

# **Investor Presentation**

**April 2022** 



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#### **FONPLATA** at a Glance



#### **Overview**

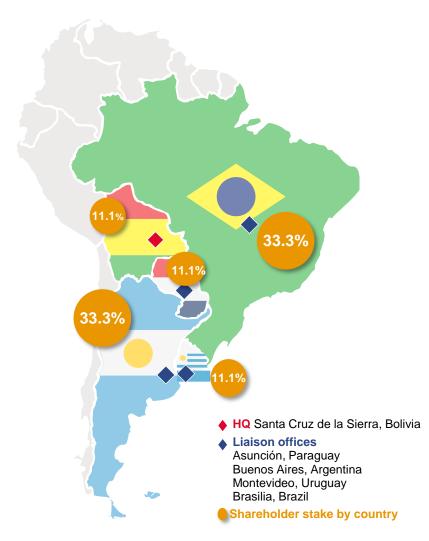
- FONPLATA is a Supranational Development Financial Institution
- Established in 1974 by five founding members: Argentina,
   Bolivia, Brazil, Paraguay and Uruguay
- More than 45 years advancing infrastructure and social development projects in support of its member countries
- 95% of the loan portfolio is sovereign-guaranteed, and 100% is made to the public sector
- Enjoys Preferred Creditor status in all its shareholder countries. NPL ratio has been 0% since inception and no country has gone into arrears with the bank for over 180 days
- Rated A/A2 by S&P and Moody's with stable outlooks

# **Key Indicators\***



Source: FONPLATA as of December 31, 2021.

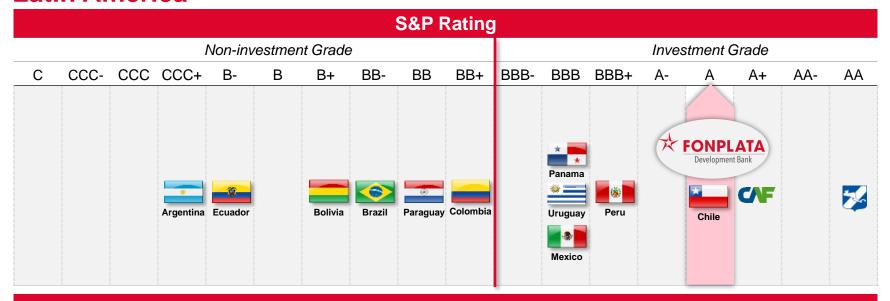
#### **Shareholder Countries**



<sup>\*</sup>RAC Ratio calculated as total adjusted capital by its risk-weighted assets

# FONPLATA's Credit Risk Rating is Among the Best in Latin America





							M	oody'	s Rati	ng							
				Non-in	estmen/	t Grad	Э						Inves	stment (	Grade		
Ca	Caa3	Caa2	Caa1	В3	B2	B1	Ba3	Ba2	Ba1	Baa3	Baa2	Baa1	A3	A2	A1	Aa3	Aa2
Argentina	Ecuador				Bolivia			Brazil	Paraguay		Colombia  Wruguay  ***  Panama	Mexico Peru	*!	FONPL Development		<b>ॐ</b> <b>C∧F</b>	

FONPLATA's rating is supported by its high capitalization and liquidity

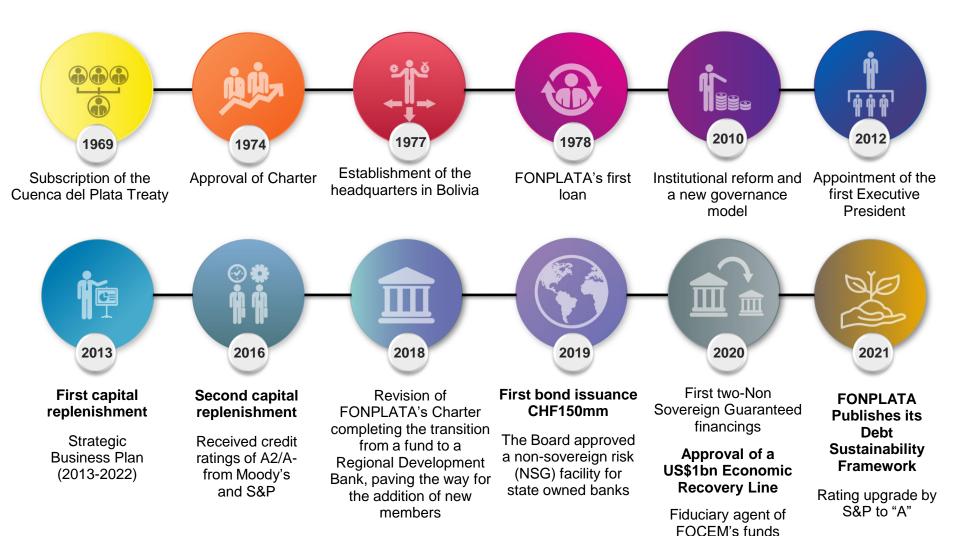
Source: S&P and Moody's as of December 31, 2021.

