

(Free translation from the original issued in Spanish)

FONPLATA – MULTILATERAL DEVELOPMENT BANK

Financial statements as of December 31, 2021 and 2020

## CONTENT

Independent auditor's report  
Statement of financial position  
Income statement  
Statement of comprehensive income  
Statement of cash flows  
Statement of changes in equity  
Notes to the financial statements

\$ = U.S. thousand dollars



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## **INDEPENDENT AUDITOR'S REPORT**

February 18, 2022

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, 2021, 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, 2021;
- 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.



## Our audit approach

### Overview

<b>Materiality</b>	Overall materiality: \$11,800,000 (\$ = United States dollars); based on the 1% of FONPLATA's total equity.
<b>Key audit matters</b>	<ul style="list-style-type: none"><li>- Hedging instruments.</li><li>- Credit Line without sovereign guarantee.</li></ul>

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.

<b>Overall materiality</b>	\$11,800,000
<b>How we determined it</b>	Based on the 1% of FONPLATA's total equity.
<b>Rationale for the materiality benchmark applied</b>	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 equity given our assessment of this being the most stable metric and the most applicable to FONPLATA's operations.



### ***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
<p><b>Hedging instruments</b></p> <p>As of December 31, 2021, FONPLATA maintains the following debts for bond issuance:</p> <p>During 2019, FONPLATA, through Credit Swiss &amp; UBS, issued a five-year bond with a fixed annual coupon of 0.578%, denominated in Swiss Francs (CHF) for an amount of CHF 150,000,000.</p> <p>During 2021, FONPLATA, through Credit Swiss &amp; UBS, issued two bonds with a 5 ½ and 7 years term, with a fixed annual coupon of 0.556% and 0.795% denominated in Swiss francs for an amount of CHF200,000,000 and CHF150,000,000, respectively.</p> <p>As part of its risk management strategy regarding these bonds, 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).</p> <p>We consider this matter as a key audit matter, based on the relevance that these transactions and the overall complexity related the underlying estimates pose to the presentation and disclosure of the financial statements.</p> <p>Our audit procedures have been focused to address the aspects described in the previous paragraph.</p> <p>Additionally, see note 8.5 (ii).</p>	<p>We assessed these transactions throughout the following audit procedures:</p> <ul style="list-style-type: none"> <li>- We verified the contractual origin of the transaction, obtaining the financing contracts and the related cash flows generated by this.</li> <li>- 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.</li> <li>- We verified the composition of the financial instruments recognized (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, 2021.</li> <li>- We assessed the risk of material misstatements in the accounting of the underlying financial instruments.</li> <li>- We verified the unrealized losses recorded in the statement of other comprehensive income as of December 31, 2021 due to valuation of cross-currency and interest rate swaps recognized.</li> </ul>
<p><b>Credit Lines without sovereign guarantee:</b></p> <p>As of December 31, 2021, FONPLATA maintains the following credit lines without sovereign guarantee:</p> <p>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 Desenvolvimento de Minas Gerais (BMDG)" for an amount</p>	<p>We assessed these loans throughout the following audit procedures:</p> <ul style="list-style-type: none"> <li>- We requested written confirmation on all borrowers' outstanding balances, including credit lines without sovereign guaranteed.</li> <li>- We requested and verified the contractual origin of the transactions, for this, we obtained and verified the approvals of the Bank's Executive Board, and the contracts signed with the borrowers.</li> </ul>

Key Audit Matter	How our audit addressed the key audit matter
<p>of \$36,000,000, 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 \$36,000,000, with an 8-year duration and with a 2-year grace period.</p> <p>During the year ended December 31, 2021, the Bank approved a new credit line without sovereign guaranteed for US\$42,000,000, for the “Corporación Vial del Uruguay” (CVU), and increased by \$6,000,000 the existing line of credit with BMDG, from \$36,000,000, to \$42,000,000 (December 31, 2020 – \$72,000,000 approved and fully disbursed in two financing operations).</p> <p>We consider this matter as a key audit matter, based on the fact that 95% of the Bank's loans are granted for development projects undertaken by the government and as such are covered by the sovereign guaranteed of the member country. By virtue of the creation of a new line without sovereign guaranteed financing, as previously stated, since 2020, the Bank is extending a minor portion of its lending capacity to financial institutions and enterprises where the government is the main shareholder or owner.</p> <p>Our audit procedures have been focused to address the aspects described in the previous paragraph.</p> <p>Additionally, see note 8.4.</p>	<ul style="list-style-type: none"> <li>- For approved and disbursed loans, we verified the disbursement operations of those loans.</li> <li>- We performed the recalculation of the accrued interest considering the initial debt balances and the movements of the year to obtain the final balances and multiply by an average interest rate.</li> </ul>

#### 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.

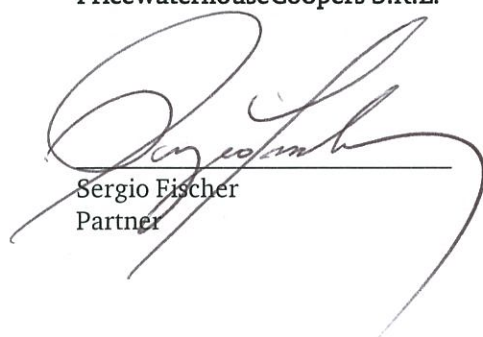
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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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**FONPLATA – Multilateral Development Bank**
**STATEMENT OF FINANCIAL POSITION**

(All amounts expressed in thousands of U.S. dollars)

	<b>As of December 31,</b>	
	<b>2021</b>	<b>2020</b>
<b>ASSETS</b>		
Cash and cash equivalents – Note 8.1	128,261	32,037
<b>Investments</b>		
At fair value with changes in other comprehensive income – Note 8.2	352,788	321,061
At amortized cost – Note 8.3	151,850	85,722
	504,638	406,783
<b>Loan portfolio – Note 8.4</b>	1,503,666	1,237,031
<b>Accrued interest</b>		
On investments – Note 8.3	2,366	1,821
On loans – Note 8.4	10,673	10,600
	13,039	12,421
<b>Other assets</b>		
Cash flow hedge derivatives – Note 8.5 (ii)	694	-
Property and equipment, net – Note 9.1	5,742	5,934
Miscellaneous – Note 9.2	748	762
	7,184	6,696
<b>Total assets</b>	<b>2,156,788</b>	<b>1,694,968</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Liabilities</b>		
Cash flow hedge derivatives – Note 8.5 (ii)	-	5
Borrowings – Note 8.5	926,741	568,324
Other liabilities – Note 9.3	3,149	1,982
Special funds – Note 8.6	21,891	15,066
	951,781	585,377
<b>Total liabilities</b>	<b>951,781</b>	<b>585,377</b>
<b>Equity</b>		
<b>Capital – Note 10.1</b>		
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	(342,733)	(432,318)
	1,006,467	916,882
General reserve – Note 10.3	183,165	155,751
Other reserves – Note 10.2	(8,655)	1,044
Retained earnings – Note 10.3	24,030	35,914
	1,205,007	1,109,591
<b>Total equity</b>	<b>1,205,007</b>	<b>1,109,591</b>
<b>Total liabilities and equity</b>	<b>2,156,788</b>	<b>1,694,968</b>

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

 Juan E. Notaro Fraga  
 EXECUTIVE PRESIDENT

 Fernando Scelza  
 CHAIRMAN BOARD OF EXECUTIVE DIRECTORS

 Fernando A. Fernandez Mantovani  
 CHIEF ACCOUNTING AND BUDGET

 Rafael Robles  
 MANAGER FINANCE AND ADMINISTRATION



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**FONPLATA – Multilateral Development Bank**

**INCOME STATEMENT**

(All amounts expressed in thousands of U.S. dollars)

	<b>Years ended as of December 31,</b>	
	<b>2021</b>	<b>2020</b>
<b>INCOME – Note 11</b>		
<b>Loan portfolio</b>		
Interest	35,609	36,438
Other loan income	6,612	6,670
	<u>42,221</u>	<u>43,108</u>
<b>Investments</b>		
Interest	4,770	7,876
Other	15	19
	<u>4,785</u>	<u>7,895</u>
Other income	85	100
<b>Income from financial assets</b>	<u>47,091</u>	<u>51,103</u>
<b>EXPENSES</b>		
Interest expense	(10,949)	(8,627)
<b>Income from financial assets, net</b>	<u>36,142</u>	<u>42,476</u>
Provision for loan impairment	(2,599)	2,498
<b>Income after provision for loan impairment</b>	<u>33,543</u>	<u>44,974</u>
Administrative expenses – Note 12	(9,513)	(9,060)
<b>Net income</b>	<u>24,030</u>	<u>35,914</u>
<b>STATEMENT OF COMPREHENSIVE INCOME</b>		
<b>Net income</b>	24,030	35,914
<b>Items that may be reclassified to profit or loss:</b>		
Changes in fair value of investments	(3,928)	(2,417)
Losses/Gains on cash flow hedges net	(5,744)	1,651
<b>Items that will be not reclassified to profit or loss:</b>		
Technical appraisal of property	(28)	(28)
<b>Comprehensive income</b>	<u>14,330</u>	<u>35,120</u>

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EXECUTIVE PRESIDENT

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**FONPLATA – Multilateral Development Bank**

**STATEMENT OF CASH FLOWS**

(All amounts expressed in thousands of U.S. dollars)

	<b>As of December 31,</b>	
	<b>2021</b>	<b>2020</b>
<b>Cash Flows from Operating Activities</b>		
Lending		
Cash received from loan principal amortizations	77,347	77,057
Cash received from interest and other loan charges	41,020	44,488
Loan disbursements	(345,451)	(392,094)
<b>Net flows from lending activities</b>	<b>(227,084)</b>	<b>(270,549)</b>
<b>Other operating flows:</b>		
Payment of salaries, benefits, and other personnel expenses	(6,305)	(6,817)
Payment of administrative expenses	(1,647)	(2,060)
Increase in trade accounts payable and with special funds	7,011	1,099
<b>Net flows from other operating activities</b>	<b>(941)</b>	<b>(7,778)</b>
<b>Net flows used in operating activities</b>	<b>(228,025)</b>	<b>(278,327)</b>
<b>Cash Flows from Financing Activities</b>		
Proceeds from borrowings	493,750	292,884
Derivatives- Collateral	(15,980)	17,644
Repayment of borrowings and debt service	(145,342)	(14,631)
<b>Net flows from of on-lent activities</b>	<b>332,428</b>	<b>295,897</b>
Collection of paid-in capital subscriptions	89,585	51,333
<b>Net flows from financing activities</b>	<b>422,013</b>	<b>347,230</b>
<b>Cash flows from investing activities</b>		
Collection of investment income	4,233	6,732
Purchase of investments	(101,783)	(80,449)
Capital expenditures	(214)	(562)
<b>Net flows used in investment activities</b>	<b>(97,764)</b>	<b>(74,279)</b>
<b>Increase/(Decrease) in cash and equivalents during the period</b>	<b>96,224</b>	<b>(5,376)</b>
<b>Cash and equivalents at the beginning of the year</b>	<b>32,037</b>	<b>37,413</b>
<b>Cash and equivalents at the end of the year,</b>	<b>128,261</b>	<b>32,037</b>

