FONPLATA Development Bank

ANNUAL REPORT 2023

Annual Report 2023

The figures in this report are expressed in U.S. dollars, unless otherwise indicated.

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MESSAGE OF THE EXECUTIVE PRESIDENT

As Executive President of FONPLATA, I am honored to share with you the main challenges we faced and the results we were able to achieve in 2023. On April 10, 2023, almost one year ago, I was confirmed in this position by the Board of Governors, for which I am very grateful to our governance for the responsibility entrusted to me. We are bound by the mandate to support our member countries in their efforts to promote social, economic, and integration development by improving the quality of life of the people of our region, who are the direct beneficiaries of the projects and activities we promote.

In the beginning of 2023, we realized that the region and our institution were at a turning point, faced with great challenges and opportunities. Thus, we focused on reaffirming our institutional values: being an agile, proactive, and flexible Bank that seeks the best efficiency levels for its member countries in their efforts to achieve greater regional development and integration for the benefit of their inhabitants.

The year 2024 started with a range of opportunities and, in line with the entry into force of the new Articles of Agreement, on February 5, 2024, the Board of Governors, in a clear sign of confidence in FONPLATA's full validity and future projection as a Development Bank, approved an increase in our authorized capital from USD 3.014 billion to USD 6.5 billion.

A milestone was reached in 2023 in terms of approvals, which totaled USD 578 million, i.e., a 27% increase compared to 2022. Also in terms of disbursement, USD 282 million were disbursed in funding to Bolivia, Brazil, Paraguay, and Uruguay, which represents an increase of 22% when compared to the total disbursed to these four member countries in 2022.

It is important to note that these approvals were developed and processed in the shortest time frames ever recorded in operations approvals, such as the USD 60 million funding to alleviate the water scarcity in Uruguay, approved and disbursed in less than 60 days. The increasing support with fundings to municipalities in several Brazilian states is also noteworthy.

We have also clearly shown our prudent planning and management capacity through the approval by the Board of Governors of two budget scenarios for 2024, which reduced the level of uncertainty and provided us with a clear "north" to start that year.

On the other hand, at the end of March 2023, as a consequence of the approval of our "Sustainable Debt Framework", we issued two series of bonds in the Japanese market. This shows the credibility and acceptance of the FONPLATA brand in the capital markets. At the same time, we initiated the process to register FONPLATA as a public issuer with the Mexican National Banking and Securities Commission, a market that offers attractive conditions for fund raising, and started a Medium-Term Debt Program with the London Stock Exchange, England.

On April 21, the Executive Board of Directors took notice of the letter from the then Governor for the Argentine Republic informing the sovereign will of his government to initiate the process of terminating its membership in FONPLATA. The support of Governance and the determination that this situation would be overcome was crucial to focusing our management on reaffirming our institutional values. In fact, on January 18, 2024, the Governor for Argentina, on behalf of the Argentine government, ratified his country's sovereign will to continue as a full member of the Institution.

As detailed in chapters II "Operations by Country" and III "2023 Financial Results" of this report, and as a result of the actions taken by the Board of Governors with respect to the letter of intent received from Argentina, the consideration of new operations and requests for disbursements to that country were temporarily suspended.

Thus, to objectively analyze the way we have turned these challenges into growth opportunities and to measure our resilience it is necessary to isolate the effects of the suspension of new financing approvals and disbursement approvals by the Board of Governors from the nominal growth figures of operations, as they affected the normal development of the portfolio maintained with Argentina between April 21 and December 31, 2023.

With the support of our Governance and the tireless commitment of our staff to reaffirm our nature as an institution for development and integration, we begun 2024 having successfully overcome the unusual challenges faced in 2023. This experience gave us the opportunity of strengthening our determination to continue to strive for the Bank's growth as a means of enhancing its capacity to support the efforts of our five member countries, which also make up Mercosur, to improve the quality of life of their people.

As from the second quarter of 2024, we will be collaborating with our Governance team on the development of scenarios for increasing our subscribed and paid-in capital, also considering the possibility conferred by our Articles of Agreement of enriching and expanding our membership by accepting new members.

I thank you again for your trust in our Institution, which is celebrating its 50th anniversary on June 12, and invite you to join us on this new path of growth that we are undertaking with confidence and determination.

Luciana Botafogo
Executive President

I.
GLOBAL ECONOMIC CONTEXT

The global economy defied forecasts in 2023. Although some of the risks anticipated at the beginning of the year took place, the resilience of economies such as the United States, together with policy responses in countries like China, made it possible to avoid the feared recessionary scenario. The generalized rise in interest rates allowed a progressive reduction in inflation, but as expected, it had a negative effect on investments. However, the increase in private consumption combined with the fiscal stimulus in the United States, and especially in China, helped to sustain global growth.

At the beginning of the year, the speed and timing with which monetary policy rates were being raised globally generated doubts about the ability of the financial system to operate in such a context. The concerns were well-founded. March saw the sudden collapse of SVB followed by two other US banks, and a few weeks later UBS absorbed a troubled Credit Suisse. The scale and speed of intervention to protect depositors by US and European regulators stopped contagion and restored calm after the most acute banking crisis since the Great Financial Crisis of 2007–2009.

The whole episode lasted less than a month and hardly interfered with the process of rate hikes, which in the core countries continued until the third quarter of 2023. On a global scale, core inflation declined slowly but steadily throughout the year. This phenomenon was the result of dissimilar processes. On the one hand, goods inflation dropped sharply as a result of the reversal in commodity prices and the resolution of bottlenecks in the manufacturing and transportation sectors. On the other hand, inflation in the services sector showed greater persistence, which is largely explained by the tight labor market and the shift in global demand towards the services sector, especially during the first half of the year.

Headline inflation fell sharply in the first half of the year, after which it slowed and showed a slight downward tendency. Despite these reductions, inflation rates remained above target in most advanced economies at the end of 2023. The situation was substantially better in emerging economies operating under an inflation targeting regime. In these economies, the process of rate increases began earlier than in advanced economies — especially in the case of Latin America — which allowed approximately half of them to end the year with inflation within the target range and with monetary policy rate cuts.

According to preliminary estimates, global GDP would have increased by 3.1% in 2023, i.e., 0.04% lower than in 2022. This growth is, however, higher than expected a year ago. Starting in the second quarter of 2023, growth forecasts for the US, Latin America and Caribbean (LAC), and Emerging Europe were progressively adjusted upwards. Retrospectively, the main surprises came from the US and LAC, for which analysts projected growth of slightly over 1% in the first months of 2023 but ended up expanding by 2.5%. In fact, during the first quarter of 2023, most analysts believed that at some point during the year the US would enter recession. Instead, the country managed to sharply reduce inflation with economic growth and virtually no negative impact on the labor market. This naturally had a positive impact on the Mexican economy, which explains almost half of the better-than-expected performance in LAC. The other part is explained by Brazil, whose economy grew by 3.1%, far exceeding initial forecasts.

Table 1: Global GDP Growth (%)

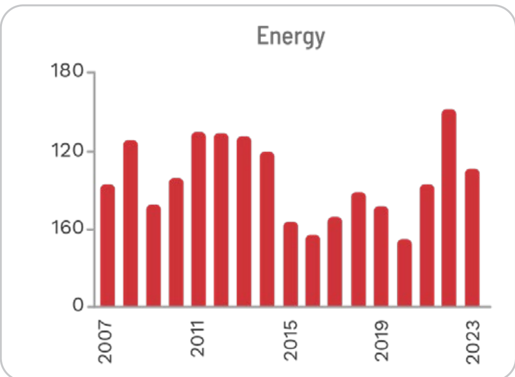
Region / Subregion	2022	2023	2024*	2025*
World Economy	**3.5**	**3.1**	**3.1**	**3.2**
Advanced Economies	**2.6**	**1.6**	**1.5**	**1.8**
U.S.A.	1.9	2.5	2.1	1.7
Euro Zone	3.4	0.5	0.9	1.7
EMDE**	**4.1**	**4.1**	**4.1**	**4.2**
China	3	5.2	4.6	4.1
Emerging Asia	4.5	5.4	5.2	4.8
Emerging Europe	1.2	2.7	2.8	2.5
Latin American and the Caribbean (LAC)	4.2	2.5	1.9	2.5

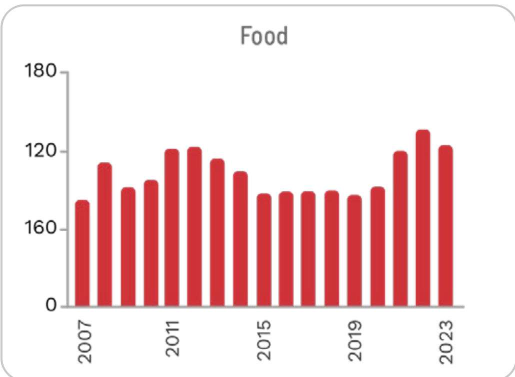
Source: WEO (IMF).
* Projected data.
** Emerging markets and developing economies.

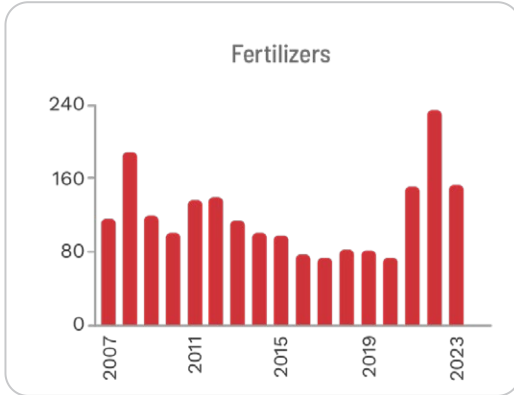
1. Commodities

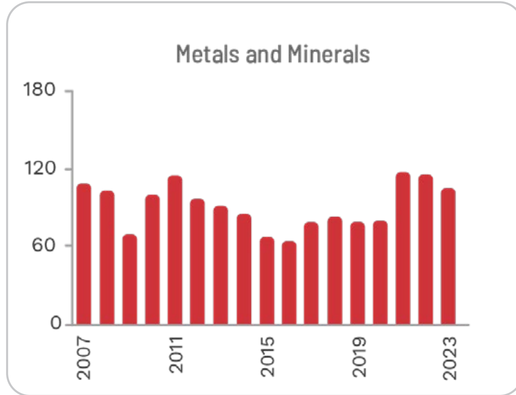
In 2023, commodity prices declined in most groups after reaching all-time highs in several key items during 2022. The groups with the largest price declines were fertilizers (35%) and energy (30%). These were followed by metals and minerals (11%), and food (9%). The exception during the year was the price of gold, which reached its highest value since records have been kept.

Chart 1: Evolution of the price index of key products and goods









Source: World Bank.

2. Globalization

The decline of globalization[1] is evidenced both by the 3% reduction in global trade experienced in 2023 — obtained by averaging the fall in trade in goods (-5%), partially offset bythe increase in trade in services (+8%) — and by the modest 3% growth in foreign direct investment flows, which remains below the 2010 average. Other indicators, such as the reduction in the number of new free trade agreements signed each year or the increase in global trade restrictions, do not point to a change in the trend in the near future.

In the case of trade, the reduction in trade flows between countries during 2023, is worrisome. This reduction has been more pronounced in developing countries, where exports fell by an average of 7% and imports by 5% (compared to reductions of 3% and 4% in developed countries). South-South trade fell by 10% and was the most affected.

The analysis of bilateral trade patterns during 2023 shows the consolidation of two trends: trade concentration and trade growth among countries with “geopolitical affinity”. The latter, also known as “friend-shoring” (UNCTAD 2023), is one of the clearest signs of the current geopolitical fragmentation driven by the prioritization of national security issues by the major powers. In the economic sphere, this results in the search for more resilient value chains, greater economic autonomy and, above all, less interdependence with economies seen as rivals. This trend feeds back into a more long-standing phenomenon, which is the proliferation of electoral/political platforms that raise skepticism about the benefits of globalization.

3. Sovereign Funding

In terms of international financial flows, sovereign financing flows to Latin American and the Caribbean (LAC) countries are significant for our institution. After the sharp drop in 2022, sovereign bond issuance in international markets by countries in the region rebounded in 2023, reaching USD 41.482 billion (USD 26.414 billion the previous year). However, this is a much lower amount than that observed in 2020

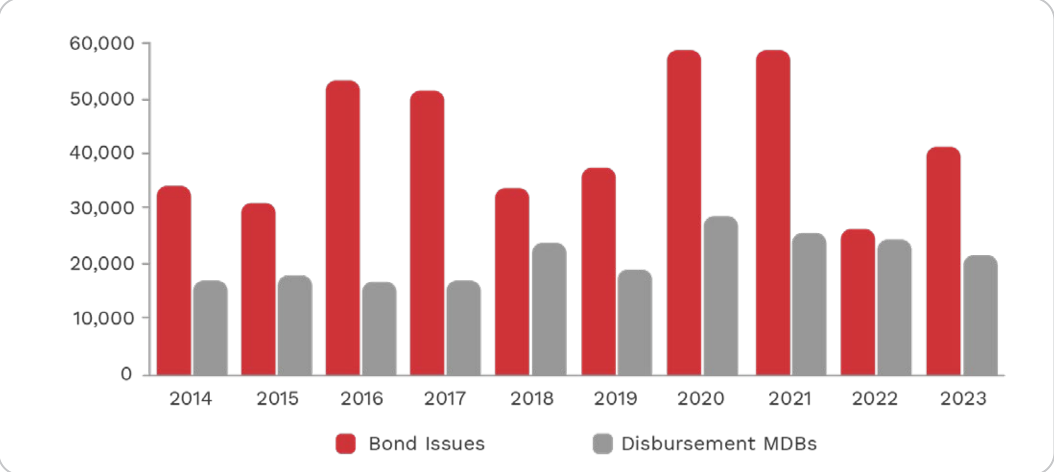
1 The analysis of international economic flows in this subsection uses data in current dollars compiled by UNCTAD.

and 2021, when the countries of the region, capitalizing the low interest rate environment, issued almost USD 60 billion dollars a year.

As for multilateral sovereign funding, we focus on the analysis of sovereign guaranteed loans disbursements to LAC countries by multilateral development banks (MDBs),[2] which totaled USD 21 billion in 2023. This is the third consecutive drop since the peak of USD 28.572 billion in 2020. Comparison with the pre-pandemic period shows that the amounts disbursed by MDBs in 2023 are very similar to the average of the pre-pandemic years.

Chart 2: LATAM Global Bond Issues and Multilateral Financing

(In USD millions)



Source: HSBC Bond Radar and Annual Reports of the World Bank, IDB, CABEI, CAF, and FONPLATA.

4. Subregional Outlook

In 2023, economic growth was still low in the countries that make up the FONPLATA subregion with increasing differences between them. The latest available information shows that Uruguay and Bolivia experienced lower growth in 2023 than in the previous year, whereas Argentina's economy dropped. Brazil's growth rate continued the same as in the previous year, being the only country in the subregion that performed better than expected.[3] Although Paraguay had virtually zero growth in 2022, in 2023 it achieved the highest growth rate in the subregion.

Exports of the subregion's economies were affected by the fall in international prices of commodities such as meat, soybean, wheat, and zinc. In addition, in the case of Argentina, Bolivia, and Uruguay, agricultural exports fell because of the El Niño weather phenomenon, which exacerbated the poor performance of the export sector in these countries. The situation was different in Brazil and Paraguay, which, despite the fall in prices, managed to increase their external sales due to higher export quantities, mainly of agricultural products. Regarding the energy prices decrease, the impact was positive for all countries except Brazil, which is a net exporter.

2 MDBs included: World Bank, Interamerican Development Bank (IDB), Central American Bank for Economic Integration (CABEI), Development Bank of Latin American and the Caribbean (CAF), and FONPLATA.

3 Based on data published by the World Economic Outlook (WEO) of the International Monetary Fund (IMF) and its respective updates during 2023.

The slowdown in domestic demand is widespread in the countries of the subregion. Both public and private investment levels were low in all countries, largely affected by high interest rates. Moreover, total investment as a percentage of GDP is below the average of the last 20 years, except for Paraguay. Household consumption, on the other hand, has been the most dynamic component of domestic demand, largely due to the recovery of real wages after the pandemic.

The fiscal consolidation process, which was expected to begin in 2023, was postponed to 2024. For different reasons, all countries in the subregion failed to lower their fiscal deficits during 2023, in a context of high indebtedness and rising external and domestic financing costs. Therefore, everything points to start of the fiscal consolidation process next year.

On the monetary front, inflation rates decreased in Brazil, Paraguay, and Uruguay, and are now close to the target set by their respective central banks. The decline in oil and food prices played a key role in bringing down goods inflation in these countries. In view of this reduction in inflation, the monetary authorities began to lower interest rates, although the contractionary bias continues. Bolivia, on the other hand, closed 2023 with controlled inflation, which remains the lowest in the sub-region. In contrast, Argentina's triple-digit inflation diverge greatly from the other countries in the subregion.

In a context of a weak external sector, low levels of investment, and the beginning of a process of fiscal consolidation, the subregion's prospects for 2024 are poor, accentuating the countries' slowdown in growth.

Table 2: FONPLATA's Member Countries GDP Growth (in %)

Country	2022	2023	2024e	2025e
Argentina	5.0	-1.6	-3.5	3.2
Bolivia*	3.5	2.4	2.5	2.5
Brazil	2.9	2.9	1.9	2.0
Paraguay	0.1	4.7	4.0	4.0
Uruguay	4.9	0.4	3.3	2.0

Source: National Accounts and Surveys of Economic Expectations of the respective central banks of the countries.
* Estimated values for 2023.

5. Outlook and Balance of Risks

The probability of a hard landing for the global economy in 2024 has been considerably reduced and the most recent IMF projections forecast growth in 2024 and 2025 to be the same or very similar to that of 2023. Monetary policy decisions taken by central banks allowed inflation to be significantly reduced. Except for Japan and Turkey, no central bank has raised its rates so far. Some, like most of the South American economies, are already in the process of reducing rates, while others, like the US and the Euro zone, are expected to reduce their rates as from the second half of 2024. In many countries, inflation in 2024 will remain above the level their central banks would prefer, but in the absence of further shocks, inflation will continue to fall.

The short and medium-term outlook for the subregion is diverse. Paraguay is the only country in the group for which dynamic investment and average growth rates of around 4% are projected for the next two years. For Argentina, recession is expected to deepen in 2024, with the economy returning to growth only in 2025. Although Bolivia, Brazil, and Uruguay have very different macroeconomic indicators, equally modest growth rates are expected for the 2024–2025 period.

While the balance of risks for the global economy is relatively even, high indebtedness, mainly in emerging markets, limits the room for fiscal policy maneuver. In terms of global inflation, there is a wide range of scenarios. It could be more persistent than currently anticipated by analysts and investors, which would postpone and/or slow down the process of rate reductions in advanced economies. Further interest rate increases could even be required if, for instance, geopolitical instability leads to new shocks in commodity prices. In particular, the conflict in Gaza and Israel could spill over into the region, affecting hydrocarbon supplies, while the war in Ukraine could generate new shocks to energy or other commodity prices. On the other hand, it is also possible that inflation eases faster in those economies where it remains high, allowing rates to be reduced faster and boosting economic growth.

Something similar happens with growth in China, a key driver of the global economy, and particularly for LAC. Whether because the problems in the real-estate sector are solved faster than expected or because the government chooses more expansionary spending policies, growth in that country would be higher than the projected base scenario, with all the positive effects that this would have on the rest of the global economy. But a more adverse scenario to the baseline scenario is also feasible. That is, that the real-estate sector crisis continues or that local governments face funding restrictions to conduct expansionary fiscal policies.

Finally, weather shocks such as those caused by the El Niño phenomenon in the region in recent years could be repeated, thus impacting directly and negatively on economic activity. In addition, it could indirectly increase food prices, threatening the disinflation process.

II. OPERATIONS BY COUNTRY

In the aftermath of the economic contraction and inflation generated by the pandemic that greatly affected the economies of the five member countries of Mercosur, followed by the electoral processes in three of them between the end of 2022 and 2023, there was a slowdown in economic growth. This contraction had a negative impact on job creation in FONPLATA's member countries, accentuating informal employment and gender gaps, among other effects.

In addition, as not a single country in the world is isolated from the effects of climate change, the region has been negatively affected by climatic phenomena in terms of economic effects in the medium and long term and loss of human lives.

In 2023, temperature reached higher levels than ever recorded, which triggered extreme weather events such as droughts, floods, heat waves, and fires that affected not only the productive economic base, environmental quality, people's quality of life, and the health of ecosystems, but also challenged the institutions and the very economy of the countries to cope with these impacts.

On the other hand, in May, the World Health Organization (WHO) lifted the international emergency due to the COVID 19 pandemic, marking a milestone that forces us to live with this disease and its effects.

In this global scenario, FONPLATA worked hard to achieve the operational goals set for this year, seeking to make its processes more flexible and adjust to the challenges imposed by our member countries, always collaborating closely with them and their strategic partners, consistent with our Mission.

The remarkable year 2023 began with great growth expectations after the Board of Governors completed the transition process of the Executive Presidency, appointing Luciana Botafogo Brito for the position on April 10, 2023, and approving an organizational restructure by eliminating the Operations and Countries Management and the Management of Finance and Administration and creating four vice presidencies.

This favorable situation was hit by high uncertainty due to the letter received from the then Governor for Argentina on April 21, 2023, communicating his government's intention to initiate the process of terminating membership in the Bank.

Despite this regional situation and the temporary suspension of approval of new financing and disbursements to Argentina approved by the Board of Governors as a consequence of the aforementioned communication, far from paralyzing its activities, the Bank focused on continuing its work in full compliance with its objectives of being a reliable, agile, proactive partner that ensures the lowest possible transaction costs.

In 2023, 10 sovereign risk projects were approved for a total amount of USD 535 million, an increase of USD 79 million over the previous year, with record approvals to Brazil and Uruguay, of USD 211 and USD 210 million, respectively.

At year-end 2023, the operating portfolio consisted of 113 operations for an aggregate amount of USD 3.608 billion, broken down as follows: 27 operations in the principal repayment stage for an aggregate amount of USD 400 million; 8 operations pending on effective date for an amount of USD 358 million; 57 operations in execution for USD 2.293 billion; and 20 operations for USD 517 million in the closing process.

Also noteworthy was the support provided to Uruguay's water crisis through an Emergency Response project for an aggregate amount of USD 60 million, designed in two stages. This experience led to the creation and regulation of a flexible financial instrument for a "Contingent Loan and Line of Credit for Immediate Response to Emergency Declarations" that can be used in a timely manner by the countries facing similar situations.

The strenghtening of the new liaison office in Asunción, Paraguay, together with the incorporation of staff in the four liaison offices, enabled us to work more closely and in coordination with the implementing agencies, jointly seeking solutions to the problems that arise during project execution.

The Bank's main achievements in operations were:

1. Implementation of a methodology to integrate the Sustainable Development Goals (SDGs, in line with the management and information needs required by the Sustainable Debt Framework), which allows the Bank to clearly distinguish for each project its contribution to both primary and secondary SDGs, improving FONPLATA's ability to demonstrate that the impacts or results of the activities of a specific project contribute to one or more of the SDGs.

2. Consolidation of the gender perspective within the institution and especially in operations, based on the Gender and Diversity Strategy 2023–2030 and the "Gender Equality and Youth" Compensation Line, an instrument developed during the current Management, through which member countries will be able to access more favorable financial conditions. Before year end, the first operation to benefit of this funding line was approved to the municipality of Campina Grande, Brazil, for USD 26 million.

3. Integration of projects' vulnerability to climate change in environmental risk assessments. By the end of 2023, 35% of the project portfolio had already integrated this information.

We also continued to develop and improve operational IT systems, putting the Strategic Project Situation and Planning (SyPEP) system into full production and institutionalizing the classification of the Bank's operational portfolio for short-term planning purposes. FONPLATA is currently developing an IT solution to computerize project planning and procurement management processes through the Procurement Management System (SGA), with full remote interaction capabilities with external clients. The purpose is to leverage the increased use of information technology to help reduce the workload of implementing agencies and analyze the behavior of project procurement in order to make decisions and take actions with a higher level of reliability. Finally, the Operations Management System (SGO) is being designed. It is a platform that will bring together all the systems developed and enable the integrated management of projects from the preparation stage to closure.

The operations portfolio of each of the five member countries is presented below.

1. Argentina

Due to the aforementioned uncertain situation with Argentina, the normal flow of operating activities with the country was interrupted as of April 21, 2023, and resumed in January 2024 with the formal communication by the Governor, on behalf of the new government authorities, ratifying the sovereign decision of Argentina to remain a full member of the Bank. Thus, constructive dialogue has restarted to support the new authorities in advancing their priorities in terms of integration and economic and social development, which will lead to a process of reprioritization and restructuring of operations in 2024.

The funding portfolio for Argentina amounts to USD 916 million and consists of 45 operations, of which 12 are in the principal repayment stage (USD 141 million); 8 have disbursed all the resources and are in the process of signing the closing record (USD 137 million); 23 are in execution (USD 594 million); and 2 are pending the signing of the respective loan agreement (USD 44 million).

2. Bolivia

In 2023, the country requested the Bank's support for financing projects involving road infrastructure, job creation, and sports infrastructure in educational institutions. Two projects were approved, amounting to USD 132 million. The first refers to increasing the number of lanes on a key road network, an integral part of the bioceanic corridor, linking La Paz and Oruro in the Senkata—Apacheta section for USD 57 million, and the second, to the paving of a departmental highway in a highly productive area of the country such as Yapacani, Department of Santa Cruz, for USD 56 million. Two other operations are being prepared: the first, related to the fourth phase of the Employment Generation program at national level, focusing on gender and youth, for USD 100 million; the other refers to the construction of complementary sports infrastructure in educational units throughout the country, for USD 50 million.

In terms of operations under execution, the third phase of the Employment Generation program stands out. With gender and youth focus, it has achieved exceptional progress, reaching 86% execution and 30% of young people and women global participation, in line with the planned objectives.

By the end of 2023, the portfolio under implementation amounted to USD 674 million, covering 18 operations: 4 projects at the principal payment stage (USD 69 million); 7 in the process of signing the closing record (USD 210 million); 5 operations in full execution (USD 282 million); 2 in the process of becoming effective (USD 113 million). Additionally, there are 2 in the preparation process (USD 150 million).

3. Brazil

As a result of the work carried out with the municipal governments and the External Financing Commission (COFIEX) mechanism, 2023 fiscal year set an all-time record in approvals, with five projects approved for USD 211 million, consolidating the Bank's presence in Brazil. With this, the portfolio reached 28 operations, for a total amount of USD 820 million, comprising 6 operations in the process of amortization (USD 20 million); 18 operations in full execution and disbursement (USD 599 million); and 4 approved operations pending signature (USD 201 million).

In Brazil, the Bank is focused on supporting municipalities from 100 thousand to 300 thousand inhabitants, as well as the governments of the Northern and Northeastern regions. With these resources, the Bank is contributing to climate change adaptation and mitigation actions, which translates into granting favorable funding by accessing the Bank's Green Line, for USD 58 million.

Operations approved in 2023

The Maceio operation was approved for USD 40 million. It aims at improving the city's resilience and urban quality, contributing to the quality of life of its people by stabilizing slopes and improving marketing conditions through the construction of the city's central market. Since the project focuses on climate change adaptation, it benefited from preferential interest rates offered by FOCOM under the Green Line, covering up to USD 10 million in funding.

A USD 30 million operation was approved for the municipality of Itabuna, state of Bahia, where the municipal government seeks to reduce pollution of the Cachoeira river through the construction of sewage collectors and wastewater pumps, and expand and optimize the São Judas sewage pumping station, as well as the sewage treatment plant located in the São Pedro neighborhood. In addition, urban integration works and construction of urban spaces were also financed. Of the total operation, USD 10 million were funded by the Bank's Green Funding Line.

After decades of not funding state-level governments, FONPLATA approved a USD 39 million project for the government of the state of Acre. The operation, called Infrastructure and Sanitation Program of the State of Acre – PROISA – City of Rio Branco, will enable the completion of part of the Metropolitan Arch in a stretch of about 19 km, aiming at streamlining the traffic flow coming from the international route BR-364. Moreover, the Bairro XV bridge will be built, joining the left and right banks of the Acre River in the central area of Rio Branco. This operation will benefit from the Green Funding Line for up to USD 13 million.

The USD 50 million operation for the Municipality of Florianopolis aims to improve urban mobility and promote economic and social development through the construction of the 4.5 km-long Avenida Beira Mar Norte Continental – Stage II, thus providing structural improvements to the city and increasing the quality of life of the population. The project is supplementary to the interventions carried out in 2004 and will benefit from the Green Funding Line for USD 25 million.

Finally, in the Municipality of Campina Grande, State of Paraiba, a loan of USD 52 million was approved to help reduce the incidence of flooding in the most vulnerable areas through macro and micro-drainage works, the construction of a sewage treatment system, the implementation of a park on the banks of a watershed area, and a solution for the collection and treatment of wastewater to curb the pollution of the dam's waters. These investments aim at generating employment, developing local economy, and creating opportunities for young people from lower-income families.

4. Paraguay

In 2023, FONPLATA's efforts in the country were aimed at ensuring that the entire portfolio was in force and under efficient execution.

By year's end, the active portfolio in Paraguay totaled USD 820 million, distributed among eleven operations: two are in the principal repayment stage (USD 66 million) and the others are in full execution (USD 648 million). For the next few years, approvals are expected to reach USD 310 million.

FONPLATA's portfolio in Paraguay is concentrated in the transportation and energy sectors, where its participation in emblematic projects to improve the competitiveness and connectivity of the regions is noteworthy. For instance, in December 2023, the Alberdi–Pilar highway was initiated, a long-awaited dream of the population of these towns. It connects them to Asuncion, improving accessibility to social and healthcare services, and boosting the economy of the department of Ñeembucú, as well as the development of the port of Pilar. Also noteworthy is the Bank's contribution to the Valenzuela power substation project, which, together with the already inaugurated Iguazu substation, will enable the country to take full advantage of the energy provided by the national hydroelectric system.

The Bank is also participating in the economic and social development of the Paraguayan Chaco. An international bidding process took place to contract the companies that will conduct the construction and maintenance of a 227 km stretch of Route PY-15 Mariscal Estigarribia–Pozo Hondo Section (Bioceanic Corridor). The hiring of construction inspection services is in process, and the works are expected to begin by the end of the first quarter of 2024. This highway is a central part of the Latin American integration road axis that will connect not only the Paraguayan Chaco, but also northern Argentina and southwestern Brazil with the ports of the Atlantic and the Pacific.

Additionally, in this same region, the preparation of bid documents has begun for the construction of the 220 kV transmission line that will increase the capacity of the transmission system in the region's north and west and the distribution system in the Low Chaco. This work will guarantee the safe and reliable provision of electrical energy for the expected growth in demand.

Finally, in mid-2023, came into force the loan operation for the construction of National Route No. 17, between Pedro Juan Caballero–Capitan Bado–Itanará–Ypejhú (Sovereignty Route), a project of singular importance for the social and economic development of the northeastern region and for the economic integration of Paraguay. In the second half of 2023, the international bidding documents for the works and its inspection were prepared and will be published at the beginning of 2024.

5. Uruguay

FONPLATA has historically supported the country by funding the investment plan of state-owned companies in strategic sectors such as road network, which concentrates 76% of the total amount of the portfolio under execution; whereas water and sanitation represent 16%, and the productive sector, 8%. At the end of 2023, the active loan portfolio amounted to USD 484 million, made up of eleven operations distributed as follows: three operations are amortizing principal (USD 104 million); five are in the process of closing (USD 170 million) and three operations, in execution (USD 210 million).

The infrastructure and transport sector in Uruguay is considered one of the main pillars to increase the competitiveness of the export sectors and leverage Uruguayan productive development. During 2023, the Bank approved the largest loan transaction with sovereign guarantee for an amount of USD 300 million for the road infrastructure sector through the Program to Improve the Competitiveness of the National Road Network linked to Agro-industrial and Forestry Freight Transportation and Integration with the Railway Network. This operation funds the improvement of three of the four sections of one of the main international corridors in the country, Route 5, in the departments of Florida and Durazno, as well as the rehabilitation and maintenance of other sections and accessory road works for better links with the railroad network. This important investment complements interventions carried out within the framework of the Program for Adaptation of Road Infrastructure to the Needs of Forest Transport, through which a set of investments in road network infrastructure for the rehabilitation and maintenance of road sections, and the construction and rehabilitation of bridges were partially financed.

Likewise, within the framework of the water emergency declared in 2023 by the Uruguayan Government that had special impact on the Santa Lucia River basin, the main source of fresh water for the supply of the metropolitan region, FONPLATA approved in record time a loan transaction for USD 60 million to maintain the quantity, continuity, and quality of water distributed to more than 60% of the Uruguayan population to mitigate risks to human health and the ecosystems.