- CAF: Corporación Andina de Fomento Development Bank of Latin America.
- (2) CABEI: Central American Bank of Economic Integration.

### **FONPLATA's Milestones**



# From a Fund to a Full-Fledged Regional Development Bank

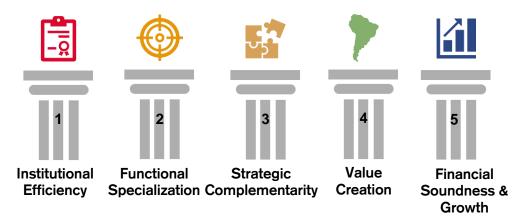


US\$ 4,251 million in approved loans since inception, US\$ 3,072 million since 2013

# FONPLATA's Core Strategic Pillars and Business Plan



# Five strategic pillars



- Small-to-medium-sized projects; average ticket US\$50-60mm
- Special focus on vulnerable zones, border regions and integration
- Balanced participation of member countries in loan portfolio

# Strategic niche

# **Target** sectors

#### **INFRASTRUCTURE**

- Roads and Logistics
- Urban Development in Small Cities Financial Services
- Energy

#### PRODUCTIVE DEVELOPMENT

- Production
- SMEs

#### SOCIO-ENVIRONMENTAL

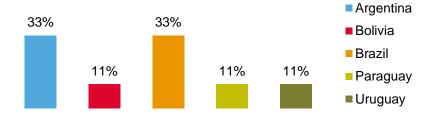
- Health and Education
- Water and Sanitation
- Environment

In addition to lending, FONPLATA provides technical assistance through non-reimbursable grants designed to spur capacity building among member countries

# **Continuous Shareholder Support**



#### **Shareholder Breakdown**

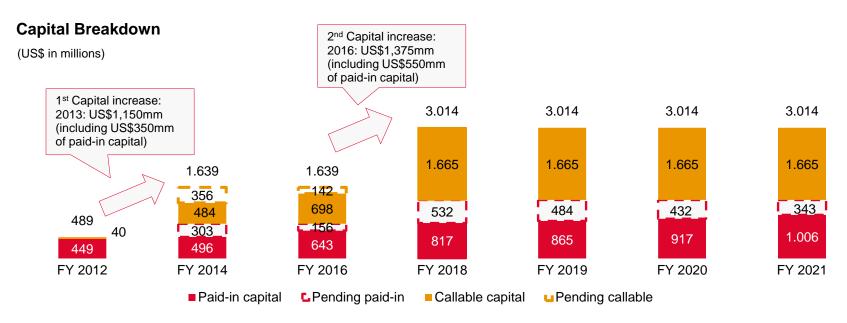


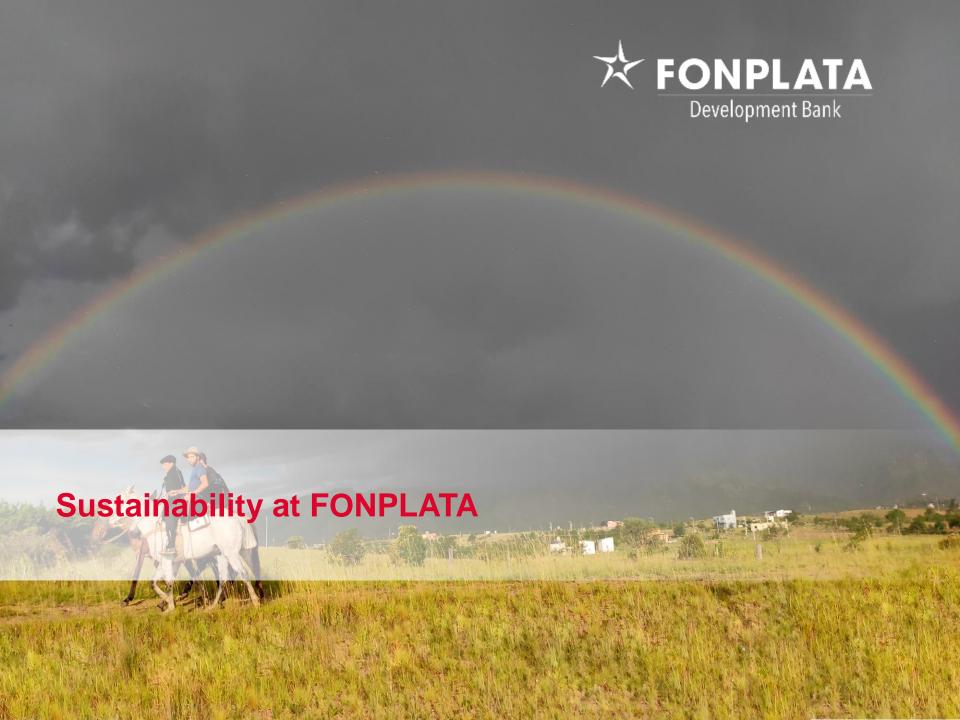
#### **Equal Voting Power and Economic Benefits**



