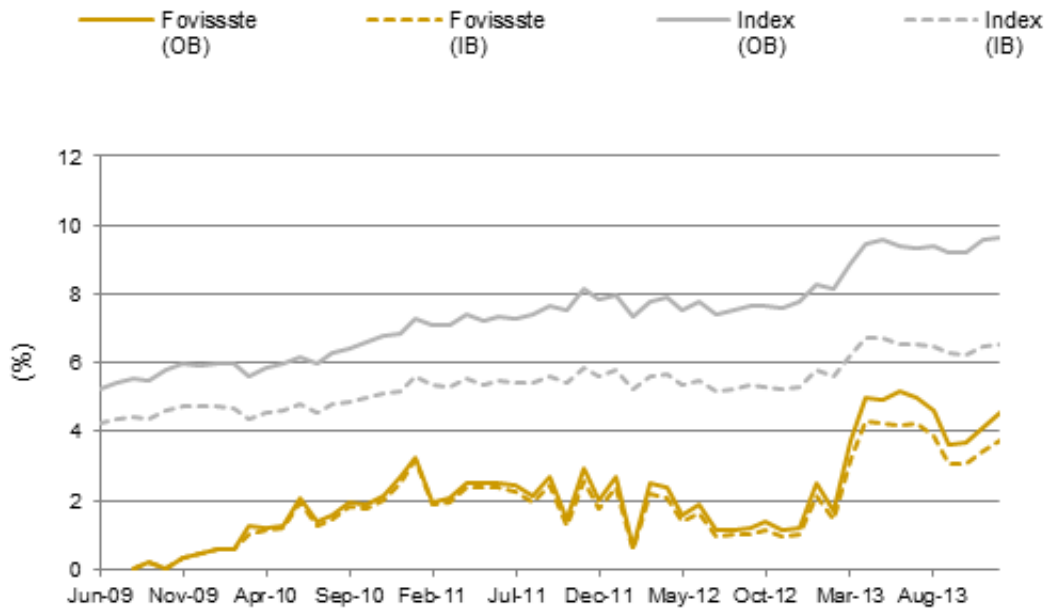
Since our last Index, we observed a step-up in reported defaults in Fovissste transactions because the master servicer calculated delinquencies and defaults in a stricter way than before. Acfin, the master servicer, now considers a loan delinquent or defaulted exclusively by looking at whether the installments from the 30% automatic payroll deduction were effectively received. Sometimes, government branches deduct from the borrower's payroll, but do not transfer these collections in a timely manner. Using the way delinquencies and defaults used to be calculated, a loan in this situation would not be considered delinquent if the other portion of the installment--the 5% employer contribution transferred through the Mexican pension system (CONSAR)--was received on time. According to Acfin, the older reports will not get restated using the new methodology, which limits the comparability of the figures before and after the change.

Since the last Index, the reported delinquencies and defaults have stabilized after the spike observed during the first half of 2013 (see chart 5). Standard & Poor's does not perceive an increased risk in these securitizations. Instead, we welcome the additional transparency that the new reporting brings. Additionally, we believe that Fovissste will take the necessary measures to correct those remittance delays, and those delinquencies and defaults will remain stable going forward.

Chart 5

Defaults (More Than 90 Days Late)

Absolute time scale

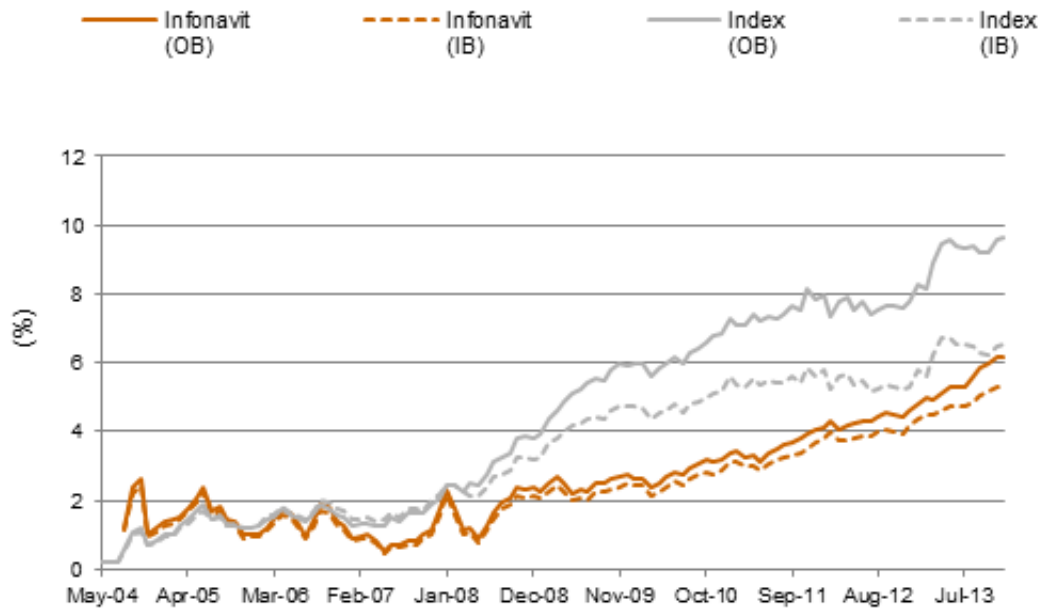


OB--Calculated as a percentage of outstanding balance. IB--Calculated as a percentage of initial balance. Source: Standard & Poor's.

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Chart 6

Defaults (More Than 90 Days Late) Absolute time scale

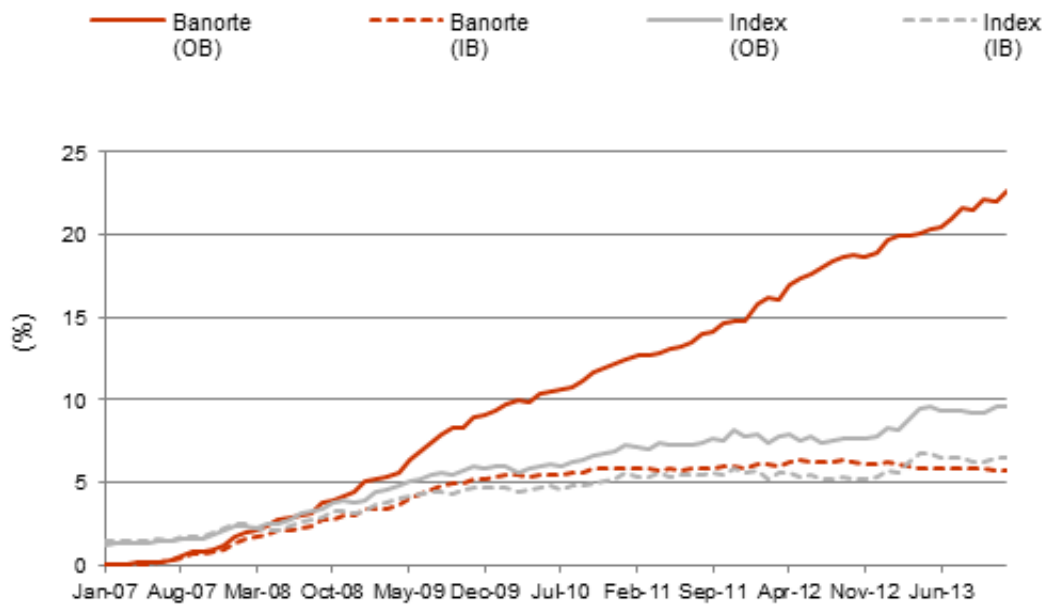


OB--Calculated as a percentage of outstanding balance. IB--Calculated as a percentage of initial balance. Source: Standard & Poor's.

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Chart 7

Defaults (More Than 90 Days Late) Absolute time scale

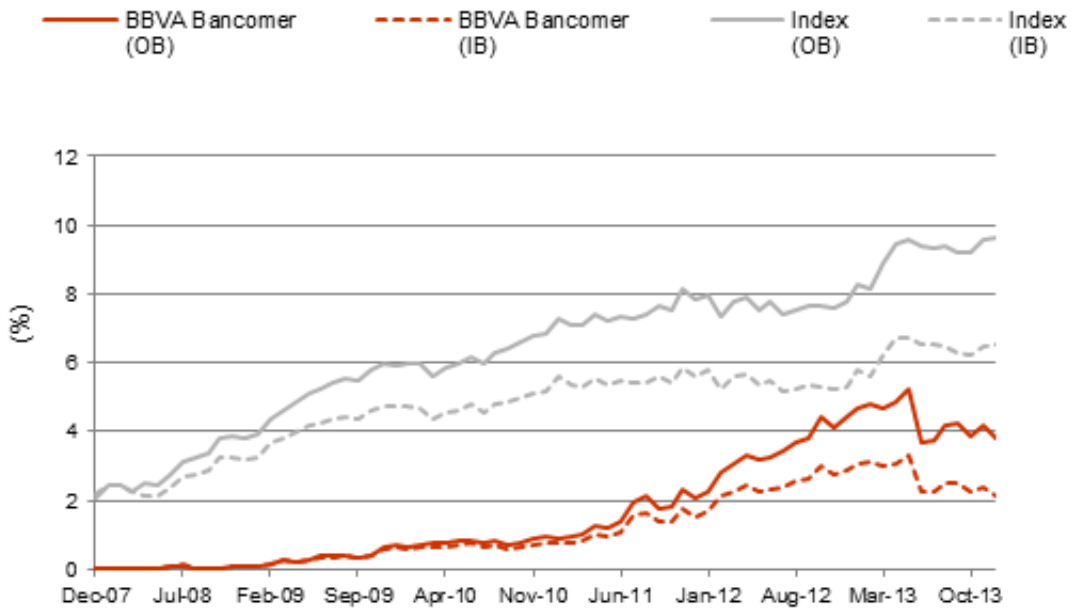


OB--Calculated as a percentage of outstanding balance. IB--Calculated as a percentage of initial balance. Source: Standard & Poor's.

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Chart 8

Defaults (More Than 90 Days Late) Absolute time scale



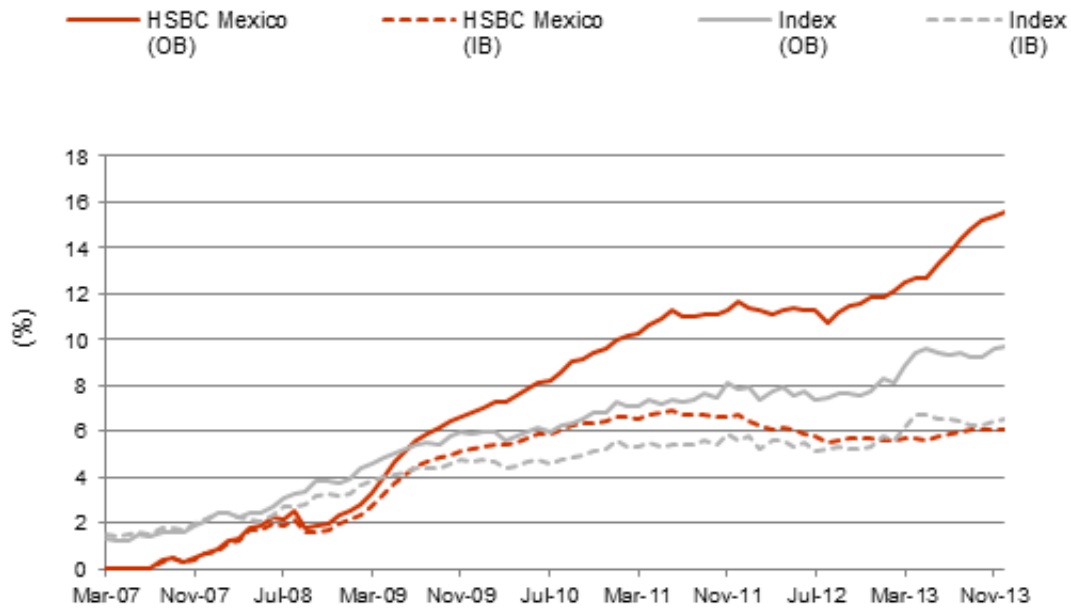
OB—Calculated as a percentage of outstanding balance. Calculated as a percentage of initial balance. Source: Standard & Poor's.

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Chart 9

Defaults (More Than 90 Days Late)

Absolute time scale

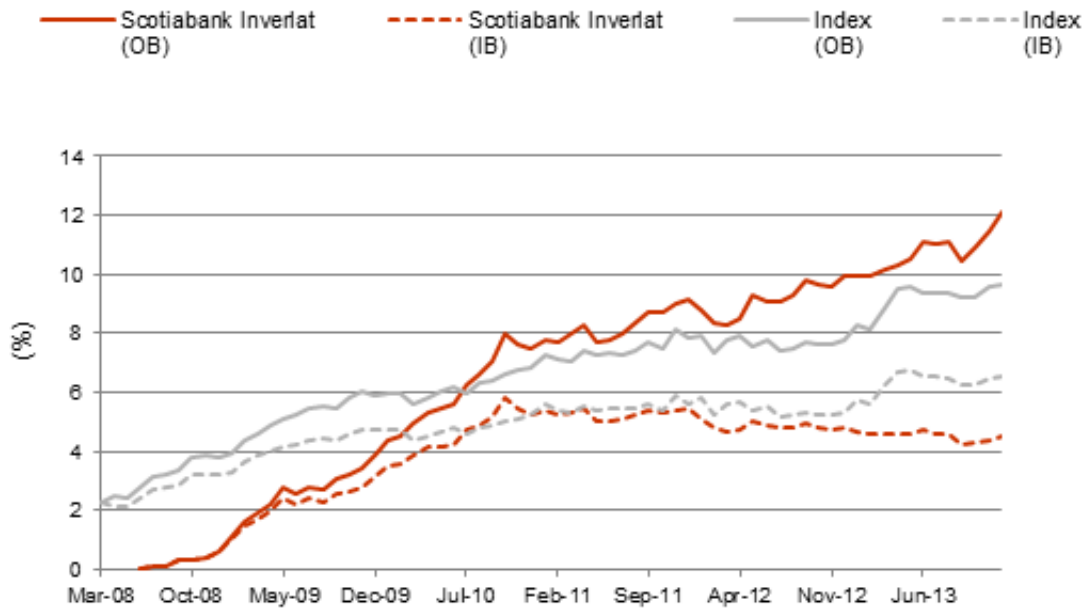


OB--Calculated as a percentage of outstanding balance. IB--Calculated as a percentage of initial balance. Source: Standard & Poor's.

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Chart 10

Defaults (More Than 90 Days Late) Absolute time scale



OB—Calculated as a percentage of outstanding balance. IB—Calculated as a percentage of initial balance. Source: Standard & Poor's.

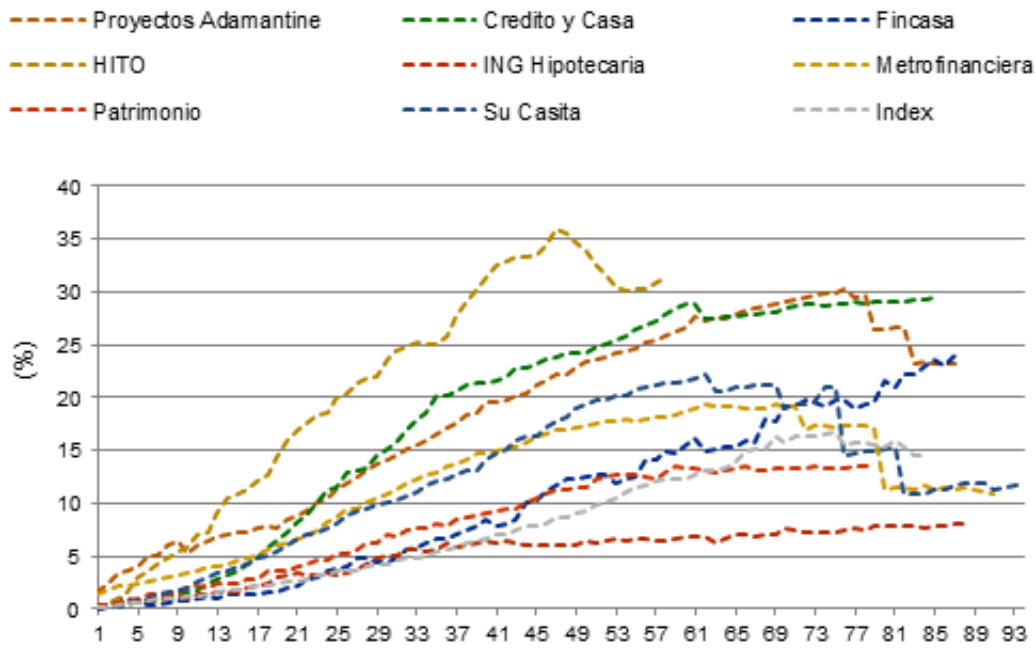
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NBFIs

ING Hipotecaria is the NBFi with the strongest performance in this underperforming sector (see chart 11). Most NBFIs now exhibit stability in their defaults calculated over IB (see charts 12-19), except for Fincasa and Su Casita, whose defaults over IB have continued growing, although at a slower pace. Weaker-performing deals could see their ratings lowered during 2014 if their credit protection continues deteriorating. In some cases, we can see a slight decrease in defaults over IB (for more information, see the Initial balance versus outstanding balance section), which would again support that recoveries are slowly coming in and that servicers are becoming more effective in collecting with the help of loan modification programs and other collection efforts.

Chart 11

Defaults Over IB By Credit Institution - NBFIs



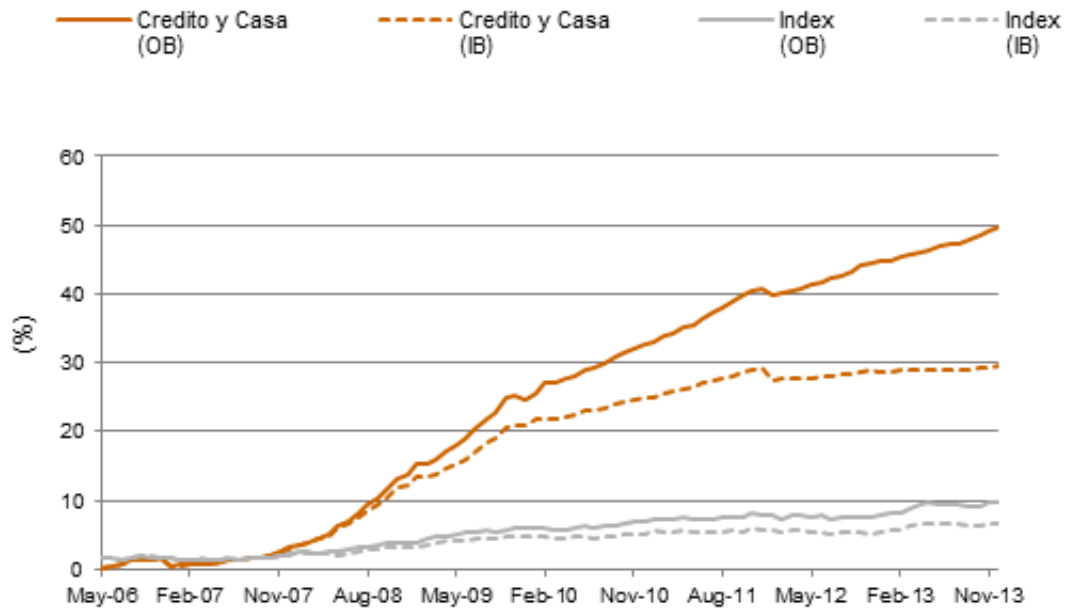
IB--Calculated as a percentage of initial balance. NBFIs--Nonbank financial institutions.
Source: Standard & Poor's.

