

ECBC >

EUROPEAN COVERED BOND
COUNCIL

28th ECBC Plenary Meeting

Real Estate Financing in Brazil

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Munich, Germany
September 12th, 2018

AGENDA

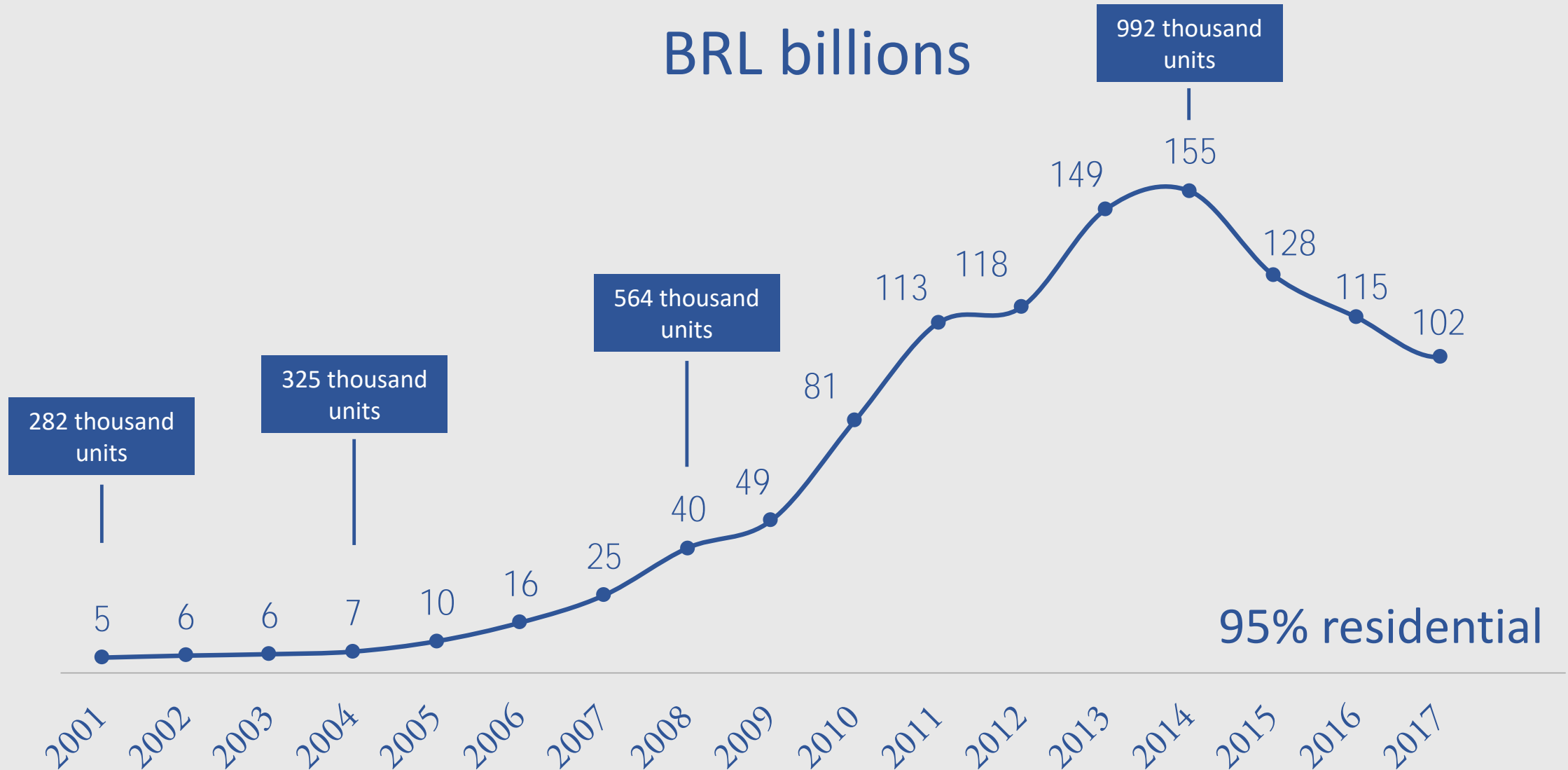
REAL ESTATE FINANCING MARKET

MAIN POTENTIAL ISSUERS

REAL ESTATE FINANCING MARKET

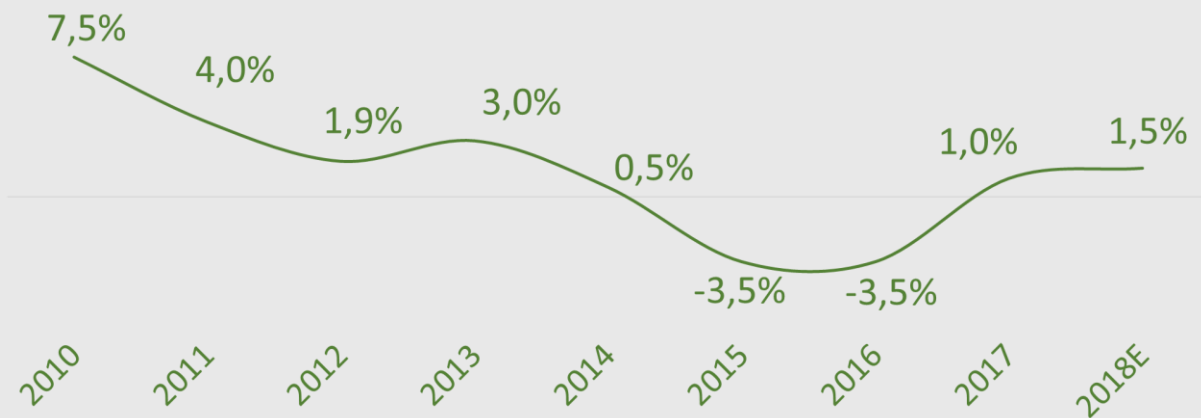
THE REAL ESTATE FINANCING MARKET Has Increased Significantly In Recent Years

