



nacional financiera
Banca de Desarrollo

Nacional Financiera S.N.C.

NAFIN:
First ever Mexican Green Bond Issuer



- **GREEN BONDS ARE BONDS WITH A DEDICATED USE OF PROCEEDS.**

Green Bonds can have different formats (senior unsecured, covered bond, project bond, ...), but they **always have the same financial characteristics as conventional non-Green** comparable transactions, i.e.:

- Same pricing
- Same seniority and same rating
- Same execution and documentation processes

- **FUNDS RAISED BY GREEN BONDS ARE EARMARKED FOR GREEN PROJECTS.**

- Funds raised by Green Bonds are allocated to **environmental projects** or activities explicitly including an environmental objective, such as renewable energy, energy efficiency, public transportation, efficient buildings, energy networks adaptation, waste and water management, preservation of biodiversity, etc.
- Some transactions are also earmarked to **social-related activities**, generally linked to improving access to basic goods or services for underprivileged people: social housing, hospitals, microfinance, etc. Such transactions are often called **Social or Sustainability Bonds**.

- **AN INSTRUMENT SUITED TO ANY ISSUER PROMOTING HIGH ENVIRONMENTAL RESPONSIBILITY STANDARDS**

- **A Green Bond must be perfectly aligned with the issuer's corporate social responsibility strategy, which should be reflected in its Environmental Social Governance (ESG) rating**

Key items to launch a Green Bond

Versus conventional issuances

1. Criteria for Green Projects

- Criteria to select eligible green projects or assets to be financed by Green Bonds proceeds shall be defined. These eligibility criteria shall make sure that projects would contribute to climate change mitigation and sustainable development.
- Depending on the issuer strategy, some sustainability criteria may be added (e.g., “social” criteria related to the management of the projects or assets)

2. Funds allocation process

- The tracking of Green Bond proceeds and temporary use of funds (until their disbursement for Green Projects) need to be detailed. Several approaches exist, based on “Sub-Portfolios” or dedicated internal tracking systems. The objective is to allow for an external verification of the compliant allocation of funds (not necessarily segregation of the funds, but transparency on allocation).
- An external and independent validation of the compliant allocation of green bond proceeds should be provided at least yearly, until the full allocation of proceeds. This external validation is often provided by the issuer’s auditors and included in the annual report of the issuer.

3. Second Opinion

- An independent and external opinion is provided on the green bond framework (the “Second Opinion”), and more specifically on how the criteria set to select green projects or assets allow for a selection of projects that promote a transition to a climate-resilient and sustainable growth.
- This opinion shall be issued simultaneous with the announcement of the transaction.

4. Reporting

- Periodic reporting should be provided with information on projects or assets which have been financed by Green Bond proceeds together with, if possible, information on environmental and/or social impacts of these projects.
- This reporting should be publicly available and is usually included in the annual report or in the Sustainability report of the issuer.

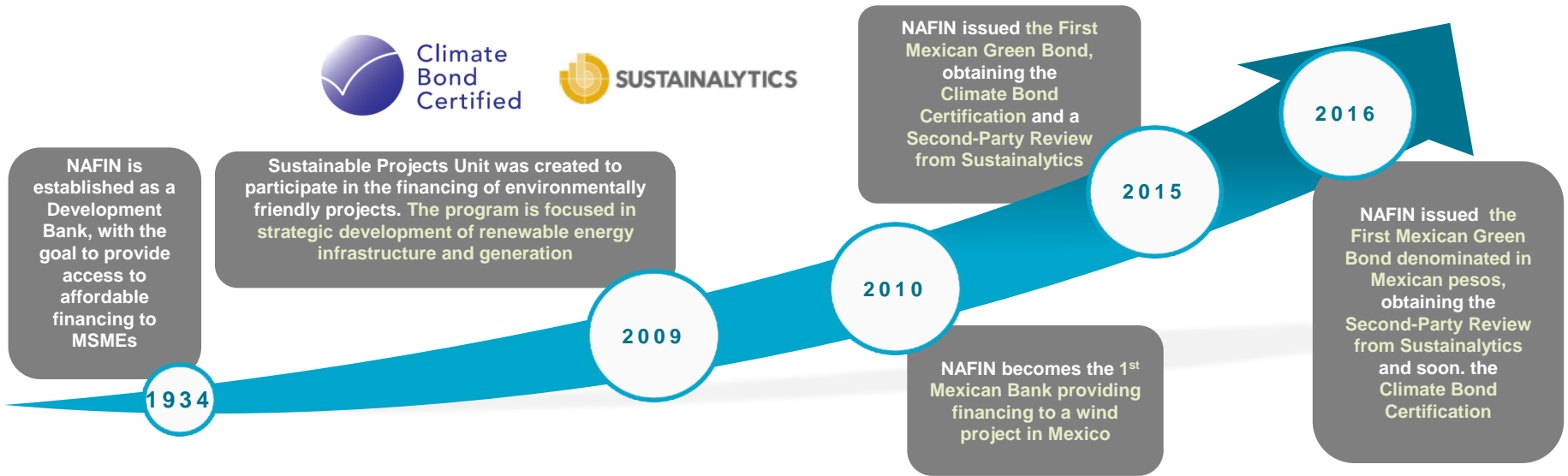
The “Use of Proceeds” section of the pricing supplement should mention the criteria set to select green projects, the funds allocation process and commitments taken on reporting

