FONPLATA
Development Bank

Annual Report 2020

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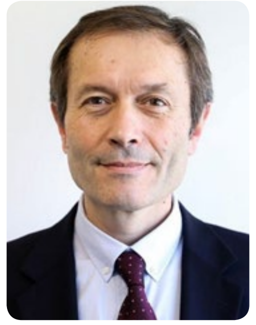

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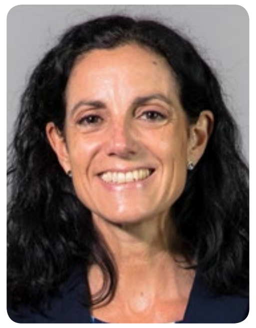

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I. Message From the President

Juan E. Notaro Fraga
EXECUTIVE PRESIDENT

In the beginning of a new decade, we are usually full of hope for a better future. Suddenly, that feeling was gone. The year 2020 will be marked in the history of mankind by the COVID-19 pandemic, which produced an unprecedented drop in the production, employment, and income levels, and will last much longer than initially expected.

When this crisis arrived, our member countries were already facing slow growth and having difficulties to keep employment levels and part of the progress achieved in the last years to reduce poverty and reach several sustainable development goals.

In this new scenery, it was critical to promptly meet the funding demands of the governments so that they could respond to the socioeconomic effects of the fall in economic activity, the closing of borders, and the social confinement imposed by the pandemic.

The operational schedule of FONPLATA – Development Bank was challenged by the harshness and simultaneity of the effects of the pandemic, which led to reinforce dialogue, allow

greater flexibility in the execution of operations, and adjust financial instruments. At the same time, it was necessary to move to teleworking, with no physical contact to protect the health of staff and countries representatives and keep the business chain running online.

Fortunately, the institutional response capacity, the commitment of the Executive Board and the staff were exceptional. Thus, between March and May 2020 we mobilized fresh funding resources under a Special Emergency Line and redirected more than USD 120 million in resources from other projects. These resources were used to directly support actions to alleviate the health crisis with medications, equipment, and strengthening hospitals' infrastructure, and to mitigate the impact of the pandemic in the labor market, with special focus on the sustainability of small and medium enterprises (SMEs) and on women's employment, as the pandemic's job losses have hit women particularly hard.

In September 2020, with the approval of the Executive Board of Directors, we also created a Support Line for the Economic Recovery, that provides USD 1 billion concessional loans with equal access conditions to all the five member countries.

In summary, the challenge posed to FONPLATA at the beginning of the health crisis, of enhancing and streamlining its response to the increased funding and technical cooperation needs because of the severe socioeconomic impacts of the pandemic, was met by far.

In 2020, sovereign operations approvals reached a new peak of almost USD 500 million, disbursements were 50% higher than in 2019, and technical cooperation tripled in comparison to the previous year. The approved loan portfolio[1] had a strong expansion of 18%, exceeding USD 2.589 billion at the end of the year.

Most approvals and disbursements, 66% and 55% respectively, were aimed to attend liquidity and health problems, and to support the business world and employment, reflecting a direct correlation with the emergencies resulting from the pandemic. Physical infrastructure accounted for the remaining 34% of approvals and 45% of disbursements.

In addition, and for the first time, two separate non-sovereign funding operations, totaling more than USD 70 million, were granted to two development banks, the *Banco de Desenvolvimento de Minas Gerais* (Brazil) and the *Banco Nacional de Fomento* (Paraguay).

At the same time, in 2020, it was confirmed that subnational actors (states, provinces, and municipalities) are increasingly the most important institutional recipients of FONPLATA's loans (more than 53% of the total). This aligns with the strategic objective of focusing operations in inland areas, small and medium-sized cities, and, particularly, in border areas (59% of the total).

1 It includes the portfolio of loans receivable, the portfolio of undisbursed loans, and the portfolio of approved loans pending signature.

Without any doubt, the results achieved in this fiscal year have strengthened the relevance of FONPLATA as a development bank in our subregion.

Nonetheless, there is still much to be done to overcome the challenges left by 2020. The consequences of the pandemic, the economic recovery, and the progress of the coronavirus vaccination campaigns are the top priorities for our countries in the coming months.

Under this new scenario, we will pursue to improve and innovate our financial and management mechanisms to increase the availability and efficiency of lending resources and, therefore, FONPLATA's additionality, as well as to be more proactive in involving the public sector and private investment in the funding of the economic recovery and employment.

We believe it is also important to weigh the quality and safety of institutional operations over the last year to identify whether there are any practices in place that, due to their convenience, could be turned into permanent changes to ensure a better efficiency in the use of human and technological resources.

Likewise, we will continue to strengthen our operational offices in the member countries. This includes the opening of an office in Brasilia in the coming months, which will consolidate our presence in all five countries.

In addition, we will start the updating of the Institutional Strategic Plan for 2023-2028 focusing on strengthening the role of FONPLATA and its capacity to fund the development of the most vulnerable and with fewer opportunities regions and populations.

We will also focus on the incorporation of new member countries expecting the reactivation of integration agendas, a scenario in which FONPLATA offers many advantages for the accession of new regional and extra-regional members.

Development banks must have solidarity. In FONPLATA, we are committed to coordinate efforts to continue supporting our countries in the post-COVID recovery. If health, employment, access to safe water and sanitation were a problem before the pandemic, today they are an urgent call for attention.

In FONPLATA, we will double our efforts to be even more effective in the new normal. With the permanent support of our Governors and Executive Directors, and the strong commitment of our professional team, besides bringing development closer to our people, we will work hard to recover growth, employment, and optimism in our region by 2021.

II. Economic and social context

Situation of the Subregion in 2020

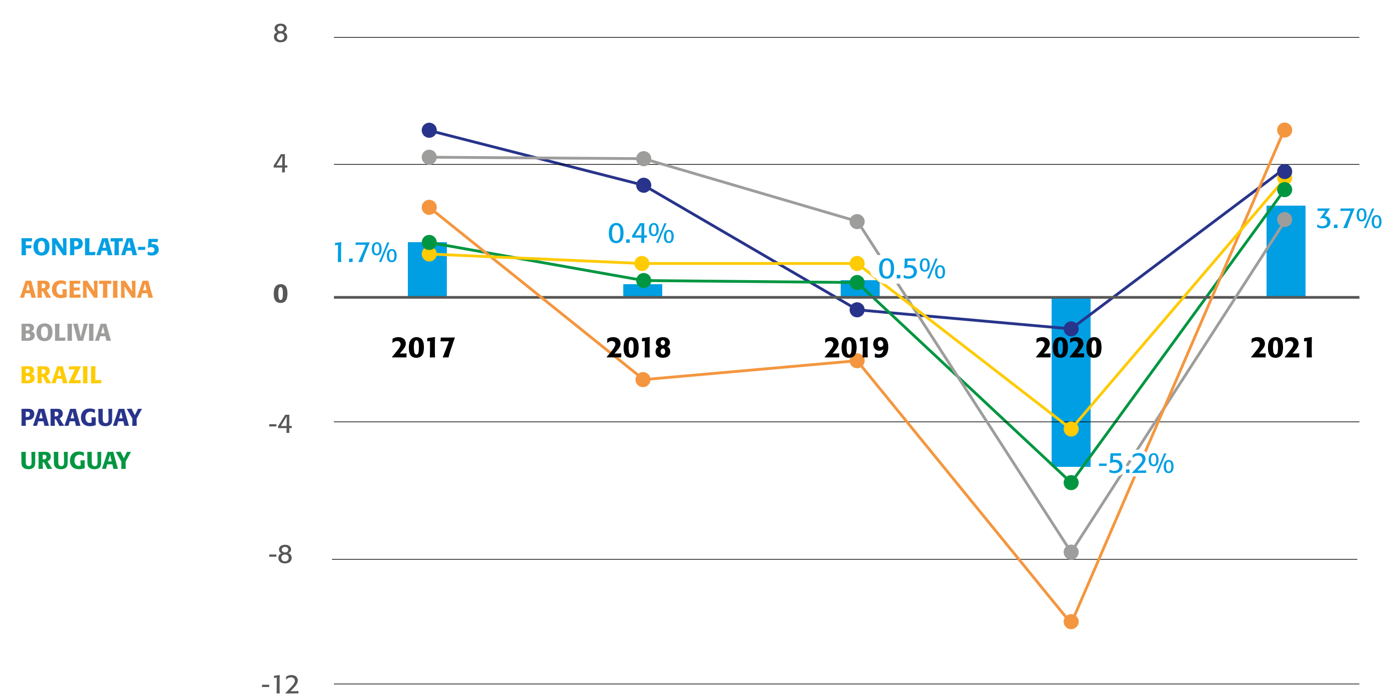
The year 2020 will be marked by the coronavirus outbreak and its rapid spread to all the countries of the planet. The health crisis caused by the COVID-19 pandemic has severely impacted the normal functioning of the economies of the member countries of FONPLATA – Development Bank and led the subregion to one of the deepest recessions in its history, affecting all macroeconomic and social indicators.

This crisis has surpassed by far the 2008 international financial crisis, as then not all the economies of the subregion suffered negative impacts on their activity levels and employment.

Because of the spread of the pandemic, the restrictions to internal mobility, and the health measures adopted by governments, the activity levels around the world, except for China (2.3%), suffered a sharp drop.

On average, it is estimated that the economies of the subregion will register a negative annual growth rate of -5.2%, higher than the world average estimated by the World Economic Outlook of the International Monetary Fund (WEO-IMF) (-3.5%), lower than the drop expected for Latin America and the Caribbean as a whole (-7.4%), and somewhat higher than the average recession of the advanced economies (-4.9%).

ANNUAL VARIATION OF GROWTH IN THE SUBREGION OF FONPLATA MEMBER COUNTRIES
(% GDP)



Source: FONPLATA's own estimates based on countries' information and WEO.

The recovery will not be fast, and it will be impossible to avoid some damage caused by the depth and persistence of the lockdown and social distancing measures that had to be adopted. The shutdown of businesses and significant job losses have made the aggregate demand collapse in a short period of time. The fall in income and employment is expected to generate an increase in poverty rates and inequality.

Fiscal accounts were seriously affected by the recession. The measures taken to deal with the health emergency have led to an increase in public deficits in all the countries of the subregion, although unique to each case.

IMPACT OF COVID-19 HEALTH CRISIS ON SELECTED SOCIOECONOMIC VARIABLES AND POLICIES OF THE COUNTRIES IN THE SUBREGION

Country	Year	GDP Growth (%)	GDP per capita (USD)	Urban unemploy-ment (% EAP)	Poverty (% over Total)	Inflation (% last 12 months)	Monetary policy interest rate (% Dec.)	NFPS global result (% GDP)	External Debt (% GDP)	Gross Govern-ment Debt (% GDP)	Current account balance (% GDP)	Total invest-ment (% GDP)
Argentina	2018	-2.5%	11,689	9.2%	32.0%	47.1%	38.0%	-5.0% (1)	41.9%	85.6%	-5.2%	14.4%
	2019	-2.0%	9,999	9.8%	35.5%	52.9%	55.0%	-3.8% (1)	43.5%	89.5%	-0.9%	13.4%
	Last 2020 *	-9.9%	7,886	11.7%	40.9%	36.1%	58.8%	-6.8% (1)	47.9%	99.9%	1.3%	12.3%
Bolivia	2018	4.2%	3,537	4.9%	42.2%	1.5%	5.0% (2)	-8.1%	25.4%	38.6%	-4.9%	20.2%
	2019	2.2%	3,548	5.0%	39.9%	1.5%	8.2% (2)	-7.2%	27.8%	42.7%	-3.4%	19.0%
	Last 2020 *	-7.9%	3,225	10.8%	n/a	0.7%	12.1% (2)	n/a	30.1%	53.3%	-0.9%	14.9%
Brazil	2018	1.0%	9,041	11.6%	25.3%	4.5%	6.5%	-6.2%	9.2%	62.1%	-2.2%	15.2%
	2019	1.1%	8,753	11.9%	24.7%	4.3%	4.5%	-5.5%	9.6%	66.2%	-2.8%	15.4%
	Last 2020 *	-4.1%	7,214	16.6%	Jun. 21.7% (3)	4.5%	2.0%	-13.7%	10.9%	77.8%	-0.6%	15.7%
Paraguay	2018	3.4%	5,769	7.2%	24.2%	3.2%	5.3%	-1.3%	15.7%	19.8%	-0.2%	19.9%
	2019	-0.4%	5,416	7.1%	23.5%	2.8%	4.0%	-2.8%	18.7%	22.9%	-0.6%	18.7%
	Last 2020 *	-1.0%	4,801	10.1%	n/a	2.2%	0.8%	-6.2%	27.8%	Nov. 32.3%	2.0%	19.8%
Uruguay	2018	0.5%	18,435	8.6%	8.1%	8.0%	n/a	-3.2%	30.0%	51.9%	-0.1%	15.0%
	2019	0.4%	17,494	9.2%	8.8%	8.8%	n/a	-3.9%	33.7%	55.1%	1.3%	14.7%
	Last 2020 *	-5.8%	15,141	11.2%	n/a	9.4%	4.5%	-5.8%	42.5%	67.3%	0.2%	14.4%

***** Preliminary figures on December 2020, unless another period is specified.
Notes: (1) Central Government; (2) Interbank; (3) Estimated in June by the Getulio Vargas Foundation (FGV). In Sep.20, according to Bloomberg, 30% of the population was receiving a 600 BRL cash subsidy approved due to the pandemic.
Source: Based on the countries' information.

The increase in fiscal deficit is entirely a consequence of the deterioration of the primary balance, which is explained by the exceptional increase in public spending and the decline in tax revenue, to a greater or lesser extent, in all countries due to the notorious weakening of domestic demand.

The increase in external borrowing was crucial to fund the exceptional public spending required to attend the health emergency and mitigate its impact on the economies.

The rapid responses of the countries helped to alleviate the effects of the health crisis on the most exposed economic activities and to halt the deterioration of the income of the most vulnerable population. However, the severity of the crisis was such that it was impossible to avoid different levels of permanent job and income losses, a sharp increase in poverty and inequalities, depending on the country. These disparities in the economies certainly depended on a series of factors that lead to the divergences between the countries of the subregion, amongst which are: i. the governments' policies to handle the pandemic and the speed of the process of gradual reopening of activities; ii. the impact of the sectors most affected by the health crisis has on the growth of each country; iii. the fiscal and monetary capacities to provide the necessary liquidity to counteract the reduction in aggregate demand that followed the reduction in supply; iv. the strengths of the national health and social protection systems; and v. the situation of each of the economies at the beginning of the pandemic.

DIFFERENT RECOVERY PERSPECTIVES FOR THE COUNTRIES' AND REGIONAL ECONOMIES
(% GDP variation - 2018-2021)

REGION/SUBREGION	2018	2019	2020*	2021*
World Economy	3.5%	2.8%	-3.5%	5.5%
Advanced economies	2.2%	1.6%	-4.9%	4.3%
USA	2.3%	3.0%	-3.4%	5.1%
Euro region	3.0%	2.3%	-7.2%	4.2%
EMDE	4.5%	3.7%	-2.4%	6.3%
China	6.8%	6.1%	2.3%	8.1%
Emerging Asia	6.3%	5.5%	-1.1%	8.3%
Emerging Europe	3.3%	2.1%	-2.8%	4.0%
LAC	1.1%	0.0%	-7.4%	4.1%
FONPLATA-5	0.3%	0.6%	-5.2%	3.7%

Source: WEO, countries' information and FONPLATA's own estimates.

Since the second half of the year, the significant increase observed in the activity levels of the countries was undermined by the second wave of infections towards the end of the year, which added greater uncertainties and reduced the short-term growth prospects of the member countries.

The launch of several vaccines for immunization against the virus is helping to improve the expectations of accelerating economic recovery and reducing uncertainties, and to project a new normal.

However, fiscal and monetary incentives will still be needed to recover the economy and halt social deterioration until the universalization of vaccines and the completion of the immunization process.

The emerging risk of unequal access to vaccines is related to barriers affecting middle-income countries that cannot secure priority access to vaccines through advance purchase agreements, as well as low-income countries that rely almost exclusively on the COVAX program of the World Health Organization – WHO. Several international organizations and agencies are warning about this risk affecting many countries around the world. In that sense, international cooperation is expected to play an important role in addressing such risks and facilitating more inclusive and timely access.

Prospects for 2021

After a slow start due to the second wave of COVID-19 infections and the weakening of economic activities by the end of 2020, a generalized acceleration in the pace of economic recovery is expected in 2021. However, responses will vary from country to country and region to region. Universal access to vaccines will be critical in consolidating global recovery.

The prospects for regional economies do not present significantly different trends in relation to the most recent projections of the IMF – WEO January 2021 update for global economy and the regional economies. The world economy will go through a process of generalized growth, but the projected recovery ***would vary significantly*** across countries and regions.

The growth rate of the ***global economy*** is estimated to be of 5.5% in 2021, which would enable to surpass the world economy activity levels before the pandemic.

In ***advanced economies***, COVID-19 infections and mobility restrictions would be reduced as from early 2021, as these countries would be the first to have access to mass immunization of priority population groups (medical personnel, elderly people, and people with underlying health conditions), estimated to be completed between the end of March and June, depending on the country. Regarding the rest of the population, the vaccination process is estimated to last until 2022. The economic prospects for these countries and their impact on global growth will improve as from the middle of the year, accelerating in the third and fourth quarters, and reaching a yearly recovery level of 4.3% according to the WEO. New COVID-19 outbreaks are likely to happen; therefore, new targeted restrictions would have to be imposed.

In 2020, the US was one of the countries most affected by the pandemic, reaching an unprecedented unemployment level of around 15% and record unemployment benefit claims. The response to such context was especially significant: the implementation of a gigantic and varied system of fiscal and monetary stimuli, which include the decision of the Federal Reserve System (FED) to bring the benchmark interest rate to minimum levels, the launching of a large-scale asset purchase program more aggressive than the one adopted during the 2008 financial crisis, and the mobilization of considerably large fiscal packages, exceeding 10% of the country's economy.

All these decisions together allow us to expect significant growth prospects for the year. These measures will not prevent an estimated 3.1% contraction of the US Gross Domestic Product (GDP) in 2020 and a projected growth rate of 5.1% in 2021, according to the latest update of the WEO.

The ***Euro Zone*** has also been strongly affected by the 2020 pandemic, with falls in the production of goods and services and rise in unemployment. This situation would continue during the first quarter of 2021 due to the increase in the number of sick people, forcing the extension of mobility restrictions. The WEO expects a 4.2% growth for this subregion in 2021, after a sharp drop in the GDP, estimated at around -7.2% in 2020.

Monetary policies in advanced economies are expected to remain accommodative in the coming years, with low interest rates and demand-boosting fiscal programs. Analysts and financial institutions are warning about the growing vulnerabilities and risks that could result from a correction in risk assets prices, despite the weaknesses of the economies, fueled by the recent growth of long-term US bond yields. However, investors continue to bet that upward pressures on interest rates would be contained as monetary authorities and public finances need to continue boosting their economies.

Solvency risks have so far been limited and the financial system has not been part of the problem that triggered the pandemic. However, the risks of solvency pressures in non-financial corporate sectors, particularly those most affected, remain.

The increase in risk premia is providing better funding options for ***emerging economies***, which are expected to face significant increases in their refinancing needs in 2021, because of higher and persistent fiscal deficits in most of these countries, although this is expected to happen at a slower pace than in 2020. The greater attractiveness of investment assets in emerging markets would be complemented by a rise in commodity prices, the anticipated recovery of China and the forecast of a further depreciation of the US dollar.

Greater control of the pandemic in ***China*** has allowed its economy to show an anticipated rebound in 2020, estimated at 2.3%, and it is expected to achieve sharp growth in 2021 (8.1%). The change in the US government does not lead to expect a significant reduction of the trade tensions with China (tariff increases, sanctions, etc.), although it is possible that the conflict will be toned down.

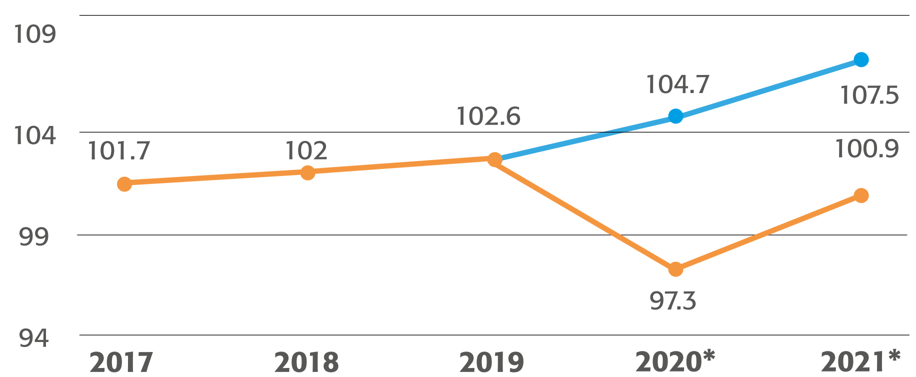
Among emerging and developing countries, ***Latin America and the Caribbean (LAC)*** was one of the regions most affected by the pandemic, recording an unprecedented contraction in economic activity in 2020 (- 7.4%), after two years of standstill.

For the ***subregion of FONPLATA member countries***, an average GDP growth in 2021 (3.7%) is estimated, which would be insufficient to achieve the activity levels of 2019 (except for Paraguay). As a result, this would leave a loss of more than two years of growth for the subregion, to which the difference with the potential growth estimated before the COVID-19 pandemic should be added.

The most important risk to the pace of recovery would be the failure to contain the pandemic. Vaccination is a big challenge for the subregion, which still faces uncertainties in relation to the speed of vaccine rollout and the widespread availability of vaccines. Moreover, countries differ in relation to the availability of human and physical infrastructures, as well as appropriate resources for widespread vaccination. Finally, resistance to take-up is also a factor that can hamper herd immunity.

COVID-19 IMPACT ON GROWTH: FONLATA MEMBER COUNTRIES
Año 2016 index = 100

Estimated growth Pre-COVID 19 (Dec. 19)
Expected growth (Dec. 20)



Source: Countries' and FONPLATA's information.

The fiscal policies of the subregion will be less pressured by the health crisis but *will face the challenge of balancing public finances* without neglecting the immunization costs[2] and the support they must provide to ensure the emerging recovery is sustainable and inclusive in the medium term. The shape of the process to exit recession and the speed of recovery to pre-pandemic levels of activity will play a key role in correcting fiscal imbalances that all countries will face in 2021.

The possibilities of making an additional contribution by reallocating primary government expenditures to new public priorities will face a tight fiscal space, a health emergency that is not fully over, and a still weak economic recovery, all of which will affect the speed governments will withdraw the monetary and fiscal policies required to address the pandemic and the reactivation of their economies. A premature reduction or, eventually, withdrawal of the temporary support packages could have a negative impact on the recovery process

2 The costs associated to immunization are high and go beyond the price of the vaccine. They include the additional costs of transportation, distribution and logistics, personnel involved in vaccination, special equipment for conservation, and materials used to administer the doses, as well as the strength of health systems to respond to this challenge. This will continue to put pressure on fiscal resources in the short term. Some of these obligations will not disappear in the following years due to the need for regular repetition of vaccination campaigns (new variants of the virus, shelf life of vaccines, etc.)

of economies and incomes, as there are sectors of activity that will continue to face strong restrictions, and whose transition to the new normal in solvency conditions is still uncertain.

The significant impact that the recession caused by the coronavirus had on the worsening of poverty, unemployment, and inequality will be underlying social tension factors and a great challenge for policymakers to avoid transforming them into permanent damage that reduces people's trust in institutions.

Therefore, *it is critical to maintain the access to funding under good conditions* and particularly important in this scenario.

Foreign trade flows of the countries of the subregion have been significantly reduced in 2020. The contraction of goods imports has been more severe than that of exports, so the trade balance of goods has been positive in all countries. Predictably, the recovery of world trade in goods and the emerging, though volatile, improvement in the international prices of food and some raw materials, which make up the main core of the export supply of the economies of the subregion, will contribute *to consolidate trade surpluses during 2021*.

As for trade in services, the distorting effects of the pandemic are affecting the economies of the subregion in an uneven way. The relative importance of services exports in the different countries means that the impact is quite different in each of them. As on the global scale, the economies of the member countries have suffered significant declines in foreign exchange earnings from tourism services.

Therefore, the prospects for trade in goods and services for the different countries of the subregion indicate that the current account balance of the balance of payments would improve in relation to GDP in 2021, even more than over the course of 2020. Most countries would maintain a current account surplus or a moderate deficit, which would begin to narrow as pre-pandemic activity levels are recovered.

III. Operations by country

The year 2020 was marked by the COVID-19 outbreak, which caused abrupt changes in all countries, especially in the way activities were carried out to contain its spreading. FONPLATA – Development Bank was not unaware of the situation and had to adjust to be able to respond to the potential new demands of its member countries, and to keep up with the work plan established for the fiscal year. This new scenario encouraged the development of new skills and abilities among the Bank's staff.

As of 2014, the amount and number of projects has increased because of the growth in the Bank's lending capacity, capital expansion, and the incorporation of new instruments and credit lines, as well as the greater outreach to member countries through the opening of liaison offices in Paraguay, Argentina, Uruguay, and soon in Brazil. In addition, the time to identify, prepare, and approve operations was reduced, and the prudent management got a stronger focus on results.