#### Capital Increases in Support of FONPLATA's Expansion Plan

- Following FONPLATA's 2010 reform, shareholders approved its 1<sup>st</sup> general capital increase in 2013, for US\$1,150mm, of which US\$350mm was paid-in capital, with annual installments beginning in 2014 and ending in 2018
- Shareholders approved the 2<sup>nd</sup> capital increase in 2016, for US\$1,375mm, including US\$550mm of paid-in capital to be integrated till 2026
- Solid capital base: US\$1,665mm of "callable capital", which provides an additional safety net, as FONPLATA is legally entitled to call upon these funds if needed





# Strong Commitment and Responsibility to Social and Environmental Issues: A Sustainable Bank



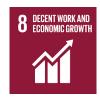
Recognizing the urgency to foster responsible investing for present and future generations

# The Bank has demonstrated its strong commitment to both environmental and social issues through:

- Updating the Institutional Strategic Plan 2022-2026, in alignment with the Paris 2030 Agenda.
- A comprehensive Environmental and Social Policy with a rigorous fulfillment of international standards and best practices.
- A Green Fund facility to entice members to implement environmentally sound projects and a Line of Support for Economic Reactivation to mitigate the effects of the COVID-19 pandemic.
- FONPLATA has adopted the United Nations Sustainable Development Goals (SDGs) as part of its strategy to stimulate inclusive and sustainable development aligned with the 2030 Agenda within its member countries.
- FONPLATA is an important player in infrastructure financing and recognizes the importance of quality infrastructure development and embed environment, social and governance standards to ensure appropriate management of possible negative impacts.
- Most projects support multiple SDGs.

#### Loan Portfolio Breakdown by SDG

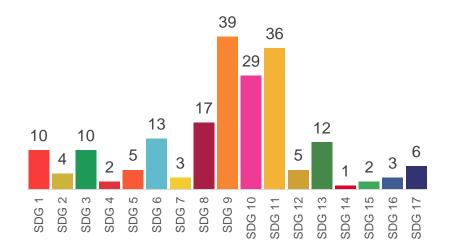
**FONPLATA** is most active with the following SDGs:











FONPLATA plays a vital role in supporting countries' efforts to advance the SDGs through direct financing and assistance for projects and programs in the public sector.

#### **FONPLATA's Sustainable Debt Framework**



- In December 2021, FONPLATA published its Sustainable Debt Framework to guide future issuances of Green, Social, and Sustainability Debt, including bonds, loans or other financial instruments in different formats, tenors and offering types, and received a favorable Second Party Opinion from Sustainalytics.
- FONPLATA's Sustainable Debt Framework is in alignment with the four core components of Green Bond Principles 2021, Social Bond Principles 2021, & Sustainability Bond Guidelines 2021 as administered by the International Capital Markets Association (ICMA).

The Sustainable Debt Framework defines "eligible" Social & Green categories as:

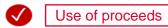
#### Social:

- Access to Essential Services
- Affordable Basic Infrastructure
- Food Security and Sustainable Food Systems
- Employment Generation and Socioeconomic Advancement

#### Green:

- Renewable Energy
- Clean Transportation
- Environmentally Management of Living Natural Resources
- Pollution, Prevention and Control
- Sustainable Water and Wastewater Management

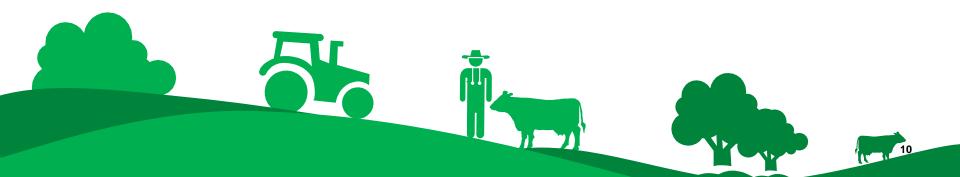
SUSTAINALYTICS is of the opinion that the FONPLATA Sustainable Debt Framework is credible and impactful, and aligns with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, Social Bond Principles 2021, Green Loan Principles 2021, and Social Loan Principles 2021.