In recent years, the Bank has positioned itself in Uruguay with the loan instrument for proportional funding of investments (FPI) and its structuring in successive stages that allows the country to use the available resources when needed, support national systems and monitor national plans to improve the quality of life of the population.

6. Non-Sovereign Risk Loans

Non-sovereign operations have had a significant dynamic in 2023. The portfolio totaled USD 164 million at the end of 2023, representing an increase of 36.6% compared to the previous year. Disbursements also showed positive behavior reaching USD 59.5 million at the end of 2023, close to 77% above the amount registered in 2022.

During 2023, two new non-sovereign operations were approved for Brazil. The first is an extension of an existing USD 34 million line of credit with the Minas Gerais Development Bank, which will be used to provide funding to meet the demand for financial resources from municipalities in the State of Minas Gerais. These funds shall be used mainly for investments in works, goods, and services, to generate environmentally sustainable economic and social development.

The second operation granted up to USD 10 million to Badesul – Development Agency and aims at promoting regional development by funding projects in the productive sectors, urban infrastructure, and the development of micro and small enterprises. It is worth mentioning that this non-sovereign operation was the first to apply flexible financial conditions, allowing the possibility of modifying the schedule, principal repayment amount, disbursement currency, and interest rate.

7. Prevention of money laundering and terrorist financing

Prevention of money laundering and terrorist financing is still a high priority for FONPLATA. As the Bank operates only with the public sector of its member countries, this risk remains low. Payments to third parties processed upon request of the implementing agencies within the framework of the operations financed is marginal and subject to the appropriate and effective controls by Management. In 2023, there were no recorded transactions that, due to their nature or actors involved, raise suspicions or other issues requiring special attention.

8. Report on approved technical cooperation operations

The Technical Cooperation Program aims at supporting the process of identifying and preparing projects, as well as the exchange of knowledge for the dissemination of best practices and the incorporation of new technologies.

During 2023, the Bank approved 6 non-reimbursable technical cooperation transactions in the amount of USD 795 thousand, of which USD 175 thousand were pending disbursement on December 31, 2023.

The purpose of the main technical cooperation operations approved during 2023 is described below. Most of them are related to studies required for the preparation of projects that are funded by the Bank.

- OCT/NR-ARG-61/22 "Rio Bermejo Basin Development Program" – USD 100 thousand: FONPLATA approved the funding for the "Rio Bermejo Basin Development Program – 2nd Stage", aiming at contributing to the sustainable development of the Rio Bermejo Basin and improving the quality of life of the local population. Given the importance of the operation, the Bank approved a supplementary technical cooperation aligned with the loan in preparation to support and supplement the preparation of the Program, as well as to assist in the identification of projects that contribute to the development of productive uses of the Lower Basin of Rio Bermejo, by funding relevant supplementary technical studies that contribute to the Program and the area of intervention.

The activities to be conducted within the framework of the Technical Cooperation are related to the preparation of pre-investment technical studies, which include, among other organizational/operational issues, the water supply service operator to analyze the water issues and the operating and management conditions for water supply.

- OCT/NR-PAR-62/23 "Institutional Strengthening of the priority areas of public administration of the government of the Republic of Paraguay" – USD 80 thousand: As one of the objectives of FONPLATA's Technical Cooperation Program is to strengthen the intellectual, technical, and institutional capacities of the member countries' governments or any political divisions, the Bank approved non-reimbursable resources to strengthen Paraguay's Transition Team. The main objective of the technical cooperation was to contribute to the government transition process, supporting the responsible officials and technicians who will be in charge of the economic and financial policy of the new government.

The operation involved the preparation of a government plan framework document setting the general guidelines in accordance to the government program vision for 2023–2028. It also included other technical activities related to the transition process such as the management of the handover process, the development of a methodology for the construction of a roadmap for the first 100 days of the main institutions, and a proposal for a Government Program that incorporates the base proposal and roadmaps of the ten prioritized institutions.

This operation would enable the new economic authorities to make progress in defining the core aspects of the new administration's economic and financial strategy. It was also intended that technical cooperation would help define the agenda of priority reforms to be promoted by the economic authorities of the elected government.

- OCT/NR-BRA-63/23 "Strengthening the Program Transforma Campina" – USD 75 thousand: The main objective of the Special Line for Pre-investment Activities (LEAP), within the Technical Cooperation Program, is to support actions related to pre-investment projects within FONPLATA's member countries, which lead to the preparation of potential new loan transactions for the Bank. FONPLATA approved a CT-LEAP for the Municipality of Campina Grande, Brazilian state of Paraiba, which aims at strengthening technical, social, and operational capacities of the municipality, for the design and execution of the Mobility and Socio-Environmental Development Program of Campina Grande. This program is under the scope of the Municipal Law No. 8591, which authorizes the Municipal Executive Branch to sign a lending agreement with FONPLATA.

This technical cooperation operation is expected to provide technical support to the Municipality of Campina Grande through the conception, design, and execution of a risk strategy for the functional revitalization of Feira Grande. Likewise, it is intended to strengthen the technical capacities of different Municipal Secretariats to assist in the process of conception and design of the executive projects. All these efforts shall result in the mitigation of risks identified during the preparation phase, both in the design phase and at the beginning of the execution of the works, through quality executive projects, and according to the timeline established in the loan agreement.

- OCT/NR-URU-64/23 "Water Emergency in Uruguay" – USD 150 thousand: FONPLATA, as a development bank, provides support, to the extent of its possibilities, to meet the demand for resources required by the governments of member countries to help mitigate the negative effects of natural or health emergencies. Thus, when the Uruguayan President, experiencing one of the worst droughts in the recent history of the country, decreed a water emergency for Montevideo and surrounding areas and requested support, FONPLATA responded promptly, approving technical cooperation to help mitigate the impact of this situation on the most vulnerable populations, cooperating with the national emergency plan through concrete and solid actions such as the delivery of bottled drinking water.

- OCT/NR-BOL-65/23 "Implementation of the post-pandemic ERCE study" – USD 160 thousand: In recent years, Bolivia has seen disparities in access to education, education quality, and effective learning. This situation was exacerbated with the closure of the school year in 2020 due to the COVID 19 pandemic and the irregularity of educational services in 2021 and 2022. These challenges led the Bolivian Government to obtain reliable and updated data on the quality of education in the Bolivian territory to design effective policies and strategies to address existing gaps and move towards a more equitable education system with more quality.

Considering that the last evaluation of elementary education was conducted in 2017 by the Latin American Laboratory for Assessment of the Quality of Education, the Bolivian Government requested FONPLATA's support through non-reimbursable technical cooperation for the implementation of the post-pandemic Comparative and Explanatory Regional Study (ERCE), aiming at measuring educational quality at the national level in community educational units in the nine departments of the country.

- OCT/NR-ILAT-60/22 "ILAT Alliance – Year 2023" – USD 200 thousand: The Alliance for the Integration and Development of Latin America and the Caribbean (ILAT) is made up of IDB, CAF, and FONPLATA, institutions that agreed to form an alliance as an autonomous space that does not depend on the political situation of the countries. The Alliance is intended to support the countries' efforts to identify, plan, and prioritize integration projects and initiatives, generate knowledge and technology applied to projects, develop binational or multinational integration spheres, and implement high technical quality and transparent regional infrastructure works.

Within the framework of the three-year Work Plan, three key components were defined: 1) Integration Infrastructure Projects; 2) Integration and Development Programs; 3) Knowledge and Technology Applied to Integration Projects; and a cross-cutting component: positioning and dissemination. In this sense, through this technical cooperation FONPLATA co-finances the Alliance's 2023 Work Plan, which aims at consolidating and positioning ILAT as a working space for the development of quality and innovative integration infrastructure, within a transparent and collaborative framework.

9. Commitment to sustainability

The mission defined in FONPLATA's Institutional Strategic Plan (2022–2026) incorporates and highlights the importance of promoting sustainable socioeconomic outcomes to foster inclusive development in its member countries. This concept encompasses environmental sustainability and entails the commitment to promote the efficient use of natural resources, reducing the economic and social impacts of climate change and natural disasters, thus contributing to the achievement of global commitments to sustainable development.

In that sense, FONPLATA adopted its Sustainable Debt Framework (MDS) in 2021 to guide future issuances of green, social, and sustainable debt instruments, including bonds, loans, or other financial instruments with different formats, maturities, and types of offers.

The year 2023 registered milestones that reinforce FONPLATA's positioning as a bank committed to sustainability. At the same time, they are a platform to drive a new cycle of the Bank with a solid and growing alignment with sustainability by enhancing development results in its member countries.

The milestones recorded during 2023 result from incremental advances over the past few years in the Bank's mission framework and, in some cases, mark the completion of key stages of institutional evolution. One of the milestones that marked both the completion of an incremental process and the beginning of a new stage for the Bank was FONPLATA's first issuance of Sustainable Bonds under its MDS in Japan in March. This successful issuance, in 2023, for USD 54 million materialized the objective of establishing a sustainable funding program in the international capital market and positioned the Bank to access new opportunities to generate greater value and expand its contribution to the sustainable development of its member countries.

Another milestone during the year was the completion of the process of developing an updated methodology for linking operations to the SDGs, a product of previous work. The adoption of the updated methodology improved the Bank's ability to demonstrate how the results of each project's proposed activities contribute to the SDGs, identifying in a well-founded manner which goals a project contributes to and to what extent. Also, a Memorandum of Understanding was signed with the United Nations Development Programme (UNDP) with the aim of generating active collaboration between the two institutions. One of the joint actions areas is to strengthen the alignment of FONPLATA's project portfolio with the SDGs. This will enable to further refine the Bank's methodology and enhance its contribution to the achievement of the SDGs.

Significant progress was also made in 2023 within the framework of the Bank's Socio-Environmental Strategy, through its funding operations. During the year, the Environmental and Social Risk Management Guidelines were updated to enable better management of social risks in projects. Additionally, progress was made in extending the application of a more refined environmental risk analysis to projects.

In the social area, an important step forward in 2023 was the adoption of the Bank's first Gender and Diversity Strategy, which formalized and reinforced FONPLATA's commitment to inclusion, comprising the protection of the rights of the most vulnerable groups, including children, adolescents, disabled people, the unemployed, and the elderly, and focusing on the gender perspective. The commitment to inclusion also prompted the approval of the Gender Equity and Youth Compensation Line which, based on the experience of the Bank's Green Line, offers more favorable financial conditions for operations that support gender equity and the generation of opportunities for young people. With this, FONPLATA is positioned to continue contributing to the expansion of social development results in its member countries.

The Bank's commitment to sustainability was also reflected in its participation in several initiatives during 2023. In a leading role, it organized in partnership with the Latin American Investment Facility (LAIF) the "Mayors Forum: Sustainable Cities" in Brasilia, Brazil, an event supported by the European Investment Bank (EIB) and the French Development Agency (AFD). At the Forum, ministers, municipal mayors, representatives and executives of international organizations, development agencies, academics, and experts shared best practices in sustainable development, and promoted the transfer and adaptation of technologies and knowledge applied to climate finance issues, as well as the role of women's leadership in the region's development. It is also important to highlight the Bank's participation in COP28 in Dubai, where an agreement was signed with the Asian Infrastructure Investment Bank (AIIB), in which both institutions committed to promote joint initiatives in sustainable infrastructure, energy transition, and climate change.

III. FINANCIAL RESULTS

The following is a comparative analysis of the Bank's achievements during the fiscal years ended December 31, 2023, and 2022, respectively.

The year 2022 marked the return to the on-site/hybrid work modality after almost two years of remote work and restrictions that affected normal human interaction as a result of the COVID 19 pandemic. The return to an on-site working modality allowed the Bank to increase its focus on consolidating its presence and the regular dialogue with its member countries, in accordance with the Institutional Strategic Plan (PEI) 2022–2026. In line with this objective, liaison offices were opened in Buenos Aires and Brasilia, and 25% of the staff was assigned to the offices in Asuncion, Buenos Aires, Brasilia, and Montevideo.

In mid-September 2022, with the second five-year term of the Executive President ending, the Board of Governors appointed Luciana Botafogo Brito, who was serving as Operations and Country Manager, as interim President for a six-month period, to start the succession process.

Such process ended on April 10, 2023, with the appointment of Luciana Botafogo Brito as Executive President of the Bank for a five-year term.

At the same time, the Board of Governors created four vice presidencies, namely, Executive Vice-Presidency, Strategic Development Vice-Presidency, Operations and Countries Vice-Presidency, and Finance Vice-Presidency, and eliminated the Operations and Countries Management and the Management of Finance and Administration, without changing the budget approved for 2023.

On April 21, 2023, the then Governor for Argentina, in a letter delivered in hand to the Executive President of the Bank and addressed to the Governance, expressed his country's willingness to initiate the process of withdrawal from membership, in accordance with the provisions of the Bank's Articles of Agreement.

This communication gave rise to several meetings of the Governance to clarify the procedure to be followed, which establishes a period of 12 months from the communication of a member country to proceed with its withdrawal from membership.

Among the important points agreed upon were the suspension of disbursements in current operations with Argentina and the non-approval of new funding as from the date of the communication. Likewise, it was established that these measures would be null and void if Argentina decided to withdraw the letter presented before the expiration of the 12-month term counted as from April 21, 2023, or if the formal acts required to renounce the Articles of Agreement in accordance with the laws in force in the Argentine Republic did not take place.

These measures were rescinded upon receipt of the letter signed by the Governor for Argentina on January 18, 2024, ratifying the willingness of the country to continue as a full member of the Bank and withdrawing the letter sent by his predecessor on April 21, 2023.

This communication marked the end of a period of just over 10 months characterized by a greater degree of uncertainty that affected the level of growth expected for 2023.

Among the most relevant direct effects of such events, the following stand out:

- Lower growth in the loan receivable portfolio in the face of the suspension of disbursements.
- Temporary suspension of fundraising activities that were underway and included the registration of FONPLATA as a public issuer with the Mexican National Banking and Securities Commission, and the registration of a medium-term debt program with the London Stock Exchange, United Kingdom.
- The suspension of the revision of the secondary organizational structure to complete the restructuring process initiated with the creation of the four vice presidencies approved by the Board of Governors on April 21, 2023.

It is noteworthy to highlight that this situation served to strengthen the will and support of the Governance, as well as to show the resilience and determination of Management and staff to remain a step ahead to continue advancing in their role of supporting the member countries in their efforts towards integration and inclusive development of their people, through the funding of new projects.

Within this context, it should be noted that 12 operations were approved during 2023, for a total of USD 578.3 million, including two operations without sovereign guarantee for USD 44 million, which is equivalent to a 26.7% increase with respect to the USD 456 million approved in 2022, a new record in the Bank's history. In addition, USD 291.7 million was disbursed, including USD 59.5 million in funding without sovereign guarantee, and USD 175.5 million in principal repayments were received, of which USD 37.2 million were loans without sovereign guarantee.

Thus, in 2023, the growth of the loans receivable portfolio, the Bank's main financial asset, was of USD 116.4 million or 6.6%, significantly lower than the USD 241.2 million growth of 2022, equivalent to 15.9%. This lower growth is explained by the suspension of disbursements on performing loans in Argentina, together with the collection of USD 35.8 million in principal repayments.

Isolating Argentina's temporary situation, the real growth of the loan portfolio was of USD 146 million or 11.5%, which is similar to the 12% growth that was projected at the time of the approval of the Program and Budget Document for 2023. This shows the commitment and effort of the Bank to achieve the expected results, in spite of the challenges faced.

For instance, taking as a basis the 2012 financial results, which constitute the initial parameter for the first PEI that covered the 2013–2022 cycle, the average annual lending capacity expanded based on a multiplier of 11 times, and the loan portfolio grew 7.4 times, at an average rate of 20%.[4] Authorized capital grew slightly

4 Based on figures as of December 31, 2012.

more than 6 times, from USD 489.2 million to USD 3.014 billion. Risk ratings of A-, obtained at the end of 2016 from Standard & Poor's, were upgraded to A with a stable outlook in 2021, then modified to negative outlook in 2023,[5] and modified again to stable outlook in February 2024. Whereas risk ratings by Moody's remained A2 with stable outlook.

In spite of the high level of uncertainty of the last nine months of 2023, the unconditional support of the Governance and the unwavering determination of Management and staff to reaffirm the values that are part of FONPLATA's institutional DNA, as a reliable, proactive, and flexible partner to respond with diligence and effectiveness to the demands of its member countries in terms of funding, to narrow the existing gaps in inclusive social development, health, education and infrastructure, were decisive to successfully overcome the challenges faced.

The confirmation of the Government of Argentina that the country would continue as a full member of FONPLATA on January 18, 2024, was followed on January 27, 2024, by the entry into force of the Bank's new Articles of Agreement, which, among its most important aspects, expresses the Bank's capital in shares and opens membership to new members, countries and institutions.

Completing the picture of good omens for the Bank's future growth, and as a direct result of the work of Management and the Executive Board of Directors in 2023, the Board of Governors approved, on February 5, 2024, an increase in authorized capital from USD 3.014 billion to USD 6.5 billion, thus making it possible to consider future increases in subscribed and paid-in capital and committed capital, as well as the incorporation of new members.

Since 2013, the Bank has maintained a prudent management of financial assets and liabilities that meets the expectations of the capital markets, to which the Bank had direct access, raising funds on better terms and conditions, and at lower financial cost for the benefit of its member countries.

As part of the indebtedness planning and as a result of the approval of the "Sustainable Debt Framework", certified by Sustainalytics at the end of 2022, on March 24, 2023, and under the private placement method, the Bank issued two series of sustainable bonds in Japan raising JPY 7 billion, equivalent to USD 54 million. Following this issuance and because of the uncertainty created by Argentina's intention to initiate the process of terminating its membership in the Bank, the issuance program was suspended and USD 59.8 million was borrowed under existing lines of credit,[6] for a total of USD 113.8 million.

These resources will be used to fund the loan disbursements to be required for the next 12 months, the servicing of borrowings and the payment of the Bank's operating expenses in compliance with the liquidity policies.

It should also be noted that the Bank has strengthened its strategic position as trustee of the Structural Convergence Fund of MERCOSUR (FOCEM), a function assigned to the Institution in 2020 thanks to its reliability and prestige.

5 This is a consequence of Argentina's withdrawal from the Bank's membership, as previously noted.
6 USD 19.5 million under the USD 100 million facility contracted with the Inter-American Development Bank (IDB), and USD 18 million from the European Investment Bank (EIB), completing the total contracted under the USD 60 million line, and EUR 21 million, equivalent to USD 22.8 million, was received under a line contracted with KfW in December 2022.

In sum, despite the difficulties arising from the high degree of uncertainty faced between May and December 2023, the support of Governance, coupled with the strong determination of Management and staff to reaffirm the Bank's role as a reliable, agile, flexible, and cost-efficient partner, allowed us to successfully navigate this unfavorable juncture and transform it into a promising future beginning in early 2024.

1. Business Model

The architecture of the business model is designed with the purpose of helping the member countries improve the quality of life of their people by funding projects focused on improving integration and socioeconomic development. The Bank finances its lending program by leveraging its equity, which is comprised of paid-in cash and callable capital subscriptions, as well as reserves from the accumulation of retained earnings.

The bank's lending capacity currently amounts to USD 4.65 billion and is determined based on a multiplier of three times total equity, which, as of December 31, 2023, amounts to USD 1.55 billion (2022 – USD 1.329 billion). The Bank's borrowing capacity is determined based on a multiplier of two times total equity plus net assets, which is equivalent to USD 3.83 billion (2022 – USD 3.214 billion).

The Bank's main financial assets are loans granted to the member countries. All financial assets and part of financial liabilities are traded and denominated in US dollars and bear interests based on a reference rate plus spread. Liabilities contracted in other currencies and at rates other than the loans' reference rate are swapped into US dollar denominated obligations based on the loans' reference rate, thereby reducing the risk of exposure to fluctuating exchange rates and interest rates, in compliance with the Bank's financial policies.

For all loans approved on or after January 1, 2022, the reference rate is the compounded SOFR in arrears, which is also the reference rate for loan agreements approved prior to that date and which have been converted by mutual agreement with the member countries. All loan agreements have been converted to SOFR in arrears on December 31, 2023, except for 16 loans granted to Bolivia (which are at the synthetic Libor[7] rate and were converted to SOFR in arrears on January 10, 2024; the last loan will be converted to SOFR in arrears on March 14, 2024), and two loans granted to municipalities in Brazil (which remain at the 6-month Libor rate).

The Bank maintains liquidity to ensure its ability to meet its estimated commitments for loan disbursements, to pay debt services, and to cover operating expenses and planned capital investments to be incurred in the 12 months following the closing of each month. Liquidity is invested for the sole purpose of reducing costs and optimizing the use of the resources needed to maintain the liquidity level required by the Bank's policies.

The following sections and subsections present a detailed explanation of the financial performance during the fiscal years from January 1, 2021, to December 31, 2023.

7 The synthetic Libor rate as of December 31, 2023 is similar to the SOFR rate due.

Note that, as the increase in equity is a direct function of the increase in assets over liabilities, a detailed explanation of the evolution of financial assets and liabilities is included to help illustrate the growth and financial strength achieved to date.

2. Capital structure, lending capacity and funding sources

The process of subscription and commitment of the total callable capital corresponding to the first and second capital increase approved in 2013 and 2016, respectively, ended in 2018. In the latter year, the cash contributions corresponding to the first increase were received and the payment schedule for the second increase began. Total paid-in capital in 2023 amounted to USD 129 million (2022 – USD 75 million), totaling the paid-in capital on December 31, 2023, USD 1.210 billion (2022 – USD 1.082 million). Also, on January 3, 2023, the Bank received USD 70 million in payment of most of the amount owed by Brazil in installments of subscribed paid-in capital in cash.

Table 3 shows the evolution of the capital structure for each of the last three years.

Table 3: Capital Structure
(In million US dollars)

Capital	Fiscal Years ended December 31		
	2021	2022	2023
Authorized*	**3,014.2**	**3,014.2**	**3,014.2**
Paid in	1,349.2	1,349.2	1,349.2
Callable	1,665.0	1,665.0	1,665.0
Subscribed	**3,014.2**	**3,014.2**	**3,014.2**
Paid in	1,349.2	1,349.2	1,349.2
Callable	1,665.0	1,665.0	1,665.0
Available	**2,581.8**	**2,671.4**	**2,746.7**
Paid in	1,006.4	1,081.7	1,210.4
Callable	1,665.0	1,665.0	1,665.0

* On January 27, 2024, the new Articles of Agreement of FONPLATA Development Bank became effective, following completion of the legislative approval process by member countries, and on February 5, 2024, the Board of Governors, upon the recommendation of the Executive Board of Directors, approved an increase in the Bank's authorized capital by USD 3.486 billion, from USD 3.014 billion to USD 6.5 billion. This increase in authorized capital will make it possible for the Board of Governors to consider an increase in the amount of cash paid-in capital and callable capital pledged by member countries, as well as the admission of new members as contemplated in the new Articles of Agreement.

3. Composition of Equity

The Bank's equity increases in two ways: (i) installments of paid-in capital made by member countries; and (ii) surplus income over finance and administrative expenses. Income is the result of the accrual of interests on loans and return on investments of liquid assets, which comprise financial assets (net of projections for losses on loans and investments). Expenses refer to the cost of funding and interest and commissions on borrowings, which comprise financial liabilities, as well as expenses needed for the normal operation of the Bank. The next sections present a closer analysis of the evolution of financial assets and liabilities during the year 2023.

As shown in Table 4, as of December 31, 2023, equity amounted to USD 1.55 billion, representing a USD 179 million increase (17%) over the amount registered in 2022, of USD 1.329 billion. The following table details the composition of this increase.

Table 4: Equity

(In million US dollars)

Equity	Amount
Equity as of December 31, 2022	**1,329**
Paid-in capital payable in cash received in 2023	129
Profit allocation to the FOCOM/PCT by the A.G.	(4)
Unrealized investment gains — OCI	4
Net income for fiscal year 2023	92
Total net increase for fiscal year	**221**
Equity as of December 31, 2023	**1,550**

Component	Fiscal Years ended December 31		
	2021	2022	2023
Paid-in capital	1,006.5	1,081.7	1,210.4
Reserves	174.5	199.6	247.1
Retained earnings	24.0	47.6	92.1
Total Assets	**1,205.0**	**1,328.9**	**1,549.6**

4. COVID 19 Spillover Effects and Geopolitical Crisis

Since the fourth quarter of 2021, interest rates have risen rapidly due to the efforts of major economies to contain the inflation resulting from the disruption of global production and supply chains during the pandemic. This increase was accelerated by the conflicts caused by the Russian invasion of Ukraine and exacerbated by the instability caused by the conflict in the Middle East. The Secured Overnight Financing Rate (SOFR), the reference rate used for the Bank's loan operations since January 1, 2022, was at 425 bps during 2022 and increased by 108 bps in 2023.

Although the monetary contraction cycle initiated by the United States Federal Reserve in 2022 is expected to end, interest rates will probably remain unchanged and may begin to taper in the second half of 2024, as long as core inflation does not exceed 2%–2.5% a year.

Income from loans, the Bank's main financial asset, consisting of interest and commissions on loans, amounted to USD 147 million, reaching an average return of 806 bps. This level of income, compared to the USD 76 million earned in 2022, is primarily the result of the increase in the loan reference rate and represents a nominal average return rate of 127% or 346 bps.

Investment income from liquid assets amounted to USD 30 million, equivalent to a rate of return of 493 bps, while in 2022 the return was of USD 2 million or 42 bps. As in the case of loans performance, the increase in return on investment is mainly due to the increase in interest rates between 2022 and 2023.

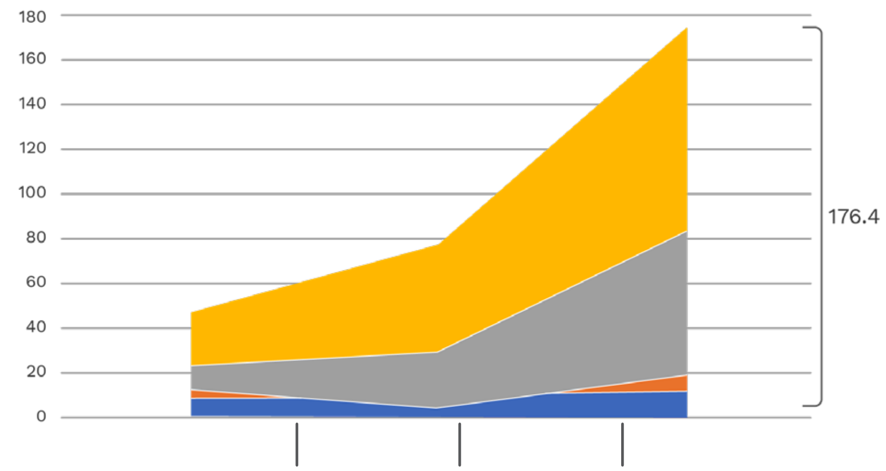
In relative terms, the cost of borrowing increased by 380 bps, equivalent to 143%. In nominal terms, the average cost of borrowing increased from 264 bps in 2022 to 644 bps in 2023. The average volume of indebtedness or financial liabilities grew by 6.4%, so, as in the case of the return on financial assets, the increase in the financial cost is mainly due to the increase in the reference rate.

The return on net financial assets in 2023 was USD 112 million, equivalent to an average rate of return of 774 bps, which compares very favorably to the net return of USD 53 million, or 412 bps, obtained in 2022. This represents a nominal increase of 111%.

Chart 3 shows the evolution of income over financial assets, showing a significant recovery of the income level during the most critical period of the COVID 19 pandemic, where the 6-month Libor rate, which was the loan reference rate until December 31, 2021, reached its lowest historical level.

Chart 3: Income and Expenses

(In million US dollars)



	2021	2022	2023
Net income	24.0	47.6	92.1
Interest expenses	10.9	25.2	65.4
Allowances and other charges	3.0	(5.6)	6.9
Administrative expenses	9.1	10.6	12.0

Revenues generated in 2023 of USD 177 million (2022 – USD 78 million) provide a coverage ratio of 2.7 times the amount of borrowing costs, of USD 65 million (2022 – 3.1 times). This reduction in the interest coverage ratio is normal as the Bank increases its loan portfolio, which is financed with borrowings raised from third parties.

Finally, administrative expenses, consisting of all expenses to ensure the Bank's operation, amounted to USD 11.7 million, compared to USD 10.6 million in 2022. This figure includes USD 330 thousand (2022 – USD 434 thousand) corresponding to items that do not represent funds expenditures, but merely accounting adjustments, such as depreciation for the fiscal year and currency exchange differences. This represents a nominal increase of USD 1.1 million over the administrative expense incurred in 2022. It is important to note that the increase in administrative expenses is nominal, since in relative values, and in line with the Bank's continued focus on ensuring the lowest possible transaction cost, the higher transaction volume has been offset by productivity gains, which has allowed the relative cost to be maintained at 83 bps, the same as in 2022.

Additionally, the amount of revenue generated in 2023 is 9.2 times the amount of administrative expenses before depreciation charges, exchange differences and other, for a total of USD 12 million (2022 – 4.9 times for a total of USD 10.6 million). This reinforces the Bank's commitment to maintain the lowest possible cost for the benefit of its member countries.

Table 5 below details the evolution of financial assets and liabilities, net assets and equity, their respective rates of return during fiscal years 2021 to 2023, as well as the growth and strength achieved by the Bank.

Table 5: Return on Financial Assets and Liabilities

(In million US dollars)

Component	Year ended December 31								
	2021			2022			2023		
	Average balance	Revenue / (Expenses)	Return* %	Average balance	Revenue / (Expenses)	Return* %	Average balance	Revenue / (Expenses)	Return* %
Loans receivable	1,385.5	42.2	3.05	1,640.2	75.5	4.60	1,819.1	146.7	8.06
Investments	488.4	4.8	0.98	546.2	2.3	0.42	603.0	29.8	4.93
Bank deposits	47.3	0.0	0.11	48.0	0.1	0.22	39.3	0.8	2.09
Financial assets	1,921.2	47.0	2.45	2,234.4	77.9	3.49	2,461.4	177.3	7.20
Borrowings	(748.8)	(10.9)	(1.46)	(953.4)	(25.2)	(2.64)	(1,015.1)	(65.4)	(6.44)
Net financial assets	1,172.4	36.1	3.08	1,281.0	52.7	4.12	1,446.3	111.9	7.74
Provisions & other charges	-.-	(3.0)	(0.26)	-.-	5.5	0.43	-.-	(7.8)	(0.54)
Administrative expenses	-.-	(9.1)	(0.78)	-.-	(10.6)	(0.83)	-.-	(12.0)	(0.83)
Net assets	1,172.4	24.0	2.05	1,281.0	47.6	3.72	1,446.3	92.1	6.37
Equity	1,157.3	24.0	2.08	1,267.0	47.6	3.76	1,439.2	92.1	6.40

* Returns are calculated based on the actual income/expense items at the end of the year, divided by the average balance of each category of financial assets and liabilities. These averages are calculated by adding the previous year's ending balance plus the current year's ending balance, divided by 2, therefore they may differ from the actual average.

The main financial indicators are consistent with those of a growing institution, which has registered a double-digit increase in the growth of the loan portfolio receivable for 11 consecutive years, for an annual average of 20% in the last decade.

As shown in Table 5, average financial assets in 2023 totaled USD 2.461 billion, an increase of USD 227 million, or 10%, when compared to the total of USD 2.234 billion in 2022, which in turn is equivalent to 16%, when compared to 2021.

This increase in average financial assets results from: (i) a net increase of USD 116 million (2022 – USD 241 million) in the loans receivable balance as a result of excess disbursements of USD 292 million (2022 – USD 355 million) over principal repayments of USD 176 million (2022 – USD 114 million); (ii) an increase of USD 174 million in liquid investment assets (2022 – USD 77 million); and (iii) an increase in borrowings of USD 63 million (2022 – USD 48 million). The increase in liquid investment assets will largely be used to disburse performing loans.

Return on equity[8] shows an increase of 264 bps compared to fiscal year 2022, mostly as a result of the increase in the loan reference rate.

5. Use of Capital and Lending Capacity

As explained in section 1 "Business Model", the Bank determines its borrowing and lending capacity based on a multiplier of total equity. Thus, the maximum lending capacity is equivalent to three times total equity. At the same time, the maximum exposure of the loan portfolio per country cannot exceed 25% of the lending capacity, and the outstanding portfolio per country cannot exceed 30% of total assets.

The used lending capacity is expressed as the sum of the balance of undisbursed loans and loans receivable, and the balance of loans approved but not yet in force. The remaining lending capacity is the difference between the maximum lending capacity and the used capacity (Table 6).