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Chart 12

Crédito y Casa Defaults (More Than 90 Days Late)

Absolute time scale



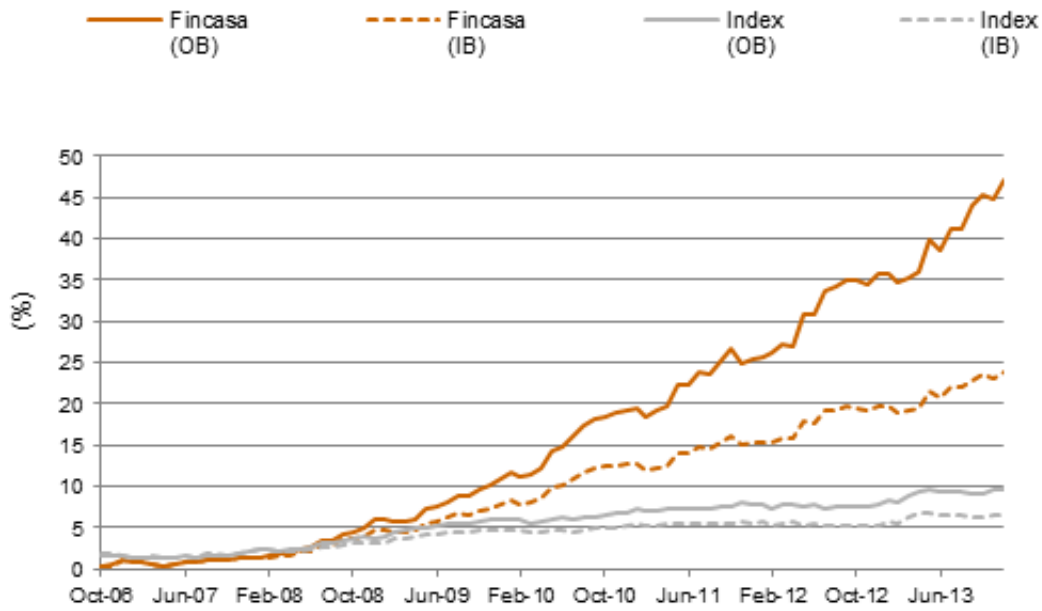
OB-- Calculated as a percentage of outstanding balance. IB-- Calculated as a percentage of initial balance. Source: Standard & Poor's.

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Chart 13

Defaults (More Than 90 Days Late)

Absolute time scale



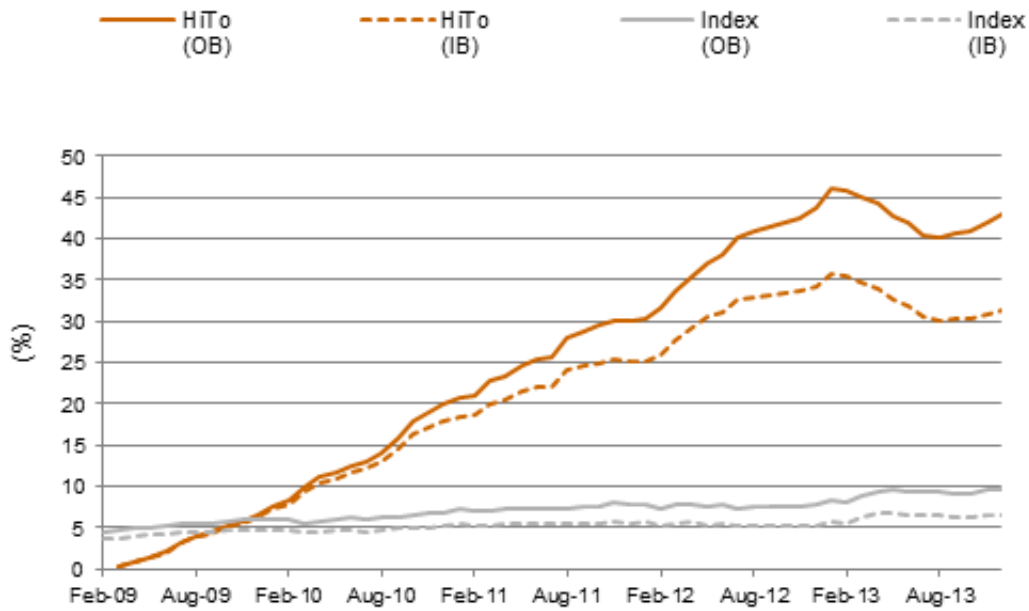
OB-- Calculated as a percentage of outstanding balance. IB-- Calculated as a percentage of initial balance. Source: Standard & Poor's.

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Chart 14

Defaults (More Than 90 Days Late)

Absolute time scale

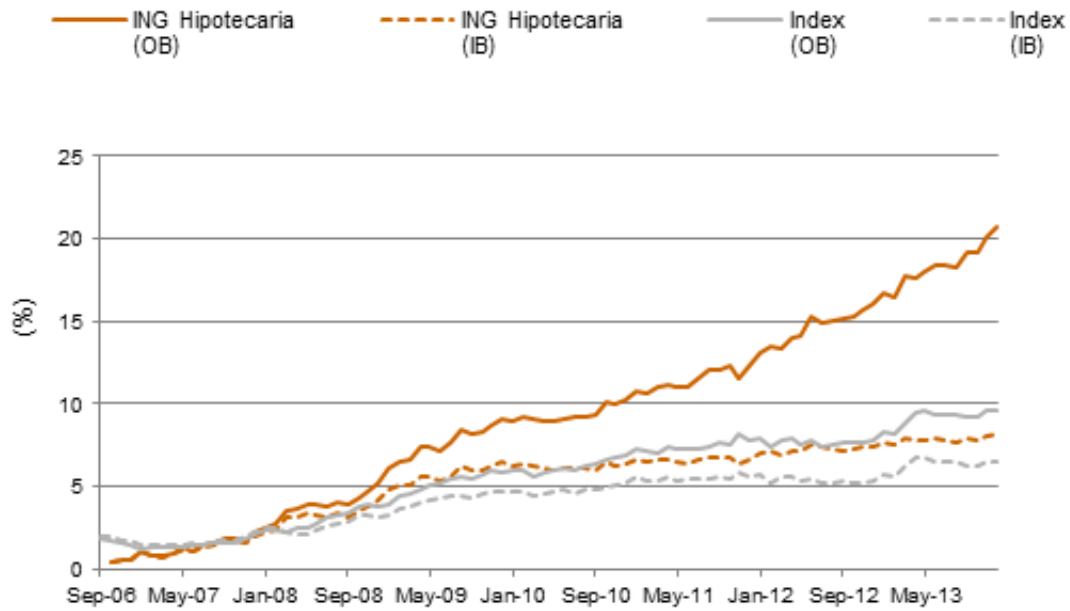


OB-- Calculated as a percentage of outstanding balance. IB-- Calculated as a percentage of initial balance. Source: Standard & Poor's.

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Chart 15

Defaults (More Than 90 Days Late) Absolute time scale

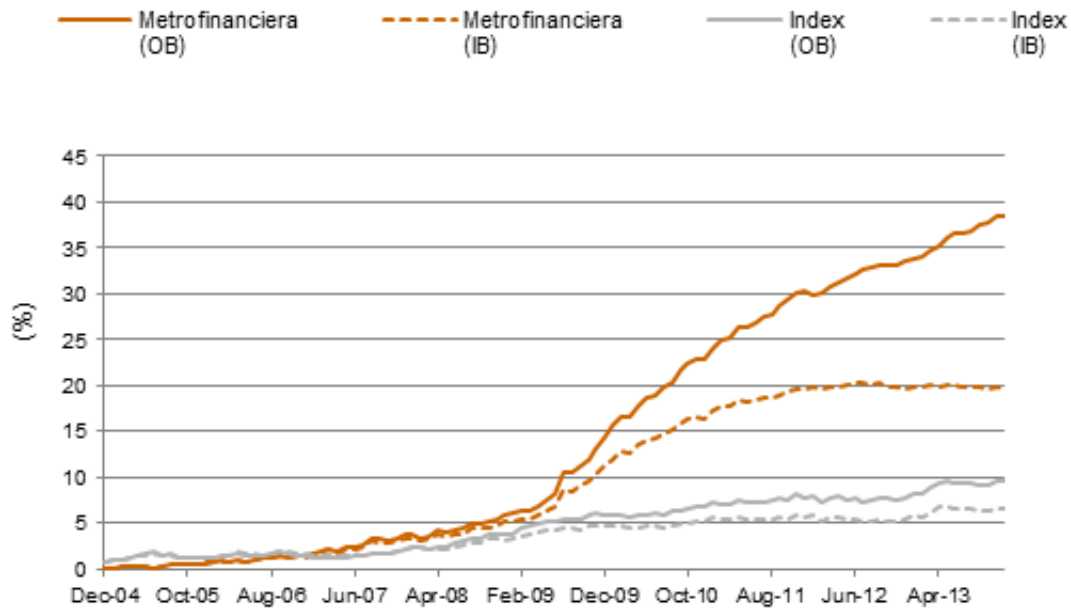


OB-- Calculated as a percentage of outstanding balance. IB-- Calculated as a percentage of initial balance. Source: Standard & Poor's.

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Chart 16

Defaults (More Than 90 Days Late) Absolute time scale

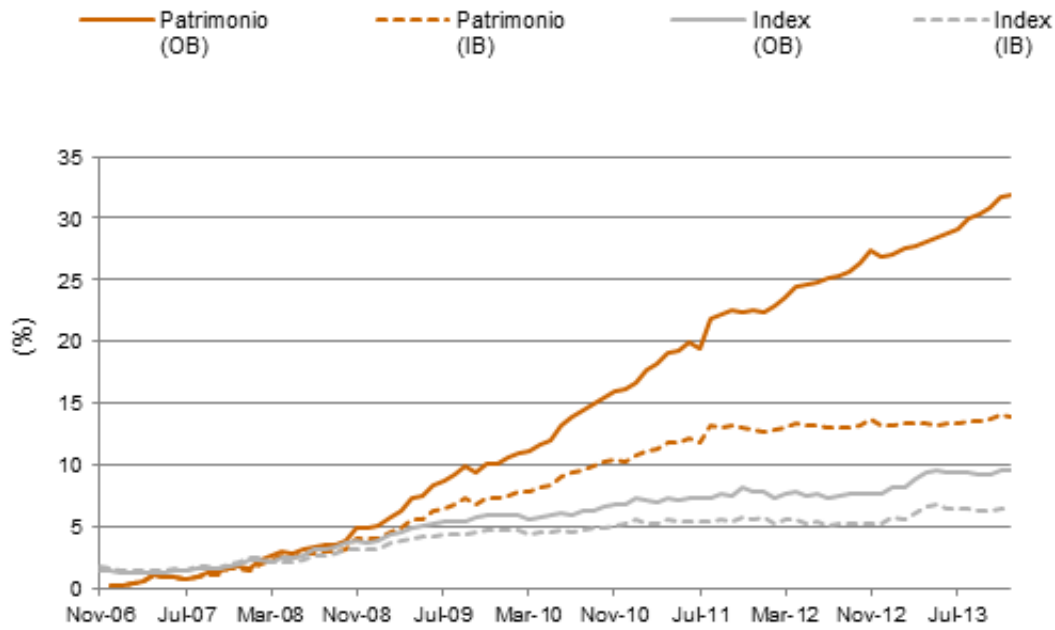


OB-- Calculated as a percentage of outstanding balance. IB-- Calculated as a percentage of initial balance. Source: Standard & Poor's.

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Chart 17

Defaults (More Than 90 Days Late) Absolute time scale

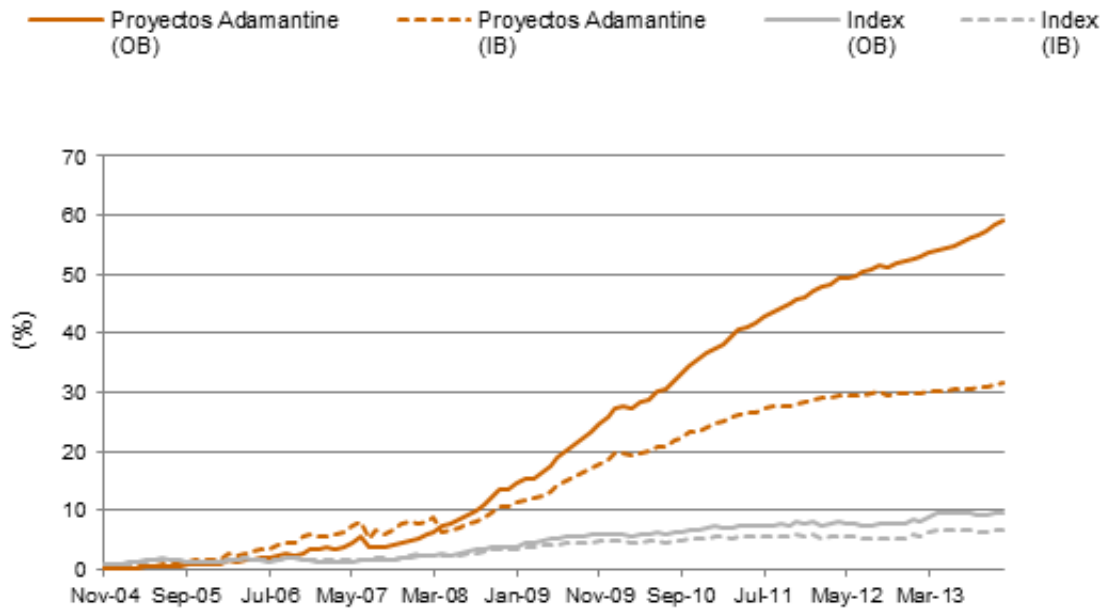


OB-- Calculated as a percentage of outstanding balance. IB-- Calculated as a percentage of initial balance. Source: Standard & Poor's.

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Chart 18

Defaults (More Than 90 Days Late) Absolute time scale

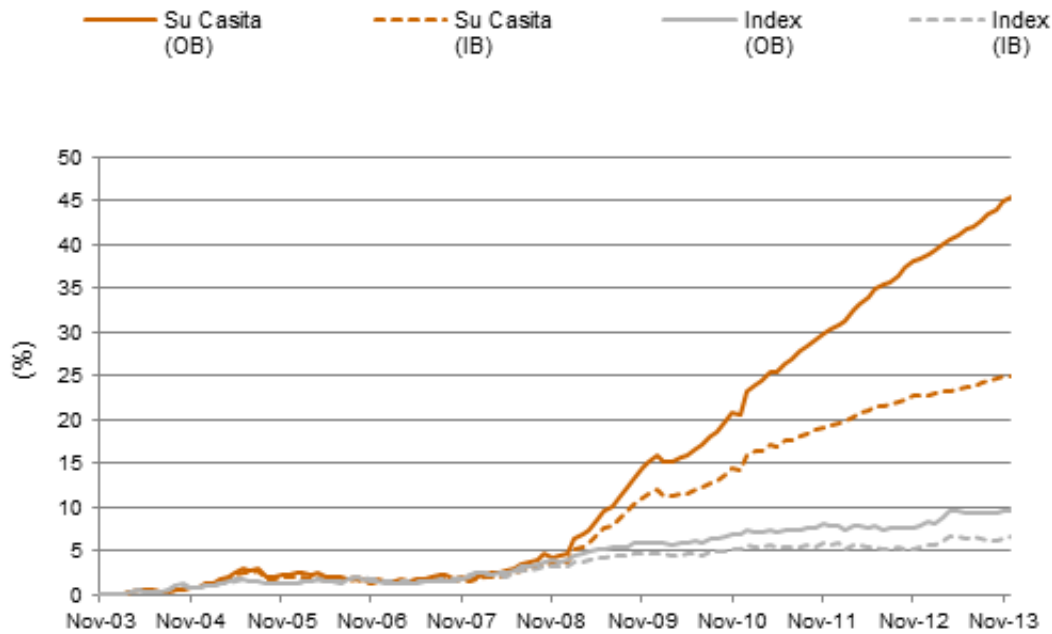


OB-- Calculated as a percentage of outstanding balance. IB-- Calculated as a percentage of initial balance. Source: Standard & Poor's.

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Chart 19

Defaults (More Than 90 Days Late) Absolute time scale



OB-- Calculated as a percentage of outstanding balance. IB-- Calculated as a percentage of initial balance. Source: Standard & Poor's.

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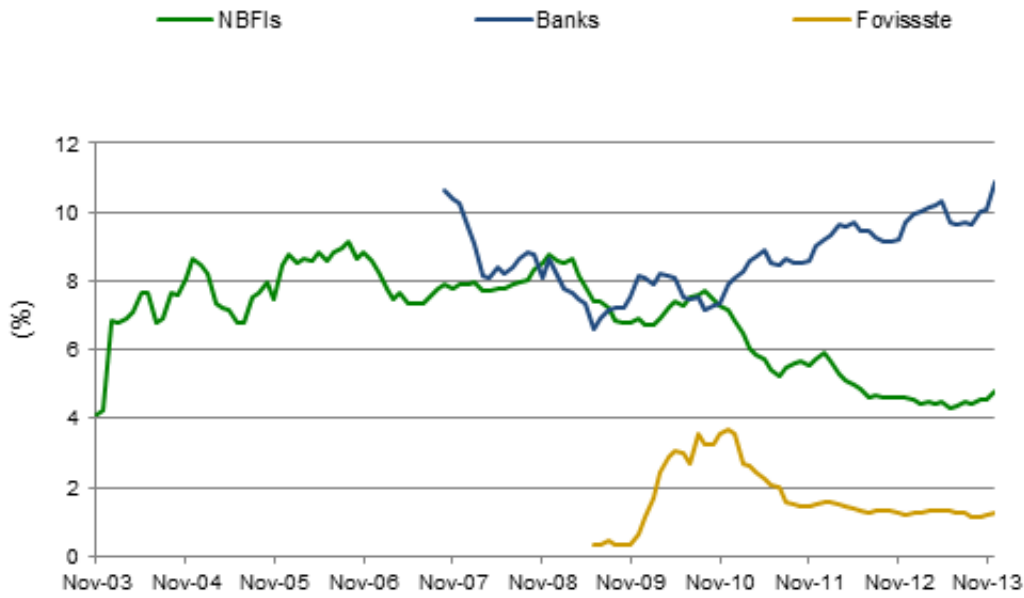
Prepayments Could Spike In The Medium Term

Prepayments in Mexico have increased in line with an improving economic environment and higher loan seasoning (see chart 20). On an absolute time scale, NBFIs' prepayment levels have begun to increase in the past six months, but still remain significantly below the ones observed before the 2008-2009 crisis. The six-month trailing average is now closer to 5%, whereas it had ranged from 6%-8% in the years before the crisis. Banks' prepayment rates have increased since the end of 2010 and now stand close to 11%, up from 10% in June 2013. Fovissste's average prepayment rates are still at their usual low levels of around 1%, excluding FOVIHIT 09U, which shows significantly higher rates. While we track Fovissste's prepayments, we don't consider them in our market weighted average calculation. We believe they are not directly comparable to prepayments in NBFIs' and bank's portfolios because of the payroll deduction loan type.

Chart 20

Prepayment Rate Evolution By Originator Type

Absolute time scale - six-month moving avg.



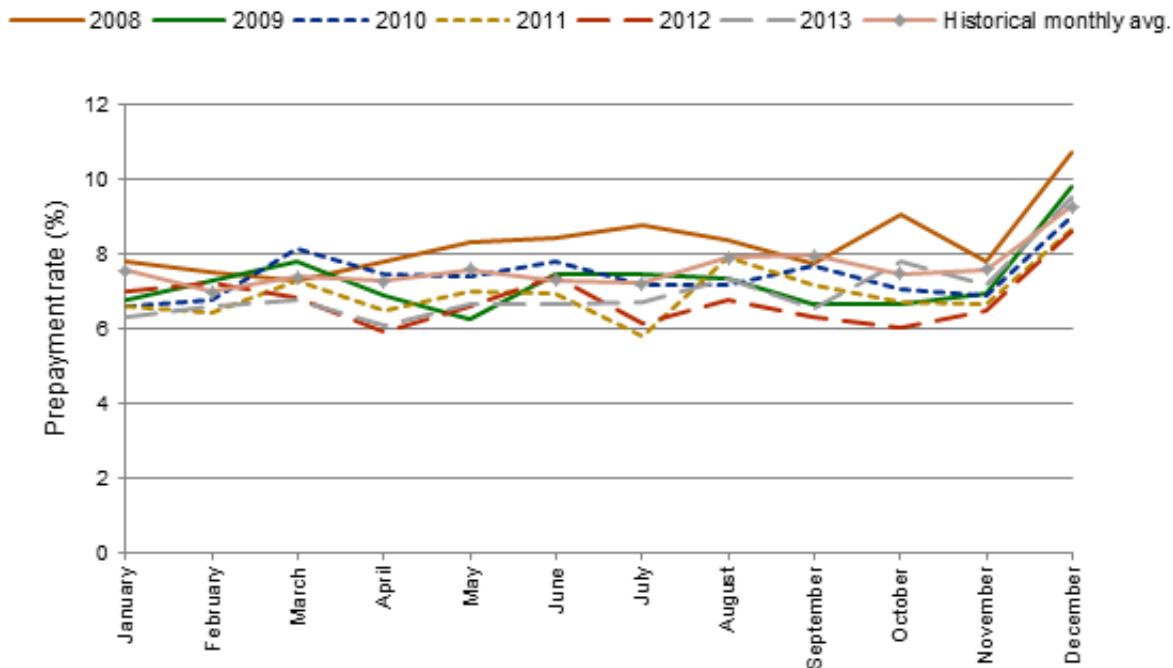
NBFIs—Nonbank financial institution. Source: Standard & Poor's.

