Nacional Financiera S.N.C.

NAFIN:
First ever Mexican Green Bond Issuer
Definition of Green Bonds

Main aspects

▪ **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
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


- 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)

<table>
<thead>
<tr>
<th>Ratings</th>
<th>Moody’s: A3/Fitch:BBB+</th>
</tr>
</thead>
<tbody>
<tr>
<td>Format</td>
<td>144A/RegS</td>
</tr>
<tr>
<td>Tenor</td>
<td>5 year</td>
</tr>
<tr>
<td>Re-offer Spread</td>
<td>T+190 bps</td>
</tr>
<tr>
<td>Coupon</td>
<td>3.375%</td>
</tr>
<tr>
<td>Issue Price</td>
<td>99,822</td>
</tr>
<tr>
<td>YTM</td>
<td>3.414%</td>
</tr>
<tr>
<td>Issue Amount</td>
<td>US$ 500 million</td>
</tr>
<tr>
<td>Launch Date</td>
<td>29 October 2015</td>
</tr>
<tr>
<td>Maturity Date</td>
<td>5 November 2020</td>
</tr>
<tr>
<td>Listing</td>
<td>Irish Stock Exchange</td>
</tr>
<tr>
<td>Bookrunners</td>
<td>BofAML, CA-CIB, Daiwa</td>
</tr>
</tbody>
</table>

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.

Source: Daiwa Capital Markets, Case Study.
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$ 2,000mn (approx. USD$108mn) 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.

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.

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**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

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Amount allocated by type of investor:

- Trading Desks/Brokerage Houses/Government Entities, 70%
- Pension Funds (Afores), 15%
- Private Banking Networks, 3%
- Insurance Companies, 5%
- Mutual Funds, 7%
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:

<table>
<thead>
<tr>
<th>Category</th>
<th>Eligible activities</th>
</tr>
</thead>
</table>
| Wind Power Plants (onshore only) | - 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      | - 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 IIHD, 2010.  
- Operational production or manufacturing facilities wholly dedicated to small hydro energy development  
- Wholly dedicated transmission infrastructure for small hydro power plants |
Use of Proceeds
Green Portfolio

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, 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

<table>
<thead>
<tr>
<th>Type</th>
<th>Project</th>
<th>Location</th>
<th>Year</th>
<th>Green Bond Issuance</th>
<th>Total Investment (US$ mm)(1)</th>
<th>NAFIN Investment (US$ mm)(1)(2)</th>
<th>Installed Capacity (MW)</th>
<th>Energy Production (GWh/year)</th>
<th>Reduction of Greenhouse Gases (t-CO₂)(3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wind</td>
<td>Wind Farm Baja California</td>
<td>Baja California</td>
<td>2014</td>
<td>USD 252.6</td>
<td>37.6</td>
<td>155</td>
<td>345</td>
<td>172,517</td>
<td></td>
</tr>
<tr>
<td>Wind</td>
<td>Wind Farm Nuevo León 2</td>
<td>Nuevo León</td>
<td>2014</td>
<td>USD 263.5</td>
<td>34.3</td>
<td>126</td>
<td>402</td>
<td>200,844</td>
<td></td>
</tr>
<tr>
<td>Wind</td>
<td>Wind Farm Nuevo León 1</td>
<td>Nuevo León</td>
<td>2014</td>
<td>USD 263.5</td>
<td>34.5</td>
<td>126</td>
<td>402</td>
<td>200,844</td>
<td></td>
</tr>
<tr>
<td>Wind</td>
<td>Wind Farm Oaxaca 6</td>
<td>Oaxaca</td>
<td>2013</td>
<td>USD 202.5</td>
<td>43.7</td>
<td>138</td>
<td>493</td>
<td>246,271</td>
<td></td>
</tr>
<tr>
<td>Wind</td>
<td>Wind Farm Oaxaca 5</td>
<td>Oaxaca</td>
<td>2013</td>
<td>USD 259.4</td>
<td>34.5</td>
<td>160</td>
<td>554</td>
<td>276,761</td>
<td></td>
</tr>
<tr>
<td>Wind</td>
<td>Wind Farm Oaxaca 4</td>
<td>Oaxaca</td>
<td>2012</td>
<td>USD 262.2</td>
<td>32.5</td>
<td>164</td>
<td>509</td>
<td>254,234</td>
<td></td>
</tr>
<tr>
<td>Wind</td>
<td>Wind Farm Zacatecas</td>
<td>Zacatecas</td>
<td>2015</td>
<td>USD 265.6</td>
<td>58.5</td>
<td>130</td>
<td>337</td>
<td>168,566</td>
<td></td>
</tr>
<tr>
<td>Wind</td>
<td>Wind Farm Coahuila</td>
<td>Coahuila</td>
<td>2016</td>
<td>USD 361.1</td>
<td>54.8</td>
<td>200</td>
<td>777</td>
<td>247,700</td>
<td></td>
</tr>
<tr>
<td>Wind</td>
<td>Wind Farm Puebla</td>
<td>Puebla</td>
<td>2016</td>
<td>MXP 112.5</td>
<td>57.9</td>
<td>66</td>
<td>213</td>
<td>96,657</td>
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<tr>
<td>Hydro</td>
<td>Mini-Hydro Plant 1</td>
<td>Nayarit</td>
<td>2013</td>
<td>MXP 48.4</td>
<td>27.5</td>
<td>29</td>
<td>151</td>
<td>75,671</td>
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<tr>
<td>TOTAL</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1,294</td>
<td>4,181</td>
<td>1,940,065</td>
<td></td>
</tr>
</tbody>
</table>