Therefore, equity and its growth determine the borrowing and lending capacity. As explained in greater detail in section 2 "Capital Structure and Lending Capacity", and section 3 "Composition of Equity", the lending capacity grows as a result of the paid-in capital in cash received from the member countries and by the accumulation of net income. In sum, equity results from the excess of total assets over liabilities.

Table 6, below, shows in detail the maximum used and remaining lending capacity as of December 31, 2023, and its evolution during the 2021–2023 period. As can be noted, the remaining lending capacity is of USD 1.068 billion (2022 – USD 815 million), which will allow to sustain approvals in the coming years within the current annual lending capacity level, after registering the expected net revenue and principal repayments, as well as the integration of the remaining installments of paid-in capital.

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

Table 6: Lending Capacity and Capital Adequacy
(In million US dollars)

Component	Fiscal Years ended December 31 2021	2022	2023
Net assets	1,205	1,329	1,550
Maximum lending capacity	3,615	3,987	4,650
Loan receivable annual change	21.4%	15.9%	6.6%
Undisbursed loans	701	984	1,348
Loans outstanding	1,519	1,761	1,877
Loan agreements not yet in force	690	427	358
Used lending capacity	2,911	3,172	3,582
Remaining lending capacity	704	815	1,068
Used lending capacity (%)	80.5%	79.6%	77.1%
Assets coverage on Gross loan portfolio	79.2%	75.5%	82.5%
Equity exposure (%)*	56.3%	57.7%	60.0%
Risk-adjusted loan portfolio exposure (%)	57.7%	53.1%	50.8%
Minimum Capital Adequacy Threshold (%)**	35%	35%	35%

* (Equity + Loan loss provision - Fixed assets)/Financial assets.
** Minimum percentage of capital required to cover loans receivable.

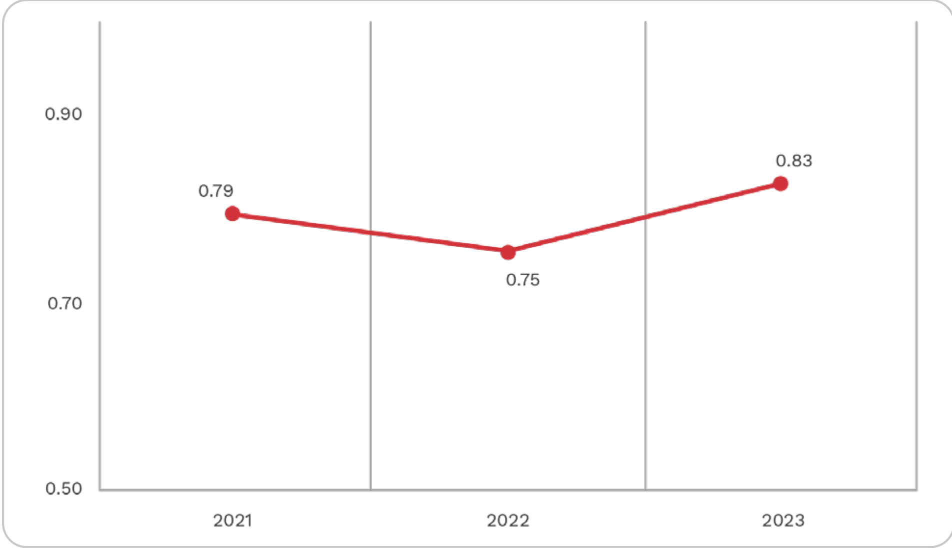
Consistent with the Bank's capital structure, the growth of the loan portfolio is achieved through the excess of disbursements over principal repayment collections. This growth requires financing part of the disbursements through the raising of debts.

Thus, since 2016, when the Bank obtained its investment grade credit rating from Standard & Poor's and Moody's, funds have been raised to finance loan disbursements, which naturally results in a gradual reduction of the asset coverage ratio. Such decrease is considered in the financial planning and is consistent with prudent management practices based on results, as well as on a solid control and integrated risk management approach.

The loan portfolio coverage ratio indicates how many times net assets are bigger than the balance of outstanding loans or of the loan portfolio. As shown in Chart 4, this ratio has a gradually decreasing trend, as part of the loan portfolio growth must be funded with third-party resources. However, in 2023 a slight growth is observed as a result of the increase in interest rates and a proportionally lower growth of the gross loan portfolio. This ratio has changed from 0.79 in 2021, 0.75 in 2022, to 0.83 at the end of 2023.

Chart 4 shows the leverage space available as a result of the Bank's equity and financial soundness, the quality and maturity of its governance and prudential management, as well as the adequacy of its operating and financial policies.

Chart 4: Loan Coverage Ratio



6. Loan Development

Chart 5 – "Amount of Loan Approvals and Disbursements" shows approvals of new sovereign funding amounting to USD 578 million (2022 – USD 456 million), an increase in approvals of USD 122 million, equivalent to a growth of 27%. Loan disbursements amounted to USD 292 million (2022 – USD 355 million).

To properly assess the effort and results achieved in 2023, it should be considered that as a consequence of Argentina's letter of intent to terminate its membership, as of April 21, 2023, and until January 18, 2024, by decision of the Board of Governors, the Bank suspended, for that country, the consideration and approval of new funding operations and disbursements for projects under execution. An objective comparison of disbursement achievements requires isolating the effect of these temporary measures. Consequently, the amount disbursed in 2023, of USD 282 million, should be objectively compared to the USD 232 million disbursed in performing loans to Bolivia, Brazil, Paraguay, and Uruguay in 2022. This shows a growth in disbursements of USD 50 million, equivalent to 22%. This comparison is clearly different from a simple comparison of disbursements between 2023 and 2022, which suggests a reduction of USD 63 million or 18%.

Following the same approach, the growth of the loan portfolio in 2023 is significantly higher than the 6.6% that arises from comparing the gross outstanding portfolios at the end of 2023, of USD 1.877 billion, and at December 31, 2022, of USD 1.761 billion. The real growth of the portfolio requires comparing the gross portfolio without Argentina, which at the end of 2023 amounted to USD 1.416 billion, which compared to the USD 1.27 billion at the end of 2022, shows a growth of USD 146 million or 11%, which is marginally lower than the 12% growth that was projected at the time of the preparation of the Program and Budget Document for 2023.

The sustained growth of the loan portfolio is directly in line with the mandate received from the Board of Governors for the second capital increase to gradually increase the lending capacity and to enhance the dialog with member countries to anticipate their funding requirements regarding integration and development. The latter objective has been strengthened with the opening of liaison offices and the assignment of 25% of the staff to them.

Chart 5: Loan Approvals and Disbursements Amounts

(In million US dollars)

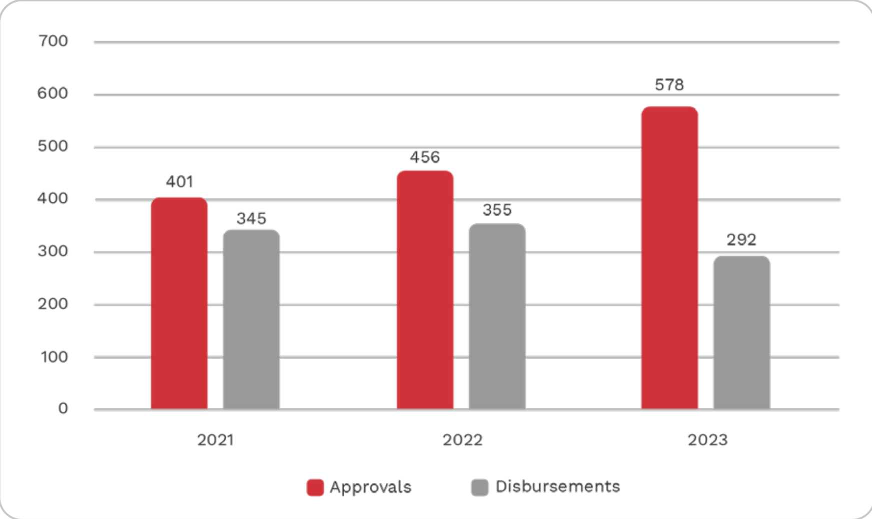
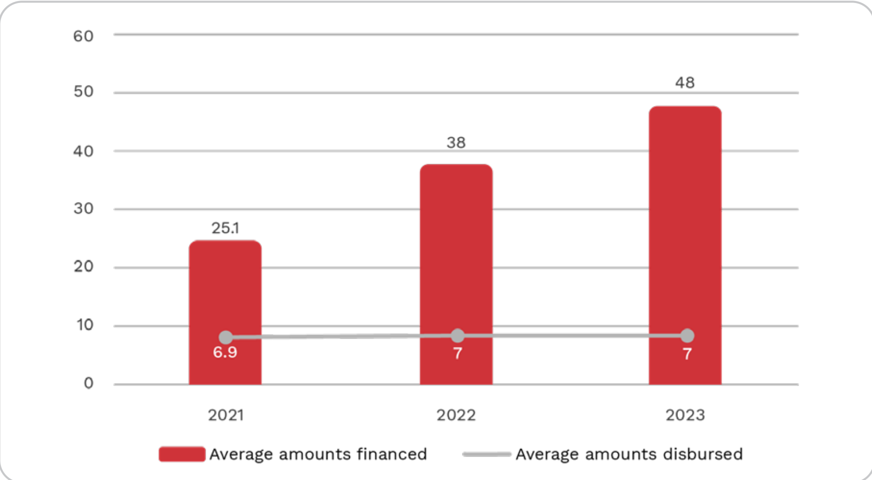


Chart 6: Average Amount of Loans Approved and Disbursed

(In million US dollars)

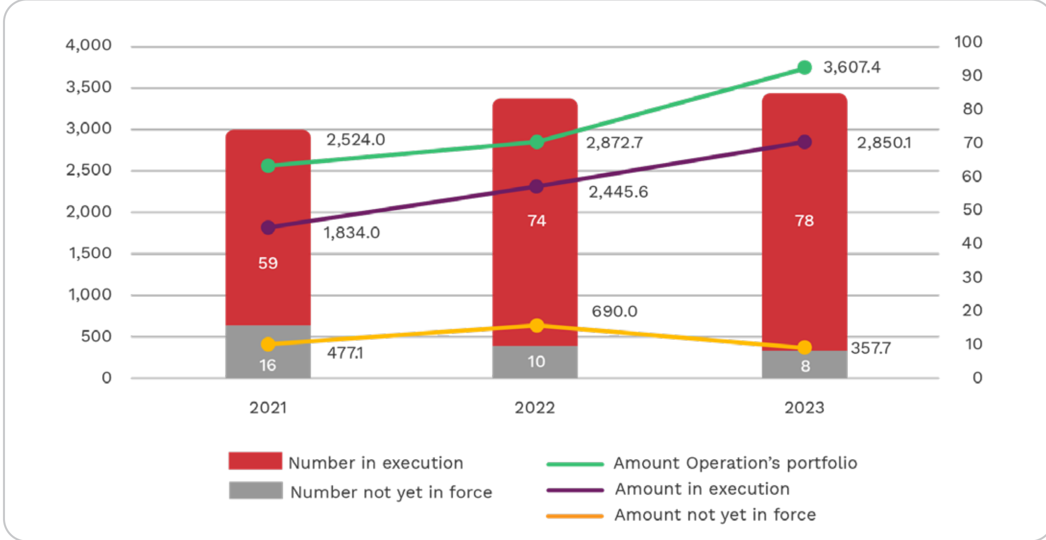


The average individual loan size in 2023 stands at USD 48 million, representing an average increase of USD 10 million compared to 2022, and USD 23 million compared to 2021.

The total number of projects in the portfolio — which consists of funding in the repayment stage, funding in the disbursement stage, and funding approved but not yet disbursed — rose from 75 in 2021 to 84 in 2022, and to 86 in 2023, including 8 non-performing operations, and before considering 27 operations in the repayment stage (2022 – 47 operations), representing an increase of 2 operations, or 2% (Chart 7).

Chart 7: Evolution of Loans in Portfolio

Number of projects and million US dollars



7. Loan Portfolio by Country

The Bank seeks to achieve a balanced distribution over time among member countries in the number of approvals and the cumulative amount of loan receivables.

Table 7 shows each country's relative share in the loan receivables balance at the end of each fiscal year from 2021 to 2023. As of December 31, 2023, the exposure by country was within the reasonable limits established in the policy.

Table 7: Loans Receivable Balances by Country

Country	2021	2022	2023
Argentina	27%	28%	25%
Bolivia	22%	22%	23%
Brazil*	12%	12%	14%
Paraguay**	21%	22%	20%
Uruguay	18%	16%	18%
Total	**100%**	**100%**	**100%**

Notes:
* Calculated based on receivable balances at year-end.
** Includes loan portfolio without sovereign guarantee.

8. Performance of Loans Receivable and Loans Approved Balances

As of December 31, 2023, the portfolio of loans approved and under implementation, including operations approved in 2023 and still pending signature or ratification by parliament, amounted to USD 3.582 billion, an increase of USD 410 million, or 13%, compared to the USD 3.172 billion reached in 2022 (Table 6). In fact, adjusting for the effect of the actions taken by the Board of Governors with respect to Argentina's operations portfolio for the period April 21–December 31, 2023, the performing portfolio in 2023 referred to the other four member countries amounted to USD 2.312 billion, while in 2022 it amounted to USD 1.917 billion. These figures show an increase in the portfolio under execution of USD 395 million, equivalent to 21%.

Such sustained growth in the portfolio of loans approved since 2013 reflects the Bank's hard work and commitment to support the member countries to bring development closer to the people, thus increasing its impact and relevance as a dependable partner in supporting, promoting, and enhancing regional integration and development.

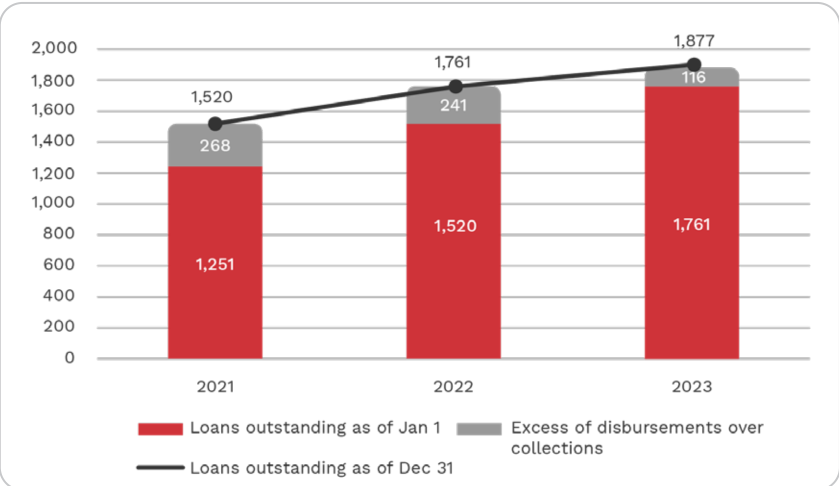
As explained in section 6 "Loan Development", considering the loan receivable balances held with the Bank's five member countries, the loan receivable portfolio experienced a net growth of USD 116 million, equivalent to 6.6%, as a result of disbursements of USD 292 million, net of principal repayments of USD 176 million. The loan receivable portfolio, before deducting the amount of administrative fees to be accrued and the loan loss provision, amounted to USD 1.877 billion (2022 – USD 1.761 billion) (Chart 8).

The balance of loans to be disbursed as of December 31, 2023, amounts to USD 1.348 billion, which compared to USD 984 million in 2022, shows an increase of USD 364 million, equivalent to 37%. This increase, compared to the 40% increase in 2022, shows a slight improvement in the speed of disbursement processes, which were affected by delays in the bidding and execution processes as a result of the effects of the COVID 19 pandemic, as well as electoral processes in some member countries.

The balance of approved loans pending signature or parliamentary ratification was of USD 358 million, which, compared to USD 427 million in 2022, represents a reduction of USD 69 million, equivalent to 16%, significantly lower than the reduction of USD 263 million, or 40%, between 2022 and 2021, when the balance of non-performing loans amounted to USD 690 million.

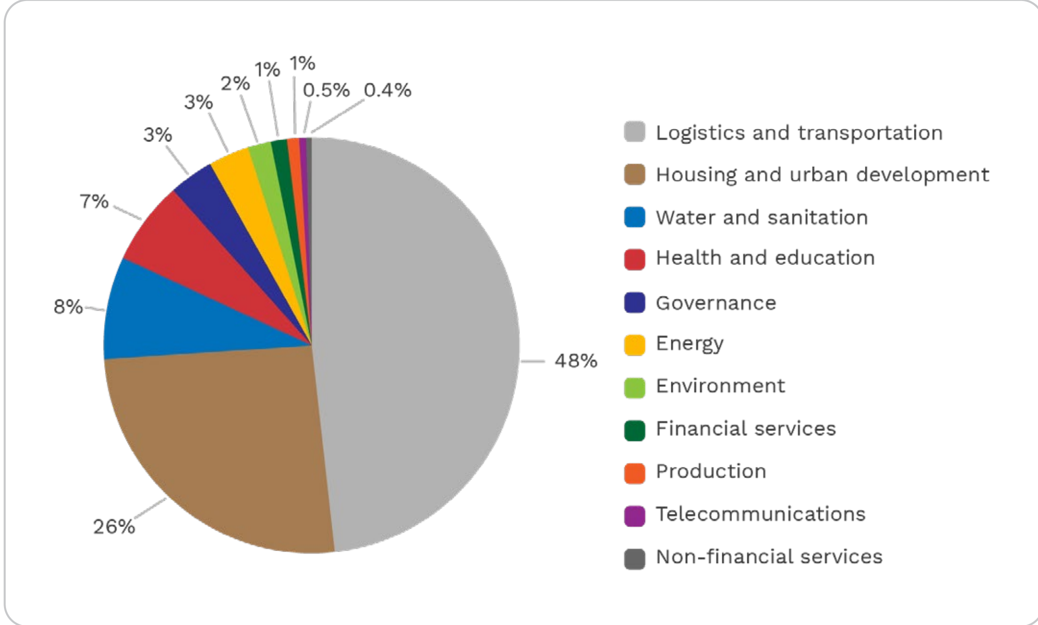
Chart 8: Development of Loan Portfolio

(In million US dollars)



In terms of the sectoral classification of loans (Table 8 and Chart 9), the infrastructure sector is the major destination of funding granted to date, especially transport and logistics, representing 48% of total funding.

Chart 9: Loan Portfolio Allocation by Sub-Sector - 2023 (%)



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, conducted in close coordination with the member countries, determines the focus of the funding granted (Table 8).

Table 8: Loan Portfolio Allocation by Sector (%)

Sector	2021	2022	2023
Infrastructure	75%	76%	78%
Social & environmental development	13%	15%	16%
Economic & productive development	12%	9%	6%

9. Achievement of Strategic Goals of the Vision Statement

The following table contains an overview of the goals fulfilled in 2023. These goals are consistent with the objectives and guidelines contained in the PEI 2022–2026, aimed at consolidating FONPLATA as a regional development bank.

Strategic objective	Line of action
To be dependable, to respond with the technical and financial support required to mitigate development gaps within and across countries.	**To ensure the continuous growth of capital and, consequently, of the lending and patrimonial capacities, as well as the ability to raise funds in the best possible conditions.** • During 2023, the Bank's performance was affected between April 21 and December 31, by the intention of Argentina of initiating the process of terminating its membership in the Bank. As a result, the Board of Governors temporarily suspended new loan approvals and disbursements to the country. Nevertheless, the expected results in approvals and disbursements were achieved. The loan receivable portfolio grew by 6.6% before isolating the effect of Argentina, and by 11.5% considering the growth of the other four member countries alone. • Member countries' support and confidence in FONPLATA as an institution with full validity and future projection, and as a result of the work conducted by Management and the Executive Board of Directors, on February 5, 2024, the Board of Governors approved an increase in authorized capital from USD 3.014 billion to USD 6.5 billion. This decision followed the entry into force of the Bank's new Articles of Agreement, which expresses the capital in shares and opens membership to new members, countries and institutions alike. **To continue to optimize the organizational structure to ensure the quality, speed, and effectiveness of interventions while maintaining the lowest possible transactional cost.** • Following the appointment of the Executive President on April 10, 2023, and the approval by the Board of Governors of the restructuring of the Bank's Senior Management through the creation of four vice presidencies, as of May 2023, Management implemented the new structure with a neutral effect on the budget approved for 2023, while maintaining the staffing level within the 85 total authorized positions. This reorganization of the executive level, or primary structure, should have been accompanied by a reorganization of the secondary structure, which was within the scope of the special study requested by the Board of Governors. The contract for this study was put out to bid in early 2023, but the award was initially put on hold and then the Board of Governors decided not to conduct the study. The analysis of the secondary organization, which falls under the authority delegated by the Board of Governors to the Executive Presidency, will be conducted in the course of 2024, using budgetary savings. • In terms of ensuring positive net financial flows, by way of example, for each dollar of paid-in capital in cash, an average funding of USD 6.1 have been approved (USD 8 to USD 1, for the three countries with small equity stakes, and USD 4.3 to USD 1, for the two with the largest equity stakes). **To maintain and strengthen credit rating.** • In 2023, both Standard & Poor's and Moody's ratified the Bank's credit risk ratings of "A" and "A2", respectively, although Standard & Poor's did it with a negative outlook in view of the situation with Argentina. This outlook was modified to stable at the beginning of 2024, with the ratification by the new Argentine government authorities that the country continued as a full member of FONPLATA. • At the beginning of 2023, a sustainable bond was issued for the first time through a private placement in Japan, for an equivalent amount of USD 54 million. In addition, USD 60 million were borrowed from existing lines of credit with the IDB, EIB, AFD, and KfW, demonstrating the high acknowledgement to FONPLATA as a multilateral financing organization for the development and integration of its members. **To promote the lending capacity expansion with the possible involvement of other countries and regional integration agencies.** • As of the enter into force of the new Articles of Agreement in early 2024, and the approval by the Board of Governors of an increase in authorized capital from USD 3.014 billion to USD 6.5 million, consideration of capital subscription and payment in full, as well as the accession of new members, can begin. This will initiate a new institutional cycle.
To be proactive and respond promptly by providing innovative solutions, in an effective and efficient manner.	**To implement new financial products.** • In 2023, the Bank implemented a new line of flexible financial conditions that offers countries a range of financial options for their funding, such as the possibility of modifying the schedule of repayments, amount of principal repayments, the currency of loan disbursements, and the interest rate. In early 2024, the Bank approved the first transaction using this product and disbursed a USD 10 million non-sovereign loan in local currency, negotiating a currency and rate hedge with a financial counterparty. • In 2023, two new subsidy lines were implemented to the equalization of the operating rate through FOCOM. These new lines are directly related to promoting the funding of programs that stimulate employment, specially focused on women and youth, as well as projects that contribute to mitigating the effects of climate change. **To broaden the appropriate offer of non-financial services.** • As in previous fiscal years, and leveraging technical cooperation resources, studies and activities will be carried out focusing on regional integration and on supporting the search for appropriate responses to help countries face the challenges of funding basic infrastructure.

	• These studies and activities will be conducted with technical cooperation resources; therefore, only the use of staff and operating expenses incurred in the development of these activities will have effect on the administrative expenses budget. **To have strong commitment to adaptation to climate change and the sustainable use of natural resources.** • During 2023, four funding were approved under the Green Line for an amount of USD 58.4 million for state-level governments in Brazil.
To be flexible, to adjust quickly and effectively to changes in the expectations and demands of member countries, allies in development, and capital markets, thus maintaining its relevance and equity and financial soundness.	**To adjust the existing organizational structure to the operations growth.** • As a result of the support of the Governance, the soundness of its financial profile, and the prudent management of resources, the credit rating agencies maintained their respective ratings during 2023, although Standard & Poor's assigned a negative outlook due to the situation with Argentina. At the beginning of 2024, with Argentina's ratification of its continued full membership in FONPLATA, this outlook was changed to stable. **To be acknowledged as a modern, streamlined, innovative, effective, and efficient financial agency.** • During 2023, the Strategic Development Vice-Presidency, through the Economic Analysis Area, continued to analyze the evolution of the global economy and its impact on the economies of the member countries. The outcome of the analysis has been informed through the Economic Monitor and the Semiannual Outlook Report, both published on FONPLATA's website, and through seminars and in-house presentations. • In 2023, we continued to advance in the digitalization process, particularly of the operations support systems, thus contributing to maintaining the transactional cost at the same level as in 2022 and optimizing the rational use of resources.

10. Consistency with our Mission

In line with our strategic goals, since 2013 the Bank has focused its actions on promoting projects that, by definition, foster geographical integration and contribute to reducing costs or increase benefits to two or more member countries.

These funding's emphasis is on helping member countries reduce asymmetries caused by vulnerabilities that have a negative impact on coordination, logistics, inclusion, and access to regional and global economies.

Table 9 below shows, in percentages, the number of funding operations and the aggregate amount of loans that impact more than one member country, as well as those focused on border areas.

Table 9: Contribution to Geographic Integration in Border Areas*

Indicator		2018 - 2023**
Expected impact on more than one country (%)***	No. of loans approved	31%
	In thousand US dollars	37%
Focus on border areas (%)****	No. of loans approved	34%
	In thousand US dollars	35%

* Based on information on the design of operations.
** Weighted averages.
*** Approved loans impacting more than one member country/Total loans approved.
**** Approved loans impacting development of border areas/Total loans approved.

Based on the number of projects approved, it is noted that 31% are targeted at more than one member country (37% in amount), and 34% are targeted at border areas (35% in amount).

The Bank's strategic niche is small to medium-sized projects that complement funding from other multilateral or regional development institutions, prioritizing projects in border areas that impact more than one member country, to promote regional development and improve the insertion of regional economies into the global economy.

Under this approach, the Bank complements funding from member countries and other development agencies, adding value through its interventions. Table 10 below shows, in percentages, the number of loans that add value to member countries by complementing the cofinancing of other Multilateral Development Finance Institutions (DFIs), as well as their amount, in relation to the total number of loans financed by the Bank, and their aggregate amount.

As in Table 9, the number of loans approved and their aggregate amount are shown below in relative percentages for funding operations that have contributed to supplement funds provided by other Multilateral DFIs.

Table 10: Strategic Complementarity

Indicator		2018 - 2023*
Participation in joint programs with other Multilateral DFIs	No. of loans approved	52%
	In thousand US dollars	57%
Complementary with national investment plans	No. of loans approved	86%
	In thousand US dollars	90%
Help to advance investment decisions for member countries	No. of loans approved	35%
	In thousand US dollars	42%
Total loans approved	**No. of loans approved**	**71**
	In billion US dollars	**USD 2.694**

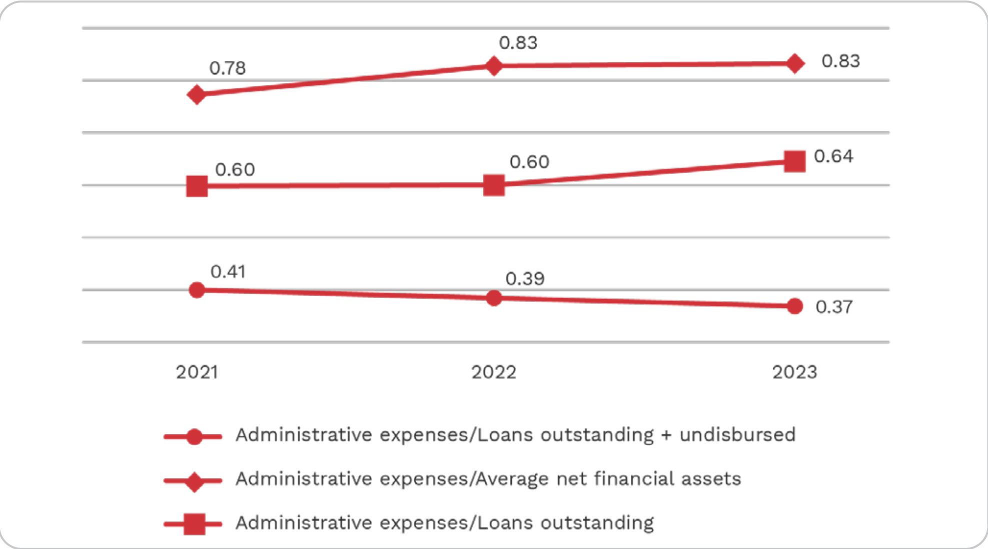
* Weighted average.

In cumulative value of projects approved since 2018, the funding granted by the Bank to sectors that receive funding from other multilateral DFIs has reached 52%. During that period, virtually every operation in which the Bank was involved was prioritized in the national public investment plans of the member countries. Likewise, 35% 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.

11. Operational Efficiency

One of the traits that make up FONPLATA's institutional DNA is its commitment to operate at the lowest possible transactional cost without affecting its diligence and responsiveness, which has been made possible through the professionalization of staff and its commitment to consistently maintain high levels of productivity and investment in information technology.

Chart 10: Operational Efficiency



Among the measures generally accepted among Multilateral Development Banks to measure efficiency, there are indicators that relate administrative expenses to either the amount of the performing loan portfolio (balances receivable and disbursable), to the loan receivable balance, or to the amount of average net financial assets.

Chart 10 shows the trend in the management efficiency degree achieved and the commitment of Management and staff to ensure the lowest possible transaction cost.

As shown in the chart, administrative expenses, compared to average financial assets, have remained constant although the loan portfolio has grown by 6.6% considering the 5 member countries as a whole, and by 11.5% when isolating the effects of the temporary measures adopted in relation to the funding to Argentina between April 21 and December 31, 2023.

Another important indicator is the ratio of financial income to borrowing and non-financial expenses. Under this perspective, the Bank is securely positioned at a ratio of 2.3 to 1.0, which provides with a comfortable financial position that allows it to face contingencies by appeasing itself in the capital markets (2022 – 2.2 to 1.0).

12. Financial Soundness

As a corollary of the results achieved, the two credit rating agencies that assess the Bank, Standard & Poor's and Moody's, maintained their "A" and "A2" ratings, respectively, although Standard & Poor's changed its outlook to negative due to the intention of Argentina of ceasing its membership in the Bank.

However, at the beginning of 2024, when Argentina informed its decision to ratify its willingness to remain a full member of FONPLATA, Standard & Poor's again affirmed its credit risk rating of A, with a stable outlook.

Given the level of uncertainty that affected the going concern principle between April 21 and December 31, 2023, the maintenance of the credit risk ratings shows the importance of Governance's support, of Management's determination and capacity, and the financial soundness achieved.

The Bank has a solid governance, which has demonstrated its ongoing support to management and is committed to ensuring that the Bank is in the best position to support the development and integration of its member countries.

It has also effective and efficient control processes while continuing to modernize its information and communications systems infrastructure, ensuring the quality, validity, integrity, and timeliness of all its financial information and processes. This has allowed the Bank to obtain clean opinions in its annual financial statements since 2012 from internationally well-known firms of independent auditors. The financial statements for the fiscal year ended December 31, 2023, were audited by Ernst & Young, who issued their unqualified report on February 22, 2024.

13. Loan financing – Liquidity, and Indebtedness

This subsection contains relevant information on the debt management in the long term and the management of liquidity and risks affecting the entity. As explained in Section 1 "Business Model", and based on the composition of its capital, part of the disbursements of the funding granted must be financed with third-party resources.

Like the lending capacity, the borrowing capacity is based on a multiplier of two times the amount of net assets plus the total of investment liquid assets. Chart 11, below, shows the evolution of the maximum, used and available borrowing capacity for the period 2021–2023.

It should be noted that in October 2021, the Executive Board of Directors increased the borrowing limit from USD 1.3 billion to USD 2.5 billion to cover projected funding needs until 2024.

14. 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 credit risk rating obtained in 2016.

As mentioned in Note 8.5 – "Borrowings" to the financial statements, in 2023, the Bank contracted new borrowings of USD 114 million, combining US dollar-denominated borrowings of USD 37 million and euro-denominated borrowings for an equivalent of USD 23 million, and issued sustainable bonds in the Japanese market by USD 54 million. During 2023, the Bank repaid borrowings for USD 105 million. Additionally, sustainable bonds were issued in the Japanese market for USD 54 million, and debts totaling USD 105 million were amortized.

In addition, EUR 21 million equivalent to USD 23 million were drawn on under the credit line approved with KfW at the end of 2022, USD 19 million borrowed under the credit line with the Inter-American Development Bank, and USD 18 million, under the credit line with the European Investment Bank.

Consistent with its financial asset and liability management policy, the amount borrowed in currencies other than the US dollar and at rates other than the reference rate for its loans, which for new borrowings is the compounded SOFR in arrears, is hedged to align the financial liabilities with the US dollar and the interest rate with the compounded SOFR in arrears.

This policy neutralizes the exposure of such liabilities to changes in exchange rates and interest rates, mitigating the potential impact on cash flows and results.