BRL billions

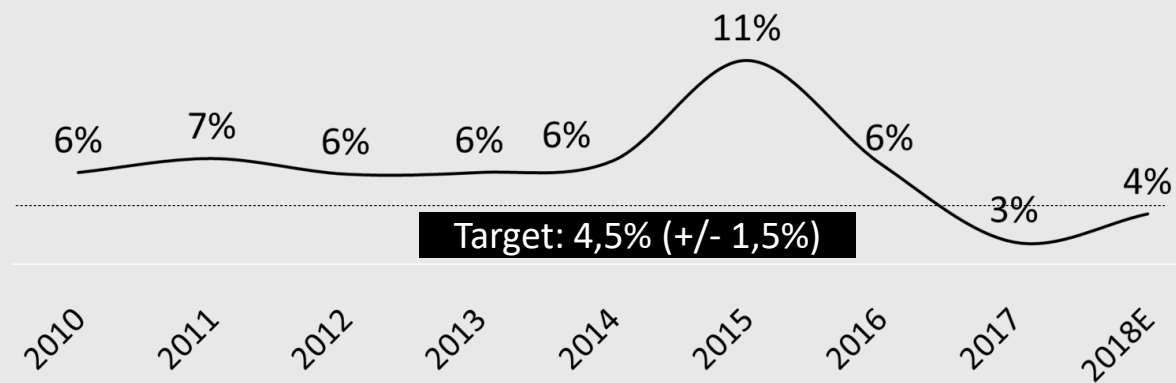


BRAZIL OVERVIEW: GDP, Inflation and Rating

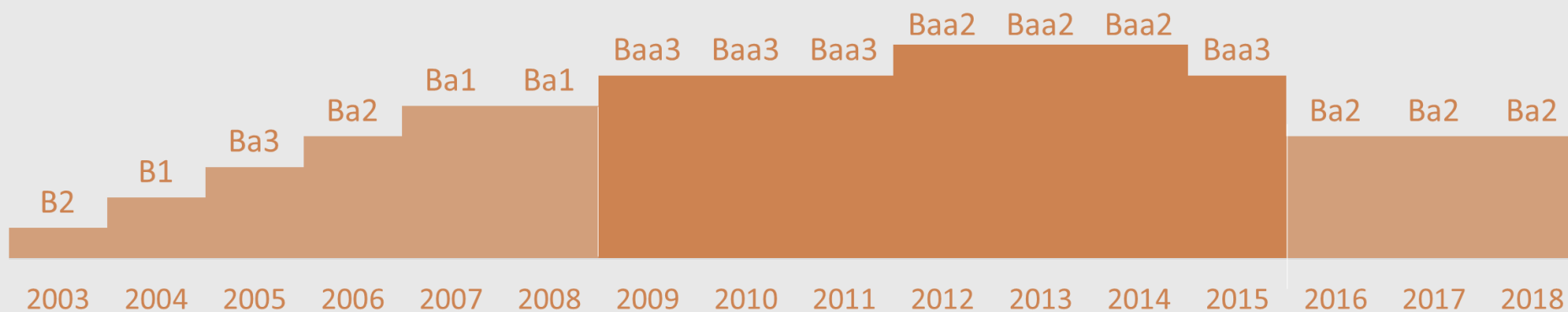
GDP (Y/Y%)



Inflation (IPCA - Consumer Price Index)