In line with its motto of *being closer to our people*, the following actions were launched to support member countries in these times of crisis:

- Implementation of a USD 60 million "COVID-19 Emergency Line"[3] to respond in an agile and effective way to the needs of its member countries to meet the governments' critical demand for resources to address the emergency and prevent the spread of COVID-19.
- Approval of a USD 1 billion Support Line for Economic Recovery.
- Allocation of USD 1.5 million for a non-reimbursable Emergency Humanitarian Aid Fund.

The strategic operational focus is on programs and projects in small and medium-sized cities, borders, or rural areas, aiming at:

- ***Transferring value*** for its member countries.
- Promoting national and regional ***integration***, and the participation in ***border areas***.
- Boosting the ***competitiveness of the productive sector***.
- Developing ***complementarity*** with funding from other development institutions.
- Promoting ***economic and social infrastructure***.
- Strengthening the ***commitment*** to ***climate*** change.

Within this framework, the loan portfolio at the end of 2020 is comprised of 84 operations for an overall amount of USD 2.589 billion, disaggregated as follows: 55 operations under implementation; 11 operations pending countries' ratification and signature; and 18 operations in principal repayment stage.

During the 2020 fiscal year, total approvals reached a record high of USD 537 million, covering 15 projects.

3 Executive Board Resolution No. 1453, March 2020.

1. Argentina

In 2020, even if operations were focused on health care, education, and the response to the COVID-19 pandemic, the support to development in border areas, access to ports, and road and railroad connectivity and safety continued.

The project portfolio amounts to about USD 713 million, comprising 34 operations, seven of which were approved this year, totaling USD 147 million. Of this total, four are loan agreements pending signature (USD 85 million), 21 are under implementation (USD 509 million), five are at the principal repayment stage (USD 53 million), and four are in the process of signing the disbursement closing record (USD 66 million).

Among the funding approved during 2020, a USD 12 million emergency operation stands out, which aims at supporting local governments in the implementation of protection and assistance policies to respond to the health emergency caused by the COVID-19 pandemic. In addition, two health sector operations were approved, USD 40 million to the province of Chaco and USD 20 million to the province of Salta. Finally, USD 15 million were redirected for the construction of 11 modular emergency hospitals.

On the other hand, a USD 25 million funding was granted within the second stage of a program to strengthen the food and nutrition policy in early learning and primary levels in state schools of the Province of Buenos Aires, incorporating the necessary biosafety measures. For the Province of Chaco, a USD 15 million operation was approved to improve the quality and infrastructure of the education, science, and technology system through the construction of, at least, 20 new education centers (kindergartens, elementary schools, middle schools, libraries, technical schools, and special education schools) and the maintenance, expansion and/or refurbishment of another 20.

Moreover, a USD 25 million funding was granted within the second stage of a program to improve the quality of the road network in the center and south regions of Argentina.

Finally, a USD 30 million loan was approved to provide access to drinking water and basic sanitation services in the Buenos Aires Metropolitan Area (AMBA), benefiting more than 380,000 people of 24 municipalities.

1.1. Technical Cooperation

OCT/NR-ARG-32/19 (extension) Institutional Strengthening of the Secretariat of Strategic Affairs – USD 100,000:
The amount and term of the Technical Cooperation (CT) granted to the Secretariat of Strategic Affairs (SAE) were extended to strengthen its institutional capabilities in the diagnosis, design, implementation, and assessment processes of a strategy leading towards the post-pandemic social and economic recovery of Argentina in a collaborative and consensual manner. Some of the main activities are to: (i) design and create an Argentine Economic and Social Council to help promote the three dimensions of sustainable development and the United Nations 2030 Sustainable Development Goals (SDGs) in the public and private spheres; (ii) carry out a situational diagnosis on the health, economic and social impacts of COVID-19 in Argentina; (iii) propose an updated Post-Pandemic Government Strategic Plan redirecting the government's strategic policies; (iv) support the Argentine Impact Evaluation Agency to standardize the evaluation processes of externally funded programs; (v) strengthen the analysis and processing of Non-Reimbursable Technical Cooperation (CTNR) in the SAE by defining strategic guidelines for international cooperation post COVID-19, among others.

OCT/NR-ARG-37/20 Humanitarian Aid – USD 200,000:
It aims at giving immediate response to the emergency by strengthening medical assistance in hospitals and emergency medical centers, acquiring medical supplies and equipment, and implementing an emergency management center for permanent monitoring.

2. Bolivia

By the end of 2020, the portfolio under implementation amounted to USD 470 million, covering 16 projects. Of these, three are in principal repayment stage (USD 81 million), four have been fully disbursed and are in the process of signing the closing record (USD 136 million), and eight are under implementation (USD 253 million).

The focus on road construction and maintenance projects was kept in 2020, aiming at facilitating internal transportation and regional trade, reducing costs and delivery times, while improving safety and increasing the country's competitiveness.

In 2020, a USD 35-million funding was granted within the second stage of a program to of the Urban Infrastructure project, which aims at generating employment and promoting the development of micro, small, and medium enterprises. This project benefits the nine departmental capital cities and 14 intermediate municipalities, totaling 314 interventions nationwide. To date, more than 2.3 million square meters of streets have been improved (approximately 287 linear km), 45 leisure areas for children, youngsters, and elderlies, 18 sports fields, and eight community houses for the care for women, young children, and community education. This project has a direct impact on 215,000 families throughout the country and generates more than 25,000 jobs.

Regarding basic services, works were executed to improve the provision of safe water and electricity. More than 1,200 fiber cement or plastic tanks were delivered to store rainwater in three isolated rural municipalities located 3,500 meters above the sea level in the Department of Potosí. Besides, actions were initiated to supply photovoltaic panels to 3,000 rural families in the same three municipalities in the Department of Potosí and in seven municipalities in the Department of Beni. As the latter uses diesel generator, these panels will have a significant impact on the reduction of carbon dioxide (CO2) generation. Many of these 10 municipalities can only be reached by mule in the highlands and by canoe through the Beni rivers.

Finally, during the first quarter of 2021, the delivery of the last of the 24 bridges planned for the rural areas of the department of Cochabamba will take place. These works will enable 24,000 families in 15 rural municipalities, many of them isolated from urban centers, to benefit from reduced travel times between towns and to and from educational and health care centers, resulting in better prices for their products and better access to educational and health care services.

2.1. Technical Cooperation

OCT/NR-BOL-36/20 Humanitarian Aid – USD 200,000:
The objective is to contribute to the acquisition of emergency medical equipment and supplies included in the National Contingency Plan, which aims at minimizing the risk of COVID-19 dissemination and reducing the negative effects on the population.

3. Brazil

The operational program is focused on creating project clusters per State. In Santa Catarina, there are interventions in five municipalities (Joinville, Itajaí, Criciúma, Tubarão, and Palhoça); in Mato Grosso do Sul, in two municipalities (Corumbá and Ponta Porã); in São Paulo, in five municipalities (Indaiatuba, Limeira, Presidente Prudente, Poá, and Sorocaba); in Paraná, in two municipalities (Cascavel and Umuarama); and in Espírito Santo (Vila Velha) and Rio Grande do Norte (São Gonçalo do Amarante), in one municipality so far. All these projects seek to improve the quality of life of local population through urban development projects that include resilience criteria in the face of the effects of climate change.

Brazil's portfolio consists of 16 Sovereign Risk operations, totaling USD 382 million. In 2020, three projects were approved, amounting to USD 113 million. The whole portfolio comprises six operations in principal repayment stage, representing USD 40 million, three operations approved, but pending signature, for a total of USD 95 million, and seven operations under implementation, amounting to USD 247 million.

In 2020, three operations were approved: São Gonçalo do Amarante, Cascavel, and Presidente Prudente. The USD 34 million structural actions program for São Gonçalo do Amarante aims at improving the quality of life of its population through investments in sanitation, urban mobility, and the implementation of leisure and rest public areas. This was the first funding from FONPLATA's Green Credit Line, which seeks to stimulate demand for green projects by offering a concessionary interest rate.

To help improve the quality of life of the population of Cascavel, a USD 32 million program was approved. This operation also receives funds (USD 13 million) via the green line and aims at investing in urban sanitation, macrodrainage, the implementation of environmental parks, and the construction of bike paths.

The city of Presidente Prudente, located in the state of São Paulo, received USD 47 million in funding to carry out macrodrainage works with the construction of open canals, as well as the construction and maintenance of roads. The project also includes the development of a Public Policies Management System – SGEPP to identify the demands of different segments of the population, such as education, healthcare, urban infrastructure, transportation, and security. Like the previous operations approved in 2020, this project is also funded through the green line, for a total of USD 23 million.

III. OPERATIONS BY COUNTRY

3.1. Non-Sovereign Risk Loans

In 2020, a USD 36 million disbursement to the *Banco de Desenvolvimento de Minas Gerais* (BDMG) was approved to provide funding for lending to local governments of the State of Minas Gerais. These funds shall be used mainly for investments in works, goods, and services, generating environmentally sustainable social and economic development.

3.2. Technical Cooperation

OCT/NR-BRA-40/20 Humanitarian Aid to the Municipality of Itajaí – USD 100,000:
Supports the emergency measures carried out in the Municipality of Itajaí to mitigate the impact of the spread of COVID-19 through the purchase of the necessary equipment to the adjustment of Intensive Care Units (ICUs) at the Marieta Konder Borthausen Hospital.

OCT/NR-BRA-40/20 Humanitarian Aid to the Municipality of Corumbá – USD 50,000:
Activities funded through this CT are part of the health measures being developed by the Municipal Department of Health, such as the readjustment of rooms in municipal hospitals to be used as ICUs.

OCT/NR-BRA-40/20 Humanitarian Aid to the Municipality of Ponta Porã – USD 50,000:
Contributes to counter the adverse effects of the pandemic through the purchase and delivery of basic food baskets to the families that are most in need in the municipality, and the purchase of COVID-19 reagents to better control the spreading.

OCT/NR-BRA-40/20 Humanitarian Aid to the Municipality of Criciúma – USD 100,000:

It aims at avoiding the collapse of the healthcare system in the Municipality of Criciúma by adjusting the hospital *Casa de Saúde de Rio Maina* to operate as a treatment center for people with COVID-19, in compliance with the national technical regulations.

OCT/NR-BRA-40/20 Humanitarian Aid to the Municipality of Vila Velha – USD 50,000:

It aims at alleviating the impact of the COVID-19 spread, supporting the actions carried out by the Municipal Department of Health, which is installing special tents equipped to perform triage and care of suspected and confirmed COVID-19 patients.

OCT/NR-BRA-45/20 the Municipality of Joinville – USD 100,000:

Supports the emergency measures developed in the Municipality of Joinville to mitigate the impact of the COVID-19 spread through the acquisition of rapid tests for the confirmation, or not, of suspected COVID-19 patients.

4. Paraguay

In 2020, more actions were taken to strengthen the country's regional and international integration by approving the *"Project: Works for improving and paving the PY-15 road section Mariscal Estigarribia–Pozo Hondo and the access to Mariscal Estigarribia in the Department of Boquerón in the Republic of Paraguay"*. The funding covers the construction of a new 227.6 km paved road and its maintenance for an eight-year period. This road stretch will expand the trade of goods and products by connecting the country to Brazil, through Porto Murtinho, in the State of Mato Grosso do Sul, and, from there, to the Atlantic Ocean, as well as to Argentina, through Misión La Paz, in the Province of Salta, and from there to Chile and the ports in the Pacific Ocean. This is a strategic investment in transportation and logistics infrastructure as it consolidates the interoceanic highway linking Brazil, Paraguay, Argentina, and Chile.

The total investment amounts to more than USD 354 million, totally funded by FONPLATA, and to be granted in three stages. So far, this is the most important operation in the history of the Development Bank. The first stage, which totals USD 134 million, was approved in 2020. The Ministry of Public Works and Communications (MOPC) of Paraguay will be responsible for execution.

At the end of 2020, Paraguay's active portfolio amounted to USD 707 million, funding 11 operations: one completed and at the closing stage, worth USD 78 million, three awaiting ratification by Congress, totaling USD 276 million, and seven under implementation, amounting to USD 353 million.

4.1. Non-Sovereign Risk Loans

In 2020, a USD 36 million loan was granted to *Banco Nacional de Fomento* (BNF) and fully disbursed to provide funding for lending to exporting companies in the production, manufacturing, and services value chains. These funds shall be used mainly for investments in works, goods, and services, to generate the country's environmentally sustainable social and economic development.

4.2. Technical Cooperation

OCT/NR-PAR-38/20 – USD 200,000:
Provision of personal protective equipment to physicians, nurses, lab technicians, assistants, and support staff working in health facilities and laboratories of the Ministry of Health and Social Welfare.

OCT/NR-PAR-34/20 Support to the Development of Economic Policy Responses to Boost Economic Recovery – USD 160,000:
The general purpose of this CT is to help develop economic policy responses for the recovery of the economy and the restoration of conditions for sustained economic growth within a strategic plan focused on a greater formalization of the economy and a reduction in tax evasion, the promotion and attraction of productive investments, and the competitive development of Micro, Small and Medium Enterprises (MSMEs), in the post-COVID-19 pandemic health emergency context. Components: (i) Formalization of the economy and reduction of tax evasion; (ii) Promotion and attraction of investment; (iii) Competitive Development of MSMEs.

III. OPERATIONS BY COUNTRY

5. Uruguay

During 2020, two new funding totaling USD 36 million were approved. The active loan portfolio amounts to USD 319 million, comprising eight operations distributed as follows: four under implementation in the amount of USD 156 million, three in the amortization period totaling USD 142 million, and one pending signature worth USD 21 million.

In 2020, the operating program was focused on supporting the Government's efforts to mitigate the impact of the COVID-19 health emergency on micro and small enterprises. In this context, two operations totaling USD 60 million were approved, one of which was fully executed with funds from the COVID-19 Emergency Line of Credit in the amount of USD 15 million, which provided liquidity to sustain a basic income for the country's Small and Medium Enterprises (SMEs).

Additionally, we continued to support several operations: transport and logistics infrastructure projects to access the port area of Montevideo; the construction and improvement of sanitation systems in towns in the Santa Lucía River Basin (San Ramón, Fray Marcos, Casupá, and Florida); and road maintenance works in different parts of the country.

5.1. Technical Cooperation

OCT/NR-URU-39/20 – USD 200,000:
Expansion of the number of ICU beds, bed equipment, ventilators, oxygen, among other important supplies to assist the population, as well as strengthening the monitoring of laboratories and the spread of the virus.

OCT/NR-URU-47/20 Strengthening and Modernization of the State Strategic Intelligence Secretariat – USD 120,000:
Contributes to the strengthening and modernization of the areas of the State Strategic Intelligence Secretariat by designing a Specific Program to safeguard the strategic positioning of Uruguay in the world. It is intended to improve the basic functional tools of the Secretariat using a cybersecurity and Big Data platform, to assist with the planning of development and interventions of national executing agencies in vulnerable urban areas, as well as to strengthen the capacity for strategic analysis in Human Security.

6. Regional Technical Cooperation

OCT/NR-ILAT-48/20 Formulation and Launch of the ILAT Alliance (FY 2020) – USD 65,000:

Collaboration with the funding of the Work Plan for FY 2020, which aims at strengthening and positioning the Alliance for the Integration and Development of Latin America and the Caribbean (ILAT) as a working space for the development of quality and innovative integration infrastructure, within a transparent and collaborative framework.

OCT/NR-ILAT-49/20 ILAT Alliance Work Plan FY 2021 – USD 200,000:

The Alliance is intended to support the countries' efforts to identify, plan, and prioritize integration projects and initiatives, generate knowledge and technology applied to the projects, and develop binational and/or multinational integration spheres to implement high technical quality and transparent regional infrastructure works.

IV. 2020 Financial results

(All figures are in US dollars)

The following is an analysis of the achievements of FONPLATA – Development Bank, hereinafter referred to as "the Bank", during the fiscal year ended on December 31, 2020.

As a development finance institution, it is important to balance the specific aspects of promoting inclusive social development with prudent management of financial assets and liabilities to meet the expectations of the capital markets and generate a return that allows the Bank to preserve and increase its assets.

In this sense, and following the mandate received at the Governors' meeting in November 2020, based on the in-depth analysis of the institution's performance and future projection, during the first half of 2021, Management will carry out a consultation process with the member countries to learn about their expectations regarding the Bank and, based on that, will prepare a new institutional strategy for the 2023-2028 period.

This new Institutional Strategic Plan (PEI), which will include plans for the growth of lending capacity, based on capital increases and following the multilateral development banking business model, will be presented for consideration by the Executive Board of Directors and then by the Board of Governors, by the end of 2021. The Bank's capital increase and, consequently, its equity increase, including the potential expansion of its membership, because of the amendments to its Articles of Agreement, approved by the Board of Governors at the end of 2018, will strengthen the Bank's relevance as an active partner in regional development and integration, and eventually improve its credit risk rating, which will let it offer better funding costs to its member countries.

Faced with the health crisis that started at the end of March 2020, and which was anticipated by the Bank at the beginning of the year in the letter from the Executive President included in the annual report for fiscal year 2019, the Bank took a series of actions to contribute, to the extent of its possibilities, to mitigate the immediate effects on the health and the economy of the population of its five member countries.

Thanks to the investments made since 2013, the Bank has a solid information technology infrastructure that allows it to adjust to contingencies, such as the one faced due to the pandemic. Thus, it could shift with no disruption to virtual working, protecting the health of its staff, without affecting in any way the efficiency of its institutional processes.

In this regard, it should be noted that, in 2020, record numbers of approvals of new operations (USD 537 million) and disbursements (USD 392 million) were reported. This represents an increase of 17% and 83% over the amount of loans approved and disbursements in 2019.

Additionally, in compliance with the liquidity policy, in response to the increase in loan disbursements, USD 293 million were raised through a combination of lines of credit approved with other multilateral development financial institutions and the issuance of promissory notes to central banks of the member countries.

With the signing of the agreement for the trusteeship of part of the resources of the Structural Convergence Fund of MERCOSUR (FOCEM) in December 2019, as of July 24, 2020, the Bank assumed the role of fiduciary agent of this fund. The signing of this trusteeship agreement is a clear demonstration of the credibility and prestige of the Bank at the regional level, and a gate to achieving synergies with the projects funded by FOCEM.

1. BUSINESS MODEL

The architecture of the business model is designed with the purpose of helping our 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 3.329 billion, i.e., three times total equity. On the other hand, the Bank's borrowing capacity is also determined based on a multiplier of two times total equity plus net assets, which is equivalent to USD 2.658 billion.

The Bank's main financial assets are loans granted to the member countries. All financial assets and liabilities are traded and denominated in US dollars and bear interest based on the 6-month Libor rate plus spread.

The Bank maintains liquidity to ensure its ability to meet its estimated commitments for loan disbursements, debt service, and to cover operating expenses and planned capital investments to be incurred in the 12 months following the closing of the fiscal year. Liquidity is invested for the sole purpose of reducing the cost and optimizing the use of resources necessary 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, 2018 to December 31, 2020.

Thus, 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.

IV. 2020 FINANCIAL RESULTS

2. PERFORMANCE

2.1. Funding sources

2.1.1. Capital structure and Lending capacity

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, was completed in 2018. In that 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 2020 amounted to USD 51 million (2019: USD 48 million), totaling paid-in capital on December 31, 2020, of USD 917 million (2019: USD 866 million).

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

TABLE 1
CAPITAL STRUCTURE
In million US dollars.

CAPITAL	Fiscal Years ended December 31 2018	2019	2020
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	**2,482.5**	**2,530.5**	**2,581.9**
Paid-in	817.5	865.5	916.9
Callable	1,665.0	1,665.0	1,665.0

2.1.2. 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 generated through interest earned on financial assets (net of projections for losses on loans and investments), while expenses relate to the cost of borrowing incurred and the expenses that are necessary to run the institution. Sections 2.2 and 2.6 present a closer analysis of the evolution of financial assets and liabilities during the year 2020.

As shown in Table 2, as of December 31, 2020, equity amounted to USD 1.109 billion, representing an 8% increase over the amount registered in 2019, of USD 1.028 billion. This increase is composed of USD 51 million of capital contributions payable in cash plus USD 36 million of net income for the fiscal year, which includes the allocation to the Special Fund for Interest Rate Equalization (FECTO) worth USD 3.5 million, and to the Special Fund for the Technical Cooperation Program (PCT) worth USD 1.5 million.

TABLE 2
ASSETS
In million US dollars.

COMPONENT	Fiscal Years ended December 31 2018	2019	2020
Paid-in capital	817.5	865.5	916.9
Reserves	108.8	134.3	156.8
Retained earnings	26.6	28.3	35.9
Total Assets	**952.9**	**1,028.1**	**1,109.6**

2.2. COVID-19 and its impact on earnings and profitability

The immediate effect of the COVID-19 pandemic on the Bank was the decrease in the 6-month Libor rate, which is the reference rate used for loans and most of debt financing operations. This reduction was of 164 basis points, between the value as of December 31, 2019 and the value as of December 31, 2020. This change reduces profitability and the nominal amount to be generated in loan income, which is not offset by the reduction in financial costs for borrowings.

Two important factors contributed to mitigate the reduction in the value of the 6-month Libor rate during the fiscal year. Due to the crisis, member countries increased their demand for disbursements on already approved loans, as well as for the redirection of operations focused on alleviating the effects of the pandemic on the population's health. Consequently, the Bank disbursed USD 392 million, which compared to USD 214 million disbursed in 2019 represents an 83% increase, which translated into a 34% increase in the loan receivables balance, amounting to USD 1.251 billion, compared to USD 936 million in 2019.

The second factor that contributed to mitigate the effect of the decrease in the 6-month Libor rate was the reduction in contracted borrowing costs, which despite having had a 94% increase in the debt level, equivalent to USD 293 million, the increase in finance expenses was only 2% (from USD 8.4 million to USD 8.6 million).

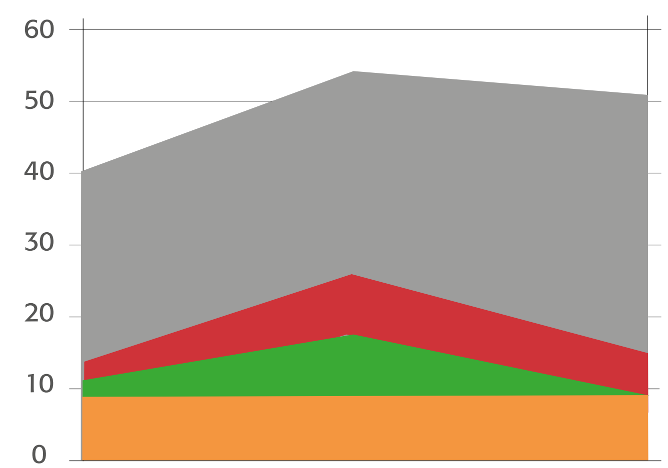
Finally, the net earnings for the fiscal year increased as a result of the improvement in the credit risk rating of a member country, which represented a USD 2.5 million net recovery, as of December 31, 2020, as well as the recovery of the amount for impairment related to bonds of Argentina, which were classified as held-to-maturity investments amounting to USD 3.8 million as a result of the debt swap carried out by that member country under the agreement reached before the New York State Court on August 15, 2020. A detailed explanation of the swap of this investment is available in the Bank's financial statements, notes 8.3 (ii) and 8.7.

Chart 1 shows the evolution of income on financial assets, showing a reduction in the growth trend shown until 2019, because of the decrease in the 6-month Libor interest rate.

Income on financial assets amounted to USD 51.1 million, compared to USD 54.4 million in 2019, representing a 6% reduction. This reduction is more than favorable when compared with the 164 basis points reduction in the 6-month Libor interest rate over the same period, which is equivalent to 87%. This demonstrates the support from the member countries and their growing demand for funding resources, strengthening the Bank's business profile.

Financial income earned in 2020 fiscal year-end consists of interest and charges on loans amounting to USD 43 million, and USD 8 million of investment and other income (2019 – USD 47 million and USD 8 million, respectively).

CHART 1
INCOME AND EXPENSES
In million US dollars.



	2018	2019	2020
Financial revenues	26.6	28.3	35.9
Interest and other charges	2.6	8.4	8.6
Allowances	2.8	8.2	(2.5)
Administrative expenses	8.4	9.5	9.1

Revenues generated in 2020 amount to USD 51 million (2019 – USD 54 million) and provide a coverage ratio of 5.9 times (2019 – 6.4 times) for the borrowing costs of USD 8.6 million and 3.4 times (2019 – 2.1 times) for allowances of USD 2.5 million recovered (2019 – USD 8 million increase) and administrative expenses of USD 9 million (2019 – USD 9 million), respectively. Likewise, the USD 36 million net revenue for the fiscal year is more than favorable when compared with the USD 28 million of 2019.

The net revenue for the current fiscal year and the coverage ratio of financial costs and administrative expenses clearly express the efficiency and effectiveness achieved by the Bank in 2020, which enabled the increase of coverage or final profitability, reflecting the financial strength, despite the sharp drop in the reference interest rate chosen for the Bank's financial assets and liabilities.

Finally, as shown in Table 3, administrative expenses amounted to USD 9 million, generating an approximate saving of USD 3 million in comparison with the amount of USD 11.7 million approved for 2020. This reduction represents a saving of USD 0.5[4] million in comparison with the administrative expense incurred in 2019, equivalent to 5%, and shows the Bank's management high commitment to ensure a low transactional cost, while maintaining its level of responsiveness, agility, and effectiveness.

Table 3 details the figures that present the evolution of financial assets and liabilities; net assets and equity, their respective rates of return during fiscal years 2018 to 2020, as well as the growth and strength achieved by the Bank.

TABLE 3

RETURN ON FINANCIAL ASSETS AND LIABILITIES

In million US dollars.

