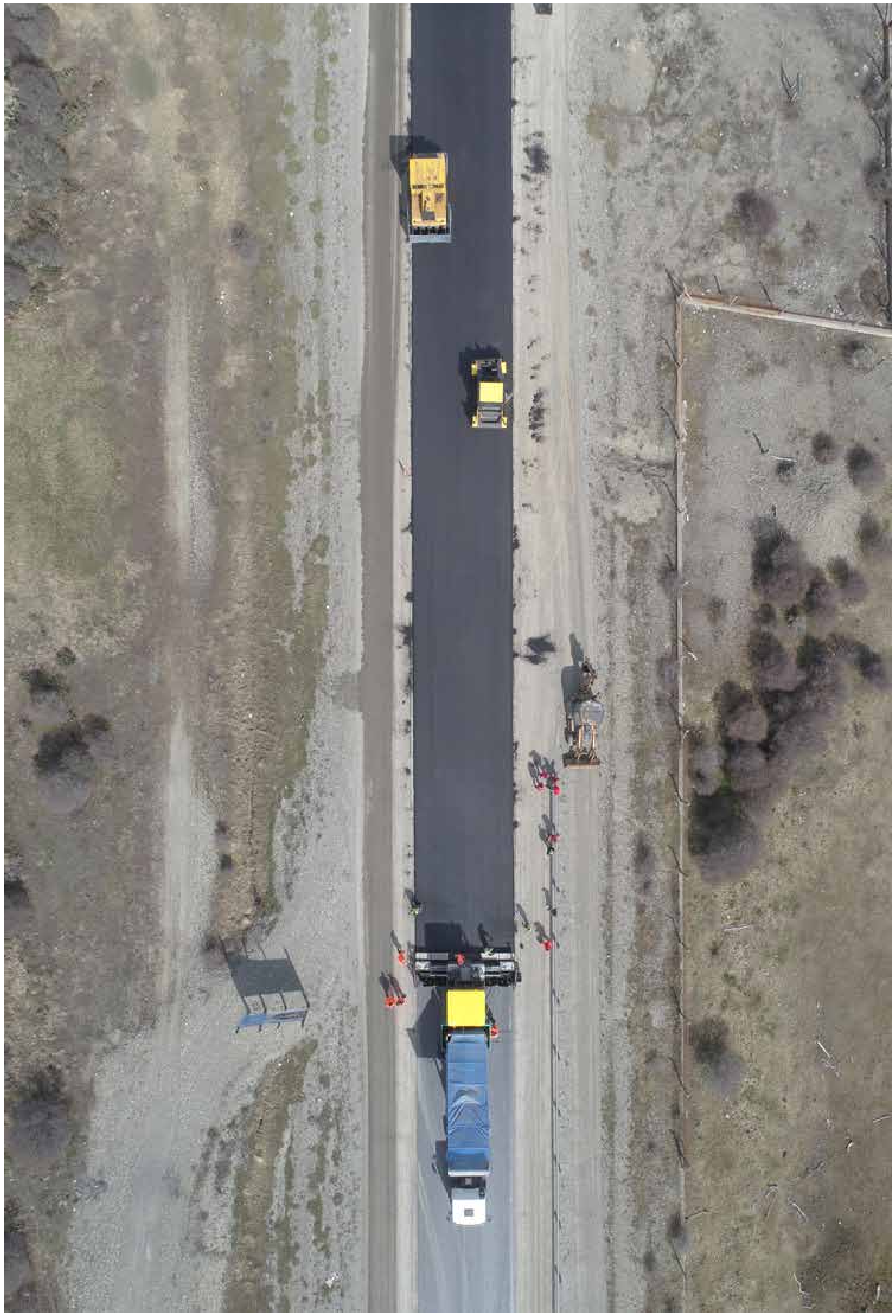
FONPLATA
Development Bank

Annual Report 2019

Contents



Validity of information

For all intents and purposes, it is hereby stated that the contents of this Annual Report are based on the information available as of March 1, 2020. Consequently, FONPLATA assumes no responsibility for any differences that may arise between the estimates and judgments contained in different sections of this Report, and the actual outcomes that ultimately occur as a result of events that could have not been reasonably foreseen at the date of its preparation.

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The turn of the year is always a chance to review both, our accomplishments during the past year and our objectives for the upcoming one. Especially at the end of a year marked by many political changes and social tensions in several countries, and the beginning of a new year that presents major challenges both, for the member countries and for FONPLATA in its work to bring development "closer to the people".

The world economy was less dynamic in 2019, expanding at lower rates, the lowest since the 2009 global financial crisis, which are not expected to change significantly in the short run.

Latin America's economic activity as well as in our member countries did not escape from these global trends, presenting an even more pronounced and generalized slowdown and weakening in economic growth and trade.

Uncertainties and vulnerabilities have increased in the financial world as the expansion of indebtedness was greater than the growth of products, resulting in the reduction of interest rates as a general mechanism to stimulate economic activity and to maintain stability, which has become a key instrument in much of the developed and emerging economies.

The modest recovery expected in the region for 2020 has been overtaken by the COVID-19 outbreak experienced in China at the beginning of the year, and it is gradually spreading to the rest of the world. This pandemic now threatens to become not only a risk factor for the health of humanity but is becoming the main destabilizing agent of the world economy in the short term, with impacts that are difficult to predict at this time.

In this complex economic and social context, FONPLATA's priorities for 2020, will be focused on continuing to financially support its five member countries' economies in their challenge to return to the path of growth, equitable development and inclusion of those most in need. At the same time, FONPLATA is mobilizing its financial resources to strengthen its member countries' health systems to ensure an early response to help mitigate and control the spread of the COVID-19.

In terms of achievements and progress in 2019, loan approvals were 8% higher than in the previous year, reaching almost US$461 million. This dynamism was accompanied by an average annual expansion of 20% in loan disbursements, for a total portfolio of loans outstanding close to one billion US dollars. This achievements are consistent with the strategic goals of maintaining a continuously growing loan portfolio and favorable net cash flows for all member countries.

As a development finance institution, FONPLATA has been continuously consolidating its position as a brand that stands for financial stability and wealth, with agile and effective management. So much that, in 2019, Standard & Poor's reaffirmed its credit risk rating of A- with positive outlook, as described in Section 1 – Management Performance.

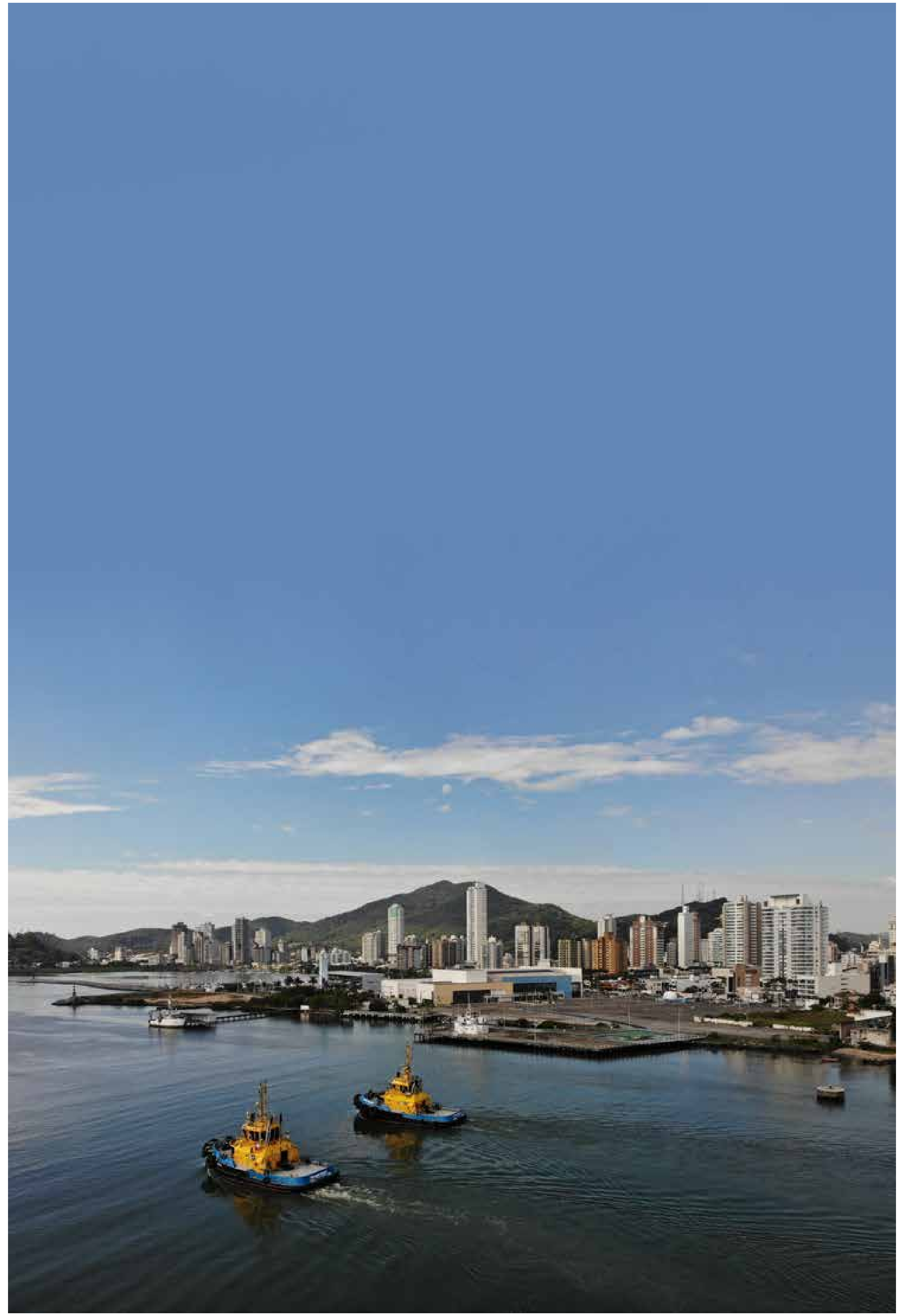
Additionally, in March, the Bank's first issuance in the international capital market took place, with a more favorable interest rate than expected.

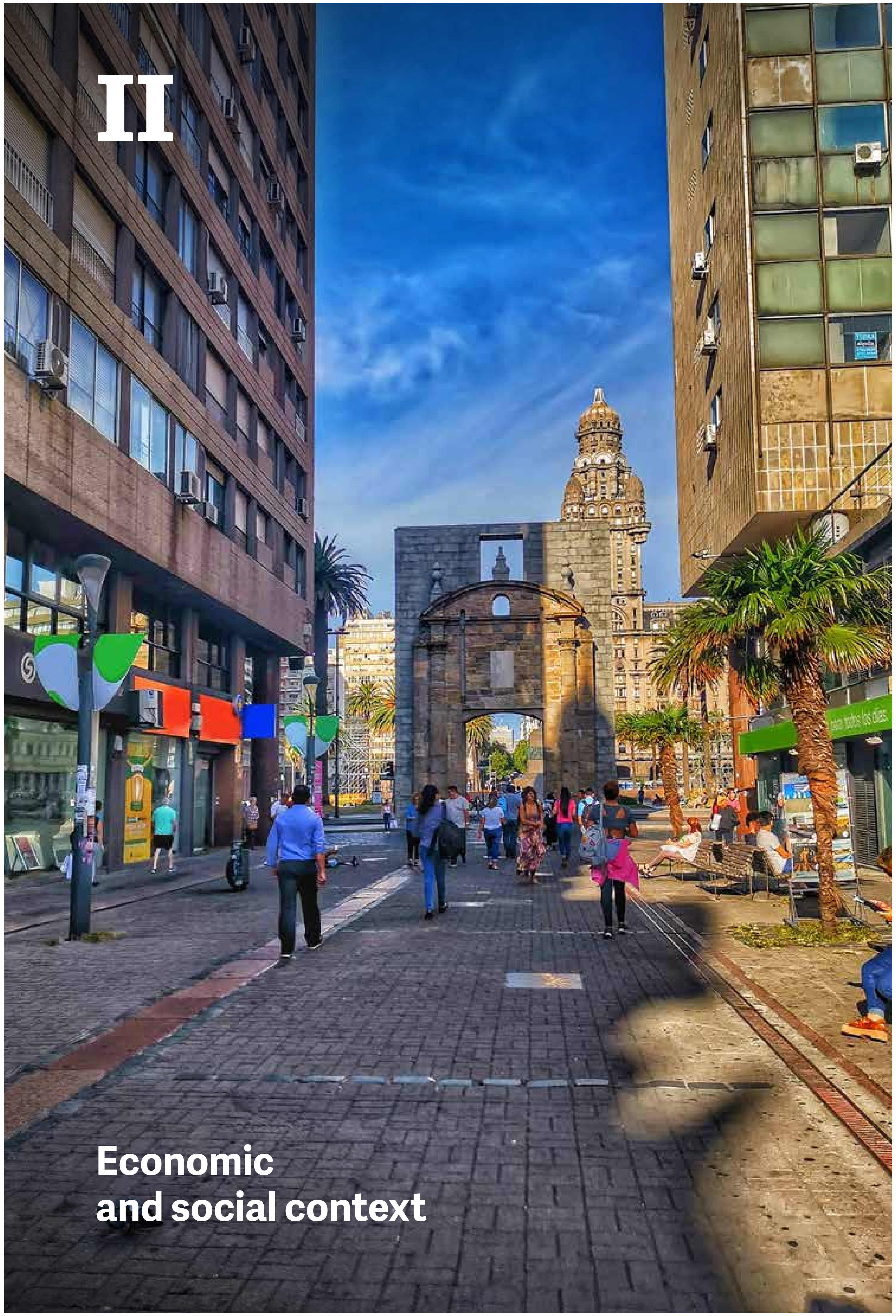
Likewise, the Board of Governors approved a credit line without sovereign guarantee for national, regional or provincial majority-owned financial and non-financial corporations. Initially, this new line of credit will fund state-owned banks at the national and sub-national levels.

Also, just a few weeks ago, we completed and signed the agreement for the trusteeship of the Fund for the Structural Convergence of MERCOSUR (FOCEM), by which FONPLATA becomes the fiduciary agent of the financial resources of this Fund.

In accordance with the Bank's goal to support the development of middle-sized cities and promote urban sustainability, it organized the First Mayors' Forum in Brazil. Furthermore, to broaden the scope and enhance operations management, a new liaison office has been opened in Uruguay, in addition to those in Argentina and Paraguay.

Every business activity faces challenges and opportunities. There is no doubt development banks are also sensitive to changes in the global and regional economy and capital markets. The year 2020 has become a particularly challenging year for the world economy, not to mention our member countries. It is in these hard times that institutions like FONPLATA must be solid and reliable partners in monitoring regional agendas, and responding quickly and professionally, without relinquishing its prudential principles that have characterized the Bank's management. This is the commitment that drives us to continue bringing development closer to our people.





II

Economic and social context

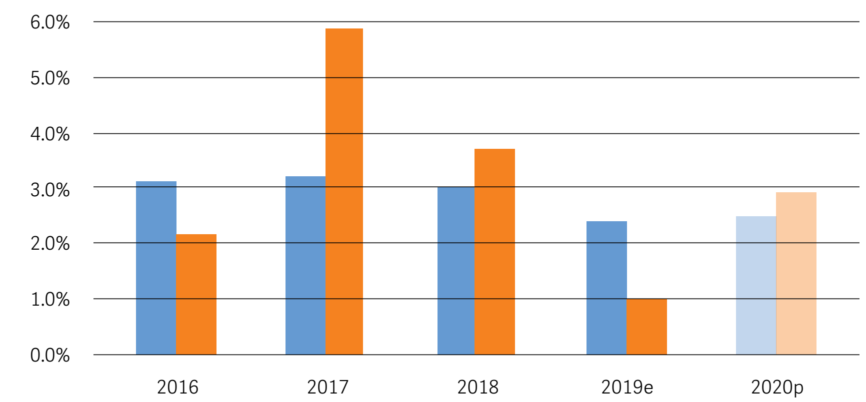
In 2019, the **world economy** was less dynamic, expanding at decreasing rates, the lowest since the 2009 global financial crisis, and which are not expected to recover immediately.

Since late 2018, the world trade has weakened amid trade disputes between the United States and China, caused by the intensification of protectionism. Despite the agreements reached between the two countries, the situation remains tense. In addition to that, geopolitical conflicts have persisted, commodity markets have been volatile, and the growth of the developed and emerging countries have slowed down.

WORLD PRODUCTION AND TRADE GROWTH
(%; PERIOD 2017-2020P)

- World Gross Product
- World trade volumes

Source: WEO, IMF, and WEF.



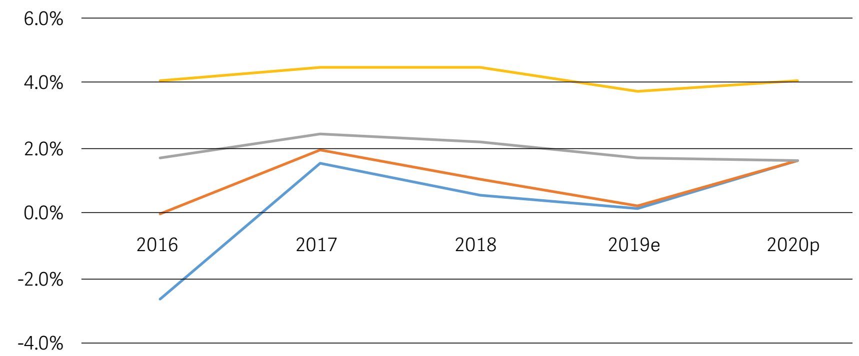
As a result, the import demand and, to a lesser extent, the international prices of commodities, especially extractive commodities, declined, and are not expected to significantly recover in the short term.

In 2019, economic activity in **Latin America and the Caribbean (LAC)**, and, within the region, in the FONPLATA member countries, did not escape the declining trend of global demand. The region registered a sharp and widespread slowdown in economic growth and the contraction of its foreign trade after two years of solid growth, as well as lower export volumes of goods and services, mainly inside the region, and worsening terms of trade.

GROWTH COMPARISON ACROSS GROUPS OF COUNTRIES
(%; PERIOD 2017-2020P)

- FONPLATA member countries
- Latin America and the Caribbean
- Advanced economies
- Emerging and developing economies

Source: WEO, IMF, WEF, ECLAC, and FONPLATA's own information.



In the last four years, economic growth in LAC has been sluggish in comparison to advanced and emerging and developing economies. Nonetheless, it has been slightly stronger than that of the FONPLATA subregion, where performance was lower mainly due to the economic downturn in Brazil and the sharp economic contraction in Argentina.

Export contraction in LAC, in 2019, was of 2.4%, after two years of important growth (8.7% in 2018 and 12.2% in 2017). This negative impact was even more pronounced in the case of South America, where it declined 7.3%. Imports in the region dropped around 3%, as a result of the economic downturn in large countries, as well as of the indirect impact of export contraction.

This contraction in export reflects the fall in commodity prices, particularly of extractive resources (hydrocarbons and copper), but also of some agricultural commodities such as soybean and coffee, as well as the stagnation of export volumes (0.3% in 2019 vs. 4% expansion in 2018). To this weak performance also contributed the change in the demand patterns of the main buyers, as China's slowdown lead to a reduction in demand to the countries of the region of 2.3%, at the same time that the demand of the European Union decreased 7%. Intra-regional trade also declined 11% due to the 24% drop in South America trade volumes, especially as a result of the Argentine crisis. The only remaining expansionary factor of demand in the region was the United States, with a modest 1% growth in 2019.

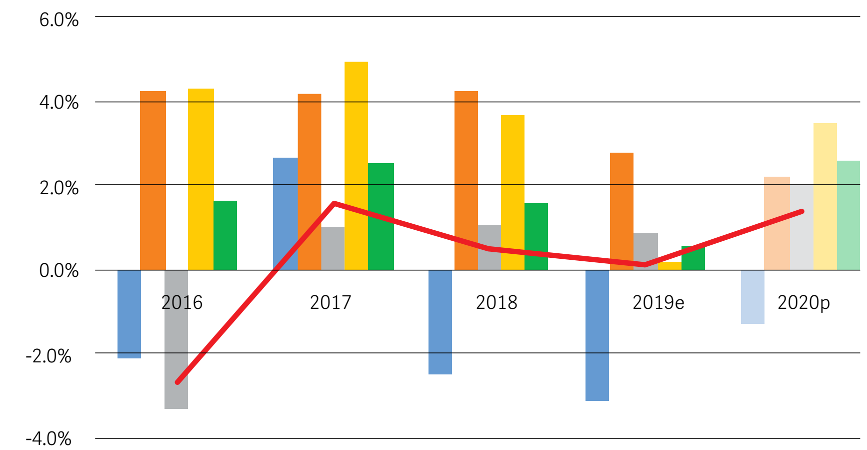
The low growth rate in the world economy and in commodity prices has required the rebalancing of LAC regional economies in the last few years, which reached a standstill in 2019. This stagnation was apparent in the general slowdown in investment and employment, which has been restricting the potential growth of these countries and slowing down the possibilities of addressing the significant quantity and quality deficits in both infrastructure and education, as well as hampering these countries abilities to collect better dividends from efforts to improve the business environment and increase productivity.

In the **FONPLATA member countries' subregion**, the biggest concern is how to reactivate growth without exacerbating the macroeconomic imbalances and deteriorating the social situation.

GROWTH – FONPLATA MEMBER COUNTRIES
(GDP %; PERIOD 2017-2020P)

- Argentina
- Brazil
- Uruguay
- Bolivia
- Paraguay
- FONPLATA member countries:

Source: Countries' information and FONPLATA's own estimates.



In recent years, despite the differences between countries, in general terms, there has been a gradual decrease in all components of domestic demand: slowdown or decrease in consumption and investment; decrease in imports; lower public spending in growth; and reduction of domestic credit. Higher indebtedness has not been reflected in higher public investment, since capital formation expenditures have become the adjustment variable to allow for greater interest payments on debt and the expansion of primary fiscal deficits.

Following the same trends as LAC, the subregion's external demand reflected the lower dynamism of exports and the decrease in imports, the increase in twin deficits, reserves deterioration, and decrease in net flows of foreign direct investment.

In a moment in which high fiscal imbalances have stressed the economies and social tensions have increased in some countries due to population dissatisfaction with the functioning of the economic and political systems, this decrease in the regional economic growth and trade did not help to improve income distribution, social inclusion, and equal opportunities to better social mobility. Although slightly different for each country, this situation makes it more difficult to continue the progress made by the region in these fields in the last 15 years.

The reversal of the subregion's prospects depends to a large extent on the recovery of Brazil and Argentina, as well as on domestic efforts to reduce the inefficiencies created by inequalities caused by insufficient income, higher unemployment, inefficient provision of public services, and insufficiencies of the social protection network. Efforts are also necessary to recover the sustainability of social security, and to create business environments more favorable to commercial competitiveness.

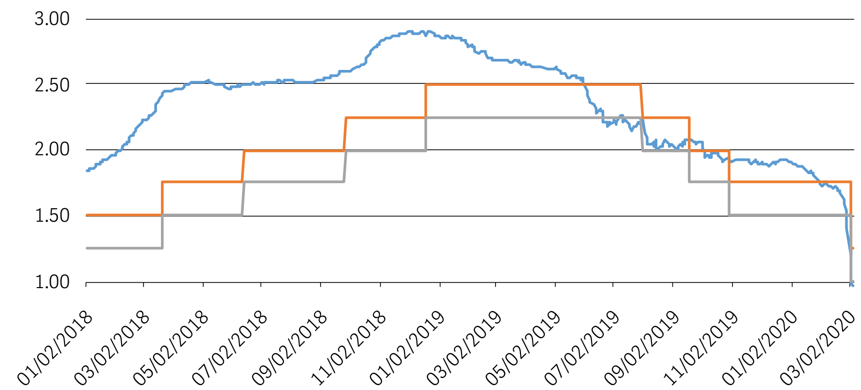
Regarding **financial markets**, in 2019, there has been a worldwide increase of uncertainties about growth and vulnerabilities prospects as a result of a greater indebtedness expansion than production growth in many regions and countries. On the other hand, the continuing expansion of the United States as the center of global capital generated a bull market that responded to three self-reinforcing impulses:

a. the expansion of indebtedness as a consequence of the acceleration of the monetary base and the decline of reference interest rates, which was used as a general tool in most advanced or emerging countries and developing countries with low inflation to stimulate economic activity;

INTERNATIONAL INTEREST RATES
(LIBOR 6M & USFED – %)

Libor 6M
FED Upper Bound
FED Lower Bound

Source: Bloomberg and U.S. Federal Reserve

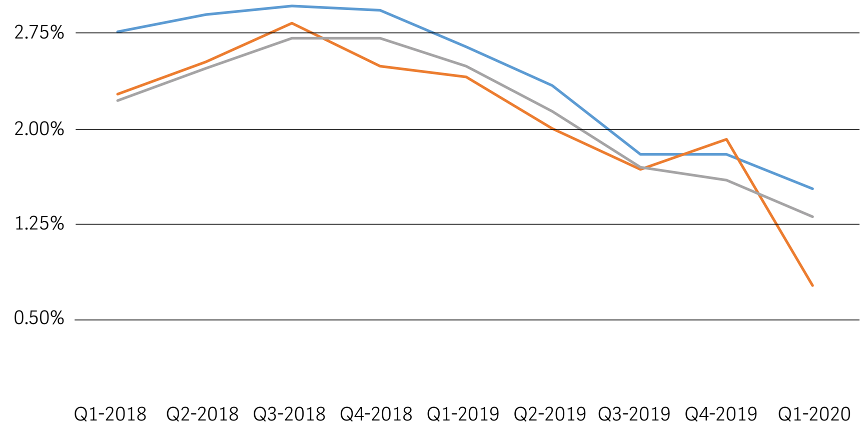


b. the general slowdown in economic growth and global trade tensions have reduced the yields on advanced countries long-term bonds to levels close to historic lows, in some cases with negative rates (Germany), flattening the yield curve and discouraging investors who value the safety of such bonds;

U.S. TREASURY BONDS YIELD EVOLUTION

US Note 10 Y
(%; quarterly average)
US Note 10Y
(%; quarter's last day)
US Note 2Y
(%; quarterly average)

Source: U.S. Treasury Department

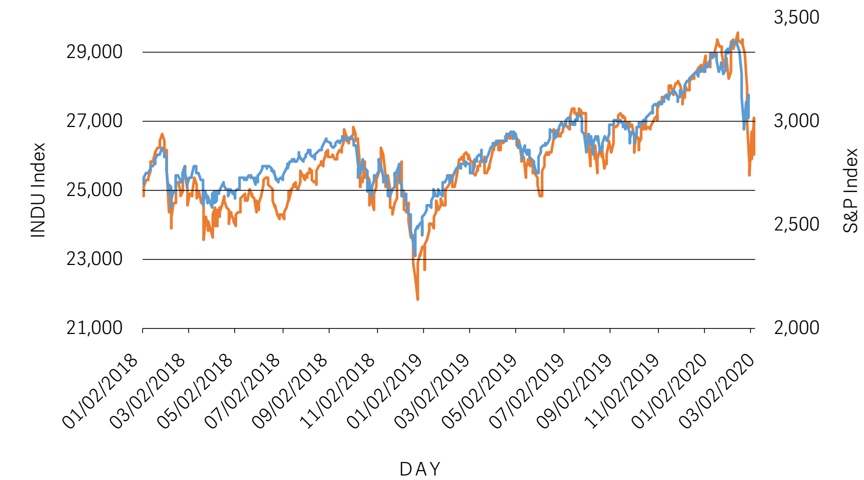


c. the widespread behavior of investors trying to recover higher returns on higher-risk corporate investments, whose confidence in this market's performance was not undermined.

INTERNATIONAL STOCK EXCHANGES YIELD

DOW JONES
S&P 500

Source: Bloomberg and U.S. Federal Reserve



In LAC and in the FONPLATA member countries' subregion, these lower interest rates registered since 2019 have benefited more stable countries or those with improved credit risks, which could benefit from the decrease of borrowing costs, the fall in sovereign spreads, and the mitigation of external capital outflows.

In early 2020, the world economy prospects were shaken by the "coronavirus" (COVID-19) implications in China. There is high risk of a widespread pandemic, as the virus is already spreading beyond Asia. Governments are facing a great deal of work to counteract and reduce the outbreaks of a pathogen currently unknown.

Financial markets were strongly affected. Investor behavior in early 2020 was optimistic, believing that global economic growth would strengthen along the year, that the good times would last and, therefore, also the portfolio profits achieved, despite occasional concerns about global growth due to trade wars, excessive corporate debt, geopolitical conflicts or the US presidential elections.

Investors behavior changed significantly, as they realized the COVID-19 was a risk factor to consider amidst all those concerns, as was the acceleration of the fall in yields of government bonds reflecting the escalation of investors lack of confidence in growth prospects. There was a sharp drop in global equity markets (loss of 11.5% in the S&P 500 Index at the end of February compared to the historical high reached a week earlier), materializing the negative effects of this issue on the global economy.

By the time the data on which this analysis is based were collected, an interest-rate cut is anticipated by the US Federal Reserve, in order to respond to emerging pressures on the markets in the face of the spread of the "coronavirus" and to protect the US economy.

Likewise, financial investors' preference moved to fixed income market due to the safety of government bonds. Thus, a general strengthening of the US dollar took place because of its safe-haven effect in both advanced and emerging and developing economies. This led the US 10-year Treasury note yield to reach its historic low of 54 basis points in one day, recovering to 76 points the following day.

As this happened at speed, it added to the lack of tools available for central banks and the already low benchmark interest rates, in some cases at their historical lows, making it far more difficult to overcome this situation, efficiently and in a timely manner, by means of monetary policy instruments, thus demanding new economic policy instruments and measures.

The discontinuity of business in the short term in a large part of the world is inevitable within the new situation of supply chain breakage due to the sharp fall of demand in the last weeks. Another type of logistics planning is required to contain and reduce trade and finance volatility due to the spread of the virus. Tough emergency decisions are being made that hinder the expected growth levels, as well as the possibility of significantly recovering the low levels of commodity prices, in some cases because it is impossible to prevent their collapse (oil).

Renowned economic analysts forecast that global growth contraction will be of two percent, if the COVID-19 outbreaks are severe; if they are even worse, the world economy could face recession risks.

In this sense, the global economy seemed to be more solid than it was prior to the recession after the 2008-09 global financial crisis. Before the COVID-19, a recovery in global and regional production and trade was expected, and the financial system looked more solid and better capitalized and regulated, with indebtedness in fewer risk areas. This should allow a faster economic rebound after the effects of this new virus are brought under control, if it happens in the short term. Nonetheless, it will be difficult, in the meantime, to prevent anxiety about the likelihood of a global recession to be the most common scenario dealt with by economic agents.