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 Estudios de Tecnologías 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**.

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

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**Green Portfolio: Nafin’s Funded Wind Energy Projects**

<table>
<thead>
<tr>
<th>Project</th>
<th>Nafin Investment (US$mm)*</th>
<th>Green Bond Funding (US$mm)</th>
<th>Installed Capacity</th>
<th>Energy Production</th>
<th>Reduction of Greenhouse Gases</th>
</tr>
</thead>
<tbody>
<tr>
<td>WF Oaxaca 1</td>
<td>$17.4</td>
<td>$3.7</td>
<td>251</td>
<td>951</td>
<td>425,625</td>
</tr>
<tr>
<td>WF Oaxaca 2</td>
<td>$36.1</td>
<td>$15.7</td>
<td>396</td>
<td>1,013</td>
<td>506,367</td>
</tr>
<tr>
<td>WF Oaxaca 3</td>
<td>$38.4</td>
<td>$0.6</td>
<td>164</td>
<td>569</td>
<td>254,234</td>
</tr>
<tr>
<td>WF Oaxaca 4</td>
<td>$46.6</td>
<td>$33.0</td>
<td>190</td>
<td>554</td>
<td>276,761</td>
</tr>
<tr>
<td>WF Oaxaca 5</td>
<td>$40.6</td>
<td>$29.6</td>
<td>138</td>
<td>493</td>
<td>246,271</td>
</tr>
<tr>
<td>WF Oaxaca 6</td>
<td>$49.6</td>
<td>$10.7</td>
<td>126</td>
<td>402</td>
<td>200,844</td>
</tr>
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<td>WF Nuevo León 1</td>
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<td>$16.8</td>
<td>126</td>
<td>402</td>
<td>200,844</td>
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<td>WF Zacatecas</td>
<td>$25.6</td>
<td>$25.6</td>
<td>130</td>
<td>337</td>
<td>168,566</td>
</tr>
<tr>
<td>TOTAL</td>
<td><strong>$300.3</strong></td>
<td><strong>$170.6</strong></td>
<td><strong>1,645</strong></td>
<td><strong>4,966</strong></td>
<td><strong>2,452,029</strong></td>
</tr>
</tbody>
</table>

WF means wind farm.

(*) FX Rate used is the exchange rates reported by Banco de Mexico on December 31, 2015: M/US 17.2497.

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

(2) Project currently being restructured.

http://www.nafin.com/portalNf/content/piso-financiero/relacion-con-inversionistas/green_bond.html
NAFIN: Pioneer in the GB Market
LatAm and Mexico

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.
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