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

Juan E. Notaro Fraga  
EXECUTIVE PRESIDENT

Fernando Scelza  
CHAIRMAN BOARD OF EXECUTIVE DIRECTORS

Fernando A. Fernandez Mantovani  
CHIEF ACCOUNTING AND BUDGET

Rafael Robles  
MANAGER FINANCE AND ADMINISTRATION

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**FONPLATA – Multilateral Development Bank**

**STATEMENT OF CHANGES IN EQUITY**

(All amounts expressed in thousands of U.S. dollars)

	<u>Paid-in Capital (*)</u>	<u>General Reserve</u>	<u>Reserve for changes in the value of investments at fair value</u>	<u>Reserve for changes in value of cash flow hedges</u>	<u>Reserve for revaluation of property</u>	<u>Retained Earnings</u>	<u>Total</u>
<b>Balance as of January 1, 2020</b>	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)	-.-
Fund for the Compensation of Interest Rate (FOCOM)	-.-	-.-	-.-	-.-	-.-	(3,500)	(3,500)
Technical Cooperation Program (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)
<b>Balance as of December 31, 2020</b>	<u>916,882</u>	<u>155,751</u>	<u>(1,879)</u>	<u>2,166</u>	<u>757</u>	<u>35,914</u>	<u>1,109,591</u>
<b>Balance as of January 1, 2021</b>	916,882	155,751	(1,879)	2,166	757	35,914	1,109,591
Capital increase – Paid-in portion	89,585	-.-	-.-	-.-	-.-	-.-	89,585
Allocated by the Assembly of Governors to:							
General Reserve	-.-	27,414	-.-	-.-	-.-	(27,414)	-.-
Fund for the Compensation of Interest Rate (FOCOM)	-.-	-.-	-.-	-.-	-.-	(7,000)	(7,000)
Technical Cooperation Program (PCT)	-.-	-.-	-.-	-.-	-.-	(1,500)	(1,500)
Net income for the year	-.-	-.-	-.-	-.-	-.-	24,030	24,030
Comprehensive income for the year	-.-	-.-	(3,927)	(5,744)	(28)	-.-	(9,699)
<b>Balance as of December 31, 2021</b>	<u>1,006,467</u>	<u>183,165</u>	<u>(5,806)</u>	<u>(3,578)</u>	<u>729</u>	<u>24,030</u>	<u>1,205,007</u>

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

(\*) After deducting the amount of callable capital and the amount of paid in capital subscriptions pending integration (see Note 10).

Juan E. Notaro Fraga  
EXECUTIVE PRESIDENT

Fernando Scelza  
CHAIRMAN BOARD OF EXECUTIVE DIRECTORS

Fernando A. Fernandez Mantovani  
CHIEF ACCOUNTING AND BUDGET

Rafael Robles  
MANAGER FINANCE AND ADMINISTRATION



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**FONPLATA – Multilateral Development Bank**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2021, AND 2020, RESPECTIVELY**  
(All amounts expressed in thousands of U.S. dollars)

**NOTE 1 – BACKGROUND**

The “Fondo Financiero para el Desarrollo de la Cuenca del Plata”, hereinafter and for all intent and purposes denominated as “FONPLATA”, or “the Bank”, is an international legal entity of indefinite life, which is governed by the covenants contained in its Charter and on its Regulations as a multilateral development bank. The Bank is headquartered in the city of Santa Cruz de la Sierra, Estado Plurinacional de Bolivia and has liaison offices in Asuncion, Republic of Paraguay, since 1989, in Buenos Aires, Republic of Argentina since June 2018, in Montevideo, Uruguay, since December 2019, and on March 15, 2021, opened an office in Brasilia, Brazil, consolidating its presence in all five member countries. Liaison offices are an integral part of the Bank’s strategy to strengthen the working relationship with its member countries.

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

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

The Bank’s founding members maintain a 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 guarantee of the Bank’s net assets; 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 Board 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 River Plate, to one encompassing the region of its member countries and their integration in the global market; (iv) the expansion of its membership beyond its founding members, recognizing the possibility of incorporating non-founding members that could consist of either countries or institutions, to its capital base; (v) the redenomination of capital as “authorized capital” for an initial amount of \$3,014,200, consisting of 301,420 class “A” shares, to be allocated to founding members only, with a par value of \$10 each, and with a voting right of one vote per share.

Furthermore, the modifications approved stipulate that the authorized capital shall also include shares class “B”, to be allocated to non-founding members. The initial authorized capital consists in its entirety of class “A” shares, consisting of 134,920 shares of paid-in capital for a total amount of \$1,349,200, and 166,500 shares of callable capital for an amount of \$1,665,000. Class “B” shares would be issued after the authorized capital has been increased and in the number of shares corresponding to the percentage of participation at the time new members are admitted.

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

As of December 31, 2021, 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.

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), constitutes the main instrument designed to manage, supervise and ensure accountability for the attainment of expected results. The PEI and its updates of 2017, covering the period 2018 – 2022, and its most recent update covering the period 2022 – 2026, were approved by the Board of Governors in August 2017, and in September 2021. Complementing the PEI, the Bank prepares the Programs and Budget Document (a.k.a. DPP for its Spanish acronym). The DPP integrates the business plan with the expected results to be attained for the next three years, as well as the activities required and their related costs, that make the basis for the administrative and capital budgets. On December 3, 2021, the Board of Governors, acting upon a recommendation from the Board of Executive Directors, approved the Bank’s DPP for the period 2022 – 2024.

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 approved by the Board of Governors on April 14, 2021, following a recommendation of the Board of Executive Directors.

## **NOTE 2 – SIGNIFICANT CHANGES IN THE CURRENT REPORTING PERIOD**

### **A – COVID-19 STRATEGY TO ENSURE BUSINESS CONTINUITY**

Since the beginning of the COVID-19 pandemic, when our member countries closed their borders, following the developed countries and the advice of World Health Organization (WHO), the Bank swiftly and successfully implemented its strategy designed to ensure seamless business continuity.

Among the most relevant actions implemented by the end of March 2020, some of which remain in place today are the following:

- To ensure the health of our staff, the Bank immediately and seamlessly transitioned to a remote working modality. On September 30, 2021, the Bank returned to an in-person working modality, both at his headquarters and liaison offices, adopting a hybrid working modality by which staff work 4 days

in-person and one day remotely. On January 5, 2022, due to sudden and sharp increase in COVID infections associated to the Omicron variant, the Bank activated its remote working modality. The hybrid working modality will be reinstated as soon as the level of COVID infections makes it possible.

- International staff were given the option of working either remotely from their home at the host country as well as local staff or to work from their home country.
- The Bank continued to expand the use of Liaison Offices, opening new offices in Montevideo, Uruguay and Brasilia, Brazil, consolidating its presence in all five member countries. This in turn helps strengthen the dialogue with member countries and paves the way for tailoring bank instruments to better suit their needs.
- Since March 2020, the Bank migrated its servers to the cloud and significantly strengthened data security and access. Through this action, the Bank experienced no disruptions to its core systems and digital communications. This, along with the ability to work remotely, has allowed the Bank to ensure the health of its staff and their immediate family while attaining record loan approvals and disbursements in 2020, and to continue the growth of its portfolio throughout 2021.
- As it was the case throughout 2020, in 2021, the Bank is working in close dialogue with its government counterparts to adapt its approach to the the prevailing fiscal, health and social environment of each member country, optimizing its ability to offer financial and technical cooperation assistance.
- As stated in greater detail under the following subsection and in Note 3 – How Income is Calculated, the sharp decrease experienced in the 6-month Libor rate was mostly offset by the continued growth in the loan portfolio, and by a decrease in administrative expenses, which for the year ended as of December 31, 2021, represent 77 basis points of net earning assets. When compared to 2020, this ratio of administrative expenses to net earning assets shows a decrease of 5 basis points, which translates into savings of approximately \$535.
- During 2021, the Bank successfully issued two bonds in the Swiss bond market. The first one, FONPLATA26, in March 2021, raising CHF 200,000, and the second one, FONPLATA28, in November 2021, raising additional CHF 150,000. Based on its capital structure, a portion of the Bank's on-lent activities must be financed with borrowings. Except for its bond issuances, which are denominated in Swiss Francs and at fixed-cost but have been effectively exchanged into U.S. dollars obligations at variable interest rate based on the 6-month Libor rate, all borrowings are denominated in U.S. dollars and accrue interest based on the 6-month Libor rate. While borrowings as of December 31, 2021, have increased from \$568,324 to \$926,741, which represents a 63% increase from December 31, 2020, interest and other financial costs when measured on average borrowings have decreased from 207 bps to 146 bps (approximately 30%). This in turn also contributed to partially offset the negative effects of the reduction in interest rates on net income. See Notes 3 and 8.5 (ii) for additional information.
- On June 22, 2021, the Bank signed a 5-year financing facility in the amount of \$100,000, with Banco Bilbao Vizcaya Argentaria, S.A. (BBVA). On June 30, 2021, the Bank drew-down the total amount allowed under this facility.
- On September 17, 2021, the Bank contracted a \$100,000 non-revolving line of credit with "Banco de Desarrollo de América Latina (CAF)." This line was obtained as part of the Bank's liquidity management strategy. No disbursements were drawn down as of December 31, 2021.



- As part of the transition from the Libor rate to the SOFR, effective January 1, 2022, the SOFR rate will become the reference rate for all new loans contracts. For legacy loan contracts, the Bank continues to work with member countries to convert their loan contracts into the SOFR based rate, using the modality of SOFR in arrears. This transition is expected to start gradually in February 2022, and to the extent all member countries complete the transition all legacy loan contracts would be based on the SOFR in arrears. The Bank has also been working to adapt its loan, investments and debt systems to accommodate this change (see Note 7.1.1).