The modest recovery expected for 2020 at the global, regional, and subregional levels in which FONPLATA operates, as forecasted by most economic analysts at the end of 2019, is seen as part of an optimistic past in the face of new events and emergencies. The advanced economies change in mood due to the trade truce signed between China and the United States takes a back seat, as well. However, it does not cease to impose uncertainties, as the commitments made by China to buy more commodities from the United States would impact the demand of the region.

The socioeconomic situation of the various regions in the world will suffer different impacts in 2020, depending on their exposure to the sectors and growth areas most affected by this unexpected negative situation.

III

Operations by country

Since 2013, FONPLATA has progressively increased its funding amounts, as a result of the 2013 and 2016 capital increases, and of the 2018 revision of its financial policies, which enabled it to express its lending capacity as multiple of its equity.

Consistent with its philosophy of bringing development closer to the people, FONPLATA maintains a regular dialogue with the countries' liaison agencies in order to identify and prioritize projects with an impact on development and integration.

Our operational strategy is focused on supporting our member countries to achieve harmonious and inclusive development. Therefore, our funding shall aim at promoting at least one of the following strategic development axes:

- → National and regional ***integration***, with emphasis on ***border areas***
- → Boost to the ***competitiveness of the productive sector***
- → ***Complementarity*** with funding from other development institutions
- → Promotion of ***social and economic infrastructure***

Within this framework, at the 2019 year-end, the loan portfolio was composed of 72 operations[1] amounting to US$2.2 billion. During the year, the bank approved 11 operations for a total of US$460.5 million, i.e., an increase of 8% in terms of the annual nominal rate and of 10% in terms of approvals.

1 → 53 operations are in the disbursement and principal repayment phase, 7 are not active yet, and 12 are in the principal repayment phase.

1. Argentina

The operations' portfolio totals US$607 million and it is composed of 28 operations, five of which were approved in 2019, amounting to US$150 million. Of all these operations, two are repaying principal (US$20 million), one is not yet effective (the loan agreement, US$20 million, is pending signature), and 25 are under implementation, representing US$567 million.

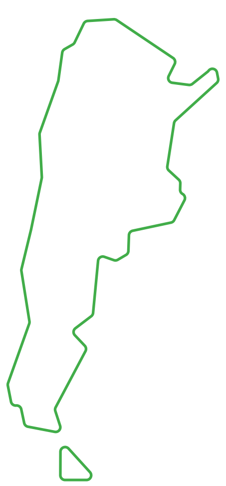
Our interventions in 2019 were focused on works aimed at promoting development in border areas, providing access to ports, as well as road and railroad connectivity and safety. FONPLATA also funded operations for the development of agribusiness, of small and medium enterprises, and of projects focused on improving the quality of education, healthcare, and the environment.

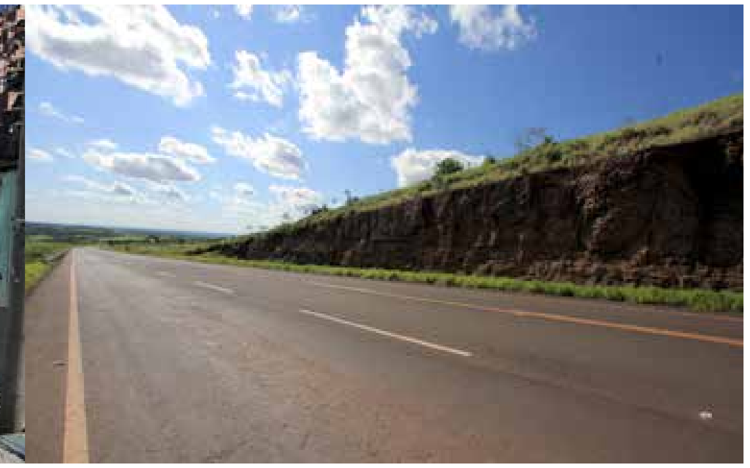
Among the funding approved in 2019, it is worth highlighting the support to the sectoral policy for the elimination of Chagas disease, at a total of US$30 million. It aims at contributing to reduce morbidity and mortality due to this disease in rural, peri-urban and urban areas of 19 Argentine provinces by interrupting vector transmission and controlling non-vector transmission.

In accordance with FONPLATA's complementarity strategy, the first phase of the Regional Infrastructure Program was approved, which totals US$50 million, and will be co-funded by other multilateral credit agencies, such as the Inter-American Development Bank (IDB) and the Development Bank of Latin America (CAF). This program is focused on achieving a regional harmonious and inclusive development through investment in social infrastructure and road transport works, covering, at least, five provinces.

Among the projects approved in 2019, it is also worth highlighting the funding to support the food and nutrition policy in the early learning and primary levels of state schools in 23 Argentine provinces, as well as in the Autonomous City of Buenos Aires. This program addresses children at social risk enrolled in public elementary and middle school, and it will be implemented in two phases, the first of which totals US$25 million.

Another project stands out for its contribution to improving the quality of vehicular traffic on the road network encompassed by corridors in the central and southern regions of Argentina. This project was designed to be funded in two phases, amounting the first one to US$25 million. Within it, 44 works carried out with resources from the National Treasury have been prioritized, totaling 2,174 miles of national routes under maintenance management approach through Rehabilitation and Maintenance Contracts (CREMA), and 841 miles of national routes in infrastructure restoration works (ORI).





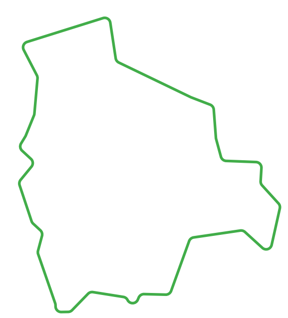
2. Bolivia

At year-end, the operations portfolio amounted to US$429 million, covering 14 projects. One project of this portfolio is in the principal repayment phase (US$12 million) and 13 are under implementation (US$318 million).

The operation program was mainly focused on road and urban infrastructure works. Road maintenance projects aim at facilitating interregional and regional trade, reducing costs, travel time, and improving safety. Urban development programs aim at improving the quality of public areas and promoting the generation of temporary employment. Likewise, drinking water and electric infrastructure works for isolated rural population were funded.

Within the framework of road works, the construction of 24 bridges in rural areas in the department of Cochabamba, in the geographical center of Bolivia, is being funded. Such works will enhance the quality of life of the population in those municipalities, as the travel time and road safety will be improved. At the same time, they will solve current difficulties that restrict movement in some rural areas of this department, especially for the crossing of rivers in the rainy season, when floods force road cutting, affecting the transport of products and people and increasing the risk of accidents. A project amounting to US$42 million was approved to pave about 11 miles between Acheral and Choere towns, thus improving connectivity with the north of Argentina.

The funding of the Urban Infrastructure Program for Employment Generation had a very positive impact on vulnerable populations, which motivated the design of a second operation, aimed at promoting and developing comprehensive urban infrastructure initiatives for the construction of sustainable, accessible and inclusive cities. This second intervention contributed to improve social and intergenerational interaction by encouraging the participation of civil society, generating employment in vulnerable social sectors (women and youth) and promoting the development of micro-, small-, and medium-sized enterprises.



3. Brazil

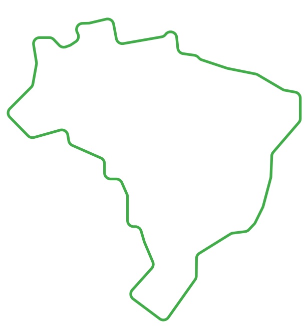
Brazil's operations portfolio comprises 13 operations amounting to US$275 million, of which three projects for an aggregate of US$69 million were approved in 2019. The operations' portfolio comprises six operations in principal repayment phase representing US$47 million, three operations pending signature of the loan agreement, for a total of US$58 million, and four operations under implementation, amounting to US$170 million.

The operation programming is focused on funding urban development projects in municipalities, with interventions aimed at improving their infrastructure and protecting the environment to enhance the quality of life of the population. The current program includes the development of funding projects in the cities of Corumbá, Criciúma, Itajaí, Vila Velha, Tubarão, Ponta Porã, and Joinville.

In 2019, the US$28-million urban-improvement program of Vila Velha was approved, which aims at improving the living conditions of its population by paving streets, implementing micro drainage, lighting, and signaling works, as well as the construction of bike paths and urban parks. These interventions give priority to socially vulnerable population where there is lack of basic infrastructure.

For the city of Ponta Porã, located in the dry border with the city of Pedro Juan Caballero, in Paraguay, a US$25-million funding for the Border Zone Development Program was approved. This program foresees the implementation of works to facilitate intercity mobility, helping to reduce travel time and the number of accidents; to improve the macro rain drainage to reduce flooding in areas of greater vulnerability, as well as the construction of public areas to expand spaces for culture, development, innovation, and sports.

For the city of Tubarão, a funding was approved for a project aimed at improving road network and urban mobility. This funding totals US$16 million and is focused on the construction of a 525-feet-long central bridge which will connect the city that is divided by Tubarão river. Additionally, works are planned for the installation, recovery and improvement of rainwater collection networks in several streets of the city, as well as the implementation of a linear park on the banks of the river, to improve the quality of life of the population.

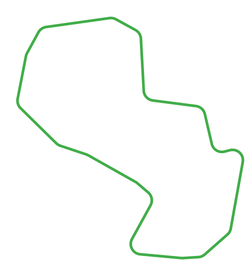


4. Paraguay

The operations portfolio totals US$580 million, covering 10 operations that include two projects approved in 2019 for US$200 million. The operations' portfolio comprises three operations, still to come into force, for an aggregate amount of US$212 million, and seven under implementation for US$368 million.

In the last five-year term, the operations program has been focused on boosting the country's regional integration by developing and enhancing the paved road network, strengthening its power transmission systems, supporting tourism, and channeling financial resources to small-scale producers.

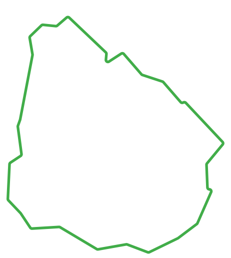
The operations approved in 2019 comprise the two-phase funding of the Juan Pedro Caballero – Capitán Bado – Itanará – Ypejhú road work at a total of US$220 million, and which first phase amounts to US$130 million. The project will fund the construction of a 137-miles long highway, of which 120 miles correspond to its main axis, 4.4 miles to urban crossings, and 13 miles to ring roads of project localities. The project also includes funding for a two-year term for the maintenance of the stretch by service levels. Additionally, the second phase of this road network program was approved to develop integration corridors in the southwest of Paraguay, including the Alberdi-Pilar stretch, the access to Pilar port, and the opening of the Remanso-Falcón stretch. The funding for this phase is US$70 million. This project aims at optimizing the entry and exit of products from the country through the waterway in the ports of Pilar, especially in the dry season, when the level of the Paraguay River is very low and other important ports in the country are inoperable.

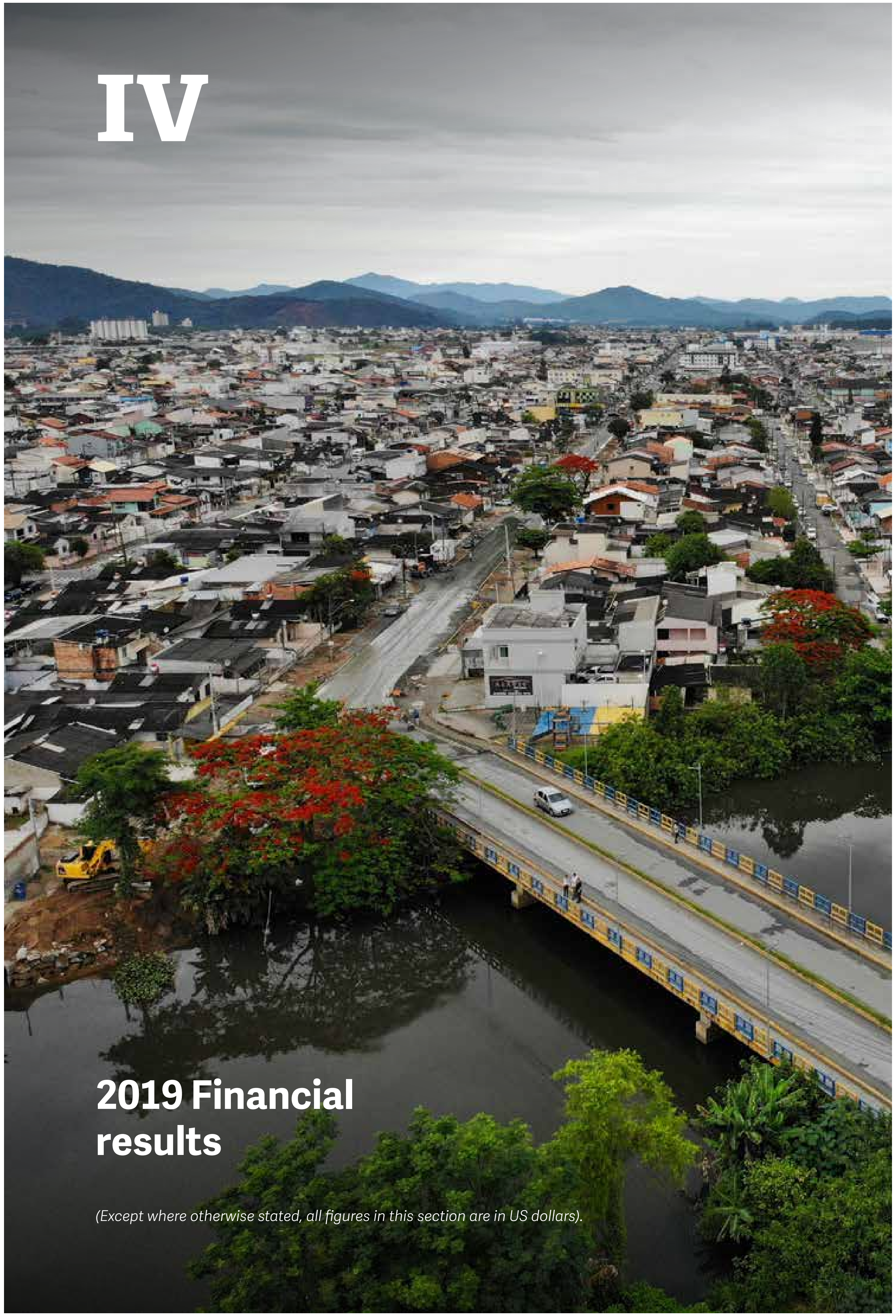


5. Uruguay

The operating portfolio amounts to US$308 million, composed of seven operations as follows: five operations under implementation, for US$188 million, and two operations for US$120 million, which are repaying the loan principal.

In the last years, the operational program with Uruguay has included the funding of transport infrastructure and logistics projects to access the port area of Montevideo, the construction and improvement of sanitation systems in towns of the Santa Lucía River Basin (San Ramón, Fray Marcos, Casupá, and Florida) and the support for road maintenance in different parts of the country.





IV

2019 Financial results

(Except where otherwise stated, all figures in this section are in US dollars).

This section provides an analysis of the achievements made during the year ended as of December 31, 2019, following FONPLATA's successful transformation into a Multilateral Development Bank, as a corollary of the amendments approved in its Charter by the Board of Governors at the end of 2018.

In order to make it easier to read, this section is organized to guide the reader through the elements that make up FONPLATA's financial strength and wealth. As a Multilateral Development Bank, FONPLATA's main objective is to bring development closer to the people. In this sense, it differs from investment banking where the main goal is return on equity as a reward to its' shareholders. FONPLATA aims at strengthening its capacity to support the investment plans of its member countries, thus, contributing to the improvement of the quality of life of their citizens. To this end, as a development finance institution, it is important to balance the specific aspects involved in promoting inclusive social development with prudent management of financial assets and liabilities to meet the expectations of the capital markets and generate a return that allows the bank to preserve and increase its assets.

As a multilateral development bank, FONPLATA is positioned to continue growing and is considering, within the framework of the above-mentioned amendments to its Charter, which have already been ratified by two of its member countries, the expansion of the bank's membership is being considered. Once the ratification process is completed, it will be possible to initiate negotiations with two countries in the region that have expressed interest in joining FONPLATA.

The admission of new members will allow FONPLATA to leverage the growth of its operations portfolio, strengthen its business profile and place it in a better position to improve its current risk rating, which should lead to a lower cost of funds for all of its member countries.

The year 2019 marked FONPLATA's successful entry into the capital markets by issuing a bond on the Swiss capital market through Credit Swiss and UBS on March 11, 2019, denominated in Swiss francs in the amount of CHF 150 million, with a five-year maturity and a fixed annual coupon of 0.578%. The launching of the first bond by FONPLATA is an integral part of its funding strategy for disbursements on approved loans. In compliance with its prudent risk management policies, on March 13, 2019, FONPLATA engaged in a foreign currency swap to protect cash flows from potential exchange rate and interest rate fluctuations.

The bank's two main financial policies dealing with loans and borrowings are those that determine the lending and borrowing capacity, which are both based on an equity multiple.

The following sections and sub-sections present a detailed explanation of the performance of equity components during the financial years 2019, 2018 and 2017, namely:

- Capital
- Unappropriated reserves and retained earnings
- Profit/loss for the year

As equity growth is a direct function of the increase of assets over liabilities, the following section provides a detailed explanation of the evolution of financial assets and liabilities to help illustrate both, the growth and financial strength achieved.

1. Management Performance

1.1. Funding sources

1.1.1. Capital structure and Lending capacity

The process of subscribing and committing the callable capital corresponding to the first and second capital increases approved in 2013 and 2016, respectively, was completed by the five member countries in 2018, when they started to pay the paid-in capital they had subscribed corresponding to the second capital increase. Total paid-in capital received in 2019 amounted to US$48 million (2018: US$111.7 million), totaling US$865.5 million as of December 31, 2019 (2018: US$817.5 million).

Table 1 shows the evolution of the capital structure for each of the last three years.

TABLE 1
CAPITAL STRUCTURE

In million US dollars

CAPITAL	Fiscal Years ended December 31		
	2017	**2018**	**2019**
AUTHORIZED	**3,014.2**	**3,014.2**	**3,014.2**
Payable in cash	1,349.2	1,349.2	1,349.2
Callable to be subscribed	1,665.0	1,665.0	1,665.0
SUBSCRIBED	**3,014.2**	**3,014.2**	**3,014.2**
Payable in cash	1,349.2	1,349.2	1,349.2
Callable to be subscribed	1,665.0	1,665.0	1,665.0
AVAILABLE	**2,299.8**	**2,482.5**	**2.530,5**
Paid-in capital	705.9	817.5	865,5
Committed callable capital	1,593.9	1,665.0	1,665.0

1.1.2. Composition of Assets

FONPLATA's assets are growing in two ways: (i) member countries capital contributions payable in cash; and (ii) surplus income over financial and administrative expenses. Income is generated through interest earned on financial assets (net of projected losses on loans and investments), while expenses relate to the cost of borrowings incurred and the expenses required to run the institution. Sections 1.2 and 1.6 present a detailed analysis of the evolution of financial assets and liabilities during the year 2019.

As shown in Table 2, as of December 31, 2019, equity (a.k.a. net assets) amounted to US$1.028 billion, representing an 8% increase over the volume of assets reached in 2018, of US$953 million.

The US$75 million net increase experienced in 2019, is composed of US$48 million of member countries paid-in capital; US$28 million of net income for the year; US$1 million of unrealized gain on investments and foreign currency swap operations, which are part of other comprehensive income; and the deduction of US$2 million from retained earnings as of December 31, 2018, allocated by the Board of Governors in 2019: US$1.5 million to the Special Fund for Equalization of Operating Rates (FOCOM), and US$0.5 million to the Technical Cooperation Program (TCP).

TABLE 2
ASSETS

In million US dollars

ITEM	Fiscal Years ended December 31, 2017	2018	2019
Capital in cash	705.9	817.5	865.5
Reserves	89.8	108.8	134.3
Retained earnings	20.1	26.6	28.3
Total Assets	**815.8**	**952.9**	**1,028.1**

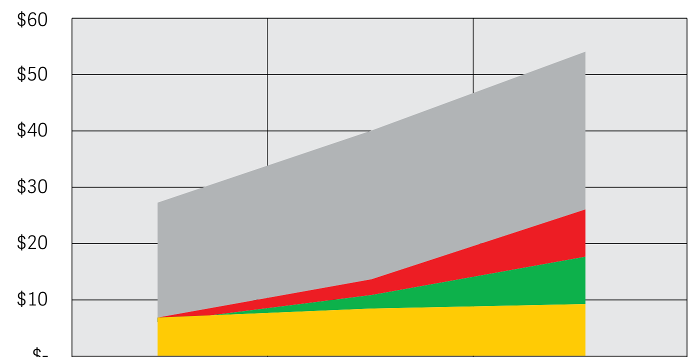
1.2. Income and Profitability

Chart 1 shows the upward trend of income on financial assets, which has grown much higher than borrowing costs and administrative expenses, showing the financial soundness of FONPLATA as of December 31, 2019.

Income on financial assets amounted to US$54.4 million, a 34.8% increase compared to 2018 ($40.4 million). This growth is primarily due to higher interest and charges on loans, and is explained by a net increase of 18.8% in the loans receivable balances, as well as an 83.6% increase on return on investment from liquid assets and other income, mostly from increased liquidity levels during the fiscal year as a result of the proceeds of the CHF 150-million bond issued in March 2019, and a 54 basis points return on investment that equals 26.7%, over 2018. Financial income at 2019 year end consist of interest and charges on loans ($46.7 million), and investment income and other income ($7.7 million).

CHART 1
INCOME AND EXPENSES

In million US dollars



	2017	2018	2019
Financial revenues	20.6	26.6	28.3
Financial expenses	0.7	2.6	8.4
Allowances	(0.6)	2.8	8.2
Administrative expenses	6.8	8.4	9.5

In 2019, income on financial assets amounted to US$54.4 million, which is almost three times higher than interest and charges paid on borrowings, US$8.4 million, and total administrative expenses, US$9.5 million, generating a net income of US$28.3 million.

Borrowing costs in 2019 were 3.2 times higher than in 2018. This increase is consistent with the programmed average rise in indebtedness, which increased from US$53 million in 2018 to US$172 million in 2019. The debt-service coverage ratio before administrative expenses is 6.4, highlighting FONPLATA's solid financial position.

In addition, as explained in greater detail in the analysis of the return on financial assets and liabilities (see Table 3), in 2019 FONPLATA increased the amount of the its allowance for loan losses by US$8.1 million, to account for the deterioration of credit risk of Argentina and Bolivia. This increase directly impacted net income for the fiscal year.

In turn, financial costs have increased as a result of higher indebtedness for financing loan disbursements and due to the increase in the allowance for loan losses. Thus, the return on net financial assets before administrative expenses dropped 32 basis points to stand at 3.79%.

Finally, as shown in Table 3, administrative expenses amounted to US$9.5 million in 2019, generating savings of approximately US$450,000 compared with the previous year ($9.9 million). This slight reduction in expenses measured on net financial assets is equivalent to 17 basis points as compared with 2018 and is consistent with FONPLATA's strong commitment to ensure low transaction costs.

Table 3 details the evolution of financial assets and liabilities, net assets and equity, as well as their respective return rates from 2017 to 2019 fiscal years, showing the current growth and strength of FONPLATA.

TABLE 3
RETURN ON FINANCIAL ASSETS AND LIABILITIES

In million US dollars

	2017		2018		2019	
ITEM	AVERAGE BALANCE	RETURN %	AVERAGE BALANCE	RETURN %	AVERAGE BALANCE	RETURN %
Loans receivable	602.9	4.16	730.7	4.95	867.9	5.38
Investments	197.0	1.24	209.0	2.02	302.0	2.56
Financial assets	799.9	3.44	939.7	4.30	1,169.9	4.65
Borrowings	(21.0)	3.41	(52.5)	5.04	(172.2)	4.90
Net financial assets	778.8	3.46	887.2	4.11	997.7	3.79
Non-interest expenses		-0.87		-1.12		-0.95
Net financial assets	778.9	2.58	890.0	2.99	1,001.6	2.84
Net equity	815.8	2.60	884.3	3.00	990.5	2.86

FONPLATA's main financial indicators are consistent with those of a growing institution.

As shown in Table 3, average financial assets in 2019 totaled US$1.17 billion, an increase of US$230.2 million or 24% over 2018, and produced a US$54.4-million income, 35% higher than 2018. The increase in average financial assets results from: (i) a net increase of US$137 million in loans receivable balances resulting from the excess of disbursements over collections of principal, and (b) an increase in liquid investment assets of US$93 million, primarily from the proceeds of the CHF 150-million bond issue.

Administrative expenses measured in terms of net financial assets decreased 95 basis points, which represents an efficiency improvement of 17 basis points in relation to 2018, equivalent to 15%. The 2.86% return on equity[2] shows a slight decrease of 14 basis points in relation to 2018. This reduction is consistent with the increase in the volume of borrowings required to fund loan disbursements, coupled with the increase in the allowance for loan losses, as mentioned above.

For 2020, the return rate is expected to be lower due to the drop in the LIBOR rate in the second half of 2019. This trend is expected to continue through 2020. This will also reduce FONPLATA's future borrowing costs. Accordingly, no difficulties are foreseen in FONPLATA's ability to generate enough income to cover the institution's borrowing costs and expenses, and, thus, comply with the mandate to gradually increase the bank's reserves, as well as its equity and lending capacity.

1.2.1. Capital Utilization and Lending Capacity

As mentioned at the beginning of this section, FONPLATA determines its borrowing and lending capacities based on a multiplier over the amount of its equity. Thus, the maximum lending capacity is equivalent to 3 times the equity. The maximum exposure of the loan portfolio per country cannot exceed 25% of the lending capacity and the outstanding loan portfolio cannot exceed 30% of the assets.

On the other hand, the used lending capacity is expressed as the sum of the balance of loans to be disbursed and to be collected, and the balance of loans not yet in force. The remain lending capacity is expressed as the difference between the maximum lending capacity and the used capacity (see Table 4).

Therefore, equity growth is vital to the borrowing and lending capacity. As explained in greater detail in sections 1.1 – Funding Sources, and 1.2 – Income and Profitability, equity grows as a result of capital cash contributions by the member countries and of net income. The latter is measured as total income on financial assets, net of borrowing costs on financial liabilities, investment and loan loss projections, and administrative expenses.

2 → Return on equity is calculated by dividing the year's net income by the average equity.

Table 4, below, shows the maximum used and remaining lending capacity as of December 31, 2019, and its evolution during the period 2017 – 2019. As can be noted, the remaining lending capacity is US$883 million, which will allow to maintain the current amount of loan approvals over the period 2020 – 2021, after registering the expected principal repayments for that period, as well as the paid-in capital contributions received from member countries.

TABLE 4
LENDING CAPACITY AND CAPITAL ADEQUACY

In million US dollars & %

ITEM	Fiscal Years ended December 31		
	2017	**2018**	**2019**
Net assets	815.8	952.9	1,028.1
Maximum lending capacity	2,447.3	2,858.7	3,084.4
Undisbursed loans	581.9	700.8	974.7
Loans receivable	662.0	799.4	936.5
Non-active loans	347.7	407.5	290.2
Utilized lending capacity	1,591.5	1,907.7	2,201.4
Remaining lending capacity	855.8	951.0	883.1
Utilized lending capacity %	65.0%	66.7%	71.4%
Asset coverage of loans	123.2%	119.2%	109.8%
Exposure of net assets[1]	96.5%	92.1%	78.8%
Exposure at Default[2]	134.2%	129.1%	99.3%
Minimum capital adequacy threshold[3]	35.0%	35.0%	35.0%

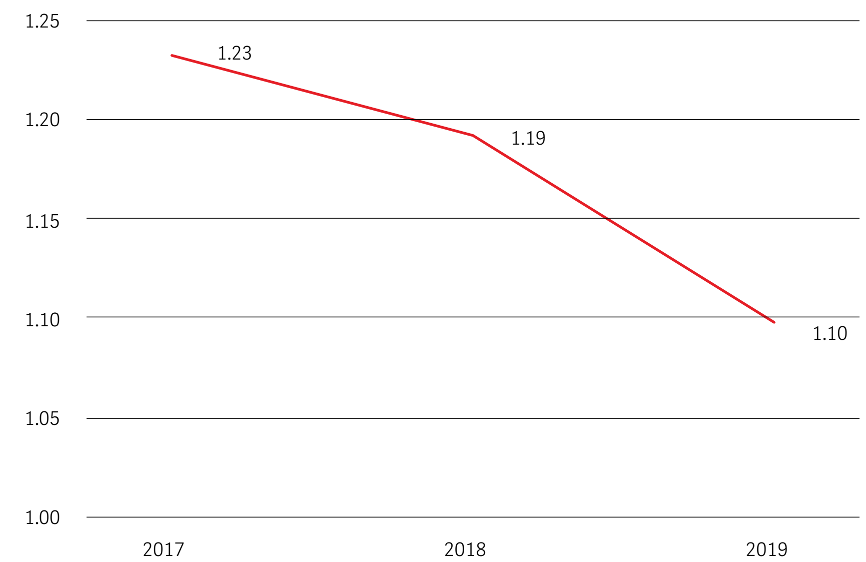
1 (Equity + loan loss projections - Fixed assets)/Financial assets
2 (Equity + Loan loss projections - Fixed assets)/Risk-adjusted financial assets
3 Minimum capital required to cover the exposure to loans receivable

As explained in 1.2 – Income and Profitability, and consistent with FONPLATA's capital structure, loan portfolio growth should be leveraged by borrowings from third-parties. In that regard, and since 2016, FONPLATA has been contracting debt to fund loan disbursements; this naturally results in a gradual decrease of the asset coverage ratio. Such decrease is considered in FONPLATA's financial planning and is consistent with a prudent, result-focused management, leveraged on a solid, integrated risk management and control model.

The loan coverage ratio indicates the number of times that net assets contain the balance of outstanding loans. As shown in Chart 2, this ratio has a gradually decreasing trend as part of the loan portfolio growth must be funded with third-party resources. This ratio decreased from 1.23 in 2017, and 1.19 in 2018, to 1.10 in 2019. Chart 2 shows the leverage space available as a result of FONPLATA's solid financial position.

Financial indicators presented in this Annual Report reaffirm FONPLATA's asset and financial soundness, the quality and maturity of its governance and prudent management, as well as the appropriateness of its financial and operating policies.

