

PROJECT ABSTRACT
BRAZIL
BRAZILIAN SECURITIES MORTGAGE SECURITIZATION PARTNERSHIP
(BR-L1410)

The proposed financing (the “Financing”) would provide Brazilian Securities Companhia de Securitização (“BSEC”), a leading Brazilian mortgage securitization firm wholly-owned by Banco Pan S.A., with an approximately US\$125 million senior secured loan for the acquisition and accumulation of eligible residential and commercial mortgage instruments and real estate receivables in Brazil, and their further domestic capital markets securitization or private placement. The Financing is comprised of an up to US\$50 million A-Loan from the Inter-American Development Bank (“IDB”), an up to US\$25 million Co-loan from the China Co-Financing Fund for Latin America and the Caribbean (“China Fund”), and an estimated US\$50 million B-loan to be syndicated among eligible lenders.

The main objective of the proposed Financing is to support securitization of residential and commercial mortgages by BSEC and increase the access to liquidity by private mortgage originators in Brazil. This will, in turn, contribute to the continued development and consolidation of real estate credit securitization in the Brazilian capital markets. Private mortgage lenders and real estate developers in Brazil face limited access to adequate-tenor financing, that leaves them vulnerable to market volatility and asset-liability maturity mismatches and hampers the continued growth of their activities. The issuance of Mortgage-Backed Securities (“MBS”) in the domestic capital markets is envisaged to further consolidate as a significant and cost-efficient source of liquidity and funding diversification to private mortgage originators to continue expanding their lending to families and businesses and contributing to address the growing demand for real estate financing resulting from Brazil’s economic and demographic trends. By providing stable and long-term financing to BSEC, otherwise unavailable to securitization companies in the Brazilian market, IDB supports the sustained development of its residential and commercial mortgage acquisition activity for further securitization, thereby contributing to increasing the relevance of MBS in the domestic capital markets. In addition to residential and commercial mortgages and home improvement loans, other types of real estate financing with important economic and social relevance such as credit receivables from land development projects and real estate loans to Small and Medium Enterprises (“SMEs”) will be considered as eligible instruments for acquisition by BSEC under the Financing. In addition to fostering portfolio diversification, this is expected to support BSEC in developing a market for securitization of this type of credit assets that would expand the availability of much-needed financing for these activities, promote the propagation of best practices and the standardization of contracts and procedures into these markets, while increasing real estate finance securitization volume and offering a wider range of security types and structures to investors in Brazil.

IDB’s financial additionality stems from offering BSEC stable financing at significantly longer tenors than those available for securitization companies in the local market, as well as mobilizing incremental resources from other lenders. In terms of non-financial additionality, the Financing

establishes an incentive scheme for BSEC to prioritize the acquisition of mortgages related to real estate properties that obtain a sustainable building certification or comply with IDB-defined environmentally-responsible design, construction and operation criteria, in addition to IDB's basic Environmental and Social requirements. This arrangement would permit BSEC to: (i) acquire higher value residential mortgages for houses or developments that meet the green eligibility requirements and, (ii) in the case of commercial mortgages, to increase the portion of the portfolio that is dedicated to commercial mortgages if a specified percentage of such commercial mortgage portfolio is related to properties that comply with the defined green criteria.

The proposed Financing is aligned with IDB's Ninth General Capital Increase strategic goals of reducing inequality by promoting equal access to services, including housing. It supports IDB's Country Strategy and Program for Brazil (2012-2014) strategic objective of promoting development through the private sector, which envisions stimulating long-term credit and boosting capital markets to encourage private investment. It is also consistent with IDB's Structured and Corporate Finance Department ("SCF")'s strategic target to improve the living standards of 20 million people by 2015, and with the accessBanking pillar of SCF's beyondBanking program, in particular the access2People line of financial products.