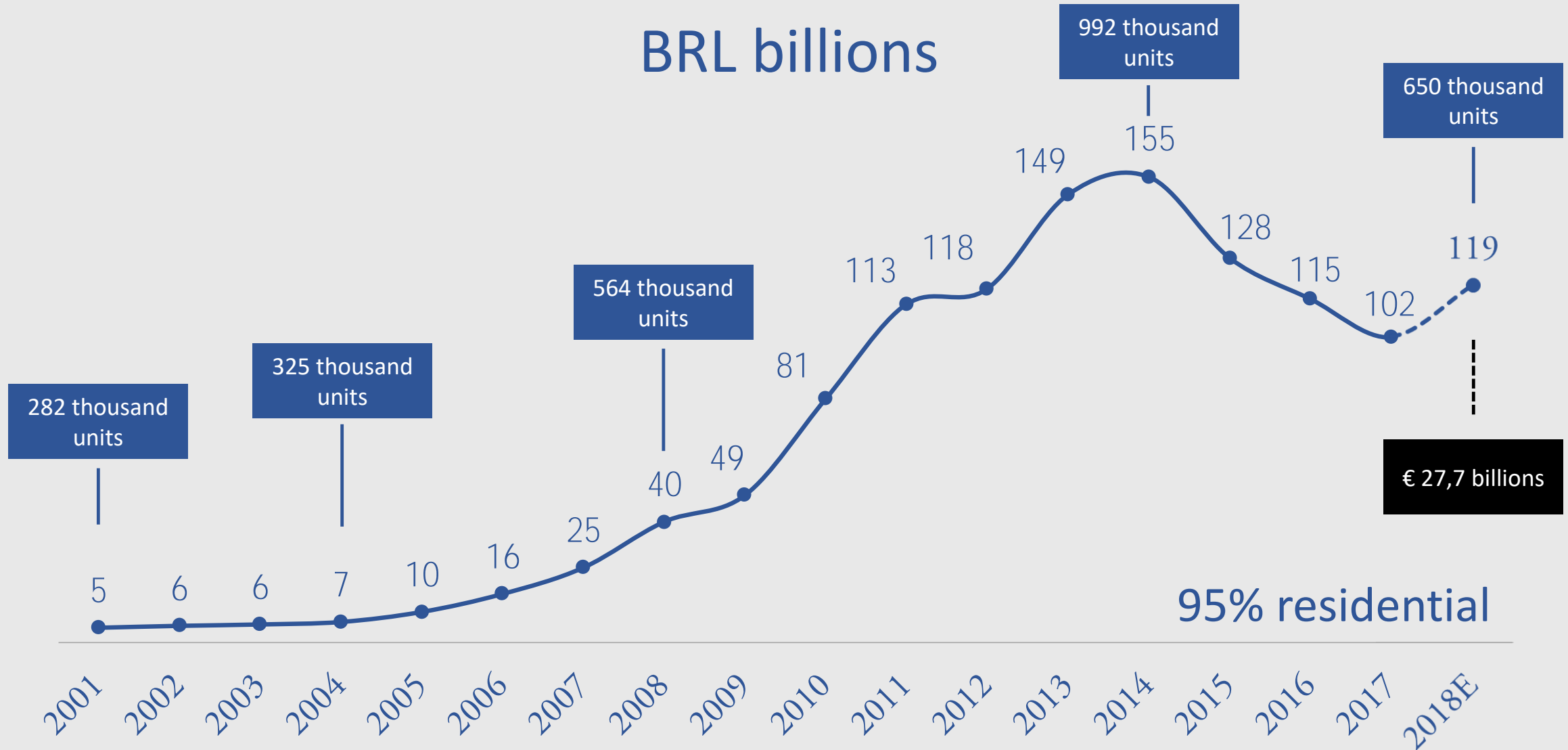


Moody's (Sovereign Rating)