CHART 2
LOAN COVERAGE RATIO



1.2.2. Loan development

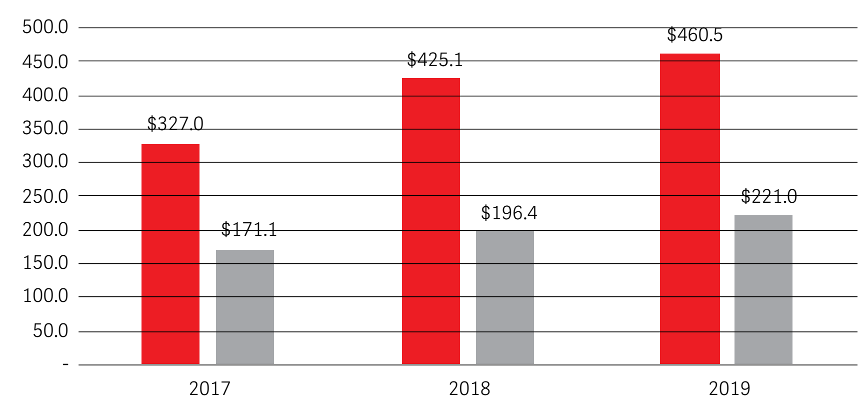
Chart 3 – Loan Approvals and Disbursements, shows an increase in both approvals, which amounted to US$460.5 million, and disbursements, which reached US$214.3 million. These figures represent an increase in the volume of loan and disbursements approvals of 8% and 9%, respectively, and confirm the growing trend in demand. These figures are in line with the 2019 planned programming goals included in the Program and Budget Document approved in 2018.

The sustained growth in the loan portfolio is directly in line with the mandate received from the Board of Governors for the second capital increase to gradually increase lending capacity. It is also in line with the second strategic goal under the Institutional Strategic Plan (PEI) for 2018–2022 of enhancing the dialog with member countries to anticipate their funding requirements regarding integration and development.

CHART 3
LOAN APPROVALS AND DISBURSEMENTS AMOUNTS[1]

In million US dollars

• Approvals
• Disbursements



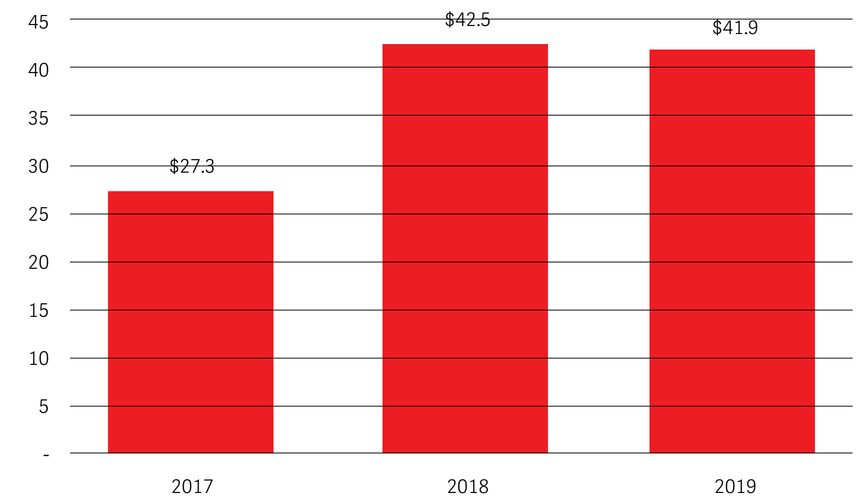
1 Disbursements before repayments of US$6.7 million in 2019

The average individual loan size reached US$41.9 million, remaining within the desired average range (2018: US$42.5 million).

CHART 4
AVERAGE AMOUNT OF LOANS APPROVED AND DISBURSED

In million US dollars

• Average loan approvals

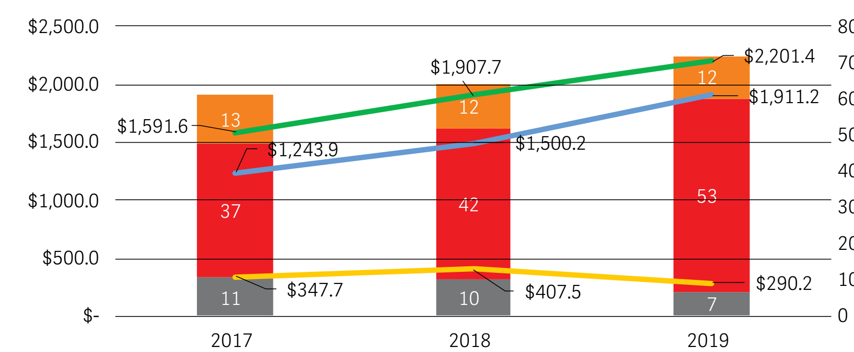


The total number of projects in the portfolio – loans collecting principal, loans being disbursed, and loans approved but not yet disbursed – rose from 64 in 2018 to 72 in 2019, an increase of 8 operations, which equals 12.5% (see Chart 5).

CHART 5
EVOLUTION OF LOANS IN PORTFOLIO

Number of projects

Number of Loans not yet in Force
Number of Loans Being collected
Number of Loans in execution
Amount in execution
Amount not yet in force
Amount Total



1.2.3. Loan portfolio by country

FONPLATA aims at a balanced allocation over time among its member countries both in terms of the funding amount and its exposure in relation to the loan portfolio as a whole.

Table 5 shows each country's relative share in the loans receivable balance at the end of each fiscal year from 2017 to 2019. As of December 31, 2019, the exposure by country was reasonably within the limits established in the policy.

TABLE 5
LOANS RECEIVABLE BALANCES BY COUNTRY

COUNTRY	2017	2018	2019
Argentina	17%	21%	25%
Bolivia	26%	29%	30%
Brazil	11%	8%	8%
Paraguay	18%	17%	16%
Uruguay	28%	25%	21%
Total	**100%**	**100%**	**100%**

Note: Calculated based on loan outstanding balances at year-end.

1.2.4. Performance of loans receivable and approved loans balances

As of December 31, 2019, the loan portfolio approved and under implementation, including operations approved in 2019 and still pending signature or ratification by parliament, amounted to US$2.2 billion, an increase of US$293.7 million, or 15% (see Table 4).

Such sustained growth since 2013 reflects the hard work and commitment of FONPLATA to bring development closer to the people, thus increasing its impact and relevance as an important partner in supporting its member countries to promote and enhance regional integration and development.

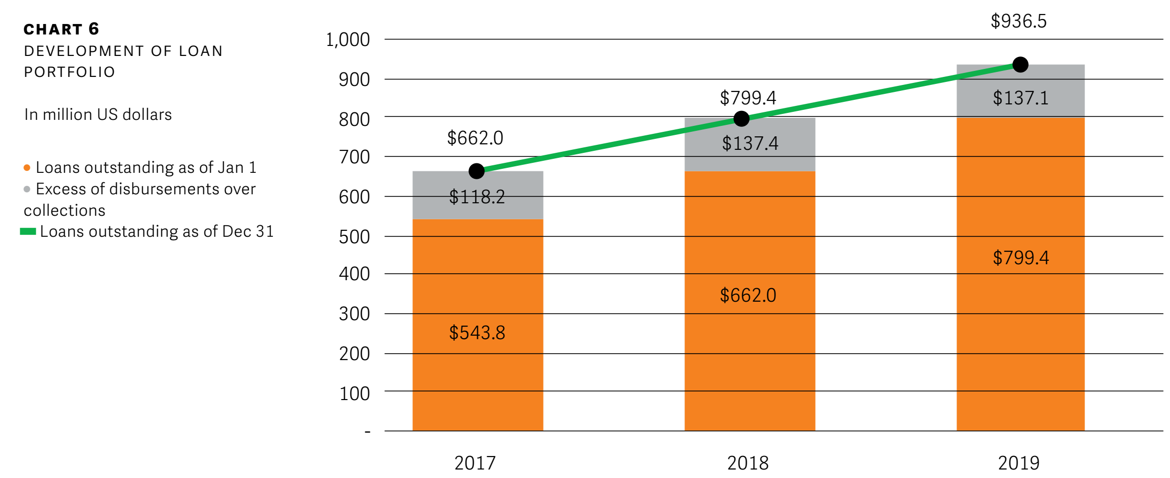
As mentioned in Section 1.2 – Revenue and Profitability, loans receivable experienced a US$137.1-million-net growth in 2019, for a balance receivable before accrual of management fees and allowance for loan losses of US$936.5 million (See Chart 6).

The growth in the amount of loans receivable, which is FONPLATA's main financial asset, is similar to that obtained in 2018, and is a consequence of having disbursed, US$214.3 million, and received principal repayment of US$77.2 million. Although the growth of the portfolio is practically the same as in 2018, disbursements were 9% higher in 2019.

The balance of loans to be disbursed in 2019 amounts to US$974.7 million, representing an increase of 39% over 2018 ($700.8 million), and the balance of loans approved pending signature or ratification by parliament amount to US$290.2 million, representing a reduction of 29% over the US$407.5-million balance in 2018.

CHART 6
DEVELOPMENT OF LOAN PORTFOLIO

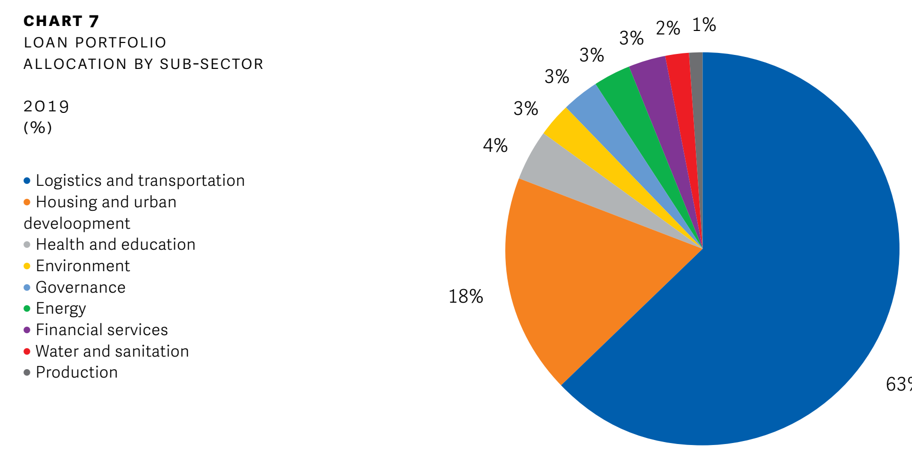
In million US dollars



In terms of the sectoral classification of loans (see Chart 7), the infrastructure sector is the major destination of funding granted to date, especially transport and logistics, representing 63% of total funding. This percentage shows a slight reduction of 5% in favor of the funding of other sub-sectors, as the focus is on achieving greater diversification in the type of projects to be funded.

CHART 7
LOAN PORTFOLIO ALLOCATION BY SUB-SECTOR

2019 (%)



On the other hand, funding of projects with impact in more than one-member country and those focused on development in border areas account for about one-third of all approvals.

The joint programming of operations, carried out in close coordination with the member countries, determines the focus of the funding. (see Table 6).

TABLE 6
LOAN PORTFOLIO ALLOCATION BY SECTOR

(%)

CAPITAL	2017	2018	2019
Infrastructure	61%	72%	82%
Social & environmental development	28%	17%	11%
Economic & productive development	11%	11%	7%
TOTAL	**100%**	**100%**	**100%**

1.3. Consistency with strategic objectives

1.3.1. Achievement of strategic goals as expressed in the Vision statement

The table below presents the three strategic objectives and ten lines of action set forth in the Institutional Strategic Plan (PEI) for the period 2018 – 2022, which steer the management of the institution towards bringing development closer to the people and obtaining concrete results under prudent financial management.

STRATEGIC OBJECTIVE	LINE OF ACTION
Ensure the relevance of FONPLATA as a funding agency for regional development and integration.	Sustained growth of lending capacity under appropriate financial conditions. → In February 2019, finance charges were changed to provide better conditions for the member countries. → In March 2019, FONPLATA formally entered the international capital market with the issuance of a CHF 150-million bond, to be used to fund loan disbursements. Enhance value for the member countries by ensuring positive cash flows and maximizing the assets value. → Net loan flows of US$91.4 million were generated to the countries, after disbursements, collection of principal, interest and fees. Maintain and strengthen our credit rating. → In September 2019, Standard & Poor's reaffirmed its credit risk rating of A- with positive outlook. Promote the expansion of our lending capacity through the possible involvement of other countries and regional integration agencies. → In August 2019, within the framework of the amendments to the Articles of Agreement that allow for the accession of new members, the Board of Governors approved the terms to be applied in negotiations with potential members, and authorized the Management to pursue contacts with countries that expressed interest in joining FONPLATA. → On 6 December 2019, FONPLATA and the authorities of MERCOSUR signed a trusteeship agreement, by virtue of which FONPLATA became the trustee of the financial resources of FOCEM (the MERCOSUR "Structural Convergence Fund"). Considering the complementarity and synergies in the development focus of FOCEM and FONPLATA, the signing of this agreement is expected to contribute to deepen the achievement of FONPLATA's strategic objectives and opportunities in the region.

STRATEGIC OBJECTIVE	LINE OF ACTION
Enhance dialog with the member countries to anticipate their funding requirements regarding integration and development.	Implement new financial products. → In November 2019, the Executive Board of Directors approved a new Credit Line for Non-Sovereign Risk Transactions to serve majority state-owned institutions and subnational governments. In the first phase, the focus will be on the funding of national and subnational state-owned banks with no sovereign guarantee. Broaden the appropriate offer of non-financial services. → Ten non-reimbursable technical cooperation operations were approved at a total of US$595,000, including two environmental emergency operations for US$204,000, in support of two member countries. Promote efficient decentralization of operations in the subregion. Strong commitment to adaptation to climate change and the sustainable use of natural resources. → Two non-reimbursable technical cooperation were approved to help alleviate the effect of floods and forest fires that generated environmental emergencies in two member countries. → Operations within the Green Credit Line were approved.

STRATEGIC OBJECTIVE	LINE OF ACTION
Adapt the organizational structure maintaining agility and flexibility, and low transaction cost.	Adjust the existing organizational structure to the operations growth. → The Program and Budget Document (DPP) for the period 2018 – 2020, endorsed a gradual growth from 62 to 85 positions. As part of the revision for 2019 – 2021, it was agreed to tentatively maintain 75 positions in 2020, considering the evolution of the global and regional economies. To be recognized as a modern, streamlined, innovative, effective and efficient financial agency. → In 2019, transactional costs improved 15% in comparison with 2018, generating budgetary savings of approximately US$450,000, for a 38% increase in the volume of operations and a 28% increase in staff. → In September 2019, the first stage of the comprehensive financial information system was successfully implemented under the ERP method.

The changes to FONPLATA's Charter approved by the Board of Governors in November 2018, materialized its effective transformation into a Multilateral Development Bank, thus fulfilling the 2010's desire of its members, when they approved modernizing the institution by implementing a new management model.

To date, the Charter has been formally ratified by the parliaments of Bolivia and Uruguay, and it is expected to be ratified by the parliaments of Argentina, Brazil and Paraguay in the coming months. This will make it possible to advance formal negotiations with two countries in the region with which preliminary contacts have been established, after they expressed their interest in joining FONPLATA.

This will allow the expansion of the institution's business profile, sustaining the growth rate achieved in the 2013 – 2019 period, while contributing to diversify the credit concentration risk, probably making possible an improvement of the credit risk rating that will, as a consequence, reduce funding cost for its member countries.

Equity growth is an integral part of the multilateral banking business model and essential to maintaining and increasing the volume of loan approvals.

1.3.2. Consistency with our Mission

In line with our strategic goals, since 2013 FONPLATA has been focusing on promoting projects that enhance geographical integration and help either reduce costs or increase benefits for two or more member countries.

Emphasis of these funding is placed on reducing asymmetries caused by vulnerabilities that have a negative impact on coordination, logistics, inclusion and access to regional and global economies.

Table 7 below shows, both in number and amount of funding operations, loans that impact more than one-member country, as well as those focused on border areas.

TABLE 7
CONTRIBUTION TO GEOGRAPHIC INTEGRATION IN BORDER AREAS[1]

(%)

INDICATOR		***2014 - 2019[2]***
Expected impact on more than one country (%)[3]	***Number of loans approved***	***58%***
	Thousands of dollars	***62%***
Focus on border areas (%)[4]	***Number of loans approved***	***58%***
	Thousands of dollars	***64%***

1 Based on information on the design of operations
2 Weighted average
3 Approved loans impacting more than one member country / Total loans approved
4 Approved loans impacting development of border areas / Total loans approved

Based on the number of projects approved, it is noted that 58% are targeted at more than one-member country (62% in value), and 58% are targeted at border areas (64% in value).

The strategic niche focused by FONPLATA corresponds to small to medium-size projects that complement funding from other multilateral or regional development institutions, prioritizing projects in border areas that impact on more than one member country, to promote regional development and improve the insertion of regional economies into the global economy.

Under this approach, FONPLATA complements funding from member countries and other development agencies, adding value through its interventions (see Table 8).

TABLE 8
STRATEGIC COMPLEMENTARITY

In US dollars and %

INDICATOR		**2014 - 2019[1]**
Participation in joint programs with other Multilateral Development Agencies	*Number of loans approved*	*38%*
	In thousand US dollars	*46%*
Complementary with national investment plans	*Number of loans approved*	*88%*
	In thousand US dollars	*90%*
Help bring forward investment decisions for member countries	*Number of loans approved*	*50%*
	In thousand US dollars	*50%*
Total loans approved	***Number of loans approved***	***64***
	In million US dollars	***$2,039.5***

1 Weighted average

In cumulative value of projects approved from 2014 to the present, the funding granted by FONPLATA to sectors that receive funding from other multilateral development agencies reached 38%. During that period, virtually every operation in which FONPLATA was involved were prioritized in the national public investment plans of the member countries. Likewise, 50% of the amount of funds approved during that period was allocated to initiatives that made it possible to anticipate the investment decision by borrowers, accelerating the realization of the benefits to be obtained.

1.4. Operational efficiency

In anticipation of the changes in the global economy, showing a reduction in the growth rates of the world's major economies and the effect on the economies of our member countries, in mid-2019, the Bank's management reviewed the assumptions taken into account when formulating its 2019 – 2021 budget to adjust to the changes in the global economy that affect the pace at which the region's economies grow.

The expected immediate impact, which began to materialize in the second half of 2019, is the decline in the originally projected net revenues for 2019 and 2020, as a result of the decrease in the 6-month LIBOR rate, which is expected to continue through 2020, and the increase in the allowance for loan losses, as a result of the deterioration in the credit risk rating that affects the valuation of the loans receivable balance of two member countries, beginning in August and December 2019.

In this regard, the measures adopted by the Administration achieved savings of approximately 17 basis points on net financial assets, reducing the relative impact of the transactional cost from 112 basis points to 95 basis points, in order to adjust expenses without affecting the agility, flexibility, responsiveness, and low transactional cost that, since 2013, characterize the management of the Bank.

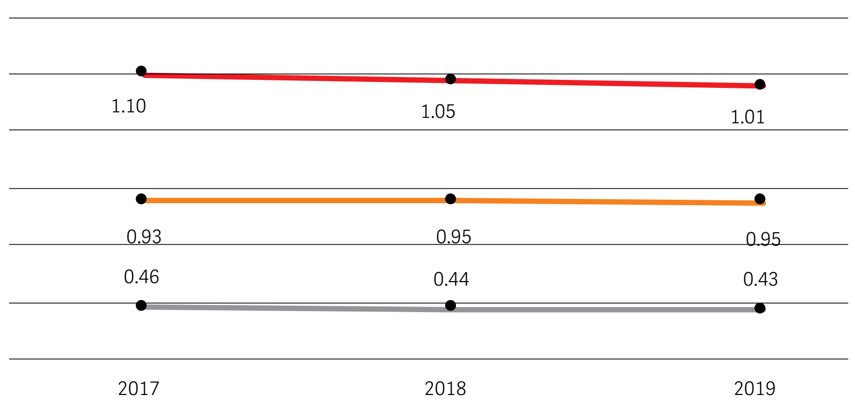
As can be seen in Chart 8 below, operational efficiency is measured by the ratio of administrative expenses of the year to:

1. Loans receivable, or main financial asset
2. Loans receivable and net debt liquid assets
3. Loans receivable and balances to be disbursed

In this way, the relative transaction cost is calculated in order to measure the degree of efficiency in management. As can be seen in the chart, the administrative expense or non-financial expense compared to the average financial assets has improved substantially in real terms.

CHART 8
OPERATIONAL EFFICIENCY

Administrative expenses/Loans outstanding
Administrative expenses/ Average net financial assets
Administrative expenses/Loans outstanding + undisbursed



Another significant indicator, the ratio of income from financial assets to debt expenses and non-interest expenses, of current financial and non-interest expenses to current income from the loan portfolio, is at a comfortable 3 to 1. In 2020, this ratio is expected to decrease moderately as a result of the decrease in the 6-month LIBOR. This reduction will be offset by the expected growth in the loan portfolio, as well as by the measures taken to increase operating efficiency, placing FONPLATA in a comfortable position to cover contingencies, lessening the impact on capital markets.

1.5. Financial soundness

The results achieved from 2013 to date, and particularly in the last three years, confirm a very good business profile based on a sound financial position that supports its credit risk rating as issuer by Standard & Poor's and Moody's.

FONPLATA has a robust governance and has redesigned its control processes, modernizing and streamlining its internal operations to ensure the quality, validity, integrity and timeliness of all its processes and financial information. As with the new business model implemented as from 2013, FONPLATA has obtained an unqualified opinion on its financial statements for the year ended December 31, 2019, from its independent auditor, PricewaterhouseCoopers, who issued its report on February 17, 2020.

1.6. Loan financing – Liquidity and Indebtedness

This subsection contains relevant information on the indebtedness management in the long term and the management of liquidity and risks affecting the entity. As explained in Section 1.1 - Funding Sources, based on the capital structure consisting of 45% cash and 55% callable capital, part of the funding of loan disbursements must be leveraged with resources from third parties.

As with lending capacity, borrowing capacity is fixed on 2 times the size of equity plus total liquid assets investment. Chart 9 below shows the evolution of the maximum borrowing capacity, used and available for the 2017 – 2019 period. It should be noted that in November 2019, the Executive Board of Directors increased the borrowing limit by US$700 million, which added to the US$500 million authorized for the 2016 – 2020 period, totaling a maximum borrowing of US$1.2 billion, for the 2020 – 2024 period.

1.6.1. Borrowing and Leverage

Since 2015, FONPLATA has been forging strategic alliances with other multilateral and bilateral international cooperation agencies to open various lines of credit, and, as of March 2019, has gained direct access to the capital markets, based on the excellent credit risk rating obtained in 2016.

During 2019, US$186.5 million was attracted: US$148.8 million from the CHF 150-million bond issuance in March 2019, US$32.2 million through the credit line with the Inter-American Development Bank, and US$5.5 million through the credit line with the Instituto de Crédito Oficial E.P.E. In addition, US$5.3 million of the amount owed to CAF was repaid.

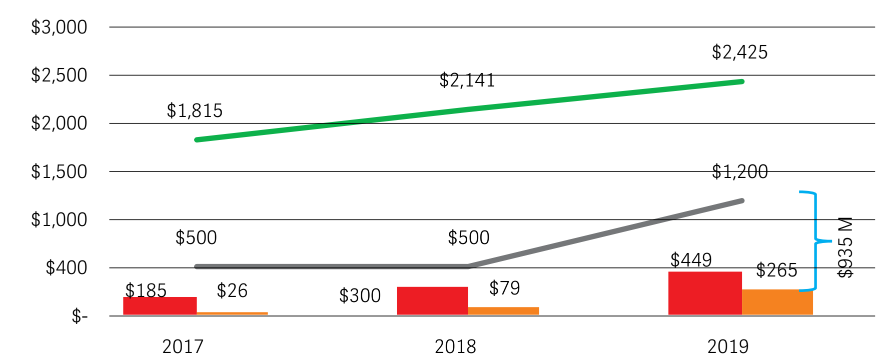
The successful issuance of FONPLATA's first bond, in March 2019, marked the Bank's entry into the international capital markets. This issuance was made in the Swiss capital market, through Credit Suisse & UBS. The CHF-150-million five-year-maturity bond, denominated in Swiss francs, was issued with a fixed annual coupon of 0.578%, and, in compliance with FONPLATA's asset and liability and risk management policies, simultaneously exchanged with J.P. Morgan Chase N.A., for a US-dollar-denominated bond with floating interest rate based on the 6-month LIBOR.

The total borrowing amount as of December 31, 2019 is US$449 million. Of this amount, US$265 million has been disbursed and matures between 2020 and 2042, leaving an available borrowing capacity of US$934 million (See Chart 9).

CHART 9
LOAN FINANCING, LIQUIDITY, AND INDEBTEDNESS

In million US dollars

Signed loan contracts
Borrowings
Lending capacity
Borrowing capacity



1.6.2. Liquidity

The main objective of investments is to ensure enough liquidity to meet current loan disbursements, borrowing fees and repayments, as well as estimated expenses for a 12-month period starting in the end of the fiscal year.

Liquid assets coverage in relation to the net disbursements and payments amount to be made is equivalent to 1.8 years as of December 31, 2019, and 1.4 years as of December 31, 2018, respectively.

Most of FONPLATA's liquidity is held in investments, with a small portion or operating margin held in interest-bearing bank accounts. Investments are structured in two main portfolios, one of available-for-sale investments and another one of investments to be held to maturity.

The portfolio of available-for-sale investments is valued at market price and adjustments for changes in market price are registered as assets under Other Comprehensive Income until the time of sale, when they are reclassified to income. It is held until maturity and structured in accordance with the estimated term for loan disbursements.

As of December 31, 2019, liquidity amounted to US$369 million, of which US$37.4 million related to cash and cash equivalents and US$332.2 million to investment portfolios, of which US$142.8 million are available for sale and US$189.4 million are to be held to maturity.

Total liquid assets as at December 31, 2019, are equivalent to 35% of net financial assets and 36% of assets. This is slightly higher than the ratio in 2018 and 2017, which was 22.5% and 21.5%, respectively, as a result of the lag in the pace of loan disbursements in three of the member countries that went through election processes in 2019. It should also be noted that peaks in the amount of liquid resources are normal after entering the capital markets, due to minimum optimal amounts of funds attracted to reduce the incidence of issuance costs and to satisfy the expectations of capital markets.

Regarding investment management and based on its prudent policy for managing financial assets and liabilities, risk limits are established and rigorously observed, ensuring that the average risk of the investment portfolio is not less than AA. Table 9, below, presents a closer look to current limits for investment management.

TABLE 9
INVESTMENT PORTFOLIO MANAGEMENT

LIMITS	POLICY	STATUS
By type of Assets		
With sovereign guarantee	100%	63%
Multilateral Development Agencies & National Development Banks	50%	26%
Money Market Funds	30%	0
Private financial institution	15%	11%
By Issuer		
AAA Issuers (country, MDA or agency)	100%	39
By issuing country, including states, local governments, and specialized agencies	10%	9%
Multilateral Agencies and National Development Banks	10%	5%
Private Development Agencies	5%	2%
By Rating		
Average portfolio rating	Minimum AA-	AA-
Minimum investment grade	BBB-	BBB-
Maximum investment grade with BBB	20%	10.6%
By Maturity		
Minimum liquidity	US$222 million	US$359
Investments with maximum maturity	5 years	2.5 years
Maximum modified duration	2 years	0.56 years

1.7. Institutional effectiveness

Since 2013 FONPLATA's management has demonstrated high levels of compliance and has earned the trust of both its Governance and multilateral and international cooperation agencies, with which financing and co-financing agreements have been signed. The clearest example of the trust achieved is the recent agreement signed with MERCOSUR for the financial administration of the FOCEM.

The Program and Budget Document (DPP) – approved by the Board of Governors based on a recommendation by the Executive Board of Directors – includes detailed analysis of the extent to which expected results have been achieved for the previous year, as well as the results to be achieved in the next year, and a summary for the two subsequent years along with the cost of the activities required to achieve those results.

Between 2013 and 2016, an increased and more mature business profile together with management effectiveness enabled FONPLATA to achieve A- and A2 investment-grade ratings from Standard & Poor's and Moody's, respectively, two internationally recognized rating agencies. These ratings have recently been affirmed with a positive outlook based on the expected growth in the business profile and assets, through the potential incorporation of new members, once the amendments to the Articles of Agreement have been ratified by the five member countries.

1.8. Contribution to the subregion's growth

Among the relevant indicators used by FONPLATA to measure its contribution to the development and the regional and global integration of its member countries through its funding is the growth in volume of approved loans. In 2019, the number of loans approved grew by 28% over the previous year, equivalent to more than 6 times the volume accumulated up to 2012.

The leverage ratio of mobilized resources has been rising progressively and reached US$2.1 per each dollar funded by FONPLATA in 2019, which represents an increase of 18% (see Table 10).

Net capital flows and net transfers to member countries were positive in recent years.

