

CREDIT OPINION

12 December 2022

Update



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RATINGS

[MDB]

	Rating	Outlook
Long-term Issuer	A2	Stable
Short-term Issuer	--	--

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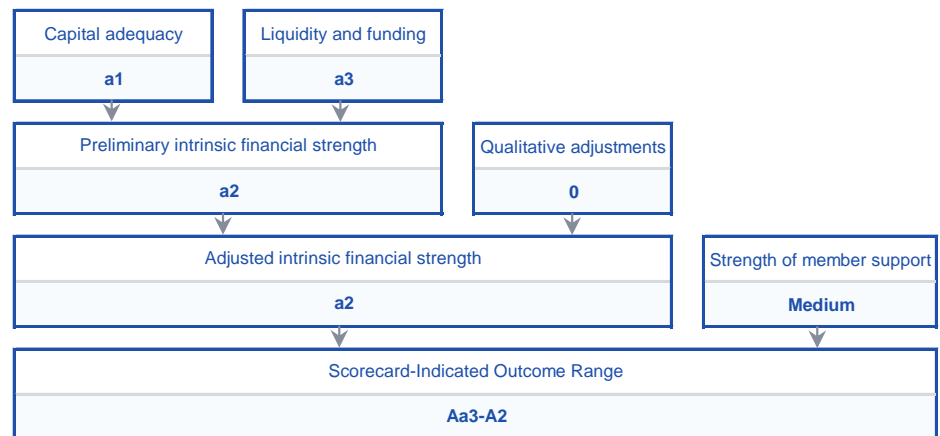
FONPLATA – A2 stable

Update following rating affirmation, outlook unchanged

Summary

The credit profile of [FONPLATA](#) reflects the development bank's strong capital adequacy and liquidity, despite a gradual rise in leverage and difficult operating environment. FONPLATA's credit profile also reflects its high portfolio and shareholder concentration, relatively low borrower and shareholder ratings, limited use of market-based funding, and large cushion of callable capital.

Exhibit 1

FONPLATA's credit profile is determined by three factors


Source: Moody's Investors Service

Credit strengths

- » High capital adequacy, supported by a strong capital position and very strong asset performance
- » Strong liquidity position, supported by treasury portfolio and liquidity management
- » Large cushion of contractual callable capital

Credit challenges

- » Rising leverage in a difficult operating environment
- » High concentration in loan portfolio and shareholder base, comprised of sovereigns with relatively low weighted average credit ratings
- » Limited, albeit improving, track record of market-based debt issuance

Rating outlook

The stable outlook reflects a balance of risks to the rating. We expect that even as FONPLATA continues to leverage its balance sheet, its capital adequacy and liquidity position will remain strong and provide sufficient shock absorption capacity for the bank to preserve its intrinsic financial strength. We incorporate the expectation of a gradual rise in leverage and decline in capital adequacy into its rating. Despite a high regional concentration of lending, we expect that asset performance will remain very strong as future lending continues to benefit from the bank's preferred creditor status and focus on the public sector. In addition, we do not expect any material changes to shareholders' support of the bank.

Factors that could lead to an upgrade

Upward pressure on the rating would arise if the bank continues to build a track record of accessing more diversified funding sources, including through the broadening of market-based debt issuance into a variety of different international markets and currencies, along with the successful refinancing of maturing market-based debt. Expansion of the bank's shareholder base to include highly rated investment-grade members that would bolster the quality of shareholder support would provide additional support to the rating.

Factors that could lead to a downgrade

Downward pressure on the rating would arise if key capital and liquidity indicators were to deteriorate more significantly than expected, below the metrics of its peers with a similar rating, as a result of FONPLATA's growth strategy.

Key indicators

Exhibit 2

FONPLATA	2016	2017	2018	2019	2020	2021
Total Assets (USD million)	758.6	851.6	1,042.9	1,307.7	1,695.0	2,156.8
Development-related Assets (DRA) / Usable Equity [1]	74.2	81.1	83.9	91.1	112.8	126.1
Non-Performing Assets / DRA	0.0	0.0	0.0	0.0	0.0	0.0
Return on Average Assets	2.1	2.5	2.8	2.4	2.4	1.2
Liquid Assets / ST Debt + CMLTD	--	1,830.2	4,408.7	6,917.2	324.3	958.7
Liquid Assets / Total Assets	27.8	21.5	22.5	28.2	25.9	29.3
Callable Capital / Gross Debt	10,406.3	6,403.8	2,114.3	629.0	293.0	179.7

[1] Usable equity is total shareholders' equity and excludes callable capital

Source: Moody's Investors Service

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody.com> for the most updated credit rating action information and rating history.

Profile

FONPLATA's main objective has been to promote integration and inclusive development in the River Plate Basin and its areas of economic influence. The River Plate Basin is a geographic region that covers nearly a quarter of South American landmass and extends to all five member countries: Argentina (Ca stable), Bolivia (B2 negative), Brazil (Ba2 stable), Paraguay (Ba1 positive) and Uruguay (Baa2 stable). FONPLATA was established in 1974 and is headquartered in Bolivia. FONPLATA's loans have historically been centered around infrastructure projects, with a special focus on vulnerable zones and border regions that face inequalities in economic and social development. In addition to lending, FONPLATA provides technical assistance grants for capacity building among member states.