The “Second opinion”

Periodic reporting from the issuer

Rationale for a Green Bond Issuance

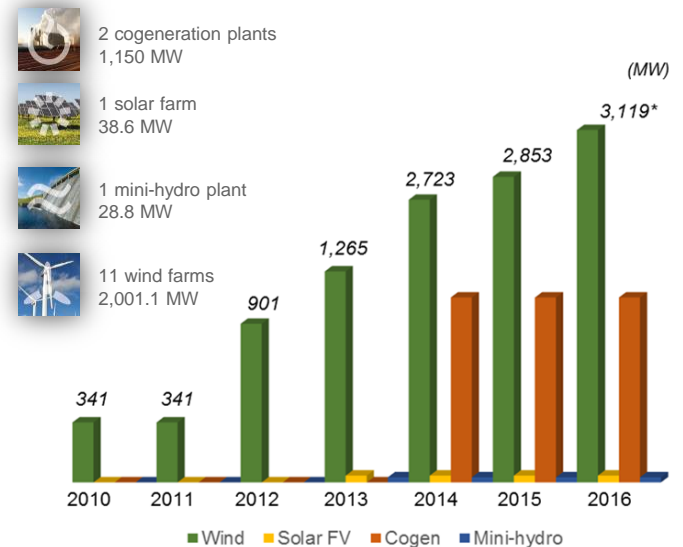
Evolution of NAFIN's Sustainable Projects Portfolio



Project Financing

Since 2010, NAFIN has set a credit offer for sustainable projects:

- Focused on **large-scale projects** (more than 30 million dollars per project).
- **Case by case** analysis, generating tailor-made structures.
- **Partnerships** with commercial, development, national and international financial institutions (e.g. club deals, syndications)



Source: NAFIN.
* Includes committed loans.

GB denominated in dollars (2015)

40% of the entire investor base were green investors

Highlights

- On 29 October 2015, Nacional Financiera S.N.C (NAFIN), rated A3/BBB+(Moody's/Fitch), priced a USD 500 million 5-year Green Bond via Bank of America Merrill Lynch, Credit Agricole CIB and Daiwa Capital Markets.
- Books opened on Thursday at 9am New York time with initial price thoughts of T+low 200bps.
- Following a solid investors interest, Books were officially closed at noon New York time, followed by the announcement of official price guidance of T+195bps area (+/-5bps).
- A high quality \$2.5bn book post-guidance allowed the Joint Book Runners to price a \$500 million transaction at the lower end of guidance (T+190bps).
- This offering represents the first Green Bond from Mexico and dedicated green pockets accounted for 40% across the entire investor base.

Issuer:	Nacional Financiera S.N.C (NAFIN)
Ratings:	Moody's: A3/Fitch:BBB+
Format:	144A/RegS
Tenor:	5 year
Re-offer Spread:	T+190 bps
Coupon:	3.375%
Issue Price:	99.822
YTM:	3.414%
Issue Amount:	US\$ 500 million
Launch Date:	29 October 2015
Maturity Date:	5 November 2020
Listing:	Irish Stock Exchange
Bookrunners:	BofAML, CA-CIB,Daiwa



First Green Bond in Mexico.



Latin America's first Green Bond with Climate Bond Certification by the Climate Bonds Standard Board.