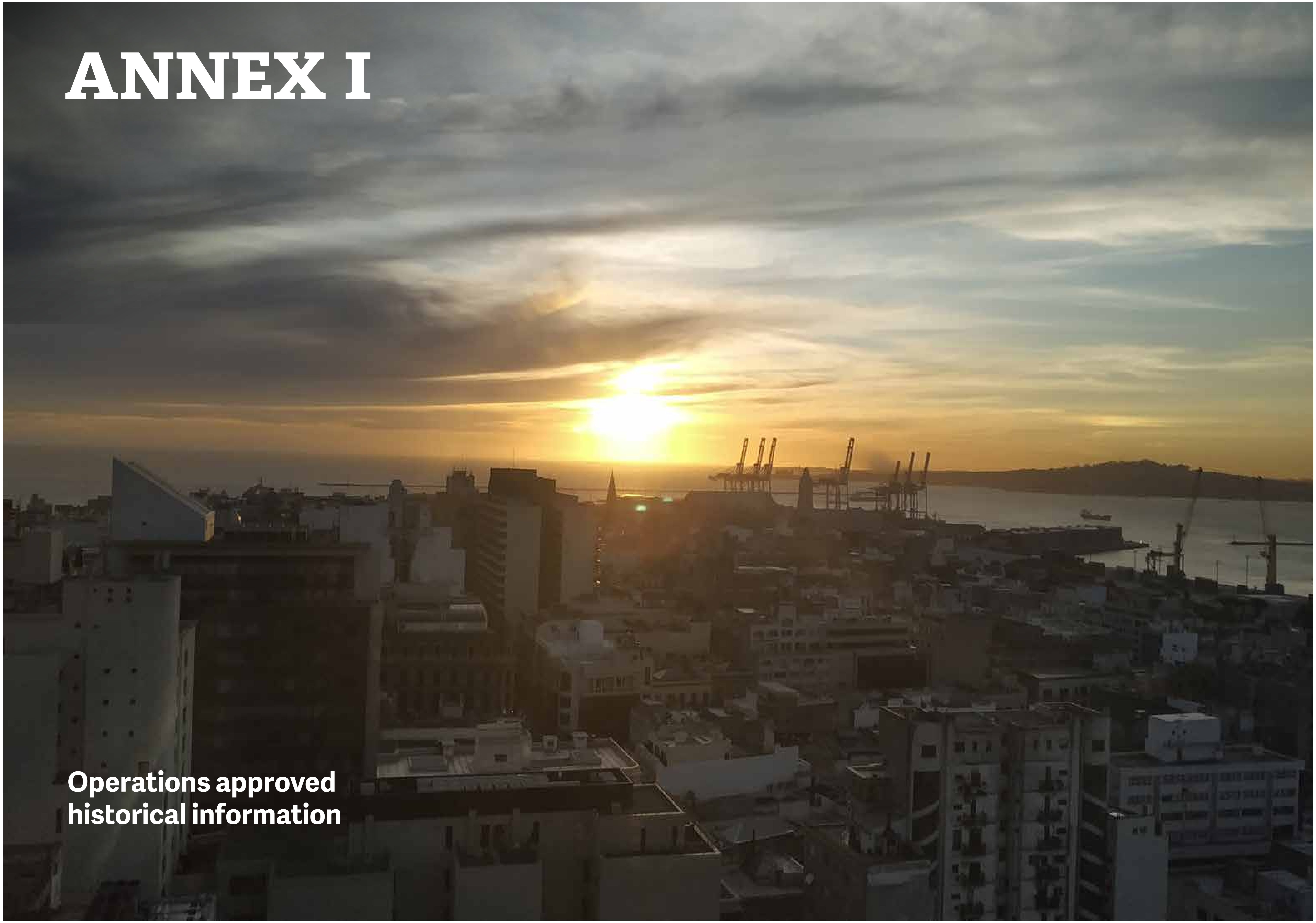
TABLE 10
CONTRIBUTION TO SOCIOECONOMIC DEVELOPMENT

In million US dollars

INDICATOR	2017	2018	2019
Loan portfolio annual change	21.7%	20.8%	20.2%
Direct resource mobilization ratio[1]	1.8	1.9	2.1
Net capital flow to member countries[2]	US$118.2	US$137.4	US$137.1
Net transfers to member countries[3]	US$94.1	US$103.8	US$91.4
Funding for relative less developed countries / Total approvals	28.4%	60.6%	53%
Preferential funding for relatively less developed countries[4]	21.3%	31%	33%

1 Total funds mobilized over funds provided by FONPLATA
2 Net disbursements for recovery of principal repayments
3 Disbursements net of principal repayments and collection of interest and fees
4 FOCOM funded loans / Total loans approved

ANNEX I

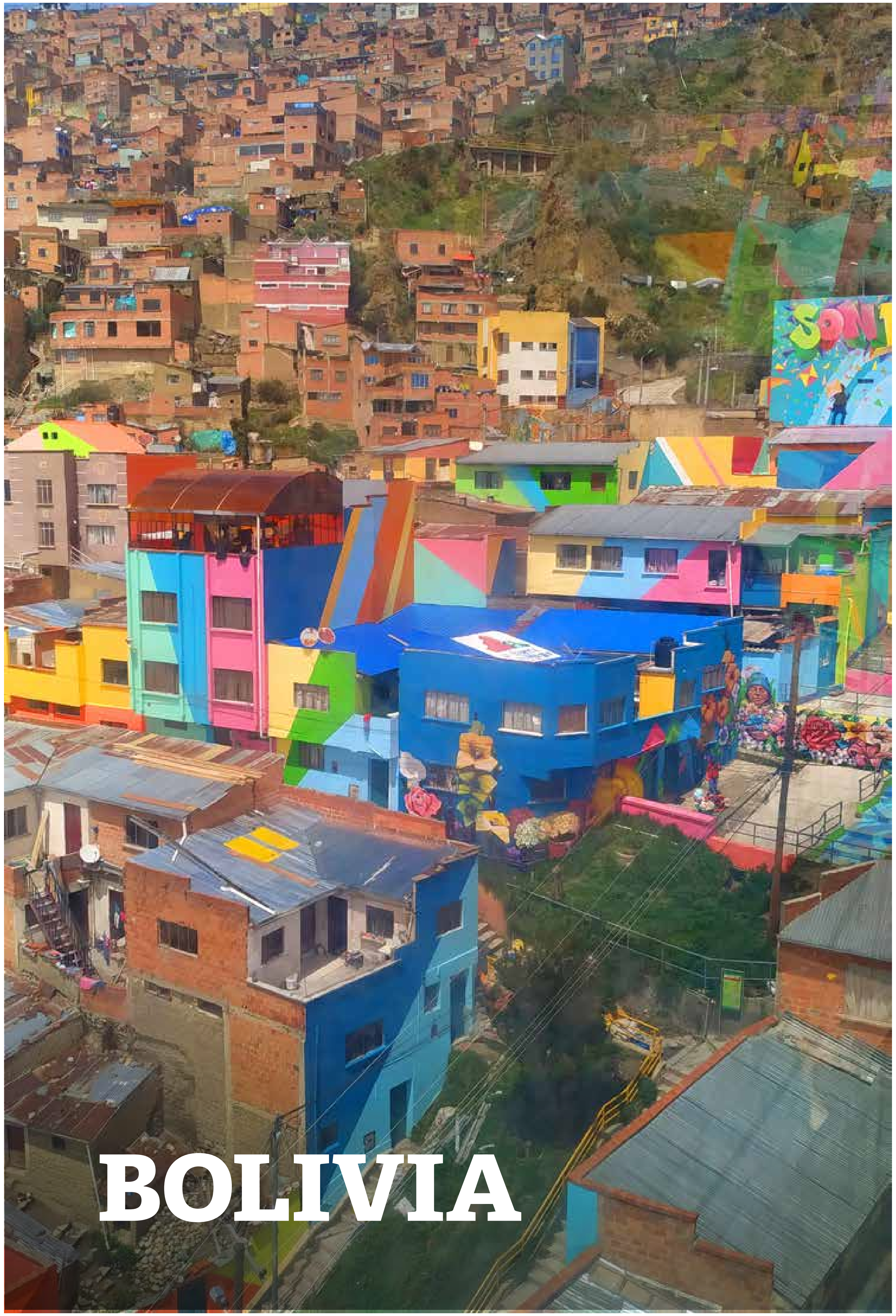


Operations approved historical information

ARGENTINA

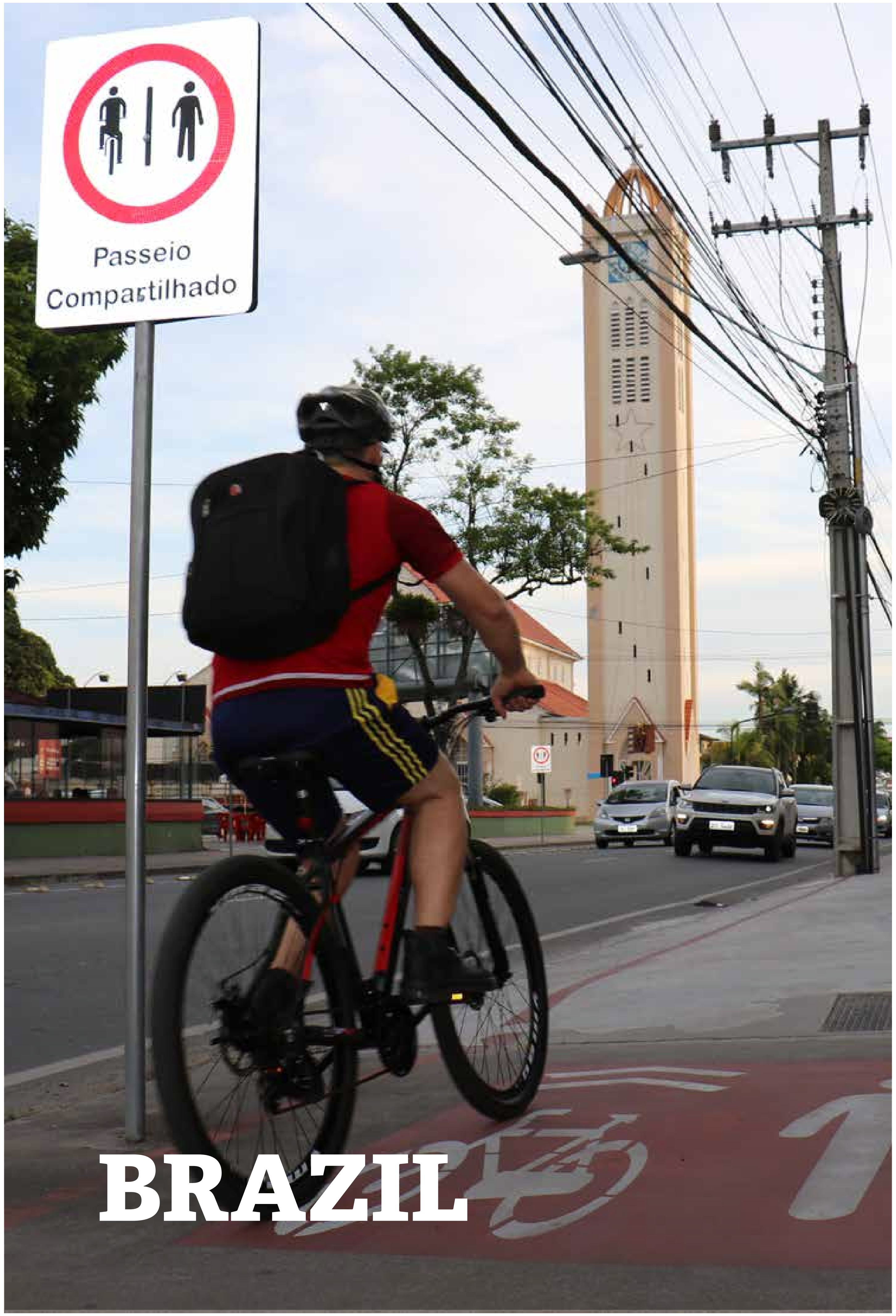
CODE	APPROVED	CANCELLED	DISBURSED	UNDISBURSED
ARG-02/83	7,100,000.00	0.00	7,100,000.00	0.00
ARG-03/83	9,200,000.00	61,130.72	9,138,869.28	0.00
ARG-04/93	1,462,438.00	25,303.72	1,437,134.28	0.00
ARG-05/94	2,244,211.00	2,244,211.00	0.00	0.00
ARG-06/94	34,836,132.00	529,003.26	34,307,128.74	0.00
ARG-07/94	22,477,306.00	516,898.00	21,960,408.00	0.00
ARG-08/94	8,000,000.00	0.00	8,000,000.00	0.00
ARG-09/96	3,238,200.00	2,881,119.73	357,080.27	0.00
ARG-10/96	4,000,000.00	0.00	4,000,000.00	0.00
ARG-11/99	1,500,000.00	1,500,000.00	0.00	0.00
ARG-12/02	900,000.00	121,638.71	778,361.29	0.00
ARG-12/2002	25,000,000.00	25,000,000.00	0.00	0.00
ARG-13/03	51,000,000.00	0.00	51,000,000.00	0.00
ARG-14/04	22,485,000.00	35.63	22.484.964,37	0.00
ARG-15/2004	27,650,000.00	27,650,000.00	0.00	0.00
ARG-16/2006	450,000.00	44,407.38	405,592.62	0.00
ARG-17/2006	47,200,000.00	0.00	47,200,000.00	0.00
ARG-18/2006	4,500,000.00	580,457.88	3,919,542.12	0.00
ARG-19/2013	25,000,000.00	1,410,347.90	23,589,652.10	0.00
ARG-20/2014	9,953,383.00	7,767,380.47	2,186,002.53	0.00
ARG-21/2014	28,170,000.00	5,843,902.25	22,326,097.75	0.00
ARG-22/2014	18,400,000.00	0.00	16,745,103.77	1,654,896.23
ARG-23/2015	35,000,000.00	0.00	460,219.00	34,539,781.00
ARG-24/2015	35,000,000.00	0.00	3,711,072.74	31.288.927,26
ARG-25/2016	12,000,000.00	0.00	2,800,812.53	9,199,187.47
ARG-26/2016	7,500,000.00	0.00	4,466,803.86	3,033,196.14
ARG-27/2016	20,000,000.00	0.00	4,027,746.10	15,972,253.90
ARG-28/2016I	20,000,000.00	0.00	2,140,444.44	17,859,555.56
ARG-29/2016I	20,000,000.00	0.00	1,145,111.11	18,854,888.89
ARG-30/2016	10,000,000.00	9,917,789.67	82,210.33	0.00
ARG-31/2016I	20,000,000.00	0.00	20,000,000.00	0.00
ARG-31/2016II	20,000,000.00	0.00	20,000,000.00	0.00
ARG-32/2016	33,000,000.00	33,000,000.00	0.00	0.00
ARG-33/2017	5,000,000.00	1,634,536.51	3,365,463.49	0.00
ARG-34/2017	5,000,000.00	0.00	0.00	5,000,000.00
ARG-35/2017	22,200,000.00	0.00	656,319.20	21,543,680.80
ARG-36/2017	40,000,000.00	0.00	4,320,000.00	35,680,000.00
ARG-37/2018	7,000,000.00	0.00	742,000.00	6,258,000.00
ARG-38/2018	50,000,000.00	0.00	49,730,000.00	270,000.00
ARG-39/2018	37,214,064.00	0.00	0.00	37,214,064.00
ARG-40/2018	10,849,706.00	0.00	0.00	10,849,706.00
ARG-41/2019	30,000,000.00	0.00	3,661,033.27	26,338,966.73
ARG-42/2019I	50,000,000.00	0.00	0.00	50,000,000.00
ARG-43/2019I	25,000,000.00	0.00	24,900,000.00	100,000.00
ARG-44/2019I	25,000,000.00	0.00	0.00	25,000,000.00
ARG-45/2019	20,000,000.00	0.00	0.00	0.00
	914,530,440.00	**120,728,162.83**	**423,145,173.19**	**350,657,103.98**

In US dollars, as of December 31, 2019



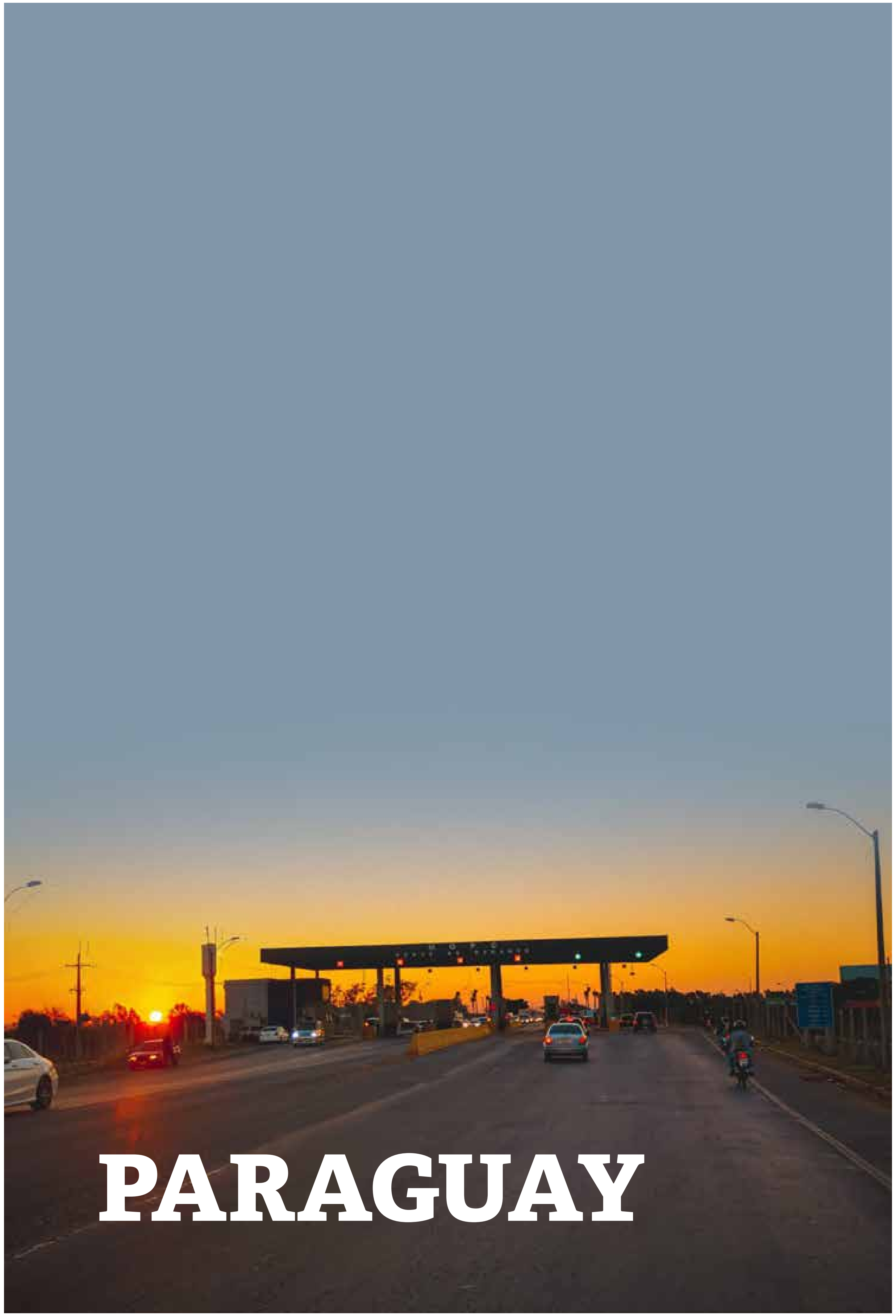
CODE	APPROVED	CANCELLED	DISBURSED	UNDISBURSED
BOL-01/79	585,000.00	0.00	585,000.00	0.00
BOL-02/80	423,000.00	0.00	423,000.00	0.00
BOL-03/81	234,000.00	0.00	234,000.00	0.00
BOL-04/81	7,000,000.00	64,739.20	6,935,260.80	0.00
BOL-05/82	7,500,000.00	405,324.45	7,094,675.55	0.00
BOL-06/83	1,000,000.00	0.00	1,000,000.00	0.00
BOL-07/86	720,000.00	9,252.00	710,748.00	0.00
BOL-08/85	19,500,000.00	156,243.15	19,343,756.85	0.00
BOL-09/89	8,280,000.00	0.00	8,280,000.00	0.00
BOL-10/89	13,877,500.00	73,632.67	13,803,867.33	0.00
BOL-11/89	8,800,000.00	506,660.00	8,293,340.00	0.00
BOL-12/90	13,700,000.00	2,255.74	13,697,744.26	0.00
BOL-13/90	4,500,000.00	0.11	4,499,999.89	0.00
BOL-14/92	2,087,000.00	165,140.86	1,921,859.14	0.00
BOL-15/92	10,000,000.00	3,529.97	9,996,470.03	0.00
BOL-16/94	728,209.00	104,436.03	623,772.97	0.00
BOL-17/94	18,220,499.00	307,060.69	17,913,438.31	0.00
BOL-18/2004	40,000,000.00	0.00	40,000,000.00	0.00
BOL-19/2011	63,450,000.00	0.00	63,450,000.00	0.00
BOL-20/2013	35,000,000.00	0.00	35,000,000.00	0.00
BOL-21/2014	34,753,571.00	0.00	30,239,152.29	4,514,418.71
BOL-22/2014	20,531,123.00	0.00	15,573,315.55	4,957,807.45
BOL-23/2014	26,000,000.00	0.00	26,000,000.00	0.00
BOL-24/2014	13,400,000.00	29,566.77	13,370,433.23	0.00
BOL-25/2015	5,000,000.00	0.00	5,000,000.00	0.00
BOL-26/2015	50,000,000.00	0.00	27,575,322.18	22,424,677.82
BOL-27/2016	50,000,000.00	0.00	18,033,083.58	31,966,916.42
BOL-28/2016	10,000,000.00	0.00	6,836,529.90	3,163,470.10
BOL-29/2017	10,000,000.00	0.00	7,570,000.00	2,430,000.00
BOL-30/2017	40,000,000.00	0.00	40,000,000.00	0.00
BOL-32/2018I	65,000,000.00	0.00	21,473,278.28	43,526,721.72
BOL-33/2019	41,942,761.00	0.00	11,360,111.72	30,582,649.28
	622,232,663.00	**1,827,841.64**	**476,838,159.86**	**143,566,661.50**

In US dollars, as of December 31, 2019



CODE	APPROVED	CANCELLED	DISBURSED	UNDISBURSED
BR-01/94	20,000,000.00	594,089.21	19,405,910.79	0.00
BR-02/95	1,143,000.00	97,816.48	1,045,183.52	0.00
BR-03/95	2,600,000.00	0.00	2,600,000.00	0.00
BR-04/97	13,400,000.00	9,989.63	13,390,010.37	0.00
BR-05/2001	24,000,000.00	0.00	24,000,000.00	0.00
BR-06/2002	6,148,348.00	0.00	6,148,348.00	0.00
BR-07/2003	27,500,000.00	0.00	27,500,000.00	0.00
BR-08/2004	22,400,000.00	88,736.00	22,311,264.00	0.00
BR-09/2005	28,000,000.00	0.00	28,000,000.00	0.00
BR-10/2006	11,800,000.00	65,644.16	11,734,355.84	0.00
BR-11/2006	10,000,000.00	0.00	10,000,000.00	0.00
BR-12/2007	17,061,000.00	0.00	17,061,000.00	0.00
BR-13/2007	14,750,000.00	3,321.79	14,746,678.23	-0.02
BR-14/2008	19,250,000.00	19,250,000.00	0.00	0.00
BR-15/2008	8,910,000.00	0.00	8,910,000.00	0.00
BRA-16/2014	40,000,000.00	0.00	18,764,397.57	21,235,602.43
BRA-17/2017	17,250,000.00	0.00	0.00	0.00
BRA-18/2017	40,000,000.00	0.00	0.00	40,000,000.00
BRA-19/2017	34,700,000.00	34,700,000.00	0.00	0.00
BRA-20/2017	50,000,000.00	50,000,000.00	0.00	0.00
BRA-21/2018	62,500,000.00	0.00	8,410,780.08	54,089,219.92
BRA-22/2019	27,600,000.00	0.00	0.00	0.00
BRA-23/2019	25,000,000.00	0.00	0.00	0.00
BRA-24/2019	15,997,360.00	0.00	0.00	0.00
	540,009,708.00	**104,809,597.27**	**234,027,928.40**	**115,324,822.33**

In US dollars, as of December 31, 2019



PARAGUAY

CODE	APPROVED	CANCELLED	DISBURSED	UNDISBURSED
PAR-02/79	3,000,000.00	2,182,148.05	817,851.95	0.00
PAR-03/78	675,000.00	33.78	674,966.22	0.00
PAR-04/81	4,000,000.00	1,203,595.80	2,796,404.20	0.00
PAR-05/84	8,400,000.00	1,750,378.05	6,649,621.95	0.00
PAR-06/84	15,000,000.00	2,491,069.43	12,508,930.57	0.00
PAR-07/85	2,300,000.00	2,300,000.00	0.00	0.00
PAR-08/86	20,300,000.00	28,557.79	20,271,442.21	0.00
PAR-09/90	230,000.00	230,000.00	0.00	0.00
PAR-10/92	7,000,000.00	6,167,856.81	832,143.19	0.00
PAR-11/93	3,800,000.00	3,128.71	3,796,871.29	0.00
PAR-12/93	20,000,000.00	2,287,264.51	17,712,735.49	0.00
PAR-13/93	34,580,300.00	261,126.86	34,319,173.14	0.00
PAR-14/94	1,547,573.00	10,143.43	1,537,429.57	0.00
PAR-15/94	10,000,000.00	0.00	10,000,000.00	0.00
PAR-16/2001	500,000.00	220,000.00	280,000.00	0.00
PAR-16/2001 I	8,500,000.00	0.00	8,500,000.00	0.00
PAR-17/2002	20,251,900.00	39,119.39	20,212,780.61	0.00
PAR-18/2004	10,000,000.00	10,000,000.00	0.00	0.00
PAR-19/2011	97,928,094.00	0.00	97,928,094.00	0.00
PAR-20/2015I	70,000,000.00	0.00	38,694,099.04	31,305,900.96
PAR-20/2015II	70,000,000.00	0.00	0.00	70,000,000.00
PAR-21/2015	15,000,000.00	0.00	15,000,000.00	0.00
PAR-22/2016	42,750,000.00	0.00	2,299,250.00	40,450,750.00
PAR-23/2016	42,911,000.00	0.00	3,526,634.00	39,384,366.00
PAR-24/2017	42,857,143.00	0.00	2,087,287.00	40,769,856.00
PAR-25/2018	12,000,000.00	0.00	0.00	0.00
PAR-26/2018	70,000,000.00	0.00	0.00	0.00
PAR-27/2019I	130,000,000.00	0.00	0.00	0.00
	763,531,010.00	**29,174,422.61**	**300,445,714.43**	**221,910,872.96**

In US dollars, as of December 31, 2019

URUGUAY

CODE	APPROVED	CANCELLED	DISBURSED	UNDISBURSED
UR-02/82	2,000,000.00	1,285,844.26	714,155.74	0.00
UR-03/84	2,000,000.00	0.00	2,000,000.00	0.00
UR-04/88	3,534,170.00	5,300.44	3,528,869.56	0.00
UR-05/92	19,726,500.00	906,415.18	18,820,084.82	0.00
UR-06/92	441,327.00	165,506.00	275,821.00	0.00
UR-07/93	953,953.00	4,395.08	949,557.92	0.00
UR-08/93	1,830,000.00	0.00	1,830,000.00	0.00
UR-09/93	336,642.00	336,642.00	0.00	0.00
UR-10/94	25,000,000.00	0.00	25,000,000.00	0.00
UR-11/94	515,560.00	43,877.33	471,682.67	0.00
UR-12/2003	30,000,000.00	18,354,612.03	11,645,387.97	0.00
UR-13/2012	112,000,000.00	0.00	111,999,999.94	0.06
URU-14/2014	30,500,000.00	0.00	14,769,922.99	15,730,077.01
URU-15/2014	40,000,000.00	40,000,000.00	0.00	0.00
URU-16/2015	35,000,000.00	0.00	35,000,000.00	0.00
URU-17/2015	30,500,000.00	0.00	30,500,000.00	0.00
URU-18/2016	27,500,000.00	0.00	27,500,000.00	0.00
URU-19/2018	50,000,000.00	0.00	0.00	50,000,000.00
URU-20/2018	60,535,000.00	0.00	10,580,837.00	49,954,163.00
	472,373,152.00	**61,102,592.32**	**295,586,319.61**	**115,684,240.07**

In US dollars, as of December 31, 2019

Technical Cooperation

Contingent Recovery Operations

In US dollars, as of December 31, 2019

CODE	ITEM	TOTAL APPROVED
OCT/RC-ARG-1/95	Additional studies. Stage I - Feasibility studies for the utilization of water resources in the Upper Bermejo River Basin and Rio Grande de Tarija.	437.3
OCT/RC-BINACIONAL-ARG-01/2008	Contingent-Recovery Technical Cooperation - Execution of the program for enhancing geographical connectivity between Argentina and Paraguay. Node: Ñeembucu - Rio Bermejo, and Node: Clorinda – Metropolitan area of Asuncion	603.2
OCT/RC-BOL-1/91	Technical and Economic Feasibility Study - Program for electrification of the Modesto Omiste province, Department of Potosi.	102.0
OCT/RC-BOL-2/92	Updated feasibility study and Final design enhancement of the Padcaya-La Mamora road section, in the Department of Tarija.	203.7
OCT/RC-BOL-3/92	Execution of the feasibility study (Stage I) for the utilization of water resources in the Upper Bermejo River Basin and Rio Grande de Tarija.	481.5
OCT/RC-BOL-4/95	Study for the elaboration of the project for the "National plan for the control and eradication of FMD in the Republic of Bolivia".	344.3
OCT/RC-PAR-1/91	Study and final engineering design of the San Ignacio-Pilar road section.	355.0
OCT/RC-PAR-2/91	Review and updating of the study to final engineering design of the Concepcion-Pozo Colorado road section.	54.0
OCT/RC-PAR-3/92	Execution of Technical, economic and financial feasibility studies, and final design of the project "Access roads to the Port of Asuncion".	545.4
OCT/RC-PAR-4/96	Execution of studies for the zoning of flood areas along the Paraguay river.	254.1
OCT/RC-BINACIONAL-PAR-01/2008	Contingent-Recovery Technical Cooperation - Execution of the Program for enhancing geographical connectivity between Argentina and Paraguay. Node: Ñeembucu - Rio Bermejo, and Node: Clorinda – Metropolitan area of Asuncion1	603.2
OCT/RC-UR-1/91	Feasibility study for the railway branch to the Port of Nueva Palmira. Chronic diseases and subclinical complexes on livestock.	84.0
OCT/RC-UR-2/92	Execution of the feasibility study for the Eradication of bovine brucellosis and tuberculosis, and implementation of a system for epidemiological monitoring, prevention and assessment of the impact of chronic diseases and subclinical compounds on Uruguayan livestock.	97.0
OCT/RC-UR-3/93	Implementation of a Social Investment Program – Stage I	307.6
TOTAL:		**4.472,3**