In 2009 and 2010, FONPLATA sought to redefine its mandate and did not approve any new lending during this period. In 2010, the board of governors decided to revamp FONPLATA's management model and take a far more active approach to lending. Among other things, the board created the role of an executive president. Since the first executive president took office in 2012, the bank has established a clear timeline of short-term and long-term strategic goals to pursue a more aggressive lending strategy, and has updated its governance and risk management procedures.

In 2018, the board of governors approved several modifications to FONPLATA's Charter, which included its transformation from a "fund" into a "development bank." Overall, these modifications focused on modernizing and enhancing the bank's capacity and relevance to perform its development objectives to integrate member countries into both regional and global economies.

Detailed credit considerations

Our determination of a supranational's rating is based on three rating factors: capital adequacy, liquidity and funding, and strength of member support. For multilateral development banks (MDBs), the first two factors combine to form the assessment of intrinsic financial strength, as shown on the cover page graphic. Additional factors can affect the intrinsic financial strength, such as risks stemming from the operating environment or the quality of management. The strength of member support is then incorporated to yield a rating range. For more information, please see our [Supranational Rating Methodology](#).

FACTOR 1: Capital adequacy score: a1

We assess FONPLATA's capital adequacy as "a1," which reflects the bank's strong capital position, tempered by an increase in leverage as the bank continues to expand its balance sheet. The factor score also captures the bank's relatively low Development Asset Credit Quality (DACQ) score, constrained by a relatively low weighted average borrower rating and a high degree of regional portfolio concentration.

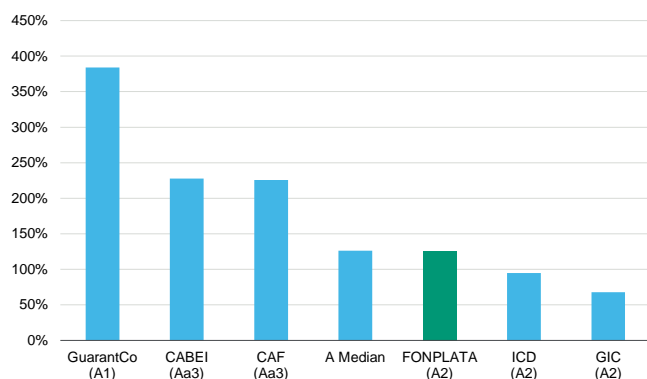
Strong capital position despite rising leverage and challenging operating environment

We assess FONPLATA's capital position as "aa3," one notch below the initial score of "aa2," to account for its continued recent and expected future increase in leverage. Nonetheless, the bank's capital position is supported by a fundamentally strong leverage ratio (development-related assets [DRA] and liquid assets rated A3 and lower/usable equity) and sound risk management framework.

FONPLATA's leverage ratio increased to about 127% in 2021 from around 52% in 2012, as the bank steadily expanded its lending activities in line with its redefined mandate (see Exhibits 3 and 4). However, leverage remains in line with the A-rated MDB median and lower than that of its regional peers, [Corporacion Andina de Fomento](#) (CAF, Aa3 stable) and [Central American Bank for Economic Integration](#) (Aa3 stable). As of year-end 2021, the bank's debt had increased to \$927 million, almost double the \$568 million as of year-end 2020 and almost four times the \$265 million as of year-end 2019. Gross loans increased at a more moderate pace, reaching \$1,520 million in 2021 from \$1,251 million in 2020.

Exhibit 3

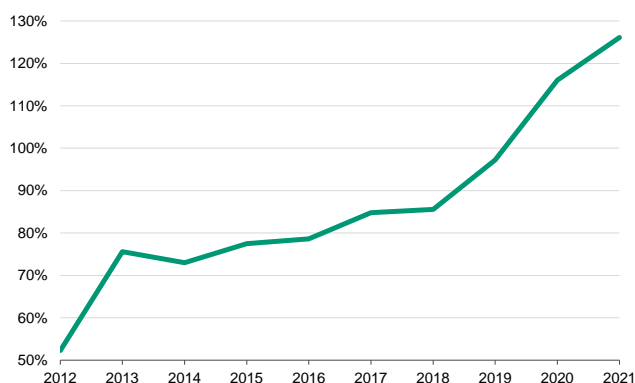
FONPLATA's leverage ratio remains in line with the peer median and below that of regional peers
(DRA and liquid assets rated A3 or lower)/usable equity, 2021



DRA = Development-related assets
Source: Moody's Investors Service

Exhibit 4

FONPLATA's leverage ratio continues to rise as its development loan portfolio grows
(DRA and liquid assets rated A3 or lower)/usable equity, 2021