First NAFIN's cross-border debt sale in 18 years.



Sustainalytics B.V., evaluated NAFIN's Green Bond transaction alignment with the Green Bond Principles. Bond proceeds will be solely focused on wind energy projects.

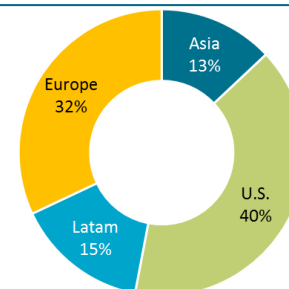


Nafin's Green Bond won 3 international awards (CBI , Global Capital Markets and Environmental Finance)

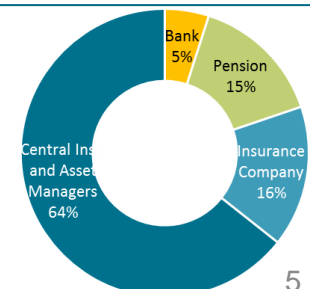


This bond was included in some of the most recognized benchmark (indexes), both for Green Bond and for Emerging Markets.

Investor Demand by Region



Investor Demand by Type



Deal Highlights

- On August 31, 2016, The offering priced with a spread of 35 bps, Nacional Financiera S.N.C successfully taped the Mexican debt market with the first Green bond in the local market. The issuance of **MXN\$ 2,000mm (approx. USD\$108mm)** placed at a fixed rate with a 7 year tenor. **Casa de Bolsa BBVA and Accival Casa de Bolsa**, acted as a book runners.
- The offering priced with a spread of over an Mbono 2023 for an all-in coupon of 6.05%. The total demand was of **MXN\$5,833mm**, with an oversubscription of **2.92x**.
- The demand came primarily of trading desks, pension funds, insurance companies and private Banking networks.



First Mexican Green Bond denominated in Mexican pesos



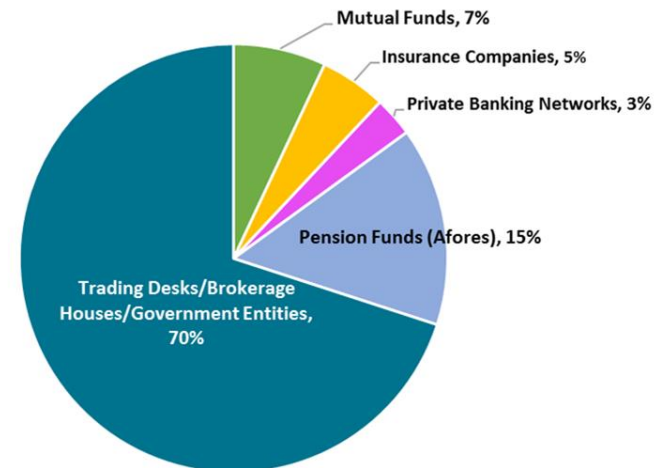
The bond was certified by Sustainalytics, confirming that the Green Bond of NAFIN was perfectly aligned with the principles of the Green Bond 2016.



The net proceeds will be used to finance 2 mini-hydro plants and 1 wind farm located in Nayarit and Puebla .

Issuer:	Nacional Financiera S.N.C (NAFIN)
Ratings:	AAA (mex) Fitch /HR AAA HR / mxAAA S&P / AAA mx Moody's
Guarantee:	Mexican Government
Tenor:	7 años
Benchmark :	Mbono 2023 (5.70%)
Spread/benchmark:	+35 bps
YTM:	6.05%
Issue amount:	USD\$ 106 millions
Demand:	USD\$ 309 millions
Oversubscription:	2.92x
Launch date:	31-ago-16
Maturity date:	02-sep-23
Placement strategy:	Best efforts offering
Bookrunners:	Casa de Bolsa BBVA y Accival Casa de Bolsa

Amount allocated by type of investor



Second Opinion Review

- ❖ *"NAFIN is well positioned to issue this Green Bond, as the organization has demonstrated a strong commitment to sustainable finance over the last ten years. NAFIN's Sustainable Projects team actively seeks to develop a renewable energy portfolio to support the transition to a low-carbon economy"*
- ❖ *"Sustainalytics considers NAFIN's Green Bond to be robust, credible, and effective in reducing the GHG emissions by financing wind and small hydro energy projects"*
- ❖ *NAFIN's second green bond reflects the bank's diversification of its renewable energy portfolio by including run-of-river hydropower plants in the eligibility criteria.*