## **B – SPECIFIC OPERATIONAL ACTIONS AND TRENDS**

The following paragraphs provide a more specific analysis on the operational and financial activities of the Bank that contributed to the growth of its net earning assets and to the generation of net income during the year ended December 31, 2021:

- Loan income is mainly affected by both, the increase of loans receivable through loan disbursements, net of principal collections, which is the main basis for the Bank's financial earnings, and by changes in the 6-month Libor rate, which is the reference rate applicable to all bank loans through December 31, 2021. As a trend that started at the onset of the COVID-19 pandemic, the 6-month Libor rate continued to drop, reaching its lowest historical levels in September of 2021, at 14 bps, from 25 bps as of December 31, 2020. The pronounced drop in interest rates continues to drive a reduction on the amount of income accrued on loans in nominal terms. That reduction was largely offset by a 21% growth in the amount of loans receivable for the year ended December 31, 2021 (2020 – 39% growth). Interest rates are expected to increase throughout 2022, as all major economies recover from the economic crisis caused by COVID-19, and the central banks of developed countries increase their reference interest rate.
- As indicated in Note 2-A, the reduction of borrowing costs contributed to the Bank's ability to partly generate an adequate level of net income, maintaining its robust financial and economic profiles.
- The strength and performance of the Bank were recognized by Standard & Poor's, which in its latest review of the Bank credit risk, upgraded it from "A-" to "A".
- During the year ended December 31, 2021, the Bank approved new loans in the amount of \$401,430 (2020 - \$537,126). The amount of loans approved consists of \$353,430 in sovereign loans to member countries, and \$48,000 of loans without sovereign guarantee to government owned banks and corporations ("Corporación Vial" of Uruguay \$42,000, and increased from \$36,000 to \$42,000, the existing line of credit that had been approved to the state-owned development bank of Minas Gerais, Brazil (BDMG) in 2020). Loan disbursements reached \$345,451, and loan amortizations received reached \$77,346. More importantly, as it was the case in prior years, all member countries have had net positive loan flows, which stresses the Bank's commitment to supporting its member countries.
- As indicated in Note 2-A, on February 3, and then on November 1, 2021, the Bank issued its second and third bond issuances in the Swiss capital market, after its first bond issuance in 2019 "FONPLATA24", CHF 150,000 in Swiss Francs, 5-years maturity. The second bond issuance "FONPLATA26", consisted of CHF 200,000 in Swiss Francs denominated bonds with a 5 ½ years maturity on September 3, 2026, and annual coupon based on an annual fix rate of 0.556%. Proceeds from this bond were received on March 3, 2021. The third bond issuance "FONPLATA28", consisted of CHF 150,000 in Swiss Francs denominated bonds with a 7-year maturity on December 1, 2028, and annual coupon based on an annual fix rate of 0.7950%. Proceeds from this bond were received on December 1, 2021.

- The following chart depicts outstanding amounts under the various lines of credit, loans and the three CHF bond issuances, as of December 31, 2021, and 2020, respectively:

Entity	January 1 through December 31, 2021			
	Outstanding	Principal	Borrowing	Borrowings
	31 Dec 2020	repaid/Exchange	proceeds	outstanding
	\$	\$	\$	\$
Banco de Desarrollo de América Latina (CAF)	69,334	(5,334)	-	64,000
Inter-American Development Bank (IDB)	88,098	-	11,902	100,000
French Development Agency (AFD)	20,000	-	-	20,000
European Investment Bank (BEI)	6,000	-	6,000	12,000
Official Credit Institute E.P.E. (ICO)	5,536	-	-	5,536
Banco Bilbao Vizcaya Argentaria (BBVA)	-	-	100,000	100,000
Deferred loan charges	(281)	(317)	-	(598)
<b>Subtotal multilaterals and other</b>	<b>188,687</b>	<b>(5,651)</b>	<b>117,902</b>	<b>300,938</b>
Issuance of CHF FONPLATA 24	148,809	-	-	148,809
Issuance of CHF FONPLATA 26	-	-	221,828	221,828
Issuance of CHF FONPLATA 28	-	-	163,898	163,898
Deferred loan charges	(580)	(1,442)	-	(2,022)
Exchange differences	21,413	(8,123)	-	13,290
<b>Subtotal bonds</b>	<b>169,642</b>	<b>(9,565)</b>	<b>385,726</b>	<b>545,803</b>
Central Bank of Bolivia (BCB) – 6-month Libor	80,000	(80,000)	-	-
Deferred loan charges	(5)	5	-	-
Central Bank of Uruguay (BCU) – Fixed rate	130,000	(50,000)	-	80,000
<b>Subtotal borrowed from Central Banks</b>	<b>209,995</b>	<b>(129,995)</b>	<b>-</b>	<b>80,000</b>
<b>Total borrowings</b>	<b>568,324</b>	<b>(145,211)</b>	<b>503,628</b>	<b>926,741</b>

- As part of its strategy to minimize the exposure to risks arising from changes in both, interest and exchange rates, the Bank has the policy of granting and denominating all loans in United States dollars based on the 6-month Libor as its reference rate. Furthermore, most of its borrowings are also contracted and denominated in United States dollars, and bear interest based on the 6-month Libor rate. In those cases where it contracts debt denominated in currencies other than the United States dollar, or where the debt accrues interest in a rate other than the Libor rate, the Bank contracts cross-currency and interest rate swaps to hedge its overall exposure. To this end, on March 3, 2021, and on December 1, 2021, the Bank contracted cross-currency swaps with J.P. Morgan (JPM) and with Credit Suisse (CS), entities with which it signed ISDA agreements. By virtue of these cross-currency swaps, the Bank effectively transformed the CHF denominated liabilities and the fixed interest rate into a U.S. dollar obligation in the amount of \$222,668, for the CHF 200,000 issuance and of \$164,474, for the CHF 150,000 issuance, respectively. The amounts contracted include the underwriters' commission and paying agent fees associated to the issuances. Both cross-currency swaps provide for semiannual interest payments based on the 6-month Libor rate plus a fixed margin. These transactions have been designated as a cash-flow hedge derivative within the framework of IFRS 9 (see also Notes 4.10; 6; and 8(ii)).
- The Bank use of derivatives is not for speculative purposes but for the sole purpose of reducing its risk exposure to changes in interest rates and foreign exchange rates different from the 6-month Libor rate, which is the Bank's reference rate as of December 31, 2021, and from the U.S. dollar, which is the Bank's functional currency in which all loans and borrowings are denominated.

- Upon signing the trust agreement with the Fund for the Structural Convergence of Mercosur (FOCEM), in July 24, 2020, the Bank became the fiduciary agent for the investment of FOCEM's financial resources. In exchange for its services, the Bank receives a commission based on the investment return obtained. During the year ended on December 31, 2021, the Bank accrued \$16 in trusteeship commissions (December 31, 2020 - \$42 commissions accrued).

### 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 without sovereign guaranteed loans extended to estate-owned banks at national and subnational level at its member countries'. The Bank's ability to generate loan income relates to various relevant factors directly affecting the growth of its main earning asset, its loan portfolio. The following factors directly affect loan portfolio growth and its profitability:

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

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

	As of December 31,					
	2021			2020		
	Average balance \$	Income \$	Return <sup>2</sup> %	Average balance \$	Income \$	Return <sup>2</sup> %
Loans receivable	1,385,548	42,221	3.05	1,093,977	43,108	3.94
Investments	455,711	4,807	1.05	369,145	8,057	2.18
Cash and equivalents	80,149	-.-	-.-	34,725	-.-	-.-
<b>Financial assets</b>	<b>1,921,408</b>	<b>47,028</b>	<b>2.45</b>	<b>1,497,847</b>	<b>51,165</b>	<b>3.42</b>
Borrowings	(747,533)	(10,949)	1.46	(416,516)	(8,626)	(2.07)
<b>Financial assets, net</b>	<b>1,173,875</b>	<b>36,079</b>	<b>3.07</b>	<b>1,081,331</b>	<b>42,538</b>	<b>3.93</b>
Accounting charges <sup>1</sup>		(2,957)	(0.25)	-.-	2,244	0.20
Administrative expenses		(9,092)	(0.77)	-.-	(8,868)	(0.82)
<b>Net assets</b>	<b>1,173,875</b>	<b>24,030</b>	<b>2.05</b>	<b>1,081,331</b>	<b>35,914</b>	<b>3.32</b>
<b>Equity</b>	<b>1,157,299</b>	<b>24,030</b>	<b>2.08</b>	<b>1,068,865</b>	<b>35,914</b>	<b>3.36</b>

<sup>1</sup> Accounting Charges	As of December 31,	
	2021 \$	2020 \$
Provision for loan impairment (loss)/gain– Note 8.4	(2,599)	2,498
Depreciation	(379)	(321)
Exchange differences (loss)/gain	(41)	129
Special funds' participation in investment income	(23)	(162)
Other income	85	100
Total accounting charges	(2,957)	2,244



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

#### **NOTE 4 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES**

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

##### **4.1 Basis for presentation**

###### **(i) Compliance with International Financial Reporting Standards**

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

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

###### **(ii) Historical cost**

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

- Financial assets at fair value with changes recognized 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, 2021. The standards listed below exclude the following standards and interpretations or modifications that are not yet mandatory for fiscal years beginning on January 1, 2021: IFRS 17, Insurance Contracts; IAS 16, Property, Plant and Equipment: proceeds before intended use; IFRS 3, Business Combinations; IAS 37, Onerous Contracts – Cost of fulfilling a contract; Annual Improvements to IFRS 9, Financial Instruments; IFRS 16, Leases; IFRS 1, First time adoption of IFRS; IAS 1, Classification of Liabilities as Current and non-Current; IAS 1 and IFRS Practice Statement 2, Disclosure of Accounting Policies; IAS 8, Definition of Accounting Estimates; IAS 12, Deferred Tax related to Assets and Liabilities arising from a single transaction.

The majority of the amendments listed below, which started to be formally applied by the Bank on January 1, 2021, 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:

Standard	Key Requirements	Effective Date
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
Covid-19-related Rent Concessions – Amendments to IFRS 16	This amendment to IFRS 16, deals with the recognition and accounting for rent concessions granted to lessees as a result of the COVID-19 pandemic. The amendment provides lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concessions as variable lease payments in the period in which they are granted. Entities applying the practical expedients must disclose this fact, whether the expedient has been applied to all qualifying rent concessions or, if not, information about the nature of the contracts to which it has been applied, as well as the amount recognized in profit or loss arising from the rent concessions.	1 January 2021
Interest Rate Benchmark Reform Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	<p>These amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 are intended to address the issues that arise during the reform of an interest rate benchmark rate, including the replacement of one benchmark with an alternative one. The Phase 2 amendments provide the following reliefs:</p> <ul style="list-style-type: none"> <li>• When changing the basis for determining contractual cash flows for financial assets and liabilities (including lease liabilities), the reliefs have the effect that the changes, that are necessary as a direct consequence of LIBOR reform and which are considered economically equivalent, will not result in an immediate gain or loss in the income statement. The hedge accounting reliefs will allow most IAS 39 or IFRS 9 hedge relationships that are directly affected by LIBOR reform to continue. However, additional ineffectiveness might need to be recorded. Affected entities need to disclose information about the nature and extent of risks arising from LIBOR reform to which the entity is exposed, how the entity manages those risks, and the entity's progress in completing the transition to alternative benchmark rates and how it is managing that transition. Given the pervasive nature of LIBOR-based contracts, the reliefs could affect companies in all industries.</li> <li>• Note 7.1.1 contains the status of current plans for the Bank to accomplish its transition from the 6-month Libor rate to the SOFR in arrears by January 1, 2022, which is the reference rate for all of its loans and for the majority of its borrowings. In those instances, in which the borrowings are denominated in other currencies than the US dollar, the Bank has entered into cross-currency swap transactions to effectively offset the exchange and interest rate risks. Migration from the 6-month Libor rate to the SOFR for borrowings and swaps would be dictated by each lender. In the case of swap transactions, the migration from the Libor to the SOFR is due to occur on July 1, 2023.</li> </ul>	January 1, 2021

## **4.2 Segments' disclosure**

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

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

## **4.3 Foreign currency translation**

### **(i) Functional and reporting currency**

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

### **(ii) Account balances and transactions**

Foreign currency transactions are converted to the functional currency using the exchange rate prevailing at the date of each transaction. Exchange gains or losses on foreign currency transactions result from payments effected in currencies other than the United States dollar, related to administrative expenses incurred either at the Bank's headquarters or at its liaison offices in Asuncion, Paraguay, Buenos Aires Argentina, Montevideo, Uruguay, and Brasilia, Brazil. Exchange gains and losses associated 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 U.S. dollars, and except for the Swiss Francs denominated bonds, which were swapped to U.S. dollars, the Bank does not have other financial liabilities in other currency. Consequently, there is no exchange rate risk exposures related to the Bank's financial assets and liabilities.