DRA = Development-related assets
Source: Moody's Investors Service

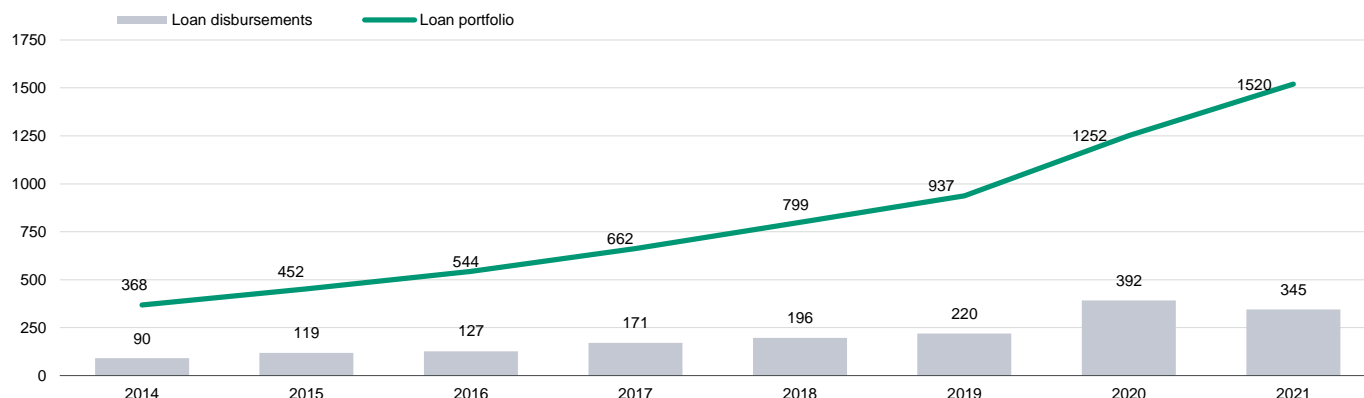
We expect the rise in the leverage ratio to continue at a gradual pace. When including liquid assets, we expect it to remain comfortably below FONPLATA's 2.0x leverage limit over the next two to three years, supporting the bank's strong capital position.

In 2021, FONPLATA's loan portfolio growth moderated as disbursements adjusted from much higher-than-expected levels in 2020 to support member countries' emergency pandemic response (see Exhibit 5).

Exhibit 5

Loan disbursements moderated in 2021 following a sharp rise in 2020 driven by the pandemic

Annual loan disbursements and total loan portfolio, \$ millions



Sources: FONPLATA and Moody's Investors Service

Regional concentration continues to contribute to capital adequacy risks

FONPLATA's DACQ score of "ba" reflects a relatively low weighted average borrower rating of Caa1 and a highly concentrated portfolio with all loans split among its five South American member borrowers. Despite these challenges, more than 95% of FONPLATA's outstanding loans are sovereign-guaranteed and the bank benefits from a strong track record of preferred creditor status with a history of no NPA.

FONPLATA's DACQ score has declined over the last three years. Bolivia and Argentina, which represented a cumulative 50% of the loan portfolio in 2021, have undergone severe credit stress over the last two years. To reflect these increased credit challenges, Bolivia's sovereign rating outlook was changed from stable to negative in September 2021, driven by credit risks related to the country's deteriorating fiscal and external positions. Argentina's outlook remains stable following the conclusion of its debt restructuring, but its Ca issuer rating is one of the lowest among the sovereigns we rate, a reflection of our expectation of significant economic and fiscal challenges over the next two to three years.

As of December 2022, 50% of FONPLATA's loans were in the remaining three member countries, of which Brazil and Uruguay had stable outlooks, while Paraguay had a positive outlook. Nonetheless, the current credit conditions in the region remain difficult as central banks hike interest rates to control rising inflation. Loans to Uruguay, the sole investment-grade member sovereign, account for 18% of the bank's total portfolio.

We expect the region's economy to experience low growth in 2023 as interest rates remain high to offset inflationary pressures. While FONPLATA's regional portfolio concentration will remain a credit challenge for the foreseeable future, it is taking initial steps to try to broaden its shareholder base with the intent of diversifying its membership with more highly-rated countries by 2024-25.

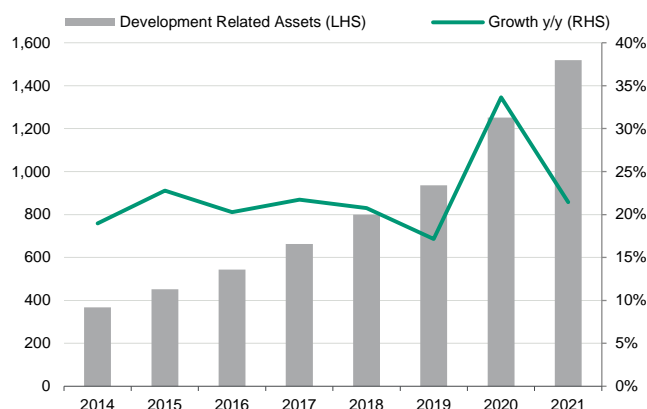
Asset performance remains very strong

We set FONPLATA's asset performance score at "aa1," one notch below the initial score of "aaa," to account for significant recent and expected growth in development assets. DRA have recorded 22% average annual growth since 2014, and although we expect growth to moderate over the coming years, it will likely remain strong (see Exhibit 6). Indeed, FONPLATA's asset-quality performance remains exceptionally strong, demonstrated by NPA that have remained at zero over the past decade (see Exhibit 7). This is one of the strongest ratios among the MDBs that we rate.