Reporting





## **A Solid Balance Sheet**







# Ample room for growth

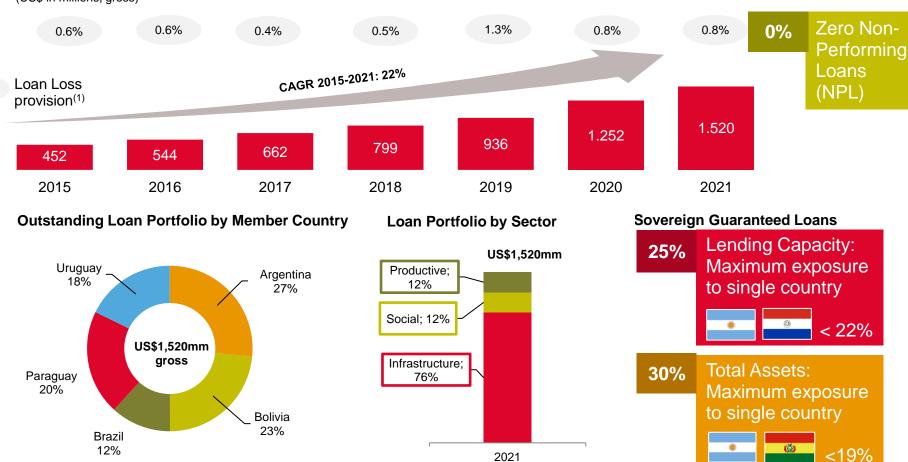
### **Assets: Loan Portfolios**

# Strong asset performance

# FONPLATA Development Bank

#### **Outstanding Loan Portfolio Growth**

(US\$ in millions, gross)



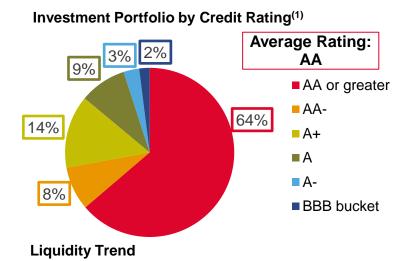
FONPLATA receives Preferred Creditor Status from its member countries, historically all loans have been fully repaid

<sup>(1)</sup> Loan loss provision calculated as a percentage of the Allowance for Loan Losses / Gross Loans Receivable.

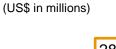
# **Assets: Cash and Securities Liquidity Portfolio**

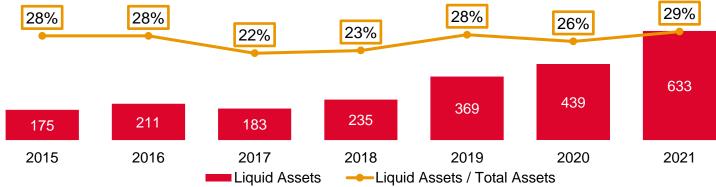


Prudential financial management philosophy



2 years	Maximum liquidity portfolio duration
AA-	Minimum average rating of liquidity portfolio
BBB-	Minimum rating for securities at purchase
12 months	Minimum liquidity coverage





Liquidity in December 2021, exceeded the liquidity required to fulfill expected obligations for the next 12 months, in-line with FONPLATA's financial policy

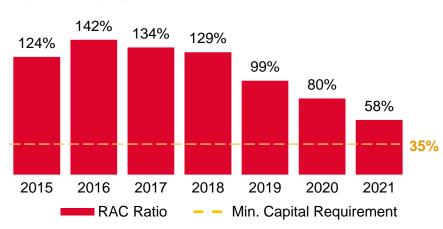
<sup>(1)</sup> Applies the lowest rating available among S&P and Moody's.

# **Equity: Superior Capitalization**

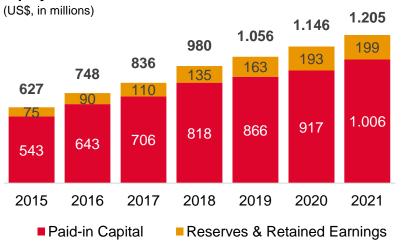
# Strong solvency indicators



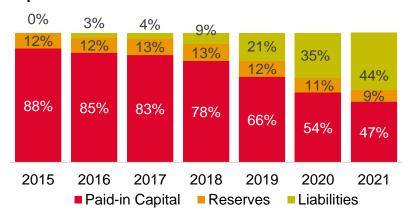
#### **Capital Adequacy Ratio**



#### **Equity Structure**



#### **Capital Structure**



#### **Key Equity Metrics**

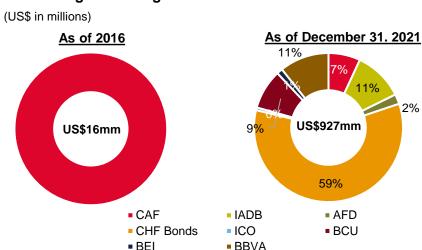
3 times Equity	Maximum Lending Capacity
2 times Equity + Liquid Assets	Maximum Borrowing Capacity
35%	Minimum Risk Adjusted Capital Ratio