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Towards the end of 2013, prepayment rates spiked as they usually do at year-end (see chart 21). This is related to additional disposable income available to households during this season. In general, prepayments were higher last year than in 2012.

Chart 21

Prepayment Rate By Year



Soucre: Standard & Poor's.

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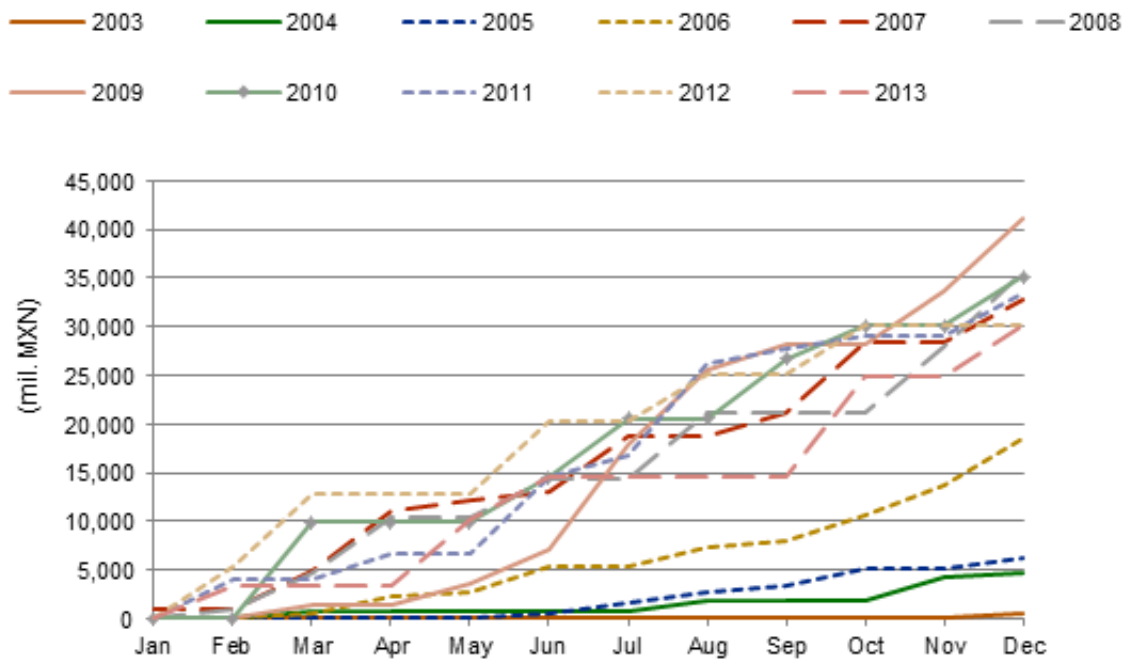
We believe that the recently approved financial reforms in Mexico will result in higher prepayments beginning in the medium term. These reforms will make it easier to refinance current loans with other institutions by reducing the associated costs. Until now, these costs were so high that they effectively created a barrier to refinancing. By avoiding fees related to registering the mortgage in public property records, the economic incentives may be finally high enough to refinance loans to ultimately obtain a lower interest rate.

New Issuance Is Still Stagnant

Against our initial expectations, issuance volume increased in 2013, but only by 0.5%, reaching MXN30.26 billion versus the previous year's MXN30.12 billion (see chart 22). If we adjusted for inflation, however, the growth would turn negative, a reflection of the stagnation in new issuance since 2010.

Chart 22

Cumulative RMBS Issuance By Month



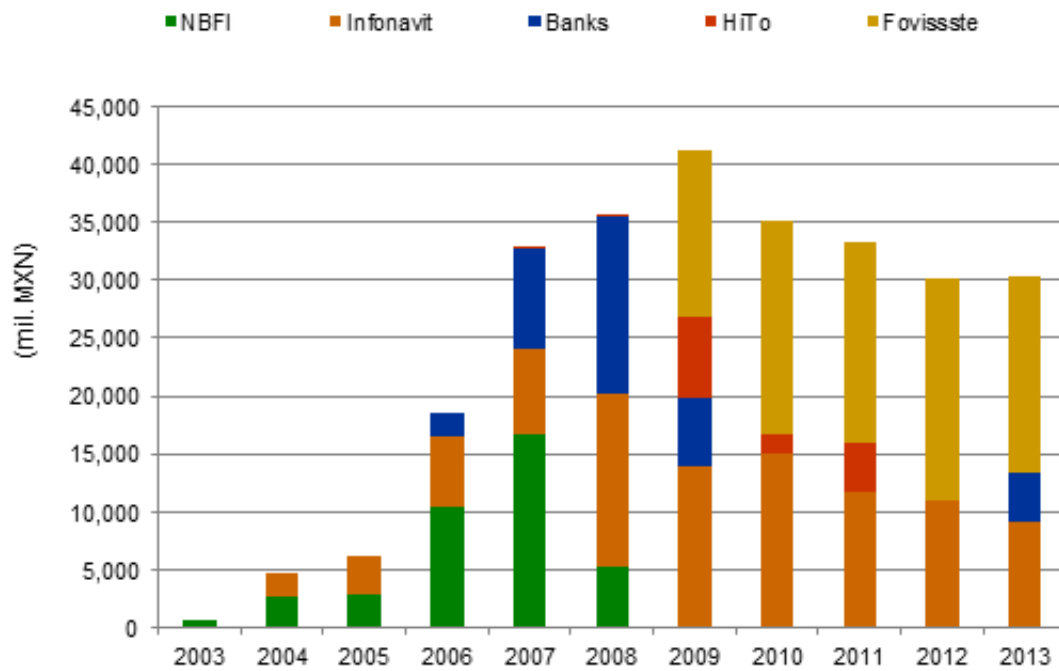
Source: Standard & Poor's.

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Infonavit and Fovissste placed two and three transactions, respectively, for 30.1% and 56.1% of the total issuance volume in 2013, while BBVA Bancomer placed the remaining 13.8% through one transaction (see chart 23). We believe that changes in housing market dynamics will continue in the next few years; notably, the federal government's housing plan is now directed towards building higher-quality homes rather than issuing more new loans. This has proven to be crucial in light of the large number of abandoned houses in crime-stricken developments with poor infrastructure, far from urban and work centers.

Chart 23

Annual Issuance By Originator Type



NBFi—Nonbank financial institution. Source: Standard & Poor's.
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Another important change going forward is that a large portion of new loans by Infonavit and Fovissste will now be targeted towards home improvement instead of new house acquisition. Finally, loans to purchase previously occupied homes will gain importance as families grow and the federal government tries to tackle the number of abandoned houses.

Rating Actions In The Second Half Of 2013

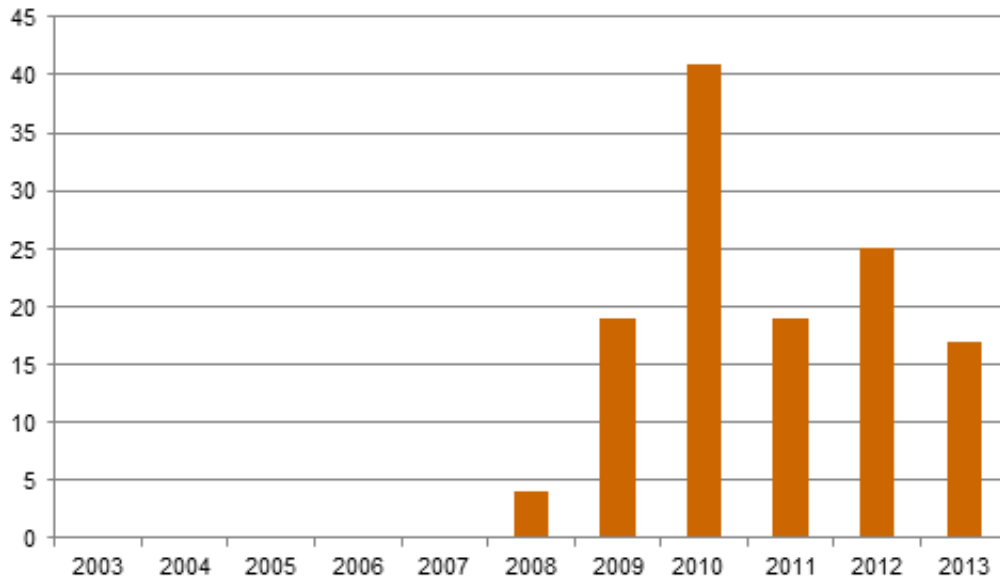
During the second half of 2013, we affirmed 11 classes, downgraded six classes (including one repeated default from the first half of 2013) and upgraded one class. The full-year number of downgrades on Standard & Poor's-rated transactions decreased to 17 from 25 in 2012 (see chart 24), and defaults also decreased to just one class in 2013 from 11 the year before. The downgrades mostly reflected operational risks induced by a legal proceeding against one of the largest NBFi servicers (Metrofinanciera), which was subsequently cured in August 2013. Generally, downgrades were caused by the continued weak performance and low recoveries of the underlying collateral of many NBFi deals plus two bank classes by HSBC Mexico (see tables 2 and 3 for a list of the classes lowered and raised in second-half 2013).

We believe that disruptions associated with some primary servicer replacements in several NBFi transactions continue to be cured slowly; however, ratings on these classes will remain under pressure as recovery timings remain high and the proceeds low.

In the first half of 2014, we expect some downgrades as we perform our periodic surveillance on many rated transactions that have continued to underperform, mainly from NBFis. Nevertheless, we expect the number of defaulted classes on Standard & Poor's-rated deals will again be low this year.

Chart 24

Classes Lowered By Year



Source: Standard & Poor's.

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Table 2

Mexican RMBS Downgrades In The Second Half Of 2013

Issuer	Class	Rating		Rating action completed
		To	From	
Hipotecaria Credito y Casa - Bursatilizaciones de Hipotecas Residenciales	CREYCCB 06U	mxBB (sf)	mxBBB- (sf)	July 2013
HSBC Mexico - Bursatilizaciones de Hipotecas Residenciales	HSBCB 07-3	mxA (sf)	mxAA- (sf)	August 2013
HSBC Mexico - Bursatilizaciones de Hipotecas Residenciales	HSBCB 07-4	mxCC (sf)	mxCCC (sf)	August 2013
Hipotecaria Su Casita - Residential Mortgage Backed Notes	Class B	D (sf)	mxCC (sf)	September 2013
Metrofinanciera - Bursatilizaciones de Hipotecas Residenciales	METROCB 05U	mxA (sf)	mxA+ (sf)/Watch Neg	October 2013
Metrofinanciera - Bursatilizaciones de Hipotecas Residenciales	MFCB 05U	mxBBB- (sf)	mxBBB+ (sf)/Watch Neg	October 2013

Table 3

Mexican RMBS Upgrades In The Second Half Of 2013

Issuer	Class	Rating		Rating action completed
		To	From	
Patrimonio - Bursatilizaciones de Hipotecas Residenciales	PATRICB 07	mxAA+ (sf)	mxAA (sf)	July 2013

Related Criteria And Research

Related Criteria

- [Methodology And Assumptions: Rating Mexican Residential Mortgage-Backed Securities](#), June 7, 2012
- [Methodology And Assumptions For Primary Mortgage Insurance In Mexican RMBS](#), June 17, 2010
- [Methodology: The Interaction Of Bond Insurance And Credit Ratings](#), Aug. 24, 2009

Related Research

- [New Structured Finance Opportunities Will Push The Boundaries For Securitization Across Latin America In 2014](#), Jan. 30, 2014
- [Credit Conditions: Growth In Latin America Expected To Pick Up In 2014 Amid Continuing Financial Market Volatility](#), Dec. 13, 2013
- [Mexican RMBS Index: Mexico's Slowing Economy May Threaten Its RMBS Market's Recent Recovery](#), Aug. 26, 2013
- [Sustained Economic Recovery Supports Stabilization Of The Mexican RMBS Market In 2013](#), Feb. 20, 2013
- [Structured Finance Securitizations Are Expected To Increase And Diversify Across Emerging Markets In 2013](#), Jan. 11, 2013
- [The Challenges Of Stepping In As A Substitute Servicer In The Mexican RMBS Market](#), Nov. 8, 2012
- [Mexico's Mortgage Loan Modification Programs Fall Short of Expectations, But Do Yield Some Benefits](#), Nov. 30, 2011
- [Overview Of Standard & Poor's Mexican RMBS Index](#), Oct. 8, 2007

Appendix A: Transactions Included In Standard & Poor's Mexican RMBS Index

Appendix A

Transactions Included In Standard & Poor's Mexican RMBS Index

Credit institution	Issuer	Class	Rating as of Feb. 18, 2014
Banorte			
	Banorte - Bursatilizaciones de Hipotecas Residenciales	BNORCB 06	mxAAA (sf)
		BNORCB 06-2	mxAA (sf)
BBVA Bancomer			
	BBVA BANCOMER - Bursatilizaciones de Hipotecas Residenciales	BACOMCB 07	mxAAA (sf)
		BACOMCB 08	mxAAA (sf)
		BACOMCB 08U	NR
		BACOMCB 08-2U	mxAAA (sf)
		BACOMCB 08-2	mxAAA (sf)
		BACOMCB 09	NR
		BACOMCB 09-2	NR
		BACOMCB 09-3	mxAAA (sf)
		BMERCB 13	mxAAA (sf)
Fincasa Hipotecaria			
	Fincasa - Bursatilizaciones de Hipotecas Residenciales	FCASACB 06U	mxAA+ (sf)
Fovissste			
	FOVISSSTE - Bursatilizaciones de Hipotecas Residenciales	TFOVIS 09U	mxAAA (sf)
		TFOVIS 09-2U	mxAAA (sf)

TFOVIS 09-3U	mxAAA (sf)
TFOVIS 10U	mxAAA (sf)
TFOVIS 10-2U	mxAAA (sf)
TFOVIS 10-3U	mxAAA (sf)
TFOVIS 10-4U	mxAAA (sf)
TFOVIS 11U	mxAAA (sf)
TFOVIS 11-2U	mxAAA (sf)
TFOVIS 11-3U	mxAAA (sf)
TFOVIS 12U	mxAAA (sf)
TFOVIS 12-2U	mxAAA (sf)
TFOVIS 12-3U	mxAAA (sf)
TFOVIS 12-4U	mxAAA (sf)
TFOVIS 13U	mxAAA (sf)
TFOVIS 13-2U	mxAAA (sf)
TFOVIS 13-3U	mxAAA (sf)

Proyectos Adamantine

GMAC Financiera - Bursatilizaciones de Hipotecas Residenciales	MXMACCB 04U	NR
	MXMACCB 05U	NR
	MXMACCB 05-2U	NR
	MXMACCB 06U	NR
	MXMACFW 06U	NR
	MXMACFW 06-2U	NR
	MXMACFW 07U	NR
	MXMACFW 07-2U	NR
GMAC Financiera - Bursatilizaciones de Hipotecas Residenciales II	MXMACFW 07-3U	NR
	MXMACFW 07-4U	NR
	MXMACFW 07-5U	NR
	MXMACFW 07-6U	NR

Hipotecaria Credito y Casa

Hipotecaria Credito y Casa - Bursatilizaciones de Hipotecas Residenciales	CREYCCB 06U	mxBB (sf)
	CREYCB 06U	D (sf)
	CREYCB 06-2U	D (sf)

Hipotecaria Su Casita and Proyectos Adamantine

Hipotecaria Su Casita - Bursatilizaciones de Hipotecas Residenciales	BRHCGCB 03U	mxAA (sf)
	BRHCGCB 04U	mxAAA (sf)

Hipotecaria Su Casita

Hipotecaria Su Casita - Bursatilizaciones de Hipotecas Residenciales	BRHSCCB 05U	NR
	BRHSCCB 06U	NR
	BRHSCCB 06-2U	NR
	BRHSCCB 06-3U	mxB+ (sf)
	BRHSCCB 06-4U	mxB (sf)
	BRHSCCB 06-5U	mxAA (sf)

	BRHSCCB 06-6U	mxBBB+(sf)
	BRHSCCB 06	NR
Hipotecaria Su Casita - Bursatilizaciones de Hipotecas Residenciales II	BRHSCCB 06-2	mxAAA (sf)
	BRHSCCB 06-3	mxA (sf)
	BRHSCCB 07	mxAAA (sf)
	BRHSCCB 07-2	mxA (sf)
Hipotecaria Su Casita - Bursatilizaciones de Hipotecas Residenciales III	BRHCCB 07U	NR
	BRHCCB 07-2U	B (sf) / mxBB+ (sf)
	BRHCCB 07-3U	D (sf)
	BRHCCB 07	NR
	BRHCCB 07-2	mxAAA (sf)
	BRHCCB 07-3	mxBBB (sf)
	BRHCCB 08U	D (sf)
	BRHCCB 08-2U	D (sf)
	BRHCCB 08-3U	D (sf)
	BRHCCB 08-4U	mxBB- (sf)
	BRHCCB 08-5U	mxBB- (sf)
Hipotecaria Su Casita - Residential Mortgage Backed Notes	Residential mortgage-backed notes due 2035 (Class A)	B (sf)
	Class B	D (sf)
HiTo		
HITO - GMAC Macrocredhito	BONHITO F5539	mxBB- (sf)
HITO – MXN Macrocredhito	BONHITO F1039	mxAA- (sf)
HITO – FOVISSSTE Macrocredhito	FOVIHIT 09U	mxAAA (sf)
HITOTAL Bursatilizaciones de Hipotecas Residenciales	HITOTAL 10U	mxAAA (sf)
	Cert Sub	mxAA (sf)
HSBC Mexico		
HSBC Mexico- Bursatilizaciones de Hipotecas Residenciales	HSBCCB 07	mxAAA (sf)
	HSBCCB 07-2	mxA (sf)
	HSBCCB 07-3	mxA (sf)
	HSBCCB 07-4	mxCC (sf)
	HSBCCB 08	NR
	HSBCCB 08-2	mxAAA (sf)
Infonavit		
Infonavit - Bursatilizaciones de Hipotecas Residenciales	CEDEVIS 04	NR
	CEDEVIS 04U	mxAAA (sf)
	CEDEVIS 05U	mxAAA (sf)
	CEDEVIS 05-2U	mxAAA (sf)
	CEDEVIS 05-3U	mxAAA (sf)
	CEDEVIS 06U	mxAAA (sf)
	CEDEVIS 06-2U	mxAAA (sf)
	CEDEVIS 06-3U	mxAAA (sf)

CEDEVIS 06-4U	mxAAA (sf)
CEDEVIS 07U	mxAAA (sf)
CEDEVIS 07-2U	mxAAA (sf)
CEDEVIS 07-3U	mxAAA (sf)
CEDEVIS 08U	NR
CEDEVIS 08-2U	mxAAA (sf)
Const Pref	mxAA+ (sf)
CEDEVIS 08-3U	mxAAA (sf)
CEDEVIS 08-4U	mxAAA (sf)
Const Pref	mxAA+ (sf)
CEDEVIS 08-5U	mxAAA (sf)
CEDEVIS 08-6U	mxAAA (sf)
Const Pref	mxAA+ (sf)
CEDEVIS 08-7U	mxAAA (sf)
CEDEVIS 08-8U	mxAAA (sf)
Const Pref	mxAA+ (sf)
CEDEVIS 08-9U	mxAAA (sf)
CEDEVIS 08-10U	mxAAA (sf)
Const Pref	mxAA+ (sf)
CEDEVIS 09U	mxAAA (sf)
Const Pref	mxAA+ (sf)
CEDEVIS 09-2U	mxAAA (sf)
Const Pref	mxAA+ (sf)
CEDEVIS 09-3U	mxAAA (sf)
Const Pref	mxAA+ (sf)
CEDEVIS 09-4U	mxAAA (sf)
Const Pref	mxAA+ (sf)
CEDEVIS 09-5U	mxAAA (sf)
Const Pref	mxAA+ (sf)
CEDEVIS 10U	mxAAA (sf)
CEDEVIS 10-2U	mxAAA (sf)
Const Pref	mxAA+ (sf)
CEDEVIS 10-3U	mxAAA (sf)
CEDEVIS 10-4U	mxAAA (sf)
Const Pref	mxAA+ (sf)
CEDEVIS 10-5U	mxAAA (sf)
Const Pref	mxAA+ (sf)
CEDEVIS 10-6U	mxAAA (sf)
Const Pref	mxAA+ (sf)
CEDEVIS 11U	mxAAA (sf)
Const Pref	mxAA+ (sf)
CEDEVIS 11-2U	mxAAA (sf)
Const Pref	mxAA+ (sf)
CEDEVIS 12U	mxAAA (sf)
CEDEVIS 13U	NR
Const Pref	mxAA+ (sf)

Infonavit Total - Bursatilizacion de Hipotecas Residenciales	CDVITOT 11U	mxAAA (sf)	
	CDVITOT 11-2U	mxAA+ (sf)	
	Const Pref	mxAA+ (sf)	
	CDVITOT 11-3U	mxAAA (sf)	
	Const Pref	mxAA+ (sf)	
	CDVITOT 12U	mxAAA (sf)	
	Const Pref	mxAA+ (sf)	
	CDVITOT 12-2U	mxAAA (sf)	
	Const Pref	mxAA+ (sf)	
	CDVITOT 13U	mxAAA (sf)	
	CDVITOT 13-2U	mxAA+ (sf)	
	Const Pref	mxAA+ (sf)	
	ING Hipotecaria		
	ING Hipotecaria - Bursatilizaciones de Hipotecas Residenciales	HICOACB 06U	mxAAA (sf)
	HICOACB 06-2U	mxA (sf)	
Metrofinanciera			
Metrofinanciera - Bursatilizaciones de Hipotecas Residenciales I	METROCB 04U	mxAA (sf)	
	METROCB 05U	mxA (sf)	
	MFCB 05U	mxBBB- (sf)	
	METROCB 06U	mxB- (sf)	
Metrofinanciera - Bursatilizaciones de Hipotecas Residenciales II	MTROCB 07U	CCC (sf)/mxB- (sf)	
	MTROCB 08U	CCC+ (sf)/mxB (sf)	
	MTROFCB 08	mxAA (sf)	
Patrimonio			
Patrimonio - Bursatilizaciones de Hipotecas Residenciales	PATRICB 06U	BBB- (sf)/mxAA- (sf)	
	PATRICB 07U	BB (sf)/mxA (sf)	
	PATRICB 07	BBB (sf)/mxAA+ (sf)	
	PATRICB 07-2	mxA (sf)	
Scotiabank Inverlat			
Scotiabank Inverlat Bursatilizaciones de Hipotecas Residenciales	SCOTICB 08	mxAAA (sf)	

RMBS--Residential mortgage-backed securities. NR--Not rated.