THE REAL ESTATE FINANCING MARKET Has Increased Significantly In Recent Years

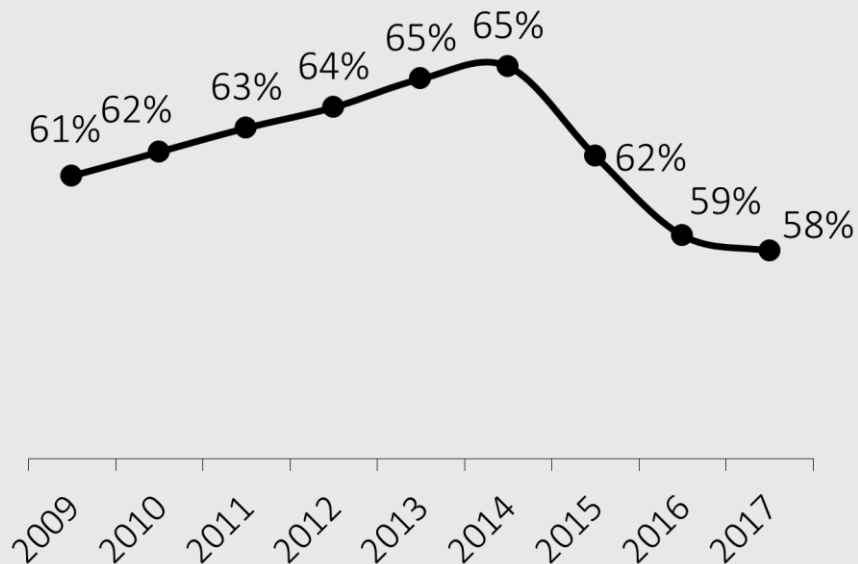
BRL billions



CREDIT MAIN FEATURES AND QUALITY

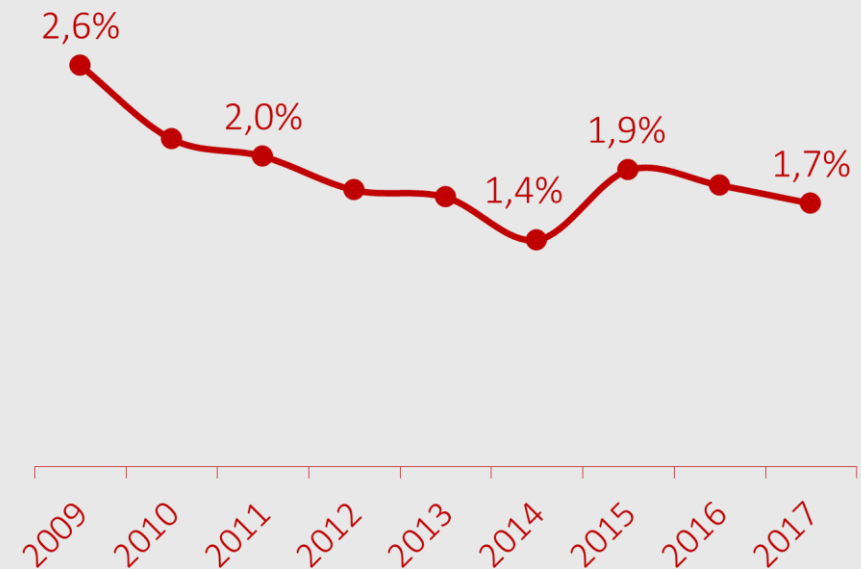
- 1) Maximum finance term: 35 years
- 2) Average term contracted: 29 years
- 3) Portfolio maturity period: 11 years
- 4) Maximum DTI: 30%
- 5) Constant Principal Amortization System
- 6) Loss: less than 0.5%