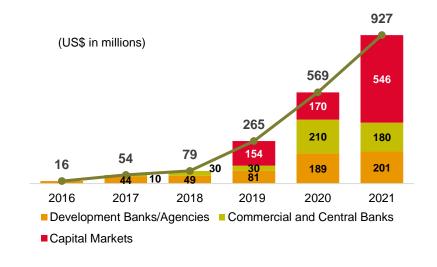
# **Liabilities: Low Leverage**

# Diversified funding sources



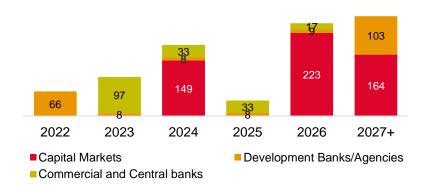
#### Outstanding Borrowings (1)



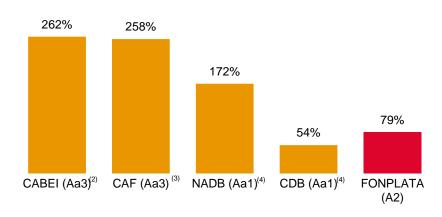


#### **Debt Maturity Profile**

(US\$ in millions)



#### **Low Leverage Profile Compared to its Peers**



- (3) As of December 31, 2021.
- (4) Draft Audited as of December 31, 2021. NADB: North American Development Bank. CDB: Caribbean Development Bank.

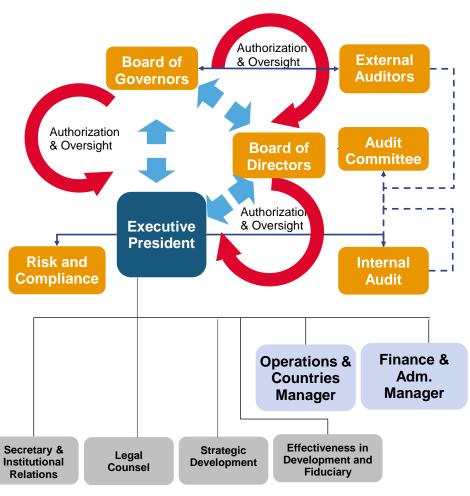
<sup>(1)</sup> At amortized cost. Lenders include Corporación Andina del Fomento ("CAF"), Inter-American Development Bank ("IADB"), French Development Agency ("AFD"), Instituto de Credito Oficial ("ICO"), Bond in Swiss Franc ("CHF bond"), Banco Central Uruguay ("BCU").

<sup>(2)</sup> As of September 30, 2021. CABEI: Central American Bank for Economic Integration.

### **Robust Governance Structure**



#### **Robust Control and Oversight Structures**



#### Overview of Functions

#### **Board of** Governors (BoG): Finance or planning ministers of member

countries

- Key functions include admission of new members, changes to capital structure, modifications to the Charter and to the Board of Directors
- Appoints external auditors, approves the audited financial statements, the annual budget, and the allocation of net income

# Directors:

Representatives of member countries

- **Board of Executive** Approves financings, policies, and authorizes the contracting of debt
  - Approves organizational changes at executive levels and reviews budgets prior to submission to the BoG

### **Audit Committee:** Chaired by one of the Executive

Directors, integrated by the Board of **Directors** 

- Reviews FONPLATA's annual report and financial statements, with the corresponding external auditor's opinion, before submission to Board of Governors
- Current External Auditors: Ernst & Young

#### **Executive** President:

Appointed for a 5year period by the **Board of Governors** 

- Highest authority responsible for FONPLATA's overall supervision and management
- Chief of staff
- Appoints/terminates staff
- Authority to approve loans up to US\$5mm