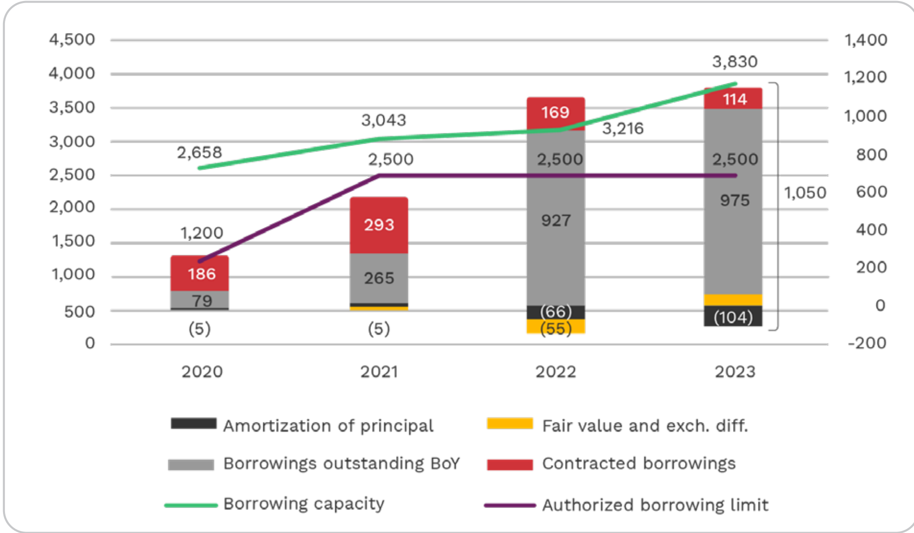
As mentioned in Notes 4.10 and 8.5 (ii), these hedging transactions are classified at December 31, 2023, as fair value hedges. The adoption of this criterion, which is consistent with International Financial Reporting Standard (IFRS) 9, implies the recognition of the original debt and hedging transactions receivable and payable at fair value. The net value of these differences is recognized in income statement, under other non-operating profit/loss. In 2023, the income statement includes unrealized losses on hedging transactions of USD 1.4 million (2022 – USD 6.4 million unrealized profit).

The total amount of borrowings at December 31, 2023, including unamortized borrowing costs and fair value adjustments to borrowings subject to hedging transactions, is of USD 1.05 billion (2022 – USD 975 million).

The debt maturity structure covers maturities between 2023–2042, leaving an available borrowing capacity of USD 2.796 billion with respect to the maximum amount of debts authorized by the Executive Board of Directors in 2021 (Chart 11).

Chart 11: Borrowing Capacity and Accounts Payable

(In million US dollars)



15. Liquidity

The main objective of investments is to ensure enough liquidity to meet loan disbursements, borrowing fees, and repayment, as well as their estimated expenses for a 12-month period.

Liquid assets coverage in relation to the net disbursements and payments to be made is equivalent to 1.2 and 1.7 years as of December 31, 2023, and 2022, respectively.

As of December 31, 2023, liquidity amounted to USD 731 million, of which USD 324 million were related to cash and cash equivalents and USD 407 million to the available-for-sale investment portfolio. The amount of cash and cash equivalents includes fixed-term certificates of deposit originally classified in the held-to-maturity investment portfolio, in the amount of USD 279 million, which are shown within total cash and cash equivalents, as they were acquired with an original maturity from their purchase date of up to 90 days.

Total net assets as of December 31, 2023, are equivalent to 47% of net financial assets and of equity (2020 – 44%). These ratios and liquidity coverage are consistent with the Bank's liquidity policy to respond to the increased demand for disbursements in loans contracted by member countries.

Table 11: Investment Portfolio Management

Limits	2022	2023
By type of Assets		
Sovereign, including quasi-sovereign and sub-sovereign agencies	53%	44%
Multilateral Development Finance Institutions	29%	38%
Private financial sector	18%	18%
By Issuer		
Sovereign, including quasi-sovereign and sub-sovereign agencies	14%	8%
Multilateral Development Finance Institutions	9%	8%
Private financial sector	12%	5%
By Rating		
Average portfolio rating	AA+	AA
Minimum investment grade	BBB	BBB-
Maximum investment grade with rating of BBB	0.50%	7.57%
By Maturity		
Minimum liquidity in million USD	$536.3	$706.8
Investments with maximum maturity in years	3.3	4.8

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 11 presents the performance related to the current limits established in the investment policy and regulations, which have been met without deviations in 2023 and 2022, respectively.

16. Institutional Effectiveness

In 2023, despite the high uncertainty regarding the going concern principle caused by the willingness of Argentina to initiate the process of termination of its membership in FONPLATA, as explained above, the Institution has continued with the pace of growth that began in late 2012 with the implementation of the management model approved by the Board of Governors in 2010.

Between 2012 and 2023, the average annual lending capacity was multiplied by a multiplier above 12, and the loan portfolio grew more than 7 times, at an annual rate of 20%. The authorized capital grew a little more than 6 times, from USD 489 million to USD 3.014 billion, and two of the most well-known international risk rating agencies rated the Bank A and A2, both with a stable outlook.

The greater functional specialization has enabled the effective transformation of FONPLATA, initially conceived as a fund to support regional integration, into a multilateral Bank for the development and integration of its member countries. This has been boosted with the entry into force of the new Articles of Agreement as of January 27, 2024, with the possibility of admitting new members.

The transformation process from a Regional Fund to a Development Bank that started with the approval of the amendments to the Articles of Agreement at the end of 2018, and the approval of the PEI for the period 2022–2026, put the focus of the Bank on financing sustainable infrastructure projects aimed at strengthening regional integration in its triple meaning: physical, socioeconomic, and preservation of the living conditions for future generations. A wide range of projects has impacted on several geographical areas of the member countries, prioritizing interventions in border areas.

The Bank's actions brought it closer to the countries. This has been expressed, both through rapid responsiveness and lower transactional costs. The institution has shaped its organizational structure, promoting professionalization in the management of financial resources and human capital. The adopted profile is characterized by prudential management based on results and proactive risk management, ensuring adequate compliance with its policies and risk limits in force.

Value creation for the countries is expressed as ensuring positive net financial flows for all countries at the lowest possible interest rates.

17. Risk Management and Compliance

An integral part of the prudential management style adopted by the Bank since the end of 2012 consists of results-based planning processes and comprehensive risk management.

In 2021, a self-assessment process was carried out focused on the identification of the main risks affecting the operations, including the compliance risk with respect to the prevention of money laundering and terrorist financing. Regarding the latter, the process confirmed once again that the level of risk for the institution is low. As a consequence of the above, improvements were made to FONPLATA's Manual for Prevention of Money Laundering and Terrorist Financing. Among the modifications introduced are the following:

a. Express prohibition of operating with "shell banks" and unlicensed banks.

b. Improvements in confidentiality in the internal handling of suspicious transactions.

c. Improvements in the information to be sent by implementing requesting direct payments.

The expected results contained in the Program and Budget Document approved for 2024–2026 include the adoption of the COSO ERM, which is a standard in terms of risk-based internal control framework. This will make it possible to achieve an annual certification process for controls and processes at all levels of the Bank, which will provide a greater degree of confidence in the quality of management as well as in the reliability and transparency of the information generated both internally and externally.

18. Contribution to the Subregion's Growth

One of the relevant indicators used by the Bank to measure its contribution to the development and the regional and global integration of its member countries is the growth in volume of approved loans. In 2023, the number of loans approved grew by 27% over the previous year, equivalent to more than 10 times the volume accumulated up to 2012.

The leverage ratio of mobilized resources continued rising progressively and reached 2.2 times per dollar of approved funding in 2023 (Table 12). This leverage has made it possible to achieve positive net loan flows for all countries in 2022, which in aggregate value are equivalent to 2.1 times the number of principal repayments, interests and fees.

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

Table 12: Contribution to Social and Economic Development

Indicator	2021	2022	2023
Loan portfolio annual change	21.4%	15.8%	6.6%
Direct resource mobilization ratio*	2.1	2.1	2.1
Net capital flow to member countries**	USD 268	USD 241	USD 116
Net transfers to member countries***	USD 227	USD 184	USD 21
Funding for relative less developed countries/Total approvals****	44%	66%	96%
Preferential funding for relatively less developed countrie*****	33%	12%	36%

* Total funds mobilized over funds provided by the Bank.

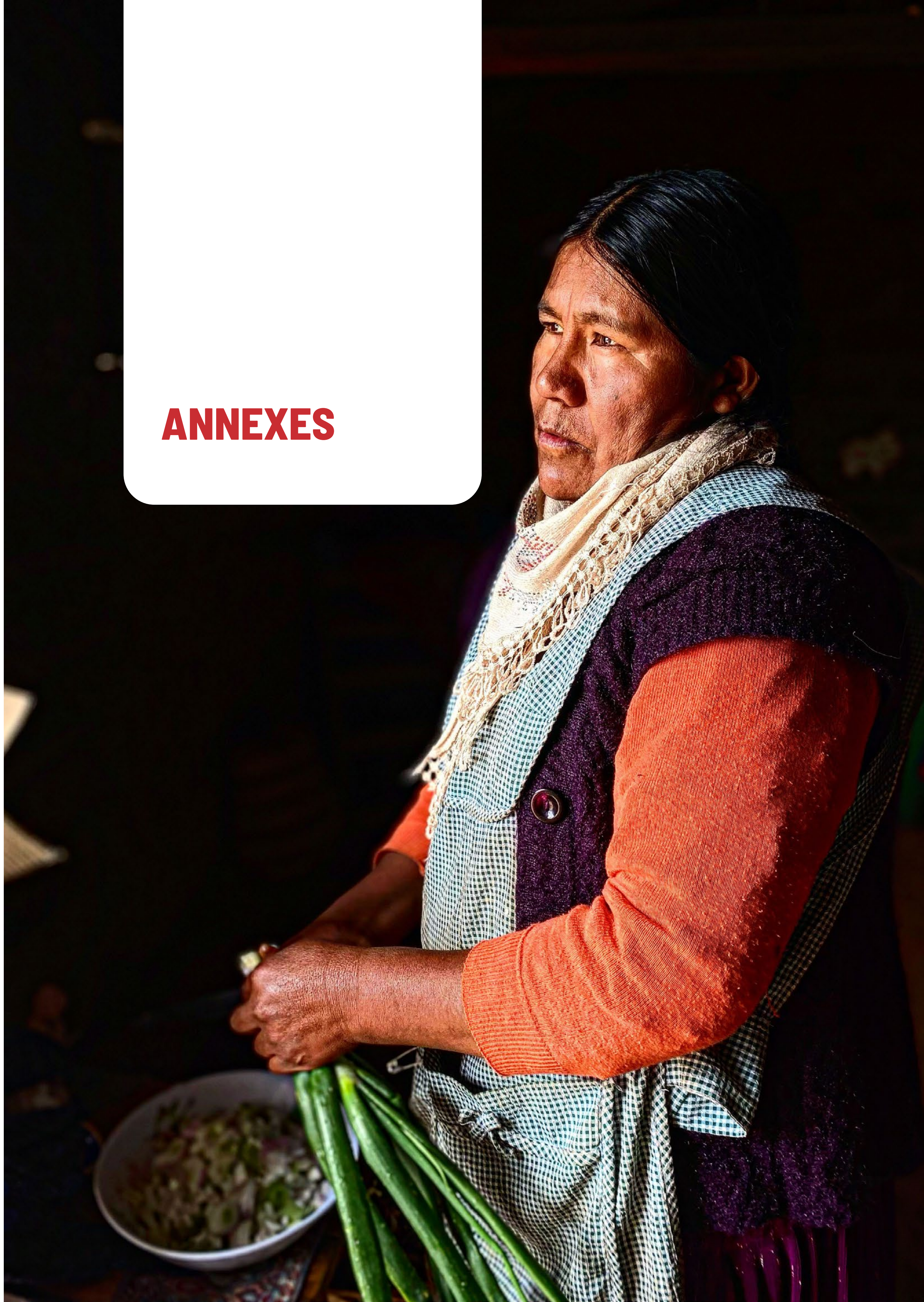
** Net disbursements for collection of principal repayments.

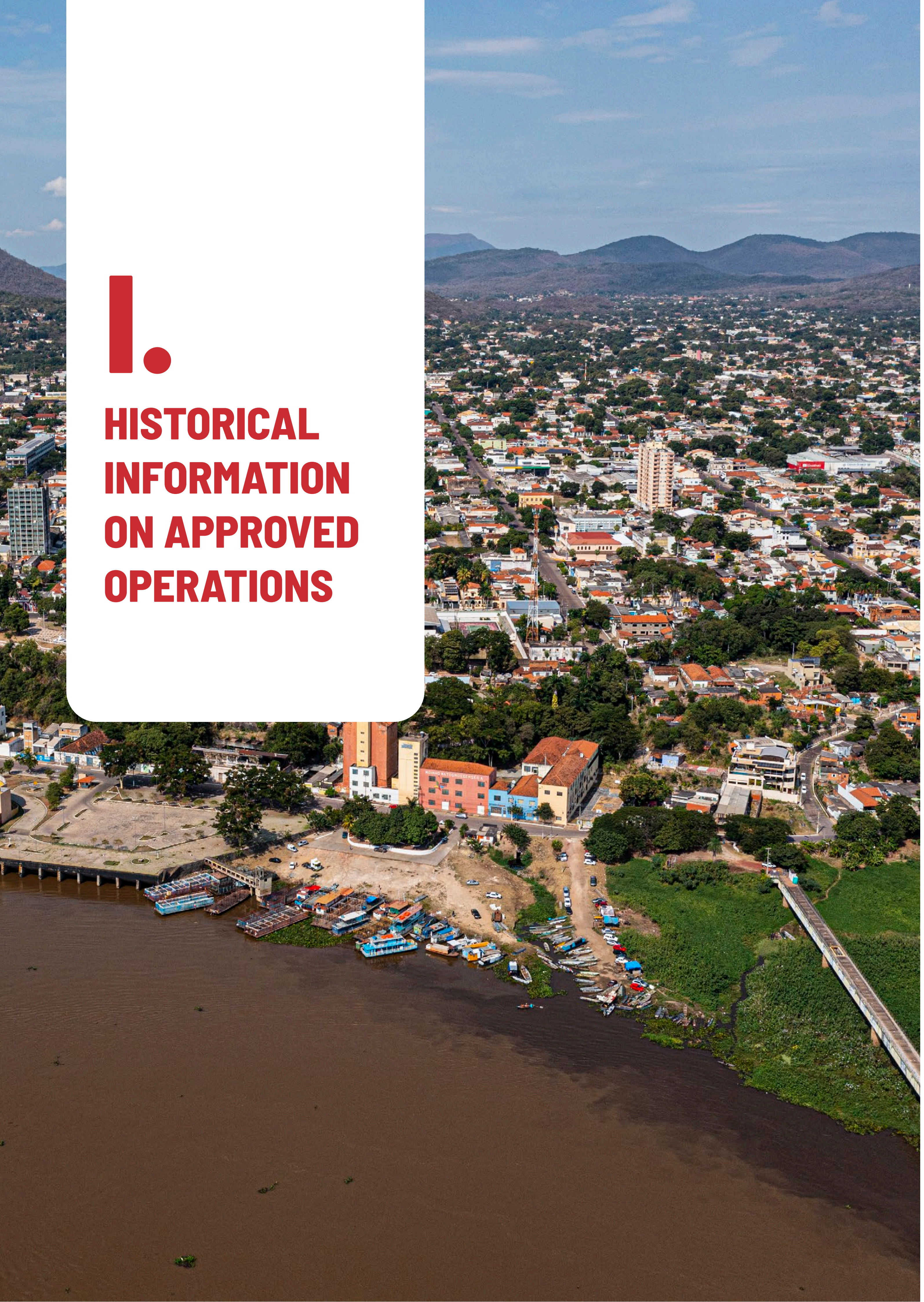
*** Net disbursements for principal repayments and interest and fees collection.

**** As of the approval of the Green Line and Economic Recovery Funding Line, all financings with these components qualify for FOCOM/number of projects benefited.

***** Loans funded by FOCOM/Total loans approved.

ANNEXES





I.

HISTORICAL INFORMATION ON APPROVED OPERATIONS

Argentina

Code	Approved	Cancelled	Disbursed	To be disbursed	Amortized	Receivable
ARG-02/83	7,100,000.00	0.00	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	9.138.869,28	0,00
ARG-04/93	1.462.438,00	25.303,72	1.437.134,28	0,00	1.437.134,28	0,00
ARG-05/94	2.244.211,00	2.244.211,00	0,00	0,00	0,00	0,00
ARG-06/94	34.836.132,00	529.003,26	34.307.128,74	0,00	34.307.128,74	0,00
ARG-07/94	22.477.306,00	516.898,00	21.960.408,00	0,00	21.960.408,00	0,00
ARG-08/94	8.000.000,00	0,00	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	357.080,27	0,00
ARG-10/96	4.000.000,00	0,00	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	0,00	0,00
ARG-12/02	900.000,00	121.638,71	778.361,29	0,00	778.361,29	0,00
ARG-12/2002	25.000.000,00	25.000.000,00	0,00	0,00	0,00	0,00
ARG-13/03	51.000.000,00	0,00	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	22.484.964,37	0,00
ARG-15/2004	27.650.000,00	27.650.000,00	0,00	0,00	0,00	0,00
ARG-16/2006	450.000,00	44.407,38	405.592,62	0,00	405.592,62	0,00
ARG-17/2006	47.200.000,00	0,00	47.200.000,00	0,00	27.175.251,76	20.024.748,24
ARG-18/2006	4.500.000,00	580.457,88	3.919.542,12	0,00	3.919.542,12	0,00
ARG-19/2013	25.000.000,00	1.410.347,90	23.589.652,10	0,00	12.838.152,82	10.751.499,28
ARG-20/2014	9.953.383,00	7.767.380,47	2.186.002,53	0,00	950.435,90	1.235.566,63
ARG-21/2014	28.170.000,00	5.845.004,25	22.324.995,75	0,00	10.087.859,88	12.237.135,87
ARG-22/2014	18.400.000,00	1.686.875,23	16.713.124,77	0,00	7.665.956,18	9.047.168,59
ARG-23/2015	35.000.000,00	0,00	25.160.219,00	9.839.781,00	6.117.564,92	19.042.654,08
ARG-24/2015	35.000.000,00	20.489.807,53	14.510.192,47	0,00	5.207.849,80	9.302.342,67
ARG-25/2016	12.000.000,00	3.998.999,56	8.001.000,44	0,00	4.606.630,31	3.394.370,13
ARG-26/2016	7.500.000,00	358.329,53	7.141.670,47	0,00	5.294.181,20	1.847.489,27
ARG-27/2016	20.000.000,00	0,00	19.999.999,96	0,04	13.932.044,68	6.067.955,28
ARG-28/2016I	20.000.000,00	0,00	18.152.498,23	1.847.501,77	4.675.218,64	13.477.279,59
ARG-29/2016I	20.000.000,00	0,00	3.234.779,86	16.765.220,14	766.808,47	2.467.971,39
ARG-30/2016	10.000.000,00	9.917.789,67	82.210,33	0,00	57.547,24	24.663,09
ARG-31/2016I	20.000.000,00	0,00	20.000.000,00	0,00	12.000.000,00	8.000.000,00

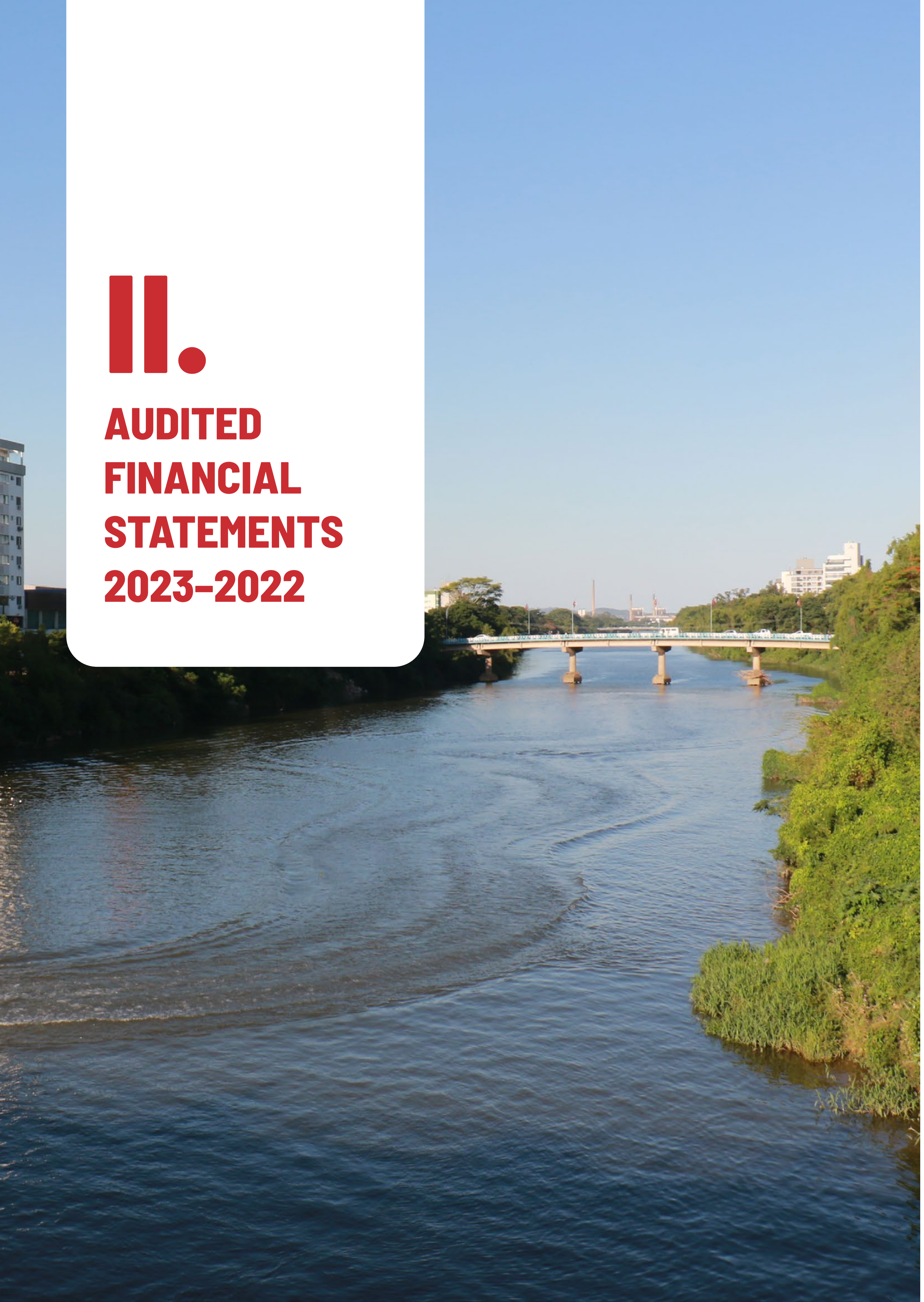
ARG-31/2016II	20.000.000,00	0,00	20.000.000,00	0,00	13.333.333,34	6.666.666,66
ARG-32/2016	33.000.000,00	33.000.000,00	0,00	0,00	0,00	0,00
ARG-33/2017	5.000.000,00	1.778.589,63	3.221.410,37	0,00	3.221.410,37	0,00
ARG-34/2017	5.000.000,00	5.000.000,00	0,00	0,00	0,00	0,00
ARG-35/2017	22.200.000,00	0,00	8.649.784,00	13.550.216,00	1.107.304,15	7.542.479,85
ARG-36/2017	40.000.000,00	0,00	33.679.964,63	6.320.035,37	3.061.814,96	30.618.149,67
ARG-37/2018	7.000.000,00	0,00	7.000.000,00	0,00	2.259.548,34	4.740.451,66
ARG-38/2018	50.000.000,00	6.485,00	49.993.515,00	0,00	8.817.348,71	41.176.166,29
ARG-39/2018	37.214.064,00	0,00	29.810.145,02	7.403.918,98	0,00	29.810.145,02
ARG-40/2018	10.849.706,00	0,00	10.849.706,00	0,00	0,00	10.849.706,00
ARG-41/2019	30.000.000,00	0,00	8.646.678,49	21.353.321,51	0,00	8.646.678,49
ARG-42/2019I	50.000.000,00	0,00	25.684.201,56	24.315.798,44	431.368,06	25.252.833,50
ARG-42/2019II	70.000.000,00	0,00	3.500.000,00	66.500.000,00	0,00	3.500.000,00
ARG-43/2019I	25.000.000,00	0,00	25.000.000,00	0,00	0,00	25.000.000,00
ARG-43/2019II	25.000.000,00	0,00	25.000.000,00	0,00	0,00	25.000.000,00
ARG-44/2019I	25.000.000,00	0,00	25.000.000,00	0,00	0,00	25.000.000,00
ARG-44/2019II	25.000.000,00	0,00	25.000.000,00	0,00	0,00	25.000.000,00
ARG-45/2019	20.000.000,00	20.000.000,00	0,00	0,00	0,00	0,00
ARG-46/2020	12.000.000,00	0,00	12.000.000,00	0,00	0,00	12.000.000,00
ARG-47/2020	30.000.000,00	0,00	18.000.000,00	12.000.000,00	0,00	18.000.000,00
ARG-48/2020I	20.000.000,00	0,00	18.267.733,43	1.732.266,57	0,00	18.267.733,43
ARG-48/2020II	20.000.000,00	0,00	0,00	20.000.000,00	0,00	0,00
ARG-49/2020	20.000.000,00	0,00	3.560.010,51	16.439.989,49	0,00	3.560.010,51
ARG-50/2020	15.000.000,00	0,00	7.320.536,17	7.679.463,83	0,00	7.320.536,17
ARG-51/2021	28.000.000,00	0,00	5.458.583,00	22.541.417,00	0,00	5.458.583,00
ARG-52/2021	5.000.000,00	0,00	194.000,00	4.806.000,00	0,00	194.000,00
ARG-53/2021	18.000.000,00	0,00	1.899.000,00	16.101.000,00	0,00	1.899.000,00
ARG-54/2021	5.000.000,00	0,00	1.510.000,00	3.490.000,00	0,00	1.510.000,00
ARG-55/2021	13.300.000,00	0,00	1.403.150,00	11.896.850,00	0,00	1.403.150,00
ARG-56/2021	15.000.000,00	0,00	1.567.500,00	13.432.500,00	0,00	1.567.500,00
ARG-57/2021	12.000.000,00	0,00	1.266.000,00	10.734.000,00	0,00	1.266.000,00
ARG-58/2021	25.000.000,00	0,00	2.667.500,00	22.332.500,00	0,00	2.667.500,00
ARG-59/2022	43.600.000,00	0,00	0,00	43.600.000,00	0,00	0,00
ARG-60/2022	33.400.000,00	0,00	0,00	0,00	0,00	0,00

ARG-61/2022	10.000.000,00	0,00	0,00	0,00	0,00	0,00
	1.359.830.440,00	**172.413.814,80**	**769.334.845,06**	**374.681.780,14**	**308.496.710,70**	**460.838.134,36**
Bolivia						
BOL-01/79	585.000,00	0,00	585.000,00	0,00	585.000,00	0,00
BOL-02/80	423.000,00	0,00	423.000,00	0,00	423.000,00	0,00
BOL-03/81	234.000,00	0,00	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	6.935.260,80	0,00
BOL-05/82	7.500.000,00	405.324,45	7.094.675,55	0,00	7.094.675,55	0,00
BOL-06/83	1.000.000,00	0,00	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	710.748,00	0,00
BOL-08/85	19.500.000,00	156.243,15	19.343.756,85	0,00	19.343.756,85	0,00
BOL-09/89	8.280.000,00	0,00	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	13.803.867,33	0,00
BOL-11/89	8.800.000,00	506.660,00	8.293.340,00	0,00	8.293.340,00	0,00
BOL-12/90	13.700.000,00	2.255,74	13.697.744,26	0,00	13.697.744,26	0,00
BOL-13/90	4.500.000,00	0,11	4.499.999,89	0,00	4.499.999,89	0,00
BOL-14/92	2.087.000,00	165.140,86	1.921.859,14	0,00	1.921.859,14	0,00
BOL-15/92	10.000.000,00	3.529,97	9.996.470,03	0,00	9.996.470,03	0,00
BOL-16/94	728.209,00	104.436,03	623.772,97	0,00	623.772,97	0,00
BOL-17/94	18.220.499,00	307.060,69	17.913.438,31	0,00	17.913.438,31	0,00
BOL-18/2004	40.000.000,00	0,00	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	30.398.577,84	33.051.422,16
BOL-20/2013	35.000.000,00	0,00	35.000.000,00	0,00	18.955.513,88	16.044.486,12
BOL-21/2014	34.753.571,00	457.698,04	34.295.872,96	0,00	16.637.857,09	17.658.015,87
BOL-22/2014	20.531.123,00	3.169.670,34	17.361.452,66	0,00	8.082.654,36	9.278.798,30
BOL-23/2014	26.000.000,00	0,00	26.000.000,00	0,00	12.976.129,53	13.023.870,47
BOL-24/2014	13.400.000,00	29.566,77	13.370.433,23	0,00	6.130.403,11	7.240.030,12
BOL-25/2015	5.000.000,00	155.505,16	4.844.494,84	0,00	4.844.494,84	0,00
BOL-26/2015	50.000.000,00	0,00	40.575.322,18	9.424.677,82	10.035.785,06	30.539.537,12
BOL-27/2016	50.000.000,00	0,00	21.033.083,58	28.966.916,42	4.780.246,25	16.252.837,33
BOL-28/2016	10.000.000,00	1.148.982,59	8.851.017,41	0,00	3.491.512,70	5.359.504,71
BOL-29/2017	10.000.000,00	630.000,00	9.370.000,00	0,00	2.602.777,80	6.767.222,20
BOL-30/2017	40.000.000,00	0,00	40.000.000,00	0,00	7.272.727,28	32.727.272,72
BOL-32/2018I	65.000.000,00	0,00	65.000.000,00	0,00	0,00	65.000.000,00

BOL-32/2018II	35.000.000,00	360.000,00	34.640.000,00	0,00	0,00	34.640.000,00
BOL-33/2019	41.942.761,00	0,00	32.060.111,72	9.882.649,28	0,00	32.060.111,72
BOL-34/2021	100.000.000,00	0,00	85.650.000,00	14.350.000,00	0,00	85.650.000,00
BOL-35/2022	40.000.000,00	0,00	35.324.172,11	4.675.827,89	0,00	35.324.172,11
BOL-36/2023	57.246.082,37	0,00	0,00	0,00	0,00	0,00
BOL-37/2023	56.050.000,00	0,00	0,00	0,00	0,00	0,00
	910.528.745,37	**7.749.697,77**	**722.182.893,82**	**67.300.071,41**	**281.565.612,87**	**440.617.280,95**
Brazil						
BR-01/94	20.000.000,00	594.089,21	19.405.910,79	0,00	19.405.910,79	0,00
BR-02/95	1.143.000,00	97.816,48	1.045.183,52	0,00	1.045.183,52	0,00
BR-03/95	2.600.000,00	0,00	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	13.390.010,37	0,00
BR-05/2001	24.000.000,00	0,00	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	6.148.348,00	0,00
BR-07/2003	27.500.000,00	0,00	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	21.562.555,20	748.708,80
BR-09/2005	28.000.000,00	0,00	28.000.000,00	0,00	23.333.333,36	4.666.666,64
BR-10/2006	11.800.000,00	65.644,16	11.734.355,84	0,00	8.995.326,38	2.739.029,46
BR-11/2006	10.000.000,00	0,00	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	13.208.516,16	3.852.483,84
BR-13/2007	14.750.000,00	3.321,79	14.746.678,23	-0,02	10.320.984,52	4.425.693,71
BR-14/2008	19.250.000,00	19.250.000,00	0,00	0,00	0,00	0,00
BR-15/2008	8.910.000,00	0,00	8.910.000,00	0,00	5.837.586,22	3.072.413,78
BRA-16/2014	40.000.000,00	0,00	40.000.000,00	0,00	5.716.135,96	34.283.864,04
BRA-17/2017	17.250.000,00	0,00	14.837.455,38	2.412.544,62	0,00	14.837.455,38
BRA-18/2017	40.000.000,00	0,00	5.054.963,75	34.945.036,25	459.542,16	4.595.421,59
BRA-19/2017	34.700.000,00	34.700.000,00	0,00	0,00	0,00	0,00
BRA-20/2017	50.000.000,00	50.000.000,00	0,00	0,00	0,00	0,00
BRA-21/2018	62.500.000,00	0,00	42.339.731,86	20.160.268,14	3.378.920,50	38.960.811,36
BRA-22/2019	27.600.000,00	0,00	19.345.600,00	8.254.400,00	0,00	19.345.600,00
BRA-23/2019	25.000.000,00	0,00	12.937.325,97	12.062.674,03	0,00	12.937.325,97
BRA-24/2019	15.997.360,00	15.997.360,00	0,00	0,00	0,00	0,00
BRA-25/2020	34.000.000,00	0,00	32.295.638,20	1.704.361,80	0,00	32.295.638,20
BRA-26/2020	32.000.000,00	4.500.000,00	7.500.000,00	20.000.000,00	0,00	7.500.000,00