	Year ended December 31								
	2018			2019			2020		
Component	Average balance	Revenue	Return %	Average balance	Revenue	Return %	Average balance	Revenue	Return %
Loan receivables	730.7	36.2	4.95%	867.9	46.7	5.38%	1,093.9	43.1	3.94%
Investments and other	209.0	4.1	1.98%	302.0	7.8	2.59%	403.9	8.1	2.00%
Financial assets	939.7	40.3	4.29%	1,169.9	54.5	4.66%	1,497.8	51.2	3.42%
Borrowings	(52.4)	(2.6)	5.05%	(171.7)	(8.4)	4.92%	(416.5)	(8.6)	-2.07%
Net financial assets	887.3	37.7	4.24%	998.2	46.1	4.62%	1,081.3	42.6	3.93%
Provisions & other charges	-	(2.9)	-0.33%	-	(8.4)	-0.84%	-	2.2	0.21%
Administrative expenses	-	(8.2)	-0.92%	-	(9.3)	-0.94%	-	(8.9)	-0.82%
Net assets	888.9	26.6	2.99%	1,000.2	28.3	2.84%	1,081.3	35.9	3.32%
Equity	884.4	26.6	3.00%	990.5	28.3	2.86%	1,068.9	35.9	3.36%

4 The administrative expense actually incurred, excluding exchange differences, depreciation, and allowances, amounted to USD 8,868 in 2020 (2019 - USD 9,331)

The main financial indicators are consistent with those of a growing institution. As shown in Table 3, average financial assets in 2020 totaled USD 1.498 billion, an increase of growth USD 328 million, or 28%, when compared to the total of 2019, of USD 1.170 billion.

The increase in average financial assets results from: (i) a net increase of USD 315 million (average increase of USD 226 million) in the loan receivables balance due to excess disbursements over principal repayments, and (ii) an increase in liquid investment assets of USD 70 million (average increase of USD 101 million) primarily from the funds raised during the fiscal year.

Administrative expenses decreased by 5% compared to fiscal year 2019. Return on equity[5] shows an increase equivalent to 17%, in comparison with fiscal year 2019, for a return of 3.36%.

2.2.1. Use of Capital and Lending Capacity

The Bank determines its lending and borrowing 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 cannot exceed 30% of assets.

The used lending capacity is expressed as the sum of the balance of undisbursed loans and loans receivable, and the balance of loans not yet in force. The remaining lending capacity is the difference between the maximum lending capacity and the used capacity (see Table 4).

Therefore, equity increase is vital to the borrowing and lending capacity. As explained in greater detail in sections 2.1 – Funding Sources, and 2.2 – Income and Profitability, it increases because of paid-in capital received from the member countries and of net income or accumulated reserves. The latter is measured as surplus in total income on financial assets, net of borrowing costs on financial liabilities, investment and loan loss provisions, and administrative expenses.

Table 4, below, shows in detail the maximum used and remaining lending capacity as of December 31, 2020, and its evolution during the 2018-2019 period. As can be noted, the remaining lending capacity is of USD 708 million, which will allow to maintain the current amount of loan approvals until 2024, after registering the expected net revenue and principal repayments for that period, as well as the paid-in capital.

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

TABLE 4
LENDING CAPACITY AND CAPITAL ADEQUACY
In million US dollars & percentages.

COMPONENT	Fiscal Years ended December 31 2018	2019	2020
Net assets	952.9	1,028.1	1,109.6
Maximum lending capacity	2,858.7	3,084.4	3,328.8
Loan receivables annual change	20.76%	17.15%	33.64%
Undisbursed loans	700.8	974.7	892.5
Loans outstanding	799.4	936.5	1,251.5
Loan agreements not yet in force	407.5	290.2	477.1
Used lending capacity	1,907.7	2,201.4	2,621.1
Actual remaining lending capacity	951.0	883.1	707.7
Used lending capacity (%)	66.7%	71.4%	78.7%
Assets coverage on Gross loan portfolio	119.2%	109.8%	88.7%
Equity exposure (%)[1]	92.1%	78.8%	65.6%
Risk-adjusted loan portfolio exposure (%)[2]	119.0%	110.5%	80.2%
Minimum Capital Adequacy Threshold (%)	35.0%	35.0%	35.0%

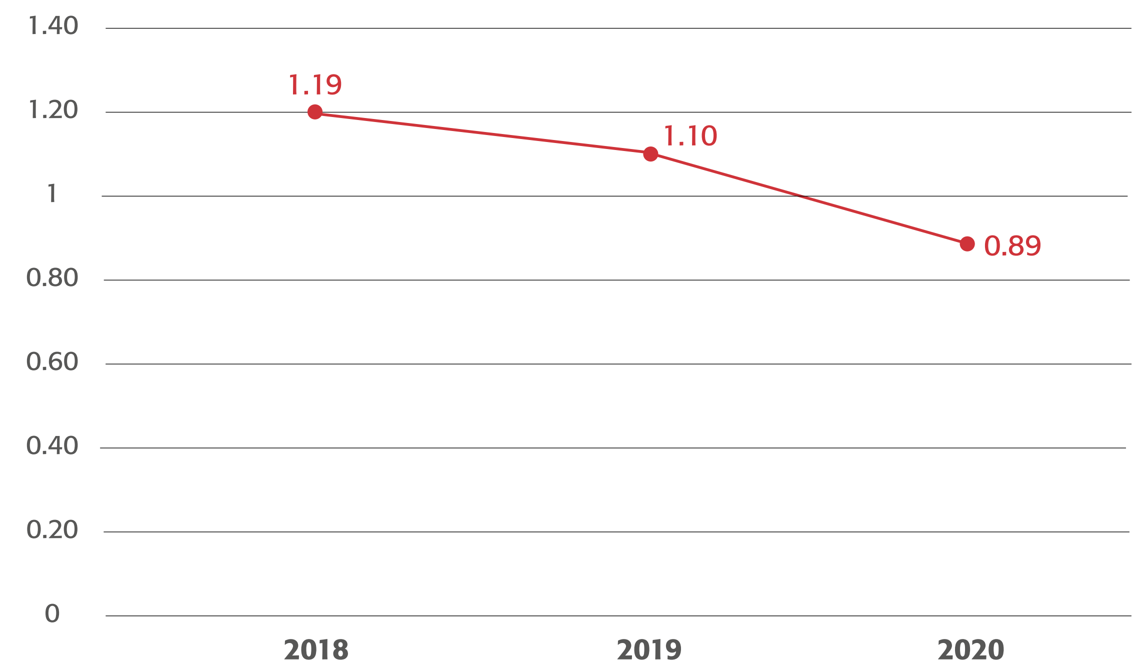
1 *(Equity + Loan loss provision - Fixed assets) / Financial assets.*
2 *(Equity + Loan loss provision - Fixed assets) / Risk-adjusted financial assets.*

As explained in 2.2 – *Income and Profitability*, and consistent with the Banks's capital structure, loan portfolio growth should be leveraged through the attraction of third-party borrowing. In that regard, resources are being mobilized since 2016 to fund loan disbursements; this naturally results in a gradual decrease 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 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 2, this ratio has a gradually decreasing trend as part of the loan portfolio growth must be funded with third-party resources. This ratio has decreased from 1.19 in 2018 to 1.10 in 2019, and 0.89 in the end of 2020.

Chart 2 shows the Bank's available leverage margin. Financial indicators presented in this Annual Report reaffirm the soundness of the Bank's assets and financial position, its mature and high-quality governance and prudent management, as well as the appropriateness of its financial and operating policies.

CHART 2
LOAN COVERAGE RATIO



2.2.2. Loan development

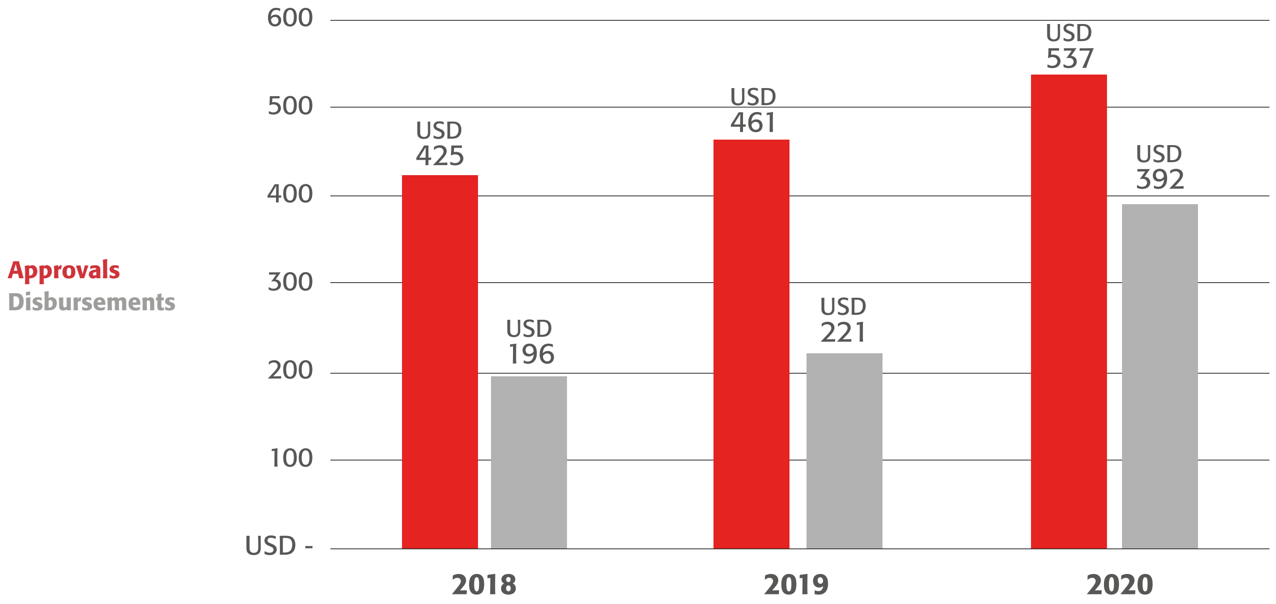
Chart 3 – Loan Approvals and Disbursements Amounts, shows an increase in approvals, which amounted to USD 537 million, and disbursements, which reached USD 392 million. These figures represent an increase in the volume of loan and disbursements approvals of 17% and 83%, respectively, and in comparison with 2019 they confirm the growing trend in demand. Likewise, they exceed by 19% and 56%, respectively, the targets for loan approvals and disbursements planned for 2020 in the Program and Budget Document (DPP), which was approved at the end of 2019.

The sustained growth in the loan portfolio is directly in line with the mandate received from the Board of Governors for the second capital increase to gradually increase the lending capacity and to enhance the dialog with member countries to anticipate their funding requirements regarding integration and development.

CHART 3

LOAN APPROVALS AND DISBURSEMENTS AMOUNTS[1]

In million US dollar.

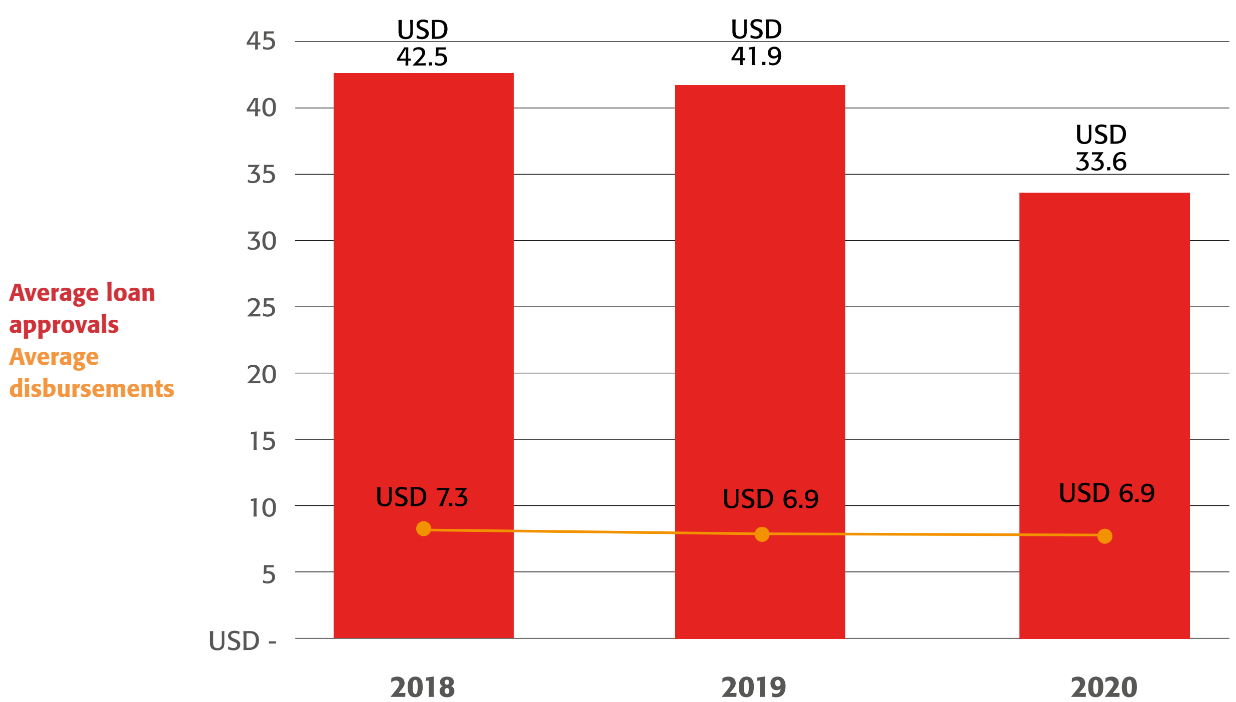


1 Disbursements before repayments of USD 6.7 million in 2019.

CHART 4

AVERAGE AMOUNT OF LOANS APPROVED AND DISBURSED

In million US dollars.



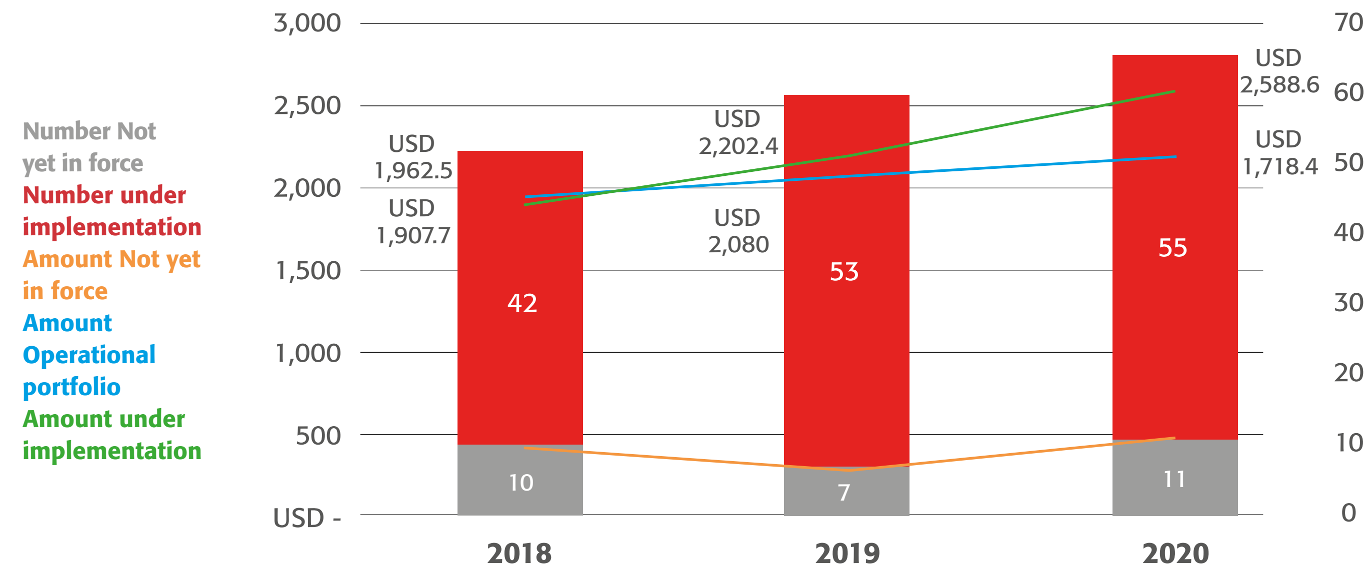
The average individual loan size stands at USD 34 million, which represents a reduction of USD 8 million in comparison with 2019.

The total number of projects in the portfolio – funding in the repayment stage, funding in the process of disbursement, and funding approved but not yet disbursed – rose from 60 in 2019 to 66 in 2020, including 11 operations not yet in force, before considering 18 operations in repayment stage (2019 – 12 operations), there is an increase of 12 operations, equivalent to 17% (see Chart 5).

CHART 5

EVOLUTION OF LOANS IN PORTFOLIO

Number of projects.



2.2.3. 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 5 shows each country's relative share in the loan receivables b alance at the end of each fiscal year from 2018 to 2020. As of December 31, 2020, the exposure by country was within the reasonable limits established in the policy.

TABLE 5
LOAN RECEIVABLES BALANCES BY COUNTRY

Country	Fiscal Years ended December 31 2018	2019	2020
Argentina	21%	25%	26%
Bolivia	29%	30%	26%
Brazil	8%	8%	11%
Paraguay	17%	16%	17%
Uruguay	25%	21%	19%
TOTAL	**100%**	**100%**	**100%**

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

2.2.4. Performance of loan receivables and approved loans balances

As of December 31, 2020, the portfolio of loans approved and under implementation, including operations approved in 2020 and still pending signature or ratification by parliament, amounted to USD 2.588 billion, an increase of USD 386 million, or 18% (see Table 4).

Such sustained growth in the portfolio of approved loans reflects the Bank's hard work and commitment to bring development closer to the people, thus increasing its impact and relevance as an important partner in supporting the member countries to promote and enhance regional integration and development.

As mentioned in Section 2.2 – *Revenue and Profitability*, loans receivable experienced a USD 315 million net growth in 2020, for a balance receivable before accrual of management fees and loan loss provision of USD 1.251 billion (See Chart 6).

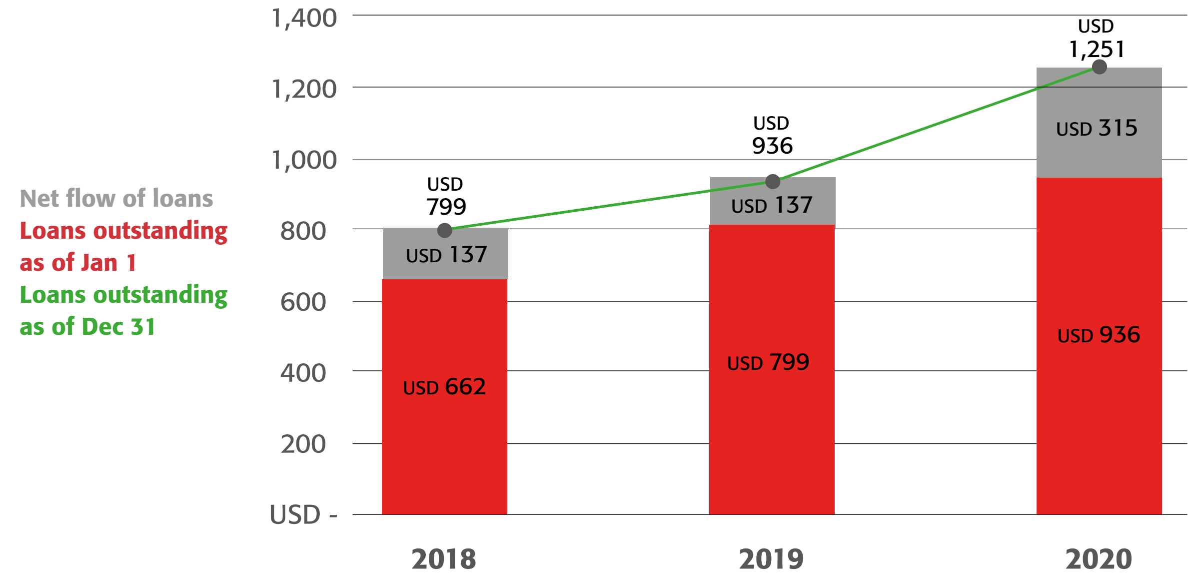
The growth in loan receivables, the Bank's main financial asset, is 2.3 times higher than in 2019 and the result of having disbursed, net of repayments, USD 392 million and collected principal repayments of USD 77 million, generating a portfolio growth 33% higher than in 2019.

The balance of loans to be disbursed in 2020 amounts to USD 708 million, a 28% reduction compared to the balance to be disbursed of USD 975 million, in 2019. This reduction reflects positively on the effort made by the Bank, together with the executing agencies of the financed projects, to accelerate the disbursement process.

Meanwhile, the balance of approved loans pending signature or parliamentary ratification was of USD 477 million, representing an increase of 64%, compared to USD 290 million at the end of 2019.

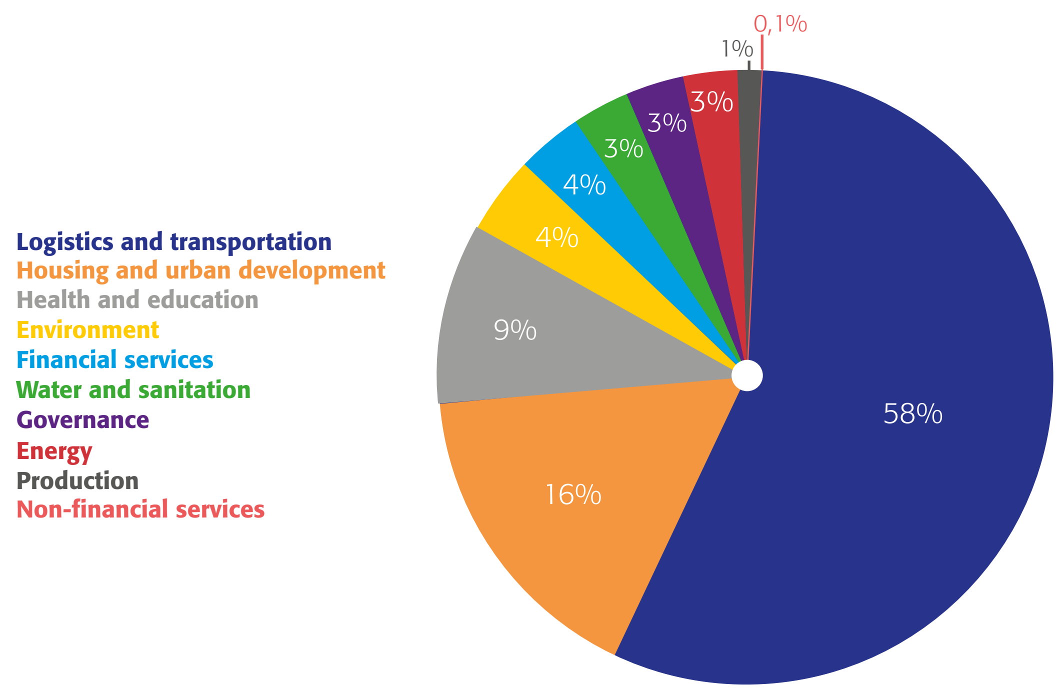
IV. 2020 FINANCIAL RESULTS

CHART 6
DEVELOPMENT OF LOAN PORTFOLIO
In million US dollar.



In terms of the sectoral classification of loans (see Chart 7), the infrastructure sector is the major destination of funding granted to date, especially transport and logistics, representing 58% of total funding. This percentage shows a slight reduction of 7.1% in favor of the funding of other sub-sectors, as the focus is on achieving greater diversification in the type of projects to be funded.

CHART 7
LOAN PORTFOLIO ALLOCATION BY SUB-SECTOR – 2020
%



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

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

CHART 6
LOAN PORTFOLIO ALLOCATION BY SECTOR
%

SECTOR	2018	2019	2020
Infrastructure	72%	82%	76%
Social & environmental development	17%	11%	16%
Economic & productive development	11%	7%	7%
TOTAL	**100%**	**100%**	**100%**

2.3. Consistency with strategic objectives

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

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

STRATEGIC OBJECTIVE	LINE OF ACTION
Ensure the relevance of FONPLATA as a funding agency for regional development and integration.	Sustained growth of lending capacity under appropriate financial conditions. • The Executive Board of Directors approved a USD 1 billion credit line for economic recovery together with a USD 1.5 million Emergency Humanitarian Aid Fund. The Executive Board of Directors approved a USD 1 billion credit line for economic recovery together with a USD 1.5 million Emergency Humanitarian Aid Fund. • Net loan flows of USD 270 million were generated to the countries, after disbursements, collection of principal, interest, and fees. This figure is almost three times higher than the net loan funds flow generated in 2019. Maintain and strengthen our credit risk rating. • In 2020, Standard & Poor's and Moody's reconfirmed the credit risk ratings assigned in 2016: A- with positive outlook in the medium-term and A2, respectively. Promote the expansion of our lending capacity through the possible involvement of other countries and regional integration agencies. • In July 2020, under the trusteeship agreement signed with the MERCOSUR authorities, the Bank became the trustee of the Fund for the Structural Convergence of MERCOSUR (FOCEM). Considering the complementarity and synergies in the development focus of FOCEM and the Bank, this relationship, which reaffirms confidence in the Bank's management and importance, is expected to contribute to further advance the achievement of strategic objectives and opportunities for complementarity between both institutions to benefit the region. • Successful start of the funding of non-sovereign risk operations to public development banks.
Enhance dialog with the member countries to anticipate their funding requirements regarding integration and development.	Implement new financial products. • In 2020, upon approval of the credit line for majority state-owned banks without sovereign guarantee, the Bank approved and disbursed in full the first two funding to development banks in Minas Gerais, Brazil, and Asuncion, Paraguay, worth USD 36 million each. Broaden the appropriate offer of non-financial services. • Regarding non-reimbursable technical cooperation operations, 16 were approved in the amount of USD 1.9 million, 11 of which aimed at responding to the emergency generated by the COVID-19 pandemic in the five member countries, totaling USD 1.4 million, as part of the USD 1.5 million approved by the Executive Board of Directors, and five were focused on institutional strengthening and support for regional integration. Promote efficient decentralization of operations in the subregion. Strong commitment to adaptation to climate change and the sustainable use of natural resources. • As of December 31, three operations totaling USD 113 million were approved via the new Green Credit Line, benefiting cities in Brazil. Of this amount, USD 41 million enjoy preferential rate granted through FECTO.
Enhance dialog with the member countries to anticipate their funding requirements regarding integration and development.	Adjust the existing organizational structure to the operations' growth. • The Program and Budget Document (DPP) for the 2018 – 2020 period, endorsed a gradual growth from 62 to 85 positions. As part of the review carried out for that period, it was agreed to defer the recruitment for open positions until the on-site work is resumed, and in accordance with the evolution of the global and regional economies. Likewise, and to protect the health of our staff, missions were cancelled and successfully replaced by videoconferences. • It is important to highlight the strengthening of country offices during the pandemic and the upcoming opening in Brasilia. To be recognized as a modern, streamlined, innovative, effective, and efficient financial agency.