Eligibility criteria

- To be eligible for loans financed through green bond proceeds, the activities funded must meet one or more of the eligibility criteria specified in the next table:

Category	Eligible activities
Wind Power Plants (onshore only)	<ul style="list-style-type: none"> - Development, construction and operation of wind farms - Operational production or manufacturing facilities wholly dedicated to wind energy generation - Wholly dedicated transmission infrastructure for wind farms
Small Hydro Power Plants	<ul style="list-style-type: none"> - The development, construction and operation of small hydro power plants which are run-of-river-facilities with a generating capacity of up to 50MW as accepted in the US, Canada and China according to the IPCC, 2011 and IJHD, 2010. - Operational production or manufacturing facilities wholly dedicated to small hydro energy development - Wholly dedicated transmission infrastructure for small hydro power plants



With this two Green Bond transactions, as of September 30, 2016, NAFIN has funded wind projects and one mini-hydro plant for a total amount of US\$416mm⁽¹⁾, with a total installed capacity of 1,294MW. These projects are calculated to reduce CO₂ emissions by almost 1.94 million tones per year.

NAFIN's Green Bonds Funded Renewable Energy Projects

Type	Project	Location	Year	Green Bond Issuance	Total Investment (US\$ mm) ⁽¹⁾	NAFIN Investment (US\$ mm) ⁽¹⁾⁽²⁾	Installed Capacity (MW)	Energy Production (GWh/year)	Reduction of Greenhouse Gases (t-CO ₂) ⁽³⁾
Wind	Wind Farm Baja California	Baja California	2014	USD	252.6	37.6	155	345	172,517
	Wind Farm Nuevo León 2	Nuevo León	2014	USD	263.5	34.3	126	402	200,844
	Wind Farm Nuevo León 1	Nuevo León	2014	USD	263.5	34.5	126	402	200,844
	Wind Farm Oaxaca 6	Oaxaca	2013	USD	202.5	43.7	138	493	246,271
	Wind Farm Oaxaca 5	Oaxaca	2013	USD	259.4	34.5	160	554	276,761
	Wind Farm Oaxaca 4	Oaxaca	2012	USD	262.2	32.5	164	509	254,234
	Wind Farm Zacatecas	Zacatecas	2015	USD	265.6	58.5	130	337	168,566
	Wind Farm Coahuila	Coahuila	2016	USD	361.1	54.8	200	777	247,700
	Wind Farm Puebla	Puebla	2016	MXP	112.5	57.9	66	213	96,657
Hydro	Mini-Hydro Plant 1	Nayarit	2013	MXP	48.4	27.5	29	151	75,671
TOTAL					\$2,291.2	\$415.7	1,294	4,181	1,940,065

Source: NAFIN.

Note: Excludes Cogeneration, Solar and Hydro power.

(1) FX Rate used is the exchange rate reported by Banco de Mexico on September 30, 2016: MXN 19.3776.

(2) Considering outstanding balance as of September 2016. This amount represents the total amount financed by NAFIN.

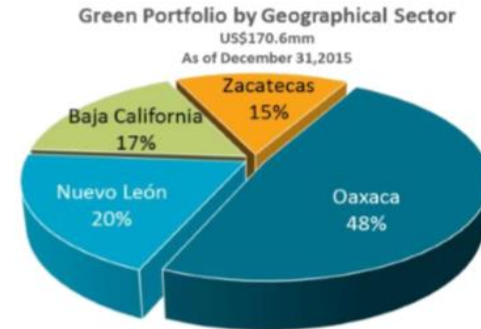
(3) Calculated as per the Centro de Estudio de Tecnologías Energéticas Renovables methodology: t-CO₂ = Annual Production (MWh/year) * Annual Electricity Factor (tCO₂/MWh, 0.4999 for 2013).



IV. Management of proceeds.

Actually, Nafin is funding wind projects for a total amount of US\$300.3mm, with a total installed capacity of 1,645MW. These projects are calculated to reduce CO₂ emissions (*) by almost 2.4 million tons per year.