Appendix B: Notes On Methodology

In an effort to provide the market with the most relevant and timely information, Standard & Poor's publishes its Mexican RMBS Index semi-annually. However, because some information may get corrected or restated, and because reports on Infonavit transactions are generated every other month, the data on each published RMBS Index may differ slightly. For example, for Infonavit transactions, we average out every bi-monthly report to generate a monthly estimate. For the last month in the time series, we also repeat the prior month's reported data because the next one will only be available next month.

For HiTo-originated transactions, we include BONHITO F5539 and BONHITO F1039 in the NBF1 sector in all

delinquency, default, and prepayment calculations, and we included FOVIHIT 09U and HITOTAL 10U in the Fovissste and Infonavit sectors, respectively. These classifications reflect the sector of the transactions' underlying collateral.

Standard & Poor's ongoing enhancement of its database used to generate this study could lead to outcomes that differ to some degree from those reported in previous studies. Therefore, each semi-annual Mexican RMBS Index is self-contained and effectively supersedes all previous versions.

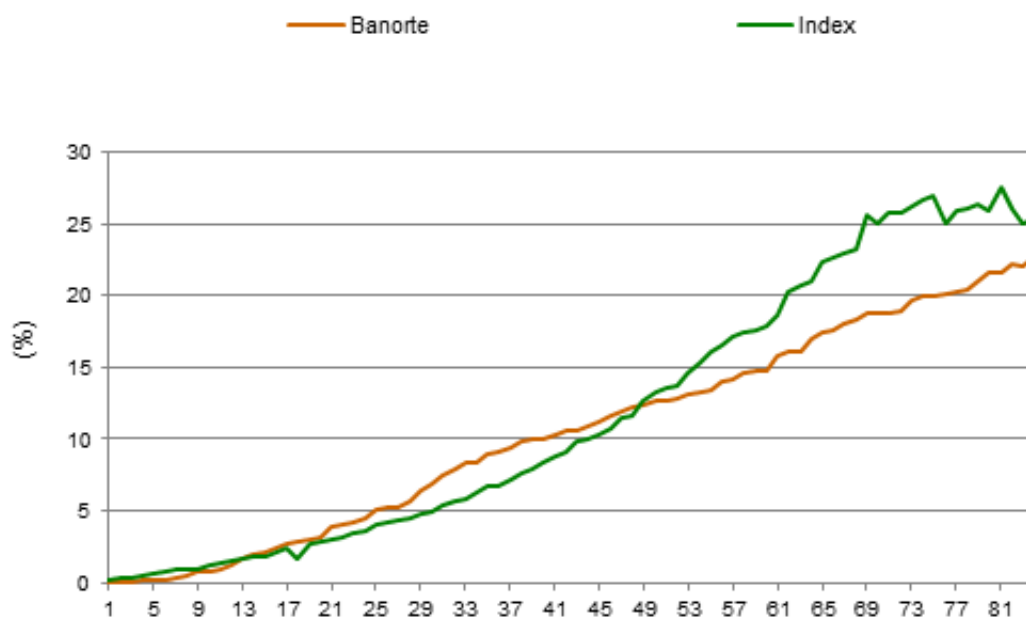
Appendix C: Performance By Originator

In the following charts, we display defaults calculated over OB, prepayment and credit enhancement levels at a deal basis for all originators and the general market (labeled as Index). Defaults and prepayments are displayed on a relative scale basis, while credit protection is displayed on an absolute scale basis.

Appendix C1

Banorte Defaults (More Than 90 Days Late)

Relative time scale



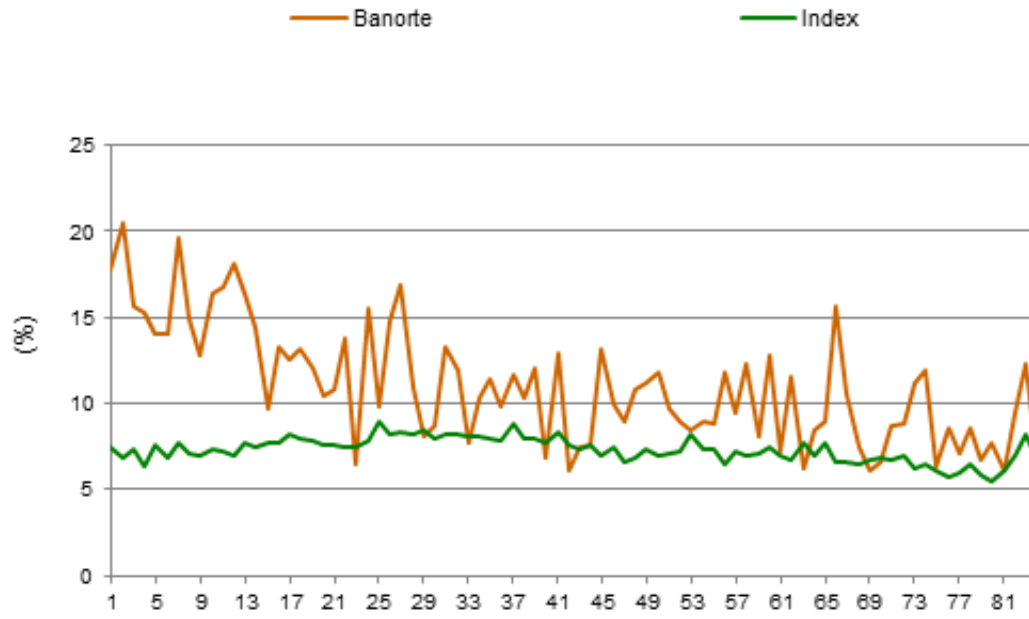
Source: Standard & Poor's.

© Standard & Poor's 2014.

Appendix C2

Banorte Prepayment Rate

Relative time scale

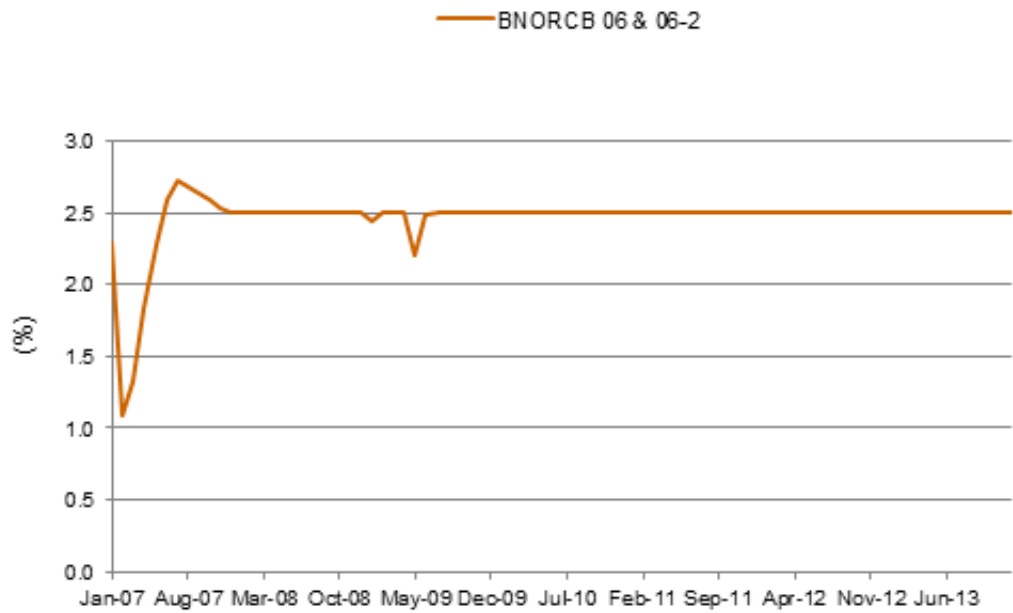


Source: Standard & Poor's.

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Appendix C3

Banorte Overcollateralization
Absolute time scale

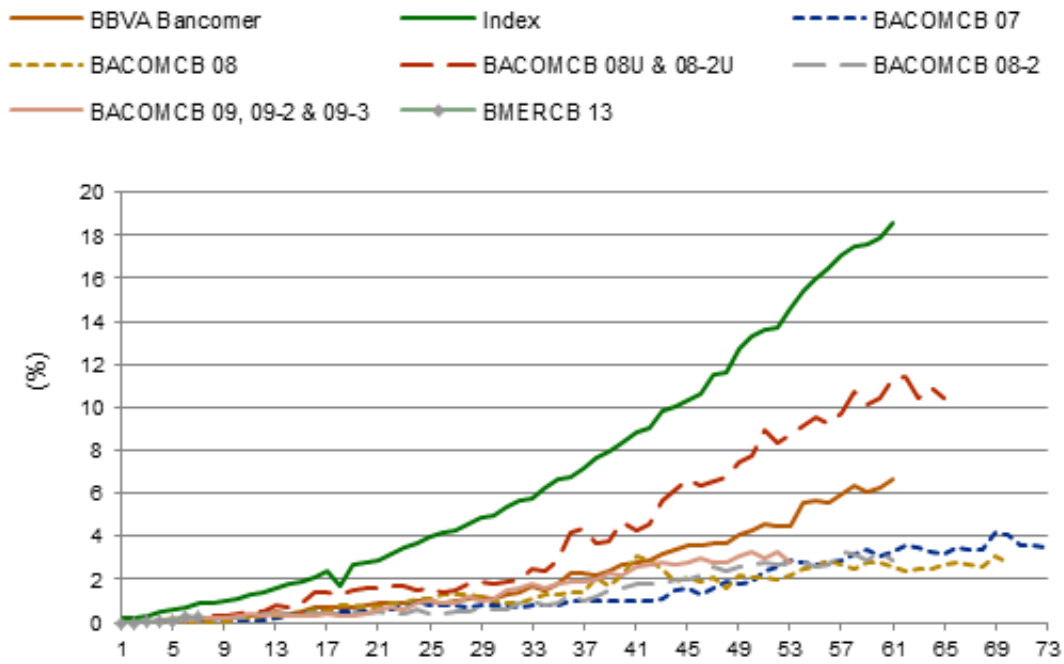


Calculated as: $1 - (\text{liabilities} / \text{current assets})$. Source: Standard & Poor's.
© Standard & Poor's 2014.

Appendix C4

BBVA Bancomer Defaults (More Than 90 Days Late)

Relative time scale



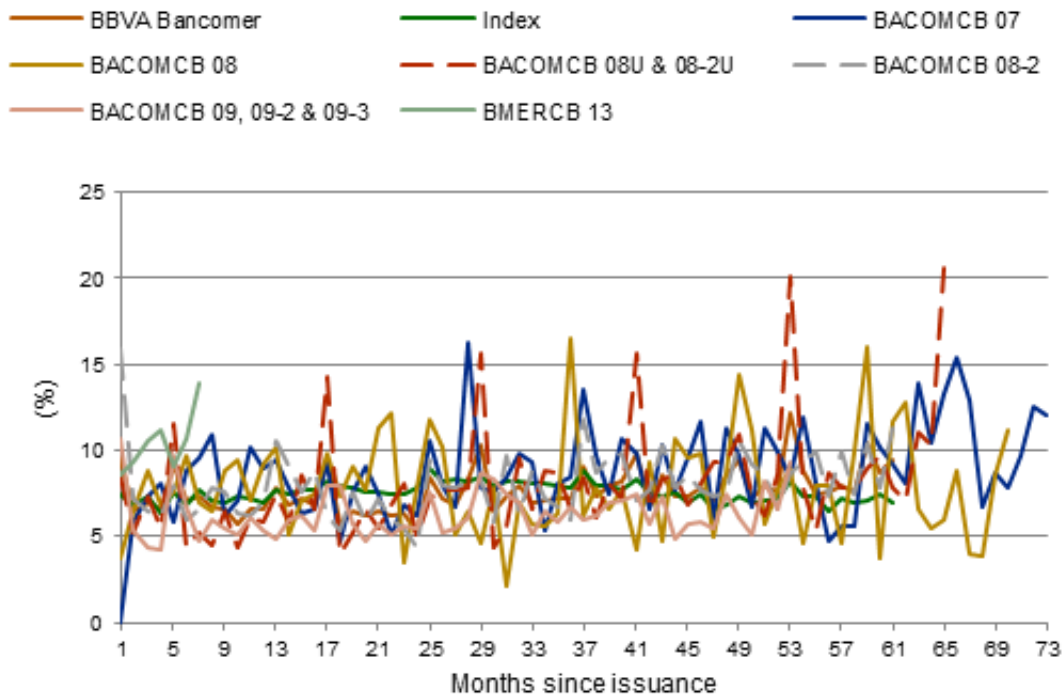
Source: Standard & Poor's.

© Standard & Poor's 2014.

Appendix C5

BBVA Bancomer Prepayment Rate

Relative time scale



Source: Standard & Poor's.

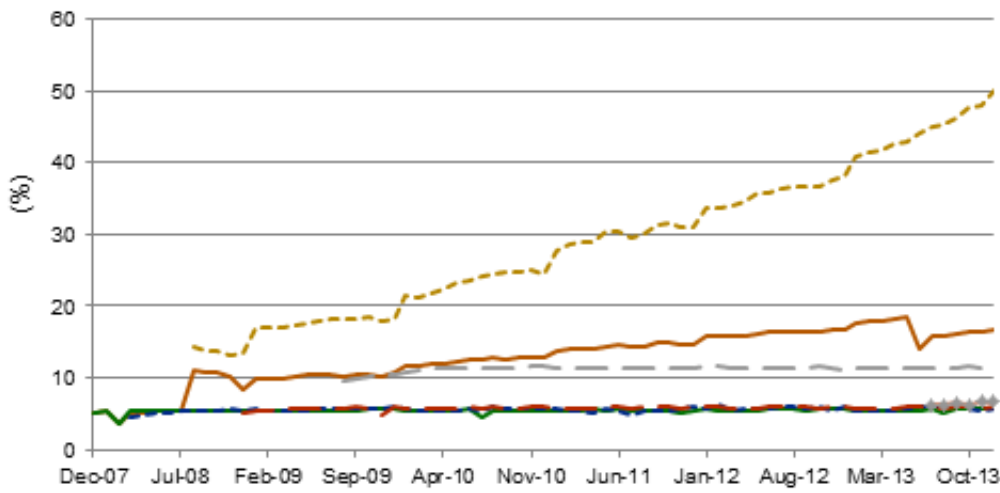
© Standard & Poor's 2014.

Appendix C6

BBVA Bancomer Overcollateralization

Absolute time scale

- BBVA Bancomer
- BACOMCB 07
- BACOMCB 08
- BACOMCB 08U & 08-2U
- BACOMCB 08-2
- BACOMCB 09, 09-2 & 09-3
- BMERCB 13



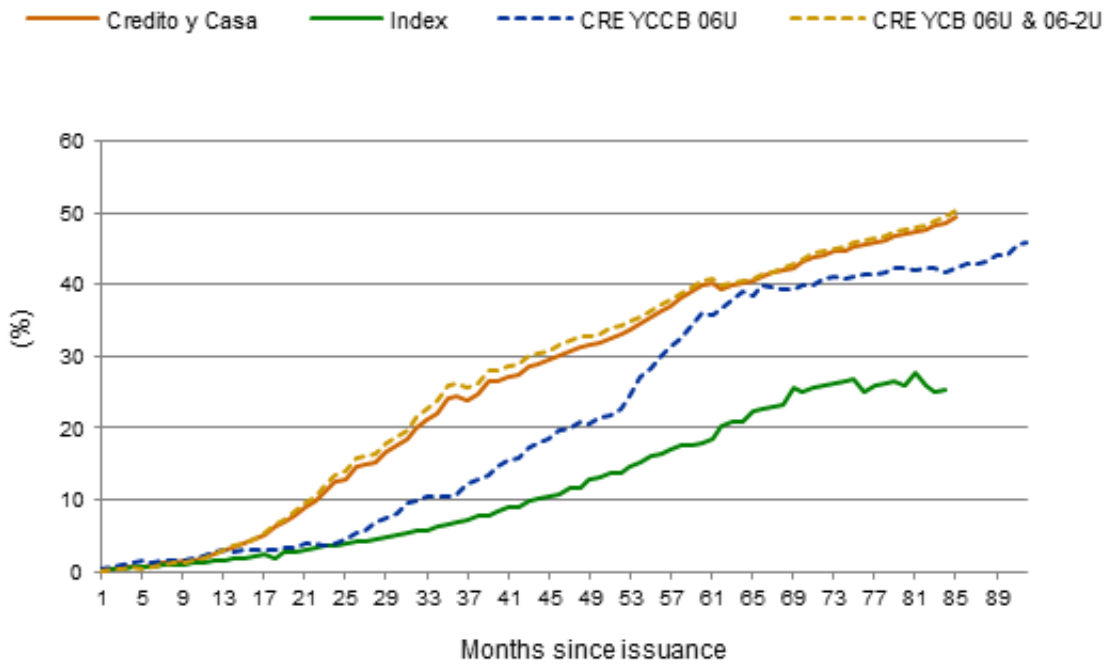
Calculated as: $1 - (\text{liabilities} / \text{current assets})$. Source: Standard & Poor's.