Almost all operational expenditures are incurred in the functional currency. Only a small amount of local currency is kept at hand at the Bank's headquarters, and at each liaison office, to pay for the cost of goods and services incurred at those locations. Local currency holdings 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.

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

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

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

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

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

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



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

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

The main financial earning asset of the Bank 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. dollars or that bear interest at a rate different than the 6-month Libor rate. Derivatives are not used for speculative purposes.

Liquidity is maintained for the purpose of ensuring the ability to meet all planned loan disbursements, debt-service requirements, and to pay for all planned and approved operating expenditures and capital investments expected to occur during the next 12 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 compliance with the Bank's policies.

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

#### **(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.

The bank classifies its financial assets aspec the following categories:

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

- ***Financial assets at fair value with changes in other comprehensive income (FVOCI)***: are assets purchased with the purpose of collecting contractual cash flows resulting from principal amortization and accrued interest, as well as from the sale of the underlying assets. These assets are not designated as “financial assets at fair value with changes in the Income Statement,” and are measured at their fair value with changes recognized in other comprehensive income.
- The Bank does not have financial assets at fair value with changes in the Income Statement.
- Derivatives resulting from the cross-currency and interest rate swaps entered into as an integral part of the Bank’s risk management strategy designed to hedge the interest rate and foreign exchange risk associated to borrowings contracted in currencies other than the U.S. dollar or at interest rates other than the 6-month Libor, which is the Bank’s reference rate for its loans, have been designated as a 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 counterparty’s default, are shown forming part of Other Assets, as derivatives, together with the resulting collateral in the statement of financial position. Bonds are 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.

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

#### **(iii) Recognition and disposal**

Normal origination purchases 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.

#### **(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 applying a standard methodology also adopted by the leading MDBs, considered as a best practice. The methodology used assesses the expected loss based on the following factors: (i) the maximum exposure to risk at default; (ii) the probability of default; and (iii) the loss given default. Although the Bank uses the same formulae, the values used in connection with each factor are different for sovereign guaranteed loans, than those used for without sovereign guaranteed loans.

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

For without 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 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.

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

For 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, and for purposes of estimating the expected credit loss (ECL) on other financial assets, in accordance with its internal policies the Bank classifies its financial instruments measured at amortized cost or fair value through OCI, in one of the following categories:

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

**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 its net realizable value, based on the discounted cash flows using the loan's original effective interest rate, and reverts the discounted amount against loan revenues. Interest revenues on impaired loans are recognized using the original effective interest rate.

#### **4.9 Property and equipment**

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



Equipment is 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 shown in the Statement of Changes in Equity are explained 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 with its three bond issuances in the Swiss capital market, namely FONPLATA24; FONPLATA26; and FONPLAT28; and, the interest rate swap associated to a \$80,000 certificate of deposit at fixed interest rate received from the Central Bank of Uruguay (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 investment grade credit rating, and by signing an ISDA master netting agreement coupled with a credit support annex (CSA), with its derivatives counterparties.

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

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

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

Changes in fair value of a derivative 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.

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 balances represent liabilities equaling to the investment amount administered on behalf of special funds. These liabilities do not represent guarantees and are usually paid based upon fund requests to settle the liabilities of special Funds. These liabilities are initially recognized at their fair value and subsequently measured at amortized cost using the effective interest rate method.

#### **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, 2021, and 2020, respectively.

#### 4.14 Capital

The authorized capital consists of paid-in shares and callable shares. Paid-in capital consists of the amount of capital subscriptions paid-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	With the exception of the Swiss Franc issuances which were effectively hedged through cross-currency swaps as discussed in Notes 2; 4.10; and 8.5 – (ii), 99.9% of financial assets and liabilities are denominated in U.S. dollars (functional currency).	Cash flow budget.	<p>All loan and investment transactions, as well as the most relevant liabilities shown in the financial statements have been transacted in U.S. dollars.</p> <p>The Bank signed enforceable ISDA master netting agreements with the right to offset with JPM and with CS, respectively. Based on these agreements, the Bank</p>

Risk	Source of Exposure	Measurement	Risk Management
			contracted cross-currency swaps to offset both the interest rate and foreign currency exchange risks associated to its bond issuances in the Swiss market. 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	<p>Risk of experiencing fluctuations in lending and borrowing rates applicable to the Bank's loans, and debt.</p> <p>As explained in Notes 2; 4.10; and 8.5 – (ii), on March 13, 2019, on March 3, 2021, and on November 1, 2021, the Bank issued a 5-year, a 5 ½ - year and a 7-year Swiss Franc denominated bonds at fixed rate. To hedge both, the interest and exchange risk, the Bank contracted a cross-currency swap with JPM, and with Credit Suisse (CS). On May 5, 2020, the Bank also entered into an interest rate swap with JPM, to exchange the fixed-interest rate to be paid to CBU on the \$80,000 certificate of deposit received into the 6-month Libor rate. The ISDA master netting agreements signed with JPM and CS provide for the right of offsetting.</p>	Sensitivity analysis.	<p>The Bank has established policies for the determination of interest rates, allowing it to mitigate the potential effects of interest rate fluctuations. The Bank seeks to minimize the negative impact associate to potential mismatches in the duration of the loan portfolio and the debt incurred to finance such loans.</p> <p>Potential exposures from the issuance of the three Swiss Franc denominated bonds at fixed-rate are effectively managed through the cross-currency swaps. These swaps were designed to replace both, the debt in Swiss Francs by a debt denominated in U.S. dollars and the fixed rate by a floating rate based on the 6-month Libor rate plus a fixed margin, matching the rate structure applicable to all loans to member countries. Hence, effectively eliminating currency and interest rate risks.</p> <p>Additionally, potential exposures to interest rate changes associated to the certificate of deposit is effectively hedged through the interest rate swap contracted with JPM.</p>
Market risk – Security prices	The Bank does not have investments in equity instruments that might be exposed to price risk. All	Sensitivity analysis based on changes in interest rate for bonds classified as	The Bank does not have investment in equity instruments that might be exposed to price risk.



Risk	Source of Exposure	Measurement	Risk Management
	investments consist of bonds that according to the Bank's business model can either be classified as available for sale or held-to-maturity.	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 reasonable value.	Bonds classified in the available for sale portfolio, are monitored on a regular basis. The Bank does not engage in trading book and trading activities.
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.	<ul style="list-style-type: none"> <li>- Arreas analysis based on aging of loans, derivatives, bonds and other instruments.</li> <li>- Credit ratings</li> <li>- Loan loss provision</li> </ul>	<p>Diversification of bank deposits and applicable loan limits.</p> <p>Investment policies and guidelines and credit rating of counterparts.</p> <p>Limits for concentration of credit risk applied to member countries and without sovereign loans. No private sector loans.</p>
Liquidity risk	Borrowings, other liabilities, and obligations with special funds.	Rolling cash flow forecasts.	Availability of funds required to meet obligations and commitments, at least for a 12-month period following the date of the financial statements.

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

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

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

## **6.1 Currency risk**

All financial assets and approximately 99.9% of liabilities after considering existing cross-currency swap agreements, are denominated in U.S. dollars, which constitutes the Bank's functional currency. Consequently, the Bank's financial statements are not exposed to significant levels of risk resulting from potential changes in exchange rates.

## **6.2 Interest rate risk**

The Bank's lending interest rate consists of a fixed margin and a floating interest rate (6-month Libor rate). 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 Bank'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 with its medium and long-term planning objectives. Through various parameters and variables, the forecasting model helps ensure a reasonable level of predictability and stability of lending charges, enough to satisfy all expected goals established in the Bank's financial policies. The model adopted helps to anticipate required adjustments to the fixed margin allowing the Bank to proactively respond to significant changes in the assumptions and estimates used. This exposure is periodically measured and evaluated, to ensure the management of the interest rate risk.

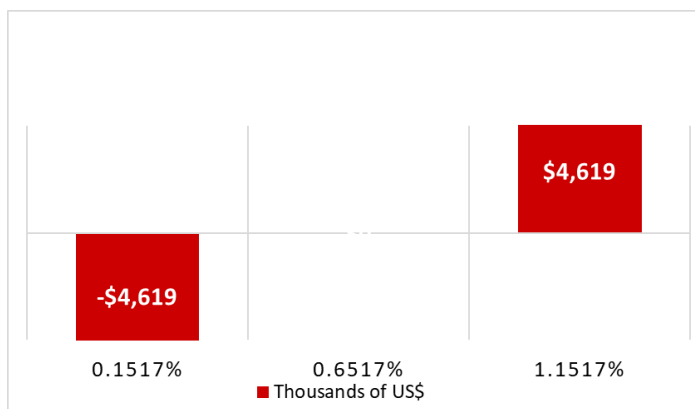
In compliance with its income management and financial charges policy, the Bank annually establishes a fixed margin applicable to new loans to be granted in the upcoming year (Operating Lending Rate or "TOR"). For loans approved starting January 1, 2020, the Board of Executive Directors approved a step-up interest rate structure by which interest rates are set according to the final maturity of loans (Resolution 1431/2019 of February 29, 2019).

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

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.

The sensitivity analysis was performed using a 6-month Libor rate of 65 bps. Accordingly, the analysis yields a maximum and a minimum 6-month Libor rate of 115 bps and of 15 bps, respectively. Should the 6-month Libor rate increase by 50 bps, to reach 115 bps or decrease 50 bps to reach a minimum of 15 bps, future net income could be increased by \$4,619, or reduced by \$4,619, respectively.

**INTEREST RATE SENSITIVITY ANALYSIS  
VARIATION OF THE 6 MONTHS 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 (see Notes 4.8, 8.2; and 8.3, for further details).

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 because of changes in interest rate for investments classified as available for sale and valued at FVOCI, and for changes in credit rating of investments classified as held-to-maturity and valued at amortized cost or lowered to their fair value through a provision, when applicable.