BRA-27/2020	46.880.000,00	46.880.000,00	0,00	0,00	0,00	0,00
BRA-28/2021	16.000.000,00	0,00	3.252.000,00	12.748.000,00	0,00	3.252.000,00
BRA-29/2021	30.000.000,00	0,00	3.409.497,01	26.590.502,99	0,00	3.409.497,01
BRA-30/2021	11.130.000,00	11.130.000,00	0,00	0,00	0,00	0,00
BRA-31/2021	25.000.000,00	0,00	2.675.000,00	22.325.000,00	0,00	2.675.000,00
BRA-32/2021	50.000.000,00	0,00	5.275.000,00	44.725.000,00	0,00	5.275.000,00
BRA-33/2022	40.000.000,00	0,00	4.220.000,00	35.780.000,00	0,00	4.220.000,00
BRA-34/2022	22.000.000,00	0,00	0,00	22.000.000,00	0,00	0,00
BRA-35/2022	30.000.000,00	0,00	3.165.000,00	26.835.000,00	0,00	3.165.000,00
BRA-36/2022	42.000.000,00	0,00	0,00	42.000.000,00	0,00	0,00
BRA-37/2022	60.000.000,00	0,00	0,00	0,00	0,00	0,00
BRA-38/2023	40.000.000,00	0,00	0,00	40.000.000,00	0,00	0,00
BRA-39/2023	30.000.000,00	0,00	0,00	30.000.000,00	0,00	0,00
BRA-40/2023	39.000.000,00	0,00	0,00	0,00	0,00	0,00
BRA-41/2023	50.000.000,00	0,00	0,00	0,00	0,00	0,00
BRA-42/2023	52.000.000,00	0,00	0,00	0,00	0,00	0,00
	1.190.019.708,00	**183.316.957,27**	**403.159.962,92**	**402.542.787,81**	**196.902.353,14**	**206.257.609,78**
Paraguay						
PAR-02/79	3.000.000,00	2.182.148,05	817.851,95	0,00	817.851,95	0,00
PAR-03/78	675.000,00	33,78	674.966,22	0,00	674.966,22	0,00
PAR-04/81	4.000.000,00	1.203.595,80	2.796.404,20	0,00	2.796.404,20	0,00
PAR-05/84	8.400.000,00	1.750.378,05	6.649.621,95	0,00	6.649.621,95	0,00
PAR-06/84	15.000.000,00	2.491.069,43	12.508.930,57	0,00	12.508.930,57	0,00
PAR-07/85	2.300.000,00	2.300.000,00	0,00	0,00	0,00	0,00
PAR-08/86	20.300.000,00	28.557,79	20.271.442,21	0,00	20.271.442,21	0,00
PAR-09/90	230.000,00	230.000,00	0,00	0,00	0,00	0,00
PAR-10/92	7.000.000,00	6.167.856,81	832.143,19	0,00	832.143,19	0,00
PAR-11/93	3.800.000,00	3.128,71	3.796.871,29	0,00	3.796.871,29	0,00
PAR-12/93	20.000.000,00	2.287.264,51	17.712.735,49	0,00	17.712.735,49	0,00
PAR-13/93	34.580.300,00	261.126,86	34.319.173,14	0,00	34.319.173,14	0,00
PAR-14/94	1.547.573,00	10.143,43	1.537.429,57	0,00	1.537.429,57	0,00
PAR-15/94	10.000.000,00	0,00	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	280.000,00	0,00
PAR-16/2001 I	8.500.000,00	0,00	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	20.212.780,61	0,00
PAR-18/2004	10.000.000,00	10.000.000,00	0,00	0,00	0,00	0,00
PAR-19/2011	97.928.094,00	0,00	97.928.094,00	0,00	40.521.969,96	57.406.124,04
PAR-20/2015I	70.000.000,00	0,00	70.000.000,00	0,00	14.736.842,12	55.263.157,88
PAR-20/2015II	70.000.000,00	0,00	68.487.576,93	1.512.423,07	9.755.806,89	58.731.770,04
PAR-21/2015	15.000.000,00	123.767,44	14.876.232,56	0,00	6.125.507,50	8.750.725,06
PAR-22/2016	42.750.000,00	0,00	32.297.630,58	10.452.369,42	4.373.771,86	27.923.858,72
PAR-23/2016	42.911.000,00	0,00	32.346.256,42	10.564.743,58	1.397.680,37	30.948.576,05
PAR-24/2017	42.857.143,00	0,00	31.741.093,88	11.116.049,12	1.477.931,33	30.263.162,55
PAR-25/2018	12.000.000,00	12.000.000,00	0,00	0,00	0,00	0,00
PAR-26/2018	70.000.000,00	0,00	63.066.539,07	6.933.460,93	5.255.544,92	57.810.994,15
PAR-27/2019I	130.000.000,00	0,00	0,00	130.000.000,00	0,00	0,00
PAR-28/2020I	134.245.764,00	0,00	15.170.244,52	119.075.519,48	0,00	15.170.244,52
PAR-29/2022	45.000.000,00	0,00	0,00	45.000.000,00	0,00	0,00
	942.776.774,00	**41.298.190,05**	**566.824.018,35**	**334.654.565,60**	**224.555.405,34**	**342.268.613,01**
Uruguay						
UR-02/82	2.000.000,00	1.285.844,26	714.155,74	0,00	714.155,74	0,00
UR-03/84	2.000.000,00	0,00	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	3.528.869,56	0,00
UR-05/92	19.726.500,00	906.415,18	18.820.084,82	0,00	18.820.084,82	0,00
UR-06/92	441.327,00	165.506,00	275.821,00	0,00	275.821,00	0,00
UR-07/93	953.953,00	4.395,08	949.557,92	0,00	949.557,92	0,00
UR-08/93	1.830.000,00	0,00	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	0,00	0,00
UR-10/94	25.000.000,00	0,00	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	471.682,67	0,00
UR-12/2003	30.000.000,00	18.354.612,03	11.645.387,97	0,00	11.645.387,97	0,00
UR-13/2012	112.000.000,00	0,00	111.999.999,94	0,06	48.817.935,22	63.182.064,72
URU-14/2014	30.500.000,00	0,00	30.500.000,00	0,00	8.380.198,96	22.119.801,04
URU-15/2014	40.000.000,00	40.000.000,00	0,00	0,00	0,00	0,00
URU-16/2015	35.000.000,00	0,00	35.000.000,00	0,00	13.124.999,97	21.875.000,03
URU-17/2015	30.500.000,00	0,00	30.500.000,00	0,00	11.437.499,97	19.062.500,03
URU-18/2016	27.500.000,00	0,00	27.500.000,00	0,00	27.500.000,00	0,00
URU-19/2018	50.000.000,00	0,00	50.000.000,00	0,00	2.272.727,27	47.727.272,73
URU-20/2018	60.535.000,00	0,00	60.535.000,00	0,00	5.263.913,04	55.271.086,96
URU-21/2020	15.000.000,00	0,00	15.000.000,00	0,00	0,00	15.000.000,00
URU-22/2020I	21.000.000,00	7.151.695,44	13.848.304,56	0,00	0,00	13.848.304,56
URU-23/2023I	40.000.000,00	0,00	39.999.999,50	0,50	0,00	39.999.999,50
URU-23/2023II	20.000.000,00	0,00		20.000.000,00		0,00
URU-24/2023	150.000.000,00	0,00	30.825.000,00	119.175.000,00	0,00	30.825.000,00
	718.373.152,00	**68.254.287,76**	**510.943.863,68**	**139.175.000,56**	**182.032.834,11**	**328.911.029,57**
Total:	**5.121.528.819,37**	**473.032.947,65**	**2.972.445.583,83**	**1.318.354.205,52**	**1.193.552.916,16**	**1.778.892.667,67**



II.
AUDITED FINANCIAL STATEMENTS 2023–2022

(Free translation from the original issued in Spanish)

FONPLATA – BANCO MULTILATERAL DE DESARROLLO

Financial statements for the years ended as of December 31, 2023, and 2022, respectively, along with the independent auditors' report

(Free translation from the original issued in Spanish)

FONPLATA – BANCO MULTILATERAL DE DESARROLLO

Financial statements

Years ended as of December 31, 2023 and 2022, respectively

Content:

EY
Construyendo un mejor entorno de negocios

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INDEPENDENT AUDITORS' REPORT

To the Assembly of Governors
of **FONDO FINANCIERO PARA EL DESARROLLO DE LA CUENCA DEL PLATA (FONPLATA) Banco Multilateral de Desarrollo**

Opinion

We have audited the financial statements of FONDO FINANCIERO PARA EL DESARROLLO DE LA CUENCA DEL PLATA Banco Multilateral de Desarrollo ("FONPLATA"), which comprise the statement of financial position as at December 31, 2023, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of FONPLATA as at December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISA"). 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 are independent of Fonplata in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) *("IESBA Code")* together with the ethical requirements that are relevant to our audit of the financial statements in Mexico according with the *"Código de Ética Profesional del Instituto Mexicano de Contadores Públicos" ("IMCP Code"),* and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming the auditor´s opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *"Auditor's responsibilities for the audit of the financial statements"* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Valuation of hedging instruments

Description and why matter is of most material

We have considered the valuation of hedging instruments and their classification as a key audit matter, because Management uses valuation techniques that involve judgments when the use of inputs from various sources and complex valuation models is required, as well as requiring the involvement of the auditor's specialists to validate the valuation.

Notes 4.10 and 8.5 (ii) and (iii) to the accompanying financial statements as of December 31, 2023 describes the accounting policy on the valuation techniques and assumptions used in the recognition of investments in hedging instruments, as well as their integration.

How our audit addressed the key audit matter

As part of the audit procedures, we obtained an understanding of the process and control environment established by FONPLATA on the valuation process of investments in hedging instruments. In addition, we inspected the contractual origin of the transactions by obtaining the financing contracts, as well as the respective derivative contracts and we evaluate the selection of the accounting criteria of the financial instruments as "Cash Flow Hedge or Fair Value Hedge".

We also involved our specialists to review the reasonableness of the valuation of hedging instruments. We reviewed the calculation of the fair value of derivatives, through the appropriate selection of valuation curves. In addition, we obtained confirmation of collateral balances at year-end from counterparties.

We also assessed the adequacy of disclosures related to hedging financial instruments in the accompanying financial statements as of December 31, 2023.

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 IFRS, 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.

In preparing the financial statements, management is responsible for assessing the Company'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 the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company'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 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 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 understanding 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 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 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.

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, actions taken to eliminate threats or safeguards applied.

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.

The partner in charge of the audit resulting in this independent auditor's report, is who signs it.

This Independent Auditor's Report and the accompanying financial statements have been translated into English for convenience purposes only.

Mancera, S.C.
Member of
Ernst & Young Global Limited

C.P.C. José Luis Loaeza Leyva

Mexico City
February 23, 2024

FONPLATA
Banco de Desarrollo

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

	As of December 31,			
	2023		**2022**	
ASSETS				
Cash and cash equivalents – Notes 8.1 and 8.3		324,216		217,589
Investments				
At fair value with changes in other comprehensive income – Note 8.2	376,448		338,850	
At amortized cost	30,000	406,448	-.-	338,850
Loan portfolio – Note 8.4		1,853,302		1,744,396
Accrued interest				
On investments– Note 8.2 and 8.3	3,292		1,374	
On loans – Note 8.4	39,466	42,758	28,182	29,556
Other assets				
Fair value hedge derivatives– Note 8.5 (ii)	6,799		5	
Property and equipment, net – Note 9.1	5,216		5,679	
Miscellaneous – Note 9.2	1,398	13,413	1,088	6,772
Total assets		2,640,137		2,337,163
LIABILITIES AND EQUITY				
Liabilities				
Borrowings – Note 8.5	1,050,047		975,343	
Other liabilities – Note 9.3	16,033		10,294	
Special funds – Note 8.6	24,507		22,635	
Total liabilities		1,090,587		1,008,272
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	(138,833)	1,210,367	(267,540)	1,081,660
General reserve – Note 10.3		246,910		203,595
Other reserves – Note 10.2		210		(3,979)
Retained earnings – Note 10.3		92,063		47,615
Total equity		1,549,550		1,328,891
Total liabilities and equity		2,640,137		2,337,163

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

Luciana Botafogo Brito
EXECUTIVE PRESIDENT

Antonio Mullisaca Díaz
CHAIRPERSON BOARD OF EXECUTIVE DIRECTORS

Fernando A, Fernandez Mantovani
CHIEF ACCOUNTING AND BUDGET

Rafael Robles
VICEPRESIDENT OF FINANCE

FONPLATA
Banco de Desarrollo

(Free translation from the original issued in Spanish)
FONPLATA – Multilateral Development Bank
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
(All amounts expressed in thousands of U.S. dollars)

	January 1 through December 31, 2023	2022
INCOME – Note 11		
Loan portfolio		
Interest	139,352	69,613
Other loan income	7,344	5,900
	146,696	75,513
Investments		
Interest	28,871	2,096
Other	861	13
	29,732	2,109
Income from financial assets	176,428	77,622
EXPENSES		
Interest expense	(65,352)	(25,176)
Income from financial assets, net	111,076	52,446
Other income/expenses	(754)	7,390
Income before provision and administrative expenses	110,322	59,836
Provision for loan impairment	(5,891)	(1,171)
Income after provision for loan impairment	104,431	58,665
Administrative expenses – Note 12	(12,368)	(11,050)
Net income	92,063	47,615
Items that may be reclassified to profit or loss:		
Changes in fair value of investments	4,213	1,191
Losses/Gains on cash flow hedges net	-.-	3,578
Items that will be not reclassified to profit or loss:		
Technical appraisal of property	(24)	(93)
Comprehensive income	96,252	52,291

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

Luciana Botafogo Brito
EXECUTIVE PRESIDENT

Antonio Mullisaca Díaz
CHAIRPERSON BOARD OF EXECUTIVE DIRECTORS

Fernando A, Fernandez Mantovani
CHIEF ACCOUNTING AND BUDGET

Rafael Robles
VICEPRESIDENT OF FINANCE

FONPLATA
Banco de Desarrollo

(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)

	January 1 through December 31, 2023	2022
Cash Flows from Operating Activities		
Lending		
Disbursements	(291,890)	(354,629)
Cash received from loan principal amortizations	175,507	113,387
Net disbursements	(116,383)	(241,242)
Cash received from interest and other loan charges	136,999	57,346
Net flows in lending activities	20,616	(183,896)
Other operating flows:		
Payment of salaries, benefits, and other personnel expenses	(7,238)	(7,564)
Payment of administrative expenses	(3,656)	(3,369)
Increase in trade accounts payable and with special funds	(1,717)	(1,347)
Net flows used in other operating activities	(12,611)	(12,280)
Net flows from operating activities	8,005	(196,176)
Cash Flows from Financing Activities		
Proceeds from borrowings	114,365	169,114
Derivatives – Collateral deposited at counterparts	57,470	(44,460)
Repayment of borrowings and debt service	(165,081)	(84,285)
Net flows from financing from third parties	6,754	40,369
Collection of paid-in capital subscriptions	128,707	75,193
Net flows from financing activities	135,461	115,562
Cash flows from investing activities		
Collection of investment income	26,696	2,861
Net sales/(purchase) of investments	(63,385)	166,980
Income from office sale	-.-	225
Capital expenditures	(150)	(124)
Net flows from investment activities	(36,839)	169,942
Increase in cash and equivalents during the year	106,627	89,328
Cash and Cash equivalents at the beginning of the year	217,589	128,261
Cash and Cash equivalents at the end of the year	324,216	217,589

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

Luciana Botafogo Brito
EXECUTIVE PRESIDENT

Antonio Mullisaca Díaz
CHAIRPERSON BOARD OF EXECUTIVE DIRECTORS

Fernando A, Fernandez Mantovani
CHIEF ACCOUNTING AND BUDGET

Rafael Robles
VICEPRESIDENT OF FINANCE

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, 2022	1,006,467	183,165	(5,806)	(3,578)	729	24,030	1,205,007
Capital increase – Paid-in portion	75,193	-	-	-	-	-	75,193
Allocated by the Assembly of Governors to:							
General Reserve	-	20,430	-	-	-	(20,430)	-
Fund for the Compensation of Interest Rate (FOCOM)	-	-	-	-	-	(3,100)	(3,100)
Technical Cooperation Program (PCT)	-	-	-	-	-	(500)	(500)
Net income for the year	-	-	-	-	-	47,615	47,615
Other comprehensive income for the year	-	-	1,191	3,578	(93)	-	4,676
Balance as of December 31, 2022	1,081,660	203,595	(4,615)	-	636	47,615	1,328,891
Balance as of January 1, 2023	1,081,660	203,595	(4,615)	-	636	47,615	1,328,891
Capital increase – Paid-in portion	128,707	-	-	-	-	-	128,707
Allocated by the Assembly of Governors to:							
General Reserve	-	43,315	-	-	-	(43,315)	-
Fund for the Compensation of Interest Rate (FOCOM)	-	-	-	-	-	(4,300)	(4,300)
Net income for the year	-	-	-	-	-	92,063	92,063
Other comprehensive income for the year	-	-	4,213	-	(24)	-	4,189
Balance as of December 31, 2023	1,210,367	246,910	(402)	-	612	92,063	1,549,550

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

Luciana Botafogo Brito
EXECUTIVE PRESIDENT

Antonio Mullisaca Díaz
CHAIRPERSON BOARD OF EXECUTIVE DIRECTORS

Fernando A, Fernandez Mantovani
CHIEF ACCOUNTING AND BUDGET

Rafael Robles
VICEPRESIENT OF FINANCE

FONPLATA

(Free translation from the original issued in Spanish)
FONPLATA – Multilateral Development Bank
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023, AND 2022
(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," or "the Bank," 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. The Bank is headquartered in the city of Santa Cruz de la Sierra, Estado Plurinacional de Bolivia and has liaison offices in Asuncion, Republic of Paraguay, since 1989, in Buenos Aires, Republic of Argentina since June 2018, in Montevideo, Uruguay, since December 2019, and on March 15, 2021, opened an office in Brasilia, Brazil, consolidating its presence in all five member countries. Liaison offices are an integral part of the Bank's strategy to strengthen the working relationship with its member countries.

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

The Bank was established by its founding members, within a spirit of cooperation 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.

The Bank's founding members maintain a 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 the Bank, are the granting of loans and guarantees, obtaining external financing with the guarantee of the Bank's net assets; the financing of pre-investment studies with the purpose of identifying investment opportunities or projects of interest to enhance the development and integration of its member countries at regional and global levels; 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, the Board of Governors approved modifications to the Charter pursuing 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", or "The Bank"; (iii) expansion of its scope of work from an strictly geographic focus based on the countries, to one encompassing the region of its member countries and their integration in the global market; (iv) the expansion of its membership beyond its founding members, recognizing the possibility of incorporating non-founding 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 founding members only, with a par value of $10 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 - 6 - "B", to be allocated to non-founding 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. 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 of shares was issued as of the time the amendments to the Articles of Agreement become fully effective for the founding member countries, on January 27, 2024, the date on which the new Articles of Agreement will enter into force, after its ratification was completed by Brazil, and officially reported to the Bank on December 27, 2023 (see Notes 10 and 18).

The Bank Administration is characterized by a keen focus on strategic planning and results-based management. The Strategic Institutional Plan 2013 – 2022 (a.k.a. PEI for its Spanish acronym), constitutes the main instrument designed to manage, supervise, and ensure accountability for the attainment of expected results. The PEI and its updates of 2017, covering the period 2018 – 2022, and its most recent update covering the period 2022 – 2026, were approved by the Board of Governors in September 2021. Complementing the PEI, the Bank prepares the Programs and Budget Document (a.k.a. DPP for its Spanish acronym). The DPP integrates the business plan with the expected results to be attained for the next three years, as well as the activities required and their related costs, which make the basis for the administrative and capital budgets. The DPP for period 2024-2026, was approved by the Board of Governors on December 1, 2023. On February 21, 2024, as provided in the DPP, the Board of Executive Directors by delegation of the Board of Governors, approved the amount for the 2024 budget reflecting the growth scenario that includes the Republic of Argentina as a full member of the Bank.

On April 10, 2023, the Assembly of Governors appointed Luciana Botafogo Brito as the Executive President of FONPLATA, Development Bank for the period 2023 – 2028, and on April 11, 2023, the Assembly of Governors approved the financial statements for the year ended December 31, 2022.

NOTE 2 – SIGNIFICANT CHANGES IN THE CURRENT YEAR

The following paragraphs provide a description of the relevant operational and financial activities of the Bank that have directly contributed to the growth of its net earning assets and to the generation of net income during the year ended as of December 31, 2023:

- 94% of the amount of loan income was determined by the increase in interest rates, with the remaining 6% being the result of disbursements more than the collection of principal amortizations in the amount of $116,383, as shown in the statement of cash flows. The increase in interest rates is the result of the effort of the most developed economies to counter inflationary pressures as a result of the disruption in global production and supply chains during the COVID-19 pandemic, followed by the disruption to international trade caused by the Russian invasion of Ukraine, compounded with the instability resulting from the conflict in the Middle East. The SOFR rate ("Secured Overnight Financing Rate"), which in December 2021 was 5 base points, during 2022 registered an increase of 425 base points, and during the year ended December 31, 2023 it increased another 108 base points. The cycle of monetary contraction started by the United States Federal

Reserve in 2022 is expected to end. However, the interest rate is expected to remain at current levels if there is no conclusive evidence of a slowdown in the general inflation rate, and particularly in the core inflation rate driving it towards the target level around 2%. As of December 31, 2023, approximately 97% of loan contracts have the SOFR in arrears as the reference rate. The average SOFR, LIBOR and Synthetic LIBOR rate accrued during the year ended as of December 31, 2023, was 790, 740 and 830 basis points, respectively, for a weighted average of 780 base points, significantly higher than that registered in 2022, of 393 basis points, respectively. This is explained in the process of gradual adoption of the SOFR rate and in the fact that the 6-month Libor rate is applied in arrears (i.e., the applicable rate is that of the previous semester). Except for two loan contracts in municipal administrations in Brazil, the process of adopting the SOFR rate for all financing granted by the Bank was completed as of December 31, 2023.

- In compliance with its financial and risk management policies, the Bank manages its risk from exposure to changes in exchange and interest rates by denominating all its loan contracts in United States dollars and through December 31, 2021, by adopting the 6-month Libor rate as its reference rate component of its lending rate. Effective January 1, 2022, all loan contracts signed incorporate the compounded SOFR in arrears as its reference rate. Furthermore, on all legacy loan contracts signed prior to December 31, 2021, due to the replacement of the 6-month Libor rate by the SOFR rate, the Bank agreed with its member countries to a voluntary conversion process by some countries adopted the compounded SOFR in arrears plus an adjusting margin[1] in replacement of the 6-mohth Libor rate. Loan contracts that remained on the 6-month Libor rate as of June 30, 2023, date on which its use was formally discontinued because it was no longer published, accrue interest based on the synthetic Libor rate, which is based on the SOFR Term.

  Prior to the Libor rate being discontinued, and in mutual agreement with its member countries, the Bank replaced this rate as its loan reference rate in all its loan contracts with Argentina, Paraguay and Uruguay (December 31, 2022 – 64 loan contracts had already been migrated to the SOFR rate in arrears for a total amount of $1,040,568, while 52 loan contracts amounting to $712,276, remained on the 6-month Libor rate). On December 31, 2023, the Plurinational State of Bolivia as part of the approval of its annual budget approved by Law No. 1546, approved the required amendments on all loan contracts to effectively pave the way for the adoption of the SOFR in arrears on all loan contracts with the Bank. Migration to the SOFR rate in 15 of the 16 loan contracts with Bolivia will become effective on January 10, 2024, and on March 14, 2024, for the remaining contract. The loan portfolio outstanding with Bolivia amounts to $440,617, which on average accrue interest at the synthetic Libor of 830 base points. This amount of loans outstanding includes one operation amounting to $35,324 which accrues interest at the 6-month Libor rate and that it would be converted to the SOFR in arrears on January 10, 2024. The loan portfolio outstanding in Brazil consists of 22 operations amounting to $258,258. 91% of the outstanding loan contracts in Brazil were converted to the SOFR in arrears. The 9% remaining corresponds to two operations amounting to $6,925, on financings granted to municipal authorities in Brazil that are expected to be converted to the SOFR in arrears in the following months. During the year ended as of December 31, 2023, the Bank approved 10 sovereign guaranteed operations in the total amount of $534,296 (2022 - $456,000 in 12 operations with sovereign guarantee); and two operations without sovereign-guarantee in the amount of $44,000 (2022 - $0). Disbursements amounted to $291,728, including $59,500 without sovereign-guarantee (2022 - $354,629, including $10,000 without sovereign guarantee); and received $175,507 in principal amortizations, of which $37,167 correspond to loans without

[1] The SOFR adjusting margin of 42,826 basis points, was set by the Alternative Reference Rate Committee ("ARRC") in March 2021.

sovereign guarantee (2022 - $107,387 of loan principal amortizations on sovereign-guaranteed loans).

- As stated in greater detail in the following subsection and in Note 3 – How Income is Generated, during the year ended as of December 31, 2023, the loan reference rate has experienced constant increases. This in turn has driven a recovery in nominal terms of loan revenues though still lower than before the pandemic when measured in terms of actual return. This has contributed to the Bank's reaching a level of income from net financial assets that is 125% higher than the one attained in 2022, strengthening its already robust financial profile.

- Financial costs increased on average by 380 basis points because of the sudden increase in interest rates experienced throughout 2022. The increase is 8 basis points higher than the Bank's return on loans. In December 2022, and in agreement with its counterparts, the Bank migrated its swaps design to protect the debt contracted through the issuance of Swiss bonds, namely FONPLATA 24 and FONPLATA 28, from the 6-month Libor to the SOFR. This migration materialized in March and June 2023, respectively. The FONPLATA 26 bond was migrated to the SOFR in arrears in the third quarter of 2023 according to the fallback covenants. The swaps contracted to protect the sustainable bonds issued in Japan in March 2023 were contracted at the SOFR in arrears rate. Finally, the cross-currency swap contracted in December 2022 in connection with the debt contracted with the AFD at the Euribor rate and the drawdown on the line of credit contracted with the KfW on August 24, 2023, were converted into the SOFR rate in arrears.

- In compliance with its policies and procedures for the maintenance of liquid assets and borrowings, on March 23, 2023, the Bank made its entrance for the first time in the Japanese capital markets and launched its first sustainable bond through a private issuance raising JPY 7,200,000 equivalent to $54,022. Furthermore, the Bank drew down $60,344, on existing lines of credit and loans for a total of $114,366, and amortized principal on outstanding borrowings and lines of credit for $104,592 (2022 - $66,016).

  The following chart depicts outstanding borrowing amounts as of December 31, 2023, and 2022, respectively, under the various lines of credit, loans and the amount owed to the Bank's bondholders for the fourth bond issuances:

Creditor	Outstanding as of December 31,2022	Principal repaid	Fair value adjustments and exchange differences	Funds received in 2023	Outstanding debt as of December 31, 2023
	$	$	$	$	$
Banco de Desarrollo de América Latina (CAF)	100,000	-.-		-.-	100,000
Inter-American Development Bank (IDB)	118,396	(5,000)		19,576	132,972
French Development Agency (AFD) [1]	28,322	(1,818)	363	-.-	26,867
European Investment Bank (BEI)	42,000	-.-		18,000	60,000
Official Credit Institute E.P.E. (ICO)	16,629	(1,107)		-.-	15,522
Banco Bilbao Vizcaya Argentaria (BBVA)	100,000	(16,667)		-.-	83,333
Banco Central del Uruguay (BCU)- Fix rate	80,000	(80,000)		-.-	-.-
KfW – Euros at Euribor rate[1]	-.-	-.-	1,344	22,768	24,112
Subtotal before deferred charges	**485,347**	**(104,592)**	**1,707**	**60,344**	**442,806**
Deferred loan charges	(496)	95		(279)	(680)
Subtotal multilaterals and other	**484,851**	**(104,497)**	**1,707**	**60,065**	**442,126**
Bond issuance of CHF FONPLATA 24[2]	157,640	-.-	19,985	-.-	177,625

Creditor	Outstanding as of December 31,2022	Principal repaid	Fair value adjustments and exchange differences	Funds received in 2023	Outstanding debt as of December 31, 2023
Bond issuance of CHF FONPLATA 26[2]	196,397	-.-	27,381	-.-	223,778
Bond issuance of CHF FONPLATA 28[2]	137,980	-.-	20,248	-.-	158,228
Bond issuance of JPY Serie 1[2]	-.-	-.-	(1,447)	22,509	21,062
Bond issuance of JPY Serie 2[2]	-.-	-.-	(2,219)	31,513	29,294
Subtotal before deferred charges	**492,017**	**-.-**	**63,948**	**54,022**	**609,987**
Deferred loan charges	(1,525)	453	-,-	(994)	(2,066)
Subtotal bonds	**490,492**	**453**	**63,948**	**53,028**	**607,921**
Total borrowings	**975,343**	**(104,044)**	**65,655**	**113,093**	**1,050,047**

[1]Lines of credit and borrowings contracted in currencies other than the US dollar at rates different than the loan interest reference rate are valued at their fair value (see Note 8.5 (ii) for more details). The total shown as "Fair value adjustments and exchange differences" includes exchange losses of $321 and $437, related to borrowings contracted with the AFD and KfW, respectively, for the year ended as of December 31, 2023 (2022 – $13 of exchange loss) (see Note 8.5 (i) (4) and (8)).

[2]Bonds issued in currencies other than the US dollar at rates different than the loan interest reference rate are valued at their fair value (see Note 8.5 (ii) for further information).

- Derivatives related to FONPLATA's bond issuances and lines that are hedged through cross-currency and interest rate swaps, were designated as of January 1, 2022, as fair value hedges used to finance disbursements on loans to member countries, in accordance with the framework provided by IFRS 9 (see Notes 4.10; 6; and 8(ii)). These derivative contracts are based on ISDA contracts signed with the Bank counterparts, namely Credit Suisse (CS); JPM; Deutsche Bank (DB); HSBC and BBVA.

- In compliance with its financial and risk management policies, the Bank use of derivatives for the sole purpose of reducing its risk exposure to changes in (i) exchange rates of currencies different than the United States dollar, and (ii) in interest rates different from its lending reference interest rate and not for speculative purposes.

- On January 3, 2023, the Bank received from Brazil the sum of $69,842, corresponding to its paid-in capital contributions for the period 2020 to 2022, and thereafter, on April 14,2023, it received the sum of $98. On April 27, 2023, Brazil paid its 2023 paid-in capital subscription in the amount of $27,600.

- Administrative expenditures during year ended as of December 31, 2023, on average represented 83 basis points of the actual return on net financial assets, which is the same level as in 2022. This reaffirms FONPLATA's commitment to ensuring the lowest transactional cost possible for its member countries.
- The Bank is the fiduciary agent for the management of the investment portfolio of the Structural Convergence Fund ("Fondo de Convergencia Estructural de MERCOSUR - FOCEM)."

FONPLATA

GOING CONCERN

On January 18, 2024, the Bank formally received a letter signed by the Governor of the Argentine Republic withdrawing the letter that was sent on April 21, 2023, by his predecessor in which he informed his country of his willingness to "initiate the process aimed at ceasing its membership" in FONPLATA.

Based on this official communication, the Government of the Argentine Republic ratifies that it continues to be a full member of FONPLATA.

In accordance with the transparency and prudence that characterize the management, after receiving the communication from the Governor of the Argentine Republic, the Bank's Senior Management has shared the terms of the communication with its bondholders and creditors, as well as with the risk rating agencies. This news has been welcomed and although the rating agencies have not modified their rating, Standard & Poor's has indicated that it will modify FONPLATA's outlook from "negative" to "stable".

This, together with the institution's robust financial profile, confirms that FONPLATA Development Bank focused on Mercosur, is an institution financially solvent and of relevance for the development agendas of its member countries.