Loan-to-value



Default Rate

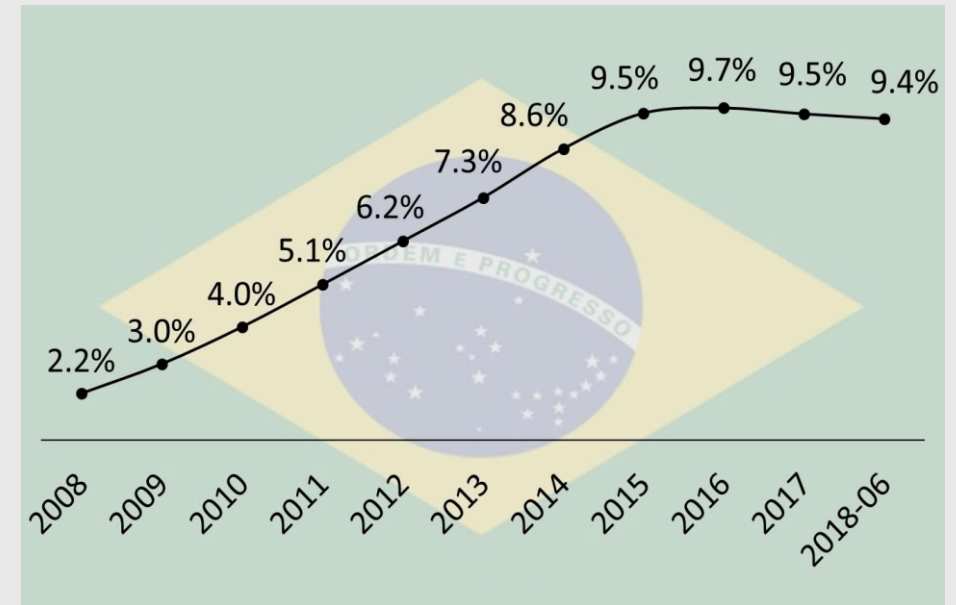
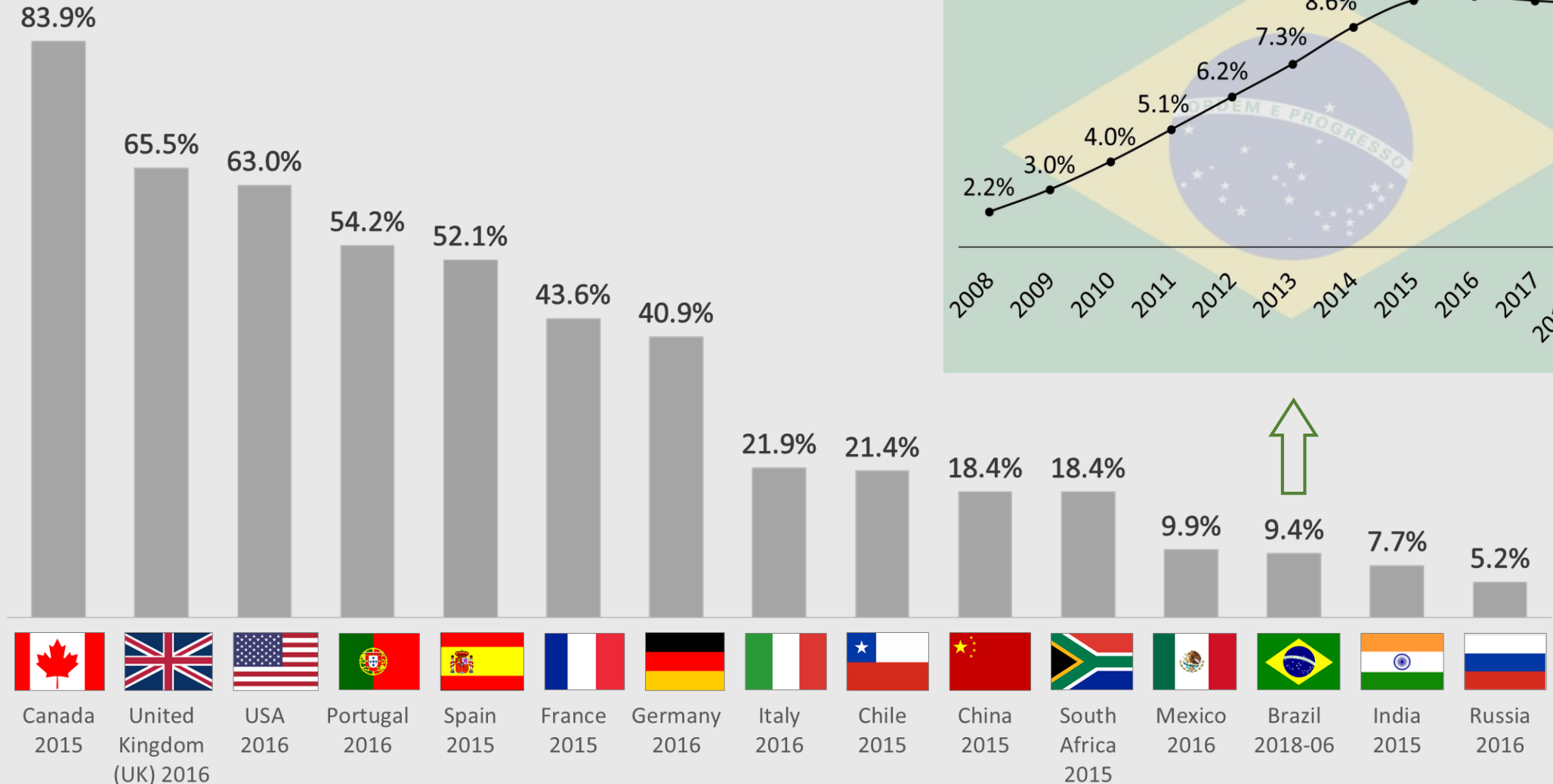
Contracts more than 90 days in arrears



POTENTIAL OF THE BRAZILIAN REAL ESTATE CREDIT

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Real Estate Credit/GDP

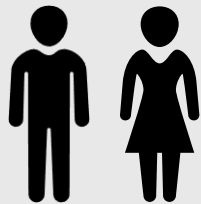


POTENTIAL OF THE BRAZILIAN REAL ESTATE CREDIT

1. FAMILY STRUCTURE

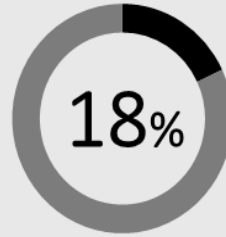


More than 1 million
weddings/year



344 thousand
divorces/year

2. RENT



of Brazilian families
pay rent (12.3
million)

3. DEMAND FOR HOUSING

Ministry of Cities Estimates:



78 million homes
needed between
2018 and 2040

67% will be financed



FUNDING

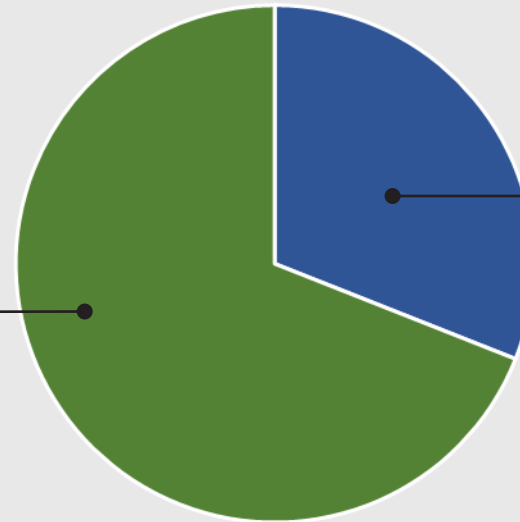
FUNDING FOR REAL ESTATE CREDIT: Current Structure

Total: € 205 billion

FUNDS EARMARKED FOR
HOUSING FINANCE
(70% of the market)

OTHER GENERAL FUNDING
(30% of the market)

€ 147 bi



€ 58 bi

ABS and
Short-term
notes issued by
banks

Brazilian Covered Bond

LIG - Letra Imobiliária Garantida
Secured Real Estate Notes

Main Potential Issuers


Sales Report

12.16%

9.90%

9.90%

FINANCIAL INFORMATION (1st HALF OF 2018)






					
<i>TOTAL ASSETS</i> (€ millions)	372.521	350.201	315.418	307.076	178.468
<i>NET INCOME</i> (€ millions)	1.508	836	1.093	757	718
<i>ROE (%)</i>	21,6	15,5	18,2	12,9	19,3
<i>TIER 1 CAPITAL (%)</i>	15,1	13	11,4	12,5	13,6
<i>BIS Ratio (%)</i>	17,2	19,1	14,9	18,4	14,8

- ↳
- In Brazil, Banks are well capitalized;
 - Commencing 01/2019, the minimum D-SIBs buffer requirement will be 11.5%.

RATINGS

Scale	Agency					
Long-Term National	S&P	brAAA	-	brAAA	brAAA	brAAA
	Moody's	Aa1.br	Aa1.br	Aa1.br	Aa1.br	Aaa.br
Long-Term Global Scale (Foreign Currency)	S&P	BB-	BB-	BB-	BB-	BB-
	Moody's	Ba2	Ba2	Ba2	Ba2	Ba1

LIG: Issuance Potential (data for 1st half/2018)

Financing Agent	Assets € Millions	Real Estate Credit Balance € Millions ¹	LIG Theoretical Issuance Potential € Millions ²
 CAIXA ECONÔMICA FEDERAL	307.165	105.302	30.716
 BANCO DO BRASIL	350.303	13.056	12.394
 Bradesco	315.509	12.586	11.880
 Itaú	372.629	10.985	10.438
 Santander (Brasil)	178.520	8.563	8.101
Total	1.524.126	150.492	73.530

(1) BCB – Data for Jun/2018.

(2) Considering minimum 5% regulatory overcollateralization. R\$/€ = 4,14 (average for the 1st half /2018).



LIG: NEXT STEPS

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1

LOCAL PRIVATE PLACEMENT (ok by 11/2018)

- ✓ System Development
 - Issuers
 - Fiduciary Agents
 - Depositary Agent

2

LOCAL PUBLIC OFFERING

- ✓ Enactment of specific rules by the CVM (Securities and Exchange Commission)
(Currently possible through CVM's rules 400 and 476)

3

INTERNATIONAL PLACEMENT

- ✓ Enactment of rules for international placement
(Currently possible through DRs)

Thank you

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ABECIP

BRAZILIAN ASSOCIATION OF REAL ESTATE LOANS AND SAVINGS COMPANIES