# **Focus on Risk Management**



Risk that financial assets and liabilities are denominated in different currencies  Risk of fluctuations in lending and borrowing rates applicable	<ul><li>N/A</li><li>Sensitivity analysis</li></ul>	<ul> <li>All loan and investment transactions, as well as 99% of liabilities are either in US\$ or swapped back to US\$, which is FONPLATA`s functional currency</li> </ul>			
	Sensitivity analysis				
to FONPLATA's loans and debt	Constitute analysis	<ul> <li>FONPLATA has established policies for the determination of interest rates, allowing it to mitigate the potential effects of interest rate fluctuations</li> </ul>			
		<ul> <li>FONPLATA seeks to minimize the negative impact of potential mismatches on the duration of the loan portfolio and the debt incurred to finance such loans (ALM policy)</li> </ul>			
		<ul> <li>Floating rate base (6M US\$ Libor + Spread).</li> <li>Transition to SOFR underway</li> </ul>			
Risk of significant variation in assets' value given changes in	<ul> <li>All available for sale bonds are marked to</li> </ul>	<ul> <li>Bonds available for sale are monitored on a regular basis</li> </ul>			
market price	market	<ul> <li>No trading book; No trading activities</li> </ul>			
Loans and investment portfolios	<ul><li>Arrear analysis</li><li>Credit risk analysis</li><li>Assessment of potential</li></ul>	<ul> <li>Guidelines that require diversification of financial assets and applicable limits for concentration of credit risk applied to member countries</li> </ul>			
	impairment of loans	<ul> <li>Sovereign and Quasi-Sovereign loans only. No private sector loans</li> </ul>			
Risk originated in the inability of the institution to meet its obligations	<ul><li>Forward liquidity scenario analysis</li><li>Liquidity positions monitored daily</li></ul>	<ul> <li>Minimum required level of liquidity defined by the liquidity policy (covering a 12-month horizon), monitored formally on a monthly basis</li> </ul>			
All transactions Actions from stakeholders or other third parties	<ul> <li>Processes analyses and reviews</li> <li>Industry reports and best</li> </ul>	<ul> <li>Centralized database of operational events and near misses</li> <li>Continuous improvement on processes and controls</li> </ul>			
	assets' value given changes in market price  Loans and investment portfolios  Risk originated in the inability of the institution to meet its obligations  All transactions Actions from stakeholders or	assets' value given changes in market price  Loans and investment portfolios  Risk originated in the inability of the institution to meet its obligations  All transactions Actions from stakeholders or other third parties  bonds are marked to market  Arrear analysis  Credit risk analysis  Forward liquidity scenario analysis  Liquidity positions monitored daily  Processes analyses and reviews  Industry reports and best			

Financial policies are set to conform to FONPLATA's prudential financial risk management

# **FONPLATA's Strengths: Credit Highlights**



# Commitment and Responsibility to Social and Environmental Issues

- ✓ Strong commitment to the UN's Sustainable Development Goals, to climate change and the sustainable use of natural resources
- ✓ Focused on regional projects with sustainable development impact
- 2 Continuous and Strong Shareholders' Support
  - ✓ Strong capital base
  - 6-fold increase of subscribed capital in the last 5 years to increase lending capacity
  - ✓ Willingness to incorporate new members, furthering commitment to regional development
  - 3 Proactive Focus on Risk Management
    - ✓ Robust governance structure
    - Prudent financial and risk management policies
    - ✓ Continuous assessment of the overall effectiveness of control and risk management processes
- 4 Strong Financial Position with High Capitalization and Substantial Liquidity
  - ✓ Strong capitalization reflected in its Capital Adequacy Ratio of 58%
  - ✓ Consistent and diversified portfolio growth
  - ✓ High Liquidity levels reported in line with Financial Policies
- 5 Sound Financial Performance Supported by High-Quality Assets
  - ✓ Proven preferred creditor status
  - ✓ Historically superior asset performance
  - ✓ High quality loan portfolio with 0% NPLs during FONPLATA's history



# Thank you

https://www.fonplata.org/en/investors

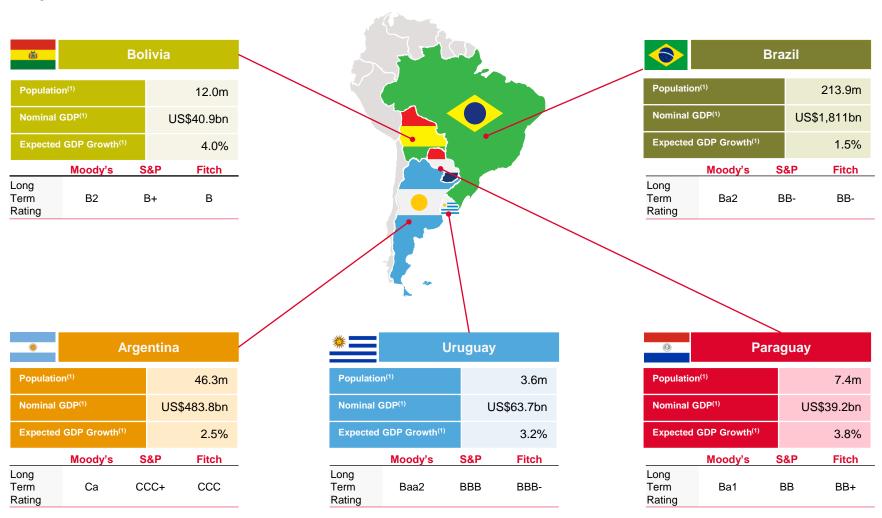
E-mail: capitalmarkets@fonplata.org



### **Well-Positioned in South America**



Key statistics



Geographic region covers nearly three-quarters of South American landmass and 70% of GDP