- In 2020, due to expenditure restraint measures adopted, budgetary savings of 25% were achieved, while loan approvals increased by 17% and loan disbursements by 83%. This shows the agility and effectiveness achieved by the Bank.

- Investments in information technology enabled the Bank to move to virtual working early in the pandemic, without affecting operations at all. In addition, in 2020, progress was made in the implementation of the integrated financial information system – K2B, which allowed the development of treasury, financial planning, personnel administration and accounting information tasks without difficulties or delays.

2.3.2. Consistency with our Mission

In line with our strategic goals, since 2013 the Bank has been focusing on promoting projects that enhance geographical integration among two or more member countries.

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

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

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

INDICATOR		*2015 - 2020*[2]
Expected impact on more than one country (%)[3]	*No. of loans approved*	*54*
	In thousand US dollars	*58*
Focus on border areas (%)[4]	*No. of loans approved*	*55*
	In thousand US dollars	*61*

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

IV. 2020 FINANCIAL RESULTS

Based on the number of projects approved, it is noted that 54% are targeted at more than one member country (58% in value), and 55% are targeted at border areas (61% in value).

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

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

TABLE 8
STRATEGIC COMPLEMENTARITY

INDICATOR		*2015 - 2020*[1]
Participation in joint programs with other DFIs	*No. of loans approved*	*38%*
	In thousand US dollars	*46%*
Complementary with national investment plans	*No. of loans approved*	*84%*
	In thousand US dollars	*90%*
Help to advance investment decisions of member countries	*No. of loans approved*	*42%*
	In thousand US dollars	*47%*
Total loans approved	***No. of loans approved***	***69***
	In billion US dollars	***USD 2,277.4***

1 *Weighted average*

In cumulative value of projects approved from 2015 to date, the funding granted by the Bank to sectors that receive funding from other multilateral development financial institutions (DFIs) reached 38%. During that period, virtually every operation in which the Bank was involved were prioritized in the national public investment plans of the member countries. Likewise, 42% 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.

2.4. Operational efficiency

In anticipation of the changes in the global economy, showing a reduction in the growth rates of the world's major economies and the effect on the economies of our member countries, in mid-2019, the Management reviewed the assumptions taken into account when formulating the Bank's financial projections to adjust the 2019–2021 budget to assure its competitiveness and responsiveness level in 2020, adapting to the changes in the global economy that affect the pace of growth of the economies of the region.

As mentioned at the beginning of this section, although the Management envisioned a gradual reduction in the level of the 6-month Libor interest rate, the loans and borrowings reference rate, while formulating the Program and Budget Document (DPP) for the 2020–2022 period, it clearly did not anticipate that this trend would suddenly accelerate due to the COVID-19 pandemic.

At the beginning of January 2020, when it became evident that COVID-19 would become a global pandemic, the Management adopted expenditure restraint measures and prepared immediate plans to ensure the continuity of its operations based on a work-from-home model.

In this sense, these measures, beyond saving 5% in the 2020 transactional cost and, thus, strengthening the Management's commitment to operate at the lowest possible transactional cost, enabled the immediate switch to virtual working without affecting in any way its agility and responsiveness. As highlighted in the previous paragraphs, in 2020, despite the difficulties faced, a record high of new funding approvals was achieved, as well as of disbursements and attraction of funds from third parties for their financing.

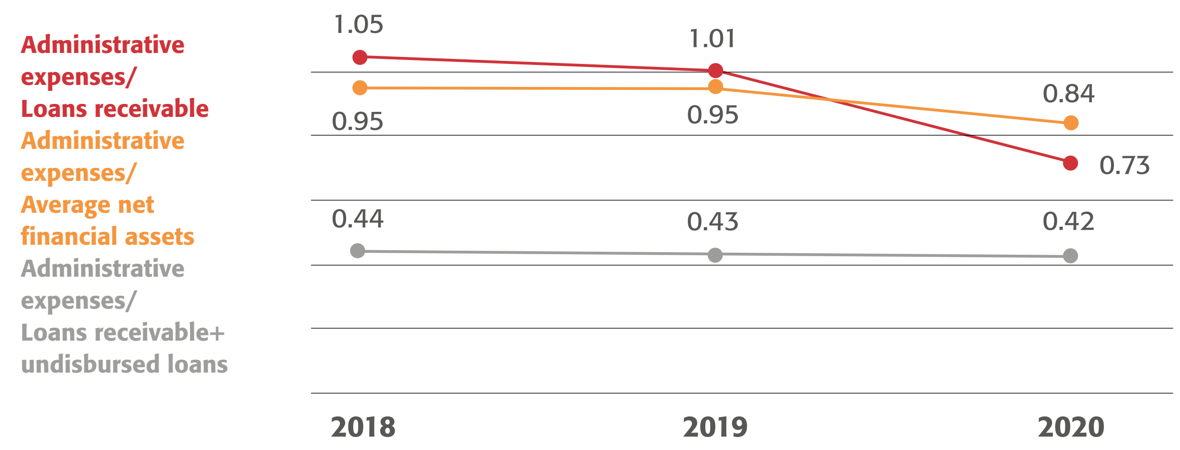
As can be seen in Chart 8 below, operational efficiency is measured by the ratio of administrative expenses of the year to:

1. Loan receivables.
2. Loan receivables and debt net assets.
3. Loan receivables and undisbursed balances.

In this way, the relative transaction cost is calculated to measure the degree of efficiency in management. As can be seen in the chart, administrative expenses compared to the average financial assets has improved substantially.

IV. 2020 FINANCIAL RESULTS

CHART 8
OPERATIONAL EFFICIENCY



Another relevant indicator is the ratio of income from financial assets to debt expenses and non-interest expenses. Under this perspective, the Bank is securely positioned in a ratio of 3 to 1, which provides a comfortable financial position that allows it to face contingencies, placated in the capital markets.

2.5. Financial soundness

The results achieved from 2013 to date, and particularly in the last three years, confirm a particularly good financial and business profile that supports the credit risk rating as issuer, granted by Standard & Poor's and Moody's in 2016 and reaffirmed in 2020, with positive outlook in the medium term.

The Bank has a robust governance that has shown its continuous support to the management since late 2012. The Bank has redesigned its control processes, modernizing, and streamlining its internal operations to ensure the quality, validity, integrity, and timeliness of all its processes and financial information. As with the new business model implemented as from 2013, the Bank has obtained an unqualified opinion on its financial statements for the year ended December 31, 2020, from its independent auditor, PricewaterhouseCoopers, who issued its report on February 25, 2021.

2.6. Loan financing – Liquidity and Indebtedness

This subsection contains relevant information on the indebtedness management in the long term and the management of liquidity and risks affecting the entity. As explained in Section 2.1 - *Funding Sources*, once contributed capital is fully paid-in by member countries in 2026, the capital structure will consist of 45% paid-in capital and 55% callable capital, thus, part of the funding of loan disbursements must be leveraged with resources from third parties.

Like lending capacity, the borrowing capacity is set based on a multiplier of two times the amount of equity plus total net investment assets. Chart 9, below, shows the evolution of the maximum borrowing capacity, used and available for 2018–2020. It should be noted that in November 2019, the Executive Board of Directors increased the borrowing limit by USD 700 million, which added to the USD 500 million authorized for 2016–2020, totaling a maximum borrowing of USD 1.2 billion for the 2020–2024 period.

2.6.1. Borrowing and Leverage

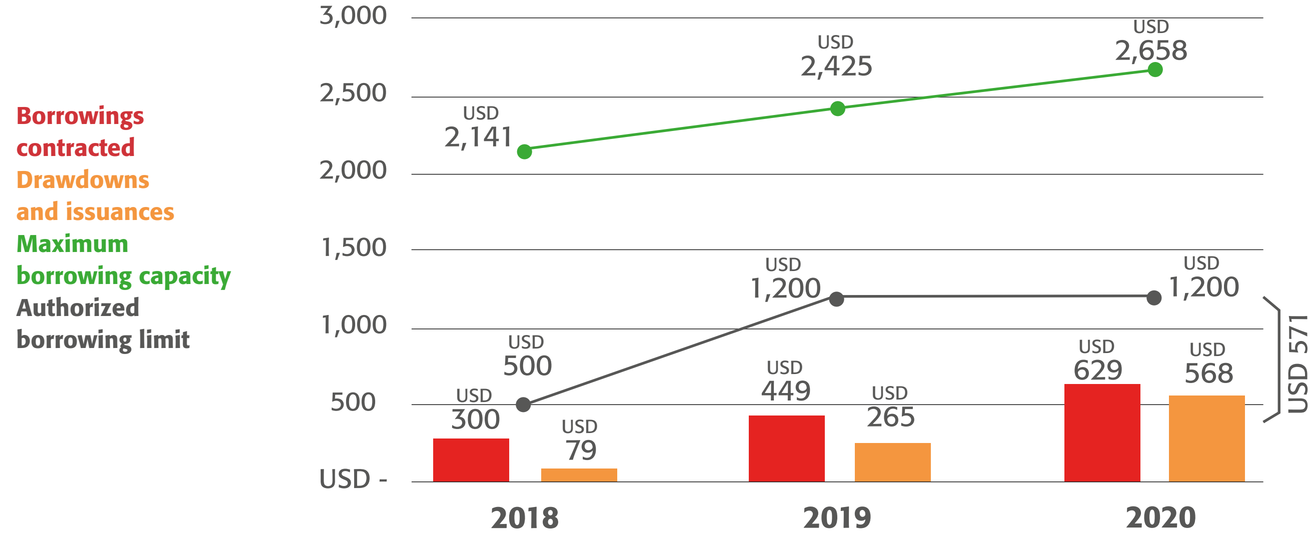
Since 2015, FONPLATA has been forging strategic alliances with other multilateral and bilateral international cooperation agencies to open various lines of credit, and, as of March 2019, has gained direct access to the capital markets, based on the excellent credit risk rating obtained in 2016.

As mentioned in note 18 – *Subsequent events* to the financial statements for the year 2020, on February 3, 2021, the Bank successfully formalized the terms and conditions with Crédit Suisse for the public issuance in the Swiss capital market of CHF 200 million bonds denominated in Swiss Francs, with five and a half years maturity and an annual interest coupon at a fixed rate of 0.556%. In compliance with its risk management policies, and simultaneously, the Bank made a currency and interest rate swap operation with Crédit Suisse, with whom it signed an ISDA (*International Swaps and Derivatives Association*) contract, turning the obligation into a liability denominated in US dollars in the amount of USD 222.7 million, with semiannual coupon rate based on the 6-month Libor rate, plus a fixed spread.

During 2020, USD 292.9 million were raised, representing an increase in borrowings of USD 106.8 million, compared to USD 186 million raised in 2019, equivalent to 57%.

The total borrowing amount as of December 31, 2020 is USD 628.8 million. Of this amount, USD 547.8 million has been disbursed and matures between 2020 and 2042, leaving an available borrowing capacity of USD 571.2 million (See Chart 9).

CHART 9
LOAN FUNDING, LIQUIDITY AND BORRWINGS
In million US dollars.



2.6.2. 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 starting in the end of the fiscal year.

Liquid assets coverage in relation to the net disbursements and payments amount to be made is equivalent to one year as of December 31, 2020, and 1.8 year as of December 31, 2019, respectively.

As of December 31, 2020, liquidity amounted to USD 438.8 million, of which USD 32 million were related to cash and cash equivalents; USD 321 million to the available for sale investment portfolio; and USD 85.7 million to the portfolio of investments to be held to maturity.

Total net assets as of December 31, 2020, are equivalent to 39% of net financial assets and 80% of equity. (2019 – 35% and 36%, respectively) This figure is slightly higher than the ratio in 2019, which was equivalent to 35% and 36%, respectively. This slight increase is consistent with the Bank's liquidity policy and responds to the higher disbursements demand in loans contracted by member countries.

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

TABLE 9
INVESTMENT PORTFOLIO MANAGEMENT

LIMITS	POLICY	STATUS
By type of Assets		
Sovereign, including quasi-sovereign and sub-sovereign agencies	100%	54%
Multilateral Development Financial Institutions	50%	36.5%
Private financial sector	20%	9.5%
By Issuer		
Sovereign, including quasi-sovereign and sub-sovereign agencies	10%	7.5%
Multilateral Development Financial Institutions	10%	8.9%
Private financial sector	5%	1.2%
By Rating		
Average portfolio rating	Minimum AA--	AA
Minimum investment grade	BBB-	BBB
Maximum investment grade with BBB	20%	5%
By Maturity		
Minimum liquidity	USD 391.7 millon.	USD 438.8 millon.
Investments with maximum maturity	5 years	5 years
Maximum modified duration	2 years	0.85 years

2.7. Institutional effectiveness

Since 2013, the Bank's management has demonstrated high levels of compliance and has earned the trust of both its Governance and multilateral and international cooperation agencies, with which funding and co-funding agreements have been signed. It is also worth mentioning the signature with MERCOSUR for the financial administration of the resources of FOCEM.

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

Between 2013 and 2016, an increased and more mature business profile together with management effectiveness enabled FONPLATA to achieve A- and A2 investment-grade ratings from Standard & Poor's and Moody's, respectively, two internationally recognized credit rating agencies. These ratings have recently been affirmed in 2020 with a positive outlook based on the expected growth in the level of approvals and the strengthening of its equity.

2.8. 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 2020, the number of loans approved grew by 17% over the previous year, equivalent to more than 7.5 times the volume accumulated up to 2012.

The leverage ratio of mobilized resources continued rising progressively and reached USD 2.1 per dollar of approved funding in 2020 (see Table 10) and net flows and net transfers to countries have been positive.

TABLE 10
CONTRIBUTION TO SOCIOECONOMIC DEVELOPMENT
In million US dollars.

INDICATOR	2018	2019	2020
Loan portfolio annual change	20.10%	17.20%	33.60%
Direct resource mobilization ratio[1]	1.9	2.1	2.1
Net capital flow to member countries[2]	USD 137.4	USD 137.1	USD 315.0
Net transfers to member countries[3]	USD 103.8	USD 91.4	USD 270.5
Funding for relative less developed countries/ Total approvals	60.60%	53%	44%
Preferential funding for relatively less developed countries[4]	31%	33%	33%

1 *Total funds mobilized over funds provided by the Bank.*
2 *Net disbursements for recovery of principal repayments.*
3 *Disbursements net of principal repayments and collection of interest and fees.*
4 *FECTO funded loans / Total loans approved.*

ANNEX I.

Operations approved - Historical information

Argentina

OPERATIONS APPROVED - HISTORICAL INFORMATION

In US dollars, as of December 31, 2020.

CODE	APPROVED	CANCELLED	DISBURSED	UNDISBURSED
ARG-02/83	7,100,000.00	0.00	7,100,000.00	0.00
ARG-03/83	9,200,000.00	61,130.72	9,138,869.28	0.00
ARG-04/93	1,462,438.00	25,303.72	1,437,134.28	0.00
ARG-05/94	2,244,211.00	2,244,211.00	0.00	0.00
ARG-06/94	34,836,132.00	529,003.26	34,307,128.74	0.00
ARG-07/94	22,477,306.00	516,898.00	21,960,408.00	0.00
ARG-08/94	8,000,000.00	0.00	8,000,000.00	0.00
ARG-09/96	3,238,200.00	2,881,119.73	357,080.27	0.00
ARG-10/96	4,000,000.00	0.00	4,000,000.00	0.00
ARG-11/99	1,500,000.00	1,500,000.00	0.00	0.00
ARG-12/02	900,000.00	121,638.71	778,361.29	0.00
ARG-12/2002	25,000,000.00	25,000,000.00	0.00	0.00
ARG-13/03	51,000,000.00	0.00	51,000,000.00	0.00
ARG-14/04	22,485,000.00	35.63	22.484.964,37	0.00
ARG-15/2004	27,650,000.00	27,650,000.00	0.00	0.00
ARG-16/2006	450,000.00	44,407.38	405,592.62	0.00
ARG-17/2006	47,200,000.00	0.00	47,200,000.00	0.00
ARG-18/2006	4,500,000.00	580,457.88	3,919,542.12	0.00
ARG-19/2013	25,000,000.00	1,410,347.90	23,589,652.10	0.00
ARG-20/2014	9,953,383.00	7,767,380.47	2,186,002.53	0.00
ARG-21/2014	28,170,000.00	5,845,004.25	22,324,995.75	0.00
ARG-22/2014	18,400,000.00	0.00	16,745,103.77	1,654,896.23
ARG-23/2015	35,000,000.00	0.00	460,219.00	34,539,781.00
ARG-24/2015	35,000,000.00	19,800,000.00	8,800,007.47	6,399,992.53
ARG-25/2016	12,000,000.00	0.00	2,800,812.53	9,199,187.47
ARG-26/2016	7,500,000.00	358,329.53	7,141,670.47	0.00
ARG-27/2016	20,000,000.00	0.00	19,027,746.10	972,253.90
ARG-28/2016I	20,000,000.00	0.00	2,140,444.44	17,859,555.56
ARG-29/2016I	20,000,000.00	0.00	1,145,111.11	18,854,888.89
ARG-30/2016	10,000,000.00	9,917,789.67	82,210.33	0.00
ARG-31/2016I	20,000,000.00	0.00	20,000,000.00	0.00
ARG-31/2016II	20,000,000.00	0.00	20,000,000.00	0.00
ARG-32/2016	33,000,000.00	33,000,000.00	0.00	0.00
ARG-33/2017	5,000,000.00	1,778,589.63	3,221,410.37	0.00
ARG-34/2017	5,000,000.00	0.00	0.00	5,000,000.00
ARG-35/2017	22,200,000.00	0.00	2,383,672.00	19,816,328.00
ARG-36/2017	40,000,000.00	0.00	15,344,347.17	24,655,652.83
ARG-37/2018	7,000,000.00	0.00	742,000.00	6,258,000.00
ARG-38/2018	50,000,000.00	0.00	49,860,666.86	139,333.14
ARG-39/2018	37,214,064.00	0.00	7,533,814.93	29,680,249.07
ARG-40/2018	10,849,706.00	0.00	1,171,768.60	9,677,937.40
ARG-41/2019	30,000,000.00	0.00	6,146,678.49	23,853,321.51
ARG-42/2019 I	50,000,000.00	0.00	3,300,000.00	46,700,000.00
ARG-43/2019 I	25,000,000.00	0.00	24,900,000.00	100,000.00
ARG-43/2019 II	25,000,000.00	0.00	24,900,000.00	100,000.00
ARG-44/2019 I	25,000,000.00	0.00	24,650,000.00	350,000.00
ARG-44/2019 II	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
ARG-46/2020	12,000,000.00	0.00	5,272,000.00	6,728,000.00
ARG-47/2020	30,000,000.00	0.00	0.00	0.00
ARG-48/2020I	20,000,000.00	0.00	0.00	0.00
ARG-49/2020	20,000,000.00	0.00	0.00	0.00
ARG-50/2020	15,000,000.00	0.00	0.00	0.00
	1,061,530,440.00	**161,031,647.48**	**527,959,414.99**	**287,539,377.53**

Bolivia

OPERATIONS APPROVED - HISTORICAL INFORMATION

In US dollars, as of December 31, 2020.

CODE	APPROVED	CANCELLED	DISBURSED	UNDISBURSED
BOL-01/79	585,000.00	0.00	585,000.00	0.00
BOL-02/80	423,000.00	0.00	423,000.00	0.00
BOL-03/81	234,000.00	0.00	234,000.00	0.00
BOL-04/81	7,000,000.00	64,739.20	6,935,260.80	0.00
BOL-05/82	7,500,000.00	405,324.45	7,094,675.55	0.00
BOL-06/83	1,000,000.00	0.00	1,000,000.00	0.00
BOL-07/86	720,000.00	9,252.00	710,748.00	0.00
BOL-08/85	19,500,000.00	156,243.15	19,343,756.85	0.00
BOL-09/89	8,280,000.00	0.00	8,280,000.00	0.00
BOL-10/89	13,877,500.00	73,632.67	13,803,867.33	0.00
BOL-11/89	8,800,000.00	506,660.00	8,293,340.00	0.00
BOL-12/90	13,700,000.00	2,255.74	13,697,744.26	0.00
BOL-13/90	4,500,000.00	0.11	4,499,999.89	0.00
BOL-14/92	2,087,000.00	165,140.86	1,921,859.14	0.00
BOL-15/92	10,000,000.00	3,529.97	9,996,470.03	0.00
BOL-16/94	728,209.00	104,436.03	623,772.97	0.00
BOL-17/94	18,220,499.00	307,060.69	17,913,438.31	0.00
BOL-18/2004	40,000,000.00	0.00	40,000,000.00	0.00
BOL-19/2011	63,450,000.00	0.00	63,450,000.00	0.00
BOL-20/2013	35,000,000.00	0.00	35,000,000.00	0.00
BOL-21/2014	34,753,571.00	0.00	31,656,112.75	3,097,458.25
BOL-22/2014	20,531,123.00	0.00	16,825,153.18	3,705,969.82
BOL-23/2014	26,000,000.00	0.00	26,000,000.00	0.00
BOL-24/2014	13,400,000.00	29,566.77	13,370,433.23	0.00
BOL-25/2015	5,000,000.00	0.00	5,000,000.00	0.00
BOL-26/2015	50,000,000.00	0.00	30,575,322.18	19,424,677.82
BOL-27/2016	50,000,000.00	0.00	18,033,083.58	31,966,916.42
BOL-28/2016	10,000,000.00	0.00	7,381,728.67	2,618,271.33
BOL-29/2017	10,000,000.00	0.00	9,170,000.00	830,000.00
BOL-30/2017	40,000,000.00	0.00	40,000,000.00	0.00
BOL-32/2018 I	65,000,000.00	0.00	65,000,000.00	0.00
BOL-32/2018 II	35,000,000.00	0.00	10,510,000.00	24,490,000.00
BOL-33/2019	41,942,761.00	0.00	11,360,111.72	30,582,649.28
	657,232,663.00	**1,827,841.64**	**538,688,878.44**	**116,715,942.92**

Brazil

OPERATIONS APPROVED - HISTORICAL INFORMATION

In US dollars, as of December 31, 2020.

CODE	APPROVED	CANCELLED	DISBURSED	UNDISBURSED
BR-01/94	20,000,000.00	594,089.21	19,405,910.79	0.00
BR-02/95	1,143,000.00	97,816.48	1,045,183.52	0.00
BR-03/95	2,600,000.00	0.00	2,600,000.00	0.00
BR-04/97	13,400,000.00	9,989.63	13,390,010.37	0.00
BR-05/2001	24,000,000.00	0.00	24,000,000.00	0.00
BR-06/2002	6,148,348.00	0.00	6,148,348.00	0.00
BR-07/2003	27,500,000.00	0.00	27,500,000.00	0.00
BR-08/2004	22,400,000.00	88,736.00	22,311,264.00	0.00
BR-09/2005	28,000,000.00	0.00	28,000,000.00	0.00
BR-10/2006	11,800,000.00	65,644.16	11,734,355.84	0.00
BR-11/2006	10,000,000.00	0.00	10,000,000.00	0.00
BR-12/2007	17,061,000.00	0.00	17,061,000.00	0.00
BR-13/2007	14,750,000.00	3,321.79	14,746,678.23	-0.02
BR-14/2008	19,250,000.00	19,250,000.00	0.00	0.00
BR-15/2008	8,910,000.00	0.00	8,910,000.00	0.00
BRA-16/2014	40,000,000.00	0.00	26,123,531.83	13,876,468.17
BRA-17/2017	17,250,000.00	0.00	6,253,635.71	10,996,364.29
BRA-18/2017	40,000,000.00	0.00	4,311,125.23	35,688,874.77
BRA-19/2017	34,700,000.00	34,700,000.00	0.00	0.00
BRA-20/2017	50,000,000.00	50,000,000.00	0.00	0.00
BRA-21/2018	62,500,000.00	0.00	17,105,144.31	45,394,855.69
BRA-22/2019	27,600,000.00	0.00	2,165,600.00	25,434,400.00
BRA-23/2019	25,000,000.00	0.00	2,650,000.00	22,350,000.00
BRA-24/2019	15,997,360.00	0.00	0.00	0.00
BRA-25/2020	34,000,000.00	0.00	7,004,000.00	26,996,000.00
BRA-26/2020	32,000,000.00	0.00	0.00	0.00
BRA-27/2020	46,880,000.00	0.00	0.00	0.00
	652,889,708.00	**104,809,597.27**	**272,465,787.83**	**180,736,962.90**

Paraguay

INFORMACIÓN HISTÓRICA DE LAS OPERACIONES APROBADAS

Expresado en dólares estadounidenses, al 31 de diciembre de 2020.