The following chart shows the maximum exposure to losses related to price changes for investments classified as available for sale valued at fair value with changes in other comprehensive income assuming a 50 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, 2021, and 2020, respectively:

Sensitivity analysis of investments Years ended as of December 31,						
Portfolio	2021			2020		
	<u>Book value<sup>i</sup></u>	<u>Maximum loss exposure</u>	<u>Variation</u>	<u>Book value</u>	<u>Maximum loss exposure</u>	<u>Variation</u>
	\$	\$	%	\$	\$	%
Available for sale investments up to 12-month – FVOCI	192,965	444	0.23	89,839	375	0.42
Held-to-maturity investments up to 12-month – At amortized cost	-.-	-.-	-.-	33,108	8	0.02
Certificates of deposit fixed-term deposits	151,850	-.-	-.-	51,316	-.-	-.-
<b>Total short-term investments</b>	<b>344,815</b>	<b>444</b>	<b>0.13</b>	<b>174,263</b>	<b>383</b>	<b>0.22</b>
Available for sale investments greater than 12-month – FVOCI	159,823	1,046	0.65	231,222	3,336	1.44
Held-to-maturity investments greater than 12-month – At amortized cost	-.-	-.-	-.-	1,298	-.-	-.-
<b>Total long-term investments</b>	<b>159,823</b>	<b>1,046</b>	<b>0.65</b>	<b>232,520</b>	<b>3,336</b>	<b>1.43</b>
<b>Total</b>	<b>504,638</b>	<b>1,490</b>	<b>0.30</b>	<b>406,783</b>	<b>3,719</b>	<b>0.91</b>

<sup>i</sup> 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 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).

## 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 which relates the risk-weighted financial assets with the amount of equity ensures a reasonable coverage against potential exposure to credit risk, both for the lending portfolio and at the level of each borrowing member country.

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 and enterprises, either at the national or subnational level, the Bank started lending without the sovereign guarantee of the member country. During the year ended December 31, 2021, the Bank approved one new financing without sovereign guarantee in the amount of \$42,000 for Uruguay's state-owned road corporation ("Corporación Vial del Uruguay – CVU") and increased the existing line of credit with the state-owned development bank of Minas Gerais, Brazil (BMG), from \$36,000 to \$42,000 (December 31, 2020 - \$72,000 approved and disbursed in two financings). See Notes 2 and 8.4(i), for further details.



The Bank's financial policies and lending guidelines provide for the actions to be taken in connection with overdue loan balances and non-compliance. These policies and regulations form an integral part of loan 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 without 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, 2021, and 2020, respectively, the average credit risk rating of the investment portfolio was AA, above the AA-required limit by the investment policy.

## 6.5 Liquidity risk

Liquidity risk is the risk related 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 its commitments, loan disbursements, debt service, and the payment of obligations stemming from its administrative and capital expenditure requirements for a 12-month period. For the year ended as of December 31, 2021, and 2020, 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, 2021, and 2020, respectively.

	As of December 31,	
	2021	2020
	\$	\$
Cash and cash equivalents – Note 8.1	128,261	32,037
Investments – Notes 8.2 and 8.3	504,638	406,783
Gross liquidity	632,899	438,820
Cash flow hedge derivatives payable – Note 8.5 (ii)	-	5
Borrowings – Note 8.5	926,741	568,324
Other liabilities – Note 9.3	3,149	1,982
Special funds – Note 8.6	21,891	15,066
Total liabilities	951,781	585,377

Liquid assets coverage of the amount of net estimated disbursements was equivalent to 1.49, and 0.98 years, as of December 31, 2021, and 2020, respectively.

## NOTE 7 – MANAGEMENT OF OTHER NON-FINANCIAL RISKS

### 7.1 Operational risk

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

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

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

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 daily. 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 2021. The Bank has opted for using the SOFR "in-arrears" for all its loans, starting January 1, 2022. Accordingly, the Bank is currently in the process of starting development and implementation to accommodate required changes to its loan, investment and debt, electronic transaction processing systems, aiming at having them in production by the end of the first quarter of 2022. Additionally, legacy loan documentation started to be amended in coordination with each member country to reflect the above-mentioned changes.

The Bank is closely monitoring and 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 ("ISP") approved by its Board of Governors, which establishes the strategic objectives to be attained, as well as the indicators required to measure progress over time. Annually, the Board of Governors 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 ISP results matrix. This ensures an adequate alignment between the long-term strategic objectives and results to be attained in the short run to move towards the attainment of those strategic objectives.

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

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

**Reputational risk** – Is the risk derived from a negative public opinion. This risk affects the capacity of an organization to establish new relationships or to maintain existing ones, directly affecting current and future revenues. This risk could expose the entity to litigation or to a financial loss or jeopardize its competitiveness. The Bank periodically monitors this risk through its Office of Communications. Additionally, the Operations Department specifically follows-up on each financed project under implementation. As of the date of these financial statements there is no evidence that this risk has materialized and affected the Bank.

## NOTE 8 – FINANCIAL ASSETS AND LIABILITIES

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

- A general overview of all financial instruments held by the 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 and liabilities:

	Note	Financial assets carried at fair value w/changes in OCI \$	Financial assets carried at amortized cost \$	Total \$
<b><u>December 31, 2021</u></b>				
<b>Financial assets:</b>				
Cash and cash equivalents	8.1	24,652	103,609	128,261
Investments at fair value with changes in OCI <sup>1</sup>	8.2	355,043	-	355,043
Investments at amortized cost <sup>1</sup>	8.3	-	151,961	151,961
Loan portfolio <sup>2</sup>	8.4	-	1,514,339	1,514,339
Subtotal		379,695	1,769,909	2,149,604
Cash flow hedge derivatives	8.5	694	-	694
Total financial assets		380,389	1,769,909	2,150,298
<b>Financial liabilities:</b>				
Borrowings	8.5	-	(926,741)	(926,741)
Other liabilities	8.5	-	(3,149)	(3,149)
Special funds	8.5	-	(21,891)	(21,891)
Total financial liabilities		-	(951,781)	(951,781)
Net financial assets		380,389	818,128	1,198,517
<b><u>December 31, 2020</u></b>				
<b>Financial assets:</b>				
Cash and cash equivalents	8.1	-	32,037	32,037
Investments at fair value with changes in OCI	8.2	322,778	-	322,778
Investments at amortized cost <sup>1</sup>	8.3	-	85,826	85,826
Loan portfolio <sup>2</sup>	8.4	-	1,247,631	1,247,631
Total financial assets		322,778	1,365,494	1,688,272

		<u>Financial assets</u> <u>carried at fair</u> <u>value</u> <u>w/changes in</u> <u>OCI</u> <u>\$</u>	<u>Financial assets</u> <u>carried at</u> <u>amortized cost</u> <u>\$</u>	<u>Total</u> <u>\$</u>
	<u>Note</u>			
<b>Financial liabilities:</b>				
Cash flow hedge derivatives	8.5	(5)	--	(5)
Borrowings	8.5	--	(568,324)	(568,324)
Other liabilities	8.5	--	(1,982)	(1,982)
Special funds	8.5	--	(15,066)	(15,066)
Total financial liabilities		(5)	(585,372)	(585,377)
Net financial assets		322,773	780,122	1,102,985

<sup>1</sup>Includes interest and other investment income.

<sup>2</sup>Includes interest and other loan income.

The exposure of the institution to the various risks related to financial instruments is disclosed in Note 8.5 (ii). The maximum exposure to credit risk as of December 31, 2021, and 2020, 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:

	<u>As of December 31,</u>	
	<u>2021</u>	<u>2020</u>
	<u>\$</u>	<u>\$</u>
Cash at Banks	62,615	32,037
Time deposits and short-term bonds	65,646	--
Total	128,261	32,037

#### (i) Classification of cash equivalents

Time deposits and short-term bonds 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 bonds issued by high-quality issuers, and consist of:

	<u>As of December 31,</u>	
	<u>2021</u>	<u>2020</u>
	<u>\$</u>	<u>\$</u>
Sovereign bonds	225,943	173,514
Multilateral development institutions – Bonds	111,201	132,482
Other financial institutions	13,587	12,969
Argentine treasury bonds	2,057	2,096
Subtotal	352,788	321,061
Accrued interest receivable	2,255	1,717
Total	355,043	322,778

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

**(i) Investments with related parties**

As of December 31, 2021, and 2020, respectively, the Bank did not maintain investments with related parties.

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

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

**(iii) Impairment**

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

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

For the year ended as of December 31, 2021, the Bank has recognized net unrealized losses in the amount of \$9,700 in its statement of comprehensive income. These unrealized losses consist of a loss in market value adjustments of investments for \$3,928, and a loss of \$5,744, in valuation of cross-currency and interest rate swaps (December 31, 2020, net loss of \$794, consisting of: \$2,417, in net losses arising from market value adjustments on investments kept at fair value; and a gain of \$1,651, related to market value adjustments on the effective portion of derivatives designated as cash-flow hedge of bonds outstanding). Additionally, during the year ended as of December 31, 2021, comprehensive income was reduced by \$28, corresponding to the depreciation of the amount of technical appraisal of property recognized in 2018, \$812 (December 31, 2020 - \$28).

**(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:

	<u>As of December 31,</u>	
	<u>2021</u>	<u>2020</u>
	\$	\$
<u>Investments in time deposits <sup>(1)</sup></u>		
Sovereign	141,860	28,853
Multilateral development institutions	9,990	22,463
Subtotal	<u>151,850</u>	<u>51,316</u>



	As of December 31,	
	2021	2020
	\$	\$
<u>Investments in other values <sup>(2)</sup></u>		
Sovereign bonds	-.-	28,544
Bonds issued by Multilateral development institutions	-.-	1,298
Financial sector bonds	-.-	4,564
Subtotal	-.-	34,406
Principal invested	151,850	85,772
Accrued interest receivable	111	105
Total	151,961	85,827

(1) Investments correspond to time deposits with original maturities greater than three months.

(2) Investments include sovereign bonds and bonds issued by multilateral development institutions, as well as commercial paper issued by other financial institutions with a risk profile falling within the Bank's investment risk guidelines.

### (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, since the carrying amount of investments was lower than the respective fair values based on bid market prices as of December 31, 2021 (December 31, 2020 – 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:

<u>Country</u>	<u>As of December 31,</u>	
	<u>2021</u>	<u>2020</u>
	\$	\$
Argentina	403,808	322,860
Bolivia	355,393	331,636
Brazil	143,243	106,045
Paraguay	275,547	179,773
Uruguay	269,610	239,181
<i>Gross loan portfolio with sovereign guarantee (SG)</i>	<i>1,447,601</i>	<i>1,179,495</i>
<i>Gross loan portfolio without sovereign guarantee (NSG)</i>	<i>72,000</i>	<i>72,000</i>
<i>Total gross loan portfolio</i>	<i>1,519,601</i>	<i>1,251,495</i>
Less: Unaccrued administrative fee	(3,595)	(4,723)
<i>Subtotal loan portfolio</i>	<i>1,516,006</i>	<i>1,246,772</i>
Less: Provision for potential impairment on SG loans	(11,123)	(8,491)
Less: Provision for potential impairment on NSG loans	(1,217)	(1,250)
<i>Net loan portfolio</i>	<i>1,503,666</i>	<i>1,237,031</i>

Accrued loan interest receivable amounts to \$10,673 and to \$10,600, as of December 31, 2021, 2020, respectively.