Source: Official data and WEO-IMF.

2022E.

# **Overview of FONPLATA Eligible Projects**

Social and Green Eligible Expenditure Categories



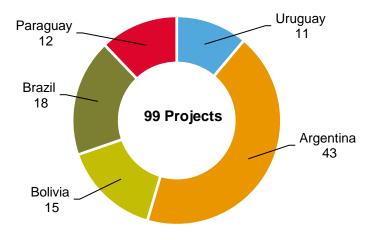
GBP Eligible Project Category	Eligibility Criteria and Example Projects				
Renewable Energy	<ul> <li>Financing of renewable electricity solutions and their implementation:         <ul> <li>Wind (onshore and offshore); and</li> <li>Solar (photovoltaic)</li> </ul> </li> </ul>				
Clean Transportation	<ul> <li>Construction and improvement of low carbon transportation infrastructure (intercity passenger rail projects)</li> </ul>				
Environmentally Sustainable Management of Living Natural Resources	<ul> <li>Financing of the preservation of urban natural resources and ecosystem services (linear and environmental parks)</li> <li>Loans and/or grants to family producers with agricultural projects aiming at transitioning to agroecological practices to support sustainable food production systems and resilient agriculture</li> </ul>				
Pollution Prevention and Control	Solid waste management systems, including prevention, collection, composting and recycling				
Sustainable Water and Wastewater Management	Wastewater treatment systems				

SBP Eligible Project Category	Eligibility Criteria and Example Projects					
	Recreational Infrastructure	<ul> <li>Small recreational infrastructure projects, limited to sports areas, urban parks, tourism and culture</li> </ul>				
Access to Essential Services	Health	<ul> <li>Construction and/or expansion of medical centers, laboratories and supporting infrastructure and equipment</li> <li>Preventive care, treatment, public health education and health support in relation to COVID-19 or vector related diseases (e.g. Chagas)</li> </ul>				
	Education	Educational infrastructure and equipment, funding educational programs, digitalization of public educational services				
	Water and Sanitation	<ul> <li>Construction and/or expansion of water supply and sewage systems</li> <li>Macro and micro drainage and/or flood defense infrastructure</li> </ul>				
	Electricity	<ul> <li>Expansion and/or improvement of electricity supply systems</li> </ul>				
Affordable Basic Infrastructure	Transport and Urban development	<ul> <li>Improvement of regional infrastructure to promote enhanced connectivity, social services access and modal shift through small scale interventions, excluding highways.</li> </ul>				
	Information and Communications Technology (ICT)	<ul> <li>Development and/or expansion of broadband telecommunication networks</li> </ul>				
Food Security & Sustainable Food Systems	Food security	School meal programs in public schools				
Employment Generation and Socio-economic Advancement	Medium, Small and Micro Enterprises (MSMEs), Local communities' projects and sector growth	<ul> <li>Financing and developing services for small, medium and micro businesses</li> <li>Programs for emergency employment generation</li> </ul>				

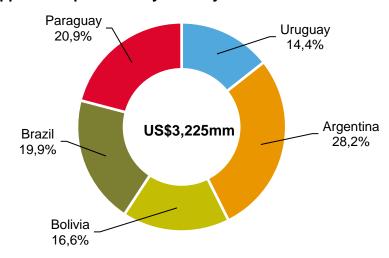
# **Country Operations since 2012**



#### **Operations by country**



#### **Approved Operations by Country**



#### **Example of Projects**



Support Program for Local Assistance in Emergencies (ARG-46)

■ Investment: US\$ 12,0mm

Objective:

To strengthen local governments in the implementation of protection and assistance policies for the health emergency caused by the COVID-19 pandemic.









Water and lightning in marginal areas (BOL-28)

■ Investment: US\$ 10,0mm

Objective:

To contribute to the improvement of the quality of life of families in dispersed rural communities in conditions of poverty and extreme poverty, facilitating access to basic services in a sustainable way.















FONPLATA as of December 31, 2021.