Nafin's Green Portfolio balance as of December 31, 2015 is **US\$170.6mm.**



Green Portfolio: Nafin's Funded Wind Energy Projects



Project	Nafin Investment (US\$mm) ⁽¹⁾⁽²⁾	Green Bond Funding (US\$mm)	Installed Capacity	Energy Production	Reduction of Greenhouse Gases
			MW	GWh/year	(t-CO ₂)
WF Oaxaca 1	\$17.4	\$3.7	251	851	425,625
WF Oaxaca 3 ⁽³⁾	\$36.1	\$15.7	396	1,013	506,367
WF Oaxaca 4	\$38.4	\$0.6	164	509	254,234
WF Oaxaca 5	\$40.6	\$33.0	160	554	276,761
WF Oaxaca 6	\$49.6	\$29.6	138	493	246,271
WF Nuevo León 1	\$27.2	\$16.8	126	402	200,844
WF Nuevo León 2	\$26.8	\$16.9	126	402	200,844
WF Baja California	\$38.6	\$28.8	155	345	172,517
WF Zacatecas	\$25.6	\$25.6	130	337	168,566
TOTAL	\$300.3	\$170.6	1,645	4,906	2,452,029

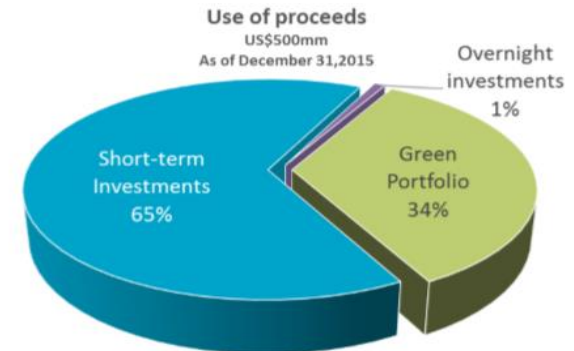
WF means wind farm.

⁽¹⁾ FX Rate used is the exchange rate reported by Banco de Mexico on December 31, 2015: MXN 17.2487.

⁽²⁾ Considering outstanding balance as of December 31, 2015.

⁽³⁾ Project currently being restructured.

Pending US\$329.4mm disbursements are held in our liquidity portfolio, invested in overnight and short-term investments.



October
2015

- **NAFIN issuance: First Mexican Green Bond.**
- On October 29 2015, Nafin returned to the international markets after 18 years of absence with the issuance of the first Mexican Green Bond.



March
2016

- **Launch of the Platform of green bonds by the Mexican Stock Exchange.**
- On March 16 2016, the BMV announced a segment devoted exclusively to the issue of green bonds, becoming the first Latin America stock exchange to launch this initiative.



April
2016

- **Green Bond issuance in Costa Rica for a Development Bank.**
- On April 27 2016, the National Bank of Costa Rica issued the first green bond in that country, representing the 4th issuance of this kind in Latin America.



May
2016

- **Launch of Working Group on green bonds.**
- On May 30 2016, the BMV in conjunction with the Mexican Carbon Platform launched the working group with the aim of boosting the market of green bonds.



August
2016

- **NAFIN issuance: First Mexican Green Bond in pesos.**
- On August 31 2016, Nafin conducted its second issue of a Green Bond in less than 1 year. With this issue Nafin opened the local market of green bonds in Mexico.



Sept.
2016

- **Announcement of the issuance of a Green bond by Grupo Aeroportuario of Mexico City (GACM).**
- On September 6 2016, GACM announced the emission of the third Mexican Green Bond.



Treasury Division

Pedro Guerra Menéndez

Deputy General Director of Treasury and Markets
pguerra@nafin.gob.mx

Igal Benabib Levy

Treasurer
ibenabib@nafin.gob.mx

César Espinosa García

Investors Relationship
cespinosa@nafin.gob.mx

Hugo Enrique Aguirre López

International Treasury Subdirector
haguirre@nafin.gob.mx

Marisol Rentería Bravo

International Treasury Consultant
mrenteria@nafin.gob.mx

Sustainable Projects Division

Gabriela Ivonne Larenas Ruíz

Sustainable Projects Subdirector
gilarenas@nafin.gob.mx

Adán Flores Ramírez

Sustainable Projects Subdirector
aflores@nafin.gob.mx

Diego Ordoñez Zaragoza

Sustainable Projects Specialist A
mdaordonez@nafin.gob.mx

Nubia Nurit Jiménez Valdés

Sustainable Projects Specialist B
nnjimenez@nafin.gob.mx



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