During the year ended as of December 31, 2021, and 2020, respectively, all loans were classified in Stage 1. The amount of provision for potential impairment of loans as of December 31, 2021, and 2020, is as follows:

	<u>As of December 31,</u>	
	<u>2021</u>	<u>2020</u>
	\$	\$
Provision as of the beginning of the period or year SG	8,491	12,239
Increase/(decrease) on provision of SG loans	2,632	(3,748)
Subtotal Provision SG	11,123	8,491
Opening NSG provision	1,250	-
Increase/(decrease) on NSG provision	(33)	1,250
Subtotal NSG provision	1,217	1,250
<b>Total provision for potential impairment on loans</b>	<b>12,340</b>	<b>9,741</b>

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

<u>Maturity</u>	<u>As of December 31,</u>	
	<u>2021</u>	<u>2020</u>
	\$	\$
Up to one year	108,752	75,667
Greater than one and up to two years	147,786	98,918
Greater than two and up to three years	176,558	127,677
Greater than three and up to four years	169,383	147,428
Greater than four and up to five years	145,965	136,154
Greater than five years	771,156	665,651
<b>Total gross loan portfolio</b>	<b>1,519,601</b>	<b>1,251,495</b>

**(i) Loan portfolio classification**

Most of the loan portfolio consists of loans granted with the sovereign guarantee of the member country. Starting in 2020, the Bank has begun extending financing to state-owned banks and enterprises without the sovereign guarantee of the member country. The outstanding balance from those loans represents approximately 4.7% of gross loans outstanding as of December 31, 2021 (December 31, 2020 – 5.7%).

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

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

The Bank's 2022 – 2026 ISP, approved by the Board of Governors on September 17, 2021, provides for extending financing for activities such as pre-investment, investment, technical cooperation and knowledge generation. To this end, the 2022 – 2026 ISP builds upon the approval by the Board of Governors in 2019, of an amendment to the "Policy for the Appropriation of Lending Resources," to allow the financing of majority-owned government enterprises of member countries, at the national and subnational levels, without sovereign guarantee (NSG). This amendment was preceded by the approval by the Board of Executive Directors of a new line for the financing of NSG operations, in November 2019.

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

Since the inception of the new line of without sovereign guaranteed lending targeting government owned banks and enterprises in 2020, and through December 31, 2021, the Bank has approved three loans and increased a line of credit for a total of \$120,000, of which \$72,000 were fully disbursed in 2020 (2020 - \$72,000 approved and disbursed). These financings consist of revolving credit lines with up to 8-year validity and a maximum 2-year grace period and up to 8-year amortization period. As it is the case in NSG financings, NSG 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 without 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.

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: equity and total assets. The Bank reviews the status of its loan portfolio, on a quarterly basis, to identify potential impairments affecting its collectability, in full or in part. Information about the overall credit quality of the loan portfolio, its exposure to credit risk, currency exchange and interest risk is disclosed Notes 4.7 and 6.

## 8.5 Borrowings

Borrowings includes outstanding loans with other multi 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 cross-currency swaps related to the three CHF denominated bond issuances; as well as 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 JP Morgan (JPM) and Credit-Suisse (CS), consists of a net receivable of \$694, as of December 31, 2021 (December 31, 2020, net payable of \$5), and is shown under “Cash flow hedged derivatives”, in the statement of financial position.

Total borrowings as of December 31, 2021, and 2020, are as follows:

	<u>As of December 31,</u>	
	<u>2021</u>	<u>2020</u>
	\$	\$
<b>Borrowings</b>		
Loans and time deposits at amortized cost	381,536	398,968
Bonds	547,825	170,222
Less: unamortized borrowing costs	(2,620)	(866)
<b>Total</b>	<u>926,741</u>	<u>568,324</u>

### (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:

	<u>As of December 31,</u>	
	<u>2021</u>	<u>2020</u>
	\$	\$
Banco de Desarrollo de América Latina – (CAF) - See (1), below	64,000	69,333
Time deposits with Central Banks - See (2) below	80,000	210,000
Inter-American Development Bank (IDB) - See (3) below	100,000	88,098
French Development Agency (AFD) - See (4) below	20,000	20,000
European Investment Bank (EIB) - See (5) below	12,000	6,000
Oficial Credit Institute E.P.E. (ICO) - See (6) below	5,536	5,536
Banco Bilbao Vizcaya Argentaria (BBVA) - See (7) below	100,000	-.-
Total	<u>381,536</u>	<u>398,967</u>

In March 2018, the Board of Executive Directors updated its financial policies through RDE 1409. Among the changes introduced, the methodology to determine the Bank's lending capacity using a multiple of three times the value of Net Equity and the methodology to determine its borrowing capacity based on a multiplier of 2 times the value of equity, plus the sum of liquid assets.

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

- (1) As part of the framework contract signed with “Banco de Desarrollo de América Latina – CAF” on November 14, 2016, 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. As part of its liquidity management strategy, on September 17, 2021, the Bank signed an agreement for a \$100,000 non-revolving line of credit expiring on June 10, 2022. The Bank did not disburse any moneys against this line during the year ended as of December 31, 2021.
- (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 balance outstanding as of December 31, 2021, and 2020, as well as the relevant information on each certificate of deposit.

<u>Central Bank</u>	<u>As of December, 31</u>		<u>Date of Acceptance</u>	<u>Maturity</u>	<u>Type of Interest Rate</u>
	<u>2021</u>	<u>2020</u>			
	\$	\$			
Bolivia	-.-	30,000	05/15/2018	5/15/2021	6-month Libor plus margin
Bolivia	-.-	50,000	6/5/2020	8/11/2021	6-month Libor plus margin
Uruguay	-.-	50,000	5/5/2020	11/5/2021	Fix <sup>1</sup>
Uruguay	80,000	80,000	5/5/2020	5/5/2023	Fix <sup>1</sup>
Total	<u>80,000</u>	<u>210,000</u>			

<sup>1</sup>In compliance with its prudential risk-management policies, the Bank swapped the fix-rate interest payments for the 6-month Libor rate, within the framework of the ISDA agreement signed with JPM in March 2018 (see Notes 2 and 8(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 (IDB). This borrowing is based on the 3-month Libor rate and provides for a 5-year disbursement period, a 5 ½ grace period and a 25-year repayment period. The terms of this borrowing agreement, which entered into force upon its signature, provides for the recognition of eligible project expenditures for an amount of up to \$20,000, covering project expenditures incurred from June 15 and November 15, 2017. Furthermore, with the purpose of optimizing cash flows under this line of credit, both parties agreed that 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 June 25, 2021, the Bank received \$7,712, as a reimbursement of previously made disbursements on eligible projects, and on June 28, 2021, the Bank received \$4,190, to be allocated to projects ARG-35 and ARG-39 (November 2, 2020, the Bank received \$27,883). With the reimbursements received, as of December 31, 2021, this line of credit has been completely utilized, increasing the amount owed to the IDB to \$100,000 (December 31, 2020, \$88,098). The Bank is currently in advanced stages of negotiations for a new line of credit up to \$300,000, with a first tranche of \$100,000. This new line is expected to be formalized in the first quarter of 2022.

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

Loan	As of December 31, 2021			
	IDB			
	<u>Eligible amount</u>	<u>Disbursed</u>	<u>non-financeable amount</u>	<u>To be financed by FONPLATA</u>
	\$	\$	\$	\$
ARG-26/2016 Modernization	750	750	-.-	6,750
ARG-28/2016 Compl. Frontier	10,000	2,000	8,000	10,000
ARG-31/2016 BICE 1ª Stage	14,328	14,328	-.-	5,672
ARG-31/2016 BICE 2ª Stage	13,881	13,881	-.-	6,119
ARG-35/2017 Infraestr. p/la integration	11,500	2,220	9,280	10,700
ARG – 39/2018 Route 13 Chaco	20,000	9,709	10,291	17,214
BOL-32/2018 - stage I Urban Infrastructure 2	20,000	20,000	-.-	45,000
BRA-16/2014 Corumba	10,000	10,000	-.-	30,000
PAR-20/2015 Integration	23,250	22,922	328	46,750
PAR-25/2018 Routes Jesuíticas	12,000	-.-	12,000	-.-
Advances to projects ARG-35/ARG-39 <sup>2</sup>	-.-	4,190	(4,190)	(4,190)
Eligible and undisbursed projects	(35,709)	-.-	-.-	-.-
Total	<u>100,000</u>	<u>100,000</u>	<u>35,709</u>	<u>174,015</u>

<sup>2</sup>This amount will be allocated at later time.

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. With the implementation of the document management system, the Bank satisfied the purpose of the ATN, and the remaining unused amount was cancelled by the IDB.

- (4) On April 24, 2018, the Bank signed 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 22, 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. As of December 31, 2021, the Bank had drawn down the amount of \$12,000 against this line of credit; \$6,000 received on August 31, 2021, and \$6,000, received on August 17, 2020, respectively.
- (6) On December 17, 2018, the Bank signed a credit line with the “Instituto de Crédito Oficial E.P.E. – (ICO),” in the amount of \$15,000, which expired on December 17, 2020. There were no drawdowns under this line of credit subsequent to 2019, where the Bank drew-down \$5,536. On June 23, 2021, the Bank signed the second line of credit with ICO, also in the amount of \$15,000. This new line provides retroactive financing for eligible disbursements made on or after January 1, 2020.

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:

Loan	December 31, 2021, and 2020			
	ICO			
	<u>Eligible</u>	<u>Disbursed</u>	<u>Disbursed</u>	<u>Undisbursed</u>
	<u>amount</u>	<u>2020</u>	<u>2021</u>	
	\$	\$	\$	\$
BOL – 25 sewerages	1,674	1,674	-.-	-.-
URU – 14 residual liquids	3,629	2,129	-.-	1,500
ARG – 38/2018 railway	1,733	1,733	-.-	-.-
Projects to be identified	7,964	-.-	-.-	7,964
New Projects ICO Phase II	15,000	-.-	-.-	15,000
Cancelled project	(9,464)	-.-	-.-	(9,464)
Total	<u>20,536</u>	<u>5,536</u>	<u>-.-</u>	<u>15,000</u>

- (7) On June 22<sup>nd</sup>, 2021, the Bank signed on a \$100,000 financing facility with Banco Bilbao Vizcaya Argentaria S.A. (BBVA). The facility was withdrawn on June 30<sup>th</sup> in its entirety, and it was used to finance expected loan disbursements through year-end.

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

As stated in Notes 2 and 4.10, the Bank issued its second and third bond issuances, a.k.a., FONPLATA26, and FONPLATA28, respectively, in the Swiss’ capital market. These two bond issuances formalized with the receipt of the net proceeds on March 3, and on December 1, 2021, are denominated in Swiss Francs. FONPLATA26, consisted of CHF 200,000, with an annual fixed rate coupon and a 5 ½ - year maturity on September 3, 2026, and FONPLATA28, consisted of CHF 150,000, with an annual fixed rate coupon and 7- year maturity on December 1, 2028.