NOTE 3 – HOW INCOME IS GENERATED

The Bank derives most of its income from sovereign-guaranteed loans to its member countries, and starting in 2020, approximately 5% comes from non -sovereign guaranteed loans extended to estate-owned banks at national and subnational level at its member countries'. The Bank's ability to generate loan income relates to various relevant factors directly affecting the growth of its main earning asset, its loan portfolio. The following factors directly affect loan portfolio growth and its profitability:

- 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 for legacy loans migrated to the SOFR rate during the first half of 2023, and the SOFR rate for loans approved starting on or after January 1, 2022, and for Legacy loans where the borrowers opted to convert into the SOFR rate prior to January 1, 2022; and the synthetic Libor rate for loans no converted as of June 30, 2023, plus a fix margin.

Investment income relates directly to the investment of the Bank's portfolio of liquid assets (i.e., cash and cash equivalents), for the purpose of reducing the cost of carry. The Bank 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 the Bank derives its revenues, expenses, and net income:

FONPLATA

	January 1, through December 31,					
	2023			2022		
	Average balance	Income	Return[2] %	Average balance	Income	Return[2] %
Loans outstanding	1,819,035	146,696	8.06%	1,640,222	75,513	4.60%
Investments[1]	603,022	29,754	4.93%	546,226	2,275	0.42%
Cash at banks[1]	39,297	822	2.09%	47,955	106	0.22%
Financial assets	**2,461,354**	**177,272**	**7.20%**	**2,234,403**	**77,894**	**3.49%**
Borrowings	(1,015,078)	(65,352)	(6.44%)	(953,363)	(25,176)	(2.64%)
Net financial assets	**1,446,276**	**111,920**	**7.74%**	**1,281,040**	**52,718**	**4.12%**
Provisions and other charges[1]	-	(7,819)	(0.54%)	-	5,513	0.43%
Administrative expenses	-	(12,038)	(0.83%)	-	(10,616)	(0.83%)
Net assets	**1,446,276**	**92,063**	**6.37%**	**1,281,040**	**47,615**	**3.72%**
Equity	**1,439,221**	**92,063**	**6.40%**	**1,266,949**	**47,615**	**3.76%**

[1]The average balance of investments as of December 31, 2023, includes $264,867 reclassified as cash and equivalents for presentation purposes in the Financial Statements, as they correspond to investments where the time spanned between the day of purchase and of their contractual maturity is of 90 days or less and $12,283 of investments in sweep account (2022- $ 124,482).

[1]Provisions and other charges	January 1, through December 31, 2023 $	2022 $
Provision for loan impairments – Note 8.4	(5,891)	(1,170)
Depreciation	(587)	(365)
Exchange differences - Gain/(loss)	257	(69)
Interest received on investment lending operations and interest received/(paid) on the amount of collateral received/(placed) with counterparts in connection with cross-currency and interest rate swaps	64	14
Special funds participation in investment income	(909)	(180)
Unrealized (losses)/gains on borrowings and on their related cross-currency and interest rate swaps classified as fair-value hedges and valued at their fair value with changes in the income statement – Nota 8.5	(1,390)	6,369
Other income	637	914
Total provisions and other charges	(7,819)	5,513

[2] Returns are calculated based on actual income/expense line items at year-end divided by the average balance for each category of financial assets and liabilities. These averages are calculated by adding up the prior year-end balance plus the current year-end balance, divided by 2, for which they may differ from the actual average.

NOTE 4 – SUMMARY OF MATERIAL 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 periods and year 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 (IFRIC), applicable to entities that report under IFRS and comply with the standards issued by the International Accounting Standards Board (IASB).

The Bank presents a statement of financial position classifying assets and liabilities in accordance with their expected liquidity. Assets and liabilities are shown based on their expected recovery or repayment within a 12- month period, following the date of the financial statements (current), and those for which their expected recovery or repayment is expected to take more than a 12-month period following the date of the financial statements (non-current), as per Note 13.

(ii) Historical cost

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

- Investments available for sale valued at fair value with changes in other comprehensive income (OCI).
- Investments held-to-maturity and valued at amortized cost, which are adjusted through a provision to their fair value in those cases where there has been an impairment.
- Debt contracted in currencies other than the U.S. dollar or at interest rates other than the interest reference rate adopted by the Bank for its loans to member countries and the related swaps contracted by the Bank with its counterparts, which are valued initially at fair value with changes in income.
- Property valued at fair value.

(iii) New standards and modifications adopted by the Bank

The Bank applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2023 (unless otherwise stated). The Bank has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 Insurance Contracts. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them as well as to certain guarantees and financial instruments with discretionary participation features; a few scope exceptions will apply. The overall objective of IFRS 17 is to provide a comprehensive accounting model for insurance contracts that is more useful and consistent for insurers, covering all relevant accounting aspects. IFRS 17 is based on a general model, supplemented by:

• A specific adaptation for contracts with direct participation features (the variable fee approach)
• A simplified approach (the premium allocation approach) mainly for short-duration contracts

The new standard had no impact on the Bank financial statements.

Definition of Accounting Estimates - Amendments to IAS 8

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments had no impact on the Bank financial statements.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments have had an impact on the Bank disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Bank financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments to IAS 12 Income Tax narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities. The amendments had no impact on the Bank financial statements.

International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12

The amendments to IAS 12 have been introduced in response to the OECD's BEPS Pillar Two rules and include:

• A mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
• Disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

The mandatory temporary exception – the use of which is required to be disclosed – applies immediately. The remaining disclosure requirements apply for annual reporting periods beginning on or after 1 January 2023, but not for any interim periods ending on or before 31 December 2023.
The amendments had no impact on the Bank financial statements

Standards issued but not yet effective.

The new standard that come into force in 2024, which following Amendments to IFRS 16: Lease Liability in a Sale and Leaseback, Amendments to IAS 1: Classification of Liabilities as Current or Non-current and Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7, the Bank is analyzing any possible impacts.

4.2 Information relevant operation

Based on an analysis of its operations, the Bank has determined that its core business only has a single operating segment, which consists of the financing of the development needs of its member countries which corresponds to its single reportable segment.

The Bank 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 effected in currencies other than the United States dollar, related to administrative expenses incurred either at the Bank’s headquarters or at its liaison offices in Asuncion, Paraguay, Buenos Aires Argentina, Montevideo, Uruguay, and Brasilia, Brazil. Exchange gains and losses associated with administrative expenses are presented on a net basis as part of administrative expenses, in the income statement.

Financial assets and liabilities, such as investments and loans are denominated in U.S. dollars, and except for the Swiss Francs, and Japanese Yens denominated bonds, and the disbursements denominated in Euros under the lines of credit obtained in December 2022 with AFD and August 2023 with the KfW, which were swapped to U.S. dollars, the Bank does not have other financial liabilities in other currency. Consequently, there is no exchange rate risk exposure related to the Bank’s financial assets and liabilities.

With the exception of a small number of goods and services related to administrative expenses denominated in currencies other than the functional currency, the majority of the Bank’s operational expenses are incurred in the functional currency and recorded at their fair value. The Bank keeps available a small amount of local currency both at its headquarters and country offices to pay for the cost of goods and services required at those locations. Amounts involved are translated into the functional currency using the exchange rate of the date in which the fair value of those expenditures is established. Exchange differences in assets and liabilities measured at fair value are shown together with gains and losses in fair value.

4.4 Revenue recognition

Interest on loans and investments at amortized cost is recognized using the effective interest rate method.

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

(i) **Commissions Income**

Other loan income consists of the administrative commission and the commitment fee. These commissions relate to the Bank’s service provided to its borrowers for inspection and supervision of loans and to ensure the availability of funds for borrowers to disbursed at any time during the contractually agreed upon disbursement period, and as such are recognized ratably in income in accordance with IFRS 15.

4.5 Leases

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

Lease contracts for terms greater than 12 months 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, the Bank measures the right-of-use asset using a cost model.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

The right-of-use assets are also subject to impairment.

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

A 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 how the Bank accounts for its loan portfolio, refer to Note 8.4.

4.8 The Bank's business model and its effect on financial assets and liabilities

Classification, measurement, recognition and disclosure of the Bank's financial assets and liabilities in the financial statements is driven by its business model. The Bank's business model architecture is designed with the purpose of helping its member countries in their efforts to improve their people's quality of life by financing projects designed to improve regional integration and socioeconomic development. The Bank, like any other multilateral development bank (MDB), finances its lending program through a combination of paid-in capital subscriptions; its retained earnings; and, by borrowing from capital markets; MDBs; cooperation agencies and private and governmental international financial institutions. The Bank's capital consists of paid-in and callable capital. Callable capital is subscribed and committed by member countries and can be called upon in case of a financial emergency such as a catastrophic event that would preclude the Bank from either accessing capital markets or borrowing directly from other institutions to comply with its financial obligations.

One of the key elements of the Bank's business model is its capacity to remain relevant. The Bank's relevance is measured through its ability to mobilize a sizable volume of fresh financial resources, through both on-lent and technical cooperation activities, sufficient to assist its member countries in their development needs.

To achieve its mission, MDBs are required to continuously grow their capital base, to increase their lending capacity over time. For this purpose, every 5 to 7 years, MDBs may go through a capital replenishment that consists of an increase of both paid-in and callable capital or in some cases may also involve the addition of new members.

Lending capacity is determined through either the callable capital of investment grade members, like it is the case in the oldest and most mature MDBs that have a global membership, or based on a multiplier of their equity, as it is the case with younger and regional institutions, such as the Bank.

In the case of the Bank, lending capacity is measured based on a multiplier of 3-times its equity.

Based on its capital structure, which by the end of the current replenishment should consist of approximately 45% paid-in capital and 55% callable capital, the Bank needs to borrow funds to finance disbursements for a portion of its lending portfolio. Borrowing capacity is also determined based on 2-times the equity plus liquid assets.

The main financial earning asset of the Bank is its loans to member countries. All financial assets and liabilities are contracted and denominated in U.S. dollars and bear interest based on reference interest rate plus a margin. As part of its prudential risk-management philosophy and policies, the Bank uses derivatives for the sole purpose of hedging the underlying cash-flows associated to borrowings contracted in currencies different than the U.S. dollars or that bear interest at a rate different than the loan reference rate. Derivatives are not used for speculative purposes. These derivatives are designated as fair value hedges. By way of these derivatives, the Bank changes the currency in which the original debt is denominated and its reference interest rate to the currency and reference interest rate in which all Bank loans are denominated. This way, the Bank mitigates the economic and financial exposure to changes in currency and interest rates.

According to Bank's financial policies, liquidity is maintained for the purpose of ensuring the ability to meet all planned loan disbursements, debt service requirements, and to pay for all planned and approved operating expenditures and capital investments expected to occur during the next 12 month following the end of the Bank's fiscal year. Liquidity is invested with the sole purpose of reducing the cost of carrying the required level of liquidity in compliance with the Bank's policies.

The main disclosures that follow form an integral part of these financial statements and provide specific information on each of the Bank's relevant financial assets and liabilities, as well as additional information on the Bank's business model, and how it determines manner and opportunity in which they are classified, measured, recognized, and disclosed.

(ii) Classification

Classification of financial assets depends on the Bank's business model that contemplates the nature and purpose at the time of their acquisition and recognition. The Bank has two distinct investment portfolios, one where investments can be sold at any time prior to their contracted maturity, and the other one where investments are purchased with the intent to be held through their contractual maturity. Classification of investments on either portfolio is determined based on planned liquidity requirements and other factors.

Investments held to their contractual maturity are accounted for at the lower of their amortized cost or fair value. Investments available for sale are valued at their fair value with changes in value recognized in other comprehensive income (OCI). Note 8, provides further details on the recognition, measurement, and disclosure of investments.

The bank classifies its financial assets in the following categories:

- **Financial assets at amortized cost - Loan and investment portfolios (FAVAC):** 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 (FVOCI):** 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 designated as "financial assets at fair value with changes in the Income Statement," and are measured at their fair value with changes recognized in other comprehensive income.

- The Bank does not have financial assets at fair value with changes in income.

- Derivatives resulting from the cross-currency and interest rate swaps entered into as an integral part of the Bank's risk management strategy designed to hedge the interest rate and foreign exchange risk associated to borrowings contracted in currencies other than the U.S. dollar or at interest rates other than the 6-month Libor, which is the Bank's reference rate for its loans, have been designated as a Fair value hedges, and are considered completely effective. The reference interest rate for loans approved through December 31, 2021, and that have not been converted to the compounded SOFR in arrears is the 6-month Libor rate. For all loans that have been converted under the voluntary conversion program and for all loans approved on or after January 1, 2022, the reference interest rate is the compounded SOFR in arrears. Changes in fair value of these derivatives, given the Bank's right to offset and be compensated in the event of counterparty's default, are shown forming part of Other Assets, as derivatives, together with the resulting collateral in the statement of financial position. Bonds are valued at their amortized cost and shown under borrowings in the statement of financial position. Changes in the fair value of the cross-currency swaps are accounted for in other 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.

The Bank reclassifies financial assets only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent, and none occurred during the period.

(iii) Recognition and disposal

Normal origination purchases or contracting and sales of financial assets and liabilities are recognized on the date on which they are transacted, which is the date on which the Bank generates them or commits/contracts to their purchase or sale. Financial assets and liabilities are disposed-off or extinguished upon expiration of the rights to receive or the obligation to pay a flow of funds or upon transferring their risk of ownership.

Financial assets and liabilities are valued according to their classification as amortized cost or at their fair value with changes in income or changes in other comprehensive income.

(iv) Measurement

Initially, the Bank 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 reasonable value. Gains and losses resulting from changes in fair value are recognized in other comprehensive income. Interest resulting from financial assets carried either at reasonable 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 to the determination of fair values of financial instruments.

(v) Impairment

The Bank assesses the likelihood of potential impairment affecting either a financial asset or a group of financial assets. The Bank determines the adequacy of the provision for potential impairment on its loans by applying a standard methodology also adopted by the leading MDBs, considered as a best practice. The methodology used assesses the expected loss based on the following factors: (i) the maximum exposure to risk at default; (ii) the probability of default; and (iii) the loss given default. Although the Bank uses the same formulae, the values used in connection with each factor are different for sovereign guaranteed loans than those used for non-sovereign guaranteed loans.

For sovereign loans, the Bank assesses the probability of default by its member countries using the most recent sovereign credit risk rating assigned to each country, by three of the internationally recognized credit rating agencies, adjusted by the Bank's preferred creditor status.

For non-sovereign guaranteed loans, the Bank assesses the probability of default, using the most recent credit risk rating developed and maintained by the Bank's.

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 will be included in the income statement.

The accrual of interest on loans is discontinued for loans balances that have been in arrears 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.

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, the Bank 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.

For investments held-to-maturity and valued at amortized cost, the Bank assesses any potential impairments by reviewing any downgrades in the credit risk rating of issuers and using valuation models to assess if the potential impairment is other than temporary. Should a potential impairment be deemed to be permanent then the Bank proceeds to value it at its impaired value through a provision for loan impairment.

Except for determining the adequacy of the amount of provision for expected losses on loans with sovereign guarantee and non-sovereign guarantee, and for purposes of estimating the expected credit loss (ECL) on other - 18 - financial assets, in accordance with its internal policies the Bank classifies its financial instruments measured at amortized cost or fair value through OCI, in one of the following categories:

Stage 1: includes all instruments that have not experienced a significant increase in credit risk since their initial purchase and recognition, where the ECL equals the impairment expected in the next 12 months.

Stage 2: includes all instruments that have experienced significant increases in credit risk since initial recognition but are not yet deemed credit impaired.

Stage 3: includes financial instruments, close to overdue, which are credit impaired. Likewise, loan commitments or financial guarantees whose payment is probable and their recovery doubtful.

Classification into stages: Following immediate recognition of the financial 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.

(vi) Revenue recognition

Interest revenues are recognized based on the effective interest rate method. Should there be loans in nonaccrual status, they are considered impaired loans. A loan is impaired when the analysis of available information and current events are indicative of the probability that the Bank could not recover the full amount of principal and interest accrued, based on the agreed upon loan agreements. When a loan is impaired, the Bank reduces the carrying amount of such loan to its 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 fair 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 is carried at their historical cost less depreciation. The historical cost includes all 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. Repair 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 the Bank. 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 the case of the sale of revalued assets, it is the Bank'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 the Bank's hedging activities designed to effectively manage interest rate and exchange rate risks in connection with bond issuances. The fair values of derivative financial instruments designated in hedge relationships are disclosed in note 8.5.

At inception of the hedge relationship, the Bank documents its risk management objective and strategy and the economic relationship between hedging instruments and hedged items, including whether changes in the fair value of the hedging instruments are expected to offset changes in the fair value of hedged items.

The following is an explanation of borrowing and derivative financial instruments, hedging activities and accounting policies used in connection with these instruments.

Borrowings: Borrowings contracted in currencies other than the US dollar, which is the Bank's functional currency, and at interest rates different from the loan reference interest rate are initially recognized at their cost, net of transaction expenses and subsequently valued at their fair value. The difference between the fair value and the amortized cost basis is included in the Income Statement together with the net difference between the receivable and payable swaps which are also at fair value. These net differences correspond to changes in exchange and interest rates which are not expected to affect future cashflows nor to result in realized gains and losses, since they will converge to zero at the maturity of the original debt. Upon maturity, the Bank will exchange the contracted amounts with its counterparts, thereby cancelling the original debt and the related receivable and payable swaps.

Borrowings contracted in US dollars and at the loans interest reference rate 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 over the contractual term of the loan.

Derivative financial instruments and hedging activities: Derivatives are solely used for hedging interest and exchange rate risk associated with its three bond issuances in the Swiss capital market, namely FONPLATA24; FONPLATA26; FONPLAT28, and the bonds issued in the Japanese market in March 2023 namely Japón I and Japón II, as well as other liabilities originally contracted in currencies other than the dollar or in dollars at a fixed rate (see 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.

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

The Bank mitigates the credit risk in derivative financial instruments through transactions with highly qualified counterparties with investment grade credit rating, and by signing an ISDA master netting agreement coupled with a credit support annex (CSA), with its derivatives counterparties.

The Bank 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.

The Bank 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 the fair value of a derivative financial instrument together with the changes in the fair value of the original debt that is the subject of the hedges are included in other income, as gains or losses in the determination of net income for the year.

The master ISDA agreements signed with its counterparts confer the Bank the possibility to exchange the contracted flows upon maturity of the original debt, and the Bank is fully intent in doing so. Furthermore, the Bank expects its counterparts to fully comply with their obligations under the swaps and it does not anticipate noncompliance on their part.

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

The Bank discontinues hedge accounting when it is determined that the derivative instrument is no longer effective in offsetting changes in fair value 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 the Bank 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 balances represent liabilities equaling the investment amount administered on behalf of special funds. These liabilities do not represent guarantees and are usually paid based upon fund requests to settle the liabilities of special Funds. These liabilities are initially recognized at their fair value and subsequently measured at amortized cost using the effective interest rate method. Note 8.6), contains a detailed explanation of the special funds and their purpose, and the balance owed to each one as of December 31, 2023, and 2022, respectively.

4.13 Other benefits to employees

The amount included under "Other benefits to employees," represent accrued liabilities associated to benefits granted to the Bank's staff under a joint savings program "Programa de Ahorro Compartido" or PAC, by its name in Spanish. PAC liabilities are paid to the staff upon termination of their employment. The Bank'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, 2023, and 2022, respectively.

4.14 Capital

The authorized capital consists of paid-in shares and callable shares. Paid-in capital consists of the amount of capital subscriptions paid to the Bank by its member countries.

NOTE 5 – SIGNIFICANT ESTIMATES AND JUDGEMENTS

The financial statements are prepared in accordance with International Financial Reporting Standards, which require the Bank's Executive President 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 to 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.

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

- Degree of uncertainty pertaining the estimate of the probability of borrowers disbursing the amount approved for financing during the contractually agreed upon disbursement period which determines recognition of the commitment fee on a straight-line basis – Note 4.4,
- Potential impairment of investments carried at amortized cost – Note 8.3 – (ii),
- Potential impairment of the loan portfolio – Note 8.4 – (iii).
- Overall effectiveness of derivatives to ensure adequate hedging of expected cash flows – Note 8.5 (ii).

Climate-related issues

The Bank and its operations are not exposed to a relevant risk in the judgments and estimates it makes as an issuer as a result of climate change. As a Multilateral Development Bank, FONPLATA adheres to and complies with internationally accepted best practices for the management of environmental risks in the projects it finances, while since 2021 it has implemented a sustainable debt framework and promotes, through direct subsidies, projects that contribute to the preservation of the environment and reduce the impact of climate change.

Macroeconomic and geopolitical uncertainty

In relation to these issues, the prices in the valuations of investments and derivative financial instruments are considered as a component of evaluating them at market value.

NOTE 6 – FINANCIAL RISK MANAGEMENT

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

Risk	Source of Exposure	Measurement	Risk Management
Market risk – foreign exchange	Apart from the Swiss Franc issuances and yen, and the loans denominated in Euros contracted with the French Development Agency (AFD) and KfW, which were effectively hedged through cross-currency swaps as discussed in Notes 2; 4.10; and 8.5 – (ii), 99,9% of financial assets are denominated in U.S. dollars (functional currency). 61% of the bank's debt has been contracted in currencies other than the	Cash flow budget.	All loan and investment transactions, as well as the most relevant liabilities shown in the financial statements have been transacted in U.S. dollars. The Bank signed enforceable ISDA master netting agreements with the right to offset with JPM, CS, DB, HSBC and BBVA. Based on these agreements, the Bank contracted cross-currency swaps to offset both the interest rate and foreign currency exchange risks associated to its bond issuances in the Swiss

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Risk	Source of Exposure	Measurement	Risk Management
	Bank's functional currency and are hedged through cross-currency swaps.		market, the private placement of sustainable bonds in Japan in March 2023, and a disbursement of Euro 8,000 received in December 2022 under a Euro denominated line of credit in the amount of EUR 30,000, the private issuance of two series of Japanese sustainable bonds in March 2023, and the line of credit in the amount of EUR 37.000 contracted with the KfW in December 2022, in Euros of which $21,000 were received in August 2023. These derivatives are an integral part of the Bank's risk management process designed to minimize exposure to financial risks in the financing of loan disbursements and as such were designated as a fair value hedge.
Market risk – Interest rate risk	Risk of experiencing fluctuations in lending and borrowing rates applicable to the Bank's loans, and debt. As explained in Notes 2; 4.10; and 8.5 – (ii), on March 13, 2019, on March 3, 2021, and on November 1, 2021, the Bank issued a 5-year, a 5 ½ - year and a 7-year Swiss Franc denominated bonds at fixed rate. To hedge both the interest and exchange risk, the Bank contracted a cross-currency swap with JPM, and with Credit Suisse (CS). The Bank has signed ISDA Master Settlement Agreements and Credit Support Agreements	Sensitivity analysis.	The Bank has established policies for the determination of interest rates, allowing it to mitigate the potential effects of interest rate fluctuations. The Bank seeks to minimize the negative impact associated with potential mismatches in the duration of the loan portfolio and the debt incurred to finance such loans. Potential exposures from the issuance of the bonds denominated in currencies other than the US dollar and at interest rates other than the reference rate, are effectively managed through the cross-currency swaps, and the potential exposure related to two disbursements received from CAF which are based on the Term SOFR

Risk	Source of Exposure	Measurement	Risk Management
	(ARCs) that provide for the right of setoff. In addition, the Bank contracted with DB, an interest rate swap to change from the SOFR Term rate applicable to the two disbursements received in December 2022 in the line of credit maintained with CAF, for the SOFR in arrears, which is the reference rate of the Bank's loan operations. In March 2023, the Bank issued two series in the Japanese market with a 5 and a 6 ½ years maturity, respectively, and contracted a cross-currency swaps with HSBC. In December 2022, the Bank drew down EUR 8,000 under a line of credit contracted with the AFD at the Euribor rate. This operation is hedged through a cross-currency swap contracted with JPM. In August 2023, the Bank drew down EUR 21,000 under a line of credit contracted with KfW at the Euribor rate. This transaction was hedged through a cross-currency swap contracted with BBVA.		interest rate, and of a Euro denominated disbursement received from the AFD and KfW, respectively. These currency and interest rate hedges were designed to replace the currency and interest rate in which the original debt was contracted, by a debt denominated in US dollar that bears interest on the compounded SOFR in arrears, which is the Bank loan interest reference rate, effectively eliminating currency and interest rate risks.
Market risk – Security prices	The Bank does not have investments in equity instruments that might be exposed to price risk. All investments consist of bonds that according to the Bank's business model can either be classified as available for sale or held-to-maturity.	Sensitivity analysis based on changes in interest rate for bonds classified as available for sale, valued at fair value with changes in OCI. The analysis also focuses on changes in the credit risk rating of issuers of	The Bank does not have investment in equity instruments that might be exposed to price risk. Bonds classified in the available for sale portfolio are monitored on a regular basis. The Bank does not engage in trading book and trading activities.

Risk	Source of Exposure	Measurement	Risk Management
		bonds classified as held-to-maturity, which are valued at the lower of amortized cost or fair value.	
Credit risk	Cash and cash equivalents, investments valued at fair value with changes in OCI, investments valued at amortized cost, and derivative financial instruments designated as fair value hedges of specific borrowings.	- Arrears analysis based on aging of loans, derivatives, bonds, and other instruments. - Credit ratings - Loan loss provision	Diversification of bank deposits and applicable loan limits. Investment policies and guidelines and credit rating of counterparts. Limits for concentration of credit risk applied to member countries and non-sovereign loans. No private sector loans.
Liquidity risk	Borrowings, other liabilities, and obligations with special funds.	Rolling cash flow forecasts.	Availability of funds required to meet obligations and commitments, at least for a 12-month period following the date of the financial statements.

The Bank 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 the Bank's enterprise-wide risk management is to ensure risks will remain within established limits. Those limits are formally established in the Bank'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 risks that may exceed its tolerable risk level, and to mitigate all financial, operational, and strategic risks in accordance with the limits established for each risk related to its operations.

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

The Bank's integrated risk management rests upon a cash flow forecast model 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 after considering existing cross-currency swap agreements, are denominated in U.S. dollars, which constitutes the Bank's functional currency. Consequently, the Bank's financial statements are not exposed to significant levels of risk resulting from potential changes in exchange rates.

6.2 Interest rate risk

Bank loans contracts signed through December 31, 2021, and that have yet to adopt the SOFR in arrears, bear interest based on a lending rate consisting of the 6-month Libor rate plus a fix margin. Legacy loans contracts that have already been converted at the option of the member country, bear interest based on the SOFR in arrears plus a correcting SOFR margin, and the Bank's fixed margin. Loans approved on or after January 1, 2022, bear interest based on the SOFR in arrears plus a fixed margin.

The Bank's fixed margin is reviewed annually for new loans based on the Bank's policy guidelines for income management and financial charges. The objective of this policy is to achieve a balance between the accumulation of a level of capital in the long-term to ensure its self-sustainability and to ensure obtaining the best financial terms for the benefit of its member countries. The Bank applies a financial income model as a tool to achieve results over a planning horizon covering the medium and long-term. The Bank's income model allows through the management of various parameters and assumptions to ensure the relative stability and sufficiency of loan charges to cover the Bank's financial costs and operating expenses as stated in its financial policies, and to make timely adjustments that might be required from time to time to its fix lending margin in response to sudden and significant changes in relevant assumptions used. The Bank regularly reassess the reasonableness of its underlying assumptions and the model to ensure the proper management of exposure to interest rate risk.

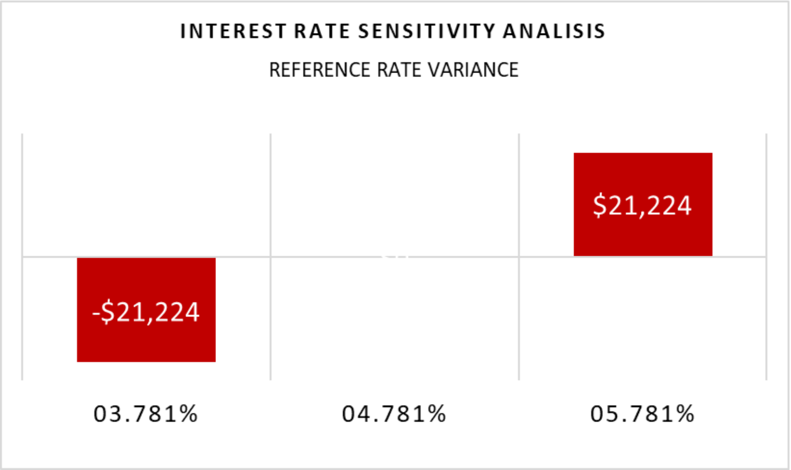
In compliance with its income management and financial charges policy, the Bank annually establishes a fixed margin applicable to new loans to be granted in the upcoming year (Operating Lending Rate or "TOR"). For loans approved after March 3, 2023, the Board of Executive Directors approved a reduction of 25 basis points in its fixed-margin or TOR (RES/DEJ-1508/23), maintaining unchanged all financial conditions approved for sovereign guaranteed loans on March 15, 2022 (RES/DEJ1490/22).

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.

The Bank's interest rate risk is limited to the risk associated with the variable component of its lending rate. The Bank performs sensitivity analysis to determine the variance in income or in net equity associated to changes in interest rates.

The sensitivity analysis was performed based on future projections of SOFR rate, which is the reference rate of the Bank's lending operations, which equals 478 basis points.

Accordingly, the analysis yields a maximum and a minimum for the weighted average reference rate of 578 – 378 basis points, respectively. Should the positive or negative variation of the weighted average reference rate of 100 basis points were to materialize, future net income could be increased or decreased by $21,224, respectively.



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. The Bank manages market risks affecting its investment and loan portfolios through various measures to ensure risk exposures would remain within established policy limits (see Notes 4.8, 8.2; and 8.3, for further details).

Bank investments pursue the objective of reducing the cost of carrying the required liquidity comply with expected loan disbursements, service the debt, and defray Bank operational costs. The Bank classifies its liquid investments according to specific objectives in the following two portfolios:

- ***Investments available for sale:*** valued at their fair value with changes in other comprehensive income (FVOCI).
- ***Investments held to maturity:*** consisting of time-deposits and valued at the lower of their amortized cost or fair value (FVAC).

As stated in Note 8.7, the Bank 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, the Bank performs a sensitivity analysis of its investment portfolios to gauge the maximum loss in the event of price changes because of changes in interest rate for investments classified as available for sale and valued at FVOCI, and for changes in credit rating of investments classified as held-to maturity and valued at amortized cost or lowered to their fair value through a provision, when applicable.

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 31,2023, and 2022 , respectively:

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Portfolio	2023 Book value [1] $	2023 Maximum loss exposure $	2023 Variation %	2022 Book value [1] $	2022 Maximum loss exposure $	2022 Variation %
Available for sale investments up to 12-months – FVTOCI [2]	199,683	3,772	1.89%	293,759	1,136	0.39%
Available for sale investments greater than 12-months – FVTOCI	176,765	743	0.42%	45,091	947	2.10%
Total	376,448	4,515	1.20%	338,850	2,083	0.61%

Sensitivity analysis of investments
Year ended as of December 31,

[1] Book value amounts for investments are based on the fair 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 fair 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 fair value as of the date of the financial statements for purposes of comparing it to their amortized cost (Level 2). The Bank does not hold any investment for which their fair value could not be established and hence requires use of a valuation model (Level 3).

[2]As of December 31, 2023, the held-to maturity investment portfolio includes fixed –term certificates of deposits for an amount of $264,867 (2022-$169,836) and investment in sweep accounts of $12,283. These investments are included in cash and equivalent balance, since the time spanned from their date of purchase to their contractual maturity is up to 90 days or less. The Bank periodically assesses its portfolio of held-to-maturity investments valued at their amortized cost for potential impairment due to changes in the credit rating of issuers that might be indicative of a permanent impairment in their value (see Note 4.8).

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 complying with an equitable distribution of the lending capacity. The capital adequacy coefficient which relates the risk-weighted financial assets with the amount of equity ensures a reasonable coverage against potential exposure to credit risk, both for the lending portfolio and at the level of each borrowing member country.

As of December 31, 2023, 95% of the balance of loans outstanding correspond to loan contracts with the sovereign guarantee of the member government (December 2022- 96%). The Bank started lending without the sovereign guarantee of the member country in 2020, with the approval of its Board of Executive Directors. This new line targets development banks and enterprises where the central or local government is the majority owner. Since the creation of this line and through December 31, 2023, the Bank has approved $164,000 in six operations. From this total, as of December 31, 2023, $141,500 have been disbursed (2022- $82,000), $43,167 have been received in principal amortizations (2022- $6,000), and $98,333 remain outstanding (2022- $76,000). See Notes 2, and 8.4 (i), for more detail.

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The Bank's financial policies and lending guidelines provide for the actions to be taken in connection with overdue loan balances and non-compliance. These policies and regulations form an integral part of loan agreements included in all loan contracts and uses a methodology for determining the adequacy of the provision for potential impairment in loans that provide for different factors for its sovereign guaranteed and non-sovereign guaranteed loan portfolios, as explained in Note 4.8.