CODE	APPROVED	CANCELLED	DISBURSED	UNDISBURSED
PAR-02/79	3,000,000.00	2,182,148.05	817,851.95	0.00
PAR-03/78	675,000.00	33.78	674,966.22	0.00
PAR-04/81	4,000,000.00	1,203,595.80	2,796,404.20	0.00
PAR-05/84	8,400,000.00	1,750,378.05	6,649,621.95	0.00
PAR-06/84	15,000,000.00	2,491,069.43	12,508,930.57	0.00
PAR-07/85	2,300,000.00	2,300,000.00	0.00	0.00
PAR-08/86	20,300,000.00	28,557.79	20,271,442.21	0.00
PAR-09/90	230,000.00	230,000.00	0.00	0.00
PAR-10/92	7,000,000.00	6,167,856.81	832,143.19	0.00
PAR-11/93	3,800,000.00	3,128.71	3,796,871.29	0.00
PAR-12/93	20,000,000.00	2,287,264.51	17,712,735.49	0.00
PAR-13/93	34,580,300.00	261,126.86	34,319,173.14	0.00
PAR-14/94	1,547,573.00	10,143.43	1,537,429.57	0.00
PAR-15/94	10,000,000.00	0.00	10,000,000.00	0.00
PAR-16/200 I	500,000.00	220,000.00	280,000.00	0.00
PAR-16/2001 II	8,500,000.00	0.00	8,500,000.00	0.00
PAR-17/2002	20,251,900.00	39,119.39	20,212,780.61	0.00
PAR-18/2004	10,000,000.00	10,000,000.00	0.00	0.00
PAR-19/2011	97,928,094.00	0.00	97,928,094.00	0.00
PAR-20/2015 I	70,000,000.00	0.00	60,658,654.03	9,341,345.97
PAR-20/2015 II	70,000,000.00	0.00	0.00	70,000,000.00
PAR-21/2015	15,000,000.00	123,767.44	14,876,232.56	0.00
PAR-22/2016	42,750,000.00	0.00	10,570,446.00	32,179,554.00
PAR-23/2016	42,911,000.00	0.00	9,707,085.66	33,203,914.34
PAR-24/2017	42,857,143.00	0.00	7,168,478.64	35,688,664.36
PAR-25/2018	12,000,000.00	0.00	0.00	0.00
PAR-26/2018	70,000,000.00	0.00	0.00	70,000,000.00
PAR-27/2019 I	130,000,000.00	0.00	0.00	0.00
PAR-28/2020 I	134,245,764.00	0.00	0.00	0.00
	897,776,774.00	**29,298,190.05**	**341,819,341.28**	**250,413,478.67**

Uruguay

INFORMACIÓN HISTÓRICA DE LAS OPERACIONES APROBADAS

Expresado en dólares estadounidenses, al 31 de diciembre de 2020.

CODE	APPROVED	CANCELLED	DISBURSED	UNDISBURSED
UR-02/82	2,000,000.00	1,285,844.26	714,155.74	0.00
UR-03/84	2,000,000.00	0.00	2,000,000.00	0.00
UR-04/88	3,534,170.00	5,300.44	3,528,869.56	0.00
UR-05/92	19,726,500.00	906,415.18	18,820,084.82	0.00
UR-06/92	441,327.00	165,506.00	275,821.00	0.00
UR-07/93	953,953.00	4,395.08	949,557.92	0.00
UR-08/93	1,830,000.00	0.00	1,830,000.00	0.00
UR-09/93	336,642.00	336,642.00	0.00	0.00
UR-10/94	25,000,000.00	0.00	25,000,000.00	0.00
UR-11/94	515,560.00	43,877.33	471,682.67	0.00
UR-12/2003	30,000,000.00	18,354,612.03	11,645,387.97	0.00
UR-13/2012	112,000,000.00	0.00	111,999,999.94	0.06
URU-14/2014	30,500,000.00	0.00	14,769,922.99	15,730,077.01
URU-15/2014	40,000,000.00	40,000,000.00	0.00	0.00
URU-16/2015	35,000,000.00	0.00	35,000,000.00	0.00
URU-17/2015	30,500,000.00	0.00	30,500,000.00	0.00
URU-18/2016	27,500,000.00	0.00	27,500,000.00	0.00
URU-19/2018	50,000,000.00	0.00	50,000,000.00	0.00
URU-20/2018	60,535,000.00	0.00	19,198,485.00	41,336,515.00
URU-21/2020	15,000,000.00	0.00	15,000,000.00	0.00
URU-22/2020 I	21,000,000.00	0.00	0.00	0.00
	508,373,152.00	**61,102,592.32**	**369,203,967.61**	**57,066,592.07**

TECHNICAL COOPERATION

CONTINGENT RECOVERY OPERATIONS

In thousand US dollars, as of December 31, 2020.

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

(*) Concluded
(**) Under implementation

/1 In July 2000, the disbursement of USD 201,900 was refunded by the Beneficiary.
/2 With the first disbursement of loan PAR-13/93, the OCT received reimbursements of BRL 320,000 and PYG 35,000.
/3 On June 17, 1998, the disbursement of USD 53,100 was refunded by the Beneficiary.

TECHNICAL COOPERATION

NON-REIMBURSABLE OPERATIONS

In thousand US dollars, as of December 31, 2020.

CODE	COMPONENT	STATE	TOTAL APPROVED	UNDISBURSED
OCT/N.R.-CIH-1/91	Non-reimbursable Technical Cooperation – Paraguay-Parana Waterway (Puerto Cáceres – Nueva Palmira Port).	(*)	150.0	-
OCT/N.R.-CIH-2/95	Non-reimbursable Technical Cooperation designed to conduct studies on the development of productive zones in port areas.	(*)	485.0	-
OCT/N.R.-CIH-3/98	Non-reimbursable Technical Cooperation - Study on information systems of the Paraguay-Parana Waterway Program.	(*)	50.0	-
OCT-NR C I C - 5/2003	Non-reimbursable Technical Cooperation - Funding assistance to prepare the framework program for the sustainable management of water resources of the River Plate basin.	(*)	155.0	-
OCT-NR ATN/SF-9229-RG	IDB and FONPLATA's participation in IIRSA - Support for implementation of the strategy of dissemination and participation of the IIRSA Initiative.	(*)	20.0	-
OCT-NR -PAR-7/2015	Strengthening of the capacities of Paraguay's Livestock Fund.	(*)	28.2	-
OCT-NR-ARG-11/2016	Redesign plan and launching the 2016 Household Expenditures Survey. Argentine Republic.	(*)	66.4	-
OCT-NR -PAR-10/2016	Institutional and technical strengthening of Paraguay's Livestock Fund.	(*)	97.0	-
OCT/NR-UCAR/2016	Preparation of agricultural development projects.	(*)	300.0	-
OCT/NR-UCAR/SUL-1/2016	Support to the sheep chain development in Paraguay.	(*)	52.8	-
OCT-NR -BOL-12/2016	High-level meeting on sustainable transport in landlocked countries.	(*)	9.0	-
OCT/NR-RED-SUR-13/2017	Cooperation agreement between REDSUR and FONPLATA.	(*)	70.0	-
OCT/NR-BOL-14/2017	Non-reimbursable Technical Cooperation Agreement - Institutional strengthening of the Social and Economic Policy Analysis Unit (UDAPE).	(*)	124.6	-
OCT/NR-PAR-16/18	Institutional strengthening of the Technical and Management Capacities of the Vice-Ministry of Livestock of Paraguay - Sheep National Program.	(*)	60.0	-
OCT/NR-CEPAL-17/18	Work program number 1 "Challenges and Opportunities for foreign trade in Paraguay-Paraná waterway".	(*)	160.0	-
OCT/NR-PAR-18/18	Institutional strengthening of the Priority Areas of the Public Administration.	(*)	141.0	-
OCT/INS-ALA-DI-19/18	Study on infrastructure, logistics and costs of market access for better use of the Paraguay-Paraná waterway.	(**)	55.0	-
OCT/NR-COM-21/18	Development Revolving Fund through gender equity, cultural promotion, social action, and sports.	(*)	145.0	50.7
OCT/NR-BOL-22/18	Institutional strengthening of the Vice-Ministry of Planning and Coordination for the mid-term assessment of the economic and social development plan 2016-2020.	(*)	65.0	-
OCT/NR-RED-SUR-23/18	Improvement of programming activities and evaluation of sovereign credit transactions with external funding.	(*)	53.0	-
OCT/NR-PAR-24/19	Institutional strengthening to the National Secretary of Tourism to execute project PAR-025 Improvement of connectivity and building infrastructure of the Paraguayan Jesuit Route.	(**)	85.0	55.1

OCT/NR-PAR-25/19	Institutional strengthening of the Vice-Ministry of Livestock for the design of the Project to Improve Livestock Productivity and Genetics in Paraguay.	(*)	60.0	-
OCT/NR-PAR-26/19	Technical, Economic and Socioenvironmental Feasibility Study and SNIP Document for the Complementary Works Program (Antequera Port Corridor).	(*)	25.0	-
OCT/NR-CAINCO-27/19	Innovation Services Program for the Development of the Entrepreneurship Ecosystem in Santa Cruz, Bolivia.	(*)	30.0	-
OCT/NR-ARG-28/19	International Seminar on the Role of Development Banking in Latin America.	(*)	23.0	-
OCT/NR-ARG-29/19	Disaster management: High Risk Communication System for Natural Disaster Areas in the Province of Salta.	(**)	104.0	5.6
OCT/NR-BOL-30/19	Humanitarian Aid: Environmental emergency in Bolivia.	(*)	100.0	-
OCT/NR-ILAT-31/19	IDB-CAF-FONPLATA Alliance (2019 Administration).	(*)	68.0	-
OCT/NR-ARG-32/19	Institutional strengthening of the political, economic, and financial transition process in Argentina.	(**)	200.0	115.5
OCT/NR-BOL-33/20	Institutional strengthening of the transition Government of the Plurinational State of Bolivia.	(*)	75.0	-
OCT/NR-PAR-34/20	Support for the development of economic policy responses to promote the recovery of the economy and the reestablishment of conditions for sustained economic growth.	(**)	160.0	113.0
OCT/NR-COVID-35/20	Special COVID-19 Fund for Humanitarian Aid	(**)	1,500.0	-
OCT/NR-BOL-36/20	COVID-19 Humanitarian Aid "Bolivia".	(**)	200.0	-
OCT/NR-ARG-37/20	COVID-19 Humanitarian Aid "Argentina".	(**)	200.0	-
OCT/NR-PAR-38/20	COVID-19 Humanitarian Aid "Paraguay".	(**)	200.0	5.5
OCT/NR-URU-39/20	COVID-19 Humanitarian Aid "Uruguay".	(**)	200.0	-
OCT/NR-BRA-40/20	COVID-19 Humanitarian Aid "Brazil - Itajaí".	(**)	100.0	-
OCT/NR-BRA-41/20	COVID-19 Humanitarian Aid "Brazil - Corumbá".	(**)	50.0	-
OCT/NR-BRA-42/20	COVID-19 Humanitarian Aid "Brazil - Ponta Porã".	(**)	50.0	-
OCT/NR-BRA-43/20	COVID-19 Humanitarian Aid "Brazil - Criciúma".	(**)	100.0	-
OCT/NR-BRA-44/20	COVID-19 Humanitarian Aid "Brazil - Vila Velha".	(**)	50.0	-
OCT/NR-BRA-45/20	COVID-19 Humanitarian Aid "Brazil - Joinville".	(**)	100.0	-
OCT/NR-BOL-46/20	COVID-19 Humanitarian Aid "Bolivia - Department of Santa Cruz".	(*)	120.0	-
OCT/NR-URU-47/20	Institutional strengthening of the State Strategic Intelligence Secretariat.	(**)	120.0	75.3
OCT/NR-ILAT-48/20	ILAT Alliance - FY 2020.	(**)	65.0	54.7
OCT/NR-ILAT-49/20	ILAT Alliance 2021 Annual Work Plan.	(**)	200.0	200.0
TOTAL			**5,102.0**	**675.4**

(*) Concluded
(**) Under implementation

Note: The approval of the USD 1.5 million Special COVID-19 Fund for Humanitarian Aid is through the OCT/NR-COVID-35/20.

TECHNICAL COOPERATION

NON-REIMBURSABLE OPERATIONS - IIRSA

In thousand US dollars, as of December 31, 2020.

CODE	COMPONENT	STATE	TOTAL APPROVED	UNDISBURSED
OCT/NR-ATN-SF-9229-RG	IDB and FONPLATA's participation in IIRSA - Support for implementation of the strategy of dissemination and participation of the IIRSA Initiative.	(*)	20.0	-
OCT/NR-IIRSA-04/2002	FONPLATA's participation in the IIRSA initiative for the Integration of Regional Infrastructure in South America.	(*)	1,759.3	-
OCT/NR-IIRSA-08/2015	FONPLATA's participation in the IIRSA initiative for the Integration of Regional Infrastructure in South America.	(*)	200.0	-
OCT/NR-IIRSA-09/2016	FONPLATA's participation in the IIRSA initiative for the Integration of Regional Infrastructure in South America.	(*)	198.3	48.9
OCT/NR-IIRSA-COSIPLAN-15/2017	FONPLATA's participation in the IIRSA initiative for the Integration of Regional Infrastructure in South America.	(*)	191.5	-
OCT/NR-COSIPLAN IIRSA-20/18	Financing of the activities of the IIRSA Initiative.	(**)	92.1	26.3
TOTAL			**2,461.2**	**75.2**

(*) Concluded
(**) Under implementation

ANNEX II.

2020 Financial statements and independent auditor's report

(Free translation from the original issued in Spanish)

FONPLATA – MULTILATERAL DEVELOPMENT BANK

Financial statements as of December 31, 2020 and 2019

CONTENT

$ = U.S. thousand dollars

The original version of the accompanying financial statements is duly signed and kept in the Bank's archives. The original version can be obtained in electronic format upon request.

(Free translation from the original issued in Spanish)

INDEPENDENT AUDITOR'S REPORT

February 25, 2021

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

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of FONPLATA – Multilateral Development Bank (FONPLATA) as of December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

What we have audited

FONPLATA's financial statements comprise:

- the statement of financial position as of December 31, 2020;
- the income statement for the year then ended;
- the statement of comprehensive income for the year then ended;
- the statement of cash flows for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

Independence

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

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

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Our audit approach

Overview

Materiality	Overall materiality: US$'000 12,500; based on the 0.75% of FONPLATA's total assets.
Key audit matters	- Hedging instruments. - Valuation of the loan portfolio. - Revolving Credit Line without sovereign guarantee.

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

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

Materiality

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

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

Overall materiality	US$'000 12,500.
How we determined it	Based on the 0.75% of FONPLATA's total assets.
Rationale for the materiality benchmark applied	Considering that FONPLATA is a Multilateral Development Bank with the purpose of identifying investment opportunities or projects of interest for the development of the region, materiality has been based on total assets given our assessment of this being the most stable metric and the most applicable to FONPLATA's operations.

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Key audit matters

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

Key Audit Matter	How our audit addressed the key audit matter
Hedging instruments During 2019, FONPLATA issued through Credit Swiss & UBS, a five-year, fixed interest rate bond with an annual coupon of 0.578%, denominated in Swiss Francs, in the amount of CHF 150 million (ISIN CH0463112042). This bond issuance marks FONPLATA's formal entrance into the capital markets. Net proceeds from the bond will be solely used to finance disbursements on loans approved. As part of its risk management strategy pertaining this bond issuance, on March 11, 2019, FONPLATA signed a Master Agreement and entered into cross-currency swap with J.P. Morgan Chase, NA. (JPM), under the framework of the International Swaps and Derivatives Agreement Association, Inc. (ISDA). The cross-currency swap became effective on March 13, 2019. The terms for the master agreement entered into with JPM, provide for a net settlement and compensation in the event of default. During the 2020, FONPLATA received deposits from the Central Bank of Uruguay (CBU), for a total of US$'000 130,000, which accrue interest at a fixed rate. On May 5, 2020, FONPLATA entered into interest rate swap agreements to exchange the fixed – rate for the 6-month Libor rate.	We assessed this transaction throughout the following audit procedures: - We assessed the financial contract and its related cash flows. - We verified the differences in exchange rates and rates originated in the transaction and in the hedging with information from the Bank, JP Morgan and market prices. - We assessed the risk of material misstatements in the accounting of the underlying financial instruments. - We requested and obtained confirmation of all relevant balances from third parties. - We assessed, when it is applicable, the impairment indicators of the financial instruments and its adequately accounting and disclosure in the financial statements.
Valuation of the loan portfolio As described in notes to the financial statements, FONPLATA calculates the impairment losses on its loan portfolio in accordance with the provisions of IFRS 9 – Financial Instruments. As of December 31, 2020, the total balance of the provision for potential impairment on loan portfolio amounts to US$'000 9,741. Such balance includes all loans within stage 3 in accordance with the applicable standards and accounting policies. Key areas of judgements in the calculation of this provision includes:	We assessed the provision for expected credit losses through the following audit procedures: - We assessed that the expected credit losses model used is in accordance with the FONPLATA's accounting policies and IFRS 9. - We verified that the outstanding balance of all loans used in the calculation of the expected credit losses agreed with the individual balance account of each borrower.

Key Audit Matter	How our audit addressed the key audit matter
- The interpretation of the requirements of IFRS 9 to determine the impairment, which are included in the expected credit losses model. - The identification of loans with a material impairment by their credit quality. - Estimates used in the expected credit losses model as the financial status of the borrower, the future cash flows and the lowest credit risk rating determined by three credit rating agencies relied upon by FONPLATA (Moody's, Fitch and S&P).	- We verified the year-end balance confirmation for all FONPLATA's borrowers and the individual accounts were verified with the supporting documentation (loan collections and disbursements). - We verified that the risk rate included in the calculation of the expected credit losses agreed with the risk assessment report issued by Moody's, Fitch and S&P for each country for the year ended December 31, 2020. - We recalculated the expected credit losses provision in accordance with FONPLATA's accounting policies and the applicable accounting standard. Additionally, we verified the expected credit losses model, including the calculation, approval of the model, monitoring procedures, validation, governance and mathematical accuracy. - We assessed and tested estimates used by FONPLATA's management with specific approach on: i) key estimates used in the model, ii) source of data and other information used in the determination of the estimates, iii) test of sensibility on the estimates, and iv) disclosure included in the financial statements.
Revolving Credit Line without sovereign guarantee: On May 12, 2020, the Bank's Board of Executive Directors approved the first operation under this new financing line, initially aimed at financing development banks. This operation consisted of a revolving credit line, without sovereign guarantee, granted to the "Banco de Desenvolvimiento de Minas Gerais (BMDG)" for an amount of US$ '000 36,000, with an 8 year duration. Likewise, on September 15, 2020, the Board of Executive Directors approved a revolving credit line without sovereign guarantee for the "Banco Nacional de Fomento - BNF" of Paraguay, for an amount of US$'000 36,000, with a duration of 8 years and with a 2-year grace period.	We evaluated these loans through the following audit procedures: - We requested confirmation on all borrowers' outstanding balances. Although we have not received responses to all of our confirmation requests, we applied the alternative procedures listed below. - We verified the contracts of the transactions. - We verified loans disbursements. - We reperformed the calculation of accrued interest.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Obtain an 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 the FONPLATA's internal control.

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

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

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

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

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

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

PricewaterhouseCoopers S.R.L.

Sergio Fischer
Partner

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ANNEX II.

FONPLATA

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

	As of December 31,			
	2020		**2019**	
ASSETS				
Cash and cash equivalents – Note 8.1		32,037		37,413
Investments				
At fair value with changes in other comprehensive income – Note 8.2	321,061		142,860	
At amortized cost – Note 8.3	85,722	406,783	188,647	331,507
Loan portfolio – Note 8.4		1,237,031		920,387
Accrued interest				
On investments – Note 8.3	1,821		658	
On loans – Note 8.4	10,600	12,421	11,088	11,746
Other assets				
Property and equipment, net – Note 9.1	5,934		5,721	
Miscellaneous – Note 9.2	762	6,696	893	6,614
Total assets		1,694,968		1,307,667
LIABILITIES AND EQUITY				
Liabilities				
Cash flow hedge derivatives – Note 8.5 (ii)	5		1	
Borrowings – Note 8.5	568,324		264,708	
Other liabilities – Note 9.3	1,982		2,590	
Special funds – Note 8.6	15,066	585,377	12,230	279,529
Total liabilities		585,377		279,529
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	(432,318)	916,882	(483,651)	865,549
General reserve – Note 10.3		155,751		132,443
Other reserves – Note 10.2		1,044		1,838
Retained earnings – Note 10.3		35,914		28,308
Total equity		1,109,591		1,028,138
Total liabilities and equity		1,694,968		1,307,667

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

Juan E. Notaro Fraga
EXECUTIVE PRESIDENT

Oscar A. Perez Lopez
CHAIRMAN BOARD OF EXECUTTIVE DIRECTORS

Fernando A. Fernandez Mantovani
CHIEF ACCOUNTING AND BUDGET

Rafael Robles
MANAGER FINANCE AND ADMINISTRATION

FONPLATA

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

	Years ended as of December 31, 2020	2019
INCOME – Note 11		
Loan portfolio		
Interest	36,438	41,841
Other loan income	6,670	4,836
	43,108	46,677
Investments		
Interest and return	7,876	7,564
Other	19	16
	7,895	7,580
Other income	100	162
Income from financial assets	51,103	54,419
EXPENSES		
Interest expense	(8,627)	(8,442)
Income from financial assets, net	42,476	45,977
Provision for impairment of investments – Notes 8.3 (ii), 8.7	-.-	(52)
Provision for loan impairment	2,498	(8,136)
Income after provision for loan impairment	44,974	37,789
Administrative expenses – Note 12	(9,060)	(9,481)
Net income	35,914	28,308
STATEMENT OF COMPREHENSIVE INCOME		
Net income	35,914	28,308
Items that may be reclassified to profit or loss:		
Changes in fair value of investments	(2,417)	412
Gains on cash flow hedges	1,651	515
Items that will be not reclassified to profit or loss:		
Technical appraisal of property	(28)	(27)
Comprehensive income	35,120	29,208

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

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FONPLATA

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

	As of December 31, 2020	2019
Cash Flows from Operating Activities		
Lending		
Cash received from loan principal amortizations	77,057	77,211
Cash received from interest and other loan charges	44,488	45,676
Loan disbursements	(392,094)	(214,298)
Net flows from lending activities	(270,549)	(91,411)
Other operating flows:		
Payment of salaries, benefits, and other personnel expenses	(6,817)	(6,606)
Payment of administrative expenses	(2,060)	(413)
Increase in trade accounts payable and with special funds	1,099	(1,821)
Net flows from other operating activities	(7,778)	(8,840)
Net cash flows used in operating activities	(278,327)	(100,251)
Cash Flows from Financing Activities		
Proceeds from borrowings	292,884	186,046
Derivatives- Collateral	17,644	5,900
Repayment of borrowings and debt service	(14,631)	(12,716)
Net flows from funding of on-lent activities	295,897	179,230
Collection of paid-in capital subscriptions	51,333	48,015
Net flows from financing activities	347,230	227,245
Cash flows from investing activities		
Collection of investment income	6,732	7,119
Purchase of investments	(80,449)	(151,848)
Capital expenditures	(562)	(273)
Net flows used in investment activities	(74,279)	(145,002)
Decrease in cash and equivalents during the year	(5,376)	(18,008)
Cash and equivalents as of December 31, 2019	37,413	55,421
Cash and equivalents as of December 31, 2020	32,037	37,413

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

Juan E. Notaro Fraga
EXECUTIVE PRESIDENT

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CHAIRMAN BOARD OF EXECUTIVE DIRECTORS

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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, 2019	817,534	107,871	126	-.-	812	26,572	952,915
Capital increase – Paid-in portion	48,015	-.-	-.-	-.-	-.-	-.-	48,015
Allocated by the Assembly of Governors to:							
General reserve	-.-	24,572	-.-	-.-	-.-	(24,572)	-.-
Special Fund for the Compensation of the Operational Rate (FECTO)	-.-	-.-	-.-	-.-	-.-	(1,500)	(1,500)
Technical Cooperation Fund (PCT)	-.-	-.-	-.-	-.-	-.-	(500)	(500)
Net income for the year	-.-	-.-	-.-	-.-	-.-	28,308	28,308
Comprehensive income for the year	-.-	-.-	412	515	(27)	-.-	900
Balance as of December 31, 2019	865,549	132,443	538	515	785	28,308	1,028,138
Capital increase – Paid-in portion	51,333	-.-	-.-	-.-	-.-	-.-	51,333
Allocated by the Assembly of Governors to:							
General reserve	-.-	23,308	-.-	-.-	-.-	(23,308)	-.-
Special Fund for the Compensation of the Operational Rate (FETCO)	-.-	-.-	-.-	-.-	-.-	(3,500)	(3,500)
Technical Cooperation Fund (PCT)	-.-	-.-	-.-	-.-	-.-	(1,500)	(1,500)
Net income for the year	-.-	-.-	-.-	-.-	-.-	35,914	35,914
Comprehensive income for the period	-.-	-.-	(2,417)	1,651	(28)	-.-	(794)
Balance as of December 31, 2020	916,882	155,751	(1,879)	2,166	757	35,914	1,109,591

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

Juan E. Notaro Fraga
EXECUTIVE PRESIDENT

Oscar A. Perez Lopez
CHAIRMAN BOARD OF EXECUTIVE DIRECTORS

Fernando A. Fernandez Mantovani
CHIEF ACCOUNTING AND BUDGET

Rafael Robles
MANAGER FINANCE AND ADMINISTRATION

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FONPLATA

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

NOTE 1 – BACKGROUND

The "Fondo Financiero para el Desarrollo de la Cuenca del Plata", hereinafter and for all intent and purposes denominated as "FONPLATA", 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 and project monitoring offices in Asuncion, Republic of Paraguay, since 1989, in Buenos Aires, Republic of Argentina since June 2018, in Montevideo, Uruguay, since December 2019, and it is in the process of opening an office in Brasilia, Brazil by the end of February 2021. 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 y Uruguay, hereinafter "funding members", based on the River Plate Basin Treaty, subscribed on April 23, 1969, which gave rise to its consolidation and recognition a legal entity on October 14, 1976, when its Charter was approved and put into force.