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

The following are the cross-currency and currency swaps outstanding as of December 31, 2021, and 2020, respectively:

**December 31, 2021**

1. JPM – Cross-currency swapping CHF 150,000, maturing in 5-years at fix rate with 0.578% annual coupon, plus 1 bps paying agent's commission, exchanged for USD 148,809, maturing in 5-years with semiannual interest payments based on the 6-month Libor rate.
2. JPM – Interest rate swaps to exchange fixed rate semiannual payments related to time deposits taken from the Central Bank of Uruguay, in the aggregate amount of \$80,000, for variable interest rate semiannual payments based on the 6-month Libor rate (see Notes 2, and 8(i)(2)).
3. Credit-Suisse – Cross-currency swap to exchange CHF 200,000, 5 ½ year maturity at fix rate, with 0.556% annual coupon for USD 222,668, plus 1 bps paying agent fee, maturing in 5 ½ years, with semiannual payments based on the 6-month Libor rate.
4. JPM – Cross currency swap to exchange CHF 150,000, 7-year maturity at fix rate, with 0.7950% annual coupon for USD 164,474, plus 1 bps paying agent fee, maturing in 7 years, with semiannual payments based on the 6-month Libor rate.

**December 31, 2020**

1. JPM – Cross-currency swapping CHF 150,000, maturing in 5-years at fix rate with 0.578% annual coupon, plus 1 bps paying agent's commission, exchanged for USD 148,809, maturing in 5-years with semiannual interest payments based on the 6-month Libor rate.
2. JPM – Interest rate swaps to exchange fixed rate semiannual payments related to time deposits taken from the Central Bank of Uruguay, in the aggregate amount of \$130,000, for variable interest rate semiannual payments based on the 6-month Libor rate.

The Bank has signed ISDA master netting agreements with its counterparts. Under these agreements, each party has to compensate the other with collateral for any differences in credit risk resulting from daily changes in valuation of the swaps due to changes in interest and foreign exchange rates. Collateral is to be made effective, either in cash or U.S. Treasury bills by the party that is deficient when the net daily difference in valuation exceeds \$500. Collateral is determined based on a proprietary valuation model. The Bank closely monitors the fairness and reasonableness of those valuation models used by its counterparts through its own valuation model based on market information provided by Bloomberg financial services regarding interest and exchange rates.

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

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

As of December 31, 2021, the Bank holds collateral in the form of cash received from JPM, in the amount of \$16,322, and has a receivable position on collateral deposits made with CS in the amount of \$8,720, for a net liability position of \$7,602. Collateral positions receivable and payable are an integral part of the cross-currency swaps agreements signed and are designed to compensate for credit risk in the event the counterparts were to default on its commitment (December 31, 2020 - \$23,584 collateral payable to JPM). During the year ended December 31, 2021, the Bank returned to JPM the amount of \$7,260 on collateral held, and also sent collateral to CS in the amount of \$8,720, for a total outflow of \$15,980.

The total amount of interest received and paid on collateral sent and received from counterparts, based on the Federal Reserve overnight funds rate amounted to \$13 and \$5, for the year ended December 31, 2021, respectively (December 31, 2020 - \$0 of interest received and \$30 of interest paid).

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, 2021. The column "net amount" shows the impact on the Bank's statement of financial position if all set-off rights were exercised.

	Gross amounts \$	Gross amounts set- off in the Statement of Financial Position \$	Net amounts presented in the Statement of Financial Position \$
<u>As of December, 2021</u>			
<b>Financial assets:</b>			
Cross-currency swap receivable at FVOCI – CS	230,790	(239,500)	(8,710)
Collateral receivable – CS	8,720	-.-	8,720
<b>Subtotal Derivatives Receivable – CS</b>	<b>239,510</b>	<b>(239,500)</b>	<b>10</b>
<b>Financial liabilities:</b>			
Cross-currency and interest rate swaps payable at FVOCI – CS	(239,500)	239,500	-.-
<b>Subtotal Derivatives Payable – CS</b>	<b>(239,500)</b>	<b>239,500</b>	<b>-.-</b>
<b>Cash-flow hedge derivatives net receivable</b>	<b>10</b>	<b>-.-</b>	<b>10</b>
<u>As of December 31, 2021</u>			
<b>Financial assets:</b>			
Cross-currency swap receivable at FVOCI – JPM	333,249	(316,326)	16,923
Interest rate swaps receivable at FVOCI - JPM	80,562	(80,479)	83
<b>Subtotal Derivatives Receivable – JPM</b>	<b>413,811</b>	<b>(397,075)</b>	<b>17,006</b>
<b>Financial liabilities:</b>			
Cross-currency and interest rate swaps payable at FVOCI – JPM	(316,326)	316,326	-.-
interest rate swap payable at FVOCI - JPM	(80,479)	80,479	-.-
Collateral payable -JPM	(16,322)	-.-	(16,322)
<b>Subtotal Derivatives Payable - JPM</b>	<b>(413,127)</b>	<b>397,075</b>	<b>(16,322)</b>
<b>Cash-flow hedge derivatives net receivable <sup>1</sup></b>	<b>684</b>	<b>-.-</b>	<b>684</b>
<b>Net receivable as of December 31, 2021</b>	<b>694</b>	<b>-.-</b>	<b>694</b>

	Gross amounts	Gross amounts set-off in the Statement of Financial Position	Net amounts presented in the Statement of Financial Position
	\$	\$	\$
<u>As of December 31, 2020</u>			
<b>Financial assets:</b>			
Cross-currency swap receivable at FVOCI	179,475	(179,475)	-.-
Interest rate swaps receivable at FVOCI	132,360	(132,360)	-.-
<b>Subtotal Derivatives receivable</b>	<b>311,835</b>	<b>(311,835)</b>	<b>-.-</b>
<b>Financial liabilities:</b>			
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)
<b>Subtotal Derivatives payable</b>	<b>(311,840)</b>	<b>311,835</b>	<b>(5)</b>
<b>Net receivable exposure</b>	<b>(5)</b>	<b>-.-</b>	<b>(5)</b>

<sup>1</sup>Due to the early closing of capital markets on December 31, 2021, JPM transferred the corresponding margin call to the Bank for \$690, on January 3, 2022, changing the Bank's exposure to credit risk from \$684 to a net liability of \$6.

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

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

<u>Maturities</u>	<u>As of December 31,</u>	
	<u>2021</u>	<u>2020</u>
	\$	\$
Up to one year	66,016	135,333
More than one and up to two years	104,592	66,016
More than two and up to three years	205,606	87,330
More than three and up to four years	41,688	177,553
More than four and up to five years	244,579	7,760
More than five years	266,880	95,198
<b>Total</b>	<b>929,361</b>	<b>569,190</b>

#### (i) Fair value of borrowings

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

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

#### (ii) Risk exposure

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

## 8.6 Special funds

The balance maintained with special funds by the Bank as of December 31, 2021, and 2020, respectively, includes the following:

	As of December 31,	
	2021	2020
	\$	\$
FOCOM	13,769	8,838
PAC	4,056	2,986
PCT	4,066	3,242
Total	21,891	15,066

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.

Special funds are funded through distribution of retained earnings 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 (referred as FOCOM)”: The scope of this fund, was expanded in 2020, from helping to reduce the financial cost incurred by Bolivia, Paraguay y Uruguay on their loans with the Bank, to also encompass projects under the “Green Financing Line” and projects financed under the “Economic Recovery Line”, through the payment of a portion of the interest to be paid semiannually for all five member countries. The payment of the part of the interest accrued on loans by FOCOM on behalf of the borrowers is contingent and determined annually. On September 19, 2021, (RAG – 182), the Board of Governors approved a contribution of \$7,000 from retained earnings as of December 31, 2020. Since the inception of this fund, in May 2014, and through the year period ended December 31, 2021, it has received \$18,510 in contributions approved by the Board of Governors from retained earnings (December 31, 2020 - \$11,510).
- b. “Technical Cooperation Program (PCT)”: This fund was created through the restructuring and transfer of resources from the “Fondo para Desarrollo de Proyecto de Integración Regional” (FONDEPRO), to the PCT. The PCT pursues the purpose of fostering regional development and integration, through financing studies, technical knowledge exchange programs, and other initiatives that form an integral part of the Bank’s strategic focus. On September 19, 2021, the Board of Governors approved a contribution of \$1,500 from retained earnings as of December 31, 2020. Since its inception and through December 31, 2021, the PCT has received \$4,500 in contributions approved by the Board of Governors from retained earnings (December 31, 2020 - \$3,000).
- c. “Joint Savings Program (PAC)”: As stated in Note 4.13, “Other benefits to employees” on August 14, 2018, the Board of Executive Directors approved the PAC, which became effective, on November 1, 2018, and has a validity of eight years counted from the first day of employment of a participant. The PAC preserves the exit payment benefit, upon termination of employment, and improves it by adding a supplemental contribution based on one-to-one matching of the voluntary amount of savings to be contributed by participating employees.

Participant's contributions are optional and those employees who opt-out would only receive the severance payment benefit, upon termination of employment. Participant's voluntary savings contributions are limited to either a maximum of one 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 exit payment benefit; their voluntary savings contributions plus accumulated investment earnings, and the accumulated matching contributions made by the Bank on participant's voluntary savings contributions plus accumulated investment earnings.

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

The following table provides a break-down of funds accumulated and total available PAC funds for the years ended as of December 31, 2021, and 2020, respectively:

	<u>Severance payment contributions</u> \$	<u>Participants' voluntary savings contributions</u> \$	<u>Bank's matching contributions on voluntary savings</u> \$	<u>Accumulated total</u> \$	<u>Total amount available for termination</u> \$	<u>Deferred amount</u> \$
<b>December 31, 2021</b>						
Balance as of December 31, 2020:	1,598	803	585	2,986	2,896	90
Changes in vesting	--	--	--	--	60	(60)
Severance payment contributions	465	--	--	465	465	--
Participants' voluntary savings contribution	--	367	367	734	684	50
Additional participants' savings contributions	--	153	--	153	153	--
Investment income accrued	--	1	1	2	2	--
Withdrawals	(174)	(64)	(46)	(284)	(284)	--
Balance due to the PAC	1,889	1,260	906	4,056	3,976	80
<b>December 31, 2020</b>						
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

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 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.