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, 2023, and 2022, respectively, the average credit risk rating of the investment portfolio was AA and AA+, above the AA- minimum required limit by the investment policy.

6.5 Liquidity risk

Liquidity risk is the risk related to the inability of the institution to meet its obligations without incurring unacceptable losses. The Bank has a minimum required level of liquidity which is defined by its liquidity policy as the level required to meet all its commitments, including liabilities with special funds (see Note 8.6), loan disbursements, debt service, and the payment of obligations stemming from its administrative and capital expenditure requirements for a 12-month period. For the year ended December 31, 2023, and 2022, respectively, the Bank did not acquire commitments and obligations that would carry liquidity risk either in the short or medium term.

The following table shows financial assets as well as liabilities, as December 31, 2023, and 2022, respectively,

	As of December 31, 2023	As of December 31, 2022
Financial Assets	$	$
Cash and cash equivalents – Note 8.1	324,216	217,589
Investments – Notes 8.2 and 8.3	376,448	338,850
Gross liquidity	700,664	556,439
Financial Liabilities		
Borrowings – Note 8.5	1,050,047	975,343
Other liabilities – Note 9.3	16,033	10,294
Special funds – Note 8.6	24,507	22,635
Total Liabilities	1,090,587	1,008,272

Liquid assets coverage of the amount of net estimated disbursements was equivalent to 1.23 and 1.65 years, as of December 31, 2023, and 2022, 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, omission, or adverse external events. The Bank 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. The Bank 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.

7.1.1 Expected change from the 6-month USD LIBOR interest rate to the SOFR interest rate

As explained in 6.2, the Bank's loan interest rate until December 31, 2021, is based on the 6-month USD LIBOR plus a fixed margin. The 6- month LIBOR is calculated and published daily by ICE Benchmark Administration (IBA); an organization regulated by the United Kingdom's Financial Conduct Authority (FCA). IBA has announced that following consultation to and authorization from FCA, starting on January 1st, 2022, it will discontinue the publication of 7-days and 60- days LIBOR. Additionally, IBA announced that the rest of the term-LIBORs, which includes the 6-month USD LIBOR in use by the Bank, will be discontinued on July 1, 2023, also following consultation to and authorization from FCA. Such change has implications for all transactions that have a 6-month USD LIBOR variable component; namely, the totality of the Bank's loan portfolio, borrowings from other multilaterals and agencies, and the variable leg of existing derivatives designated as fair value hedges.

The ARRC is the organization in charge of the alternative rate to replace the USD LIBOR. In 2017 the ARRC identified the Secured Overnight Financing Rate (SOFR) as the replacement rate for the USD LIBOR. The New York Federal Reserve Bank is the administrator of SOFR and produces and publishes the rate daily, including averages for various maturities and the SOFR index. The ARRC has issued recommendations on fallback language, the use of a USD LIBOR/SOFR margin and other topics.

In accordance with the foregoing and as adopted by other multilateral development institutions considered leaders, as of the second half of 2020, the Bank adopted retroactive exchange language in all its loan contracts, opting to use the SOFR rate under the "compound expired modality", as of January 1, 2022.

Accordingly, on December 1, 2022, the Bank successfully implemented a new loan administration platform provided by SOPRA Financial Services (SFP). This platform has been used by other leading BDMs for more than two years. This implementation has been conducted without the need for customization or custom development regarding the functionality offered by SFP to other BDMs, which not only reduces operational risk but also future maintenance cost. This platform is operated under the modality of an annual payment for its use by the Bank.

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. The Bank has a Strategic Institutional Plan ("ISP") 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 approves 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. The Bank's budget summarizes the medium-term work plan and contains results-based indicators and their related costs, which are all based on the ISP 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 the institutional mission and vision in terms of the attainment of annual goals for the approval of operations and their related costs.

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. The Bank is a self-regulated supra-national international institution that is governed by its Charter, policies, and regulations. The Bank has an Administrative Tribunal, an Audit Committee of the Board of Executive Directors, a Legal Counsel, a Compliance Officer, and an Internal Auditor, all of whom 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. The Bank periodically monitors this risk through its Office of Communications. Additionally, the Operations Department specifically follows up on each financed project under implementation. As of the date of these financial statements there is no evidence that this risk has materialized and affected the Bank.

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 Bank.
- 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.

The Bank maintains the following financial assets and liabilities:

	Note	Financial assets and liabilities carried at fair value $	Financial assets and liabilities carried at amortized cost $	Total $
December 31, 2023				
Financial assets:				
Cash at Banks	8.1	45,298	-.-	45,298
Cash equivalents (investments at amortized cost)	8.1 y 8.3	-.-	278,918	278,918
Investments at fair value with changes in OCI[1]	8.2	379,365	-.-	379,365
Investments at amortized cost[2]	8.3	-.-	30,375	30,375
Loan portfolio[3]	8.4	-.-	1,892,768	1,892,768
Subtotal		424,663	2,202,061	2,626,724
Fair value hedge derivatives		6,799	-.-	6,799
Total financial assets		431,462	2,202,061	2,633,523
Financial liabilities:				
Borrowings	8.5	(743,693)	(306,354)	(1,050,047)
Other liabilities	9.3	-.-	(16,033)	(16,033)
Special funds	8.6	-.-	(24,507)	(24,507)
Total financial liabilities		(743,693)	(346,894)	(1,090,587)
Net financial assets		(312,231)	1,855,167	1,542,936
December 31, 2022				
Financial assets:				
Cash at banks	8.1	33,295	-.-	33,295
Cash equivalents (investments at amortized cost)	8.1 y 8.3	13,894	170,400	184,294
Investments at fair value with changes in OCI	8.2	340,224	-.-	340,224
Loan portfolio[2]	8.4	-.-	1,772,578	1,772,578
Subtotal		387,413	1,942,978	2,330,391
Fair value hedge derivatives	8.5	5	-.-	5
Total financial assets		387,418	1,942,978	2,330,396
Financial liabilities:				
Borrowings	8.5	(501,248)	(474,095)	(975,343)
Other liabilities	9.3	-.-	(10,294)	(10,294)
Special funds	8.6	-.-	(22,635)	(22,635)
Total financial liabilities		(501,248)	(507,024)	(1,008,272)
Net financial assets		(113,830)	1,435,954	1,322,124

[1] Changes in fair value of investments are shown in OCI and changes in fair value of borrowings related to fair value hedges are shown in other income in the Income Statement.
[2]Includes interest and other investment income.
[3] Includes interest and other loan income.

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, 2023, and 2022, 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 contractual maturities of up to three months from their date of purchase, consist of:

	As of December 31, 2023 $	2022 $
Cash at banks	45,298	33,295
Time deposits and short-term bonds and sweep accounts[1]	278,918	184,294
Total	324,216	217,589

[1]The total shown under this line item as of December 31, 2023, consists of investments and accrued interest with an original maturity of up to 90 days from the date of their purchase for $264,867 and $1,766, respectively. Moreover, it includes investments held in an interest-bearing sweep account opened with the Bank for International Settlements (BIS) for $12,283, and $2 of accrued interest. As of December 31, 2022, the amount of investments included as cash and cash equivalents includes investments held-to-maturity and valued at amortized cost-plus accrued interest in the amount of $170,400, and investments available for sale and valued at market value in the amount of $13,894 (see Note 8.3).

(i) Classification of cash equivalents

Time deposits and short-term bonds are considered as cash equivalents provided their contractual maturity is up to three months from their date of purchase. 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 bonds issued by high-quality issuers, and consist of:

	As of December 31, 2023 $	2022 $
Sovereign bonds	260,552	245,920
Multilateral development institutions – Bonds	114,214	89,455
Other financial institutions	-.-	1,948
Argentine treasury bonds	1,682	1,527
Subtotal	376,448	338,850
Accrued interest receivable	2,917	1,374
Total	379,365	340,224

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

(i) Investments with related parties

As of December 31,2023, and 2022, respectively, the Bank 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 the Bank'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

For the year ended as of December 31, 2023, and 2022, the Bank has accumulated unrealized gains in the amount of $4,189 and $4,676 respectively, in its statement of comprehensive income. These unrealized gains consist of a gain in market value adjustments of investments for $4,213 (December- 2022- $1,191 gain) and $ 24 for depreciation of the property technical revaluation reserve (December 31, 2022 - $93 as a reduction of the technical revaluation reserve resulting from the sale of the offices located on the 3rd floor of the Bank's headquarters in January 2022). Likewise, and in accordance with the Bank's decision to classify its hedging operations and the original debt as operations at fair value in 2022, and as a result on January 1, 2022, reclassified to the statement of income, $5,744 in losses due to adjustments in the value of currency exchange operations and interest rates that had been shown as other comprehensive income as of December 31, 2021 (see Notes 4.10 and 8.5).

(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 certificates of deposit . As of December 31, 2023, these investments amount to $294,867, consists of investments with an original maturity does not exceed of 90 days for which they were reclassified as cash and cash equivalents and investments with an original maturity more than 90 days for $30,000. (2022 - $169,836). The following table shows the composition of investments prior to being reclassified:

	As of December,31	
	2023	2022
	$	$
Time and certificates of deposit		
Sovereign	40,617	35,656
Multilateral development institutions	132,723	54,880
Financial entities	121,527	79,300
Subtotal	294,867	169,836
Principal invested	294,867	169,836
Accrued interest receivable	2,141	564
Total	297,008	170,400

(i) Investments carried at amortized cost

The Bank measures its hold-to-maturity investments 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 the Bank's assessment of ECL on investments carried at amortized cost, no allowance was deemed necessary, since the carrying amount of investments was lower than the respective fair values based on bid market prices as of December 31, 2023, and December 31, 2022.

8.4 Loan portfolio

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

	As of December 31,	
	2023	2022
Country	$	$
Argentina	460,838	490,462
Bolivia	440,617	395,009
Brazil	206,258	178,992
Paraguay	342,269	342,042
Uruguay	328,911	278,339
Gross loan portfolio with sovereign guarantee (SG)	1,778,893	1,684,844
Gross loan portfolio with non-sovereign guarantee (NSG))	98,333	76,000
Total gross loan portfolio	1,877,226	1,760,844
Less: Unaccrued administrative fee	(4,524)	(2,938)
Subtotal loan portfolio	1,872,702	1,757,906
Less: Provision for potential impairment on SG loans	(17,840)	(12,416)
Less: Provision for potential impairment on NSG loans	(1,560)	(1,094)
Net loan portfolio	1,853,302	1,744,396

Accrued loan interest and commissions receivable amounts to $39,466 as of December 31, 2023 (December 2022- $28,182)

During the year ended as of December 31, 2023, and 2022, respectively, all loans were classified in stage 1. The amount of provision for potential impairment of loans as of December 31, 2023, and 2022:

	As of December 31,	
	2023	2022
	$	$
Provision as of the beginning of the period or year SG [1]	12,415	11,123
Increase/(decrease) on provision of SG loans	5,425	1,293
Subtotal Provision SG	17,840	12,416
Opening NSG provision	1,094	1,217
Increase/(decrease) on NSG provision	466	(123)
Subtotal NSG provision	1,560	1,094
Total provision for potential impairment on loans	19,400	13,510

[1]The beginning balance has been adjusted by rounding to thousands.

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

	As of December 31,	
Maturity	2023	2022
	$	$
Up to one year	217,016	171,608
Greater than one and up to two years	195,573	206,417
Greater than two and up to three years	184,423	199,611
Greater than three and up to four years	189,107	176,313
Greater than four and up to five years	195,895	172,591
Greater than five years	895,212	834,304
Total gross loan portfolio	1,877,226	1,760,844

(i) Loan portfolio classification

95% of the loan portfolio consists of loans granted with the sovereign guarantee of the member country. Starting in 2020, the Bank has begun extending non-sovereign guaranteed financing to government majority owned banks and enterprises at the central and local levels. The outstanding balance from those loans represents approximately 5% of gross loans outstanding as of December 31, 2023 (December 2022 – 4%).

Sovereign guaranteed loans are loans for which the member countries recognize the Bank's preferred creditor status.

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 balance 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.

The Bank's 2022 – 2026 ISP, approved by the Board of Governors on September 17, 2021, provides for extending financing for activities such as pre-investment, investment, technical cooperation, and knowledge generation. To this end, the 2022 – 2026 ISP builds upon the approval by the Board of Governors in 2019, of an amendment to the "Policy for the Appropriation of Lending Resources," to allow the financing of majority-owned government enterprises of member countries, at the national and subnational levels, with non-sovereign guarantee (NSG). This amendment was preceded by the approval by the Board of Executive Directors of a new line for the financing of NSG operations, in November 2019.

Under the NSG financing, the Bank is authorized to grant loans and guarantees to government majority-owned institutions and public enterprises at either the national or subnational levels. To be eligible for financing, those institutions must have a minimum credit risk rating and comply with the Bank's financial capacity and solvency requirements.

As indicated in Note 6.4, as of December 31, 2023, the balance of non-sovereign guaranteed loans pending collection amounts to $98,333, which represents an increase of approximately 29.4% compared to the balance as of December 31, 2022, of $76,000.

These financings consist of revolving credit lines with up to 8-year validity and a maximum 2-year grace period and up to 8-year amortization period.

As well as sovereign loans, these loans accrue interest based on the SOFR in arrears rate plus a margin established based on the credit risk rating at the time the financing is approved. Like the sovereign guaranteed loans, these financings accrue a commitment commission on the undisbursed balance of each approved stage within the credit line, plus an administration commission based on the validity of each stage.

Furthermore, NSG operations require the borrower to pay an initial non-refundable fee intended to cover legal and credit risk costs inherent to the loan origination process.

(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 provisions for potential impairment on sovereign guaranteed and non-sovereign guaranteed loans are maintained at a level considered adequate by the Bank 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.

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The Bank did not have, nor currently has loans balances in non-accrual status. Nonetheless, and consistent with its enterprise-wide risk management policy, the Bank accounts for a provision to reflect the potential impairment on its loan portfolio. Loan loss provisioning is an integral part of the Bank's financial policies. Under the current policy, the provision for future losses on sovereign guaranteed and non-sovereign guaranteed loans are computed differently.

Provision for loan losses is based on the loan receivable balance from each member country. The outstanding balance is then multiplied by the probability of default for each member country and by the probability of maximum expected loss. Determination of the probability of default for each member country is based on the credit rating assigned by three internationally recognized credit rating agencies. This probability is then adjusted to consider the Bank's preferred creditor status.

For non-sovereign guaranteed loans, the probability of default is based on the Bank's own credit rating process of the prospective borrower. The initial following approval of the loan, credit rating is periodically reassessed. The maximum loss probability for non-sovereign guaranteed loans is based on the risk guidance issued by the Basle Committee.

Moreover, the Bank maintains policies on risk exposure to avoid concentrating its lending on one country only, which could be affected by market conditions or other circumstances. In this regard, the Bank uses certain measurements or indicators, such as: equity and total assets. The Bank 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 include outstanding loans with multilateral development banks and other bilateral organizations; financial institutions; bonds and certificates of deposit from Central Banks of the member countries that were repaid on May 5, 2023. As stated in (ii) below, the Bank contracts cross-currency swaps to reduce its exposure to exchange and interest rate risk in those instances where it contracts debt in currencies other than the U.S. dollar or with a reference rate different from that of its loan portfolio. The net balance of the swaps' receivable and payable together with the amount of collateral received from JP Morgan (JPM), Credit-Suisse (CS), HSBC, BBVA, and Deutsche Bank (DB), consists of a net receivable of $6,799[3], as of December 31, 2023 (December 31, 2022, net receivable of $5), and is shown under "Fair value hedged derivatives", in the statement of financial position.

Total borrowings as of December 31, 2023, and 2022, are as follows:

	As of December 31,	
	2023	2022
	$	$
Borrowings		
Borrowings and time deposits at amortized cost[1]	309,100	476,116
Borrowings at fair value	133,706	9,231
Bonds at fair value[2]	609,987	492,017
Gross portfolio	1,052,793	977,364
Less: unamortized borrowing costs	(2,746)	(2,021)
Total	1,050,047	975,343

FONPLATA

[1] Includes borrowings denominated in Euros at the Euribor rate contracted with the AFD and KfW, which has been swapped into US Dollar at the compounded SOFR in arrears rate. (see note 8.5 (i). These borrowings as well as their corresponding hedges are valued at their fair value as of December 31, 2023, or $9,594 and $24,112, respectively (2022 - $9,231 corresponding to the borrowing contracted with the AFD) (see Note 8.5 (i)).

[2] Effective January 1, 2022, the Bank classified its hedging transactions designed to protect debt flows contracted in currencies other than the US dollars and at interest rates other than Bank's interest reference rate for its loan portfolio, as fair value hedges in accor dance with IFRS 9. This change was made prospectively within the framework of IAS 8, in recognition that the net effect from this change in prior years is not material.

[3]This balance consists primarily of the amount of collateral owed by CS as of December 31, 2023, and it was settled on January 3, 2024.

i. **Loans from MDBs and other institutions and time deposits from central banks**

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

	As of December 31,	
	2023	2022
	$	$
Banco de Desarrollo de América Latina – (CAF) – See (1), below	100,000	100,000
Time deposits with Central Banks – See (2) below	-.-	80,000
Inter-American Development Bank (IDB) – See (3) below	132,972	118,396
French Development Agency (AFD) – See (4) below	26,867	28,322
European Investment Bank (EIB) – See (5) below	60,000	42,000
Oficial Credit Institute E.P.E. (ICO) – See (6) below	15,522	16,629
Banco Bilbao Vizcaya Argentaria (BBVA) – See (7) below	83,333	100,000
KFW	24,112	-.-
Total	442,806	485,347

Outstanding borrowings contracted with MDBs, and other institutions includes lines of credit contracted with the AFD and KfW, which are hedged with cross-currency swaps and hence are valued at their fair value as of December 31, 2023 (see Note 8.5 (ii).

Among the contractual clauses of the debts contracted with the AFD and the KfW, is the requirement to issue compliance certificates, certified by the independent auditors.

In March 2018, the Board of Executive Directors updated its financial policies through RDE 1409. Among the changes introduced, the Bank revised its methodology to determine its lending capacity basing it on a multiple of three times the value of the Bank's equity; and also updated the methodology to determine its borrowing capacity, basing it on a multiplier of two times the value of the Bank's equity, plus the sum of liquid assets

The Bank has designed its borrowing and financial programming strategies with the objective of diversifying its funding sources and obtaining the best possible financial terms based on its credit risk rating and its preferred creditor status

(1) On June 9, 2022, the Bank canceled the amount pending payment under the line of credit maintained with the "Banco de Desarrollo de América Latina" (CAF), since November 2016. On December 1 and December 6, 2022, respectively, the Bank disbursed $50,000, under the line of credit agreed with CAF on September 17, 2021. The first disbursement will be amortized in two equal payments of $25,000, with maturing on June 1 and December 2, 2024, respectively, and the second disbursement will also be repaid in two equal payments, maturing on June 6 and December 6, 2024, respectively. Both loans accrue interest at SOFR term plus a fixed margin. On January 27, 2023, the Bank contracted with DB two interest rate swaps to hedge the two disbursements received from CAF, which bear interest at the Term SOFR interest rate, into the compounded SOFR in arrears interest rate which is the Bank's loan interest reference rate. These swaps are retroactive to December 1 and 6, 2022, which are the original dates of each disbursement (see Note 8.5 (ii)). On December 6 2023, the Bank and CAF agreed on a new non-committal revolving line of credit in the amount of $75,000, based on the SOFR Term rate. No disbursements were made prior to December 31, 2023 under this line of credit.

(2) The Bank maintains agreements with the Central Banks of its member countries that allow it to accept medium-term funds denominated in US dollars, instrumented under the modality of promissory notes. As of December 31, 2022, the Bank borrowed $80,000 on a fixed rate certificate of deposit maturing on May 5, 2023, with the Central Bank of Uruguay.

(3) On March 7, 2022, the Bank subscribed a second financing agreement in the amount of $100,000 with the Inter-American Development Bank (IADB), raising the total amount to be financed with the IADB to $200,000, of which $100,000 were approved in 2017. The new borrowing is based on SOFR in arrears and provides for a 4-year disbursement period, and of a 25-year amortization period, with an average duration of 14.95 years. The first amortization of principal is scheduled to take place on May 15, 2027, with the last amortization of principal occurring on November 15, 2046. The terms of financing agreement, which entered into force upon signature of the loan contract, provide for recognition of prior eligible project expenditures incurred on and after December 8, 2021, and through the effective date for the last disbursement under this line of credit. Furthermore, with the purpose of optimizing cash flows under this line of credit, both parties agreed that the Bank could make disbursements on eligible loans and that the IADB would reimburse the Bank those amounts under the modality of reimbursement of expenditures. Hence, monies drawn down from the IADB under this line of credit can be used by the Bank as it sees fit. During the year ended December 31, 2023, the Bank drew-down $19,576 against this new line of credit (December 31, 2022 - $18,397 disbursed). During the year ended as of December 31, 2023, the Bank amortized $5,000 against the first $100,000 tranche.

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

FONPLATA

Loans	As of December 31, 2023 BID Eligible	Disbursed	To be disbursed	To be financed by FONPLATA
Active line of credit 2022 $200,000:				
ARG-28/2016 Compl. Fronterizos	20,000	10,438	9,562	3,310
ARG-40/2018 Acceso Pto. Las Palmas	10,000	-.-	10,000	-.-
BRA-21/2018 Itajaí 2040	45,000	19,643	25,357	56,295
BRA-23/2019 Ponta Pora	25,000	7,892	17,108	2,870
Total credit line	100,000	37,973	62,027	62,475

(4) As of June 29, 2022, the Bank signed a new line of credit with the French Development Agency (AFD) to borrow up to EUR 30,000 with a 12-year maturity at the 6-month Euribor rate plus a margin. This credit line is added to the credit line denominated in U.S. dollars that was approved in October 2018, for $20,000, and that was fully executed in 2021, therefore it is in repayment process. As of December 31, 2022, eligible loans were financed under this new line of credit for a total of EUR 8,000, equivalent to $8,519. No disbursements were drawn down under this line of credit during the period January 1 – December 31, 2023.

The total amount owed to AFD under these two lines as of December 31, 2023, amounts to $26,867, consisting of $17,273 and EUR 8,000 (2022- $20,000 and EUR 8,000). To hedge the currency and interest rate potential exposures related to the Euro denominated disbursement and to the Euribor, the Bank contracted a cross-currency swap with JPM (see Note 8.5 (ii)).

Loans	AFD Funding in Euros and USD as of December 31, 2023, and 2022 Eligible	Disbursed	Available	FONPLATA	To pay
ARG-51/2021-PROSAF	3,780	3,780	-.-	9,520	-.-
BRA-33/2022-DOURADOS	11,380	4,220	7,160	28,620	-.-
Projects to be identified	14,840	-.-	14,840	-.-	-.-
Total Euros	30,000	8,000	22,000	38,140	8,000
USD equivalent	33,150	8,840	24,310	42,145	8,840
Line denominated in USD 2018	20,000	20,000	-.-	-.-	17,273
Total	53,150	28,840	24,310	42,145	26,113

(5) On April 29 and December 6, 2022, the Bank received from the European Investment Bank (EIB), an amount of $10,000 and $20,000, respectively, within the framework of the financing line that was signed in August 2020, for $60,000. This disbursement is added to the one that was executed in December 2021, for $12,000. On July 6, 2023, the Bank drew down $18,000, completing the total amount approved under this line of credit.

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(6) During the year ended as of December 31, 2022, the Bank received $12,200 under the new line of credit subscribed on June 9, 2022, with the "Instituto de Crédito Oficial E.P.E. – (ICO)," in the amount of $15,000. This line was added to the one signed in 2018, for $15,000, of which the undisbursed balance of $9,464 was cancelled on December 17, 2020, leaving an outstanding balance of $5,536, of which the Bank amortized $1,107 in 2023, leaving the outstanding balance as of year-end in $15,522 (2022 - $1,107 amortized leaving an outstanding balance of $16,629). No disbursements were drawn down under this line of credit during the year ended December 31, 2023.

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

	ICO			
Loans	Eligible	Disbursed 2022	Disbursed 2023	Available
December 31, 2022				
ARG 23/2015 Ferrocarril Belgrano SUR	12,645	12,200	-.-	445
Subtotal	12,645	12,200	-.-	445

(7) In June 2021, the Bank signed and drew-down in full a 5-year term credit facility in the amount of $100,000 with Banco Bilbao Vizcaya Argentaria S.A. (BBVA). During the year ended as of December 31, 2023, the Bank amortized $16,667 leaving an outstanding balance of $83,333, under this credit facility.

(8) On December 16,2022, the Bank signed a loan contract with the KfW intended to finance green line projects that contribute to mitigate negative impacts to the environment and climate change. This line of credit is denominated in Euros at the Euribor interest rate plus a fixed margin. This line of credit amounts to EUR 37,000. This line of credit should be disbursed by December 31, 2024, which is the date for the last disbursement. Amortization of this loan will commence on May 15, 2027, and end on May 15, 2030, based on 7 semi-annual equal installments. On August 24, 2023, the Bank disbursed EUR 21,000 equivalent to $22,768 under this line of credit. This disbursement was hedged through a cross-currency swap to align the cashflows with the US dollar and the interest rate with the SOFR in arrears which are the currency and reference rate of the Bank's lending operations.

FONPLATA

The following chart shows the list of loans considered eligible for financing under this facility contracted with the KfW, the total amount to be financed, the amount disbursed as of December 31, 2023, and the amount pending disbursement:

	KfW		
Loans	Eligible	Disbursed	Available
December 31, 2023			
ARG23/2015 Belgrano Sur	10,500	-.-	10,500
PAR26/2018 Ande Valenzuela	21,000	21,000	-.-
PAR29/2022 Ande Chaco	5,500	-.-	5,500
Total Euros	37,000	21,000	16,000
US dollar equivalent	40,885	23,205	17,680

ii. Bonds and derivative financial instruments designated as fair value hedges

As stated in Notes 2 and 4.10, between 2019 and 2021, the Bank launched three bond issuances, a.k.a., FONPLATA 24, FONPLATA26, and FONPLATA28, according to their respective year of maturity. These bond issuances are denominated in Swiss Francs with an annual fixed rate coupon and principal payment at maturity. FONPLATA 24, consisted of CHF 150,000 with a maturity on March 11, 2024; FONPLATA26, consisted of CHF 200,000 with a 5 ½ - years of maturity on September 3, 2026; and FONPLATA28, CHF 150,000, with a 7-year maturity on December 1, 2028, and a fixed rate coupon.

As of the end of March 2023, the Bank entered for the first time the Japanese capital markets and launched the issuance of its first sustainable bonds. This issuance consisted of two series, the first one with maturity in March 2028 in the amount of ¥3,000,000, equivalent to $22,509 at fix rate with a semiannual coupon, and the second one maturing in October 2029 in the amount of ¥4,200,000, equivalent to $31,513, also at fix rate with a semiannual coupon. Furthermore, as stated in Note 8.5 (i) (1) and (4), in 2023 the Bank contracted a new line of credit with CAF at SOFR Term. Additionally, in August 2023, the Bank drew down EUR 21.000, equivalent to $22,768 at the cross-rate on a line of credit contracted with the KfW, at the Euribor rate (2022 – EUR 8,000 drew down from the line of credit contracted with the AFD at the Euribor rate).

In compliance with its financial and risk management policies, the Bank contracts derivatives to exchange obligations denominated in currencies other than the U.S. dollar, and at interest rates other than the 6-month Libor, into U.S. dollars denominated obligations bearing interest based on the 6-month Libor rate. Based on the nature of these transactions, the Bank considered the cross-currency and interest rate swaps effective to offset both the interest rate and currency exchange risks. Accordingly, the Bank designated the derivatives assumed as a fair value hedge in accordance with IFRS 9.

The following are the cross-currency swaps outstanding as of December 31, 2023, and December 31, 2022, respectively:

December 31, 2023,

1. HSBC – Cross-currency swap to exchange the proceeds from the issuance of sustainable bonds issued in the Japanese capital market series 1 ¥3,000,000, with a 5-year maturity at a fix annual rate of 1.21% with semiannual coupons, for a U.S. dollar denominated debt of $22,509, with a 5-year maturity at the SOFR in arrears plus a margin; and sustainable bonds series 2 ¥4,200,000, maturing in 6 ½ years at a fix annual rate of 1.30% with semiannual coupon for a U.S. dollar denominated debt of $31,513, with a 6 ½ year maturity at the SOFR in arrears plus a margin.

2. BBVA – Cross-currency swap to exchange EUR 21,000 drew-down on August 28, 2023 from KfW at the Euribor rate for $22,768 at the SOFR in arrears maturing in 5 years on November 15, 2028. This hedge transaction provides for the semiannual exchange of interest by the counterpart at the Euribor of 3.8% plus a margin for semiannual interest payments based on the SOFR in arrears plus a margin to be made by the Bank.

December 31, 2022,

1. JPM – Cross-currency swapping CHF 150,000, maturing in 5-years at fix rate with 0.578% annual coupon, plus 1 bps paying agent's commission, exchanged for USD 148,809, maturing in 5-years with semiannual interest payments based on the 6-month Libor rate.

2. CS – Cross-currency swap to exchange CHF 200,000, 5 ½ year maturity at fix rate, with 0.556% annual coupon for USD 222,668, plus 1 bps paying agent fee, maturing in 5 ½ years, with semiannual payments based on the 6-month Libor rate.

3. JPM – Cross currency swap to exchange CHF 150,000, 7-year maturity at fix rate, with 0.7950% annual coupon for USD 164,474, plus 1 bps paying agent fee, maturing in 7 years, with semiannual payments based on the 6-month Libor rate.

4. JPM – Cross-currency rate to exchange EUR 8,000, corresponding to the first draw-down on the second credit line contracted with the AFD, which accrues interest based on the Euribor rate plus a fixed margin (see Note 8.5 (i) (4)). The terms of this cross-currency swap cover the period and service of the loan contracted, starting on December 23, 2022, and through its maturity on January 31, 2034. The Bank and JPM agreed to exchange EUR 8,000 for $8,516, which accrues interest on the SOFR in arrears, which is the Bank's reference rate on all loans starting January 1, 2022 (see Note 6.2).

5. DB- Interest rate swaps to hedge the two disbursements contracted with CAF in 2021 (see Note 8.5 (i) (1), replacing the Term SOFR interest rate by the compounded SOFR in arrears interest rate which is the Bank's loan interest reference rate. These two interest rate swaps became effective on January 27, 2023, and retroactively cover the two disbursements drown-down on December 1 and 6, 2023, respectively, amounting to $100,000, taken together. The fair value of this debt and that of the interest rate swaps is the same as the value of the debt at amortized cost as of December 31, 2022. These interest rate hedges resulted in a reduction of interest rate expense in the amount of $81, as of December 31, 2022.

The Bank has signed ISDA master netting agreements with its counterparts. Under these agreements, each party must compensate the other with collateral for any differences in credit risk resulting from 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 a given threshold. Collateral is determined based on a proprietary valuation model. The Bank closely monitors the fairness and reasonableness of those valuation models used by its counterparts through its own valuation model based on market information provided by Bloomberg financial services regarding interest and exchange rates.

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

Interest received or paid by the Bank on the amount of collateral held by the counterparts is recognized as part of other incomes. As of December 31, 2023, the Bank has a collateral payable position with its derivative counterparts, in the amount of $20,612 (December 31, 2022 - $36,858 collateral receivable).

Interest paid/received in collateral deposits with derivative counterparts is based on the interest rate published by the Federal Reserve Bank of the United States of America for overnight deposits. The total amount of interest received and paid on collateral sent and received from counterparts, amounted to $1,280 and $223, as of December 31, 2023 (December 2022- $847 and $2).

Financial assets and liabilities are offset, and the net amount is reported in the balance sheet where the Bank 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 as if all set-off rights were exercised (i.e., cross-currency and interest rate swaps and collateral), based on the set-off and netting right arising from the contract. As of December 31, 2023, neither of the parties exercised its rights to set-off and netting. The column "net amount" shows the impact on the Bank's statement of financial position if all set-off rights were exercised.