Exhibit 6

DRA growth began to moderate in 2021

Development-related assets (\$ thousands) and annual growth (percentage, year on year)

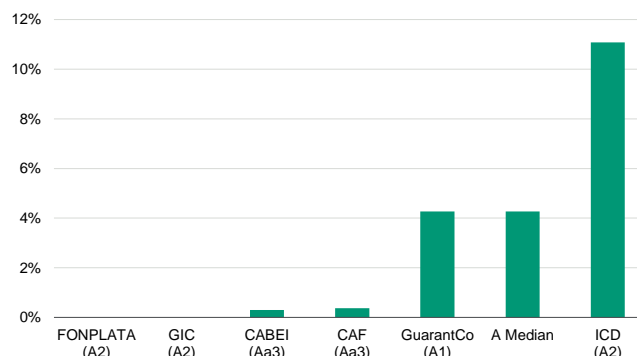


Sources: FONPLATA and Moody's Investors Service

Exhibit 7

FONPLATA's asset performance is stronger than that of most peers

Nonperforming assets as a percentage of the total, 2021



Sources: FONPLATA and Moody's Investors Service

The bank's strong asset performance benefits from the preferred creditor status of its loans, which have historically been directed almost exclusively to the public sector and supported by sovereign guarantees when the borrower has been at the sub-sovereign level. In 2020, FONPLATA introduced a new line of business and expanded its lending operations to include nongovernment public-sector banks and enterprises that are majority state-owned and controlled within member countries without sovereign guarantees. Through loans that include on-lending to public-sector banks, FONPLATA expects to be able to better reach SMEs — particularly in each country's export sector — that have close financial relationships with the public banks in each country. Although nonsovereign-guaranteed loans to nongovernment public-sector entities accounted for only around 5% of the total projected portfolio in 2021, management expects to increase this exposure over the coming years but to permanently limit the overall concentration of nonsovereign loans within the portfolio to less than 6% of lending capacity (or 18% of equity).

FACTOR 2: Liquidity and funding score: a3

FONPLATA's "a3" liquidity score reflects the liquid nature of its assets and its conservative risk management policies, balanced against a quality of funding assessment that accounts for its more limited, although improving, track record of market-based debt issuance.

Availability of liquid resources bolstered by a liquid treasury portfolio and credit lines from other development and financial institutions

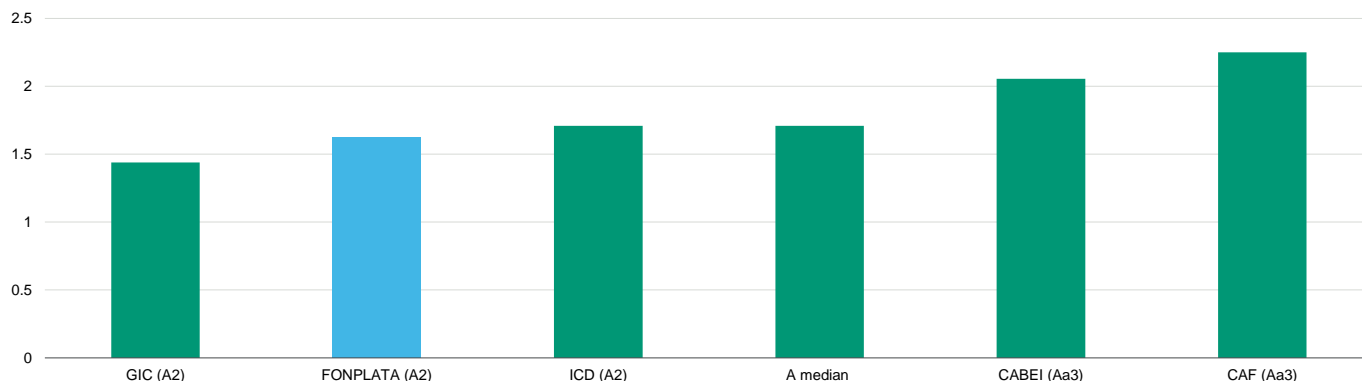
We assess FONPLATA's availability of liquid resources to be very strong at "aa2." We measure the availability of liquid resources as liquid assets as a percentage of estimated net cash outflows over the next 18 months. With a ratio of about 162% as of year-end 2021, FONPLATA's liquid resources are ample, and we expect them to improve gradually despite a gradual increase in leverage.

FONPLATA's liquid resources ratio of 162% in 2021 reflects a return to near pre-pandemic levels, compared with around 94% in 2020. Net outflows decreased to \$414 million in 2021 from \$506 million in 2020, while discounted liquid assets increased to \$672 million during 2021. As a result, FONPLATA's availability of liquid resources increased in 2021 and is now almost in line with that of A-rated MDB peers (see Exhibit 8). We expect liquidity to remain relatively stable as the bank's future loan disbursements adjust toward pre-pandemic trends.