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Appendix C7

Credito y Casa Defaults (More Than 90 Days Late)

Relative time scale

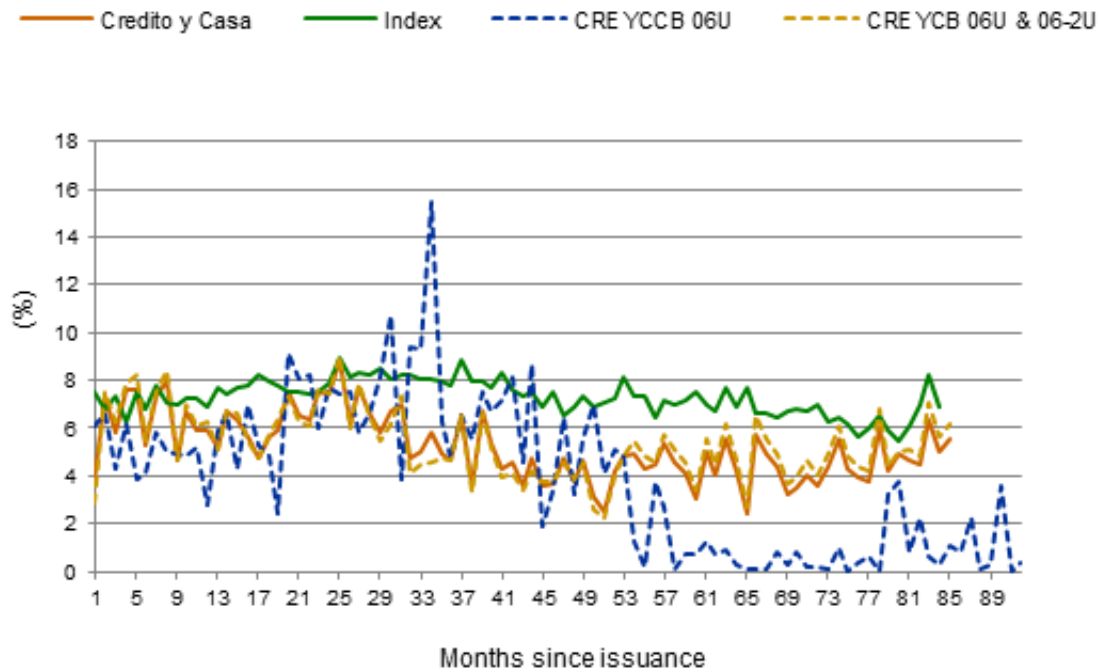


Source: Standard & Poor's.
© Standard & Poor's 2014.

Appendix C8

Credito y Casa Prepayment Rate

Relative time scale

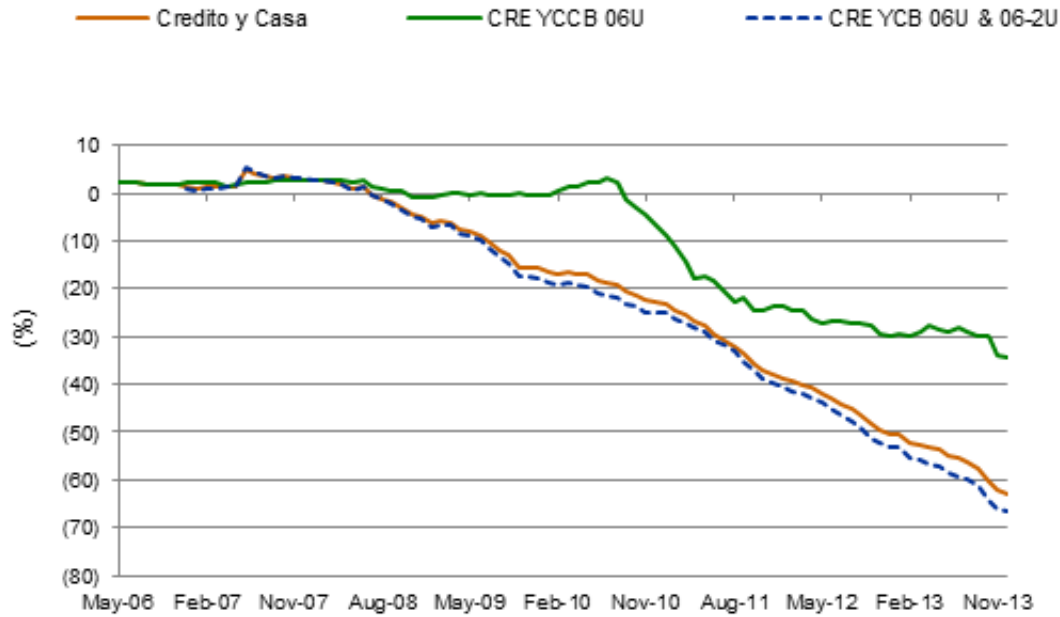


Source: Standard & Poor's.
© Standard & Poor's 2014.

Appendix C9

Credito y Casa Overcollateralization

Absolute time scale



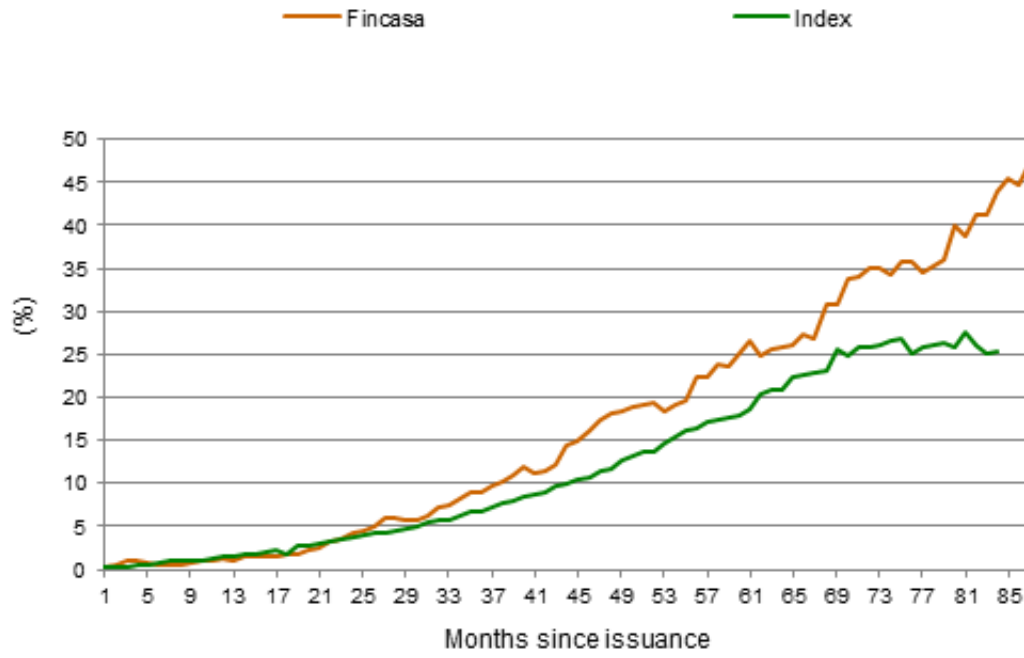
Calculated as: $1 - (\text{liabilities} / \text{current assets})$. Source: Standard & Poor's.

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Appendix C10

Fincasa Defaults (More Than 90 Days Late)

Relative time scale

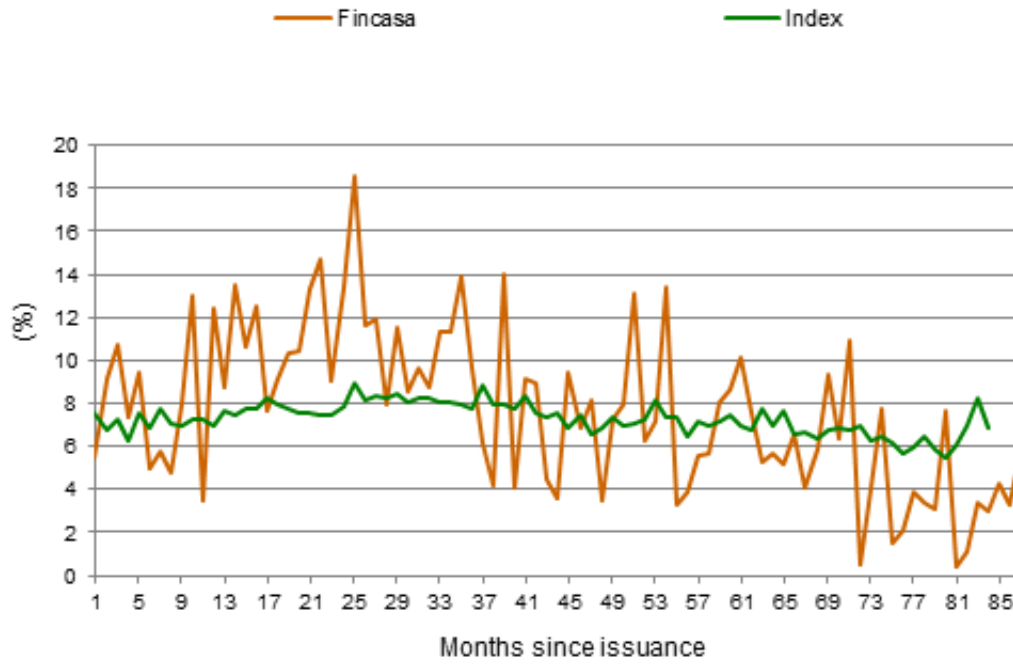


Source: Standard & Poor's
© Standard & Poor's 2014.

Appendix C11

Fincasa Prepayment Rate

Relative time scale

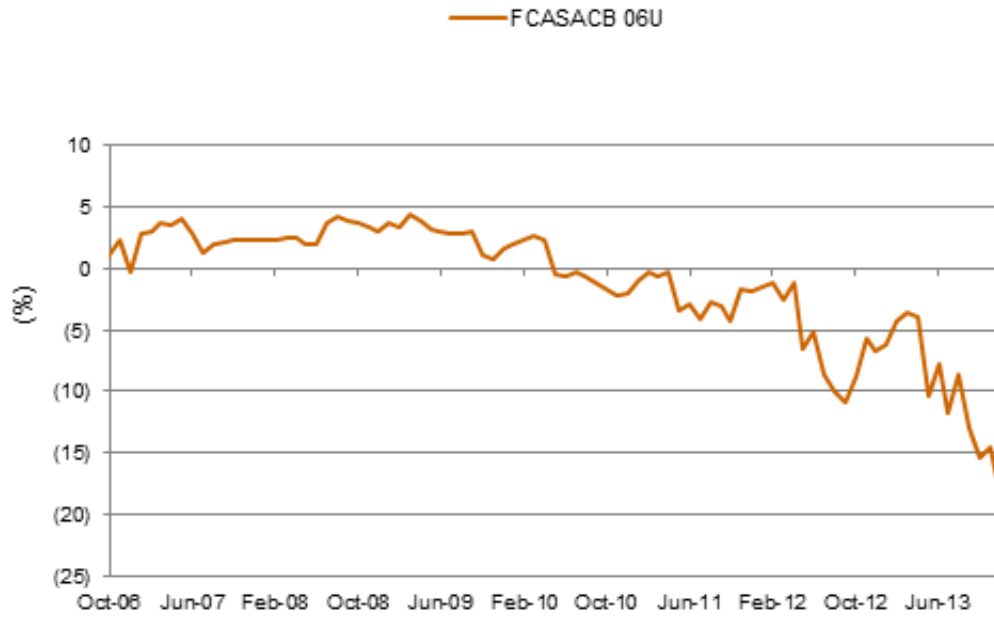


Source: Standard & Poor's.

© Standard & Poor's 2014.

Appendix C12

Fincasa Overcollateralization
Absolute time scale



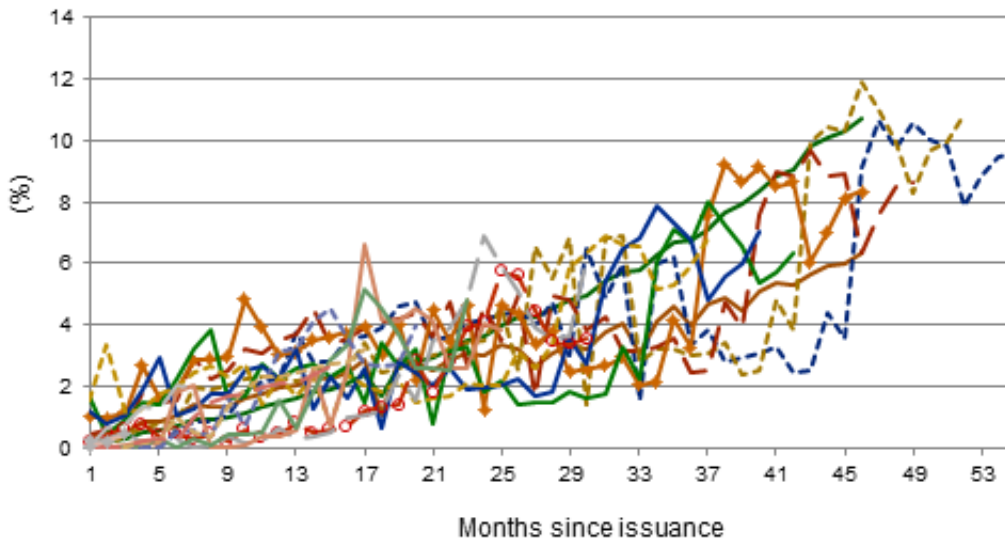
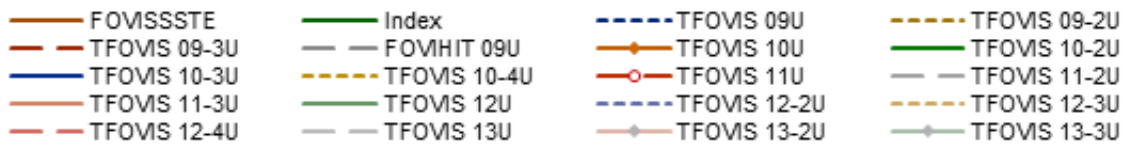
Calculated as: $1 - (\text{liabilities} / \text{current assets})$. Source: Standard & Poor's.

© Standard & Poor's 2014.

Appendix C13

FOVISSSTE Defaults (More Than 90 Days Late)

Relative time scale



Source: Standard & Poor's.

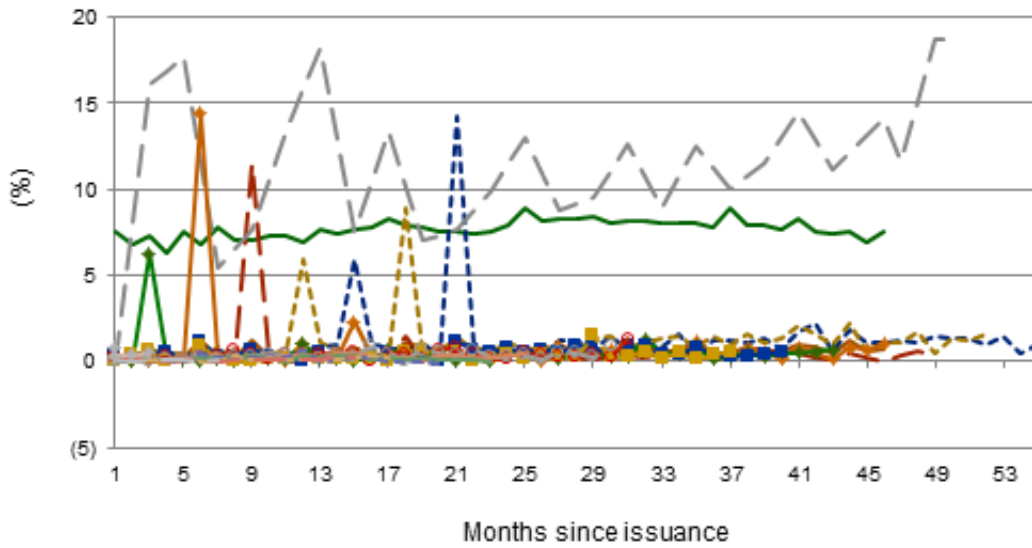
© Standard & Poor's 2014.

Appendix C14

FOVSSSTE Prepayment Rate

Relative time scale

- | | | | |
|-------------------|-------------------|-------------------|-------------------|
| — FOMSSSTE | — Index | - - - TFOVS 09U | - - - TFOVS 09-2U |
| - - - TFOVS 09-3U | - - - FOMHIT 09U | - - - TFOVS 10U | - - - TFOVS 10-2U |
| - - - TFOVS 10-3U | - - - TFOVS 10-4U | - - - TFOVS 11U | - - - TFOVS 11-2U |
| - - - TFOVS 11-3U | - - - TFOVS 12U | - - - TFOVS 12-2U | - - - TFOVS 12-3U |
| - - - TFOVS 12-4U | - - - TFOVS 13U | - - - TFOVS 13-2U | - - - TFOVS 13-3U |

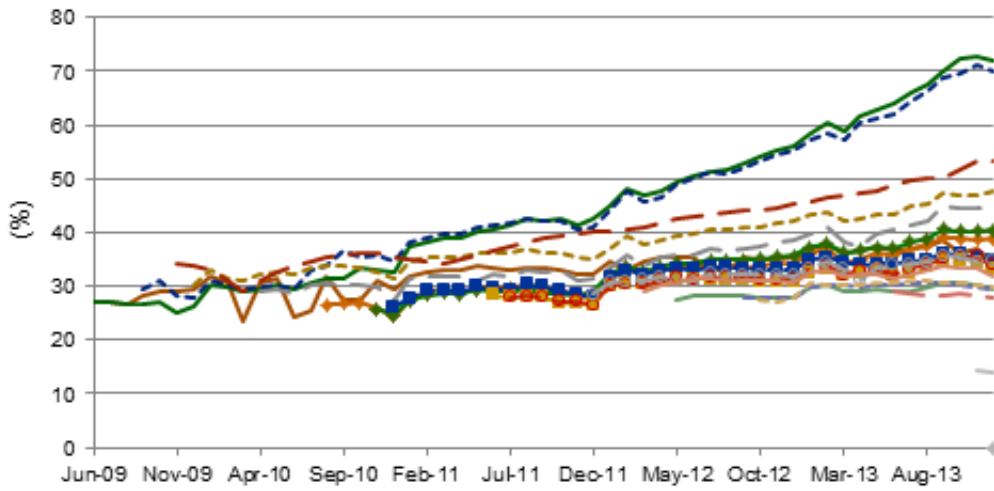
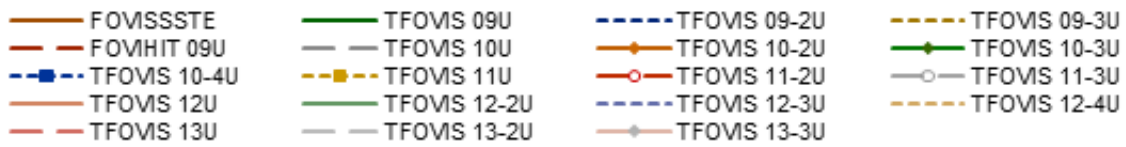


Source: Standard & Poor's.
 © Standard & Poor's 2014.

Appendix C15

FOVSSSTE Overcollateralization

Absolute time scale



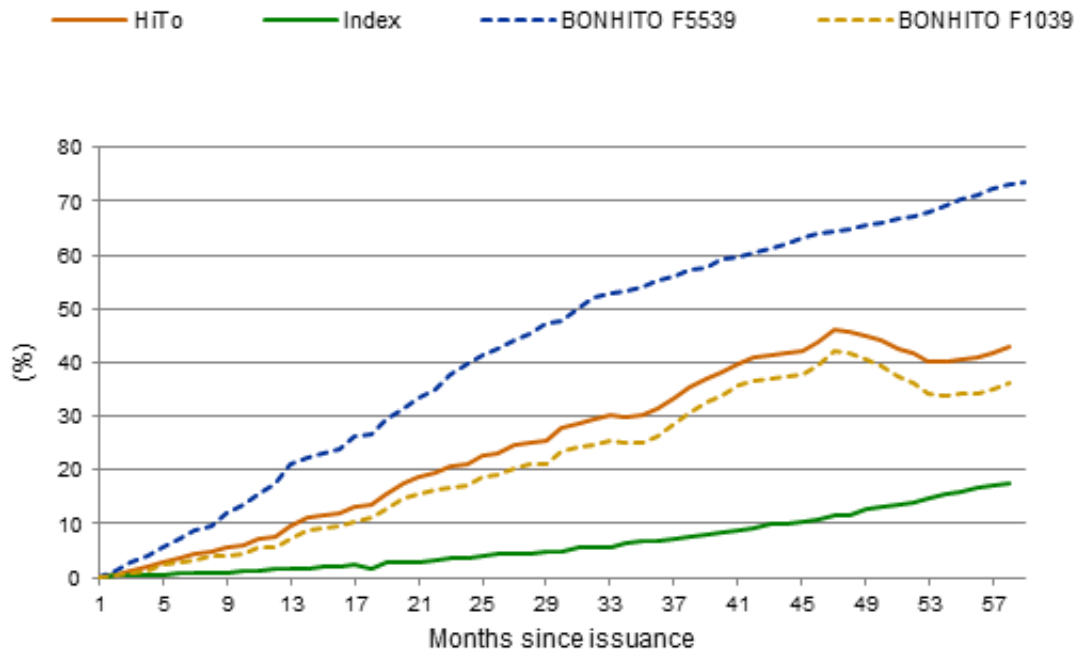
Calculated as: $1 - (\text{liabilities} / \text{current assets})$. Source: Standard & Poor's.