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

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

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

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

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class "B", to be allocated to non-funding members. The initial authorized capital consists in its entirety of class "A" shares, consisting of 134,920 shares of paid-in capital for a total amount of $1,349,200, and 166,500 shares of callable capital for an amount of $1,665,000.

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

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

As of December 31, 2020, and as the date of issuance of these financial statements, the modifications to the Charter approved by the Board of Governors are still pending ratification by the corresponding authorities of one of the five member countries.

With regards to its operations, the Bank is characterized by a keen focus on strategic planning and management by results. The Strategic Institutional Plan 2013 – 2022 (a.k.a. PEI for its Spanish acronym), which was updated for the period 2018 – 2022, and approved by the Assembly of Governors in August 2017, constitutes the main instrument designed to manage, supervise and ensure accountability for the attainment of expected results. Complementing the PEI, the Bank prepares the Programs and Budget Document (a.k.a. DPP for its Spanish acronym). The DPP contains the expected results to be attained for the next three-years, as well as the activities required and their related costs, that make the basis for the administrative and capital budgets. Following the recommendation of the Board of Executive Directors, the DPP for the periods 2019 – 2021 and 2020 – 2022, were approved by the Assembly of Governors on November 30, 2018, and on November 29, 2019, respectively. On November 20, 2020, the Assembly of Governors, acting upon a recommendation from the Board of Executive Directors, approved the Bank's DPP for the period 2021 – 2023.

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

The Bank's 2020 financial statements were reviewed by the Audit Committee of the Board of Executive Directors and based on it, the Board of Executive Directors as a whole, issued its recommendation to the Board of Governors for approval approving them on March 2, 2021.

NOTE 2 – SIGNIFICANT CHANGES IN THE CURRENT REPORTING PERIOD

The Bank's financial position and performance was particularly affected by the following transactions during the year ended as of December 31, 2020:

- As anticipated in the Letter from the President to the Bank's 2019 Annual Report, the novel coronavirus (COVID-19) has had and will continue to have wide-ranging and profound effects in the global and regional economies, with a high cost in human life and seriously impacting the way we live, interact and work.

- In mid-March, as all countries proceeded to close their borders and to issue stay-at-home orders in an effort to contain the virus from spreading further, the Bank also closed its headquarters and regional offices. However, and thanks to its investments in technology, was able to switch its workforce to a

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teleworking modality so staff could work from their respective homes. This way, the Bank safeguarded the health of its' employees and continued serving the needs of its member countries through directly supporting them in their efforts to counteract the immediate effects of the pandemic.

- The immediate effect of the COVID-19 pandemic is a reduction of interest rates. In the case of the Bank, a reduction on the 6-month Libor rate directly results into a reduction of the amount of interest accrued on loans to member countries. The effect of this reduction in loan income was partially offset through the increase in the gross amount of loans receivable by 33.6%, compared to 2019 ($1,251,495 as of December 31, 2020, when compared to $936,458, as of December 31, 2019), due to an 83% increase in the amount of loan disbursements, which reached $392,094 in 2020 (2019 - $214,298). Additionally, the reduction experienced in loan revenues was partially offset through a reduction in borrowing costs, which for the most part have been contracted based on the 6-month Libor rate. In those instances in which the borrowing contracts call for a fixed rate, and in accordance to its risk management policy that calls for minimizing the exposure to interest rate and currency risk, the Bank have swapped the fixed rate obligation into a variable rate based on the 6-month Libor rate, effectively matching its reference lending rate. Hence, eliminating the exposure to interest rate risk. For further details refer to Notes 4.10; 6; and 8.5-(ii).

- The impact on loan income resulting from changes in accounting estimates related to: (i) the improvement of the credit risk rating of one-member country, which had the effect of lowering the provision for potential loan impairment by $6,878, in September 2020; and, (ii) the reversal of the provision for impairment of Argentine bonds, which had been classified as held-to-maturity, hence valued at their amortized cost and adjusted to their lower market value through a provision. Following the debt exchange program agreed between Argentina and its bondholders in the courts of New York, U.S. on August 15, 2020, at the beginning of September 2020, the Bank exchanged those bonds by new series of bonds. The exchange was effected at the nominal value of the carried bonds. The new bonds received, were classified as available for sale, and valued at reasonable value with subsequent changes in value recognized in other comprehensive income (OCI). Consequently, the amount of provision for the impairment of bonds of $3,852, was reclassified to OCI, resulting in an increase of net income for the year. See Notes 8.3-(ii) and 8.7 for further information.

- With regards to the Bank's actions on the operational front to assist its member countries to address immediate needs associated to the pandemic, the Bank mobilized additional $120,800 in fresh resources through the following actions:

  - Approval of $1,500 of non-reimbursable technical cooperation from the PCT, to be allocated among the 5 member countries to pay for protective gear, medical supplies, and equipment to combat COVID-19. Total disbursements under the non-reimbursable technical cooperation during 2020, amounted to $1,370.

  - Disbursement of $72,000 in various COVID-19 financings benefiting all member countries following the approval of an emergency line by the Board of Executive Directors (RDE No 1454/20),

  - $2,600 disbursed on various loans in accordance with loan contracts, which provide for the ability to reassign up to 5% of the approved loan resources to help countries to respond to emergencies. These monies were used by the corresponding member countries for the purchase of medical equipment and supplies as well as for other COVID-19 related activities.

  - Redirecting funds in existing loan contracts with undisbursed funds to free-up to $44,800 for the fight against COVID-19.

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- The increased demand for fresh resources to fund COVID-19 activities resulted in an increase in the amount of loan disbursements, which as of December 31, 2020, amounts to $392,094, exceeding in $122,000 the goal set in the DPP 2020 – 2022, for loans disbursements, which ranged from $250,000 to $270,000.

- In 2019, the Board of Governors approved the policy for the appropriation of lending resources to enable the financing of operations without sovereign guarantee for the financing of government owned enterprises at the national and subnational levels. Following this approval and also in 2019, the Board of Executive Directors approved a new financial product for the financing of operations without sovereign guarantee (NSG). On May 12, 2020, the Board of Executive Directors approved the first operation under this new line of financing, consisting of a revolving line of credit without sovereign guarantee for the "Banco Desenvolvimiento de Minas Gerais (BMDG)", in the amount of $36,000, with an 8-years duration. On May 21, 2020, the Bank disbursed the totality of the amount approved. This first tranche has a maturity of 5 years including 2 years of grace period, and calls for semiannual amortization of principal, interest, commitment, and financing commissions. Interest payments are based on the 6-month Libor rate, plus a fix margin determined at the time of each disbursement based on the risk-rating assigned at that time. Additionally, on September 15, 2020, the Board of Executive Directors approved a line of credit without sovereign guarantee for the "Banco Nacional de Fomento – BNF", of Paraguay, in the amount of $36,000, with 8-year duration and a 2-year of grace period. The loan was disbursed in its entirety on December 15, 2020.

- To comply with its liquidity policy and to respond to the increased demand for loan disbursements, the Bank decided to tap on the unused portion of existing lines of credit approved with other multilateral and bilateral organizations, as well as to borrow funds through medium-term promissory notes with member countries' central banks. During the period year ended as of December 31, 2020, the Bank borrowed $292,883, distributed as follows:

Entity	Outstanding 31 December 2019 $	Principal repaid/Fair value adjustments $	Borrowed from January 1 through December 31, 2020 $	Outstanding as of December 31, 2020 $
Corporación Andina de Fomento (CAF)	10,667	(5,333)	64,000	69,334
Inter-American Development Bank (IDB)	60,215	-.-	27,883	88,098
French Development Agency (AFD)	5,000	-.-	15,000	20,000
European Investment Bank (BEI)	-.-	-.-	6,000	6,000
Official Credit Institute E.P.E. (ICO)	5,536	-.-	-.-	5,536
Deferred loan charges	(194)	(88)	-.-	(282)
Subtotal multilaterals and other	**81,224**	**(5,421)**	**112,883**	**188,686**
Issuance of CHF bond	148,809	-.-	-.-	148,809
Deferred loan charges	(693)	113	-.-	(580)
Market value adjustments	5,385	16,028	-.-	21,413
Subtotal bonds	**153,501**	**16,141**	**-.-**	**169,642**
Central Bank of Bolivia (BCB) – 6-month Libor	30,000	-.-	50,000	80,000
Central Bank of Uruguay (BCU) – Fixed rate	-.-	-.-	130,000	130,000
Deferred loan charges	(17)	13	-.-	(4)
Subtotal borrowed from Central Banks	**29,983**	**13**	**180,000**	**209,996**
Total borrowings	**264,708**	**10,733**	**292,883**	**568,324**

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- As of December 31, 2020, the Bank is engaged in negotiations with the New Development Bank (NDB), for a line of credit of up to $300,000, which would be used for the funding of disbursements on loans approved to member countries. Additionally, the Bank is in negotiations with the Multilateral Investment Guarantee Agency (MIGA) of the World Bank, to obtain a guarantee on a loan from J.P. Morgan Chase, NA (JPM), in the amount of $120,000. Furthermore, the Bank is also considering the issuance of a new bond in the swiss capital market. These financings are expected to be formalized during the first half of 2021.

- As part of its strategy for the management exposure risks to changes in both, interest and exchange rates, the Bank has the policy of granting and denominating all of its loans in United States dollars, and used the 6-month Libor as its reference rate. Furthermore, the majority of its borrowings are also contracted and denominated in United States dollars, and bear interest based on the 6-month Libor rate. This way, the Bank minimizes its exposure risk. However, in those cases where it contracts debt in denominated in currencies other than the United States dollar, or where the debt accrues interest in a rate other than the 6-month Libor rate, the Bank resorts to the contracting of derivatives to effectively mitigate the exposure. To this end, on May 5, 2020, the Bank entered into an interest rate swap with JPM, to offset the interest rate risk related to the contracting of time deposits at fix rate with the BCU.

- The Bank designated the derivates as a cash flow hedge, within the scope of IFRS 9. Accordingly, the derivatives are valued at reasonable value using a discounted cash flow model provided by Bloomberg and shown in the financial statements under other assets together with the amount of cash collateral received from JPM. This accounting is supported by the ISDA master netting agreement which establishes the right to offset the positions in the balance sheet (see also Notes 4.10; 6; and 8.5-(ii).

- The Bank use of derivatives is for the sole purpose of reducing the risk exposure to changes in interest rates and foreign exchange rates and not for speculative purposes.

- Following the signing of the agreement for the trusteeship of the Fund for the Structural Convergence of MERCOSUR (FOCEM), in December 2019, the Bank assumed the role of fiduciary agent for the investment of the financial resources to be transferred by FOCEM. The first transfer of funds from FOCEM, was received by the Bank on July 24, 2020, and transferred into the custodial bank account opened under FOCEM as administered by the Bank as its fiduciary agent. These accounts and financial accounting records are kept separately from the Bank's own accounts. The signing of this fiduciary agreement with FOCEM is the result of the credibility and prestige that the Bank enjoys within the region and opens the door for further leveraging the complementarity and synergies between the projects financed by FOCEM ant the Bank's development and integration agenda.

NOTE 3 – HOW INCOME IS CALCULATED

The Bank derives most of its income from sovereign-guaranteed loans to its member countries, and starting in 2020, a small part from non-sovereign guarantee loans extended to member countries' estate-owned banks. 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 and the rate of operational return or margin.

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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:

	December 31,					
	2020			2019		
	Average balance $	Income $	Return %	Average balance $	Income $	Return %
Loans receivable	1,093,976	43,108	3.94	867,915	46,677	5.38
Investments	403,870	8,057	1.99	302,024	7,828	2.59
Financial assets	1,497,846	51,165	3.42	1,169,939	54,505	4.66
Borrowings	(416,516)	(8,626)	(2.07)	(172,201)	(8,442)	(4.90)
Financial assets, net	1,081,330	42,538	3.93	997,738	46,063	4.62
Accounting charges[1]	-.-	2,244	0.20	-.-	(8,424)	(0.84)
Administrative expenses	-.-	(8,868)	(0.82)	-.-	(9,331)	(0.94)
Net assets	1,081,330	35,914	3.32	997,738	28,308	2.84
Equity	1,068,865	-.-	3.36	990,526	-.-	2.86

[1]Includes Special Funds' participation on investment income $162, loss (2019 - $152, loss); other income $104, net gain (2019 - $162, net gain); depreciation $321, loss (2019 - $314, loss); provision for potential loan losses $2,498, net recovery for the year (2019 - $8,136, net charge); and exchange differences in the amount of $129, net gain (2019 - $164, net gain). Amount stated for 2019, also includes provision for expected impairment on investments in Argentine bonds for $52, net charge for the year.

NOTE 4 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 interim 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 (IC), 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 the period of 12 months following the date of the financial statements (current), and more than 12 months following the date of the financial statements (non-current), as per Note 13.

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(ii) Historical cost

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

- Financial assets at fair value with changes in other comprehensive income.
- Investments classified at amortized cost and adjusted to their reasonable value through a provision for potential impairments in those instances where the latter is lower than the amortized cost.
- Property valued at fair value.

(iii) New standards and modifications adopted by the Bank

The following chart summarizes new international financial reporting standards (IFRS), as well as certain applicable modifications of existing ones that were applied by the Bank starting January 1, 2020. The standards listed below exclude the following new standards or modifications that are not applicable to the activities performed by the Bank: IFRS 11 Joint Arrangements; IAS 12 Income Taxes; and, Plan Amendment, Curtailment or Settlement – Amendments to IAS 19.

The following standards and modifications started to be applied by the Bank on January 1, 2020:

Standard	Key Requirements	Effective Date
IAS 1 and IAS 8, definition of materiality	These amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other IFRSs", include: i) the use of a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting; ii) clarify the explanation of the definition of material; and iii) incorporate some of the guidance in IAS 1 about immaterial information.	1 January 2020
Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest rate benchmark reform	These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR based contracts, the reliefs will affect companies in all industries.	1 January 2020
Amendments to IAS 1, Presentation of financial statements on classification of liabilities	These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.	1 January 2021

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

4.2 Segments' disclosure

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

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

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

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

4.4 Revenue recognition

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

The Bank recognizes revenues when their amount can be reliably measured and when it is likely that the resulting economic benefits would 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.

4.5 Leases

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

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

4.6 Cash and cash equivalents

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

4.7 Loan portfolio

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

4.8 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 determined by its business model. The Bank's business model architecture is designed with the purpose of helping its member countries 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), finance its lending program through a combination of paid-in capital subscriptions; its retained earnings; and, by borrowing from capital markets; MDBs; cooperation agencies and 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 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 ability to remain relevant. The Bank's relevance is measured through its ability to mobilize a level 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 require to continuously grow their capital base, as a means to increasing their lending capacity over time. To this end, approximately every 5 – 7 years, MDBs may go through a capital replenishment that consisting of an increase of both paid-in and callable capital or in some cases 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 matured 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 the size of 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 size of equity plus liquid assets.

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The main financial earning assets of the Bank are its loans to member countries. All financial assets and liabilities are contracted and denominated in U.S. dollars and bear interest based on the 6-month Libor 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. dollar or that bear interest at a rate different than the 6-month Libor rate.

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 in for the next 12-months following the end of the Bank's fiscal year. Liquidity is invested with the sole purpose of reducing the cost of carry the required level of liquidity in compliancy 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.

(i) 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 reasonable value. Investments available for sale are valued at their reasonable value with changes in value recognized in other comprehensive income (OCI). Note 8, provides further details on the recognition, measurement and disclosure of investments.

- ***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 not designated as "financial assets at fair value with changes in income," and are measured at their fair value with changes recognized in other comprehensive income.

- 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

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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 cash flow hedge, and are considered completely effective. Changes in fair value of these derivatives, given the Bank's right to offset and be compensated in the event of counterpart default, are shown forming part of Other Assets, as derivatives, together with the resulting collateral in the statement of financial position. The bond is shown under Borrowings in the statement of financial position. Changes in fair value of the cross-currency swap are accounted for in other comprehensive income (see Notes 2; 4.10 and 8.5-(ii)).

(ii) Reclassification

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

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

(iii) Recognition and disposal

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

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

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

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

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(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 using a methodology that has been modelled after the best practices developed the leading MDBs, which had crafted it working in close consultation with the main credit risk rating agencies. The methodology used assesses the expected loss based on the following factors: (i) the maximum exposure to risk of default; (ii) the probability of default; and, (iii) the maximum expected loss. 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, and multiplied by the expected amount of loss, measured as a percentage. The Bank uses the same percentage for all countries' sovereign loans outstanding.

For non-sovereign guaranteed loans, the Bank assesses the probability of default, using the most recent credit risk rating issued by one of the internationally recognized credit risk-rating agencies, adjusted by its internally developed own credit risk rating. The expected impact or maximum expected loss is calculated applying a single percentage which is based on the Basle Committee's recommendations for internally developed credit risk rating systems.

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

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

The accrual of interest on loans is discontinued for loans balances that have been 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 for the most part already embedded in the market value.

However, 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.

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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.

Except for determining the adequacy of the amount of provision for expected losses on loans with sovereign guarantee and without sovereign guarantee, for which the Bank uses a specific methodology modelled after the one adopted by the leading MDBs, as stated above, and for purposes of estimating the ECL on other financial assets, and 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 expected credit loss (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, overdue or not, which are considered to be credit impaired. Likewise, loan commitments or financial guarantees whose payment is probable and their recovery doubtful are considered to be in Stage 3.

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

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

(vi) Revenue recognition

Interest revenues are recognized based on the effective interest rate method. Should there be loans in non-accrual status, they are considered impaired loans. A loan is impaired when the analysis of available information and current events are indicative, to a certain degree of probability, that the Bank could not recover the full amount of principal and interest accrued, based on the agreed upon loan covenants. When a loan is impaired, the Bank reduces the carrying amount of such loan to is net realizable value, based on the discounted cash flows using the loan's original effective interest rate, and reverts the discounted amount against loan revenues. Interest revenues on impaired loans are recognized using the original effective interest rate.

4.9 Property and equipment

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

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

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

Note 9.1 shows the depreciation methods and useful lives used by 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 case of 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, and the changes in the hedging reserve are explained in the Statement of Changes in Equity are shown in note 10.2 – (ii).

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

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

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 a credit rating of "A" (or equivalent) or better, and by signing an ISDA master netting agreement with its derivatives counterparties.

The fair values of derivative financial instruments designated in hedge relationships are disclosed in Note 8.5, and the changes in the hedging reserve are explained in the Statement of Changes in Equity are shown in note 10.2 – (ii).

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

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

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

4.11 Other liabilities and commitments

These amounts represent outstanding liabilities for goods and services received by 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 amounts represent liabilities equaling to the amount of investments administered on behalf of special funds. These liabilities do not represent guarantees and are usually paid based upon 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.

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, 2020 and 2019, respectively.

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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-in 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 each estimate and judgement made are included in Notes 6 and 7, respectively, together with the information regarding the basis used for computing each item affecting the financial statements.

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

- 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).

NOTE 6 – FINANCIAL RISK MANAGEMENT

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

Risk	Source of Exposure	Measurement	Risk Management
Market risk – foreign exchange	Except for the Swiss Franc denominated bond, issued on March 13, 2019, which was effectively hedged through a cross-currency swap as discussed in Notes 2; 4.10; and, 8.5 – (ii), 99.95% of financial assets and liabilities are denominated in U.S. dollar (functional currency).	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 entered into a cross-currency swap to offset the both the interest rate and foreign currency exchange risks and signed an enforceable ISDA master netting agreement with the right to offset. Additionally, the Bank entered into an interest rate swap to offset the interest rate risk of a certificate

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Risk	Source of Exposure	Measurement	Risk Management
			of deposit received from the CBU on May 5, 2020. These derivatives are an integral part of the Bank's risk-management process designed to minimize exposure to financial risks and as such were designated as a cash flow 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, and in connection with the issuance of a 5-year Swiss Franc denominated bond at fixed rate (0.578% coupon), the Bank entered into a cross-currency swap with JPM. On May 5, 2020, the Bank also entered into two interest rate swaps with JPM, to exchange the fix-interest rate to be paid to CBU on the \$50,000 and \$80,000 certificates of deposits received into the 6-month Libor rate. The ISDA master netting agreement signed provides for the right of offsetting.	Sensitivity analysis.	The Bank has established policies for the determination of interest rates, allowing it to mitigate the potential effects of interest rate fluctuations. Furthermore, the Bank has a relatively low degree of financial leverage, which further reduces its exposure to interest rate risk. Potential exposure from the issuance of the Swiss Franc denominated bond at fixed-rate is effectively managed through the cross-currency swap that effectively replaces both, the debt in Swiss Francs by a debt denominated in U.S. dollars and the fixed rate by a variable rate based on the 6-month Libor rate plus a fixed margin hence matching the rate structure applicable to all loans to member countries. Hence, eliminating interest rate exposure.
Market risk – Security prices	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 reasonable value with changes in OCI. The analysis also focuses on changes in the credit risk rating of issuers of bonds classified as held-to-maturity, which are valued at the lower of amortized cost or	The Bank does not have investment in equity instruments that might be exposed to price risk.

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Risk	Source of Exposure	Measurement	Risk Management
		reasonable 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 used for cash flow hedging of borrowings.	- Aging analysis - Credit ratings	Diversification of bank deposits and applicable loan limits. Investment policies and guidelines and credit rating of counterparts.
Liquidity risk	Borrowings and other liabilities and obligations with special funds.	Rolling cash flow forecasts.	Availability of funds required to meet obligations and commitments.

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 institution's financial policies and reflect its capacity to assume risks as defined by its governance bodies. Within the scope of its enterprise-wide risk management policy, risk management is oriented to avoid those risks that may exceed it's tolerable risk level, and to mitigate all financial, operational and strategic risks in accordance to the limits established for each risk related to its operations.

In line with international best practices for risk management, 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 covering the short, medium and long-term and a set of projected statements of financial position and income, which is constantly adjusted to actuals and closely monitored to forecast loan approvals; loan disbursements; borrowings; commitments and obligations as well as administrative expenditures, in order to meet expected income and to maintain liquidity requirements.

6.1 Currency risk

All financial assets and approximately 99.9% of liabilities are denominated in U.S. dollars, which constitutes 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

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

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changes in the assumptions and estimates used. This exposure is periodically measured and evaluated, to ensure the management of the interest rate risk.

In compliance with its income management and financial charges policy, the Bank annually establishes a fixed margin applicable to new loans to be granted in the upcoming year (Operating Lending Rate or "TOR"). During the years ended December 31, 2020, and 2019, respectively, the Board of Executive Directors approved an interest rate structure by which interest rates are set according to the duration of loans (Resolution 1431/2019 of February 29, 2019).

In March 2017, through RDE 1390, the Board of Executive Directors approved a new line of loans based on the 6-month Libor plus a variable margin. In March 2018, through RDE 1411, the Board of Executive Directors approved a reduction of the variable lending rate. No loan has been approved under the variable margin modality as of December 31, 2020.

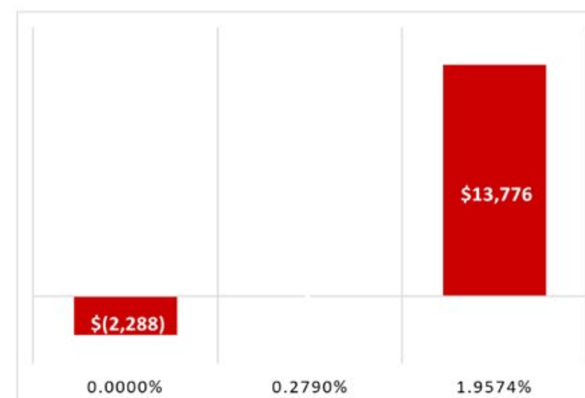
The Executive President was authorized to set lending rates applicable to loan maturities for periods shorter than 15 years, approving operating lending rates as an incentive for member countries to borrow at shorter terms.

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

Based on its 2020 Administrative and Capital Investment Budget approved by the Assembly of Governors, calculation of the sensitivity analysis was performed using a 6-month Libor rate of 28 bps with a positive variation of 168 bps and negative variation of 28 bps.

Accordingly, the analysis yields a maximum and a minimum 6-month Libor rate of 196 bps and of 0 bps, respectively. Should the estimated increase of 168 bps or decrease of 28 bps variations materialize, future net income could be increased by $13,776, or reduced by $2,288, respectively.

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



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 mainly its investment and loan portfolios through various measures to ensure risk exposures would remain within established policy limits.