Exhibit 8

FONPLATA's availability of liquid resources increased in 2021

Liquid resources/net outflows (%)



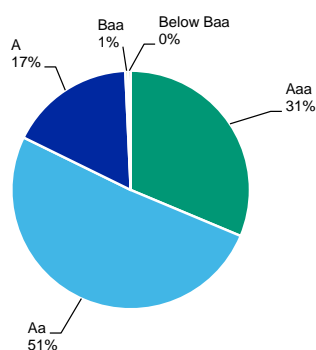
Liquid resources can include cash and cash equivalents, deposits with a term of less than one year held by financial institutions rated Baa3 or higher, treasury assets rated A2 or higher, and committed, unrestricted and undrawn credit lines with prime lenders with a maturity greater than 18 months. Net outflows = outflows from mandate activities - inflows from mandate activities + debt repayments (both principal and interest) + net derivative flows + repurchase agreement (repo) flows.

Source: Moody's Investors Service

FONPLATA's liquidity is supported by a highly rated and liquid treasury portfolio, along with undrawn credit lines that it has with other development and financial institutions. In 2021, \$672 million in liquid assets provided about 61x coverage of interest expenses (\$11 million), pointing to a significant degree of liquidity coverage of upcoming interest payments, driven in part by relatively low debt-service requirements. Meanwhile, liquid assets accounted for about 29% of FONPLATA's total assets in 2021, below the 52% median for A-rated MDBs.

Most of FONPLATA's treasury assets are in highly liquid and highly rated instruments, with about 99% rated A and above, only 1% below A3 and less than 1% non-investment grade in 2021. FONPLATA uses the lowest rating among credit ratings used by two main international credit rating agencies when assessing the risk of its treasury investments. Additionally, a vast majority of treasury assets are sovereign (62%) or MDB bonds (25%) with the remainder consisting of financial sector bonds (see Exhibits 9 and 10).

Exhibit 9

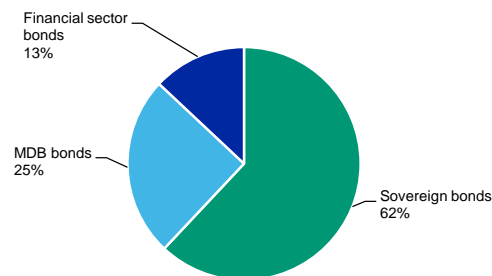
The vast majority of treasury assets are very highly rated
Investment portfolio by rating category, 2021

Sources: FONPLATA and Moody's Investors Service

Exhibit 10

FONPLATA's treasury portfolio is primarily invested in sovereign and supranational bonds

Investment portfolio by asset class, 2021



Sources: FONPLATA and Moody's Investors Service

From a liquidity management perspective, the bank's internal policy requires that a single instrument cannot represent more than 10% of the total securities portfolio, and no more than 5% in case of financial sector bonds, and most instruments are available for sale. Meanwhile, the duration of financial assets must also be less than two years (currently, nearly 100% of treasury assets mature in less than one year). Overall, the bank's liquidity policy requires it to hold the equivalent of 12 months of liquid assets to cover all financial

obligations and disbursement commitments in a year. This calculation only takes into account 66% of total upcoming amortization payments and two-thirds of paid-in capital receivables.

Continued expansion and diversification of funding sources support quality of funding as leverage increases

In recent years, FONPLATA started to expand and diversify its funding sources, including through debt issuance in the international capital markets. As a result of this steady diversification and gradual establishment of a track record of market-based debt issuance, we have set the bank's quality of funding assessment at "baa."

Since the beginning of its new business strategy in 2016, FONPLATA has relied largely on nonmarket-based sources of funding from other multilateral development institutions and member central banks. Its first credit line for \$75 million was obtained from CAF in November 2016. Since then, it has grown its MDB credit lines to \$285 million and expanded its funding base to include financing from the AFD, BBVA, EIB, the IADB, and ICO.¹ It has also expanded its funding sources to include member central banks, which have provided an additional \$210 million in credit lines — \$130 million from the Central Bank of Uruguay and \$80 million from the Central Bank of Bolivia. FONPLATA expects to sign additional credit line agreements with other bilateral and multilateral entities in the future (see Exhibit 11).

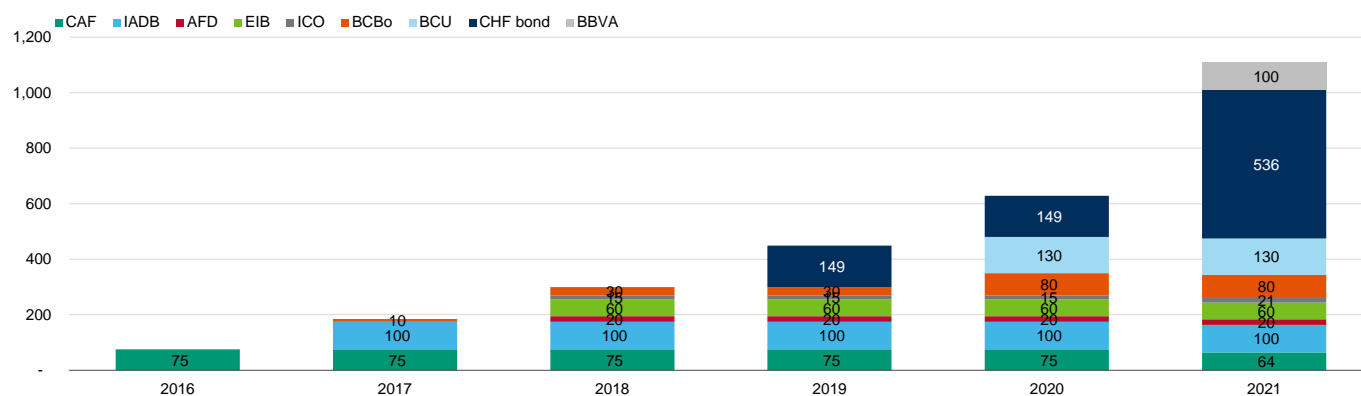
FONPLATA took its first significant step toward expanding its market-based funding base by issuing its first international bond in March 2019 for CHF150 million (about \$149 million) with a tenure of five years. In March and December 2021, FONPLATA continued expanding its funding base by issuing a second and third international bond for a total of CHF350 million (about \$380 million), with tenures of five and a half and seven years, respectively.