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Appendix C16

Hito Defaults (More Than 90 Days Late)

Relative time scale

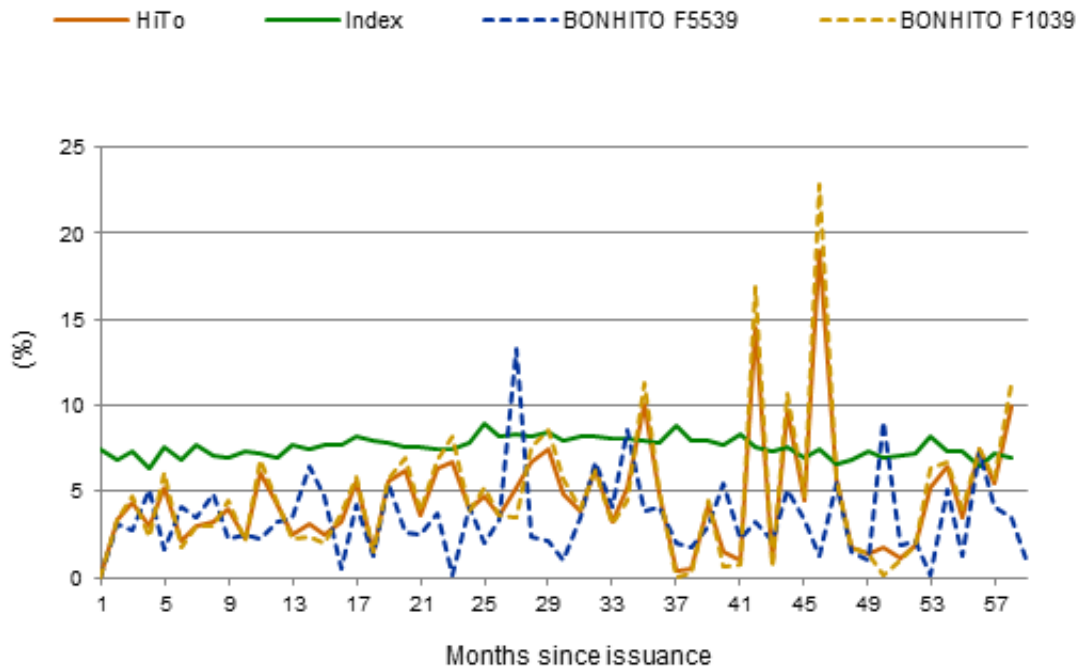


Source: Standard & Poor's.
© Standard & Poor's 2014.

Appendix C17

Hito Prepayment Rate

Relative time scale

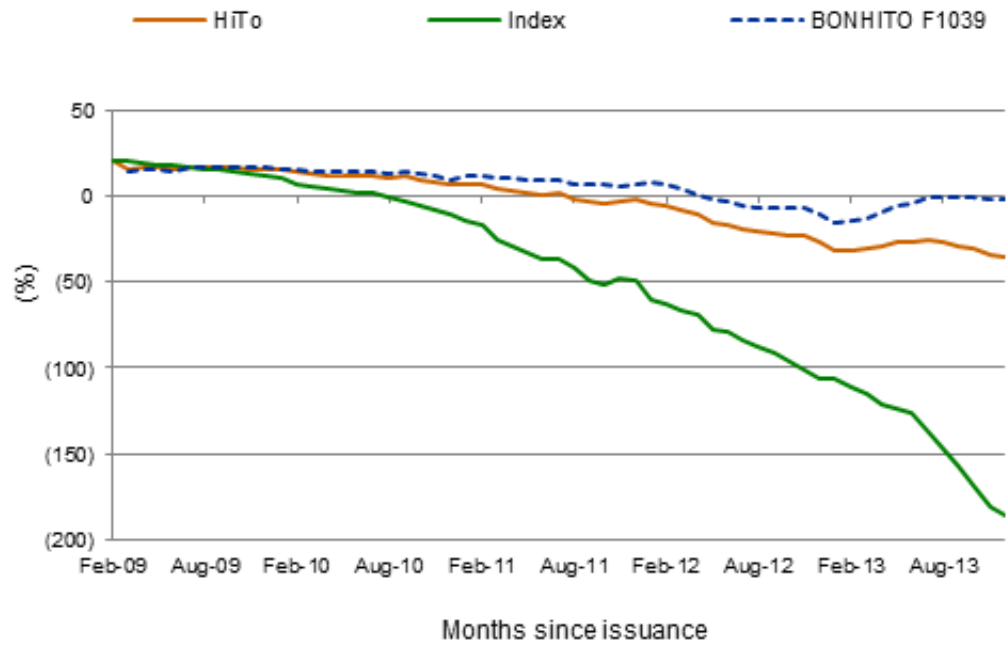


Source: Standard & Poor's.
© Standard & Poor's 2014.

Appendix C18

Hito Overcollateralization

Absolute time scale



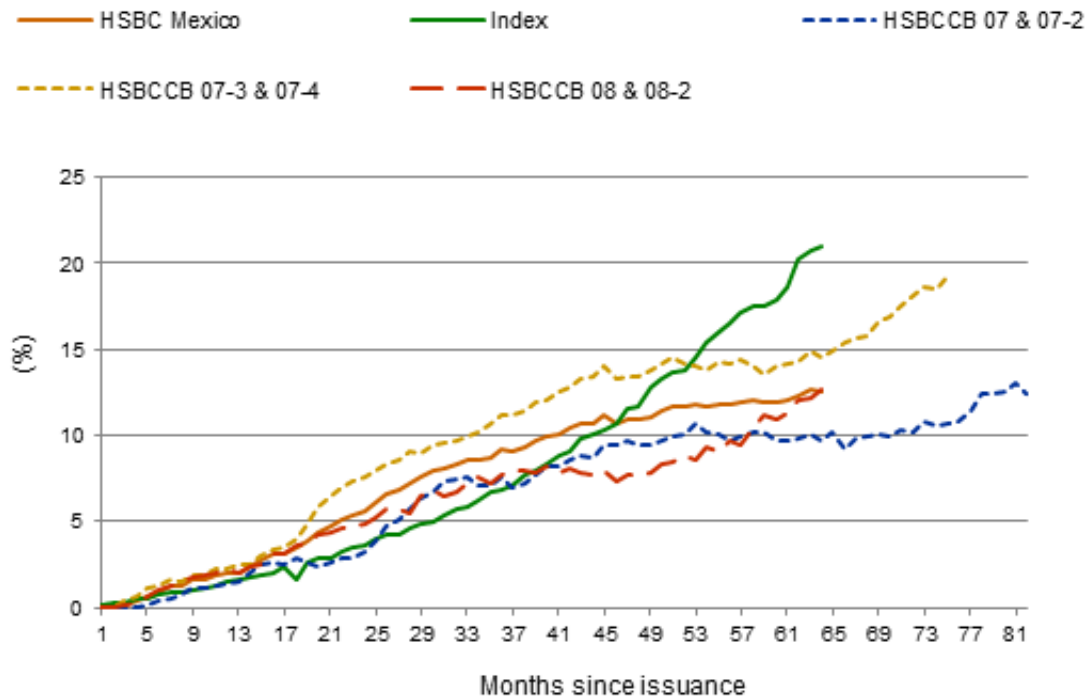
Calculated as: $1 - (\text{liabilities} / \text{current assets})$. Source: Standard & Poor's.

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Appendix C19

HSBC Defaults (More Than 90 Days Late)

Relative time scale



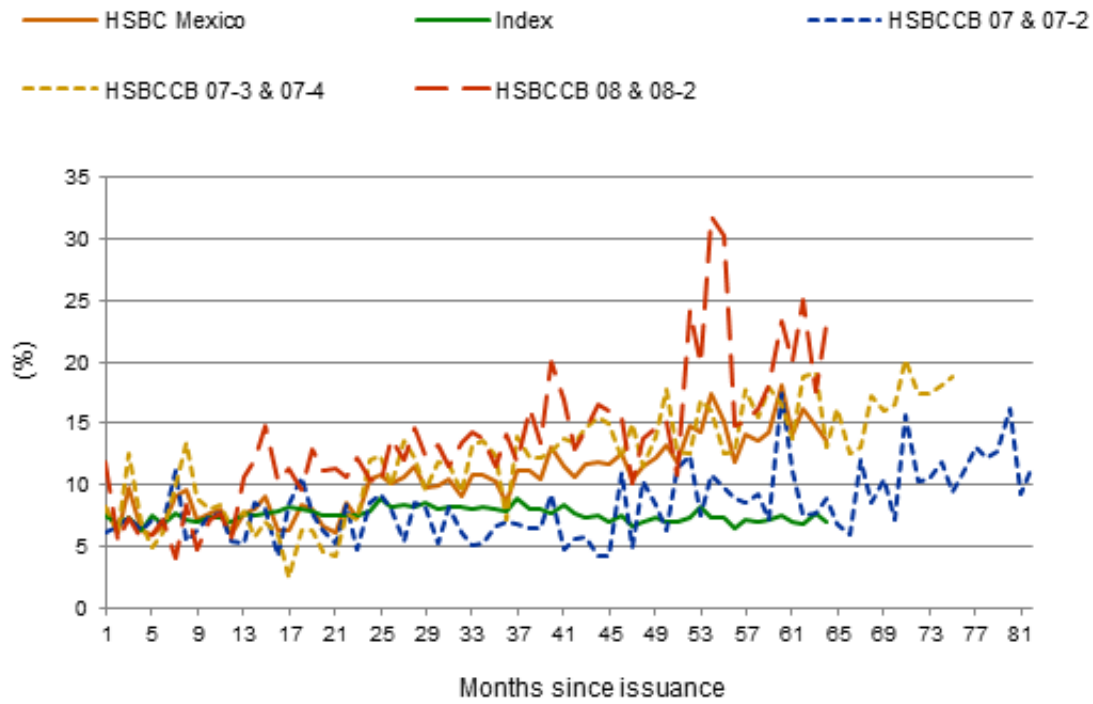
Source: Standard & Poor's.

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Appendix C20

HSBC Prepayment Rate

Relative time scale



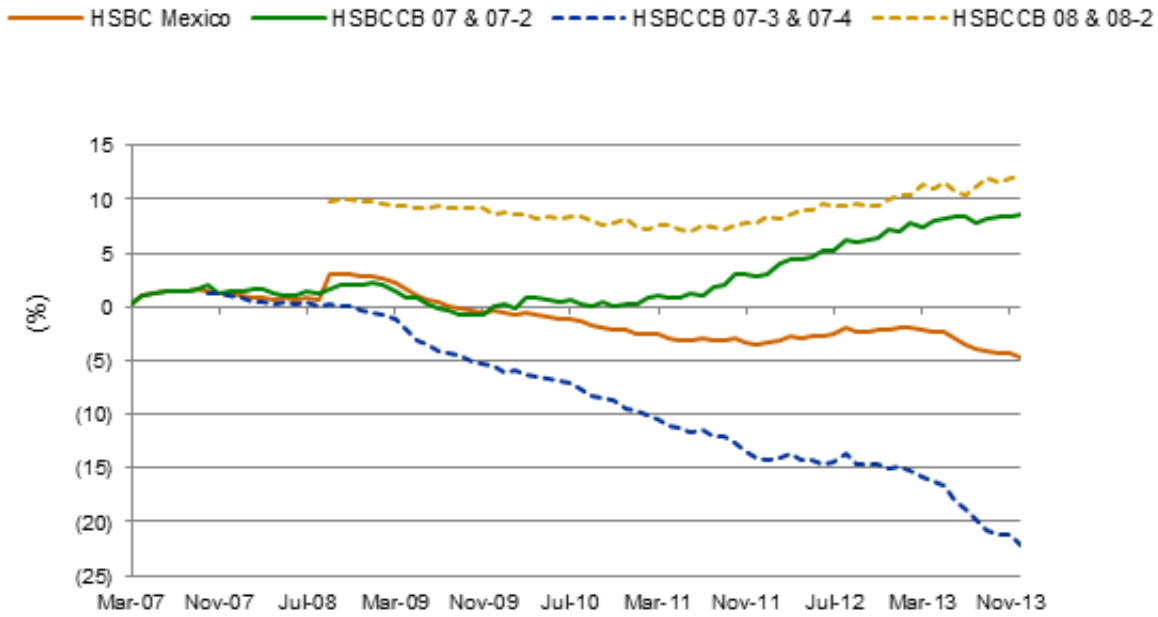
Source: Standard & Poor's.

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Appendix C21

HSBC Overcollateralization

Absolute time scale



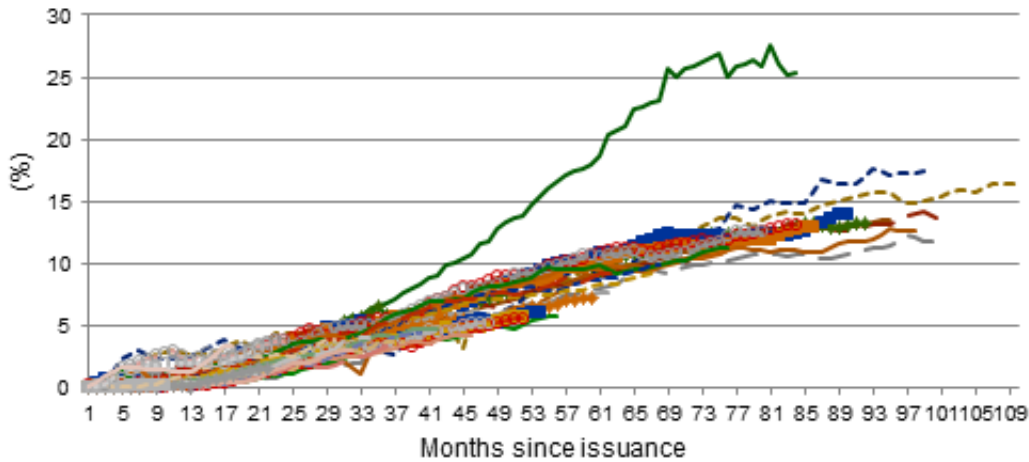
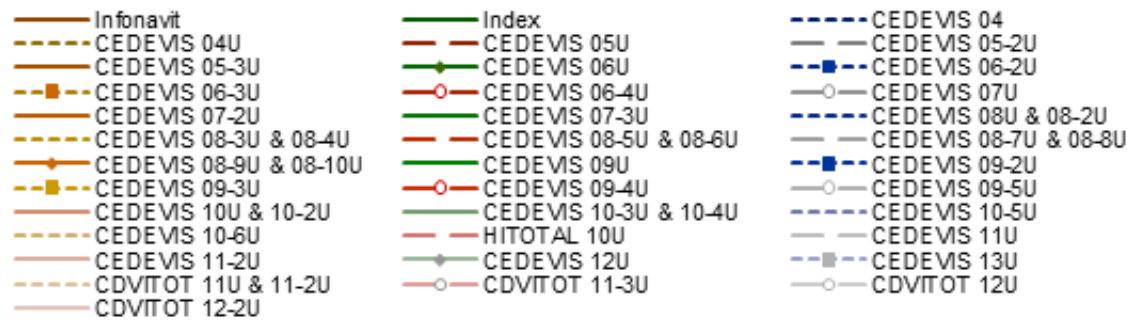
Calculated as: $1 - (\text{liabilities} / \text{current assets})$. Source: Standard & Poor's.

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Appendix C22

Infonavit Defaults (More Than 90 Days Late)

Relative time scale



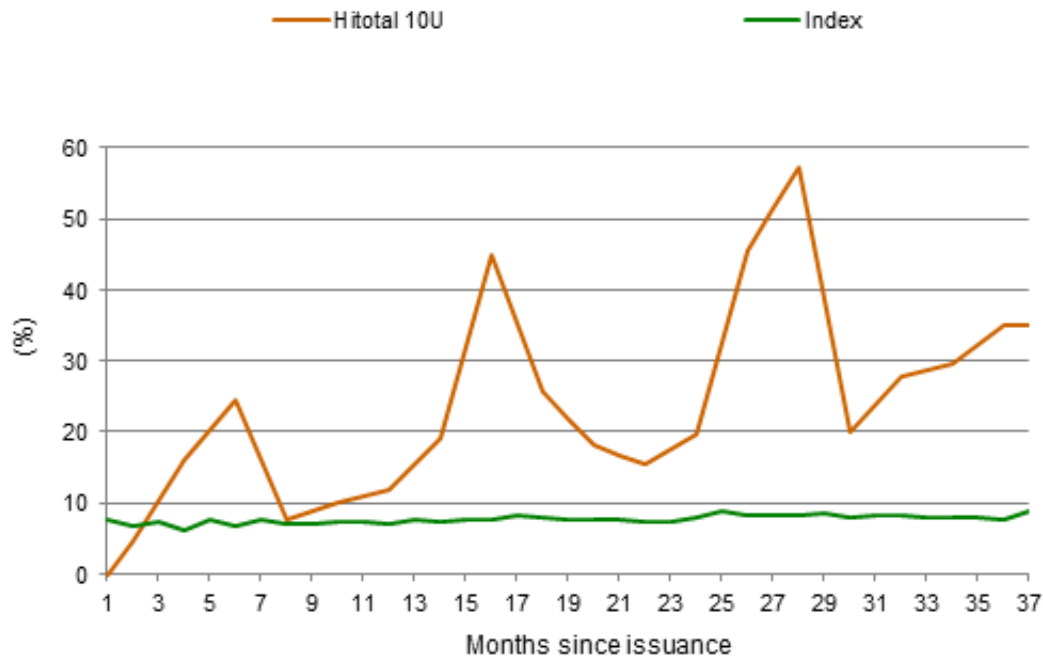
Source: Standard & Poor's.

© Standard & Poor's 2014.

Appendix C23

Infonavit Prepayment Rate

Relative time scale



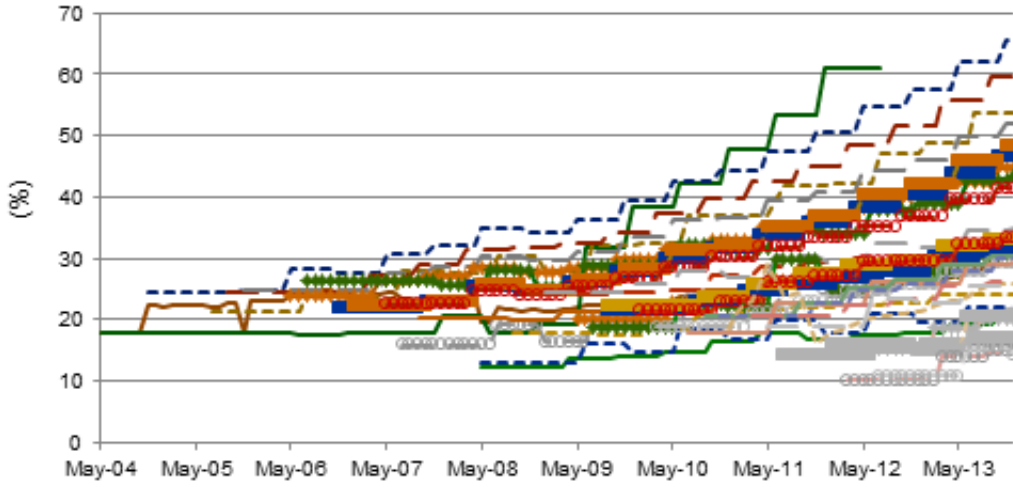
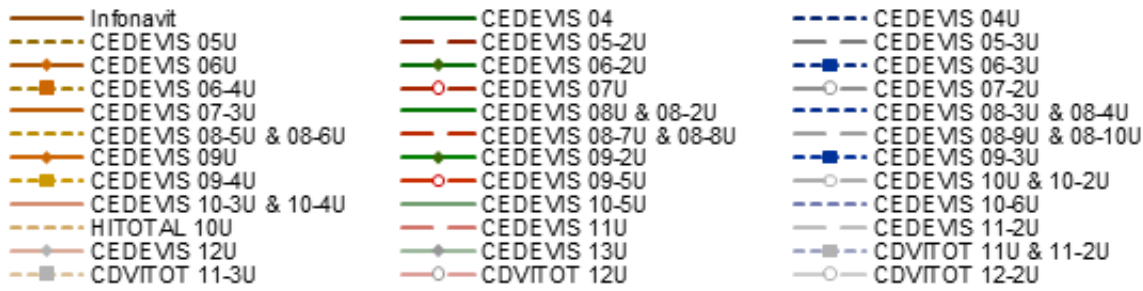
Source: Standard & Poor's.