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

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

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

- Investments held to maintain additional liquidity with the purpose of quickly and proactively respond to unexpected loan disbursements and to sudden market and interest rate changes. Consistent with the Bank's prudential management principles and style, these investment assets are classified as investments available for sale and valued at FVOCI.

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 as a result 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.

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, 2020, and 2019, respectively:

	Sensitivity analysis of investments as of December 31,					
	2020			2019		
	Book value[i]	Maximum loss exposure	Variation	Book value[i]	Maximum loss exposure	Variation
Portfolio	$	$	%	$	$	%
Available for sale investments up to 12 months – FVOCI	89,839	375	0.42	75,484	282	0.37
Held-to-maturity investments up to 12 months – At amortized cost	33,108	8	0.02	66,750	6	0.01
Certificates of deposit fixed-term deposits	51,316	-.-	-.-	40,220	-.-	-.-

	Sensitivity analysis of investments as of December 31,					
	2020			2019		
	Book value[i]	Maximum loss exposure	Variation	Book value[i]	Maximum loss exposure	Variation
Portfolio	$	$	%	$	$	%
Total short-term investments	174,263	383	0.22	182,454	288	0.16
Available for sale investments greater than 12 months – FVOCI	231,222	3,336	1.44	67,376	751	1.11
Held-to-maturity investments greater than 12 months – At amortized cost	1,298	-.-	-.-	81,677	181	0.22
Total long-term investments	232,520	3,336	1.43	149,053	932	0.63
Total	406,783	3,719	0.91	331,507	1,220	0.37

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

As of December 31, 2020, and 2019, respectively, the amortized cost of each investment instrument classified in the at amortized cost investment portfolio was lower than the corresponding market value.

6.4 Credit risk

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

Almost all Bank loans granted have the sovereign guarantee of the member country. Beginning in 2020, following the creation of a new line of financing targeting state owned development banks, either at the national or subnational level, the Bank started lending without the sovereign guarantee of the member country. Only two such financings were approved and fully disbursed in 2020, as explained in Notes 2 and 8.4 - (i), respectively.

The Bank has lending guidelines establishing the actions to be taken in connection with overdue loan balances and non-compliance, which form an integral part of loan covenants included in all loan contracts, 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, 2020, and 2019, respectively, the average credit risk rating of the investment portfolio was AA, as required by

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the investment policy. Compliance with current policy limits is validated by having attained an average return on investments that exceeds the original assumptions that served the basis of the determination of the expected level of net income for the years ended December 31, 2020, and 2019, respectively, as part of the annual financial programming and budgeting required by the policy on net income management and financial charges.

6.5 Liquidity risk

Liquidity risk is the risk originated in the inability of the institution to meet its obligations without incurring in unacceptable losses. The Bank has a minimum required level of liquidity which is defined by its liquidity policy as the level required to meet all of its commitments, loan disbursements, debt service, and the payment of obligations stemming from its administrative and capital expenditure requirements for a 12-months period. For the years ended December 31, 2020, and 2019, respectively the Bank did not have commitments and obligations that would carry liquidity risk either in the short or medium term. The following table shows liquid assets as well as liabilities, as of December 31, 2020, and 2019, respectively.

	December 31,	
	2020	2019
	$	$
Cash and cash equivalents – Note 8.1	32,037	37,413
Investments – Notes 8.2 and 8.3	406,783	331,507
Gross liquidity	438,820	368,920
Cash flow hedge derivatives payable – Note 8.5 - (ii)	5	1
Borrowings – Note 8.5	568,324	264,708
Other liabilities – Note 9.3	1,982	2,590
Special Funds – Note 8.6	15,066	12,230
Total Liabilities	585,377	279,529

Liquid assets coverage of the amount of net estimated disbursements was equivalent to 0.98 and 1.8 years, as of December 31, 2020, and 2019, respectively.

NOTE 7 – MANAGEMENT OF OTHER NON-FINANCIAL RISKS

7.1 Operational risk

Operational risk is defined as the risk of an economic or financial loss resulting from a failure in internal processes or systems, due to either commission or omission. 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 LIBOR interest rate to the SOFR interest rate

As explained in 6.2, the Bank's loan interest rate 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, 2021, 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 1st, 2023, also following consultation to and authorization from

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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 interest rate swaps.

The Alternative Reference Rates Committee (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 on a daily basis. The ARRC has issued recommendations on fallback language, the use of a USD LIBOR/SOFR margin and several other areas.

The Bank has adopted fallback language on new loans' contracts signed over the second half of 2020. A review of the Bank's information systems and procedures in 2020 showed that changes to allow the administration of loans in SOFR are minimal. Over 2021 the focus will be the introduction of fallback language to legacy loans (75), and the adherence to ISDA protocols regarding LIBOR transition. Other considerations, such as whether the fallback will be overnight or term-SOFR, will be addressed over the last quarter of 2021, as per ARRC's timeline.

The Bank will continue to closely follow the guidance issued regarding the replacement of the LIBOR by the SOFR to ensure proper mitigation of the underlying operational risk associated to this change.

7.2 Management of strategic risks

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

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

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, who oversee compliance with those matters that could otherwise trigger non-compliance risks.

Reputational risk – Is the risk derived from a negative public opinion. This risk affects the capacity of an organization to establish new relationships or to maintain existing ones, directly affecting current and future revenues. This risk could expose the entity to litigation or to a financial loss or jeopardize its competitiveness. 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.

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NOTE 8 – FINANCIAL ASSETS AND LIABILITIES

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

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

The Bank maintains the following financial assets:

	Note	Financial assets carried at fair value w/changes in OCI $	Financial assets carried at amortized cost $	Total $
December 31, 2020				
Cash and cash equivalents	8.1	-.-	32,037	32,037
Investments at fair value with changes in OCI	8.2	321,061	-.-	321,061
Investments at amortized cost[1]	8.3	-.-	87,543	87,543
Loan portfolio[2]	8.4	-.-	1,247,631	1,247,631
Total		321,061	1,367,211	1,688,272
December 31, 2019				
Cash and cash equivalents	8.1	-.-	37,413	37,413
Investments at fair value with changes in OCI	8.2	142,860	-.-	142,860
Investments at amortized cost[1]	8.3	-.-	189,305	189,305
Loan portfolio[2]	8.4	-.-	931,475	931,475
Total		142,860	1,158,193	1,301,053

[1]Includes interest and other investment income.
[2]Includes interest and other loan income.

The Bank maintains the following financial liabilities:

	Note	Financial liabilities carried at amortized cost $
December 31, 2020		
Cash flow hedge derivatives	8.5	5
Borrowings	8.5	568,324
Other liabilities	9.3	1,982
Special funds	8.6	15,066
Total		585,377
December 31, 2019		
Cash flow hedge derivatives	8.5	1
Borrowings	8.5	264,708
Other liabilities	9.3	2,590
Special funds	8.6	12,230
Total		279,529

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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, 2020, and 2019, respectively, corresponds to the balances shown for each of the above-mentioned financial assets.

8.1 Cash and cash equivalents

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

	December 31, 2020 $	December 31, 2019 $
Cash at Banks	32,037	19,424
Time deposits	-.-	17,989
Total	32,037	37,413

(i) Classification of cash equivalents

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

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

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

	December 31, 2020 $	December 31, 2019 $
Sovereign bonds	173,514	90,842
Multilateral development institutions – Bonds	132,482	46,978
Other financial institutions	12,969	5,040
Argentine treasury bonds	2,096	-.-
Total	321,061	142,860

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

(i) Investments with related parties

As of December 31, 2020, and 2019, 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.

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(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 on December 31, 2020, the Bank has recognized a net loss of $794, in its statement of comprehensive income (2019 - $900 net gain), comprised of an unrealized losses in market value adjustments of investments $2,417 (2019 - $412 gain); and gain of $1,651, in valuation of cross-currency and interest rate swaps (2019 - $515 gain); and, $28, corresponding to the depreciation of the amount of technical appraisal of property recognized in 2018, $812 (2019 - $27).

(v) Fair value, impairment, and exposure to risk

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

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

8.3 Investments carried at amortized cost

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

	December 31, 2020 $	December 31, 2019 $
Investments in time deposits [(1)]		
Sovereign	28,853	15,420
Multilateral development institutions	22,463	24,800
Other financial institutions	-.-	-.-
Subtotal	51,316	40,220
Investments in other values [(2)]		
Sovereign bonds	28,544	97,080
Bonds issued by Multilateral development institutions	1,298	18,831
Financial sector bonds	4,564	29,726
Argentine treasury bonds [(3)]	-.-	2,790
Subtotal	34,406	148,427
Principal invested	85,722	188,647
Accrued interest and commissions receivable	1,821	658
Total	87,543	189,305

(1) Investments correspond to time deposits with original maturities greater than three months.
(2) Investments include sovereign bonds issued by multilateral development institutions and commercial paper issued by other financial institutions with a risk profile falling within the Bank's investment risk guidelines.
(3) Corresponds to investment in Argentinian Treasury Bonds, received in exchange for the Bank's holdings of bonds "PAR" and "DISCOUNT" received in exchange for the "BONTE-04" in 2005. These bonds were exchanged in September 2020, for new series bearing different interest rates and maturities, and were classified as available for sale. See Note 8.2- (ii).

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(i) Investments carried at amortized cost

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

Based on the results of the Bank's assessment of ECL on investments carried at amortized cost, no allowance was deemed necessary, as of the carrying amounts for investments was lower than their respective fair values based on bid market prices as of December 31, 2020 (December 31, 2019 – Nil).

(ii) Impairment and exposure to risk

Following the official announcement of August 4, 2020, by decree 676/2020, Argentina approved the terms applicable to the exchange of its various outstanding bonds. As an original bondholder that had received series "PAR" and "DISCOUNT" as part of the exchange conducted in 2005, the Bank participated in the new proposed bond-restructuring program and as a result exchanged its holdings of "PAR" bonds, which as of the date of the settlement had a face and capitalized value of $2,279, for $2,279 of USD 2041 L.A. bonds, and its holdings of "DISCOUNT" bonds, which as of the date of the settlement had a face and a capitalized value of $2,308, and of $3,236, respectively, for $3,236 of USD 2038 L.A. bonds. As part of the exchange, and as an incentive for early acceptance of the proposed terms, the Bank also received bond USD 2029 L.A., in the amount of $218, in recognition of the previous unpaid coupon plus accrued interest through the original settlement date of September 4, 2020, ($37 related to accrued interest on "PAR" coupon and $181 related to "DISCOUNT" coupon).

The Bank accounted for the exchange by replacing its holdings of "PAR" and "DISCOUNT" for the new holdings of USD 2038 L.A. and USD 2041 L.A., which had the same value as the bond previously held. Hence, no gain or loss was recognized at settlement other than the gain resulting from the reclassification to OCI of the amount of the provision for impairment of the holdings in "PAR" and "DISCOUNT" bonds, which as of the settlement date of September 8, 2020, amounted to $3,852, consisting of $2,960 that had been recognized through December 31, 2019, and $892, recognized from January 1 and through August 31, 2020.

The new bonds were classified as available for sale following the Bank's decision to sell them at the appropriate time and valued at FVOCI.

8.4 Loan portfolio

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

Country	December 31, 2020 $	December 31, 2019 $
Argentina	322,860	236,828
Bolivia	331,636	285,885
Brazil	106,045	74,583
Paraguay	179,773	146,028
Uruguay	239,181	193,134
Gross loan portfolio with sovereign guarantee (SG)	1,179,495	936,458
Gross loan portfolio without sovereign guarantee (NSG)	72,000	-.-

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Country	December 31, 2020 $	2019 $
	1,251,495	936,458
Less: Unaccrued administrative fee	(4,723)	(3,832)
Subtotal loan portfolio	1,246,772	932,626
Less: Provision for potential impairment on SG loans	(8,491)	(12,239)
Less: Provision for potential impairment on NSG loans	(1,250)	-.-
Net loan portfolio	1,237,031	920,387

Accrued loan interest receivable amounts to $10,600 as of December 31, 2020, and to $11,088, as of December 31, 2019, respectively.

During the year ended December 31, 2020, as well as in 2019, all loans were classified in Stage 1. The amount of provision for potential impairment of loans as of December 31, 2020, and 2019, is as follows:

	$
Provision as of the beginning of year	4,103
Increase on provision of SG loans	8,136
Provision as of December 31, 2019	12,239
Recovery of provision on SG loans	(3,748)
Provision on NSG loans	1,250
Total provision for potential impairment on loans	9,741

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

Maturity	December 31, 2020 $	2019 $
Up to one year	75,667	74,780
Greater than one and up to two years	98,918	70,961
Greater than two and up to three years	127,677	85,498
Greater than three and up to four years	147,428	90,864
Greater than four and up to five years	136,154	92,959
Greater than five years	665,651	521,396
Total gross loan portfolio	1,251,495	936,458

(i) Loan portfolio classification

The majority of the loan portfolio consists of loans granted with the sovereign guarantee of the member country with a minor portion corresponding to loans granted without the sovereign guarantee of the member country.

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 amount of principal repayments to be

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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 2018 – 2022 ISP, provides for extending financing for activities such as pre-investment, investment, technical cooperation and knowledge generation with both, the public and private sectors. Based on this premise, in the second half of 2019, the Board of Governors, approved an amendment to the "Policy for the Appropriation of Lending Resources," with the aim of enabling the financing of majority-owned government enterprises of member countries, at the national and subnational levels, with no-sovereign guarantee (NSG). Based on this amendment, in November 2019, the Board of Executive Directors approved the creation of a new line for the financing of NSG operations.

Under this new line of 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 of December 31, 2020, the Bank had granted and fully disbursed two loans approved under this new line of NSG financing. Both loans were approved for an amount of $36,000, each and disbursed upon signing the corresponding loan agreement. These financings consist of revolving credit lines with 8-year validity and feature a 2-year grace period and 5-year amortization period. As it is the case in SG financings, SGS financings accrue interest based on the 6-month Libor rate, plus a margin based on the credit risk rating of the borrower at the time of approval. Furthermore, these financings accrue a commitment fee on the undisbursed balance of each tranche approved, and administrative commission based on the term of the line of credit.

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.

The Bank did not have, nor it 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.

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Moreover, the Bank maintains policies on risk exposures to avoid concentrating its lending on one country only, which could be affected by market conditions or other circumstances. In this regard, the Bank uses certain measurements or indicators, such as: net equity and total loan portfolio. 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 includes outstanding loans with other multilateral development institutions (MDBs); time deposits with central banks of the Bank's member countries; bonds and derivatives used as a hedge of the interest rate exposure on time deposits with central banks contacted at fixed-rate and swapped into variable rate, and a cross-currency swap related to the CHF denominated bond issuance; and, collateral received or paid as per the ISDA master netting agreement, to compensate for credit risk in the event of non-performance of the counterpart of the cross-currency and interest rate swaps. The net balance of the swaps' receivable and payable together with the amount of collateral received from JPM, consist of a payable of $5, and is shown under "Cash flow hedged derivatives", in the statement of financial position as of December 31, 2020 (2019 - $1 net liability).

Total borrowings as of December 31, 2020, and 2019, are as follows:

	December 31, 2020 $	2019 $
Borrowings		
Loans and time deposits at amortized cost	398,968	111,418
Bonds	170,222	154,194
Less: unamortized borrowing costs	(866)	(904)
Total	568,324	264,708

(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:

	December 31, 2020 $	2019 $
Corporación Andina de Fomento (CAF) -See (1), below	69,333	10,667
Time deposits with Central Banks – See (2) below	210,000	30,000
Inter-American Development Bank – See (3) below	88,098	60,215
French Development Agency – See (4) below	20,000	5,000
Oficial Credit Institute E.P.E. (ICO) – See (6) below	5,536	5,536
European Investment Bank (EIB) (5)	6,000	-.-
Total	398,967	111,418

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

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

(1) As part of the framework contract signed with "Corporación Andina de Fomento – CAF" on November 14, 2016, the Bank has at its disposal an uncommitted line of credit for up to $75,000. On December 19, 2016, the Bank drew-down $16,000 and allocated them to the financing loan disbursements, of which as of December 31, 2020, it has repaid $10,666 (2019 - $5,333). The applicable terms for this financing are based on the 6-month Libor rate plus a margin. This loan calls for a 5-year maturity, with a 2-year grace period. Loan principal is repayable in 6 semiannual equal and consecutive installments including interest, beginning June 19, 2019, and ending December 16, 2021. During 2020, the Bank amortized $5,333, of loan principal under the first tranche. On June 12, 2020, the Bank drew down $64,000 from the line of credit. The applicable terms for this new borrowing provide for a bullet payment after 2 years and semiannual interest payments based on the 6-month Libor rate plus a margin.

(2) The Bank entered into an agreement with the Central Banks of its member countries to accept deposits in the form of medium-term certificates denominated in United States dollars. The following table shows the value date for each time deposit accepted, its maturity and applicable type of interest rate.

Central Bank	Amount	Date of Acceptance	Maturity	Type of Interest Rate
Bolivia	30,000	05/15/2018	05/14/2021	6-month Libor plus margin
Bolivia	50,000	05/06/2020	11/08/2021	6-month Libor plus margin
Uruguay	50,000	05/05/2020	11/05/2021	Fix[1]
Uruguay	80,000	05/05/2020	05/05/2023	Fix[1]
Total	210,000			

[1]In compliance with its prudential risk-management policies, the Bank swapped the fix-rate interest payments for the 6 – months Libor rate, within the framework of the ISDA agreement signed with JPM in March 2018 (see Notes 2 and 8.5 - (ii), for further details).

(3) On December 1, 2017, the Bank subscribed a financing agreement in the amount of $100,000 with the Inter-American Development Bank (BID). This borrowing is based on the 3-months Libor rate and provides for a 5-year disbursement period, a 5 ½ grace period and a 25-year repayment period. The terms of this borrowing agreement, which entered into force upon its signature, provides for the recognition of eligible project expenditures for an amount of up to $20,000, covering project expenditures incurred from June 15 and November 15, 2017. Furthermore, with the purpose of optimizing cash flows under this line of credit, both parties agreed that the Bank could make disbursements on eligible loans and that the IDB would reimburse the Bank those amounts under the modality of reimbursement of expenditures. Hence, monies drawn down from the IDB under this line of credit can be used by the Bank as it sees fit. On November 2, 2020, the Bank received $27,883, (2019 - $32,305, consisting of two reimbursements in the amount of $25,648, and $6,567, respectively) to cover monies already disbursed by the Bank on eligible expenditures, increasing the total amount payable to the IDB to $88,098 (2019 - $60,215).

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

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Loan	As of December 31, 2020 IDB Eligible amount $	Disbursed $	Undisbursed $	To be financed by FONPLATA $
ARG-26/2016 Modernizacion	750	750	-.-	6,750
ARG-28/2016 Compl. Fronterizos	10,000	2,000	8,000	10,000
ARG-31/2016 BICE 1ª Etapa	14,328	14,328	-.-	5,672
ARG-31/2016 BICE 2ª Etapa	13,881	13,881	-.-	6,119
ARG-35/2017 Infraestr. p/la integración	11,500	496	11,004	10,700
ARG – 32/2016 Aristóbulo del Valle	20,000	20,000	-.-	45,000
ARG – 39/2018 Ruta 13 Chaco	20,000	3,721	16,279	17,214
BRA-16/2014 Corumba	10,000	10,000	-.-	30,000
PAR-20/2015 Integracion	23,250	22,922	328	46,750
PAR-20/2015 Integracion 2a etapa	-.-	-.-	-.-	70,000
PAR-25/2018 Rutas Jesuiticas	12,000	-.-	12,000	-.-
Projects pending identification	(35,709)	-.-	(35,709)	35,709
Total	100,000	88,098	11,902	283, 914

Additionally, and as part of the financing agreement No. 4377/OC - RG, the Bank, and the IDB signed ATN/OC – 16469 – RG, Regional Integration of the Plate Basin: Border Integration Corridors, which provides for the granting of up to $500 in technical cooperation. Further, and within the framework of ATN/OC – 16469 – RG, the IDB approved ATN/OC – 1728 – RG, decentralizing resources earmarked for subcomponent 1.2, in an amount up to $100, from which the Bank requested disbursement of $70. Of this amount, as of December 31, 2020, the Bank has made seven disbursements totaling $64.05, to pay for consulting services and software for strengthening its capacity to administer operations by setting the basis for a centralized document management system. The remaining $5.94 were refunded to the IDB, on January 28, 2021.

(4) On December 13, 2017, the Bank entered into a contract with the French Development Agency to borrow up to $20,000 with a 15-year maturity at the 6-month Libor rate plus a margin. On October 20, 2018, the Bank drew-down $5,000 against this line of credit and used them to finance disbursements on its loan BOL – 28/2016 "Cosechando", with an approved amount of $10,000. The Bank received the remaining amount under this line of credit of $15,000, on September 11, 2020.

(5) On July 6, 2018, the Bank signed a credit line with the European Investment Bank (EIB), in the amount of $60,000. The first drew-down under this line of credit in the amount of $6,000, was received on August 17, 2020 (no amounts were drew-down in 2019).

(6) On December 17, 2018, the Bank signed a credit line with the "Instituto de Credito Oficial E.P.E. – (ICO)," in the amount of $15,000, which expires on December 17, 2020. There were no drawdowns under this line of credit during year ended on December 31, 2020 (December 31, 2019 - $5,536).

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

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Loan	December 31, 2020 ICO Eligible amount $	Disbursed $	Undisbursed $
BOL – 25 Alcantarí	1,674	1,674	-.-
URU – 14 Líquidos residuals	3,629	2,129	1,500
ARG – 38/2018 Ferroviario	1,733	1,733	-.-
Projects to be identified	7,964	-.-	7,964
Total	15,000	5,536	9,464

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

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

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

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

Additionally, on May 5, 2020, the Bank entered into two interest rate swap agreements with JPM to exchange the fixed-rate interest payments to be made semiannually to the Central Bank of Uruguay in connection with the two-time deposits accepted on that date in the aggregate amount of $130,000, for variable interest rate payments, based on the 6-month Libor rate (see Notes 2, and 8.5 - (i)(2)).

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

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

As of December 31, 2020, the Bank holds collateral in the form of cash received from JPM, in the amount of $23,584, to compensate for credit risk in the event JPM were to default on its commitment (December 31, 2019 - $5,900).

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During the year ended December 31, 2020, the Bank did no have to send collateral in connection with various derivatives contracted with JPM. The total amount of interest paid on collateral received from JPM, based on the Federal Reserve overnight funds rate amounted to $30 (2019 - $2 of interest received from JPM and $49 of interest paid to JPM).

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 cash flow hedge in accordance to IFRS 9.

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 (i.e. cross-currency and interest rate swaps and collateral) that are offset, or subject to enforceable master netting arrangements and other similar arrangements but not offset, as of December 31, 2020, and 2019. The column "net amount" shows the impact on the Bank's statement of financial position if all set-off rights were exercised.

As of December 31, 2020	Gross amounts	Gross amounts set-off in the Statement of Financial Position	Net amounts presented in the Statement of Financial Position
	$	$	$
Financial assets:			
Cross-currency swap receivable at FVOCI	179,475	(179,475)	-.-
Interest rate swaps receivable at FVOCI	132,360	(132,360)	-.-
Derivatives receivable	311,835	(311,835)	-.-
Financial liabilities:			
Cross-currency and interest rate swaps payable at FVOCI	(156,261)	179,475	23,214
Interest rate swaps payable at FVOCI	(131,995)	132,360	365
Collateral	(23,584)	-.-	(23,584)
Derivatives payable	(311,840)	311,835	(5)
Net receivable exposure	(5)	-.-	(5)
As of December 31, 2019			
Financial assets:			
Cross-currency swap receivable at FVOCI	165,312	(165,312)	-.-
Derivatives receivable	165,312	(165,312)	-.-
Financial liabilities:			
Cross-currency swap payable at FVOCI	(159,413)	165,312	5,899
Collateral	(5,900)	-.-	(5,900)
Derivatives payable	(165,313)	165,312	(1)
Net payable exposure	(1)	-.-	(1)

ANNEX II.

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All derivatives are stated at their reasonable value using, as much as possible, valuation techniques based on reliable and observable market information, and are classified as Level 2 (see Note 8.7).