FONPLATA's tapping of the international capital markets follows a steady trend toward expanding and diversifying its sources of funding through lines of credit. Over time, more regular future bond issuances, in different markets and in different currencies, could support an overall higher assessment of its quality of funding.

Exhibit 11

FONPLATA has significantly expanded and diversified its funding sources over the last five years

FONPLATA's signed borrowings, \$ millions, 2021



Sources: FONPLATA and Moody's Investors Service

Qualitative adjustments to intrinsic financial strength

Operating environment

In our credit assessment of MDBs, we also take into account an MDB's operating environment and the quality of its management, including risk management. Despite the difficult operating environment that FONPLATA faces, we do not include a downward adjustment, given that the bank's low DACQ score already captures the credit challenges in the region. However, if the regional operating environment were to weaken further, a negative adjustment could be applied.

Quality of management

We make no adjustment for the quality of management. The bank has been able to pursue its expanded mandate without jeopardizing its asset performance or overall credit quality, which demonstrates the bank's effective implementation of its risk management framework. We also consider the bank's financial management policies to be in line with those of its similarly rated peers.

FACTOR 3: Strength of member support score: Medium

The third key factor in FONPLATA's credit profile is our "Medium" assessment of the strength of member support. This assessment considers a weighted average shareholder rating of B2, which implies an ability to support subfactor score of "b2," counterbalanced by high willingness of its members to provide support through callable capital. The presence of contractual support from members through callable capital is a key support to our assessment of "Medium" member support, particularly from an investment-grade sovereign (Uruguay).

The main constraint to the strength of member support is the significant links among shareholders and the correlation between members and assets, as the loan book expands in the coming years. The addition of other investment-grade shareholders would be an important development for FONPLATA's credit profile given that it would improve callable capital metrics and likely enhance its weighted average shareholder rating.

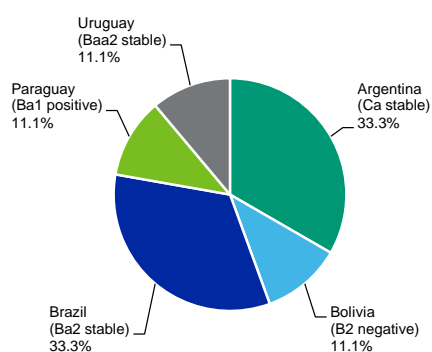
Our methodology determines willingness to support as a combination of contractual support, measured by callable capital as a share of total debt, and non-contractual support as ascertained by the demonstrated commitment of shareholders to the bank's mission, operations and objectives.

FONPLATA's high level of callable capital relative to debt demonstrates a strong contractual obligation to support from the bank's shareholders. FONPLATA's callable capital-to-debt ratio is one of the highest among rated MDBs, at 180% in 2021, and is significantly higher than the MDB median of 62% and the median for A-rated MDBs of 0.1% (see Exhibit 13).

Exhibit 12

FONPLATA's callable capital is dominated by non-investment-grade shareholders

Callable capital by shareholder as a percentage of total

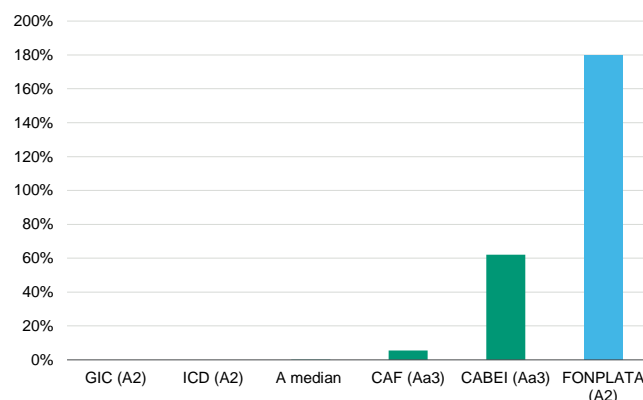


Note: Credit ratings are as of December 2022
Sources: FONPLATA and Moody's Investors Service

Exhibit 13

FONPLATA's callable capital provides strong debt coverage

Callable capital as a percentage of total debt



Sources: FONPLATA and Moody's Investors Service

Non-contractual support is assessed at "Medium," supported by the fact that FONPLATA has a close working relationship with its member countries and is an important participant in improving regional integration.