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Appendix C24

Infonavit Overcollateralization

Absolute time scale



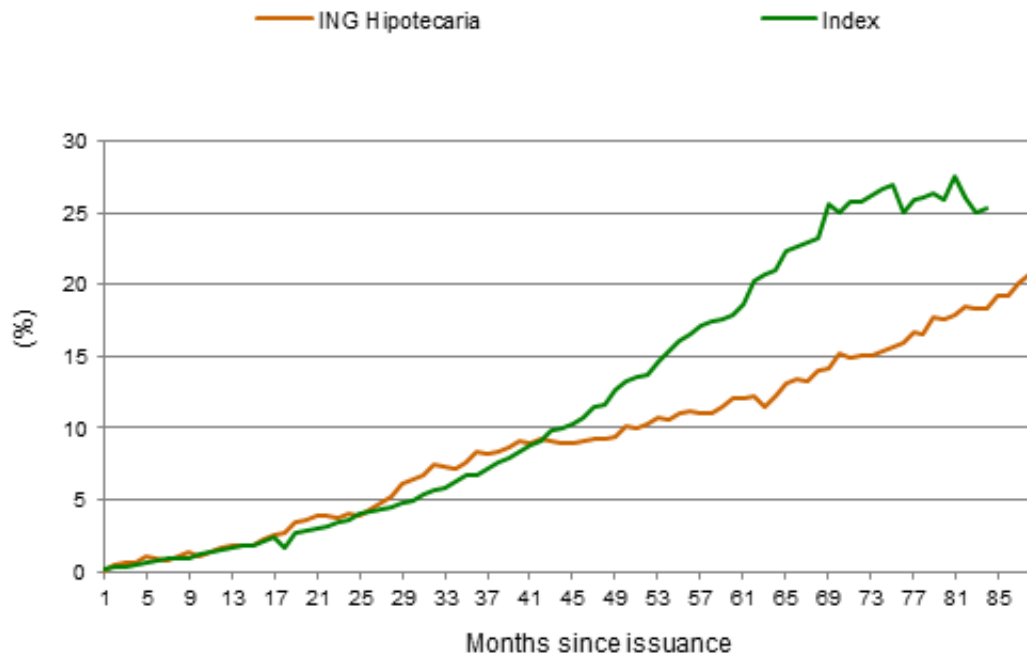
Calculated as: $1 - (\text{liabilities} / \text{current assets})$. Source: Standard & Poor's.

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Appendix C25

ING Hipotecaria Defaults (More Than 90 Days Late)

Relative time scale



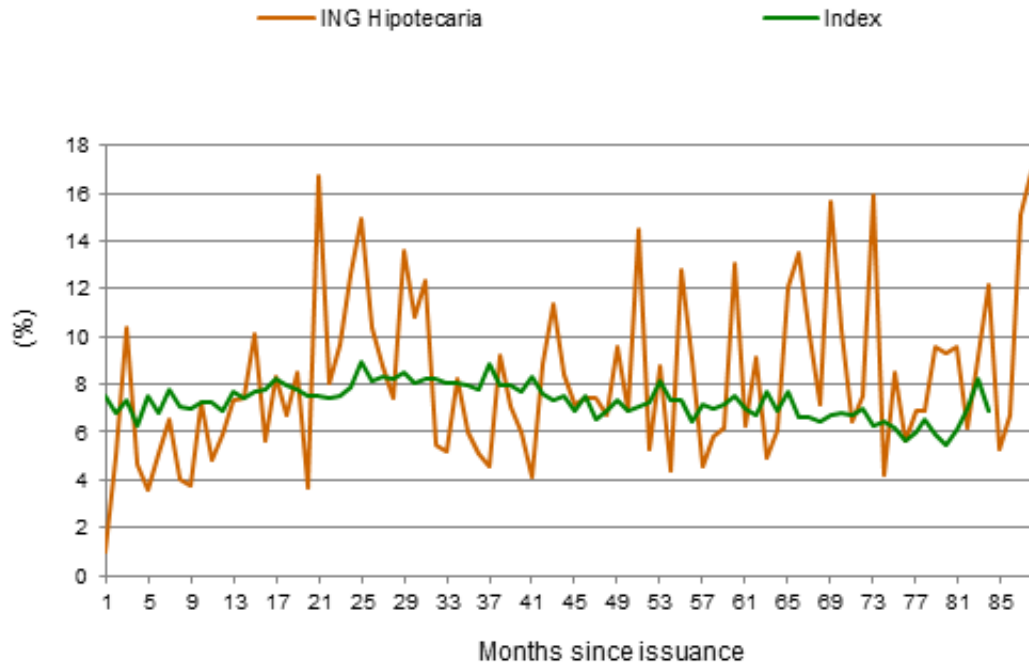
Source: Standard & Poor's.

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Appendix C26

ING Hipotecaria Prepayment Rate

Relative time scale



Source: Standard & Poor's.

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Appendix C27

Scotiabank Inverlat Overcollateralization
Absolute time scale



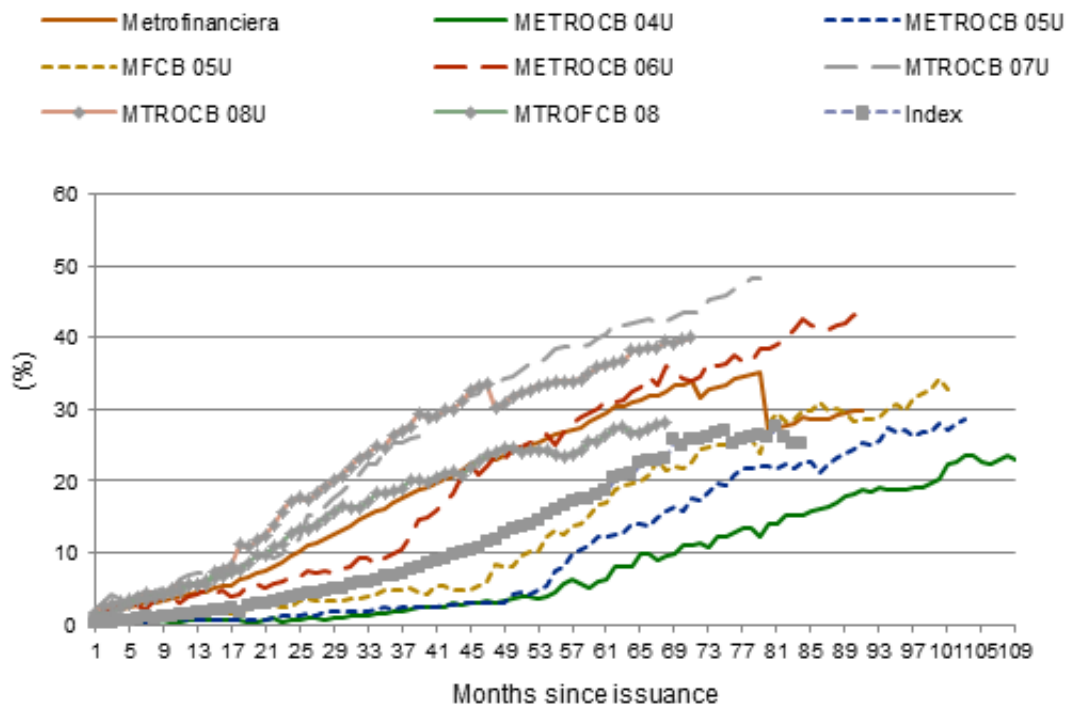
Calculated as: $1 - (\text{liabilities} / \text{current assets})$. Source: Standard & Poor's.

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Appendix C28

Metrofinanciera Defaults (More Than 90 Days Late)

Relative time scale



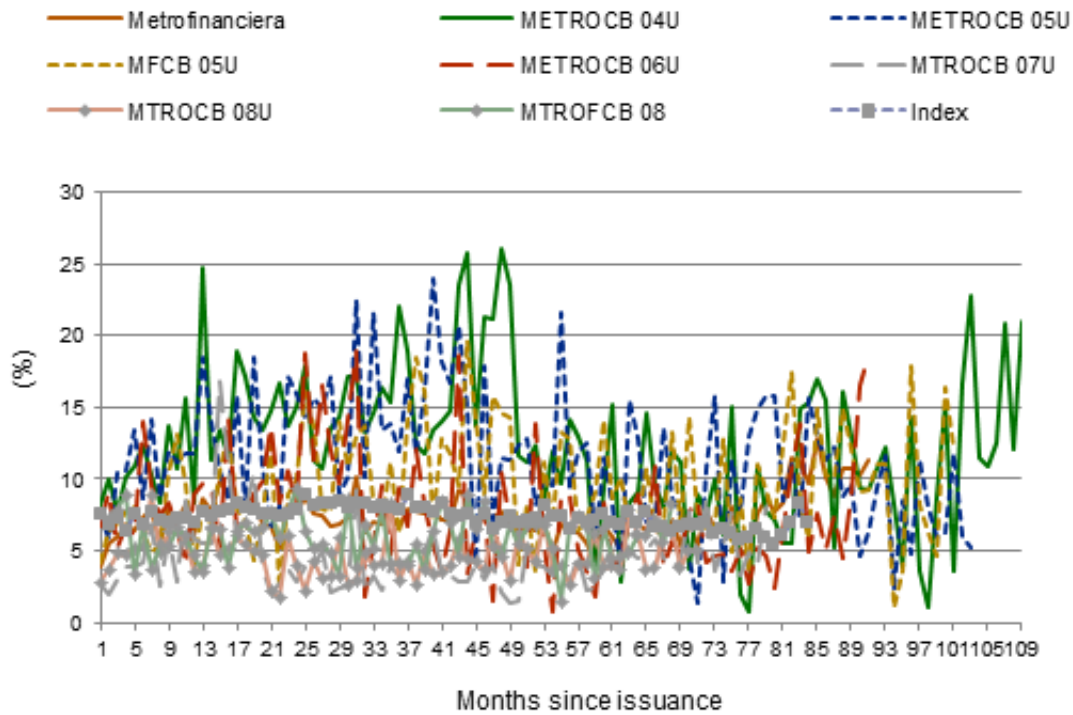
Source: Standard & Poor's.

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Appendix C29

Metrofinanciera Prepayment Rate

Relative time scale

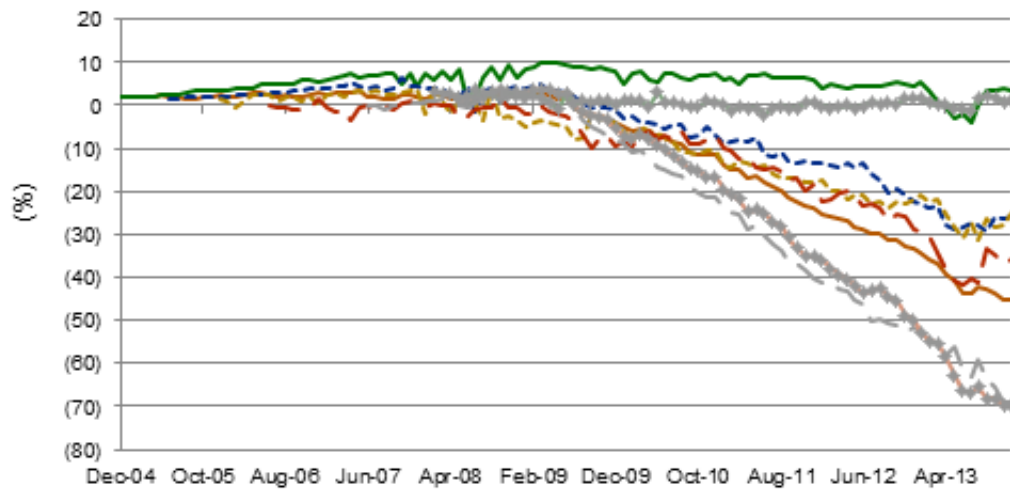


Source: Standard & Poor's.
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Appendix C30

Metrofinanciera Overcollateralization

Relative time scale



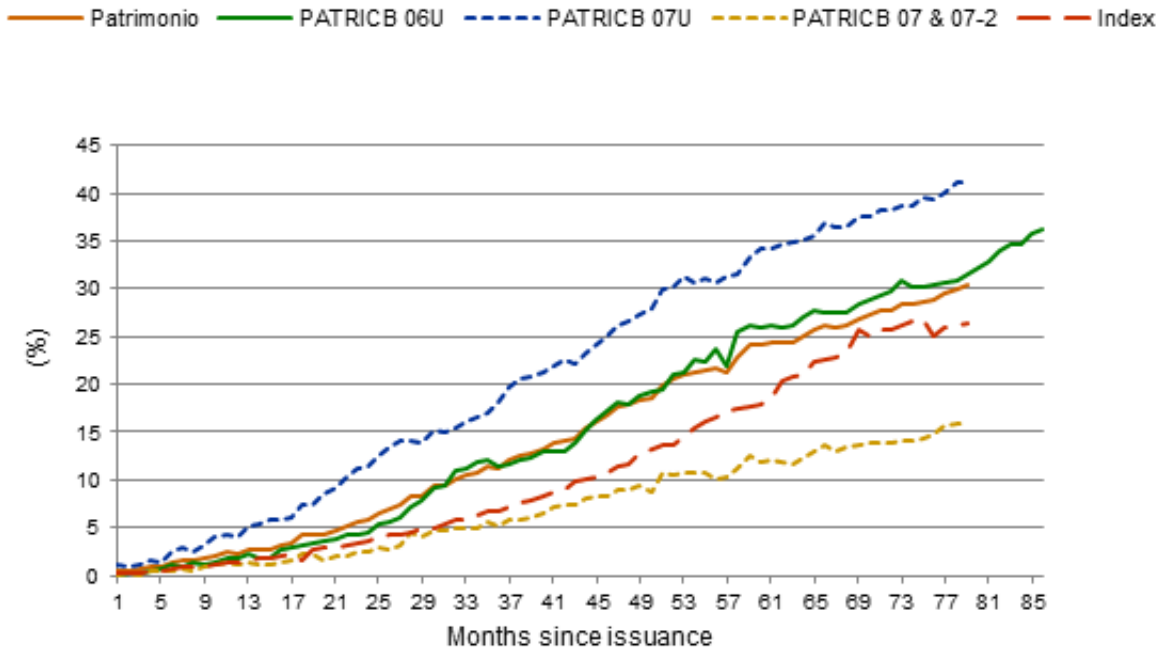
Calculated as: $1 - (\text{liabilities} / \text{current assets})$. Source: Standard & Poor's.

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Appendix C31

Patrimonio Defaults (More Than 90 Days Late)

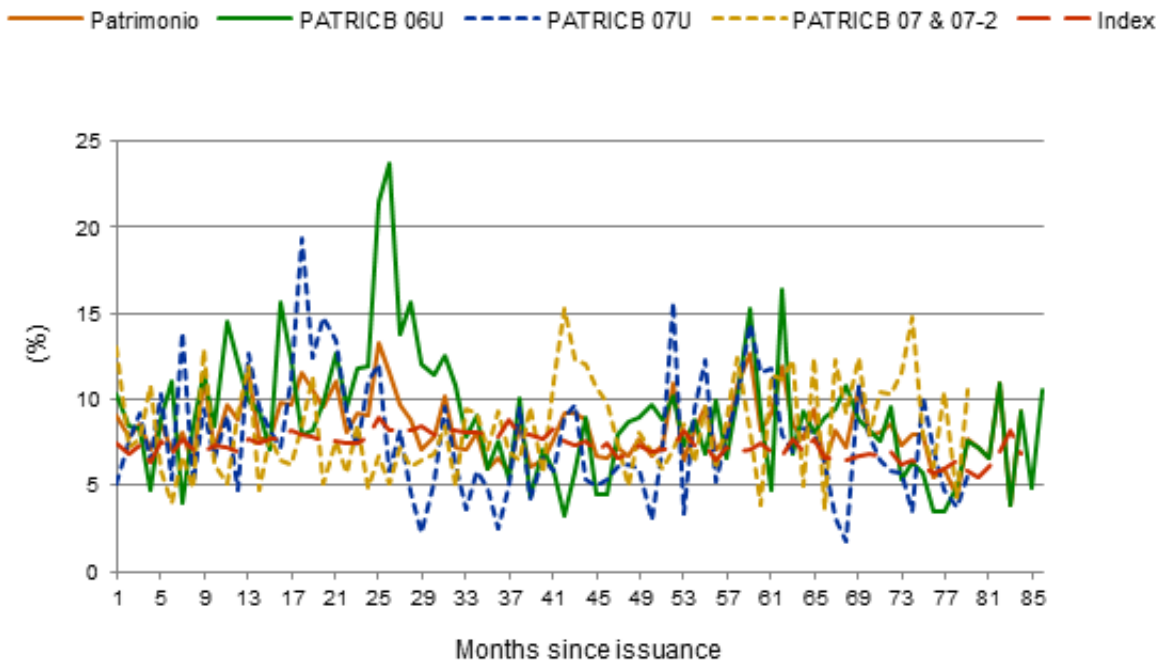
Relative time scale



Source: Standard & Poor's.
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Patrimonio Prepayment Rate

Relative time scale



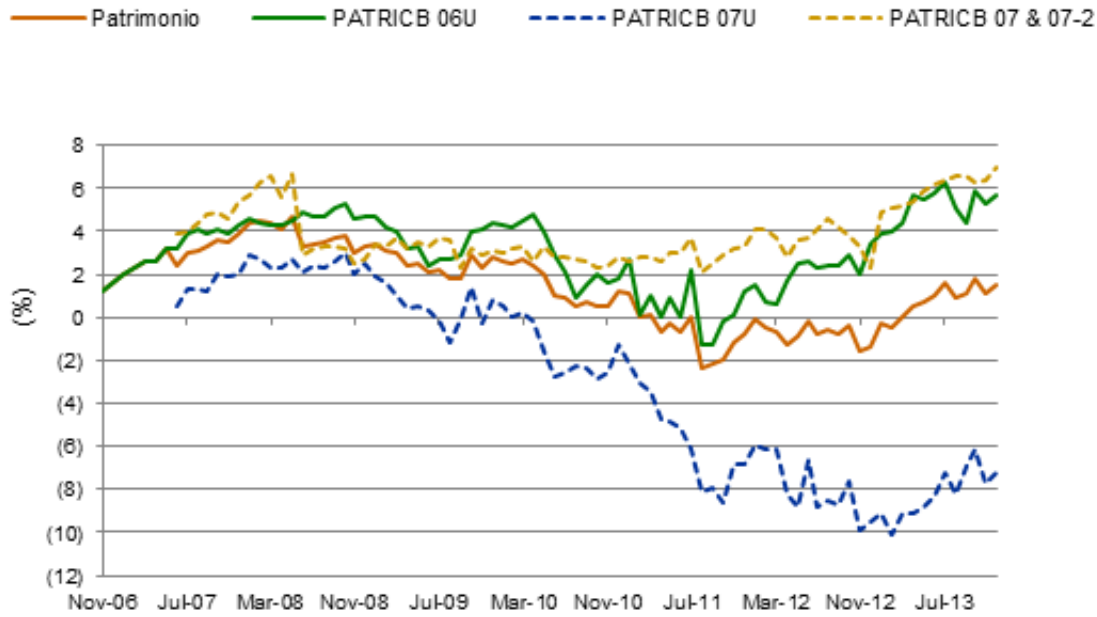
Source: Standard & Poor's.

© Standard & Poor's 2014.

Appendix C33

Patrimonio Overcollateralization

Absolute time scale



Calculated as: $1 - (\text{liabilities} / \text{current assets})$. Source: Standard & Poor's.

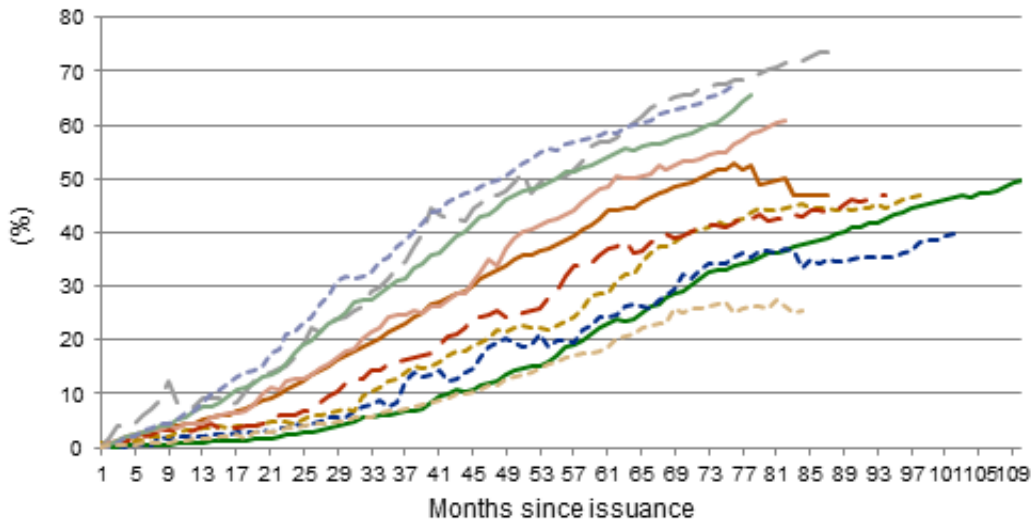
© Standard & Poor's 2014.