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

Maturities	December 31, 2020	2019
	$	$
Up to one year	135,333	5,333
More than one and up to two years	66,016	35,333
More than two and up to three years	87,330	1,335
More than three and up to four years	177,553	4,573
More than four and up to five years	7,760	158,787
More than five years	95,198	60,272
Total	569,190	265,633

(iii) Fair value of borrowings

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

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

(iv) Risk exposure

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

8.6 Special funds

The balance maintained with special funds as of December 31, 2020, and 2019, respectively, includes the following:

	December 31, 2020	2019
	$	$
FETCO	8,838	6,616
PCT	3,242	3,513
PAC	2,986	2,101
Total	15,066	12,230

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

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

a. *"Fund for the Compensation of the Operational Rate (FETCO, previously referred as FOCOM)"*: This fund pursues the objective of helping to reduce the financial cost incurred by Bolivia, Paraguay y Uruguay on their loans with the Bank, as well as operations qualifying as green projects as part of the financings to be approved under the Economic Recovery Line, through the payment of a portion of the interest to be paid semiannually by these borrowing member countries. The payment of the part of the interest accrued on loans by FETCO on behalf of the borrowers is contingent and determined annually. Since the inception of this fund, in May 2014, and through December 31, 2018, the Board of Governors has approved $6,510 in contributions from the retained earnings for the years ended December 31, 2013, and 2017. On August 9, 2019, and then on August 3, 2020, the Board of Governors approved contributions to this fund from the retained earnings for the years ended on December 31, 2018, and 2019, in the amount of $1,500, and $3,500, respectively.

b. *"Technical Cooperation Program (PCT)"*: This fund was created through the restructuring and transfer of resources from the "Fondo para Desarrollo de Proyecto de Integracion Regional" (FONDEPRO), to the PCT. The PCT pursues the purpose of fostering regional development and integration, through financing studies, technical knowledge exchange programs, and other initiatives that form an integral part of the Bank's strategic focus. As of December 31, 2018, the Board of Governors had approved a total contribution to the PCT from retained earnings in the amount of $1,000. On August 9, 2019, and August 3, 2020, the Board of Governors approved the allocation of retained earnings for the years ended as of December 31, 2019, and 2020, in the amount of $500, and $1,500, respectively, as contributions to this fund.

c. *"Joint Savings Program (PAC)"*: As stated in Note 4.13, "Other benefits to employees" on August 14, 2018, the Board of Executive Directors approved the PAC, which became effective, on November 1, 2018, and has a validity of eight years counted from the first day of employment of a participant. The PAC preserves the severance payment Benefit, upon termination of employment, and improves it by adding a supplemental 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 months 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 for a vesting period of four years. Upon termination of employment, participants are entitled to withdraw from the PAC the totality of their severance payment benefit; their voluntary savings contributions plus accumulated investment earnings, and the accumulated matching contributions made by 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 those participants who have 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;

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50% during the second year; 25% during the third year; and 0% at the end of the fourth year, when the participant employee reaches full eligibility to withdraw the totality of funds accumulated in his/her PAC account upon termination of employment.

The following table provides a break-down of funds accumulated and total available PAC funds as of December 31, 2020, and 2019, 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, 2020						
Balance as of December 31, 2019:	1,393	404	304	2,101	2,035	66
Severance payment contributions	423	-.-	-.-	423	423	-.-
Participants' voluntary savings contribution	-.-	322	322	644	620	24
Additional participants' savings contributions	-.-	161	-.-	161	161	-.-
Investment income accrued	-.-	8	6	14	14	-.-
Withdrawals	(218)	(92)	(47)	(357)	(357)	-.-
Balance due to the PAC	1,598	803	585	2,986	2,896	90
December 31, 2019						
Balance as of December 31, 2018	1,066	51	36	1,153	1,143	10
Severance payment contributions	413	-.-	-.-	413	413	-.-
Participants' voluntary savings contributions	-.-	283	283	566	511	55
Additional participant's saving contributions	-.-	101	-.-	101	101	-.-
Matching contribution on voluntary savings	-.-	6	4	10	9	1
Withdrawals	(86)	(37)	(19)	(142)	(142)	-.-
Balance due to the PAC	1,393	404	304	2,101	2,035	66

Special funds' assets and liabilities are managed by the Bank independently from 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 interim period or year. Investments managed by the Bank on behalf of special funds, as well as the related returns, is accounted for through accounts maintained with each special fund.

8.7 Recognition and measurement of fair value

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

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

	Note	Level 1 $	Level 2 $	Level 3 $
December 31, 2020				
Investments carried at fair value with effect in OCI	8.2	321,061	-.-	-.-
December 31, 2019				
Investments carried at fair value with effect in OCI	8.2	142,86	-.-	-.-

During the year ended as of December 31, 2020, the Bank did not have holdings of financial instruments requiring valuation at fair value in accordance with the fair value measurement methodologies prescribed under either level 2 or 3 (2019 – Nil). 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 of each type of non-financial asset and liability.
- Accounting policies used.
- Information about the determination of fair values attributable to those assets and liabilities, including professional judgments used and the uncertainties of the estimates applied.

9.1 Property and equipment, net

The composition of property and equipment includes the following:

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	Property $	Equipment and Furniture $	Art $	Vehicles $	Total $
Book value					
Balance as of December 31, 2018	4,827	1,661	50	48	6,586
Additions	-.-	235	37	-.-	272
Asset in transit retirement	-.-	(36)	-.-	-.-	(36)
Balance as of December 31, 2019	4,827	1,860	87	48	6,822
Additions	29	569	-.-	-.-	598
Balance as of December 31, 2020	4,856	2,429	87	49	7,420
Cumulative depreciation					
Balance as of December 31, 2018	181	579	-.-	35	795
Depreciation	166	171	-.-	5	342
Balance as of December 31, 2019	347	750	-.-	40	1,137
Depreciation	166	178	-.-	5	349
Balance as of December 31, 2020	513	928	-.-	45	1,486
Net book value as of December 31, 2020	4,343	1,501	87	3	5,934
Net book value as of December 31, 2019	4,480	1,146	87	8	5,721

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 into the recognition of a revaluation reserve in other comprehensive income. The amount of the revaluation reserve is reduced through depreciation and might be adjusted based on subsequent technical revaluations.

(ii) Depreciation methods, revaluation, and useful lives

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

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

Asset	Useful Live
Property:	Not amortized
Land	The lesser of 40 years or the value of the
Buildings	assessment
Furniture and equipment:	Over lease contract
Improvements on leased property	
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.

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

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

	December 31,	
	2020	2019
	$	$
Cost	4,043	4,014
Cumulative depreciation	(457)	(319)
Total	3,586	3,695

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.

On November 20, 2020, the Bank signed a 3-year lease securing the required space for the Montevideo, Uruguay, liaison office. The lease calls for minimum monthly rental payments of $2.5, starting on February 1, 2021 and ending on January 1, 2024, expiration of the lease. The Bank does not have the right to purchase the leased space at the end of the lease. The minimum rental payments are subject to a 4% annual escalation adjustment. In addition, the Bank agreed to pay the lessor the sum of $26, for retrofitting the premises to its needs. Based on the provisions of IFRS 16, this lease was recognized as a financial lease, which resulted into the recognition of other assets and other liabilities, in the amount $114, respectively, consisting of $88 corresponding to the present value of the minimum lease payments discounted at the lessor's escalation rate, which is representative of the lessor's borrowing cost, and $26 for the lessor to retrofit the space to suit the Bank's needs.

As of December 31, 2020, and, 2019, the total amount of miscellaneous receivables amounts to $762, and to $893, respectively.

9.3 Other Liabilities

This caption includes interest and commissions payable accrued on borrowings, as well as small balances owed to suppliers, and the financial lease liability in connection with the financial lease signed to secure office space for the liaison office in Montevideo, República Oriental del Uruguay. The composition of other liabilities as of December 31, 2020, and 2019, is as follows:

	December 31,	
	2020	2019
	$	$
Interest and commissions accrued on borrowings	1,633	2,342
Trade payables and accruals	235	248
Unamortized financial lease obligations	114	-.-
Total	1,982	2,590

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NOTE 10 – EQUITY

10.1 Capital

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

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

Composition of the Bank's capital by member country as of December 31, 2020, and 2019, is as follows:

December 31, 2020 and 2019:

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

During the year ended December 31, 2020, the Bank received paid-in capital contributions in the amount of $51,333, from member countries (2019 - $48,016). The amount of paid-in capital subscribed and pending subscription, including the new capital increase, as well as the amount of callable capital subscribed, committed and pending commitment as of December 31, 2020, and 2019, respectively, is as follows:

December 31, 2020: Member country	Paid-in Capital Subscribed Paid-in [i]	Paid-in Capital Subscribed Receivable [i]	Total [i]
	$	$	$
• Argentina	325,076	124,668	449,744
• Bolivia	108,349	41,555	149,904
• Brazil	266,759	182,985	449,744
• Paraguay	108,349	41,555	149,904
• Uruguay	108,349	41,555	149,904
Total	916,882	432,318	1,349,200

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December 31, 2019: Member country	Paid-in Capital Subscribed Paid-in [i] $	Receivable [i] $	Total [i] $
• Argentina	299,411	150,333	449,744
• Bolivia	99,793	50,111	149,904
• Brazil	266,759	182,985	449,744
• Paraguay	99,793	50,111	149,904
• Uruguay	99,793	50,111	149,904
Total	865,549	483,651	1,349,200

December 31, 2020 and 2019:

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

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

10.2 Other reserves

As explained in Note 8.2 (iv), other comprehensive income as of December 31, 2020, and2019, includes the following:

(i) Reserve for changes in the fair value of investments – FVOCI: During the years ended as of December 31, 2020, and 2019, this reserve was decreased by $2,417, due to unrealized losses, and by $412, due to unrealized gains, respectively, for a balance of $1,879, net unrealized loss, and of $538, net unrealized gain, respectively.

(ii) Reserve for changes in fair value of derivatives held for hedging: During the years ended as of December 31, 2020, and 2019, this reserve was increased by $1,651, and by $515, resulting from the fair value of derivatives contracted for the protection of cashflows, for a balance of $2,166, and $515, respectively.

(iii) Reserve for revaluation of property: During the years ended as of December 31, 2020, and 2019, this reserve was reduced by $28, and by $27, due to depreciation, for a balance of $757, and of $785, respectively.

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10.3 Retained earnings and reserves

Retained earnings as of December 31, 2020, amount to $35,914, and correspond solely to net income for the year (December 31, 2019 - $28,308).

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 (FETCO), and the Technical Cooperation Program (PCT). Note 8.6, provides additional information on the allocation approved from retained earnings as of December 31, 2019, to these two funds, by the Board of Governors.

The amount of the General Reserve on December 31, 2020, and 2019, respectively is as follows:

	General Reserve $
Balance as of December 31, 2018	107,871
Allocated by the Assembly of Governors in 2019:	
From retained earnings	24,572
Balance as of December 31, 2019	132,443
Allocated by the Assembly of Governors in 2020	23,308
Balance as of December 31, 2020	155,751

NOTE 11 – REVENUES

The composition of net income is as follows:

	January 1 through December 31, 2020 $	2019 $
Loan income:		
Interest	36,438	41,841
Commitment fee and commissions	4,563	3,052
Administrative fee	2,107	1,784
Subtotal	43,108	46,677
Investment income:		
Interest	8,038	7,812
Other	19	16
Gross investment income	8,057	7,828
Special Fund's share of investment income – Note 8.6	(162)	(248)
Investment income – Net	7,895	7,580
Other income	100	162
Total Income	51,103	54,419

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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 years ended as of December 31, 2020, and 2019, the Bank reached a percentage of execution of its administrative budget equivalent to 76% and 81%, respectively. The break-down of administrative expenditures by functional activity is as follows:

	December 31,	
Classification of expenses	2020 $	2019 $
Personnel expenses	6,917	6,701
Business travel expenses	185	682
Professional services	459	554
Credit risk rating	152	112
External auditors	68	60
Administrative expenses	961	1,094
Financial services	126	128
Total administrative budget	8,868	9,331
Depreciation	321	314
Gain on foreign exchange	(129)	(164)
Total administrative expenses	9,060	9,481

NOTE 13 – SCHEDULED MATURITY OF ASSETS AND LIABILITIES

The following tables provide an analysis of the expected time elapsed to maturity of assets and liabilities as of December 31, 2020 and 2019, respectively, based on their respective recovery or settlement date:

	Current (Up to 1 year) $	Non-Current (More than 1 year) $	Total $
December 31, 2020			
ASSETS			
Cash and cash equivalents	32,037	-.-	32,037
Investments			
At fair value	152,856	168,205	321,061
At amortized cost	85,722	-.-	85,722
Loan portfolio			
Outstanding loans	72,829	1,164,202	1,237,031
Interest and other accrued charges			
On investments	1,821	-.-	1,821
Interest and commissions on loans	10,600	-.-	10,600
Other assets			
Property and equipment, net	-.-	5,934	5,934
Miscellaneous	643	119	762
Total assets	356,508	1,338,460	1,694,968

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	Current (Up to 1 year) $	Non-Current (More than 1 year) $	Total $
LIABILITIES			
Cash-flow hedge derivatives	5	-.-	5
Borrowings	135,333	432,991	568,324
Other liabilities	1,895	87	1,982
Special funds	3,066	12,000	15,066
Total liabilities	140,299	445,078	585,377
December 31, 2019			
ASSETS			
Cash and cash equivalents	37,413	-.-	37,413
Investments			
At fair value	142,860	-.-	142,860
At amortized cost	185,857	2,790	188,647
Loan portfolio			
Outstanding loans	73,148	847,239	920,387
Interest and other accrued charges			
On investments	658	-.-	658
Interest and commissions on loans	11,088	-.-	11,088
Other assets			
Property and equipment, net	-.-	5,721	5,721
Miscellaneous	819	74	893
Total assets	451,843	855,824	1,307,667
LIABILITIES			
Cash-flow hedge derivatives	1	-.-	1
Borrowings	5,333	259,375	264,708
Other liabilities	2,590	-.-	2,590
Special funds	1,830	10,400	12,230
Total liabilities	9,754	269,775	279,529

NOTE 14 – IMMUNITIES, EXEMPTIONS AND PRIVILEGES

As stated in the Fund's "Agreement of Immunities, Exemptions and Privileges of the Fund for the development of the River Plate Basin Territory," an international legal instrument duly ratified by its five Member Countries, 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 Fund would not claim the exemption of consumption, sales taxes, and other indirect taxes. However, Member Countries commit, to the extent possible, to apply all administrative provisions that might be available to exempt or reimburse the Bank for such taxes, in connection with official purchases involving large amounts when such taxes are included in the price paid.

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Complementary, both the Agreement on Immunities, Exemptions and Privileges as well as the Treaties signed by the Fund with the Bolivian State and with the Republic of Paraguay, establish that 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 – SEGMENT INFORMATION

(a) Segment description

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

(b) Assets by segment

Composition of the loan portfolio by country is as follows:

	Gross portfolio $	Unaccrued commissions $	Impairment $	Loan portfolio $	Interest and commissions receivable $	Total $
December 31, 2020:						
Argentina	322,860	(1,470)	(4,922)	316,468	3,152	319,650
Bolivia	331,636	(672)	(2,068)	328,896	2,948	331,844
Brazil[1]	142,045	(1,275)	(1,135)	139,635	1,119	140,754
Paraguay[1]	215,773	(833)	(670)	214,270	1,428	215,698
Uruguay	239,181	(473)	(946)	237,762	1,953	239,715
Total	1,251,495	(4,723)	(9,741)	1,237,031	10,600	1,247,631
December 31, 2019:						
Argentina	236,828	(1,103)	(9,356)	226,369	2,866	229,235
Bolivia	285,885	(974)	(1,914)	282,997	4,066	287,063
Brazil	74,583	(433)	(317)	73,833	794	74,627
Paraguay	146,028	(967)	(379)	144,682	1,438	146,120
Uruguay	193,134	(355)	(273)	192,506	1,924	194,430
Total	936,458	(3,832)	(12,239)	920,387	11,088	931,475

[1]Includes $72,000 of NSG loans approved and fully disbursed in 2020 (2019 - $Nil). Unaccrued commissions on NSG loans amount to $173, and $197, for Brazil and Paraguay, respectively (2019 - $Nil); and interest and commissions receivable amount to $145, and $41, for Brazil and Paraguay, respectively (2019 - $Nil). The amount of provision for potential NSG loan losses amounts to $1,250 (2019 – Nil) (see Note 8.4, for more details).

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

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	Communication, transportation, energy, and logistics infrastructure $	Infrastructure for productive development $	Infrastructure for socio-economic development $	NSG Loans $	Total $
December 31, 2020:					
Argentina	135,379	65,511	121,970	-.-	322,860
Bolivia	314,653	-.-	16,983	-.-	331,636
Brazil[1]	88,172	-.-	17,873	36,000	142,045
Paraguay[1]	165,772	14,001	-.-	36,000	215,773
Uruguay	210,754	15,000	13,427	-.-	239,181
Total	914,730	94,512	170,253	72,000	1,251,495
December 31, 2019:					
Argentina	91,679	69,794	75,355	-.-	236,828
Bolivia	267,644	-.-	18,240	-.-	285,884
Brazil	53,198	-.-	21,385	-.-	74,583
Paraguay	131,028	15,000	-.-	-.-	146,028
Uruguay	178,365	-.-	14,770	-.-	193,135
Total	721,914	84,794	129,750	-.-	936,458

[1]The amount under "Total", includes $72,000 of NSG loans outstanding, which does not follow into any of the three industry segments used for loans extended to member countries with sovereign guarantee (see Note 8.4, for more details).

Undisbursed loan balances on loans under execution consists exclusively of sovereign guaranteed loans, and its break-down by country are as follows:

	December 31, 2020 $	2019 $
Argentina	287,539	350,657
Bolivia	116,716	143,567
Brazil	180,737	142,925
Paraguay	250,413	221,911
Uruguay	57,067	115,684
Total	892,472	974,744

As of December 31, 2020, and 2019, 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 Power, corresponds solely to sovereign guaranteed loans, and is as follows:

	December 31, 2020 $	2019 $
Argentina	85,000	20,000
Brazil	94,877	58,247
Paraguay	276,246	212,000
Uruguay	21,000	-.-
Total	477,123	290,247

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The average return on loans is as follows:

	December 31,			
	2020		2019	
	Average balance $	Average return %	Average balance $	Average return %
Loan portfolio	1,093,977	3.94%	867,915	5.38%

(c) Segment revenues

Interest and other revenues by segment are as follows:

	Loan revenues $	Other operating revenues $	Total $
Year ended December 31, 2020:			
Argentina	9,940	1,934	11,874
Bolivia	10,584	1,070	11,654
Brazil[1]	4,065	1,286	5,351
Paraguay[1]	5,061	1,678	6,739
Uruguay	6,788	702	7,490
Total	36,438	6,670	43,108
Year ended December 31, 2019:			
Argentina	10,517	1,847	12,364
Bolivia	11,982	1,037	13,019
Brazil	3,538	631	4,169
Paraguay	6,586	1,027	7,613
Uruguay	9,218	294	9,511
Total	41,841	4,836	46,677

[1]Includes accrued interest in the amount of $785, and, $41, and other loan charges in the amount of $334, and $84, corresponding to NSG loans granted to state-owned development banks in Brazil, and Paraguay, respectively.

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 Fund, 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 in other terms than those established in its policies and guidelines.

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The balances and transactions maintained with related entities as of December 31, 2020, and 2019, respectively, correspond to the balances maintained with the FETCO; 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 as of December 31, 2020, and 2019, respectively.

NOTE 18 – SUBSEQUENT EVENTS

On february 3, 2021, the Bank agreed on the terms and conditions with Credit Suisse, leading to the issuance of a bond in the Swiss capital market. This issuance with consist of CHF 200,000 in Swiss Francs denominated bonds with a 5 ½ year maturity, and annual interest payments based on an annual fix rate of 0.556%. In compliance of its risk management policies, concurrently with the bond issuance, the Bank contracted a derivative with Credit Suisse, entity with which signed an ISDA agreement, consisting of a cross-currency swap, effectively transforming the CHF denominated liability and the fix interest rate into a U.S. dollars obligation in the amount of $222,668, with semiannual interest payments based on the 6-month Libor rate plus a fix margin. This transaction has been designated as a cash-flow hedge derivative within the framework of IFRS 9.

The Bank has evaluated subsequent events as of the date of the financial statements up to February 25, 2021, date on which the financial statements were ready for their issuance. No matters other than the bond issuance stated above were identified that might have a material impact in the financial statements, as of December 31, 2020.

Juan E. Notaro Fraga
EXECUTIVE PRESIDENT

Oscar A. Perez Lopez
PRESIDENT OF THE BOARD OF EXECUTIVE DIRECTORS

Fernando A. Fernandez Mantovani
CHIEF ACCOUNTING AND BUDGET

Rafael Robles
MANAGER FINANCE AND ADMINISTRATION

ANNEX III.

Support to human development initiatives

As part of FONPLATA – Development Bank outreach policies with its member countries and within the framework of Corporate Social Responsibility, the Bank promotes and supports several Human Development initiatives. During 2020, a year marked worldwide by the COVID-19 pandemic, activities in the first quarter of the year were mostly on-site and afterwards they had to be adjusted to the new scenario.

Copa Tahuichi FONPLATA 2020 and support to girls' soccer

Within the framework of our Program for the development of gender equity, cultural promotion, social action, and sports, in 2020, for the third consecutive year, the Bank supported the *Mundialito Paz y Unidad* – Copa Tahuichi tournament, which since 2020 includes FONPLATA in its name.

The *Copa Tahuichi* – FONPLATA 2020 was held in Santa Cruz de la Sierra and 430 boys' and girls' soccer teams participated, bringing together more than 5,000 athletes between the ages of 5 and 19, who competed in 14 categories over the course of seven days. We believe sports play an important role in social development, especially in terms of inclusion and integration for children and teenagers. Within these promotional actions, it is worth mentioning the renewal of the funding of 50 full scholarships for girls and teenagers who benefit from daily training, daily nutritional supplements, and periodic education in sports psychology, as well as environmental care workshops. In addition, adjusting to the new scenario that blends virtual and on-site education, self-esteem workshops, the "Know your body, let's talk about sexuality" talk for teenagers, and virtual training sessions were held.

Integration and Development Forum

The first Integration and Development Forum, organized by FONPLATA and LatinFinance, was held in Montevideo, Uruguay, on March 5 and 6. The event was quite successful and brought together public sector authorities and representatives of the private sector, development banks, international organizations, and investors in a high-level dialogue. The main issues related to integration in Latin America were reviewed, especially in the context of the then recent renewal of authorities in some countries of the Southern Cone of South America, and it offered the opportunity to renew the commitment and outline shared lines of action for the consolidation of an inclusive future, with less poverty, more opportunities, and a better quality of life for the people in our countries. During the two-day Forum, economic leaders from Argentina, Brazil, Paraguay, and Uruguay made presentations together with senior representatives of international organizations and national development agencies, such as AFD, ALADI, ALIDE, World Bank, IDB, EIB, the Brazilian BDMG, CAF, ECLAC, FONPLATA, UNDP, and the European Union.

INNOVA Santa Cruz – CAINCO Cycle "Leaders for Innovation"

Organized by the agency INNOVA Santa Cruz of the Chamber of Industry, Commerce, Services, and Tourism of Santa Cruz (CAINCO) – Bolivia, and Sponsored by FONPLATA, the webinar series "Leaders for Innovation" took place between May and July. Although this cycle was initially planned to be in person, due to the circumstances caused by the pandemic, it was adjusted to be delivered online in four sessions: "Digitization strategy and data analytics", by the Uruguayan professional services firm CPA Ferrere; the "Challenges of the Future" forum, by the renowned Spanish journalist Iñaki Gabilondo; "Introduction to blockchain technology and its corporate and government use", by PowerLedgers; and "Artificial Intelligence: How it improves the productivity of the company", by the head of the Data Science Master's Program of Uruguay (UTEC – Uruguay and MIT – USA) and executive director of Áurea company, Virginia Robano.

Online discussion: "Municipal Strategies towards COVID-19 and the Role of Multilateral Organizations"

In August, the Health Secretaries of the Brazilian municipalities of Corumbá and Ponta Porã shared their experiences in a workshop broadcasted on FONPLATA's Facebook and YouTube channels. Both municipalities received non-reimbursable technical cooperation from our Bank to face the spread and the impact of the pandemic. The workshop aimed at sharing the main experiences, best practices, and forward-looking approaches in the face of the conditions imposed by the COVID-19 new normal. From both municipalities of the State of Mato Grosso do Sul was informed that the funds provided by our technical cooperation were used to purchase equipment for the intensive care units (ICU), tests to detect the virus, and protective supplies, and to deliver trainings to health personnel.

Apoyo a la Cultura en Bolivia

In 2020, we supported different cultural activities in our host country. In October, the Posoka Gourmet Festival, a public-private gastronomic-cultural event, was held virtually to promote the revaluation of the richness of the Jesuit Missions in the Bolivian town of San José de Chiquitos, declared a World Heritage Site, with the focus on local culinary traditions. From December 2 to 6, we also sponsored the 21st edition of the Santa Cruz de la Sierra International Book Fair, which brought together literature lovers around activities in three halls and was held both online and in-person, in compliance with the capacity and security measures established by the authorities. At the same time and throughout the year, FONPLATA continued to support *Manzana 1 Espacio de Arte* for on-site and online activities. This is a reference institution of Bolivian culture that promotes a variety of events and exhibitions related to different artistic expressions such as sculpture, painting, photography, video, graphic design, comics, drawing, installations, fashion, and customs.

ANNEX III.

Volunteering and Corporate Social Responsibility Committee

Among the most important activities of 2020, funds were donated to hospitals in the Department of Santa Cruz de la Sierra should be noted through the *Centro para la Participación y el Desarrollo Humano Sostenible* (CEPAD: Center for Participation and Sustainable Human Development), for the purchase of supplies to meet the needs caused by COVID-19. Moreover, in support of children and education, school uniforms were purchased for the Luz de Mundo Center located in the Plan 3000 area of the city of Santa Cruz de la Sierra.

FONPLATA
Development Bank

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PHOTO
Cover: Saleswoman during the COVID-19 Pandemic / FONPLATA
Back cover: Improvement of the port access on Rambla Portuaria of Montevideo - Uruguay / Courtesy ANP
FONPLATA (p. 4 y 5, 6, 9, 10, 25, 27, 58 y 59, 64, 66, 74 y 75, 138, 139)
Courtesy DVBA – Argentina (p. 136 y 137)
Courtesy Ministry of Public Works – Argentina (p. 21, 60)
Courtesy FPS – Bolivia (p. 23, 62)
Courtesy Departmental Book Chamber of Santa Cruz – Bolivia (p. 141)
Courtesy MOPC – Paraguay (p. 29, 34)
Courtesy ANP – Uruguay (p. 68)
Courtesy OSE – Uruguay (p. 18, 31)


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