Historically, FONPLATA has had a large amount of subscribed and paid-in capital relative to its lending. In 2008, the bank had \$410 million in paid-in capital and \$40 million in callable capital against a loan portfolio of \$237 million. As of December 2021, FONPLATA had grown its integrated, paid-in capital to just above \$1 billion and its committed callable capital to nearly \$1.7 billion (see Exhibit 14) against a loan portfolio of \$1.5 billion.

Exhibit 14

FONPLATA's capital structure, 2021 (\$ thousands)

Member name	Subscribed capital	Callable capital	Payable capital	Paid-in capital
Argentina (Ca stable)	1,004,758	555,014	449,744	449,744
Bolivia (B2 negative)	334,895	184,991	149,904	149,904
Brazil (Ba2 stable)	1,004,758	555,014	449,744	449,744
Paraguay (Ba1 positive)	334,895	184,991	149,904	149,904
Uruguay (Baa2 stable)	334,894	184,990	149,904	149,904
Total	3,014,200	1,665,000	1,349,200	1,349,200

The chart above refers to already committed callable capital and already integrated paid-in capital.

Source: FONPLATA

ESG considerations

FONPLATA's ESG Credit Impact Score is Neutral-to-Low CIS-2

Exhibit 15

ESG Credit Impact Score

CIS-2

Neutral-to-Low

For an issuer scored CIS-2 (Neutral-to-Low), its ESG attributes are overall considered as having a neutral-to-low impact on the current rating; i.e., the overall influence of these attributes on the rating is non-material.

NEGATIVE : POSITIVE
IMPACT : IMPACT

Source: Moody's Investors Service

FONPLATA's credit impact score is neutral-to-low (**CIS-2**), reflecting neutral-to-low exposure to environmental and social risk, as well as sound governance.

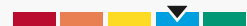
Exhibit 16

ESG Issuer Profile Scores

ENVIRONMENTAL

E-2

Neutral-to-Low



SOCIAL

S-2

Neutral-to-Low



GOVERNANCE

G-2

Neutral-to-Low



Source: Moody's Investors Service

Environmental

FONPLATA's neutral-to-low environmental issuer profile score (**E-2**) reflects regional concentration among its five sovereign South American borrowers with moderately negative environmental exposure, balanced by a diversified lending portfolio in non-carbon intensive sectors and environmental project safeguards in line with global MDB standards.

Social

FONPLATA's neutral-to-low social issuer profile score (**S-2**) reflects its strong customer relations with borrowers, along with a strong focus on responsible production that aligns with global MDB peers.

Governance

FONPLATA's neutral-to-low governance issuer profile score (**G-2**) reflects its prudent financial strategy and risk management practices, which is conducive to building its credibility and track record as the institution grows.

All of these considerations are further discussed in the "Detailed credit considerations" section above. Our approach to ESG is explained in our cross-sector methodology [General Principles for Assessing ESG Risks](#). Additional information about our rating approach is provided in our [Supranational Rating Methodology](#).

Recent developments

Lending activity moderates slightly but remains high, reflecting strong demand and difficult global financial conditions

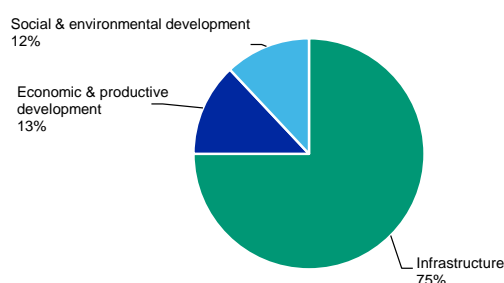
FONPLATA's gross loan portfolio increased to \$1.5 billion in 2021 from \$1.3 billion in 2020, an increase of 22% compared with an increase of nearly 34% from 2019 to 2020. Member countries now face a challenging rising interest rate environment as central banks try to rein in rising inflation and are looking for cheaper multilateral financing. Nearly half the growth in the loan portfolio was driven by increased exposure to Paraguay and Argentina, with total loans outstanding to these two countries growing by \$95.8 million and \$81.0 million, respectively. Despite increased exposure to investment-grade Uruguay, FONPLATA's highly concentrated loan portfolio of non-investment-grade sovereigns, Argentina, Bolivia, Brazil and Paraguay, results in a weaker overall weighted average borrower rating of Caa1.

The composition of FONPLATA's lending has historically been directed to projects for infrastructure development, which constituted 75% of the loan portfolio in 2021 (see Exhibit 17). When further subdividing this sector, most of this investment is in transportation and logistics, at 49% of the loan portfolio in 2021, followed by housing and urban development at 23% (see Exhibit 18). Borrower interest in non-infrastructure loans related to social, economic and environmental development projects grew significantly in 2021 as government spending priorities have shifted since the pandemic. Recognizing this shift, in 2021, FONPLATA introduced a sustainable debt framework to guide future issuances in green, social and sustainability-linked debt. These borrowing patterns are likely to become more entrenched over the next few years, which will result in a future loan portfolio that is more equally balanced among infrastructure, social and economic development projects.

Exhibit 17

FONPLATA's loan portfolio primarily funds physical and productive infrastructure projects...