Appendix C34

Proyectos Adamantine Defaults (More Than 90 Days Late)

Relative time scale

- Proyectos Adamantine
- - - MXMACCB 05-2U
- MXMACFW 07U & 07-2U
- MXMACCB 04U
- - - MXMACCB 06U
- MXMACFW 07-3U & 07-4U
- - - MXMACCB 05U
- - - MXMACFW 06U & 06-2U
- - - MXMACFW 07-5U & 07-6U
- - - Index

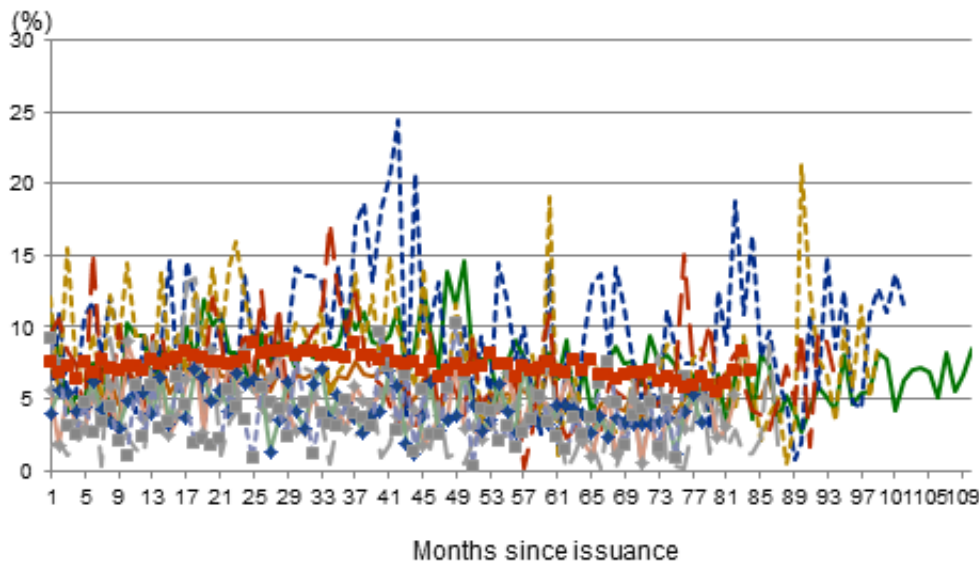


Source: Standard & Poor's.
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Proyectos Adamantine Prepayment Rate

Relative time scale

- Proyectos Adamantine
- MXMACCB 04U
- MXMACCB 05U
- MXMACCB 05-2U
- MXMACCB 06U
- MXMACFW 06U & 06-2U
- MXMACFW 07U & 07-2U
- MXMACFW 07-3U & 07-4U
- MXMACFW 07-5U & 07-6U
- Index



Source: Standard & Poor's.

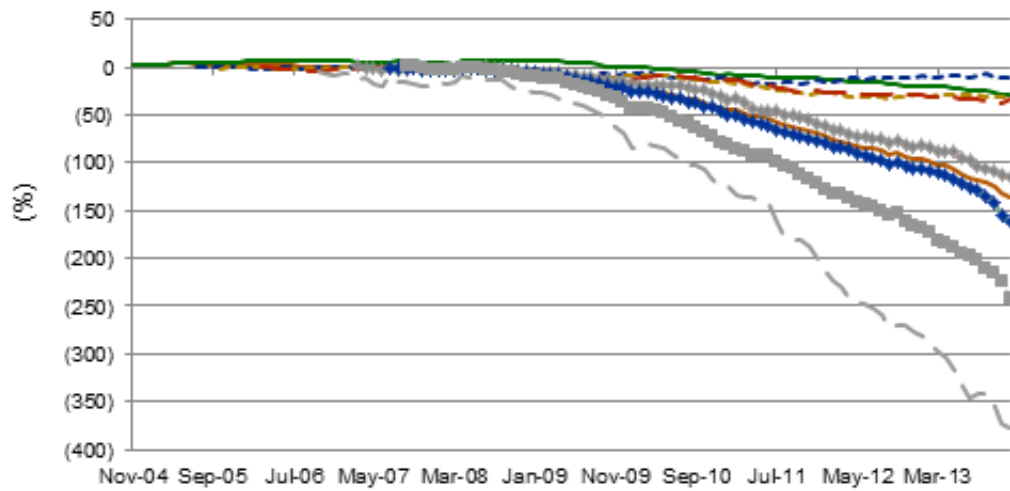
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Appendix C36

Proyectos Adamantine Overcollateralization

Relative time scale

- Proyectos Adamantine
- MXMACCB 04U
- - - MXMACCB 05U
- - - MXMACCB 05-2U
- - - MXMACCB 06U
- - - MXMACFW 06U & 06-2U
- ◆ MXMACFW 07U & 07-2U
- ◆ MXMACFW 07-3U & 07-4U
- ◆ MXMACFW 07-5U & 07-6U



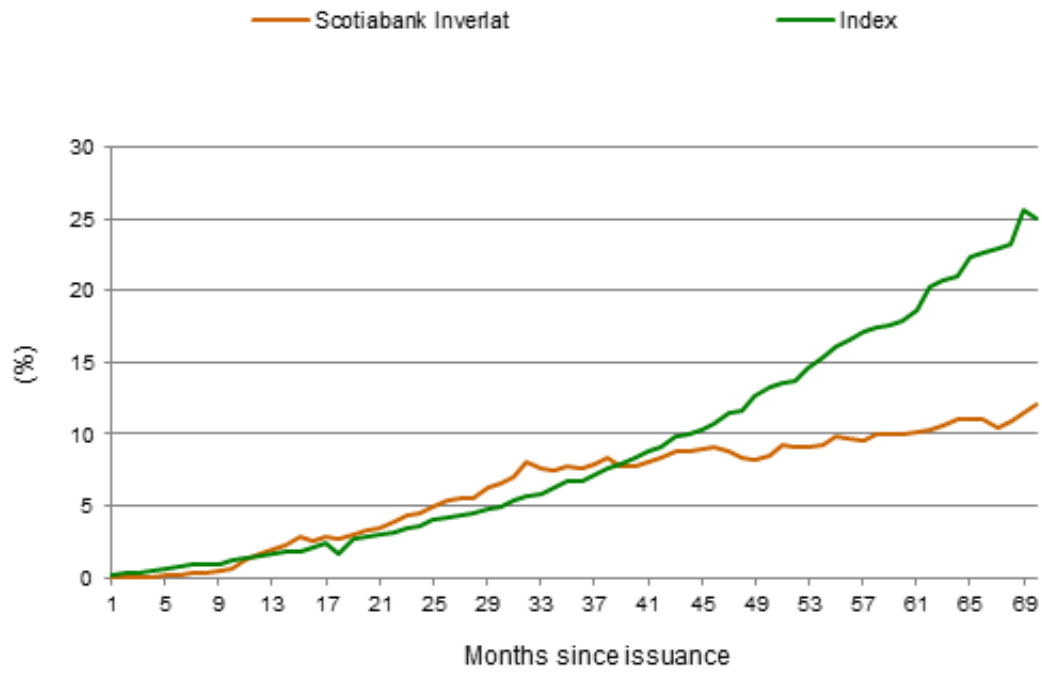
Calculated as: $1 - (\text{liabilities} / \text{current assets})$. Source: Standard & Poor's.

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Appendix C37

Scotiabank Inverlat Defaults (More Than 90 Days Late)

Relative time scale



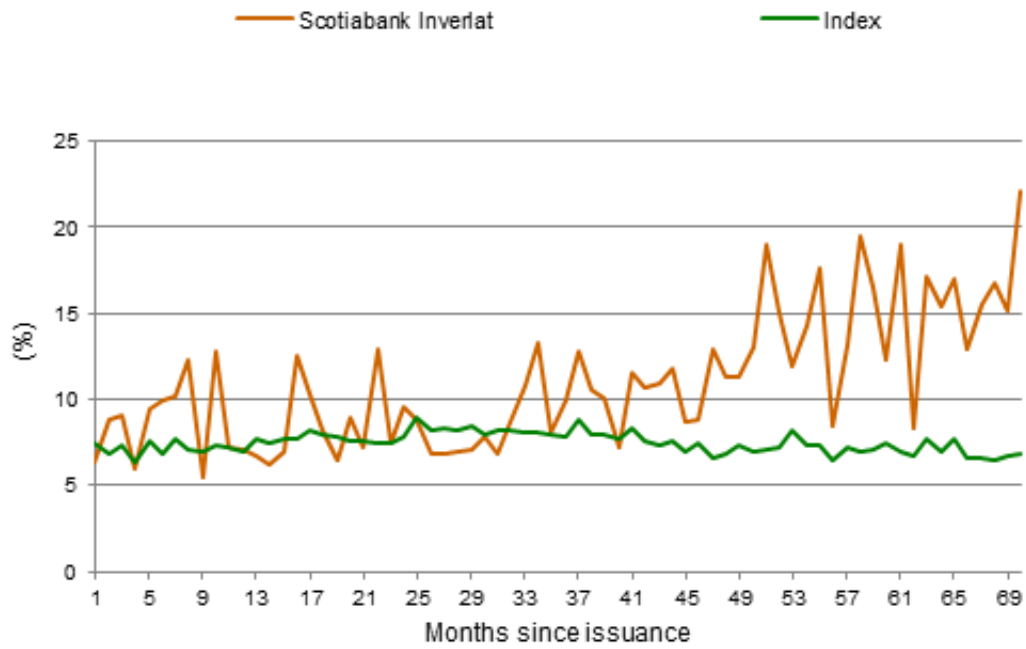
Source: Standard & Poor's.

© Standard & Poor's 2014.

Appendix C38

Scotiabank Inverlat Prepayment Rate

Relative time scale

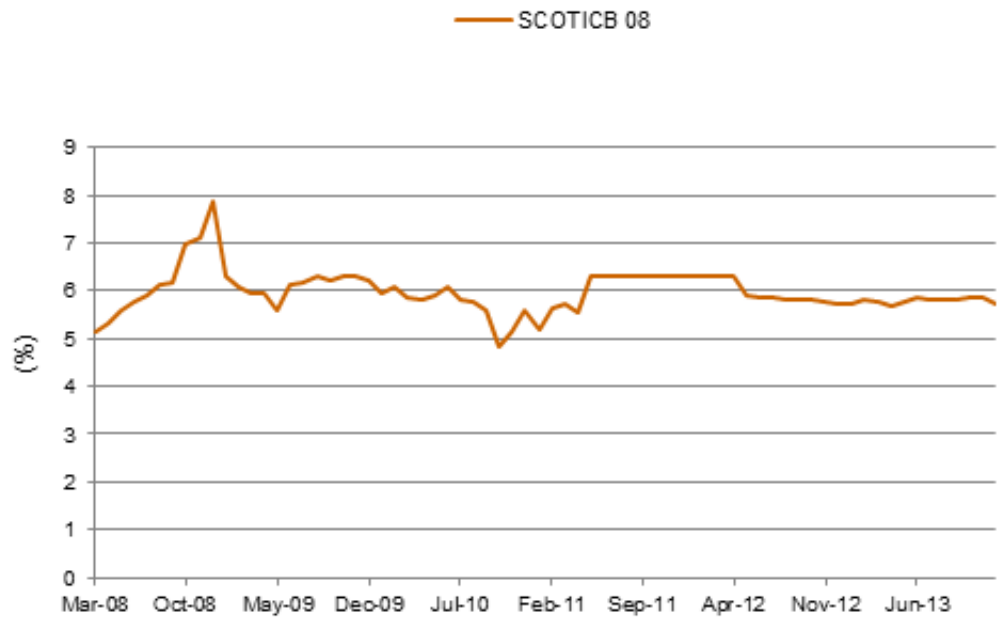


Source: Standard & Poor's.

© Standard & Poor's 2014.

Appendix C39

Scotiabank Inverlat Overcollateralization
Absolute time scale



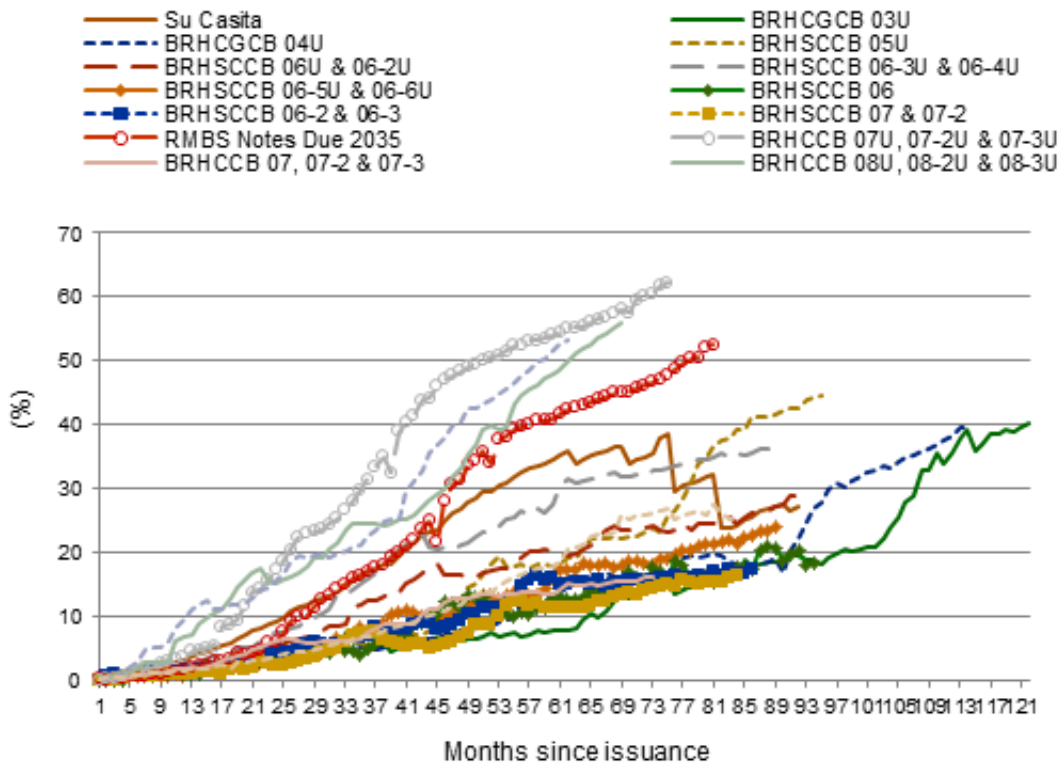
Calculated as: $1 - (\text{liabilities} / \text{current assets})$. Source: Standard & Poor's.

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Appendix C40

Hipotecaria Su Casita Defaults (More Than 90 Days Late)

Relative time scale



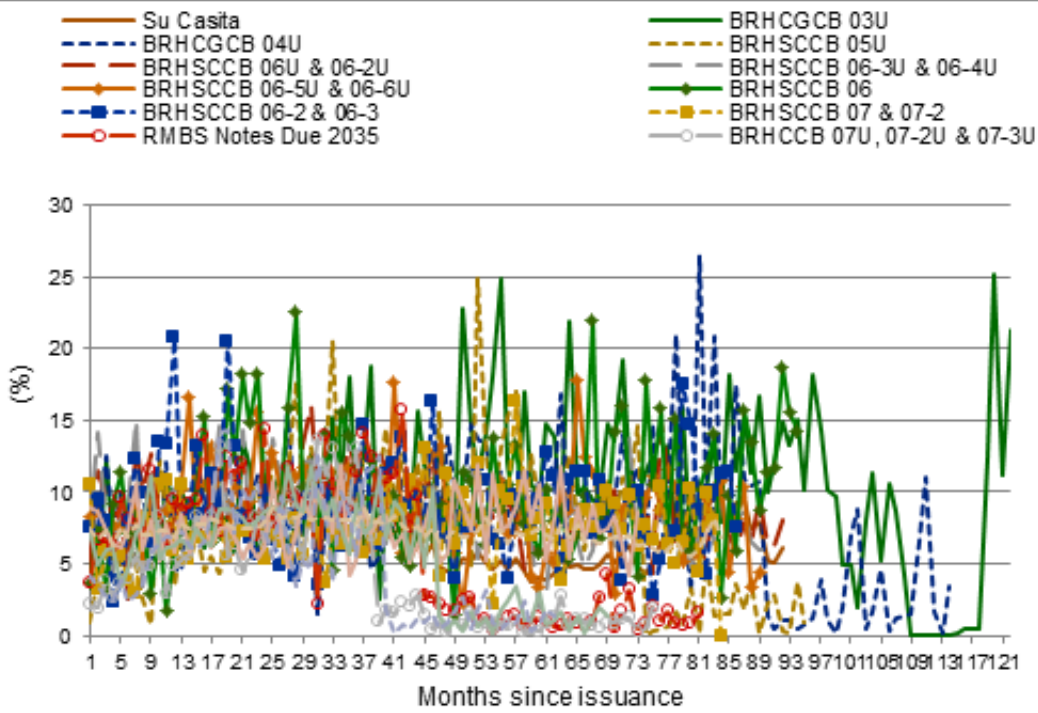
Source: Standard & Poor's.

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Appendix C41

Hipotecaria Su Casita Prepayment Rate

Relative time scale



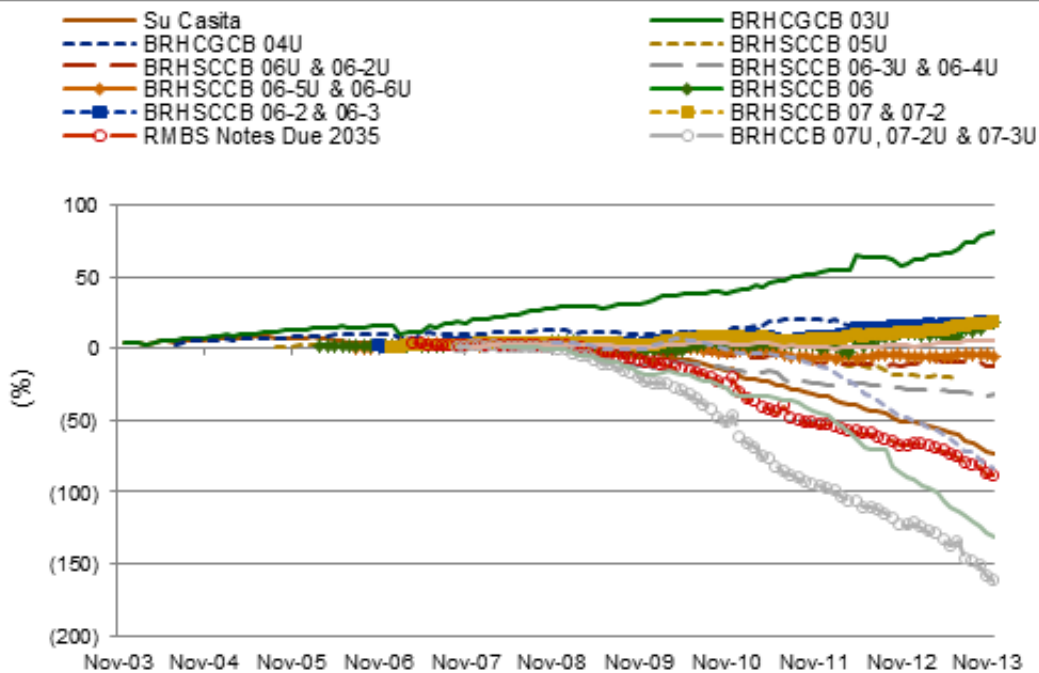
Source: Standard & Poor's.

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Appendix C42

Hipotecaria Su Casita Overcollateralization

Relative time scale



Calculated as: $1 - (\text{liabilities} / \text{current assets})$. Source: Standard & Poor's.

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