Technical Cooperation

Non-reimbursable operations

In US dollars, as of December 31, 2019

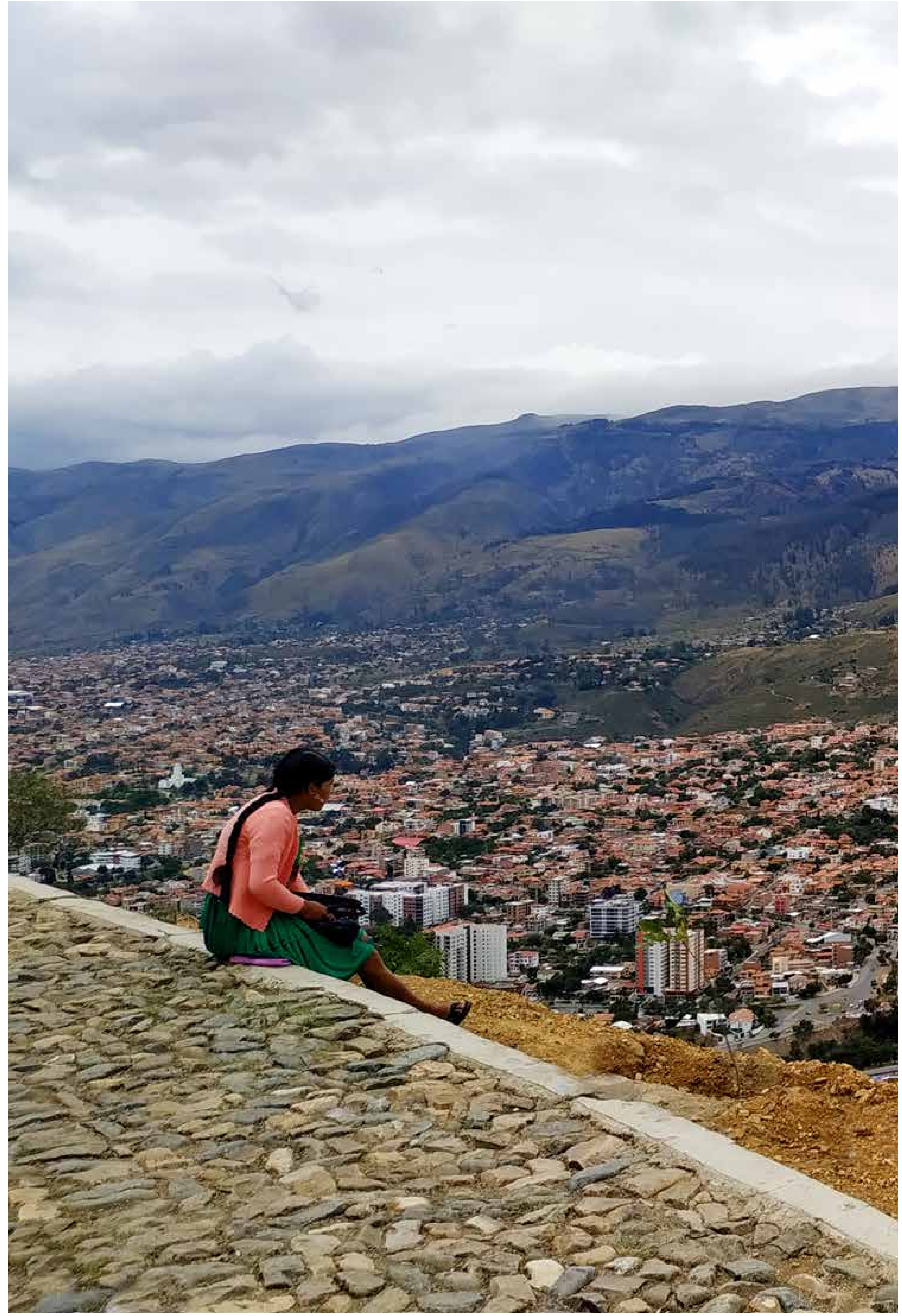
CODE	ITEM	TOTAL APPROVED
OCT/N.R.-CIH-1/91	Non-reimbursable Technical Cooperation - Paraguay-Parana Waterway (Puerto Cáceres - Nueva Palmira Port).	150.0
OCT/N.R.-CIH-2/95	Non-reimbursable Technical Cooperation Project designed to conduct studies on the development of productive zones in port areas.	485.0
OCT/N.R.-CIH-3/98	Non-reimbursable Technical Cooperation - Study on information systems of the Paraguay-Parana Waterway Program.	50.0
OCT-N.R. C I C - 5/2003	Non-reimbursable Technical Cooperation - Funding assistance to prepare the framework program for the sustainable management of water resources of the River Plate basin.	155.0
OCT-N.R. ATN/SF-9229-RG	IDB and FONPLATA's participation in IIRSA - Support for implementation of the strategy of dissemination and participation of the IIRSA Initiative.	20.0
OCT-N.R. -PAR-7/2015	Strengthening of the capacities of Paraguay's Livestock Fund.	28.2
OCT-NR-ARG-11/2016	Redesign plan and launching the 2016 Household Expenditures Survey. Argentine Republic.	66.4
OCT-N.R. -PAR-10/2016	Institutional and technical strengthening of Paraguay's Livestock Fund.	97.0
OCT/N.R.-UCAR/2016	Preparation of agricultural development projects.	300.0
OCT/N.R.-UCAR/SUL-1/2016	Support to the sheep chain development in Paraguay.	52.8
OCT-N.R.-BOL-12/2016	High-level meeting on sustainable transport in landlocked countries.	9.0
OCT/N.R.-REDSUR-13/2017	Cooperation agreement between REDSUR and FONPLATA.	70.0
OCT/N.R.-BOL-14/2017	Non-reimbursable Technical Cooperation Agreement - Institutional strengthening of the Social and Economic Policy Analysis Unit (UDAPE).	124.6
OCT/N.R.-PAR-16/18	Institutional strengthening of the Technical and Management Capacities of the Vice-Ministry of Livestock of Paraguay - Sheep National Program.	60.0
OCT/N.R.-CEPAL- 17/18	Work program number 1 "Challenges and Opportunities for foreign trade in Paraguay-Paraná waterway".	160.0
OCT/N.R.-PAR-18/18	Institutional strengthening of the Priority Areas of the Public Administration.	141.0
OCT/INS-ALADI-19/18	Study on infrastructure, logistics and costs of market access for better use of the Paraguay-Paraná waterway.	55.0
OCT/NR-COM-21/18	Development Revolving Fund through gender equity, cultural promotion, social action and sports.	145.0
OCT/NR-BOL-22/18	Institutional strengthening of the Vice-Ministry of Planning and Coordination for the mid-term assessment of the economic and social development plan 2016-2020.	65.0
OCT/NR-REDSUR-23/18	Improvement of programming activities and evaluation of sovereign credit transactions with external funding.	53.0
OCT/NR-PAR-24/19	Institutional strengthening to the National Secretary of Tourism to execute project PAR-025 Improvement of connectivity and building infrastructure of the Paraguayan Jesuit Route.	85.0
OCT/NR-PAR-25/19	Institutional strengthening of the Vice-Ministry of Livestock for the design of the Project to Improve Livestock Productivity and Genetics in Paraguay.	60.0
OCT/NR-PAR-26/19	Technical, Economic and Socioenvironmental Feasibility Study and SNIP Document for the Complementary Works Program (Antequera Port Corridor)	25.0
OCT/NR-CAINCO-27/19	Innovation Services Program for the Development of the Entrepreneurship Ecosystem in Santa Cruz, Bolivia.	30.0
OCT/NR-ARG-28/19	International Seminar on the Role of Development Banking in Latin America.	23.0
OCT/NR-ARG-29/19	Disaster management: High Risk Communication System for Natural Disaster Areas in the Province of Salta.	104.0
OCT/NR-BOL-30/19	Humanitarian Aid: Environmental emergency in Bolivia.	100.0
OCT/NR-ILAT-31/19	IDB-CAF-FONPLATA Alliance (2019 Administration)	68.0
OCT/NR-ARG-32/19	Institutional strengthening of the economic and financial policy transition process in Argentina.	100.0
TOTAL:		**2.882,0**

Technical Cooperation

Non-reimbursable operations - IIRSA

In US dollars, as of December 31, 2019

CODE	ITEM	TOTAL APPROVED
OCT/NR-ATN-SF-9229-RG	IDB and FONPLATA's participation in IIRSA - Support for implementation of the strategy of dissemination and participation of the IIRSA Initiative.	20.0
OCT/NR-IIRSA-04/2002	FONPLATA's participation in the IIRSA initiative for the Integration of Regional Infrastructure in South America.	1,759.3
OCT/NR-IIRSA-08/2015	FONPLATA's participation in the IIRSA initiative for the Integration of Regional Infrastructure in South America.	200.0
OCT/NR-IIRSA-09/2016	FONPLATA's participation in the IIRSA initiative for the Integration of Regional Infrastructure in South America.	198.3
OCT/NR-IIRSA-COSIPLAN-15/2017	FONPLATA's participation in the IIRSA initiative for the Integration of Regional Infrastructure in South America.	191.5
OCT/NR-COSIPLAN IIRSA-20/18	Financing of the activities of the IIRSA Initiative.	92.1
TOTAL:		**2.461,2**



ANNEX II

2019 Financial statements and Independent Auditor's Report

(Free translation from the original issued in Spanish)

FONPLATA – MULTILATERAL DEVELOPMENT BANK

Financial statements as of December 31, 2019 and 2018

CONTENT

US$ = US dollars

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(Free translation from the original issued in Spanish)

INDEPENDENT AUDITOR'S REPORT

February 17, 2020

To the Assembly of Governors
FONPLATA – Multilateral Development Bank
Santa Cruz de la Sierra

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of FONPLATA – Multilateral Development Bank (FONPLATA) as of December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

What we have audited

FONPLATA's financial statements comprise:

- the statement of financial position as of December 31, 2019;
- the income statement for the year then ended;
- the statement of comprehensive income for the year then ended;
- the statement of cash flows for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of FONPLATA in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

PricewaterhouseCoopers S.R.L. Santa Cruz – Bolivia Edif. Omnia Dei Piso 1. Equipetrol Norte Calle Dr. Viador Pinto esquina calle I, T:(591-3) 3444311, F: (591-3) 3444312, www.pwc.com/bo

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Our audit approach

Overview

Materiality	Overall materiality: US$'000 9,564, based on the 0.75% of FONPLATA's total assets.
Key audit matters	- Implementation of a new administrative and accounting system. - Issuance of bonds and hedging instruments. - Valuation of the loan portfolio.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of FONPLATA, the accounting processes and controls, and the industry in which FONPLATA operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall materiality	US$'000 9,564.
How we determined it	Based on the 0.75% of FONPLATA's total assets.
Rationale for the materiality benchmark applied	Considering that FONPLATA is a Multilateral Development Bank with the purpose of identifying investment opportunities or projects of interest for the development of the region, materiality has been based on total assets given our assessment of this being the most stable metric and the most applicable to the operation of FONPLATA.

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Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the key audit matter
<u>Implementation of a new administrative and accounting system</u> During 2019, FONPLATA has worked with the implementation of a new administrative and accounting system ("K2B"). The implementation of a new administrative and accounting system represents a risk of material misstatement in the financial statements, due to the risk that the financial data may not accurately and completely be transferred from the old to the new system. Additionally, in the implementation phase, increase the risk of material misstatement not being detected by FONPLATA's controls. Finally, with an implementation of a new system, the risk of material misstatements in the financial statements can be further increased in the event of insufficient or improper training among the Bank's accounting staff.	We assessed the overall risk of material misstatement in the financial statements due to the implementation, and the implementation's effect on the current year audit plan. To address the assessed risk of material misstatement in the financial statement we applied the following procedures: i) we assessed the Bank's control activities, to reduce the risk of the transferred financial data between the two systems not being accurate and complete, ii) we tested the accuracy and completeness of the transferred financial data by agreeing the outgoing balance from the old system to the ingoing balance in the new system, iii) we obtained an understanding of the Bank's IT general controls relevant to the audit, and iv) we performed substantive audit procedures, to test the proper classification, valuation and disclosure of all relevant financial statements account balances.
Issuance of bonds and hedging instruments During 2019, FONPLATA successfully issued through Credit Swiss & UBS, a five-year, fixed interest rate bond with an annual coupon of 0.578%, denominated in Swiss Francs, in the amount of CHF 150 million (ISIN CH0463112042). This bond issuance marks FONPLATA's formal entrance into the capital markets. Net proceeds from the bond will be solely used to finance disbursements on loans approved. As part of its risk management strategy pertaining this bond issuance, on March 11, 2019, FONPLATA signed a Master Agreement and entered into cross-currency swap with J.P. Morgan Chase, NA. (JPM), under the framework of the International Swaps and Derivatives Agreement Association, Inc. (ISDA). The cross-currency swap became effective on March 13, 2019. The	We assessed this transaction throughout the following audit procedures: - We assessed the financial contract and its related cash flows. - We verified and recalculated the foreign currency translation, the financial rate used in the transaction and the application of hedging instruments. - We assessed the risk of material misstatements in the accounting of the underlying financial instruments. - We requested and obtained confirmation of all relevant balances from third parties.

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Key Audit Matter	How our audit addressed the key audit matter
terms for the master agreement entered into with JPM, provide for a net settlement and compensation in the event of default. This is the most significant transaction carried out by FONPLATA during 2019.	- We assessed the impairment indicators of the financial instruments and its adequately accounting and disclosure in the financial statements.
Valuation of the loan portfolio As described in notes to financial statements, the Bank calculates the impairment losses on its loan portfolio in accordance with the IFRS 9 – Financial Instruments. As of December 31, 2019, the total balance of the provision for potential impairment on loan portfolio amounts to US$'000 12,239. Such balance includes all loans within stage 3 in accordance with the applicable standards and accounting policies. Key areas of judgements in the calculation of this provision includes: - The interpretation of the requirements to determine the impairment in accordance with IFRS 9, which is included in the expected credit losses model. - The identification of loans with a material impairment by their credit quality. - Estimates used in the expected credit losses model as the financial status of the borrower, the future cash flows and the lowest credit risk rating determined by three credit rating agencies used by FONPLATA (Moody's, Fitch and S&P).	We assessed the provision for expected credit losses throughout the following audit procedures: - We assessed that the expected credit losses model used is in accordance with the FONPLATA's accounting policies and IFRS 9. - We verified that the outstanding balance of all loans used in the calculation of the expected credit losses agreed with the individual balance account of each borrower. - We verified the year-end balance confirmation for all FONPLATA's borrowers and the individual accounts were verified with the supporting documentation (loan collections and disbursements). - We verified that the risk rate included in the calculation of the expected credit losses agreed with the risk assessment report issued by Moody's, Fitch and S&P for each country for the year ended December 31, 2019. - We recalculated the expected credit losses provision in accordance with the FONPLATA's accounting policies and the applicable accounting standard. Additionally, we verified the expected credit losses model, including the calculation, approval of the model, monitoring procedures, validation, governance and mathematical accuracy. - We assessed and tested estimates used by FONPLATA's management with specific approach on: i) key estimates used in the model, ii) source of data and other information used in the determination of the estimates, iii) test of sensibility on the estimates, and iv) disclosure included in the financial statements.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRSs) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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In preparing the financial statements, management is responsible for assessing the FONPLATA's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate FONPLATA or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the FONPLATA's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISAs) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing (ISAs), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understa nding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the FONPLATA's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the FONPLATA's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause FONPLATA to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PricewaterhouseCoopers S.R.L.

Sergio Fischer
Partner

FONPLATA

(Free translation from the original issued in Spanish)
FONPLATA – Multilateral Development Bank
STATEMENT OF FINANCIAL POSITION
(All amounts expressed in thousands of U.S. dollars)

	As of December 31,			
	2019		2018	
ASSETS				
Cash and cash equivalents – Note 8.1		37,413		55,421
Investments				
At fair value with changes in other comprehensive income – Note 8.2	142,860		22,881	
At amortized cost – Note 8.3	188,647	331,507	156,827	179,708
Loan portfolio – Note 8.4		920,387		792,580
Accrued interest				
On investments – Note 8.3	658		199	
On loans – Note 8.4	11,088	11,746	8,943	9,142
Other assets				
Property and equipment, net – Note 9.1	5,721		5,791	
Miscellaneous – Note 9.2	893	6,614	252	6,043
Total assets		1,307,667		1,042,894
LIABILITIES AND EQUITY				
Liabilities				
Cash flow hedge derivatives – Note 8.5 (ii)	1		-.-	
Borrowings – Note 8.5	264,708		78,750	
Other liabilities – Note 9.3	2,590		789	
Special funds – Note 8.6	12,230	279,529	10,440	89,979
Total liabilities		279,529		89,979
Equity				
Capital – Note 10.1				
Authorized	3,014,200		3,014,200	
Less callable portion	(1,665,000)		(1,665,000)	
Paid-in capital	1,349,200		1,349,200	
Paid-in capital pending integration	(483,651)	865,549	(531,666)	817,534
General reserve – Note 10.3		132,443		107,871
Other reserves – Note 10.2		1,838		938
Retained earnings – Note 10.3		28,308		26,572
Total equity		1,028,138		952,915
Total liabilities and equity		1,307,667		1,042,894

The accompanying notes are an integral part of these financial statements.

Juan E. Notaro Fraga
EXECUTIVE PRESIDENT

Marcos Machado Guimarães
CHAIRMAN BOARD OF EXECUTTIVE DIRECTORS

Jaqueline Koehnke Ferrufino
CHIEF ACCOUNTANT

Rafael Robles
MANAGER FINANCE AND ADMINISTRATION

![FONPLATA]

FONPLATA

(Free translation from the original issued in Spanish)
FONPLATA – Multilateral Development Bank
INCOME STATEMENT
(All amounts expressed in thousands of U.S. dollars)

	Years ended as of December 31, 2019	2018
INCOME – Note 11		
Loan portfolio		
Interest	41,841	31,667
Other loan income	4,836	4,490
	46,677	36,157
Investments		
Interest	6,230	4,018
Other	1,350	128
	7,580	4,146
Other income	162	69
Income from financial assets	54,419	40,372
EXPENSES		
Interest expense	(8,442)	(2,645)
Income from financial assets, net	45,977	37,727
Provision for impairment of investments – Notes 8.3 (ii), 8.7	(52)	(1,548)
Provision for loan impairment	(8,136)	(1,218)
Income after provision for loan impairment	37,789	34,961
Administrative expenses – Note 12	(9,481)	(8,389)
Net income	28,308	26,572
STATEMENT OF COMPREHENSIVE INCOME		
Net income	28,308	26,572
Items that may be reclassified to profit or loss:		
Changes in fair value of investments	412	89
Gains on cash flow hedges	515	-.-
Losses on cash flow hedges	-.-	-.-
Items that will be not reclassified to profit or loss:		
Technical appraisal of property	(27)	812
Comprehensive income	29,208	27,473

The accompanying notes are an integral part of these financial statements.

Juan E. Notaro Fraga
EXECUTIVE PRESIDENT

Marcos Machado Guimarães
CHAIRMAN BOARD OF EXECUTIVE DIRECTORS

Jaqueline Koehnke Ferrufino
CHIEF ACCOUNTANT

Rafael Robles
MANAGER FINANCE AND ADMINISTRATION

2

FONPLATA

(Free translation from the original issued in Spanish)
FONPLATA – Multilateral Development Bank
STATEMENT OF CASH FLOWS
(All amounts expressed in thousands of U.S. dollars)

	As of December 31, 2019	2018
Cash Flows from Operating Activities		
Lending		
Cash received from loan principal amortizations	77,211	58,960
Cash received from interest and other loan charges	45,676	33,628
Loan disbursements	(214,298)	(196,364)
Net flows from lending activities	(91,411)	(103,776)
Other operating flows:		
Payment of salaries, benefits and other personnel expenses	(6,606)	(5,688)
Payment of administrative expenses	(413)	(1,980)
Increase in trade accounts payable and with special funds	(1,821)	(1,525)
Net flows from other operating activities	(8,840)	(9,193)
Net cash flows used in operating activities	(100,251)	(112,969)
Cash Flows from Financing Activities		
Proceeds from borrowings	191,945	63,000
Derivatives- Collateral	1	-.-
Repayment of borrowings and debt service	(12,716)	(12,365)
Net flows from funding of on-lent activities	179,230	50,635
Collection of paid-in capital subscriptions	48,015	111,667
Net flows from financing activities	227,245	162,302
Cash flows from investing activities		
Collection of investment income	7,119	4,394
Purchase of investments	(151,848)	(32,324)
Capital expenditures	(273)	(74)
Net flows used in investment activities	(145,002)	(28,004)
Increase in cash and equivalents during the year	(18,008)	21,329
Cash and equivalents at the beginning of the year	55,421	34,092
Cash and equivalents as of December 31,	37,413	55,421

The accompanying notes are an integral part of these financial statements.

Juan E. Notaro Fraga
EXECUTIVE PRESIDENT

Marcos Machado Guimarães
CHAIRMAN BOARD OF EXECUTIVE DIRECTORS

Jaqueline Koehnke Ferrufino
CHIEF ACCOUNTANT

Rafael Robles
MANAGER FINANCE AND ADMINISTRATION

3

FONPLATA

(Free translation from the original issued in Spanish)
FONPLATA – Multilateral Development Bank
STATEMENT OF CHANGES IN EQUITY
(All amounts expressed in thousands of U.S. dollars)

	Paid-in Capital	General Reserve	Reserve for changes in the value of investments at fair value	Reserve for changes in value of cash flow hedges	Reserve for revaluation of property	Retained Earnings	Total
Balance as of January 1, 2018	705,867	89,740	37	-.-	-.-	20,131	815,775
Capital increase – Paid-in portion	111,667	-.-	-.-	-.-	-.-	-.-	111,667
Allocated by the Assembly of Governors to:							
General reserve	-.-	18,131	-.-	-.-	-.-	(18,131)	-.-
Fund for the Compensation of the Operating Margin (FOCOM)	-.-	-.-	-.-	-.-	-.-	(1,000)	(1,000)
Technical Cooperation Fund (PCT)	-.-	-.-	-.-	-.-	-.-	(1,000)	(1,000)
Net income for the year	-.-	-.-	-.-	-.-	-.-	26,572	26,572
Comprehensive income for the year	-.-	-.-	89	-.-	812	-.-	901
Balance as of December 31, 2018	817,534	107,871	126	-.-	812	26,572	952,915
Capital increase – Paid-in portion	48,015	-.-	-.-	-.-	-.-	-.-	48,015
Allocated by the Assembly of Governors to:							
General reserve	-.-	24,572	-.-	-.-	-.-	(24,572)	-.-
Fund for the Compensation of the Operating Margin (FOCOM)	-.-	-.-	-.-	-.-	-.-	(1,500)	(1,500)
Technical Cooperation Fund (PCT)	-.-	-.-	-.-	-.-	-.-	(500)	(500)
Net income for the year	-.-	-.-	-.-	-.-	-.-	28,308	28,308
Comprehensive income for the year	-.-	-.-	412	515	(27)	-.-	900
Balance as of December 31, 2019	865,549	132,443	538	515	785	28,308	1,028,138

The accompanying notes are an integral part of these financial statements.

Juan E. Notaro Fraga
EXECUTIVE PRESIDENT

Marcos Machado Guimarães
CHAIRMAN BOARD OF EXECUTIVE DIRECTORS

Jaqueline Koehnke Ferrufino
CHIEF ACCOUNTANT

Rafael Robles
MANAGER FINANCE AND ADMINISTRATION

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(Free translation from the original issued in Spanish)
FONPLATA – Multilateral Development Bank
NOTES TO THE FINANCIAL STATEMENTS
(All amounts expressed in thousands of U.S. dollars)

NOTE 1 – BACKGROUND

The "Fondo Financiero para el Desarrollo de la Cuenca del Plata", hereinafter and for all intent and purposes denominated as "FONPLATA", is an international legal entity of indefinite life, which is governed by the covenants contained in its Charter and on its Regulations as a multilateral development bank. FONPLATA is headquartered in the city of Santa Cruz de la Sierra, Estado Plurinacional de Bolivia and has liaison and project monitoring offices in Asuncion, Republic of Paraguay, since 1989, in Buenos Aires, Republica Argentina since June 2018, and in Montevideo, Uruguay, since December 2019. These offices were established as part of a strategy to strengthen the working relationship with its member countries.

FONPLATA is formed by the governments of Argentina, Bolivia, Brazil, Paraguay y Uruguay, hereinafter "funding members", based on the River Plate Basin Treaty, subscribed on April 23, 1969, which gave rise to its consolidation and recognition a legal entity on October 14, 1976, when its Charter was approved and put into force.

FONPLATA was created by its founding members, within a cooperation spirit and solidarity, persuaded that only cooperation and joint action could lead to harmonized, inclusive and sustainable development to foster a better insertion of its member countries within the regional and global economy.

FONPLATA's founding members maintain a very close relationship among themselves sharing the same ecosystems, such as the hydrographic and energy systems, air, river and road transportation networks and other communication systems.

Among the main functions of FONPLATA, are the granting of loans and guarantees, obtaining external financing with the sovereign guarantee of its Member Countries; the financing of pre-investment studies with the purpose of identifying investment opportunities or projects of interest for the region; the financing and contracting of technical assistance; and to undertake any other functions that are considered conducive to the attainment of its objectives.

On November 9, 2018, reaffirming its support to management and the continuous growth of its portfolio of operations, FONPLATA's Assembly of Governors approved modifications to the Charter. These modifications pursue the purpose of modernizing and enhancing the institution's overall capacity and relevance to perform as an effective partner in the development of its member countries and their integration at a regional and global level. The modifications approved encompass: (i) FONPLATA's transformation from a "fund" into a "development bank"; (ii) a change in its name to be formally recognized as "FONPLATA"; (iii) expansion of its scope of work from an strictly geographic focus based on the countries located in the "La Plata" river basin, to one encompassing the region of its member countries and their integration in the global market; (iv) the expansion of its membership beyond its funding members, recognizing the possibility of incorporating non-funding members that could consist of either countries or institutions, to its capital base; (v) the redenomination of capital as "authorized capital" for an initial amount of $3,014,200, consisting of 301,420 class "A" shares, to be allocated to funding members only, with a par value of $10 thousand each, and with a voting right of one vote per share. Furthermore, the modifications approved estipulate that the authorized capital shall also include shares class "B", to be allocated to non-funding members. The initial authorized capital consists in its entirety of class "A" shares, consisting of 134,920 shares of paid-in capital for a total amount of $1,349,200, and 166,500 shares of callable capital for an amount of $1,665,000.

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Class "B" shares would be issued after the authorized capital has been increased and in the number of shares corresponding to the percentage of participation at the time new members are admitted.

Both series shall be issued when the Charter's modifications are formally ratified by the funding member countries, which is deemed to materialize thirty days after receiving communication from the funding member countries' confirming their formal ratification.

As of December 31, 2019, and as the date of issuance of these financial statements, the modifications to the Charter approved by the Board of Governors are still pending ratification by the corresponding authorities of three of the five member countries.

With regards to its operations, FONPLATA is characterized by a keen focus on strategic planning and management by results. The Strategic Institutional Plan 2013 – 2022 (a.k.a. PEI for its Spanish acronym), which was updated for the period 2018 – 2022, and approved by the Assembly of Governors in August 2017, constitutes the main instrument designed to manage, supervise and ensure accountability for the attainment of expected results. Complementing the PEI, FONPLATA prepares the Programs and Budget Document (a.k.a. DPP for its Spanish acronym). The DPP contains the expected results to be attained for the next three-years, as well as the activities required and their related costs, that make the basis for the administrative and capital budgets. Following the recommendation of the Board of Executive Directors, the DPP for the periods 2019 – 2021 and 2020 – 2022, were approved by the Assembly of Governors on November 30, 2018, and on November 29, 2019, respectively.

On March 14, and on December 2, 2019, FONPLATA signed administration agreements with Uruguay and Argentina, respectively. These agreements confer FONPLATA's immunities as well as define its rights and obligations for the conduct of its operations in the corresponding member country ("Convenio Sede").

The 2019 financial statements were submitted to the review of the Audit Committee of the Board of Executive Directors on its meeting of February 18, 2020, and subsequently for the consideration of the Board of Governors of FONPLATA for their approval.

NOTE 2 – SIGNIFICANT CHANGES IN THE CURRENT REPORTING PERIOD

The financial position and performance of FONPLATA was particularly affected by the following transactions during the year ended December 31, 2019:

- Following a one-year provisional approval obtained from the SIX Exchange Regulation Ltd., (i.e. Swiss capital markets regulator), on March 11, 2019, FONPLATA successfully issued through Credit Swiss & UBS, a five-year, fixed interest rate bond with an annual coupon of 0.578%, denominated in Swiss Francs, in the amount of CHF 150 million (ISIN CH0463112042). This bond issuance marks FONPLATA's formal entrance into the capital markets. Net proceeds from the bond will be solely used to finance disbursements on loans approved.

- As part of its risk management strategy pertaining this bond issuance, on March 11, 2019, FONPLATA signed a Master Agreement and entered into cross-currency swap with J.P. Morgan Chase, NA. (JPM), under the framework of the International Swaps and Derivatives Agreement Association, Inc. (ISDA). The cross-currency swap became effective on March 13, 2019. The terms for the master agreement entered into with JPM, provide for a net settlement and compensation in the event of default.

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- This cross-currency swap transaction is an integral part of FONPLATA's risk management strategy and entitles it to receive from JPM 150 million Swiss Francs, at a fixed coupon rate, and in exchange, FONPLATA is obliged to pay JPM $148.8 million at variable interest plus a fixed margin. FONPLATA use of derivatives is for the sole purpose of reducing the risk exposure to changes in interest rates and foreign exchange rates and not for speculative purposes.

- Under the terms of the cross-currency swap, FONPLATA is responsible for making semiannual interest payments to JPM, based on the 6-month Libor rate plus a fixed margin, based on a U.S. dollar denominated amount of $148.8 million, maturing on March 11, 2024. JPM has agreed to deposit every year with the paying agent of the bond, the amount of interest required to service the CHF 150 million bond, as well as to deposit the amount of the principal upon maturity of the bond on March 11, 2024.

- The terms of the cross-currency-swap agreement are considered effective to offset the currency risk exposure resulting from the CHF denominated bond.

- The interest rate risk exposure resulting from assuming a fixed interest rate on the Swiss Franc denominated bond is also effectively offset by replacing it with a variable interest rate based on the 6-month Libor rate, which matches the interest rate structure assessed by FONPLATA on all loans made to its member countries.

- Additionally, both, the CHF bond assumed by JPM, and the U.S. dollar denominated obligation assumed by FONPLATA, bear the same 5-year maturity.

- Based on the terms agreed under the ISDA master agreement entered into with JPM, and in accordance with its risk-management strategy, FONPLATA designated the derivates as a cash flow hedge, within the scope of IFRS 9. Accordingly, the derivatives are valued at fair market value using a discounted cash flow model provided by Bloomberg and shown in the financial statements under other assets together with the amount of cash collateral received from JPM, whereas the bond is shown under borrowings. This accounting is supported by the ISDA master netting agreement which establishes the right to offset the positions in the balance sheet (see also Notes 4.10; 6; and 8(ii)).

- On August 16 and on November 22, 2019, the major credit rating agencies downgraded Argentina and Bolivia's credit risk ratings, respectively. In this regard and in compliance with its policy for the recognition of expected credit losses on loans, FONPLATA increased the amount of its provision for expected credit losses to $12,239 (2018 - $4,103), which resulted in a reduction of net income for the year of $8,136 (2018 - $1,218). Additionally, FONPLATA also increased the amount of its provision for Argentine bonds to $2,959 (2018 - $2,907), which resulted in a reduction of net income of $52 (2018 - $1,548), as stated in Note 8.3 (ii).