# **Country Operations**





#### Presidente Prudente / SP Urban Development and Mobility Project (BRA-27)

■ Investment: US\$ 46,9mm

Objective:

To contribute to the improvement of the quality of life of the population of Presidente Prudente, through investments in actions integrated into the initiatives of the Municipality, in terms of macro-drainage infrastructure, urban mobility and technological innovation.





Financial assistance program for micro and small businesses to alleviate the impacts of the Emergency (URU-22)

■ Investment: US\$ 21,0mm

Objective:

To preserve the solvency of the economic activities of micro and small companies affected by COVID 19, temporarily illiquid, through the injection of credits under favorable conditions.





Construction: transformation substation and power transmission lines in Valenzuela (PAR-26)

■ Investment: US\$ 70,0mm

Objective:

To improve the safety and reliability of the electric power supply in the Metropolitan and Central System of Paraguay, both in normal regime and in emergency situations in the operation (contingency), reducing the amount of energy not supplied and the technical losses in the network.



# **Balance Sheet**



(US\$ in thousands)	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY2021
Assets:							
Cash and Cash Equivalents	17,618	31,038	34,092	55,421	37,413	32,037	128,261
Investments	157,155	179,932	148,932	179,708	331,507	406,783	504,638
Loan Portfolio, Net	447,327	539,517	657,087	792,580	920,387	1,237,031	1,503,666
Accrued Interest	3,004	4,557	6,187	9,142	11,746	12,421	13,039
Property and Equipment, Net	2,377	3,191	5,161	5,791	5,721	5,934	5,742
Other assets	136	380	143	252	893	762	1,442
Total assets	627,617	758,615	851,602	1,042,894	1,307,667	1,694,968	2,156,788
Liabilities:							
Derivatives	0.0	0.0	0.0	0.0	1	5	0.0
Debt	0.0	16,000	26,000	78,750	264,708	568,324	926,741
Other Liabilities	271	204	912	789	2,590	1,982	3,149
Special Funds	9,836	9,393	8,915	10,440	12,230	15,066	21,891
Total liabilities	10,107	25,597	35,827	89,979	279,529	585,377	951,781
Equity:							
Authorized Capital	1,639,200	3,014,200	3,014,200	3,014,200	3,014,200	3,014,200	3,014,200
Less Callable Option	(840,000)	(1,665,000)	(1,665,000)	(1,665,000)	(1,665,000)	(1,665,000)	(1,665,000)
Paid-in Capital	799,200	1,349,200	1,349,200	1,349,200	1,349,200	1,349,200	1,349,200
Paid-in Capital Pending Integration	(256,667)	(705,917)	(643,333)	(531,666)	(483,651)	(432,318)	(342,733)
Capital	542,533	643,283	705,867	817,534	865,549	916,882	1,006,467
General Reserve	65,654	74,979	89,740	107,871	132,443	155,751	183,165
Other Reserves	(2)	(5)	37	938	1,838	1,044	(8,655)
Retained Earnings	9,325	14,761	20,131	26,572	28,308	35,914	24,030
Total Equity	617,510	733,018	815,775	952,915	1,028,138	1,109,591	1,205,007
Total Liabilities and Equity	627,617	758,615	851,602	1,042,894	1,307,667	1,694,968	2,156,788

Source: FONPLATA.

# **Income Statement**



(US\$ in thousands)	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Income							
Interest on Loans	10,911	15,554	21,407	31,667	41,841	36,438	35,609
Other Loan Income	2,863	3,382	3,645	4,490	4,836	6,670	6,612
Loan Portfolio Income	13,774	18,936	25,052	36,157	46,677	43,108	42,221
Interest on Investments	1,246	1,318	2,246	4,018	7,564	7,876	4,770
Other Investment Income	43	44	117	128	16	19	15
Investment Income	1,289	1,362	2,363	4,146	7,580	7,895	4,785
Other Income	274	180	89	69	162	100	85
Income from Financial Assets	15,337	20,478	27,504	40,372	54,419	51,103	47,091
Expenses							
Interest Expense	0	(19)	(716)	(2,645)	(8,442)	(8,627)	(10,949)
Income on Net Financial Assets	15,337	20,459	26,788	37,727	45,977	42,476	36,142
Provision for Potential Loan Impairments	(2,922)	(105)	142	(2,766)	(8,188)	2,498	(2,599)
Income after Provision for Impairments	12,415	20,354	26,930	34,961	37,789	44,974	33,543
Administrative Expenses	(5,381)	(5,593)	(6,799)	(8,389)	(9,481)	(9,060)	(9,513)
Net Income	7,034	14,761	20,131	26,572	28,308	35,914	24,030

Source: FONPLATA.