Loan portfolio by sector, 2021

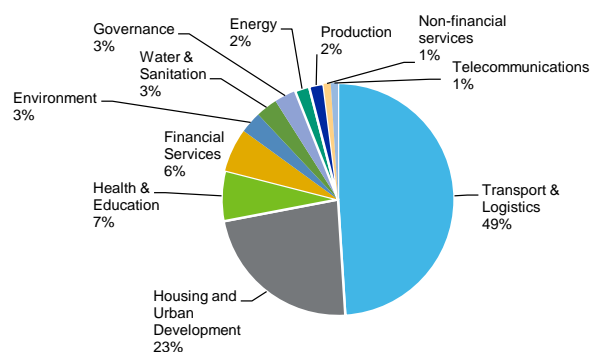


Sources: FONPLATA and Moody's Investors Service

Exhibit 18

...with a high concentration in transport, logistics, housing and urban development projects

Loan portfolio by subsector, 2021



Sources: FONPLATA and Moody's Investors Service

FONPLATA continues to increase leverage to fund portfolio growth

In March and December 2021, FONPLATA issued the second and third international bonds in its history for a total of CHF350 million (about \$380 million) in the Swiss capital market. The bonds have five and a half and seven year term tenors, and 0.556% and 0.7950% coupon rates, respectively. The issuances are the latest funding arrangements in the bank's multiyear effort to expand and diversify its funding sources, which have mainly relied on lines of credit from member country central banks and multilateral development institutions. We expect the bank to continue to diversify its sources of funding over time by accessing lines of credit with new development entities and tapping international capital markets.

Capital base will continue to gradually grow, but credit quality will remain constrained

FONPLATA's capital base continues to expand, but our assessment of its members' ability to support the bank remains low. The bank's January 2016 capital increase brought in additional paid-in capital last year and will be fully implemented by 2024. Paid-in capital increased to \$1 billion as of year-end 2021 from \$917 million as of year-end 2020. The bank's callable capital stood at \$1.7 billion.

While the steady increase in paid-in capital demonstrates a strong willingness of members to support the institution, the shareholders' ability to support the bank in times of stress remains relatively low, reflected in FONPLATA's weighted average shareholder rating of B2.

The macroeconomic environment of FONPLATA's five member countries is an important factor in the bank's overall credit profile because of the concentration of loans and economic links among members. FONPLATA is taking steps to address this regional concentration and is actively looking to expand its membership to include more investment-grade members from both within and outside the Latin America region.

Despite the tightening financial conditions globally, we expect FONPLATA's asset performance to remain very strong. As of December 2021, NPA remained at 0% and nearly all of the bank's loan portfolio carried sovereign guarantees, which we expect to help preserve asset performance, supported by FONPLATA's preferred creditor status.

Rating methodology and scorecard factors

Rating factor grid - Fondo Financiero para el desarrollo de la Cuenca del Plata	Initial score	Adjusted score	Assigned score
Factor 1: Capital adequacy (50%)		a1	a1
Capital position (20%)		aa3	
Leverage ratio	aa2		
Trend	-1		
Impact of profit and loss on leverage	0		
Development asset credit quality (10%)		ba	
DACQ assessment	ba		
Trend	0		
Asset performance (20%)		aa1	
Non-performing assets	aaa		
Trend	0		
Excessive development asset growth	-1		
Factor 2: Liquidity and funding (50%)		a3	a3
Liquid resources (20%)		aa2	
Availability of liquid resources	aa2		
Trend in coverage outflow	0		
Access to extraordinary liquidity	0		
Quality of funding (30%)		baa	
Preliminary intrinsic financial strength			a2
Other adjustments			0
Operating environment	0		
Quality of management	0		
Adjusted intrinsic financial strength			a2
Factor 3: Strength of member support (+3,+2,+1,0)		Medium	Medium
Ability to support - weighted average shareholder rating (50%)		b2	
Willingness to support (50%)			
Contractual support (25%)	aaa	aaa	
Strong enforcement mechanism	0		
Payment enhancements	0		
Non-contractual support (25%)		Medium	
Scorecard-Indicated Outcome Range			Aa3-A2
Rating Assigned			A2
Note: Our ratings are forward-looking and reflect our expectations for future financial and operating performance. However, historical results are helpful in understanding patterns and trends of an issuer's performance as well as for peer comparisons. Additional considerations that may not be captured when historical metrics are used in the scorecard may be reflected in differences between the adjusted and assigned factor scores. Furthermore, in our ratings we often incorporate directional views of risks and mitigants in a qualitative way. For more information please see our Multilateral Development Banks and Other Supranational Entities rating methodology.			

Source: Moody's Investors Service

Moody's related publications

» **Rating Methodology:** [Multilateral Development Banks and Other Supranational Entities](#), 28 October 2020

To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available. All research may not be available to all clients.

Related websites and information sources

» [Moody's Supranational web page](#)

» [Moody's Sovereign and supranational rating list](#)

» [FONPLATA's webpage](#)

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Endnotes

1 AFD: Agence Française de Développement, BBVA: Banco Bilbao Vizcaya Argentaria, EIB: [European Investment Bank](#) (Aaa stable), IADB: [Inter-American Development Bank](#) (Aaa stable), ICO: Instituto de Crédito Oficial

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