- On November 26, 2019, the Board of Executive Directors approved the borrowing plan for the period 2020 – 2024, authorizing management to contract additional debt in the amount of $700,000, thereby setting the maximum amount of indebtedness to $1,200,000, when considering the borrowing plan previously approved for the period 2016 – 2020. The total amount of debt contracted as of December 31, 2019, amounts to $448,800, of which $265,600, have been withdrawn or issued and will mature from 2020 through 2042, leaving a remaining borrowing capacity of $934,400. Note 8.5 provides a detail of all borrowings contracted and outstanding as of the end of the years ended December 31, 2019 and 2018, respectively. Additionally, the Board of Executive Directors also approved a new financial product,

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consisting of a new line of financing without sovereign guarantee (NSG) for government owned enterprises. Initially, this new line will only be extended to government owned development banks. No financings have been approved under the NSG line as of December 31, 2019.

- On December 6, 2019, FONPLATA and authorities of the FOCEM ("Fondo para la convergencia estructural del MERCOSUR"), signed the agreement by which FONPLATA will become FOCEM's fiduciary agent for the administration of FOCEM's funds. As FOCEM's fiduciary agent, FONPLATA will apply the same policies, procedures and standards of care used in the management of its own funds. Beginning of FONPLATA's duties as FOCEM's fiduciary agent will commence upon receipt of FOCEM's funds, during the first half of 2020, and result into the opening of a separate fund. No relevant financial impact is expected to the financial position, results of operations and cash flows of FONPLATA going forward as a result of the agreement signed for the fiduciary administration of FOCEM's funds. However, given the synergies between the development focus of FOCEM and FONPLATA, this agreement is expected to further FONPLATA's strategic business opportunities within the region.

NOTE 3 – HOW INCOME IS CALCULATED

FONPLATA derives its income from sovereign-guaranteed loans to its member countries. The ability to generate loan income relates to various relevant factors directly affecting the growth of its loan portfolio, such as:

- The lending capacity, which is based on three-times the amount of equity;
- The amount of loan disbursements;
- The amount of principal collections received during the year; and,
- The 6-month Libor rate and the rate of operational return or margin.

Investment income relates directly to the investment of FONPLATA's portfolio of liquid assets (i.e. cash and cash equivalents), for the purpose of reducing the cost of carry. FONPLATA holds liquidity for the purpose of meeting expected loan disbursements; meeting its financial obligations, and to defray its operational expenses for a period of 12 months (see Note 6.5).

The following table, which is based on average financial assets and liabilities and annual administrative expenses illustrates how FONPLATA derives its revenues, expenses and net income:

	December 31,					
	2019			2018		
	Average balance	Income	Return %	Average balance	Income	Return %
Loans receivable	867,915	46,677	5.38	730,669	36,157	4.95
Investments	302,024	7,742	2.56	209,077	4,215	2.02
Financial assets	1,169,939	54,419	4.65	939,746	40,372	4.30
Borrowings	(172,201)	(8,442)	4.90	(52,500)	(2,645)	(5.04)
Financial assets, net[1]	997,738	37,789	3.79	887,246	36,509	4.11
Non-interest expenses	-.-	(9,481)	(0.95)	-.-	(9,937)	(1.12)
Net assets	-.-	28,308	2.84	-.-	26,572	2.99
Equity	990,526	28,308	2.86	884,345	26,572	3.00

[1] After deducting charges for the provisions for loan impairment and impairment of investments in Argentine bonds of $8,136 (2018 - $1,218), and $52 (2018 - $1,548), recognized for the year ended as of December 31, 2019.

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NOTE 4 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

Below is a summary of the main accounting policies used in the preparation of these financial statements. Except when expressly noted, these accounting policies have been consistently applied during the years presented.

4.1 Basis for presentation

(i) Compliance with International Financial Reporting Standards

The financial statements are presented in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretation Committee (IC), applicable to entities that report under IFRS and comply with the standards issued by the International Accounting Standards Board (IASB).

FONPLATA presents statement of financial position classifying assets and liabilities in accordance to their expected liquidity. Assets and liabilities are shown based on their expected recovery or repayment within the period of 12 months following the date of the financial statements (current), and more than 12 months following the date of the financial statements (non-current), as per Note 13.

(ii) Historical cost

The financial statements have been prepared based on historical cost, except for the following components:

- Financial assets at fair value with changes in other comprehensive income.
- Investments classified at amortized cost valued at the lowest of their amortized cost or reasonable value, to provide for potential impairments through a provision for expected losses.
- Property valued at fair value.

(iii) New standards and modifications adopted by FONPLATA

The following chart summarizes new international financial reporting standards (IFRS), as well as certain applicable modifications of existing ones that were applied by FONPLATA starting January 1, 2019. The standards listed below exclude the following new standards or modifications that are not applicable to the activities performed by FONPLATA: Interpretation 23 Uncertainty over Income Tax Treatments; Prepayment Features with Negative Compensation –Amendments to IFRS 9; Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28; Annual Improvements to IFRS Standards 2015-2017 Cycle: IFRS 3 Business Combinations; IFRS 11 Joint Arrangements; IAS 12 Disclosure of Interests in Other Entities; and, Plan Amendment, Curtailment or Settlement – Amendments to IAS 19.

FONPLATA has begun applying for the first time the full owing standards and modifications on January 1, 2019:

Standard	Key Requirements	Effective Date
IFRS 16 Leases	IFRS 16 will affect primarily the accounting by lessees and will result in the recognition of almost all leases on balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and	1 January 2019 Early adoption is permitted only if IFRS 15 is adopted

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Standard	Key Requirements	Effective Date
	a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases. The statement of profit or loss will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense will be replaced with interest and depreciation, so key metrics like EBITDA will change. Operating cash flows will be higher as cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of the payments that reflects interest can continue to be presented as operating cash flows. The accounting by lessors will not significantly change. Some differences may arise because of the new guidance on the definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration.	at the same time.
Annual Improvements to IFRS Standards 2015-2017 Cycle	IAS 23 Borrowing Costs – clarified that, if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.	1 January 2019

The majority of the amendments listed above did not have a significant impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

4.2 Segments' disclosure

Based on an analysis of its operations, FONPLATA has determined that it only has a single operating segment, consisting on the financing of the development needs of its member countries.

FONPLATA continuously evaluates its performance and financial position as the basis for making decisions it considers appropriate for the attainment of its strategic objectives.

4.3 Foreign currency translation

(i) Functional and reporting currency

Account balances presented in the financial statements, as well as the underlying transactions that conform them, are measured using the United States dollar, which is the primary currency of the economic environment in which operates ("functional currency").

(ii) Account balances and transactions

Foreign currency transactions are converted to the functional currency using the exchange rate prevailing at the date of each transaction. Exchange gains or losses on foreign currency transactions result from payments realized in currencies other than the United States dollar, related to administrative expenses incurred either at FONPLATA's headquarters or at its office in Asuncion, Paraguay, in Buenos Aires Argentina, and in Montevideo, Uruguay. Exchange gains and losses associated to administrative expenses are presented on a net basis as part of administrative expenses, in the income statement.

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Financial assets, such as investments and loans are denominated in United States dollars, and with the exception of the Swiss Francs denominated bond, which was swapped in U.S. dollars, FONPLATA does not have other financial liabilities in other currency. Consequently, there are no exchange differences related to financial assets and liabilities.

The majority of FONPLATA's operational expenditures are incurred in the functional currency, with the exception for a small amount involved in goods and services related to administrative expenses, that are denominated in currencies other than the functional currency carried at their fair value. The amounts involved, are translated into the functional currency at the rates of exchange prevailing on the date on which their fair value is determined. Exchange differences on assets and liabilities measured at fair value are reported together with gains and losses on fair value.

4.4 Revenue recognition

Interest revenues on loans and interest revenues on investments valued at their amortized cost are calculated based on the effective interest rate method. Other loan revenues consisting of administrative commissions and commitment fees, are calculated in accordance with IFRS 15.

FONPLATA recognizes revenues when their amount can be reliably measured and when it is likely that the resulting economic benefits would be received. FONPLATA based its estimates on historical results, considering both, the type of transaction or borrower and the relevant terms of the corresponding signed contracts.

4.5 Leases

Lease contracts for terms of up to 12 months or less and that do not include a purchase option are recognized as an expense on a straight-line basis throughout the contract.

All other leasing arrangements are initially recognized based on the right of use of the asset and as a lease liability. The right-of-use asset is initially measured at the amount of the lease liability plus any initial direct costs incurred. After lease commencement, a lessee shall measure the right-of-use asset using a cost model

4.6 Cash and cash equivalents

For presentation purposes in the statement of cash flows, cash and its equivalents include both cash at hand and highly liquid bank deposits and investments, with an original maturity of three months or less, that can be converted into determinable amounts, and which are not subject to significant risks affecting their value.

4.7 Loan portfolio

Loan portfolio is initially recorded at its fair value and subsequently measured at its amortized cost using the effective interest rate method, net of the provision for loan impairment. For additional information on the loan portfolio accounting see Note 8.4.

4.8 Investments and other financial assets

(i) Classification

Classification of financial assets depends on FONPLATA's business model that contemplates the nature and purpose at the time of their acquisition. FONPLATA determines the classification of its investments at the time

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of their purchase and recognition. Investments valued at their amortized cost are reassessed annually to validate the reasonableness of their classification. Note 8 shows more detailed information on each type of financial asset.

FONPLATA classifies its financial assets in the following categories:

- ***Financial assets at amortized cost (loan and investment portfolios)***: are assets generated or purchased with the objective of collecting contractual cash flows resulting from principal amortization and accrued interest. These financial assets are not designated as "financial assets at fair value with changes in income," and are measured at their amortized cost. The value of these financial assets is adjusted by the provision for estimated losses, which is calculated and recognized as stated in this note.

- ***Financial assets at fair value with changes in other comprehensive income***: are assets purchased with the purpose of collecting contractual cash flows resulting from principal amortization and accrued interest, as well as from the sale of the underlying assets. These assets are not designated as "financial assets at fair value with changes in income," and are measured at their fair value with changes recognized in other comprehensive income.
- FONPLATA does not have financial assets at fair value with changes in income.

- Derivatives resulting from the cross-currency swap entered into as an integral part of FONPLATA's risk management strategy designed to hedge the interest rate and foreign exchange risk associated to its Swiss Franc denominated bond, issued on March 11, 2019, have been designated as a cash flow hedge, and are considered completely effective. Changes in fair value of these derivatives, given FONPLATA's right to offset and be compensated in the event of counterpart default, are shown forming part of Other Assets, as derivatives, together with the resulting collateral in the statement of financial position. The bond is shown under Borrowings in the statement of financial position. Changes in fair value of the cross-currency swap are accounted for in other comprehensive income (see Notes 2; 4.10 and 8.5 (ii)).

(ii) Reclassification

Financial assets other than loans could be reclassified under a different category of "investments at fair value with changes in other comprehensive income," based on the business model in use to manage them or according to the characteristics of their contractual cash flows.

Reclassifications are made at the fair value at the time of reclassification. The fair value is converted into cost or amortized cost, when applicable. Subsequent reversal of gains and losses on fair value changes accounted for prior to the time of reclassification are not permitted. The effective interest rates of financial assets carried at amortized cost, are determined on the date of reclassification. Adjustments to the effective interest rate because of additional increases to cash flows are made prospectively.

(iii) Recognition and disposal

Normal generation, purchases and sales of financial assets are recognized on the date in which they are transacted, which is the date in which FONPLATA generates them or commits to their purchase or sale. Financial assets are disposed-off upon expiration of the rights to receive a flow of funds or upon transferring their risk of ownership.

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When investments carried at fair value with changes in other comprehensive income are sold, the cumulative fair value adjustments accounted for under "other comprehensive income" is reclassified in the income statement as "gains or losses on investments."

(iv) Measurement

Initially, FONPLATA measures financial assets at their fair value plus those transaction costs directly attributable to their acquisition.

Loans and investments held to maturity are subsequently valued at their amortized cost using the effective interest rate method.

Investments which will be maintained at fair value with changes in other comprehensive income, are subsequently valued at their corresponding market value. Gains and losses resulting from changes in fair value are recognized in other comprehensive income.

Interest resulting from financial assets carried either at market value through other comprehensive income or at amortized cost and loans, calculated based on the effective interest rate method, is recognized in the income statement as part of operating income.

Note 8.7 includes details pertaining the determination of fair values of financial instruments.

(v) Impairment

FONPLATA assesses the likelihood of potential impairment affecting either a financial asset or a group of financial assets. For sovereign loans, FONPLATA assesses the potential impairment based on the credit risk classification of borrowing countries, following a methodology adopted by most multilateral development banks, in response to changes introduced by the leading credit risk rating agencies in their assessment of capital adequacy and measurement of expected credit losses on sovereign loans. Note 8.4-(iii), has a detailed explanation of this methodology as well as the determination of the provision for loan impairment.

Expected impairment of the value of investments carried at fair value with changes in other comprehensive income (FVOCI), is already embedded in the market value.

For investments carried at amortized cost, FONPLATA assesses expected impairment by comparing the dirty price and the bid market price of each investment held in the portfolio to their respective carrying amount and recognizing a potential impairment based on the difference between the carrying amount and the bid market price, whenever the latter is lower than the carrying amount at amortized cost.

Therefore, considering the requirements established in IFRS 9, FONPLATA classify the financial assets in three stages, which in ascending order indicates the credit risk and corresponding provisioning charge, of each item.

<u>Stage 1</u>: includes assets whose credit quality is not significantly degraded and the impairment that they will incur will be equal to a 12-month Expected Credit Loss (ECL). For loans and loan commitments, FONPLATA recognizes allowance for ECL that reflects changes in credit quality, following initial recognition of the financial assets, which are measured according to their classification, either at amortized cost or at fair value with changes in other comprehensive income.

<u>Stage 2</u>: includes assets whose credit quality has been decreased and are subject to lifetime ECL.

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Stage 3: includes assets whose credit quality is significantly impaired.

Upon initial recognition of the financial assets, FONPLATA records a loss allowance equal to 12-month ECL, being the ECL that result from the probability of default (PD) that are possible within the next twelve months. Subsequently, for those financial instruments that have experienced a significant decrease in their credit quality since initial recognition, a loss allowance equal to lifetime ECL is recognized, arising from the range of the probabilities of default that are possible over the expected life of the instrument.

Classification into stages: Following immediate recognition of the asset, determination of whether an asset credit quality is impaired and of the degree to which it is impaired is based on the following relevant criteria:

- Contractual payments of either principal or interest are past due for more than 180 days;
- Significant decrease of the credit rating of the assets; and
- Whether the financial asset is credit impaired.

Calculation of ECL for the loan portfolio: The provision for potential losses on sovereign loans is set at a level FONPLATA considers adequate to absorb potential losses related to the loan portfolio at the date of the financial statements. The amount of the impairment loss is measured as the difference between the carrying amount and the value determined in accordance with the individual credit risk rating for long term debt of each borrowing member country. The individual credit risk rating for each country is determined as the lowest credit risk rating at the date of the financial statements issued by three internationally recognized credit rating agencies. These ratings include a probability of default. In recognition of FONPLATA's preferred creditor status, and considering the privileges and immunities granted by its member countries, which are stated in its Charter, as well as in other specific agreements signed with each member country, the credit risk rating used reflects a lower probability of default – generally equivalent to three levels below its credit rating. Whenever practicable, FONPLATA could measure the impairment based on the fair value, using observable market prices.

The provision for potential loan losses is shown as a deduction of the amount of the loan portfolio.

Should there be a reduction in the amount of potential loan losses in a subsequent period, and such reduction is objectively related to an event occurring after recognition of the impairment (such as an improvement in the credit risk rating of the borrower), the reversal of the impairment losses previously recognized could be included in the income statement.

The accrual of interest on loans is discontinued for loans balances that have been overdue for more than 180 days. The amount of loan interest accrued receivable on loans declared on non-accrual status is recognized at the time of collection until such date when those loans are in accrual status. Accrual status requires the borrower to pay in-full, the amount of principal and interest or commissions in arrears, as well as the assurance that the borrowing member country has resolved the financial difficulties that caused it to fall behind on meeting its obligations on a timely basis.

(vi) Revenue recognition

Interest revenues are recognized based on the effective interest rate method. Should there be loans in non-accrual status, they are considered impaired loans. A loan is impaired when the analysis of available information and current events are indicative, to a certain degree of probability, that FONPLATA could not recover the full amount of principal and interest accrued, based on the agreed upon loan covenants. When a loan is impaired,

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FONPLATA reduces the carrying amount of such loan to is net realizable value, based on the discounted cash flows using the loan's original effective interest rate, and reverts the discounted amount against loan revenues. Interest revenues on impaired loans are recognized using the original effective interest rate.

4.9 Property and equipment

Property is carried at book value, which includes revaluations. Increases to the carrying amount of property resulting from revaluations are included in other comprehensive income and shown as part of the accumulated balance of revaluation reserves within equity. Subsequent increases to the carrying amount due to revaluations should be recognized affecting income to the extent that revaluation increases had been previously reverted affecting the income statement. Any decreases reverting revaluation increases of the same assets are initially recognized in other comprehensive income to the extent there are revaluation surpluses attributable to those assets. All other decreases are reflected in the income statement.

Equipment are carried at their historical cost less depreciation. The historical cost includes all directly related acquisition expenses.

Subsequent costs are either included as part of the carrying amount of property and equipment or recognized as a separate asset, only when it is probable that there are future economic benefits to be derived from that asset and its cost can be reliably determined. The carrying amount of each component recognized as a separate asset is written-off at the time of its disposal or replacement. Repairs and maintenance expenses are included in the income statement during the period in which they are incurred.

Note 9.1 shows the depreciation methods and useful lives used by FONPLATA. Assets' residual values and useful lives are reassessed and adjusted as appropriate at year end. In those instances, where the carrying amount of assets exceeds their recoverable value, carrying amounts are adjusted to their recoverable value.

Gains and losses on the sale of fixed assets are determined by comparing the carrying amount with the sale price and accounted for in the income statement. In case of sale of revalued assets, it is the FONPLTA's policy to transfer the amounts carried in revaluation reserves into retained earnings.

4.10 Financial liabilities

Financial liabilities consist of borrowings and derivative financial instruments that are an integral part of FONPLATA's hedging activities designed to effectively manage interest rate and exchange rate risks in connection with bond issuances. The following is an explanation of borrowing and derivative financial instruments, hedging activities and accounting policies used in connection with these instruments.

Borrowings: are initially recognized at their fair value, net of related transaction costs. Subsequently, borrowings are valued at their amortized cost. Any difference between the value initially recognized for the liability and the amount effectively paid, is reflected in the statement of income based on the effective interest rate method.

Derivative financial instruments and hedging activities: Derivatives are solely used for hedging interest and exchange rate risk associated to the 5-year maturity, fixed interest rate CHF 150 million bond issued by FONPLATA on March 11, 2019 (see also Notes 2; and, 8.5-(ii)). Derivatives carry inherent market and credit risks. The inherent market risk on a financial instrument is the potential fluctuation in the interest rate, currency exchange rate or other factors, and it is a function of the type of product, the volume of the transactions, the tenor and other terms of each contract and the underlying volatility.

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The inherent credit risk is the counterparty's possible non-compliance in the delivery of collateral to recover the balance due.

FONPLATA mitigates the credit risk in derivative financial instruments through transactions with highly qualified counterparties with a credit rating of "A" (or equivalent) or better, and by signing an ISDA master netting agreements with its derivatives counterparties.

FONPLATA formally documents the hedging relationship and its risk-management objective and strategy for undertaking the hedge, how the hedging instrument's effectiveness in offsetting the hedged risk will be assessed prospectively and retrospectively, and a description of the method of measuring ineffectiveness.

This process includes linking all derivatives that are designated as fair-value, cash flow, or foreign-currency hedges to specific assets and liabilities on the balance sheet or to specific firm commitments or forecasted transactions.

FONPLATA also monitors, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items, or to specific firm commitments or forecasted transactions, as applicable.

Changes in fair value of a derivate instrument that is highly effective and which has been designated and qualifies as a cash flow hedge are recorded in other comprehensive income (loss) to the extent that the derivative is effective as a hedge, until earnings are affected by the variability in cash flows of the designated hedged item.

The ineffective portion of the change in the fair value of a derivative instrument that qualifies as a cash flow hedge is reported in the income statement.

FONPLATA discontinues hedge accounting when it is determined that the derivative instrument is no longer effective in offsetting changes in cash flows of the hedged item; the derivative expires, is sold, terminated, or exercised; the hedge asset or liability expires, is sold, terminated, or exercised; the derivative is not designated as a hedging instrument because it is unlikely that a forecasted transaction will occur; or management determines that designation of the derivative as a hedging instrument is no longer appropriate.

4.11 Other liabilities and commitments

These amounts represent outstanding liabilities for goods and services received by FONPLATA prior to the date of the financial statements. Other liabilities do not include guarantees and are usually paid within 30 days of their initial recognition. These liabilities are initially recognized at their fair value and subsequently measured at amortized cost.

4.12 Special funds

These amounts represent liabilities equaling to the amount of investments administered on behalf of special funds. These liabilities do not represent guarantees and are usually paid based upon request for funds from the special Funds. These liabilities are initially recognized at their fair value and subsequently measured at amortized cost using the effective interest rate method.

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4.13 Other benefits to employees

The amount included under "Other benefits to employees," represent accrued liabilities associated to benefits granted to FONPLATA's staff under a joint savings program "Programa de Ahorro Compartido" or PAC, by its name in Spanish. The PAC was approved by the Board of Executive Directors on August 14, 2018 and entered effect on November 1, 2018. PAC liabilities are paid to the staff upon termination of their employment. FONPLATA's matching contribution on the amount of an employee's voluntary saving is subject to a withholding percentage based on the years of service required for full vesting under the program. Withheld amounts are deferred and subsequently expensed as employees accumulate the required years of service for full vesting under the PAC. Note 8.6 – c), provides a detailed explanation and breakdown of the PAC liability as of December 31, 2019.

4.14 Capital

On November 9, 2018, following approval of FONPLATA's revised Charter, its authorized capital was denominated in shares of $10 par value each. The authorized capital consists of paid-in shares and callable shares. Paid-in capital consists of the amount of capital subscriptions paid-in to FONPLATA by its member countries.

NOTE 5 – SIGNIFICANT ESTIMATES AND JUDGEMENTS

The financial statements are prepared in accordance with International Financial Information Standards, which require the Executive President of the Fund to make assumptions and estimates affecting the amounts shown for assets and liabilities, as well as revenues and expenses during the fiscal year. The estimates and judgements are continuously assessed and are based on legal requirements and other prevailing factors, including the expectation of future events considered reasonable within the current circumstances.

This note provides a general overview of the areas that entail more management judgment or inherent complexity to each estimate, and the items that are more likely to be materially adjusted because actual results could differ from those estimates. Detailed information pertaining each estimate and judgement made are included in Notes 6 and 7, respectively, together with the information regarding the basis used for computing each item affecting the financial statements.

The most relevant estimates affecting the preparation of FONPLATA's financial statements relate to:

- Impairment of investments carried at amortized cost – Note 8.3 – (ii).
- Impairment of the loan portfolio – Note 8.4 – (iii).

NOTE 6 – FINANCIAL RISK MANAGEMENT

This note explains FONPLATA's financial risk exposures and how could they potentially affect its future financial performance.

Risk	Source of Exposure	Measurement	Risk Management
Market risk – foreign exchange	Except for FONPLATA's Swiss Franc denominated bond, issued on March 13, 2019,	Cash flow budget.	All loan and investment transactions, as well as the most relevant liabilities shown

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Risk	Source of Exposure	Measurement	Risk Management
	which was effectively hedged through a cross-currency swap as discussed in Notes 2; 4.10; and, 8.5 – (ii), 99.95% of financial assets and liabilities are denominated in U.S. dollar (functional currency).		in the financial statements have been transacted in U.S. dollars. FONPLATA entered into a cross-currency swap to offset the both the interest rate and foreign currency exchange risks and signed an enforceable ISDA master netting agreement with the right to offset. These derivatives are an integral part of FONPLATA's risk-management designed to minimize exposure to financial risks and were designated as a cash flow hedge.
Market risk – Interest rate risk	Risk of experiencing fluctuations in lending and borrowing rates applicable to FONPLATA's loans, and debt. As explained in Notes 2; 4.10; and 8.5 – (ii), on March 13, 2019, and in connection with the issuance of a 5-year Swiss Franc denominated bond at fixed rate (0.578% coupon), FONPLATA entered into a cross-currency swap with JPM. The ISDA master netting agreement signed provides for the right of offsetting.	Sensitivity analysis.	FONPLATA has established policies for the determination of interest rates, allowing it to mitigate the potential effects of interest rate fluctuations. Furthermore, FONPLATA has a relatively low degree of financial leverage, which further reduces its exposure to interest rate risk. Potential exposure from the issuance of the Swiss Franc denominated bond at fixed-rate is effectively managed through the cross-currency swap that effectively replaces both, the debt in Swiss Francs by a debt denominated in U.S. dollars and the fixed rate by a variable rate based on the 6-month Libor rate plus a fixed margin hence matching the rate structure applicable to all loans to member countries. Hence, eliminating interest rate exposure.
Market risk – Security prices	FONPLATA does not have investments in equity instruments that might be exposed to price risk.	Nil.	FONPLATA does not have investment in equity instruments that might be exposed to market risk.
Credit risk	Cash and cash equivalents, investments valued at fair value with changes in OCI,	- Aging analysis - Credit ratings	Diversification of bank deposits and applicable loan limits.

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Risk	Source of Exposure	Measurement	Risk Management
	investments valued at amortized cost, and derivative financial instruments used for cash flow hedging of borrowings.		Investment policies and guidelines and credit rating of counterparts.
Liquidity risk	Borrowings and other liabilities and obligations with special funds.	Rolling cash flow forecasts.	Availability of funds required to meet obligations and commitments.

FONPLATA manages its risks exposures in accordance with its enterprise-wide risk management policy. This policy encompasses the management of market and interest rate risks, operational and strategic risks. The focus of FONPLATA's enterprise-wide risk management is to ensure risks will remain within established limits. Those limits are formally established in the institution's financial policies and reflect its capacity to assume risks as defined by its governance bodies. Within the scope of its enterprise-wide risk management policy, risk management is oriented to avoid those risks that may exceed FONPLATA's tolerable risk level, and to mitigate all financial, operational and strategic risks in accordance to the limits established for each risk related to its operations.

In line with international best practices for risk management, FONPLATA adopted the risk classification and definitions issued by the Office of the Comptroller of the Currency of the United States ("OCC") and Basle II.

FONPLATA's integrated risk management rests upon a cash flow forecast covering the short, medium and long-term and a set of projected statements of financial position and income, which is constantly adjusted to actuals and closely monitored to forecast loan approvals; loan disbursements; borrowings; commitments and obligations as well as administrative expenditures, in order to meet expected income and to maintain liquidity requirements.

6.1 Currency risk

All financial assets and approximately 99.9% of liabilities are denominated in U.S. dollars, which constitutes FONPLATA's functional currency. Consequently, FONPLATA's financial statements are not exposed to significant levels of risk resulting from potential changes in exchange rates.

6.2 Interest rate risk

FONPLATA's lending interest rate consists of a fixed and a variable margin (6-months Libor). In accordance with its income management and financial charges policy, FONPLATA's fixed margin is reassessed annually for all new loans with the objective of reaching a balance between the accumulation of long-term capital to guarantee the Fund's sustainability as well as to provide favorable financial conditions to its member countries. FONPLATA applies a net income management model as a tool to manage income in accordance to its medium and long-term planning objectives. The model allows, through managing various parameters and variables, to ensure that financial charges applied would be stable and enough to satisfy all expected goals established in FONPLATA's financial policies, making in a timely basis all required adjustments to the fixed margin to respond to significant changes in the assumptions and estimates used. This exposure is periodically measured and evaluated, to ensure the management of the interest rate risk.

In compliance with its income management and financial charges policy, FONPLATA annually establishes a fixed margin applicable to new loans to be granted in the upcoming year (Operating Lending Rate or "TOR").

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In March 2017, through RDE 1390, FONPLATA's Board of Executive Directors approved a new line of loans based on the 6-month Libor plus a variable margin. In March 2018, through RDE 1411, FONPLATA's Board of Executive Directors approved a reduction of the variable lending rate. No loan has been approved under the variable margin modality as of December 31, 2019.

The Executive President was authorized to set lending rates applicable to loan maturities for periods shorter than 15 years, approving operating lending rates as an incentive for member countries to borrow at shorter terms.

FONPLATA's interest rate risk is limited to the risk associated to the variable component of its lending rate, which is based on the 6-month Libor. FONPLATA performs sensitivity analysis to determine the variance in income or in net equity associated to changes in the 6-month Libor rate.

Based on its 2019 Administrative and Capital Investment Budget approved by the Assembly of Governors, calculation of the sensitivity analysis was performed using a 6-month Libor rate of 151 bps with a positive and negative variation of 91 bps.

Accordingly, the analysis yields a maximum and a minimum 6-months Libor rate of 241 bps and of 60 bps, respectively. Should the estimated 91 bps variation materialize, future net income could be increased or reduced by $5,703, respectively.

INTEREST RATE SENSITIVITY ANALYSIS
VARIATION OF THE 6-MONTH LIBOR RATE

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6.3 Market risk

Market risk is the risk of losses in the value of financial assets and liabilities because of changes in market conditions. FONPLATA manages market risks affecting mainly its investment and loan portfolios through various measures to ensure risk exposures would remain within established policy limits.

As stated in Notes 4.8, 8.2; and 8.3, FONPLATA invests its liquid assets according to its investment policy which limits eligible investment instruments to a credit risk such as to maintain a minimum average credit risk qualification in the investments portfolio of "AA."

FONPLATA's investments pursue the objective of ensuring an adequate level of liquidity to finance loan disbursements, service its debt obligations and the payment of administrative expenditures. Accordingly, FONPLATA classifies its investments within in two distinct portfolios:

- Investments structured to match expected loan disbursements, scheduled debt service and debt amortizations, and the payment of administrative expenditures that are included in the three-year rolling budget. These investments are designated as investments to be held to maturity and are valued at their amortized cost and adjusted through a valuation allowance to the lower of their amortized cost or reasonable value in the event of their potential impairment.

- Consistent with its prudential management principles, FONPLATA also maintains additional liquidity with the purpose of being able to quickly respond to unexpected loan disbursements and to proactively respond to sudden market and interest rate changes. These investment assets are classified as investments available for sale and valued at fair value with changes in other comprehensives income (FVOCI)

As stated in Note 8.7, FONPLATA adopts a methodology for the determination of fair value based on three distinct levels, associated with the availability of objective market value information for each type of investment. Based on this methodology, FONPLATA performs a sensitivity analysis of its investment portfolios to gauge the maximum loss in the event of price changes as a result of changes in interest rate for investments classified as available for sale and valued at their value with changes in other comprehensive income (FVOCI), and for changes in credit rating of investments classified as held-to-maturity and valued at amortized cost.