	Gross amounts	Gross amounts offset in the Statement of Financial Position	Net amounts presented in the Statement of Financial Position
	$	$	$
As of December, 2023			
Credit Suisse (CS):			
Financial assets:			
Cross-currency and interest rate swaps receivable[1]	238,455	(236,976)	1,479
Collateral receivable	5,490	-.-	5,490
Subtotal Derivatives Receivable	243,945	(236,976)	6,969
Financial liabilities:			
Cross-currency and interest rate swaps payable[1]	(236,976)	236,976	-.-
Subtotal Derivatives Payable	(236,976)	236,976	-.-
Derivatives net receivable CS	6,969	-.-	6,969

J.P. Morgan (JPM):			
Financial assets:			
Cross-currency and interest rate swaps receivable[1]	366,428	(366,428)	-,-,
Subtotal Derivatives Receivable	366,428	(366,428)	-,-,
Financial liabilities[2]:			
Cross-currency and interest rate swaps payable[1]	(336,181)	366,428	30,247
Collateral payable	(30,392)	-.-	(30,392)
Subtotal Derivatives Payable	(366,573)	366,428	(145)
Derivatives net payable JPM	(145)	-.-	(145)
Deutsche Bank (DB):			
Financial assets:			
Interest rate swaps receivable	50,490	(50,488)	2
Subtotal Derivatives Receivable	50,490	(50,488)	2
Financial liabilities:			
Interest rate swaps payable	(50,488)	50,488	-.-
Subtotal Derivatives Payable	(50,488)	50,488	-.-
Derivatives net receivable DB	2	-.-	2
HSBC:			
Financial assets:			
Cross-currency and interest rate swaps receivable[1]	55,277	(55,277)	-.-
Collateral receivable	4,760		4,760-
Subtotal Derivatives Receivable	60,037	(55,277)	- 60,037
Financial liabilities:			
Cross-currency and interest rate swaps payable[1]	(60,030)	60,037	7
Subtotal Derivatives Payable	(60,030)	60,037	7
Derivatives net payable HSBC	7	-.-	7
BBVA:			
Financia assets:			
Cross-currency and interest rate swaps receivable[1]	24,112	(24,112)	-.-
Subtotal Derivatives Receivable	**24,112**	**(24,112)**	**-.-**
Financial liabilities:			
Cross-currency and interest rate swaps payable[1]	(23,676)	24,112	436
Collateral payable	(470)	-.-	(470)
Subtotal Derivatives Payable	**(24,146)**	**24,112**	**(34)**
Derivatives net payable HSBC	**(34)**	**-.-**	**(34)**
Net receivable as of December 31, 2023	**6,799**	**-.-**	**6,799**
As of December 2022,			
Credit Suisse (CS):			
Financial assets:			
Cross-currency and interest rate swaps receivable[1]	210,781	(238,047)	(27,266)
Collateral receivable	27,270	-.-	27,270
Subtotal Derivatives Receivable	238,051	(238,047)	4

Financial liabilities:			
Cross-currency and interest rate swaps payable[1]	(238,047)	238,047	-.-
Subtotal Derivatives Payable	(238,047)	238,047	-.-
Derivatives net receivable CS	4	-.-	4
J.P. Morgan (JPM):			
Financial assets:			
Cross-currency and interest rate swaps receivable[1]	329,137	(338,724)	(9,587)
Collateral receivable	9,588	-.-	9,588
Subtotal Derivatives Receivable	338,725	(338,724)	1
Financial liabilities[2]:			
Cross-currency and interest rate swaps payable[1]	(338,724)	338,724	-.-
Subtotal Derivatives Payable	(338,724)	338,724	-.-
Derivatives net receivable JPM	1	-.-	1
Deutsche Bank (DB):			
Financial assets:			
Interest rate swaps receivable	100,000	(100,000)	-.-
Subtotal derivatives receivable	100,000	(100,000)	-.-
Financial liabilities:			
Interest rate swaps payable	(100,000)	100,000	-.-
Net derivative exposure with DB	-.-	-.-	-.-
Net derivative receivable position	5		5

[1]Based on the contractual clauses of the contract signed in connection with the cross-currency swap with CS, which was subsequently merged with the UBS Group AG (UBS) in March 2023, during the third quarter of 2023, the interest rate was automatically modified to the SOFR in arrears. This modification is consistent with the rates applicable to the Bank's lending operations.

[2]As stated in Note 2-B, in December 2022, the Bank replaced the 6-month Libor for the SOFR compounded in arrears in the cross-currency swaps with JPM, which is the interest reference rate for 60% of the loan portfolio as of December 31, 2022. This replacement is for maturities as of January 1, 2023.

Derivatives are valued at their fair value using valuation techniques using reliable and observable market information whenever possible, and as such, are classified as Level 2 (see Note 8.7)

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

Maturities	As of December 31, 2023	As of December 31, 2022
Up to one year	318,884	104,592
More than one and up to two years	41,992	298,900
More than two and up to three years	251,734	41,992
More than three and up to four years	17,181	224,346
More than four and up to five years	201,071	12,928
More than five years	221,930	294,606
Total	1,052,792	977,364

(iii) Fair value of borrowings

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

Bonds outstanding and cross-currency and interest rate swaps designated as a fair value hedge are valued at fair value with the effective portion of the hedge recognized in other income.

(iv) Risk exposure

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

8.6 Special funds

The balance maintained with special funds by the Bank as of December 31, 2023, and 2022, respectively, includes the following:

	As of December 31,	
	2023	2022
	$	$
FOCOM	15,768	14,230
PAC	4,913	4,184
PCT	3,826	4,221
Total	24,507	22,635

The Board of Governors can create special funds for specific purposes. Special funds have their own specific rules and administrative procedures and are considered as separate and independent entities from the Bank. Special funds are directly controlled by the member countries through the Board of Governors, and their balances do not require to be consolidated by the Bank.

Special funds are funded through distribution of retained earning maintained in the general reserve. On December 1, 2023, the Board of Governors approved a distribution of retained earnings as of December 31, 2022 (ASG-RES-200/2023) In 2014, the Board of Governors created and funded the following special funds:

a. **"Fund for the Compensation of the Operational Rate (referred as FOCOM)**": The scope of this fund, was expanded in 2020, from helping to reduce the financial cost incurred by Bolivia, Paraguay and Uruguay on their loans with the Bank, to also encompass projects under the "Green Financing Line" and projects financed under the "Economic Recovery Line", through the payment of a portion of the interest to be paid semiannually for all five 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. On December 1, 2023, (RAG – 200), the Board of Governors approved a contribution of $4,300 from retained earnings as of December 31, 2022. Since the inception of this fund, in May 2014, and until December 31, 2023, it has received $25,910 in contributions approved by the Board of Governors from retained earnings (December 31, 2022 - $21,610).

b. **"Technical Cooperation Program (PCT)"**: This fund was created through the restructuring and transfer of resources from the "Fondo para Desarrollo de Proyecto de Integración 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 the Bank's strategic focus. On December 16, 2022, the Board of Governors approved a contribution of $500 from retained earnings as of December 31, 2021. No funds were allocated to the PCT in 2023. Since its inception and until December 31, 2023, the PCT has received $5,000 in contributions approved by the Board of Governors from retained earnings (December 31, 2022 - $5,000).

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 exit payment benefit, upon termination of employment, and improves it by adding a supplemental 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 months 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 a vesting period of four years. Upon termination of employment, participants are entitled to withdraw from the PAC the totality of their exit payment benefit; their voluntary savings contributions plus accumulated investment earnings, and the accumulated matching contributions made by the Bank on participant's voluntary savings contributions plus accumulated investment earnings.

During the vesting period, the Bank applies a withholding percentage reducing the amount available for withdrawal upon termination, for participants with less than four years of service. The withholding only applies to the amount of matching contributions to be made by the Bank 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 for the year ended as of December 31,2023, and 2022, respectively:

	Severance payment contributions	Participants' voluntary savings contributions	Bank's matching contributions on voluntary savings	Accumulated total	Total amount available for termination	Deferred amount
	$	$	$	$	$	$
December 31,2023						
Balance as of December 31, 2022[1] :	1,775	1,379	1,031	4,184	4,130	54
Changes in vesting	-.-	-.-	-.-	-.-	39	(39)
Severance payment contributions	475	-.-	-.-	475	475	-.-
Participants' voluntary savings contribution	-.-	353	353	707	657	49
Additional participants' savings contributions	-.-	79	-.-	79	79	-.-
Investment income accrued	-.-	66	51	116	116	-.-
Withdrawals	(218)	(250)	(180)	(648)	(648)	-.-
Balance due to the PAC December 31, 2023	2,032	1,628	1,255	4,913	4,849	64
December 31, 2022						
Balance as of December 31, 2021:	1,889	1,260	906	4,056	3,976	80
Changes in vesting					64	(64)
Severance payment contributions	471	-.-	-.-	471	471	-.-
Participants' voluntary savings contribution	-.-	358	358	716	673	43
Additional participants' savings contributions	-.-	65	-.-	65	65	-.-
Investment income accrued	-.-	13	10	24	24	-.-
Withdrawals	(585)	(318)	(243)	(1,148)	(1,144)	(4)
Balance due to the PAC December 31, 2022	1,775	1,379	1,031	4,184	4,130	54

[1]The initial balance available for the payment of benefits has been adjusted to the nearest thousand.

Special funds' assets and liabilities are managed by the Bank independently of the management of its own affairs and their liquid funds are invested in accordance with the Bank'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 the Bank, multiplied by the aggregate investment return accrued during the period or year. Investments managed by the Bank on behalf of special funds, as well as the related returns, are 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 is made by obtaining values in accordance with the three levels of the fair value hierarchy. An explanation for each of these three levels follows:

	Level 1	Level 2	Level 3
	$	$	$
December 31, 2023			
Investments at fair value with changes in OCI – Note 8.2	376,448	-.-	-.-
Borrowings at fair value with changes in income – Note 8.5 (i)	(743,693)	-	-.-
Receivable swaps at fair value with changes in income – Note 8.5 (ii)		734,762-.-	-.-
Payable swaps at fair value with changes in income – Note 8.5 (ii)		(707,351)-.-	-.-
December 31, 2022			
Investments at fair value with changes in OCI – Note 8.2	338,850	-.-	-.-
Borrowings at fair value with changes in income – Note 8.5 (i)	(501,248)	-.-	-.-
Receivable swaps at fair value with changes in income – Note 8.5 (ii)		539,918 -.-	-.-
Payable swaps at fair value with changes in income – Note 8.5 (ii)		(576,772)	

The two series of sustainable bonds issued in Japan were issued through a private placement transaction. The fair value assigned to these bonds has been derived from the Bloomberg financial information platform based on the market value of similar bonds quoted in the Japanese stock exchange. Except for the valuation of these sustainable bonds, during year ended as of December 31, 2023, and 2022, respectively, the Bank did not have other holdings of financial instruments that requires 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 the Bank'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:

- Specific information on 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[1] $
Book value					
Balance as of December 31, 2021	4,857	2,641	87	49	7,634
Additions	-.-	694	-.-	-.-	694
Fixed Assets in transit	-.-	32	-.-	-.-	32
Write-offs	(392)	(86)	-.-	-.-	(478)
Balance as of December 31, 2022	4,465	3,281	87	49	7,882
Additions	-.-	139	-.-	-.-	139
Fixed Assets in transit	-.-	10	-.-	-.-	10
Write-offs	-.-	-.-	-.-	-.-	-.-
Balance as of December 31, 2023	4,465	3,430	87	49	8,031
Cumulative depreciation					
Balance as of December 31, 2021	679	1,165	-.-	49	1,893
Write-offs	(22)	(33)	-.-	-.-	(55)
Depreciation	102	262		-.-	364
Balance as of December 31, 2022	759	1,394	-.-	49	2,202
Write-offs	-.-	-.-	-.-	-.-	-.-
Depreciation	146	466	-.-	-.-	612
Balance as of December 31, 2023	905	1,861	-.-	49	2,815
Net book value as of December 31, 2023	3,560	1,569	87	-.-	5,216
Net book value as of December 31, 2022	3,706	1,887	87	-.-	5,680

[1] Opening balances and partial sums include differences due to rounding.

The net book value of offices, parking, and storage spaces conforming the Bank's headquarters includes a technical revaluation in the amount of $812, recognized on December 31, 2018, based on the estimated fair value resulting from an independent appraisal as of that date. This revaluation resulted in the recognition of a revaluation reserve in other comprehensive income. As of December 31, 2023, and 2022, the amount of the revaluation reserve was reduced by $24 and $93, respectively, because of the depreciation of the period, and in 2022, for the sale of the office space occupied by the Bank on the 3rd floor of its headquarters as explained below. The amount of the revaluation reserve is reduced by the depreciation and might be adjusted based on subsequent technical revaluations.

In January 2022, the Bank completed the opening of liaison offices in all its member countries, and reallocated part of its operational staff to those new offices. This, coupled with the adoption of a hybrid work model, allowed the Bank to optimize its physical space at its headquarters. As a result, the Bank considered it appropriate to sell the two offices occupied on the 3rd floor. The sale price amounted to $450, based on the prevailing market value, and left a net profit of $116, after deducting the net book value of $320, and $14 of transfer tax.

(i) 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:	Not amortized
Land	The lesser of 40 years or the value of the assessment, the least
Buildings	
Furniture and equipment:	
Improvements on leased property	Over lease contract
Furniture and equipment	8 to 10 years
Computer equipment and software	4 to 7 years
Vehicles	5 years
Art	Not amortized

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

(ii) 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:

	As of December 31, 2023 $	2022 $
Cost	4,044	4,044
Cumulative depreciation	(703)	(583)
Total	3,341	3,461

9.2 Miscellaneous

This caption includes small balances owed to the Bank, resulting from loans to staff members, advances to suppliers, expenses paid in advance; deferred expenses; and guarantee deposit for the liaisons offices located in Asunción, Paraguay.

The Bank has entered medium-term leases to secure space for its liaison offices in Montevideo, Uruguay, Brasilia, Brazil and Buenos Aires, Argentina. Leases for periods longer than one year are recognized and accounted for in compliance with IFRS 16. Leasing and interest charges paid for the year ended as of December 31, 2023, amounted to $222 (December 2022- $165). The following table shows the relevant information on those leases as of December 31,2023, and 2022 respectively:

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	Lease Obligation As of December 31, 2023 $	2022 $
Asuncion – Paraguay, a 3-year lease contract signed don January 1, 2023, and expiring on December 31, 2026. The contract provides for minimum lease payments of $2,5 and includes two parking spaces plus a third parking space at an additional monthly cost of $0.075, and annual escalation of 4% starting on January 1, 2024.	69	-.-
Montevideo – Uruguay, 3-year lease contract signed on November 20, 2020, including extension for the lease of an additional 75 m2 in June 2022. Minimum monthly payments in U.S. dollars of $2.5, starting on February 1, 2021, and ending on January 1, 2024. Minimum rental payments are subject to a 4% annual escalation adjustment. As of the June 2022 extension, the minimum payment is $3.9 per month. Minimum rental payments are subject to a 4% annual increase%.	7	83
Brazil – Brasilia, 3-year lease contract signed on March 15, 2021, with minimum lease payments denominated in Brazilian Reais, $9.5, and subject to annual escalation adjustments based on the local inflation price index. Lease expires on March 14, 2024	6	31
Buenos Aires – Argentina, 3-year lease signed for 36 months, from February 1, 2022, to January 31, 2025, with a minimum monthly payment of $5.4, including value added tax and amortization of improvements.	76	152
Total	**158**	**266**

As of December 31, 2023, and 2022, the total amount of miscellaneous receivables amounts to $1,399, and to $1,088, respectively.

9.3 Other Liabilities

This caption includes interest and commissions payable accrued on borrowings, as well as small balances owed to suppliers and staff reimbursements. In addition, and as indicated in Note 9.2, it includes the recognition of the unamortized portion of the liability contracted by the lease contract in relation to the liaison offices in Montevideo, Uruguay. The composition of other liabilities as of December 31, 2023, and 2022, is as follows:

	As of December 31, 2023 $	2022 $
Interest and commissions accrued on borrowings	15,158	9,638
Trade payables and accruals	717	390
Unamortized financial lease obligations	158	266
Total	16,033	10,294

FONPLATA

NOTE 10 – EQUITY

10.1 Capital

On January 28, 2016, the 14th Extraordinary Board of Governors approved a capital increase in the amount of $1,375,000, raising the authorized from $1,639,200 to $3,014,200. The 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 for Argentina, Bolivia, Paraguay, and Uruguay are based in eight annual equal installments commencing in 2018 and ending in 2024, and from 2018 – 2026, for Brazil. At the end of the integration process, the total capital payable in cash will 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, 2018. Payment of subscribed and committed callable capital will proceed when required and based on the Governors' approval should the Bank be unable to comply with its financial obligations and commitments using its own resources.

As indicated in Note 1 – "Background", the Bank's new Charter, which was approved by the Assembly of Governors in November 2018, and was ratified by the Bank's five member countries on June 27, 2023, will enter into force on January 27, 2024. At that time capital would be expressed in terms of shares of $10 each.

Furthermore, on 5 February 2024, the Assembly of Governors, based on a recommendation from the Board of Executive Directors, approved an increase in the amount of authorized capital from $3,014,200 to $6,500,000. This increase provides for the addition of new members. Allocation of the authorized increase between "Founding Members, Class A shares" and "New Members, Class B shares", will be decided by the Board of Governors in the forthcoming months.

Based on the amount of capital subscribed and contributed by member countries as of January, 2024, the number of shares outstanding and shares subscribed and to be paid-in are as follows:

Shares of Authorized Capital Issued as of January 27, 2024
(number of shares)

Member	Paid-in Capital: Shares subscribed and paid	Shares subscribed to be paid	Total shares	Shares of callable capital subscribed and committed	Total shares issued
Argentina	38,741	6,233	44,974	55,501	100,476
Bolivia	13,952	1,039	14,990	18,499	33,490
Brazil	40,441	4,533	44,974	55,501	100,476
Paraguay	13,952	1,039	14,990	18,499	33,490
Uruguay	13,952	1,039	14,990	18,499	33,490
	121,037	13,883	134,920	166,500	301,420

FONPLATA

Composition of the Bank's capital by member country as of December 31, 2023, and 2022, is as follows:

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%

For the year ended as of December 31, 2023, and 2022, the Bank received paid-in contributions in the amount of $128,707 and $75,194, respectively. The amount of paid-in capital subscribed and pending integration, as well as the amount of callable capital and committed as of December 31, 2023, and 2022, respectively, is as follows:

Member country	December 31, 2023 Paid-in Capital Subscribed Paid-in [i]	Receivable [i]	Total	December 31, 2022 Paid-in Capital Subscribed Paid-in [i]	Receivable [i]	Total
	$	$	$	$	$	$
• Argentina	387,410	62,334	449,744	387,411	62,333	449,744
• Bolivia	139,515	10,389	149,904	129,126	20,778	149,904
• Brazil	404,412	45,332	449,744	306,871	142,873	449,744
• Paraguay	139,515	10,389	149,904	129,126	20,778	149,904
• Uruguay	139,515	10,389	149,904	129,126	20,778	149,904
Total	1,210,367	138,833	1,349,200	1,081,660	267,540	1,349,200

As indicated in Note 2, on January 3, 2023, and April 27, 2023, the Bank received from Brazil the amount of $69,842 and $27,698, corresponding to paid-in capital installments agreed for the period 2020 to 2022, and paid-in contributions subscribed for 2023. These contributions will increase the Bank's equity and its cash flows in 2023. In October 2023, the countries of Bolivia, Paraguay and Uruguay paid their respective paid-in quotas for $10,389 each.

As of December 31,2023, and 2022:

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.

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10.2 Other reserves

As explained in Note 8.2 (iv), other comprehensive income as of December 31, 2023, and 2022, includes the following:

i. Reserve for changes in the fair value of investments – FVOCI: For the year ended December 31, 2023, this reserve was increased by a profit of $4,213, for a cumulative unrealized loss of $401 (December 31, 2022 –$1,191 of unrealized loss for a cumulative total of unrealized losses of $4,615).

ii. Reserve for revaluation of property: For the year ended as of December 31,2023, this reserve was reduced by $24 for depreciation of the period, for a balance of $612 (December 2022- $93 for a balance of $636, as a result of the sale of the offices occupied on the third floor of the Bank's headquarters and $66 for depreciation of the period).

10.3 Retained earnings and reserves.

Retained earnings as of December 31, 2023, amount to $92,093, and they correspond entirely to the sum of the net income obtained from January 1 to December 31, 2023 (2022-$47,215). The recognition of the fair value adjustment of the debt contracted in currencies other than the U.S. dollar and at reference interest rates other than the Bank's loans reference interest rate together with the fair value adjustment of the receivable payable swaps contracted to mitigate the risk of exposure to exchange rate and interest rate changes amounted to $ 1,390 of net unrealized gains, which are included in "Other income" as of December 31, 2023 (December 2022- $6,370). These net unrealized gains resulting from the net fair value adjustment of the debt and swaps will gradually converge to zero as the original debt and the swaps mature. At that time, the Bank will Exchange the contracted flows with its swap's counterparts.

The Bank 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 Special Fund for the Compensation of the operational Rate (FOCOM), and the Technical Cooperation Program (PCT).

The amount of the General Reserve as of December 31, 2023 and 2022, respectively is as follows:

	General Reserve
	$
Balance as of December 31, 2021	183,165
Allocated by the Board of Governors in 2022	20,430
Balance as of December 31, 2022	203,595
Allocated by the Board of Governors in 2023	43,315
Balance as of December 31, 2023	246,910

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NOTE 11 – REVENUES

The composition of net income is as follows:

	January 1 through December 31, 2023 $	2022 $
Loan income:		
Interest	139,352	69,613
Commitment fee and commissions	5,406	3,399
Administrative fee	1,938	2,501
Subtotal	146,696	75,513
Investment income:		
Interest	29,754	2,275
Other	887	13
Gross investment income	30,641	2,288
Special Fund's share of investment income – Note 8.6	(909)	(179)
Investment income – Net	29,732	2,109
Income for financial assets	176,428	77,622
Other income		
Unrealized gains due to the fair value adjustment of debt flows hedged with cross-currency and interest rate swaps – Note 4.10	64,265	48,807
Unrealized losses resulting from receivable and payable swaps – Note 4.10	(65,655)	(42,437)
Net unrealized gains	(1,390)	6,370
Other income	636	1,020
Total Other Income	(754)	7,390

NOTE 12 – ADMINISTRATIVE EXPENSES

Since 2013, the Bank 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 year ended as of December 31,2023 and 2022, the Bank reached a percentage of execution of its administrative budget equivalent to 84% and 81%, respectively. The break-down of administrative expenditures by functional activity is as follows:

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	January 1, through December 31, 2023 $	2022 $
Classification of expenses		
Personnel expenses	8,052	7,563
Business travel expenses	756	645
Professional services	880	838
Credit risk rating	103	78
External auditors	63	81
Administrative expenses	1,960	1,229
Financial services	224	182
Total administrative budget	12,038	10,616
Classification of other expenses		
Depreciation	587	365
Loss/Gain on foreign exchange	(257)	69
Total administrative expenses	12,368	11,050

NOTE 13 –MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The following tables provide an analysis of the expected time elapsed to maturity of assets and liabilities for the year ended as of December 31, 2023, and 2022, respectively, based on their respective recovery or settlement date:

	Current (Up to 1 year) $	Non-Current (More than 1 year) $	Total $
December 31, 2023			
ASSETS			
Cash and cash equivalents	324,216	-.-	324,216
Investments			
At fair value[1]	376,448	-.-	376,448
At amortized cost	30,000	-.-	30,000
Loan portfolio			
Outstanding loans	214,627	1,638,675	1,853,302
Interest and other accrued charges			
On investments	3,292	-.-	3,292
Interest and commissions on loans	39,466	-.-	39,466
Other assets			
Fair value hedge derivatives	6,799	-.-	6,799
Property and equipment, net	-.-	5,216	5,216
Miscellaneous	1,095	303	1,398
Total assets	995,943	1,644,194	2,640,137

LIABILITIES

Borrowings	318,494	731,553	1,050,047
Other liabilities	15,997	36	16,033
Special funds	5,241	19,266	24,507
Total liabilities[2]	339,732	750,855	1,090,587

December 31, 2022			
ASSETS	217,589	-.-	217,589
Cash and cash equivalents			
At fair value[1]	338,850	-.-	338,850
At amortized cost	-.-	-.-	-.-
Loan portfolio			
Outstanding loans	169,976	1,574,420	1,744,396
Interest and other accrued charges			
On investments	1,374	-.-	1,374
Interest and commissions on loans	28,182	-.-	28,182
Other assets			
Fair value hedge derivatives	5	-.-	5
Property and equipment, net	-.-	5,679	5,679
Miscellaneous	510	578	1,088
Total assets	756,486	1,580,677	2,337,163

LIABILITIES

Borrowings	104,601	870,742	975,343
Other liabilities	10,028	266	10,294
Special funds	4,520	18,115	22,635
Total liabilities	119,149	889,123	1,008,272

[1]As of December 31, 2023, all investments classified as available for sale and valued at FVCOI, are held for the purpose of financing expected loan disbursements within the next 12 months.

[2] Totals may differ due to rounding into thousands.

NOTE 14 – IMMUNITIES, EXEMPTIONS AND PRIVILEGES

As stated in the Bank'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, the Bank 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 the Bank 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 Bank 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 the Bank 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 Bank with Argentina, Bolivia, Paraguay, and Uruguay, establish that the Bank'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 – INFORMATION RELEVANT OPERATION

(i) Segment description

Based on an analysis of its operations, the Bank determined that it only has a single reportable operational segment. This determination recognizes the fact that the Bank does not manage its operations allocating resources among operations measuring the contribution of those individual operations to the Bank's net income. The Bank does not distinguish between the nature of loans or products, 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 the Bank's headquarters with the support of its liaison offices. The Bank's core business consists of operations consist of granting financing to its five member countries, which are considered as segments for geographical areas purposes of this disclosure: Argentina, Bolivia, Brazil, Paraguay, and Uruguay.

(ii) Assets by geographical area

Composition of the loan portfolio by country is as follows:

	Gross portfolio $	Unaccrued commissions $	Impairment $	Loan portfolio $	Interest and commissions receivable $	Total $
December 31, 2023:						
Argentina	460,838	(385)	(9,935)	450,518	10,668	461,186
Bolivia	440,617	(610)	(6,087)	433,920	8,935	442,855
Brazil[1]	258,258	(1,457)	(1,495)	255,306	3,948	259,254
Paraguay	372,269	(1,007)	(786)	370,476	9,397	379,873
Uruguay	345,244	(1,065)	(1,097)	343,082	6,518	349,600
Total	1,877,226	(4,524)	(19,400)	1,853,302	39,466	1,892,768

December 31, 2022:						
Argentina	490,462	(1,237)	(8,571)	480,654	8,394	489,049
Bolivia	395,009	(916)	(2,192)	391,901	6,280	398,181
Brazil[1]	208,992	(404)	(1,159)	207,429	2,682	210,111
Paraguay[1]	378,042	(314)	(705)	377,024	6,262	383,286
Uruguay	288,339	(67)	(882)	287,390	4,564	291,953
Total[2]	1,760,844	(2,938)	(13,509)	1,744,398	28,182	1,772,580

[1] [1]Includes $98,333 in four NSG loans outstanding (2022 - $76,000). As of December 31, 2023, unaccrued loan commissions on NSG loans amount to $4 (2022 - $55); and accrued interest receivable amount to $798, (2022 - $443). The provision for potential impairment on NSG loans amounts to $1,560 (2022 - $1,094). See Note 8.4, for further information.

[2]Totals may differ due to rounding into thousands.

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 $	NSG Loans $	Total $
December 31, 2023:					
Argentina	234,641	61,067	165,129	-.-	460,837
Bolivia	392,694	35,324	12,600	-.-	440,618
Brazil[1]	192,343	-.-	13,915	52,000	258,258
Paraguay[1]	333,518	8,751	-.-	30,000	372,269
Uruguay	237,943	28,848	62,120	16,333	345,244
Total	1,391,139	133,990	253,764	98,333	1,877,226
December 31, 2022:					
Argentina	244,789	72,112	173,560	-.-	490,462
Bolivia	370,725	9,596	14,688	-.-	395,009
Brazil	170,387	-.-	8,605	30,000	208,992
Paraguay	331,542	10,501	-.-	36,000	378,042
Uruguay	227,133	28,848	22,358	10,000	288,339
Total[2]	1,344,576	121,057	219,211	76,000	1,760,844

[1]Includes $98,333 in four NSG loans outstanding (2022 - $76,000). As of December 31, 2023, unaccrued loan commissions on NSG loans amount to $4 (2022 - $55); and accrued interest receivable amount to $798, (2022 - $443). The provision for potential impairment on NSG loans amounts to $1,560 (2022 - $1,094). See Note 8.4, for further information.
[2] Totals may differ due to rounding into thousands.

Undisbursed loan balances on loans under execution and its break-down by country correspond mostly to sovereign guaranteed loans, and are as follows:

	As of December 31, 2023 $	 2022 $
Argentina	374,682	341,506
Bolivia	67,300	140,389
Brazil[1]	412,543	285,740
Paraguay	340,654	193,947
Uruguay	152,342	22,422
Total	1,347,521	984,004

As December 31, 2023 and 2022, respectively, the balance of loans approved by the Bank but not yet disbursing due to either their respective contracts no having been signed or ratified by the member country's Legislative Branch, corresponds solely to sovereign guaranteed loans, and is as follows:

	As of December 31, 2023 $	 2022 $
Argentina	43,400	87,000
Bolivia	113,296	-.-
Brazil	201,000	165,130
Paraguay	-.-	175,000
Uruguay	-.-	-.-
Total	357,696	427,130

The average return on loans is as follows:

	January 1, through December 31, 2023 Average balance $	 Average return %	 2022 Average balance $	 Average return %
Loan portfolio	1,819,035	8.06%	1,640,222	4.60%

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(iii) Revenues by geographical area

Interest and other loan revenues by segment are as follows:

	Loan interest $	Other loan operating revenues $	Total $
January 1 through December 31, 2023:			
Argentina	38,159	2,210	40,369
Bolivia	29,859	839	30,698
Brazil[1]	16,965	1,479	18,444
Paraguay[1]	30,439	2,686	33,125
Uruguay	23,930	130	24,060
Total	139,352	7,344	146,696
January 1 through December 31, 2022:			
Argentina	19,800	2,254	22,054
Bolivia	14,924	759	15,683
Brazil	8,291	1,013	9,304
Paraguay	15,130	1,508	16,638
Uruguay	11,467	366	11,833
Total	69,612	5,900	75,512

[1] Includes accrued interest in the amount of $6,647, and other loan charges in the amount of $81, corresponding to NSG loans granted to state-owned development banks in Brazil, Paraguay, and Uruguay (December 31, 2022- $3,254 in interest, and $79, in other loan charges related to NSG loans)

NOTE 16 – RELATED PARTIES

As indicated in Notes 1 and 6.4, the Bank only grants financings to its five borrowing member countries with sovereign guarantee, who are also the owners and shareholders of the Bank, and to government owned development financial institutions and government owned enterprises, both at the national and subnational level, without sovereign guarantee. 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, the Bank does not have transactions with its member countries on other terms than those established in its policies and guidelines.

The balances and transactions maintained with related entities as of December 31, 2023 and 2022, 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 the Bank's financial statements for the year ended as of December 31, 2023, and 2022, respectively.

NOTE 18 – SUBSEQUENT EVENTS

On January 18, 2024, FONPLATA's Governance received a letter signed by the Governor of the Republic of Argentina withdrawing the letter that had been sent on April 21, 2023, by his antecessor, which stated the willingness of the Republic of Argentina to initiate the process to cease its membership in the Bank. Both, the Governor in his letter and the Republic of Argentina issued a formal press release to the public at large on January 22, 2024, ratifying their willingness to continue as full members of FONPLATA (see Note 2-B).

On February 5, 2024, the Assembly of Governors approved an increase in the amount of authorized capital from $3,014,200 to $6,500,000, making it possible to consider future increases of the amount of subscribed and paid and subscribed and committed paid-in and callable capital, as well as the addition of new members (see Note 10).

On January 27, 2024, the new Charter of the Bank entered into force after completion of the 30-day period following the signing by the President of the Federative Republic of Brazil of the Decree ratifying the approval of FONPLATA's Charter by the Brazilian Legislature. With the new Charter entering into force the Bank's capital will be denominated in shares of $10 each and the membership is open to the admission of new members up to an aggregate share of 30% of the total authorized capital.

The Bank has evaluated subsequent events from the date of the closing of these financial statements and through February 23, 2024, the date on which the financial statements are ready to be issued by Luciana Botafogo Brito, Executive President, and subsequently to be authorized by the Assembly of Governors based on a recommendation of the Executive Board. No matters were identified that might have a material impact on the financial statements for the year ended December 31, 2023 and 2022, respectively.

Luciana Botafogo Brito EXECUTIVE PRESIDENT	Antonio Mullisaca Díaz CHAIRPERSON BOARD OF EXECUTIVE DIRECTORS
Fernando A. Fernandez Mantovani CHIEF BUDGET AND ACCOUNTING	Rafael Robles VICEPRESIDENT OF FINANCE

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