The following chart shows the maximum exposure to losses related to price changes for investments classified as available for sale valued at fair value with changes in other comprehensive income assuming a 100 basis points change in interest rates, and the maximum exposure to losses associated to one notch downgrade in the credit risk rating of investments classified as held-to-maturity and valued at amortized cost as of December 31, 2019, and 2018, respectively:

	Sensitivity analysis of investments as of December 31, 2019			2018		
Portfolio	2019 Book value[i] $	Maximum loss exposure $	Variation %	2018 Book value[i] $	Maximum loss exposure $	Variation %
Available for sale investments up to 12 months – FVOCI	75,484	282	0.37	22,881	89	0.38
Held-to-maturity investments up to 12 months – At amortized cost	66,750	6	0.01%	142,585	71	0.05
Certificates of deposit fixed-term deposits	40,220	-.-	-.-	7,700	-.-	-.-

Total short-term investments	182,454	288	0.16	173,166	160	0.09
Available for sale investments greater than 12 months – FVOCI	67,376	751	1.11	-.-	-.-	-.-
Held-to-maturity investments greater than 12 months – At amortized cost	81,677	181	0.22%	6,542	236	3.60
Total long-term investments	149,053	932	0.64	6,542	236	3.60
Total	331,507	1,220	0.4%	179,708	396	0.22

i Book value amounts for investments is based on the reasonable value for investments classified as available for sale and valued at their fair value with changes in other comprehensive income, and on the amortized cost for investments classified as held-to-maturity. All investment instruments valued at their fair value with changes in other comprehensive income, and the majority of those included in the held-to-maturity investment portfolio quote on the market, for which there their reasonable value can be established objectively as of the date of the financial statements (Level 1). For those investment instruments classified At amortized cost that do not register at least one market transaction a month, there are recent market transactions that provide reasonable basis for estimating their reasonable value as of the date of the financial statements for purposes of comparing it to their amortized cost (Level 2). FONPLATA does not hold any investment instruments for which their fair value could not be reasonably established and hence requiring use of a valuation model (Level 3).

As of December 31, 2019, and 2018, respectively, the amortized cost of each investment instrument classified in the at amortized cost investment portfolio was lower than the corresponding market value.

6.4 Credit risk

Credit risk is the risk resulting from non-compliance with contract terms by the borrower. Financial policies establish individual limits of credit by member country, with the objective of reducing excessive risk exposures and to comply with an equitable distribution of the lending capacity. The capital adequacy coefficient relating the amount of loans with the amount of net equity ensures a reasonable coverage against exposure to credit risk, both for the lending portfolio and at the level of each borrowing member country.

Currently, FONPLATA only grants loans with sovereign guarantee and has lending guidelines establishing the actions to be taken in connection with overdue loan balances and non-compliance, which form an integral part of loan covenants included in all loan contracts.

The credit risk associated to the investment of liquid assets is based on internal guidelines governing the investment of liquid assets, which establish the prudential investment limits by each asset class, sector and issuers, to guarantee an adequate diversification and mix of investment sources and maturities. As of December 31, 2019, and 2018, respectively, the average credit risk rating of the investment portfolio was AA-, as required by the investment policy. Compliance with current policy limits is validated by having attained an average return on investments that exceeds the original assumptions that served the basis of the determination of the expected level of net income for the years ended December 31, 2019, and 2018, respectively, as part of the annual financial programming and budgeting required by the policy on net income management and financial charges.

6.5 Liquidity risk

Liquidity risk is the risk originated in the inability of the institution to meet its obligations without incurring in unacceptable losses. FONPLATA has a minimum required level of liquidity which is defined by its liquidity policy as the level required to comply meet all obligations, payments and disbursements for a 12-month period. For the years ended December 31, 2019, and 2018, respectively FONPLATA did not have commitments and obligations that would carry liquidity risk either in the short or medium term. The following table shows liquid assets as well as liabilities, as of December 31, 2019, and 2018, respectively.

	December 31, 2019	December 31, 2018
	$	$
Cash and cash equivalents – Note 8.1	37,413	55,421
Investments – Notes 8.2 and 8.3	331,507	179,708
Gross liquidity	368,920	235,129
Cash flow hedge derivatives – Note 8.5 (ii)	1	-.-
Borrowings – Note 8.5[1]	264,708	78,750
Other liabilities – Note 9.3	2,590	789
Special funds – Note 8.6	12,230	10,440
Total liabilities	279,529	89,979

[1]Includes reclassification of unamortized borrowing costs in the amount of $250, which as of December 31, 2018, were classified as other liabilities in the financial statements.

Liquid assets coverage of the amount of net estimated disbursements was equivalent to 1.8 and 1.4 years, as of December 31, 2019, and 2018, respectively.

NOTE 7 – MANAGEMENT OF OTHER NON-FINANCIAL RISKS

7.1 Operational risk

Operational risk is defined as the risk of an economic or financial loss resulting from a failure in internal processes or systems, due to either commission or omission. FONPLATA has in place, an organized and updated set of policies, procedures and practices for the administration of its operations that prevent and prepare it for inherent risks associated to its day-to-day operations. FONPLATA has an effective governance and system of internal controls, as well as ethical and reputational standards, with clear norms to ensure compliance with applicable fiduciary, environmental, and legal matters required by both of its policies and those of its member countries.

7.2 Management of strategic risks

Strategic risk – Is the risk derived from the adverse or incorrect application of decisions or the absence of responses to changes affecting development financial institutions' sector. FONPLATA has a Strategic Institutional Plan ("PEI") approved by its Board of Governors, which establishes the strategic objectives to be attained, as well as the indicators required to measure progress over time. Annually, the Board of Governors approve the Budget for the upcoming year, which contains a summary of all achievements attained in the previous fiscal year, as well as the objectives and results to be attained in the next fiscal year. FONPLATA's budget summarizes the medium-term work plan and contains results-based indicators and their related costs, which are all based on the PEI's results matrix. This ensures an adequate alignment between the long-term strategic objectives and results to be attained in the short run to move towards the attainment of those strategic objectives.

The financial statements show the compatibility and consistency between results and the strategic objectives established in institutional mission and vision in terms of the attainment of annual goals for the approval of operations and their related costs.

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Non-compliance risk – Is the risk derived from violations of laws, norms, regulations, prescribed practices, and ethics policies or norms. Non-compliance risk could negatively affect the institution's reputation. FONPLATA is a self-regulated supra-national international institution that is governed by its Charter, policies and regulations. FONPLATA has an Administrative Tribunal, an Audit Committee of the Board of Executive Directors, a Legal Counsel, a Compliance Officer, and an Internal Auditor, who oversee compliance with those matters that could otherwise trigger non-compliance risks.

Reputational risk – Is the risk derived from a negative public opinion. This risk affects the capacity of an organization to establish new relationships or to maintain existing ones, directly affecting current and future revenues. This risk could expose the entity to litigation or to a financial loss or jeopardize its competitiveness. Through its Communications Area, the institution periodically monitors this risk, and the Operations Department specifically follows-up on each current financed project under implementation. To date, no evidence exists of this risk to FONPLATA.

NOTE 8 – FINANCIAL ASSETS AND LIABILITIES

This note provides information about FONPLATA's financial instruments, including:

- A general overview of all financial instruments held by the institution.
- Specific information about each type of financial instrument.
- Accounting policies.
- Information on the determination of fair values of financial instruments, including the professional judgment used, and the uncertainties affecting those estimates.

FONPLATA maintains the following financial assets:

	Note	Financial assets carried at fair value w/changes in OCI $	Financial assets carried at amortized cost $	Total $
December 31, 2019				
Cash and cash equivalents	8.1	-.-	37,413	37,413
Investments at fair value with changes in other comprehensive income	8.2	142,860	-.-	142,860
Investments at amortized cost (includes interest and other investment income)	8.3	-.-	189,305	189,305
Loan portfolio (includes interest and other loan income)	8.4	-.-	931,475	931,475
Total		142,860	1,158,193	1,301,053
December 31 2018				
Cash and cash equivalents	8.1	-.-	55,421	55,421
Investments at market value	8.2	22,881	-.-	22,881
Investments at amortized cost (includes interest and other investment income)	8.3	-.-	157,026	157,026
Loan portfolio (includes interest and other loan income)	8.4	-.-	801,523	801,523
Total		22,881	1,013,970	1,036,851

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FONPLATA maintains the following financial liabilities:

	Note	Financial liabilities carried at amortized cost $
December 31, 2019		
Cash flow hedge derivatives	8.5	1
Borrowings	8.5	264,708
Other liabilities	9.3	2,590
Special funds	8.6	12,230
Total		279,529
December 31 2018		
Borrowings	8.5	78,750
Other liabilities	9.3	789
Special funds	8.6	10,440
Total		89,979

The exposure of the institution to the various risks related to financial instruments is disclosed in Note 8.5 (ii).

The maximum exposure to credit risk as of December 31, 2019, and 2018, respectively, corresponds to the balances shown for each of the above-mentioned financial assets.

8.1 Cash and cash equivalents

Cash at banks and deposits with original maturities of up to three months, consist of:

	December 31, 2019 $	 2018 $
Cash at Banks	19,424	42,826
Time deposits	17,989	12,595
Total	37,413	55,421

(i) Classification of cash equivalents

Time deposits are considered as cash equivalents provided their original maturity is of up to three months from the time of their acquisition. Note 4.6 includes a disclosure of the cash and cash equivalents policy.

8.2. Investments carried at fair value through other comprehensive income (OCI).

Investments classified under this category, correspond to holdings of bonds issued by multilateral development institutions, consist of:

December 31,

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	2019	2018
	$	$
Sovereign bonds	90,842	-.-
Multilateral development institutions – Bonds	46,978	22,881
Financial sector	5,040	-.-
Total	142,860	22,881

The amount recognized in "reserve for changes in the value of investments at fair value" forms part of the determination of the operating income upon disposition of the underlying investment.

(i) Investments with related parties

As of December 31, 2019, and 2018, FONPLATA did not maintain investments with related parties.

(ii) Classification of investments carried at fair value with changes in other comprehensive income

Investments are designated as financial assets and carried at their respective fair value with changes in other comprehensive income when contractual cash flows are solely from principal and interest and the objective of FONPLATA's business model for these assets is achieved both by collecting contractual cash flows and selling the underlying asset.

(iii) Impairment

See Note 4.8, for further detail regarding applicable policies for the measurement and presentation of impairment of financial assets.

(iv) Amounts recognized in the statement of Other Comprehensive Income

FONPLATA has recognized a net gain of $900, in its statement of comprehensive income for the year ended December 31, 2019, comprised of $412, gain due to changes in fair value of investments; $515 gain, due to the effective portion of changes in the fair value of derivatives designated as cash-flow hedge of bonds outstanding (2018 - $89 due to changes in the fair value of investments). Additionally, during 2019, comprehensive income was reduced by $27, corresponding to the depreciation of the amount of technical appraisal of property recognized in 2018 $812.

(v) Fair value, impairment and exposure to risk

Information regarding the methods and assumptions used in the determination of fair value is disclosed in Note 8.7.

All investments carried at fair value have been and are denominated in U.S. dollars, which is the functional currency in which the financial statements are expressed.

8.3 Investments carried at amortized cost

Investments classified under this category correspond to certificate of deposits and investments in bonds and commercial paper, as follows:

December 31,

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	2019	2018
	$	$
Investments in time deposits [1]		
Sovereign	15,420	-,-
Multilateral development institutions	24,800	5,000
Other financial institutions	-.-	2,700
Subtotal	40,220	7,700
Investments in other values [2]		
Sovereign bonds	97,080	102,357
Bonds issued by Multilateral development institutions	18,831	27,495
Financial sector bonds	29,726	16,444
Argentine treasury bonds [3]	2,790	2,831
Subtotal	148,427	149,127
Principal invested	188,647	156,827
Accrued interest and commissions receivable	658	199
Total	189,305	157,026

(1) Investments correspond to time deposits with original maturities greater than three months.
(2) Investments include sovereign bonds issued by multilateral development institutions and commercial paper issued by other financial institutions with a risk profile falling within FONPLATA's investment risk guidelines.
(3) Corresponds to an investment in Argentinian Treasury Bonds "PAR" and "DISCOUNT", received in exchange for FONPLATA's holdings of bonds "BONTE-04" in 2005.

(i) Investments carried at amortized cost

The institution classifies its investments as carried at amortized cost when financial assets are held as part of a business model whose objective can be achieved by collecting contractual cash flows, and the applicable contractual covenants of those financial assets give rise, at the specified maturities, to cash flows corresponding to repayments of principal and interest.

Based on the results of FONPLATA's assessment of ECL on investments carried at amortized cost, no allowance was deemed necessary, as of the carrying amounts for investments was lower than their respective fair values based on bid market prices as of December 31, 2019 (2018 – Nil).

(ii) Impairment and exposure to risk

Argentine's bonds amounting to $2,790 and $2,831 as of December 31, 2019 and 2018, respectively (net of interest receivable in the amount of $134, as of December 31, 2019 and 2018, respectively), correspond to the issuances identified as "PAR" and "DISCOUNT," that were received as part of the Argentine's debt swap program in 2005, in exchange for FONPLATA's holdings of "BONTE – 04" bonds. The bonds received in exchange have maturities ranging from 2033 to 2038. Impairment on these bonds is calculated based on the fair values obtained from latest transactions quoted during the period. Following the guidelines for the recognition and measurement of fair value, as stated in note 8.7, FONPLATA relies on Bloomberg financial services which quotes prices for instruments for which there is not an active market for purposes of estimating the fair value of these bonds (i.e. Level 2 valuation). The impairment recognized amounts to $2,959, and to $2,907, as of December 31, 2019 and 2018, respectively. The net increase in the amount of impairment of Argentine bonds during the year ended December 31, 2019, amounted to $52 (2018 - $1,548).

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All investments carried at amortized cost are denominated in U.S. dollars. Consequently, there is no exposure to the risk of currency exchange. Furthermore, there is no material exposure to the risk of changes in fair value of the investments due to: their overall quality (i.e. credit risk of the issuer), ii) their scheduled maturity, which by in large is lower than 12 months, and iii) their return, which is based on a variable rate.

8.4 Loan portfolio

Composition of the balance of loan portfolio outstanding, by member country, is as follows:

	December 31,	
	2019	2018
Country	$	$
Argentina	236,828	166,815
Bolivia	285,885	234,256
Brazil	74,583	62,592
Paraguay	146,028	136,616
Uruguay	193,134	199,092
Subtotal gross loan portfolio	936,458	799,371
Less: Unaccrued commitment fee	(3,832)	(2,688)
Subtotal loan portfolio	932,626	796,683
Less: Provision for potential impairment on loans	(12,239)	(4,103)
Net loan portfolio	920,387	792,580

Accrued loan interest receivable amounts to $11,088 and to $8,943, as of December 31, 2019 and 2018, respectively.

Based on their scheduled maturities, the gross loan portfolio is classified as follows:

	December 31,	
Maturity	2019	2018
	$	$
Up to one year	74,780	75,998
Greater than one and up to two years	70,961	71,437
Greater than two and up to three years	85,498	66,083
Greater than three and up to four years	90,864	73,730
Greater than four and up to five years	92,959	72,742
Greater than five years	521,396	439,381
Total gross loan portfolio	936,458	799,371

(i) Loan portfolio classification

The loan portfolio consists of amounts to be received on sovereign guaranteed loans granted to member countries. The financings conforming the loan portfolio, based on their nature and relevant terms, do not constitute derivative instruments. Collections or principal repayments are based on fixed or determinable amounts, and they do not quote on an active market. As explained in Note 13, the amount of principal repayments to be received within 12 months following year end, is classified as current, with the remaining balance classified as non-current. Notes 4.7 and 4.8 (v), describe accounting policies used in connection with the accounting of the loan portfolio and the recognition of its impairment, respectively.

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(ii) Fair value of the loan portfolio

The book value of the loan portfolio is believed to approximate its fair value. This assessment considers that future cash flows from loans approximate their stated book value.

(iii) Impairment and exposure to risk

The provision for potential impairment on loans is maintained at a level considered adequate by FONPLATA to absorb potential losses related to the loan portfolio as of the date of the financial statements.

As stated in Note 4.7, "Loan Portfolio," the accrual of interest on loans is discontinued for loans balances that have been overdue for more than 180 days. Accrued interest receivable on loans placed in non-accrual status is recognized in income upon collection until the loans are reclassified to full accrual status. Reclassification to full accrual status requires the borrower to repay in full all principal, interest and commissions in arrears, as well as providing assurance that it has overcome its financial difficulties that had prevented it to repay its obligations when they became due.

FONPLATA did not have nor it currently has loans balances in non-accrual status. Nonetheless, and consistent with its enterprise-wide risk management policy, FONPLATA accounts for a provision to reflect the potential impairment on its loan portfolio.

Moreover, FONPLATA maintains policies on risk exposures to avoid concentrating its lending on one country only, which could be affected by market conditions or other circumstances. In this regard, FONPLATA uses certain measurements or indicators, such as: net equity and total loan portfolio. FONPLATA reviews the status of its loan portfolio, on a quarterly basis, to identify potential impairments affecting its collectability, in full or in part. Information about the overall credit quality of the loan portfolio, its exposure to credit risk, currency exchange and interest risk is disclosed Notes 4.7 and 6.

8.5 Borrowings

Borrowings includes outstanding loans with other multilateral development institutions (MDBs); time deposits with central banks of FONPLATA's member countries; bonds and derivatives used as a hedge of the bond; and, collateral received or paid as per the ISDA master netting agreement, to compensate for credit risk in the event of non-performance of the counterpart of the cross-currency swap. The net balance of the swap's receivable and payable together with the amount of collateral received from JPM, is shown under "Other assets", in the statement of financial position as of December 31, 2019 (2018 – N/A).

Total borrowings as of December 31, 2019, and 2018, are as follows:

	December 31,	
	2019	2018
	$	$
Borrowings		
Loans and time deposits at amortized cost	111,418	79,000
Bonds	154,194	-.-
Less: unamortized borrowing costs	(904)	(250)
Total	264,708	78,750

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(i) Loans from MDBs and other institutions and time deposits from central banks

The outstanding balance of loans contracted by FONPLATA to finance disbursements on its approved loans to its member countries is as follows:

	December 31, 2019 $	2018 $
Corporacion Andina de Fomento -See (1), below	10,667	16,000
Time deposits with Central Banks – See (2) below	30,000	30,000
Inter-American Development Bank – See (3) below	60,215	28,000
French Development Agency – See (4) below	5,000	5,000
Instituto de Credito Oficial E.P.E. (ICO) – See (6) below	5,536	-.-
Total	111,418	79,000

In March 2018, FONPLATA's Board of Executive Directors updated its financial policies through RDE 1409. Among the changes introduced, are: the methodology to compute the available lending capacity using a multiple of three times the value of Net Equity and the methodology to compute the level of indebtedness based on the sum of liquid assets plus two times the value of Net Equity.

FONPLATA has designed its borrowing and financial programming strategies with the objective of diversifying its funding sources and obtaining the best average cost possible based on its credit risk rating and its preferred creditor status.

(1) As part of the framework contract signed with "Corporacion Andina de Fomento – CAF" on November 14, 2016, FONPLATA has at its disposal an uncommitted line of credit for up to $75,000. On December 19, 2016, FONPLATA received $16,000 and allocated them to the financing loan disbursements. The applicable terms for this financing are based on the 6-month Libor rate plus a margin. This loan calls for a 5-year maturity, with a 2-year grace period. Loan principal is repayable in 6 semiannual equal and consecutive installments including interest, beginning June 19, 2019, and ending December 16, 2021. During the year ended December 31, 2019, FONPLATA repaid $5,333.

(2) FONPLATA entered into an agreement with the Central Banks of its member countries to accept deposits in the form of medium-term certificates denominated in United States dollars. In February 2017, FONPLATA materialized the first operation of this kind with the Central Bank of Bolivia, in the amount of $10,000. On May 15, 2018, FONPLATA accepted a $30,000 deposit, in the form of a promissory note maturing in 3 years.

(3) On December 1, 2017, FONPLATA subscribed a financing agreement in the amount of $100,000 with the Inter-American Development Bank (BID). This borrowing is based on the 3-month Libor rate and provides for a 5-year disbursement period, a 5 ½ grace period and a 25-year repayment period. The terms of this borrowing agreement, which entered into force upon its signature, provides for the recognition of eligible project expenditures for an amount of up to $20,000, covering project expenditures incurred from June 15 and November 15, 2017. Furthermore, with the purpose of optimizing cash flows under this line of credit, both parties agreed that FONPLATA could make disbursements on eligible loans and that the IDB would reimburse FONPLATA those amounts under the modality of reimbursement of expenditures. Hence, monies drawn down from the IDB under this line of credit can be used by FONPLATA as it sees fit. On July 19, 2019,

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and on December 19, 2019, FONPLATA drew-dawn $25,648, and $6,567, respectively, as a reimbursement of previously made disbursements on eligible project expenditures, increasing the balance outstanding as of December 31, 2019, to $60,215. ($28,000 in 2018).

The following chart provides a detail account of the eligible loans under the line of credit agreed with the IDB, the total amount to be financed for each eligible loan, the amount disbursed to date and their respective undisbursed balance:

Loan	December 31, 2019			
		BID		
	Eligible amount	Disbursed	Undisbursed	To be financed by FONPLATA
ARG-26/2016 Modernizacion	750	750	-.-	6,750
ARG-28/2016 Compl. Fronterizos	10,000	2,000	8,000	10,000
ARG-31/2016 BICE 1ª Etapa	14,328	14,328	-.-	5,672
ARG-31/2016 BICE 2ª Etapa	13,881	13,881	-.-	6,119
ARG-35/2017 Infraestr. p/la integración	11,500	496	11,004	10,700
BRA-16/2014 Corumba	10,000	10,000	-.-	30,000
ARG – 32/2016 Aristóbulo del Valle[1]	-.-	-.-	-.-	-.-
PAR-20/2015 Integracion	23,250	18,760	4,490	46,750
PAR-25/2018 Rutas Jesuiticas	12,000	-.-	12,000	-.-
Total	95,709	60,215	35,494	115,991

[1]This project was cancelled by FONPLATA in 2019. The total cost of this project amounted to $32,000, of which the IDB was going to reimburse $1,021, under the line of credit and FONPLATA was going to finance $31,979.

(4) On December 13, 2017, FONPLATA entered into a contract with the French Development Agency to borrow up to $20,000 with a 15-year maturity at the 6-month Libor rate plus a margin. On October 20, 2018, FONPLATA drew-down $5,000 against this line of credit and used them to finance disbursements on its loan BOL – 28/2016 "Cosechando", with an approved amount of $10,000. No additional withdrawals were taken from FONPLATA throughout 2019.

(5) On July 6, 2018, FONPLATA signed a credit line with the European Investment Bank (EIB), in the amount of $60,000. No disbursements towards this financing have been drawn down in 2019 (December 31, 2018 - $0).

(6) On December 17, 2018, FONPLATA signed a credit line with the "Instituto de Credito Oficial E.P.E. – (ICO)," in the amount of $15,000, which expires on December 17, 2020. On December 5, 2019, FONPLATA drew down $5,536, to finance eligible projects under this line of credit (December 31, 2018 - $0).

The following chart provides a detail account of the eligible loans under the line of credit agreed with the ICO, the total amount to be financed for each eligible loan, the amount disbursed to date and their respective undisbursed balance:

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Loan	December 31, 2019 ICO Eligible amount	Disbursed	Undisbursed
BOL – 25 Alcantarí	1,674	1,674	-.-
URU – 14 Líquidos residuals	3,629	2,129	1,500
ARG – 38/2018 Ferroviario	1,733	1,733	-.-
Projects to be identified	7,964	-.-	7,964
Total	15,000	5,536	9,464

(ii) Bonds and derivative financial instruments designated as cash flow hedges

As stated in Notes 2 and 4.10, on March 11, 2019, FONPLATA launched its first bond issuance, consisting of a fixed rate, 5-year, Swiss Francs denominated bond maturing in September 11, 2024, in the amount of CHF 150,000, with a 0.578% annual coupon.

On March 11, 2019, FONPLATA signed an ISDA master netting agreement with JPM with an enforceable right of set-off by which on March 13, 2019, entered a cross-currency swap.

By virtue of this transaction, JPM committed to pay FONPLATA CHF 150,000, 5-year maturity with a fixed rate annual coupon of 0.578%, plus the 1 bps to cover the paying agent's commission. In exchange, FONPLATA is committed to pay JPM $148,809, 5-year maturity variable interest based on the 6-month Libor rate plus a fixed margin. Both legs of the cross-currency swap bear the same maturity as of the Swiss Franc denominated bond.

As part of the administrative arrangements between FONPLATA and JMP, the latter agreed to deposit the annual servicing of CHF bond's coupons, as well as the amount of the bond upon its maturity on March 11, 2024, directly to the paying agent´s account, who will pay the bondholders.

The ISDA master netting agreement also calls for collateral to compensate for credit risk due to daily changes in valuation of the swaps due to changes in interest and foreign exchange rates. Collateral is to be made effective, either in cash or U.S. Treasury bills by the party that is deficient when the net daily difference in valuation exceeds $500. Collateral is determined by JPM based on a proprietary valuation model. FONPLATA closely monitors the fairness and reasonableness of JPM's valuation model through its own valuation model based on market information provided by Bloomberg financial services regarding interest and exchange rates.

In the event the collateral consists of cash, the party receiving collateral from the counterpart is obliged to pay interest based on the U.S. Federal Reserve interest rate.

Interest received by FONPLATA on the amount of collateral held by JPM is recognized as part of investment income. Interest paid to JPM on the amount of collateral held by FONPLATA, is part of borrowing costs.

As of December 31, 2019, FONPLATA holds collateral in the form of cash received from JPM, in the mount of $5,900, to compensate for credit risk in the event JPM were to default on its commitment.

Since inception of the cross-currency swap on March 13, and through December 31, 2019, FONPLATA has earned and received $2, in interest on collateral deposited with JPM, and incurred $49, on interest on collateral received from JPM.

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Based on the nature of this transaction, FONPLATA considered the cross-currency swap effective to offset both the interest rate and currency exchange risks. Accordingly, FONPLATA designated the derivatives assumed as a cash flow hedge.

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where FONPLATA currently has a legally enforceable right to offset the recognized amounts, and there is the intention to settle on a net basis or realize the asset and settle the liability simultaneously.

The following table presents the recognized financial instruments (i.e. cross-currency swaps and collateral) that are offset, or subject to enforceable master netting arrangements and other similar arrangements but not offset, as of December 31, 2019. There were no financial instruments subject to enforceable master netting arrangements o similar arrangements as of December 31, 2018. The column "net amount" shows the impact on FONPLATA's statement of financial position if all set-off rights were exercised.

	Gross amounts $	Gross amounts set-off in the Statement of Financial Position $	Net amounts presented in the Statement of Financial Position $
Financial assets:			
Cross-currency swap receivable at FVOCI	165,312	(165,312)	-,-
Total	165,312	(165,312)	-,-
Financial liabilities:			
Cross-currency swap payable at FVOCI	(159,413)	165,312	5,899
Collateral	(5,900)	-,-	(5,900)
Subtotal	(165,313)	165,312	(5,900)
Cash-flow hedge derivatives net payable	(1)	-,-	(1)

Borrowings outstanding classified based on their scheduled maturities are as follows:

Maturities	December 31, 2019	2018
Up to one year	5,333	5,333
More than one and up to two years	35,333	5,333
More than two and up to three years	1,335	35,334
More than three and up to four years	4,573	227
More than four and up to five years	158,787	1,855
More than five years	60,272	30,918
Total	265,633	79,000

(i) Fair value of borrowings

Time deposits from central banks and loans contracted with MDBs and other institutions are held at amortized costs. It is estimated that their book value approximates their fair value since future cash flows to be paid are very similar to the recorded amount for the borrowing.

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Bonds outstanding and cross-currency swaps designated as a cash flow hedge are valued at fair value with the effective portion of the hedge recognized in a hedge reserve in other comprehensive income, and the ineffective portion of the hedge in the Income Statement as part of borrowing costs.

(ii) Risk exposure

Notes 6 and 7, respectively, provide information regarding the risk exposure associated to borrowings.

8.6 Special funds

The balance maintained with special funds by FONPLATA as of December 31, 2019, and 2018, respectively, includes the following:

Special Fund	December 31, 2019	December 31, 2018
	$	$
FOCOM	6,616	5,935
PCT	3,513	3,454
PAC	2,101	1,051
Total	12,230	10,440

FONPLATA's Board of Governors can create special funds for specific purposes. Special funds are considered as separate and independent legal entities from FONPLATA, which are directly controlled by the member countries through the Board of Governors. Consequently, the balances held under those funds do not need to be consolidated by FONPLATA.

Special funds are funded through distribution of retained earning maintained in the general reserve. In 2014, the Board of Governors created and funded the following special funds:

a. *"Fund for the Compensation of the Operating Margin (FOCOM)"*: This fund pursues the objective of helping to reduce the financial cost incurred by Bolivia, Paraguay y Uruguay on their loans with FONPLATA, through the payment of a portion of the interest to be paid semiannually by these borrowing member countries. The payment of the part of the interest accrued on loans by FOCOM on behalf of the borrowers is contingent and determined annually. In May 2014, the Board of Governors assigned as a contribution to this fund, the amount of $5,510, from retained earnings as of December 31, 2013. On August 28, 2018, and on August 9, 2019, the Assembly of Governors approved the allocation of retained earnings including a contribution of $1,000, and of $1,500, to the FOCOM, respectively.

b. *"Technical Cooperation Program (PCT)"*: This fund was created through the restructuring and transfer of resources from the "Fondo para Desarrollo de Proyecto de Integracion Regional" (FONDEPRO), to the PCT. The PCT pursues the purpose of fostering regional development and integration, through financing studies, technical knowledge exchange programs, and other initiatives that form an integral part of FONPLATA's strategic focus. On August 28, 2018, and on August 9, 2019, the Assembly of Governors approved the allocation of retained earnings including a contribution of $1,000, and of $500, to the PCT, respectively.

c. *"Joint Savings Program (PAC)"*: As stated in Note 4.13, "Other benefits to employees" on August 14, 2018, the Board of Executive Directors approved the PAC, which became effective, on November 1, 2018, and has a validity of eight years counted from the first day of employment of a participant. The PAC preserves the severance payment Benefit, upon termination of employment, and improves it by adding a supplemental

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contribution based on one-to-one matching of the voluntary amount of savings to be contributed by participating employees.

Participant's contributions are optional and those employees who opt-out would only receive the severance payment benefit, upon termination of employment. Participant's voluntary savings contributions are limited to either a maximum of one month of salary for year of service (8.33%) or to a minimum of one-half month of salary for year of service (4.17%).

Participant's election of the percentage of voluntary savings contributions is performed annually prior to the beginning of each fiscal year. The PAC has a validity of eight years, counted since the date of employment of each participant. Furthermore, and as an incentive to foster personnel retention, the PAC provides for a vesting period of four years. Upon termination of employment, participants are entitled to withdraw from the PAC the totality of their severance payment benefit; their voluntary savings contributions plus accumulated investment earnings, and the accumulated matching contributions made by FONPLATA on participant's voluntary savings contributions plus accumulated investment earnings.

During the vesting period, FONPLATA applies a withholding percentage reducing the amount available for withdrawal upon termination, for those participants who have less than four years of service. The withholding only applies to the amount of matching contributions to be made by FONPLATA and to the investment income accrued on them. Applicable withholding percentages are: 75% during the first year; 50% during the second year; 25% during the third year; and 0% at the end of the fourth year, when the participant employee reaches full eligibility to withdraw the totality of funds accumulated in his/her PAC account upon termination of employment.

The following table provides a break-down of funds accumulated and total available PAC funds as of December 31, 2019, and 2018:

	Severance payment contributions	Participants' voluntary savings contributions	FONPLATA's matching contributions on voluntary saving	Accumulated total	Total amount available for termination	Deferred amount
	$	$	$	$	$	$
December 31, 2019						
Balance as of December 31, 2018:	1,066	51	36	1,153	1,143	10
Severance payment contributions	413	-.-	-.-	413	413	-.-
Participants' voluntary savings contribution	-.-	283	283	566	511	55
Additional participants' savings contributions	-.-	101	-.-	101	101	-.-
Investment income accrued	-.-	6	4	10	9	1
Withdrawals	(86)	(37)	(19)	(142)	(142)	-.-
Balance due to the PAC	1,393	404	304	2,101	2,035	66
December 31, 2018						
Balance as of December 31, 2017	819	-.-	-.-	819	819	-.-
Severance payment contributions	307	-.-	-.-	307	307	-.-
Participants' voluntary savings contributions	-.-	36	-.-	36	36	-.-
Additional participant's saving contributions	-.-	15	-.-	15	15	-.-
Matching contribution on voluntary savings	-.-	-.-	36	36	26	10
Withdrawals	(60)	-.-	-.-	(60)	(60)	-.-
Total accumulated benefits	1,066	51	36	1,153	1,143	10
Loans to FONPLATA's personnel	(102)	-.-	-.-	(102)	(102)	-.-
Balance due to the PAC	964	51	36	1,051	1,041	10

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[1] Starting on January 1, 2019, FONPLATA discontinued the practice of funding loans extended to its personnel from the resources contributed through the severance payment and started using its own liquidity, instead. Accordingly, the balance of loans to personnel as of December 31, 2018, of $102, was added back to the resources available under the PAC.

Special funds' assets and liabilities are managed by FONPLATA independently from the management of its own affairs and their liquid funds are invested in accordance with FONPLATA's investment policies and all applicable guidelines. Accrued investment income attributable to each fund is calculated pro-rata based on the proportion that the amount of liquid assets of each fund bears relative to the total portfolio of liquid assets invested by FONPLATA, multiplied by the aggregate investment return accrued during the year. Investments managed by FONPLATA on behalf of special funds, as well as the related returns, is accounted for through accounts maintained with each special fund.

8.7 Recognition and measurement of fair value

This note includes information about judgments and estimates used in the determination of fair values of financial instruments in the financial statements.

Determination of fair values attributable to investment assets is made by obtaining values in accordance with the three levels described in the accounting standards. An explanation for each of these three levels follows:

	Note	Level 1 $	Level 2 $	Level 3 $
December 31, 2019				
Investments carried at fair value with effect in OCI	8.2	142,860	-.-	-.-
December 31, 2018				
Investments carried at fair value with effect in OCI	8.2	22,881	-.-	-.-

During the fiscal year FONPLATA did not have holdings of financial instruments requiring valuation at fair value in accordance with the fair value measurement methodologies prescribed under either level 2 or 3. Should changes in the methodology of obtaining applicable fair values for financial investment instruments exist, it is FONPLATA's policy to recognize the effect from such changes.

- *Level 1*: Fair value of financial instruments transacted in an active market (such as investments carried at fair value), are based on prevailing quoted market prices at year end. The market price used for financial assets held by the institution is the quoted market price. These instruments are included under level 1.
- *Level 2*: Fair value of financial instruments not quoting in an active market is determined through valuation techniques, using as much as possible reliable and observable market information. If all information required to determine the applicable fair value for a financial instrument is observable information, then such instrument is classified under level 2. The institution does not have financial instruments classified under this category.
- *Level 3*: If the information considered either significant or relevant for the determination of fair values cannot be obtained by reference to market sources, then the financial instrument is classified under level 3. The institution does not have financial instruments classified under this category.

NOTE 9 – NON-FINANCIAL ASSETS AND LIABILITIES

This note provides information about non-financial assets and liabilities of the institution, including:

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- Specific information of each type of non-financial asset and liability.
- Accounting policies used.
- Information about the determination of fair values attributable to those assets and liabilities, including professional judgments used and the uncertainties of the estimates applied.

9.1 Property and equipment, net

The composition of property and equipment includes the following:

	Property $	Equipment and Furniture $	Art $	Vehicles $	Total $
Book value					
Balance as of December 31, 2017	3,913	1,693	45	49	5,700
Additions	101	164	5	-.-	270
Technical appraisal of buildings	812	-.-	-.-	-.-	812
Write-offs	-.-	(2)	-.-	-.-	(2)
Write-offs of assets in transit	-.-	(194)	-.-	-.-	(194)
Balance as of December 31, 2018	4,826	1,661	50	49	6,586
2019 Additions	-.-	235	37	-.-	272
Balance as of December 31, 2019	4,826	1,896	87	49	6,858
Cumulative depreciation					
Balance as of December 31, 2017	82	427	-.-	30	539
Depreciation	99	154	-.-	5	258
Write-offs	-.-	(2)	-.-	-.-	(2)
Balance as of December 31, 2018	181	579	-.-	35	795
2019 Depreciation	166	171	-.-	5	342
Balance as of December 31, 2019	347	750	-.-	40	1,137
Net book value as of December 31, 2019	4,479	1,146	87	9	5,721
Net book value as of December 31, 2018	4,645	1,082	50	14	5,791

On November 13, 2018, FONPLATA's Board of Executive Directors approved the Administration's accountability report detailing the use of funds approved in 2013 for the acquisition, equipment and furnishing of the FONPLATA's headquarter offices, in the city of Santa Cruz de la Sierra, Estado Plurinacional de Bolivia. On November 30, 2018, and acting upon the recommendation of the Board of Executive Directors, the Assembly of Governors approved the Administration's accountability report, which includes an authorization to complete pending retrofitting and furnishing tasks in the amount of $137, as well as the use of remaining capital budget surplus of $32, to supplement the investment approved for investments in information technology for 2019, in the amount of $617.

The planned retrofitting and furnishing of the 4th floor of FONPLATA's headquarters were completed as of December 31, 2019, at a cost of $116.

The net book value of offices, parking and storage spaces conforming FONPLATA's headquarters as of December 31, 2018, was increased in the amount of $812, in accordance with its fair value based on an independent appraisal as of that date. This revaluation resulted into the recognition of a revaluation reserve in other comprehensive income. The amount of the revaluation reserve will be adjusted based on changes in the subsequent revaluation of property.

(ii) Depreciation methods, revaluation and useful lives

Property is recognized at its fair value based on periodic independent appraisals net of depreciation. Other assets included under this caption are carried at their historical cost net of cumulative depreciation.

Depreciation is calculated using the straight-line method either on the historical cost or on the revalued amount and based on the estimated useful live the asset. Applicable useful lives for the assets, are as follows:

Asset	Useful Live
Property:	
Land	Not amortized
Buildings	The lesser of 40 years or the value of the assessment
Furniture and equipment:	
Improvements on leased property	Over lease contract
Furniture and equipment	8 to 10 years
Computer equipment and software	4 years
Vehicles	5 years
Art	Not amortized

Note 4.9 contains additional information on accounting policies applicable to property and equipment.

(iii) Net book value that would have been recognized had property been valued at cost

Had the value of property been determined at historical cost, the carrying amount of property would have been as follows:

	December 31, 2019 $	December 31, 2018 $
Cost	4,014	4,014
Cumulative depreciation	(319)	(181)
Total	3,695	3,833

9.2 Miscellaneous

This caption includes small balances owed to FONPLATA, resulting from advances to suppliers, expenses paid in advance; deferred expenses; and guarantee deposit for the liaisons offices located in Asunción, Paraguay. As of December 31, 2019, the total amount of miscellaneous receivables amounts to $893 (2018 - $252).

9.3 Other Liabilities

This caption includes small balances owed to suppliers as well as interest and commissions on borrowings, as of December 31, 2019, and 2018, consisted of:

	December 31, 2019 $	December 31, 2018 $
Trade payables and accruals	248	216
Interest and commissions accrued on borrowings	2,342	573
Total	2,590	789

NOTE 10 – EQUITY

10.1 Capital

On January 28, 2016, FONPLATA's 14th Extraordinary Governors' Assembly approved a new capital increase in the amount of $1,375,000, raising the authorized from $1,639,200 to $3,014,200. As of December 31, 2018, all member countries had fully subscribed their callable capital commitments.

The new capital increase became effective in 2017 with the subscription by all member countries of their respective installments of paid-in capital in the amount of $550,000 and their commitment of the totality of their respective portion of callable capital in the amount of $825,000. Paid-in capital subscriptions would be made effective in eight annual installments commencing in 2018 and through 2024. Upon completion of the integration process paid-in capital would amount to $1,349,200. Callable capital in the amount of $1,665,000, was subscribed and committed in its totality as of December 31, 2017. Payment of subscribed and committed callable capital will proceed when required and based on FONPLATA's Governors' approval should FONPLATA be unable to comply with its financial obligations and commitments using its own resources.

Composition of FONPLATA's capital by member country as of December 31, 2019, and 2018, is as follows:

December 31, 2019:

Member country[i]	Subscribed capital Paid-in $	Subscribed capital Callable $	Authorized capital Paid-in $	Authorized capital Callable $	Total $	%
• Argentina	449,744	555,014	449,744	555,014	1,004,758	33.3%
• Bolivia	149,904	184,991	149,904	184,991	334,895	11.1%
• Brazil	449,744	555,014	449,744	555,014	1,004,758	33.3%
• Paraguay	149,904	184,991	149,904	184,991	334,895	11.1%
• Uruguay	149,904	184,990	149,904	184,990	334,894	11.1%
	1,349,200	1,665,000	1,349,200	1,665,000	3,014,200	100.0%

December 31, 2018:

Member country[i]	Subscribed capital Paid-in $	Subscribed capital Callable $	Authorized capital Paid-in $	Authorized capital Callable $	Total $	%
• Argentina	449,744	555,014	449,744	555,014	1,004,758	33.3%
• Bolivia	149,904	184,991	149,904	184,991	334,895	11.1%
• Brazil	449,744	555,014	449,744	555,014	1,004,758	33.3%
• Paraguay	149,904	184,991	149,904	184,991	334,895	11.1%
• Uruguay	149,904	184,990	149,904	184,990	334,894	11.1%
	1,349,200	1,665,000	1,349,200	1,665,000	3,014,200	100.0%

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The amount of paid-in capital subscribed and pending subscription, including the new capital increase, as well as the amount of callable capital subscribed, committed and pending commitment as of December 31, 2019, and 2018, respectively, is as follows:

December 31, 2019:

Member country	Paid-in Capital Subscribed Paid-in[i]	Receivable[i]	Total[i]
	$	$	$
• Argentina	299,411	150,333	449,744
• Bolivia	99,793	50,111	149,904
• Brazil	266,759	182,985	449,744
• Paraguay	99,793	50,111	149,904
• Uruguay	99,793	50,111	149,904
Total	865,549	483,651	1,349,200

December 31, 2018:

Member country	Paid-in Capital Subscribed Paid-in[i]	Receivable[i]	Total[i]
	$	$	$
• Argentina	275,576	174,168	449,744
• Bolivia	91,849	58,055	149,904
• Brazil	266,410	183,334	449,744
• Paraguay	91,849	58,055	149,904
• Uruguay	91,849	58,055	149,904
Total	817,533	531,667	1,349,200

December 31, 2019 and 2018:

Member Country	Subscribed Callable Capital[i] Committed[ii]
	$
• Argentina	555,014
• Bolivia	184,991
• Brazil	555,014
• Paraguay	184,991
• Uruguay	184,990
Total	1,665,000

[i] As of December 31, 2018, all member countries had subscribed and committed their share of callable capital.
[ii] Subtotals may differ from totals due to rounding into thousands.

10.2 Other reserves

Other comprehensive income as of December 31, 2019, and 2018, includes the following:

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(i) Reserve for changes in the fair value of investments – FVOCI: During the year ended December 31, 2019, this reserve was increased by $412, gain, resulting from fair value adjustments, for a balance of $538, gain (2018 - $126, gain).

(ii) Reserve for changes in fair value of derivatives held for hedging: During the year ended December 31, 2019, this reserve was increased by $515, gain, resulting from the changes in interest rate and foreign exchange rates affecting the fixed-rate, Swiss Franc denominated CHF 150,000, swap receivable, and the variable rate based on the 6-month Libor plus a fixed margin U.S. dollar denominated $148,809 swap payable; as well as the foreign exchange differences on the Swiss Franc denominated bond, for a balance of $515, (2018 - $0).

(iii) Reserve for revaluation of property: During the year ended December 31, 2019, this reserve was reduced in $27, due to depreciation, for a balance of $785, (2018 - $812).

10.3 Retained earnings and reserves

Retained earnings as of December 31, 2019, amount to $28,308, and correspond solely to net income for the year (2018 - $26,572).

FONPLATA's policies provide that Unappropriated Retained Earnings are to be used to finance the preservation of the value of its equity over time and to also finance the Fund for the Compensation of the Operating Return (FOCOM), and the Technical Cooperation Program (PCT).

The amount of the General Reserve at December 31, 2019, and 2018, respectively is as follows:

	General Reserve
	$
Balance as of December 31, 2018	107,871
Allocated by the Assembly of Governors in 2019:	
From retained earnings	24,572
Balance as of December 31, 2019	132,443

NOTE 11 – REVENUES

The composition of net income is as follows:

	Years ended December 31, 2019	2018
	$	$
Loan income:		
Interest	41,841	31,667
Commitment fee	3,052	3,013
Administrative fee	1,784	1,477
Subtotal	46,677	36,157
Investment income:		
Interest	6,230	4,018
Other	1,350	128
Sub total	7,580	4,146

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	Years ended December 31, 2019 $	2018 $
Other income	162	69
Total Income	54,419	40,372

NOTE 12 – ADMINISTRATIVE EXPENSES

Since 2013, FONPLATA has adopted a result-based budgeting system, including performance indicators allowing the measurement of results attained and their related cost. The system matches governance, operating and financial goals with the activities required to reach them and the resources required. During the

years ended December 31, 2019, and 2018, FONPLATA reached a percentage of execution of its administrative budget equivalent to 81% and 83%, respectively. The break-down of administrative expenditures by functional activity is as follows:

Classification of expenses	Years ended December 31, 2019 $	2018 $
Personnel expenses	6,701	5,687
Business travel expenses	682	700
Professional services	554	526
Credit risk rating	112	63
External auditors	60	55
Administrative expenses	1,094	1,019
Financial expenses	128	129
Total administrative expenses	9,331	8,179
Depreciation	314	258
Loss on withdrawal of fixed assets	-.-	2
Gain on foreign exchange	(164)	(50)
Total expenses	9,481	8,389

NOTE 13 – SCHEDULED MATURITY OF ASSETS AND LIABILITIES

The following tables provide an analysis of the expected time elapsed to maturity of assets and liabilities as of December 31, 2019 and 2018, respectively, based on their respective recovery or settlement date:

	Current (Up to 1 year) $	Non-Current (More than 1 year) $	Total $
December 31, 2019			
ASSETS			
Cash and cash equivalents	37,413	-.-	37,413
Investments			
At fair value	142,860	-.-	142,860
At amortized cost	185,857	2,790	188,647

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	Current (Up to 1 year) $	Non-Current (More than 1 year) $	Total $
Loan portfolio			
Outstanding loans	73,148	847,239	920,387
Interest and other accrued charges			
On investments	658	-.-	658
Interest and commissions on loans	11,088	-.-	11,088
Other assets			
Property and equipment, net	-.-	5,721	5,721
Miscellaneous	819	74	893
Total assets	451,843	855,824	1,307,667
LIABILITIES			
Cash-flow hedge derivatives	1	-.-	1
Borrowings	5,333	259,375	264,708
Other liabilities	2,590	-.-	2,590
Special funds	1,830	10,400	12,230
Total liabilities	9,754	269,775	279,529
December 31, 2018			
ASSETS			
Cash and cash equivalents	55,421	-.-	55,421
Investments			
At fair value	22,881	-.-	22,881
At amortized cost	153,996	2,831	156,827
Loan portfolio			
Outstanding loans	75,998	716,582	792,580
Interest and other accrued charges			
On investments	199	-.-	199
Interest and commissions on loans	8,943	-.-	8,943
Other assets			
Property and equipment, net	-.-	5,791	5,791
Miscellaneous	218	34	252
Total assets	317,656	725,238	1,042,894
LIABILITIES			
Borrowings	5,333	73,417	78,750
Other liabilities	789	-.-	789
Special funds	2,071	8,369	10,440
Total liabilities	8,193	81,786	89,979

NOTE 14 – IMMUNITIES, EXEMPTIONS AND PRIVILEGES

As stated in the Fund's "Agreement of Immunities, Exemptions and Privileges of the Fund for the development of the River Plate Basin Territory," an international legal instrument duly ratified by its five Member Countries, FONPLATA can hold resources on any currency, paper, shares, equities and bonds, and can freely transfer them from one country to the other and from one place to the other within the territory of any country and convert them into other currencies

Furthermore, the Agreement establishes that FONPLATA and its assets are exempt, within the territory of its Member Countries, of any direct taxes and custom duties with respect either imported or exported goods for official use. The Agreement also indicates that in principle, the Fund would not claim the exemption of consumption, sales taxes and other indirect taxes. However, Member Countries commit, to the extent possible, to apply all administrative provisions that might be available to exempt or reimburse FONPLATA for such taxes, in connection with official purchases involving large amounts when such taxes are included in the price paid.

Complementary, both the Agreement on Immunities, Exemptions and Privileges as well as the Treaties signed by the Fund with the Bolivian State and with the Republic of Paraguay, establish that FONPLATA's properties, goods and assets are exempt from all taxes, contributions and charges, at the national, departmental, municipal or of any other type.

NOTE 15 – SEGMENT INFORMATION

(a) Segment description

Based on an analysis of its operations, FONPLATA determined that it only has an operational segment. This determination recognizes that FONPLATA does not manage its operations allocating resources among operations measuring the contribution of those individual operations to the Fund's net income. FONPLATA does not distinguish between the nature of loans or the services rendered, their preparation process or the method followed in the preparation of loans and services rendered to its member countries. All operations are performed at FONPLATA's headquarters and the Fund does undertake operational activities at other geographical locations. FONPLATA's operations consist of granting financing to the countries conforming the River Plate Basin, which are considered as segments for purposes of this disclosure: Argentina, Bolivia, Brazil, Paraguay and Uruguay.

(b) Assets by segment

Composition of the loan portfolio by country is as follows:

	Gross portfolio $	Unaccrued commissions $	Impairment $	Loan portfolio $	Interest and commissions receivable $	Total $
December 31, 2019:						
Argentina	236,828	(1,103)	(9,356)	226,369	2,866	229,235
Bolivia	285,885	(974)	(1,914)	282,997	4,066	287,063
Brazil	74,583	(433)	(317)	73,833	794	74,627
Paraguay	146,028	(967)	(379)	144,682	1,438	146,120
Uruguay	193,134	(355)	(273)	192,506	1,924	194,430
Total	936,458	(3,832)	(12,239)	920,387	11,088	931,475
December 31, 2018:						
Argentina	166,815	(955)	(1,853)	164,007	1,915	165,922
Bolivia	234,256	(772)	(1,165)	232,319	3,174	235,493
Brazil	62,592	(195)	(311)	62,086	798	62,884
Paraguay	136,616	(664)	(429)	135,523	1,500	137,023
Uruguay	199,092	(102)	(345)	198,645	1,556	200,201
Total	799,371	(2,688)	(4,103)	792,580	8,943	801,523

Composition of the gross loan portfolio by country and its distribution by industry segment is as follows:

	Communication, transportation, energy and logistics infrastructure $	Infrastructure for productive development $	Infrastructure for socio-economic development $	Total $
December 31, 2019:				
Argentina	91,679	69,794	75,355	236,828
Bolivia	267,644	-.-	18,240	285,884
Brazil	53,198	-.-	21,385	74,583
Paraguay	131,028	15,000	-.-	146,028
Uruguay	178,365	-.-	14,770	193,135
Total	721,914	84,794	129,750	936,458
December 31, 2018:				
Argentina	51,267	66,005	49,543	166,815
Bolivia	186,001	-.-	48,254	234,255
Brazil	23,835	-.-	38,757	62,592
Paraguay	126,048	10,568	-.-	136,616
Uruguay	190,082	-.-	9,011	199,093
Total	577,233	76,573	145,565	799,371

Undisbursed loan balances on loans under execution and its break-down by country are as follows:

	December 31, 2019 $	December 31, 2018 $
Argentina	350,657	264,843
Bolivia	143,567	107,832
Brazil	142,925	136,334
Paraguay	221,911	169,099
Uruguay	115,684	22,690
Total	974,744	700,798

Furthermore, loans approved by FONPLATA but not yet effectively disbursing due to either their respective contracts no having been signed or ratified by the member country's Legislative Power, are as follows:

	December 31, 2019 $	December 31, 2018 $
Argentina	20,000	98,064
Bolivia	-.-	65,000
Brazil	58,247	51,950
Paraguay	212,000	82,000
Uruguay	-.-	110,535
Total	290,247	407,549

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The average return on loans is as follows:

	Years ended December 31, 2019 Average balance $	Average return %	2018 Average balance $	Average return %
Loan portfolio	867,915	5.38%	730,669	4.95%

(c) Segment revenues

Interest and other revenues by segment are as follows:

	Loan revenues $	Other operating revenues $	Total $
Year *ended* December 31, 2019:			
Argentina	10,517	1,847	12,364
Bolivia	11,982	1,037	13,019
Brazil	3,538	631	4,169
Paraguay	6,586	1,027	7,613
Uruguay	9,218	294	9,511
Total	41,841	4,836	46,677
Year ended December 31, 2018:			
Argentina	6,095	1,772	7,867
Bolivia	8,588	1,060	9,648
Brazil	3,364	240	3,604
Paraguay	5,391	898	6,289
Uruguay	8,229	520	8,749
Total	31,667	4,490	36,157

NOTE 16 – RELATED PARTIES

As indicated in Notes 1 and 6.4, FONPLATA only grants financings to its five borrowing member countries, who are also the owners and shareholders of the Fund. All lending operations are entered in full compliance with the policies and guidelines approved by the Board of Governors, the Board of Executive Directors or the Executive President, as required. Consequently, FONPLATA does not have transactions with its member countries in other terms than those established in its policies and guidelines.

The balances and transactions maintained with related entities as of December 31, 2019, and 2018, respectively, correspond to the balances maintained with the FOCOM; PCT; and the PAC, as explained in further detail in notes 4.12, 4.13 and 8.6, respectively.

NOTE 17 – CONTINGENCIES

No contingencies have been identified, that could materially affect FONPLATA's financial statements as of December 31, 2019, and 2018, respectively.

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NOTE 18 – SUBSEQUENT EVENTS

FONPLATA has evaluated subsequent events as of the date of the financial statements up to February 13, 2020, date on which the financial statements were ready for their issuance, and no matters were identified that might have a material impact in the financial statements, as of December 31, 2019, and 2018.

On January 7, Standard & Poor's revised its December 2019 sovereign credit risk rating for Argentina from CCC to CC-. Considering FONPLATA's policy for estimating and recognizing the potential amount of expected credit losses on sovereign loans, as explained in Note 4 (v), the revision of Standard & Poor's of Argentina's sovereign credit risk rating did not result into a change in the amount of expected credit losses recognized by FONPLATA as of December 31, 2019.

Juan E. Notaro Fraga
EXECUTIVE PRESIDENT

Marcos Machado Guimarães
PRESIDENT OF THE BOARD OF EXECUTIVE DIRECTORS

Jaqueline Koehnke Ferrufino
CHIEF ACCOUNTANT

Rafael Robles
MANAGER FINANCE AND ADMINISTRATION

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ANNEX III

1. Support to human development initiatives

As part of its outreach policies towards the member countries, FONPLATA – Development Bank has supported various initiatives throughout 2019, covering cultural, artistic, sports, and regional institutional integration areas:

Support for sport and scholarships for the development of women's youth soccer

In January, we supported the 24th edition of the *Mundialito Paz* y *Unidad* tournament and the *Copa Tahuichi Femenil 2019*, sport events organized by the *Tahuichi Aguilera Soccer Academy*, with rich history in our host city, which brought together hundreds of children and young people from Latin-American soccer teams. Our Bank regards sports as an important factor to foster social development, especially regarding children and youth inclusion and integration. Therefore, since 2019, besides sponsoring championships, FONPLATA supports the development of women's soccer within this Academy by granting girls and teenagers 50 comprehensive scholarships that include daily training and nutritional supplements, training in sports psychology and workshops on environmental care.

12th International Theater Festival of Santa Cruz de la Sierra

Between April and May, we supported the 12th International Theater Festival of Santa Cruz de la Sierra, an event organized by APAC, *Asociación Pro Arte y Cultura* (Pro Art and Culture Association) and the most important in Bolivia in the industry. The objective of this Festival is to take the scenic art to the most distant neighborhoods of the city and the provinces of the Department of Santa Cruz. In the 2019 edition, 49 casts from 11 countries participated, performing 80 shows in different cultural spaces with an attendance of 30,000 people.

EFE Digital Journalism Forum

In May, we supported the *Agencia EFE* informative meeting on the challenges of digital transformation to the media. The meeting was attended by leading communication professionals and managers of major companies. As part of the activity, the Spanish news agency inaugurated the exhibition "EFE in Bolivia: 40 years in 40 photos" in the cultural center *Casa Melchor Pinto* in Santa Cruz de la Sierra.

Economic Forum 2019, organized by CAINCO

In July we supported the "Economic Forum 2019: Productive Cities. The possible metropolis?", an annual event that the Chamber of Industry, Commerce, Services and Tourism of Santa Cruz de la Sierra (CAINCO) has been organizing since the year 2000. Renowned national and international exhibitors and speakers discussed and put forward proposals for the development and growth of Bolivia's economy in the event, which was attended by almost 400 people, including business owners and managers and university students.

FONPLATA Collection Exhibition

Between June and August, the exhibition "FONPLATA Collection", composed of 18 works by Bolivian artists, was shown at *Manzana 1 Espacio de Arte* in Santa Cruz de la Sierra. Having received 36,598 visitors, the exhibition was the most attended of the year in this important art center of our host city. Our Development Bank, in turn, supported cultural activities carried out in that space throughout 2019.

First Mayors Forum organized by FONPLATA in Brazil

Under the subject line "Projecting Sustainable Municipalities" and with the focus on integration, our Development Bank held, in August, its First Mayors Forum in the city of Rio de Janeiro. The event gathered federal officials and representatives of more than 50 municipalities in that member country to discuss new ways of sustainable urban and territorial development with a high municipal, local and regional impact.

SInternational Seminar on the Role of Development Banking in Ibero America

In November we supported and participated in the "International Seminar on the Role of Development Banking in Ibero America", held by the *Banco Ciudad de Buenos Aires Foundation*. In addition, representatives of our Development Bank participated in the panels together with officials from other development agencies such as IDB, CAF, BICE, ADF, BNDES and BALCOLDEX, authorities of Argentine public banks (Banco Nación, Banco Provincia and Banco Ciudad), and representatives of different ministries of Argentina.

2. Volunteering and Corporate Social Responsibility Committee

The Volunteering and Corporate Social Responsibility Committee is composed of FONPLATA officials involved in fundraising and community support activities, particularly in the city of Santa Cruz de la Sierra, focused on education, healthcare and support to children at risk or in poverty.

Some of the most important activities carried out in 2019 were the following:

- Donation of video-endoscopic instruments to the Department of Pediatrics of the Santa Cruz Oncology Hospital.
- Donation of school uniforms to the *Luz de Mundo* Center located in the Plan 3000 area in Santa Cruz.
- In joint work with TECHO – International, building and painting of a house in the eastern area of Santa Cruz to complement the activities of 2018.
- Donation of materials for volunteer teachers in vulnerable areas of Santa Cruz to promote education.

FONPLATA
Development Bank

HEADQUARTERS

Santa Cruz de la Sierra, Bolivia
Tel.: +591 3 315 9400 • Fax: +591 3 3371713
San Martín avenue N° 155, Equipetrol,
Ambassador Business Center building, 3rd floor

PROJECT MONITORING OFFICES

Buenos Aires, Argentina
Tel.: +54 11 5671 5058
Bartolomé Mitre 836, C1036AAP

Asunción, Paraguay
Tel.: +595 21 453 320
Independencia Nacional - Fulgencio R. Moreno,
15th floor, El Producto building, 1229

Montevideo, Uruguay
Tel.: +598 9233 9348
Ituzaingó 1420 PB, 11000

CONTACT US

contacto@fonplata.org

www.fonplata.org

PHOTO

Cover: Road infrastructure program - Paraguay / Courtesy MOPC
Back cover: Ecological Axis Program Green Lending Eastern Region of Joinville - Brazil / FONPLATA
FONPLATA (pp. 4, 5, 6, 9, 10, 20, 21, 22, 23, 24, 26, 47, 48 y 49, 52, 54, 63, 64 y 65, 120 y 121, 122, 123, 125)
Courtesy DNV – Argentina (pp. 2, 18, 20-construction works, 28, 50)
Courtesy MOPC – Paraguay (pp. 17, 23-road, 25, 56)
Courtesy ANP – Uruguay (pp. 58)

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