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:

	<u>Note</u>	<u>Level 1</u> \$	<u>Level 2</u> \$	<u>Level 3</u> \$
<u>December 31, 2021</u>				
Investments carried at fair value with effect in OCI	8.2	<u>352,788</u>	<u>-.-</u>	<u>-.-</u>
<u>December 31, 2020</u>				
Investments carried at fair value with effect in OCI	8.2	<u>321,061</u>	<u>-.-</u>	<u>-.-</u>

For the years ended as of December 31, 2021, and 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. 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:

	<u>Property</u>	<u>Equipment and</u>	<u>Art</u>	<u>Vehicles</u>	<u>Total</u>
	<u>\$</u>	<u>Furniture</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
<u>Book value</u>					
Balance as of December 31, 2019	4,827	1,860	87	48	6,822
Additions	30	568	-.-	-.-	598
Balance as of December 31, 2020	4,857	2,428	87	48	7,420
Additions	-.-	214	-.-	-.-	214
Balance as of December 31, 2021	4,857	2,642	87	48	7,634
<u>Cumulative depreciation</u>					
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
Depreciation	166	237	-.-	3	406
Balance as of December 31, 2021	679	1,165	-.-	48	1,892
<u>Net book value as of December 31, 2021</u>	<u>4,178</u>	<u>1,477</u>	<u>87</u>	<u>-.-</u>	<u>5,742</u>
<u>Net book value as of December 31, 2020</u>	<u>4,344</u>	<u>1,500</u>	<u>87</u>	<u>3</u>	<u>5,934</u>

On December 14, 2021, following the opening of its liaison offices in all member countries and the assignment of staff to those offices, the Bank optimized the allocation of office space at its headquarters' and took advantage of an offer from a local financial institution to sell two offices not interconnected with the rest of the five floors occupied by the Bank. The sale of the offices was agreed for an amount of \$450, which approximates current market value for offices of similar location and quality. The sale was completed on January 18, 2022, upon receiving full payment and delivering the office space to the buyer. The office space sold represented less than 10% of the total space originally acquired.

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 was reduced by \$28 of annual depreciation for the year ended December 31, 2021 (December 31, 2020 - \$28) 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:

<u>Asset</u>	<u>Useful Live</u>
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.

### (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:

	As of December 31,	
	2021	2020
	\$	\$
Cost	4,044	4,044
Cumulative depreciation	(596)	(458)
<b>Total</b>	<b>3,448</b>	<b>3,586</b>

## 9.2 Miscellaneous

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

The Bank has entered into medium-term leases to secure space for its liaison offices in Montevideo, Uruguay and Brazilia, Brazil. Leases for periods longer than one year are recognized and accounted in compliance with IFRS 16. The following table shows the relevant information on those leases as of December 31, 2021, and 2020, respectively:

	Lease Obligation
	\$
<b>As of December 31, 2021</b>	
Montevideo – Uruguay, 3-year lease contract signed on November 20, 2020. Minimum monthly payments in U.S. dollars of \$2.5, starting on February 1, 2021, and ending on January 1, 2024. Minimum rental payments are subject to 4% annual escalation adjustment.	
Brazil – Brazilia, 3-year lease contract signed on March 15, 2021, with minimum lease payments denominated in Brazilian Reais, \$9.5, and subject to annual escalation adjustments based on the local inflation price index. Lease expires on March 14, 2024.	144
<b>Total</b>	<b>144</b>
<b>December 31, 2020</b>	
Montevideo – Uruguay, 3-year lease contract signed on November 20, 2020. Minimum monthly payments in U.S. dollars of \$2.5, starting on February 1, 2021, and ending on January 1, 2024. Minimum rental payments are subject to 4% annual escalation adjustment.	114
<b>Total</b>	<b>114</b>

As of December 31, 2021, and 2020, the total amount of miscellaneous receivables amounts to \$748, and to \$762, 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 liabilities in connection with the financial leases signed to secure office space for the Uruguay and Brazil liaison offices. The composition of other liabilities as of December 31, 2021, and, 2020, is as follows:

	As of December 31,	
	2021	2020
	\$	\$
Interest and commissions accrued on borrowings	2,534	1,633
Trade payables and accruals	471	235
Unamortized financial lease obligations	144	114
<b>Total</b>	<b>3,149</b>	<b>1,982</b>

## NOTE 10 – EQUITY

### 10.1 Capital

On January 28, 2016, the 14<sup>th</sup> Extraordinary Board 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.

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, for Argentina, Bolivia, Paraguay, and Uruguay, and from 2018 – 2026, for Brazil in 2026. 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, 2018. Payment of subscribed and committed callable capital will proceed when required and based on the Governors' approval should the Bank be unable to comply with its financial obligations and commitments using its own resources.

Composition of the Bank's capital by member country as of December 31, 2021, and 2020, is as follows:

Member country <sup>i</sup>	Subscribed capital		Authorized capital		Total	%
	Paid-in	Callable	Paid-in	Callable		
	\$	\$	\$	\$	\$	
• 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%
	<u>1,349,200</u>	<u>1,665,000</u>	<u>1,349,200</u>	<u>1,665,000</u>	<u>3,014,200</u>	<u>100.0%</u>

For the years ended as of December 31, 2021, and 2020, the Bank received paid-in contributions in the amount of \$89,585 and \$51,333, respectively. The amount of paid-in capital subscribed and pending integration, as well as the amount of callable capital and committed as of December 31, 2021, and 2020, respectively, is as follows:

Member country	December 31, 2021			December 31, 2020		
	Paid-in Capital Subscribed			Paid-in Capital Subscribed		
	Paid-in <sup>i</sup>	Receivable <sup>i</sup>	Total	Paid-in <sup>i</sup>	Receivable <sup>i</sup>	Total
	\$	\$	\$	\$	\$	\$
• Argentina	356,244	93,500	449,744	325,076	124,668	449,744
• Bolivia	118,737	31,167	149,904	108,349	41,555	149,904
• Brazil	294,012	155,732	449,744	266,759	182,985	449,744
• Paraguay	118,737	31,167	149,904	108,349	41,555	149,904
• Uruguay	118,737	31,167	149,904	108,349	41,555	149,904
Total	<u>1,006,467</u>	<u>342,733</u>	<u>1,349,200</u>	<u>916,882</u>	<u>432,318</u>	<u>1,349,200</u>

As of December 31, 2021, and 2020:

Member Country	Subscribed Callable Capital <sup>i</sup>
	Committed <sup>ii</sup>
	\$
• Argentina	555,014
• Bolivia	184,991
• Brazil	555,014

<u>Subscribed Callable Capital <sup>i</sup></u>	
<u>Member Country</u>	<u>Committed <sup>ii</sup></u>
	\$
• Paraguay	184,991
• Uruguay	184,990
Total	<u>1,665,000</u>

<sup>i</sup> As of December 31, 2018, all member countries had subscribed and committed their share of callable capital.

<sup>ii</sup> 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, 2021, and 2020, includes the following:

- (i) Reserve for changes in the fair value of investments – FVOCI: For the year ended as of December 31, 2021, this reserve was decreased by unrealized losses of \$3,927, for a cumulative unrealized loss of \$5,806 (December 31, 2020 – decreased by \$2,417, resulting from unrealized losses for a balance of \$1,879 of cumulative unrealized losses).
- (ii) Reserve for changes in fair value of derivatives held for hedging: For the year ended as of December 31, 2021, this reserve was decreased by unrealized losses of \$5,744, resulting from the fair value of derivatives contracted for the protection of cashflows, for a cumulative unrealized loss of \$3,578 (December 31, 2020 - increased by \$1,651, gains, for a balance of \$2,166, cumulative unrealized gains).
- (iii) Reserve for revaluation of property: For the year ended as of December 31, 2021, this reserve was reduced by \$28, for a balance of \$729 (December 31, 2020 – Reduced by \$28, for a balance of \$757).

## 10.3 Retained earnings and reserves

Retained earnings as of December 31, 2021, amount to \$24,030 and correspond solely to the net income earned for the year.

The Bank policies provide that Unappropriated Retained Earnings are to be used to finance the preservation of the value of its equity over time and to also finance the Special Fund for the Compensation of the operational Rate (FOCOM), and the Technical Cooperation Program (PCT). Note 8.6, provides additional information on the allocation approved from retained earnings as of December 31, 2020, to these two funds, by the Board of Governors.

The amount of the General Reserve as of December 31, 2021, and 2020, respectively is as follows:

	<u>General Reserve</u>
	\$
Balance as of December 31, 2019	132,443
Allocated by the Board of Governors in 2020: from retained earnings	<u>23,308</u>
Balance as of December 31, 2020	<u>155,751</u>
Allocated by the Assembly of Governors in 2021	<u>27,414</u>
Balance as of December 31, 2021	<u>183,165</u>

## NOTE 11 – REVENUES

The composition of net income is as follows:

	January 1 through December 31,	
	2021	2020
	\$	\$
<b>Loan income:</b>		
Interest	35,609	36,438
Commitment fee and commissions	3,653	4,563
Administrative fee	2,959	2,107
Subtotal	42,221	43,108
<b>Investment income:</b>		
Interest	4,793	8,038
Other	15	19
Gross investment income	4,808	8,057
Special Fund's share of investment income	(23)	(162)
Investment income – Net	4,785	7,895
Other income	85	100
<b>Total Income</b>	<b>47,091</b>	<b>51,103</b>

## 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. For the years ended as of December 31, 2021, and 2020, the Bank reached a percentage of execution of its administrative budget equivalent to 76%. The break-down of administrative expenditures by functional activity is as follows:

	January 1, through December 31,	
	2021	2020
	\$	\$
<u>Classification of expenses</u>		
Personnel expenses	7,067	6,917
Business travel expenses	206	185
Professional services	561	459
Credit risk rating	51	152
External auditors	61	68
Administrative expenses	956	961
Financial services	190	126
<i>Total administrative budget</i>	<i>9,092</i>	<i>8,868</i>
Depreciation	379	321
Loss/(Gain) on foreign exchange	42	(129)
<i>Total administrative expenses</i>	<i>9,513</i>	<i>9,060</i>

## 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 for the years ended as of December 31, 2021, and 2020, respectively, based on their respective recovery or settlement date:



	<u>Current</u> <u>(Up to 1 year)</u> \$	<u>Non-Current</u> <u>(More than 1 year)</u> \$	<u>Total</u> \$
<b><u>December 31, 2021</u></b>			
<b><u>ASSETS</u></b>			
<b>Cash and cash equivalents</b>	128,261	--	128,261
<b>Investments</b>			
At fair value <sup>1</sup>	352,788	--	352,788
At amortized cost	151,850	--	151,850
<b>Loan portfolio</b>			
Outstanding loans	106,702	1,396,964	1,503,666
<b>Interest and other accrued charges</b>			
On investments	2,366	--	2,366
Interest and commissions on loans	10,673	--	10,673
<b>Other assets</b>			
Cash flow hedge derivatives	694	--	694
Property and equipment, net	--	5,742	5,742
Miscellaneous	321	427	748
<b>Total assets</b>	<u>753,655</u>	<u>1,403,133</u>	<u>2,156,788</u>
<b><u>LIABILITIES</u></b>			
Borrowings	65,446	861,295	926,741
Other liabilities	3,005	144	3,149
Special funds	4,054	17,837	21,891
<b>Total liabilities</b>	<u>72,505</u>	<u>879,276</u>	<u>951,781</u>
<b><u>December 31, 2020</u></b>			
<b><u>ASSETS</u></b>			
<b>Cash and cash equivalents</b>	32,037	--	32,037
<b>Investments</b>			
At fair value	152,856	168,205	321,061
At amortized cost	85,722	--	85,722
<b>Loan portfolio</b>			
Outstanding loans	72,829	1,164,202	1,237,031
<b>Interest and other accrued charges</b>			
On investments	1,821	--	1,821
Interest and commissions on loans	10,600	--	10,600
<b>Other assets</b>			
Property and equipment, net	--	5,934	5,934
Miscellaneous	643	119	762
<b>Total assets</b>	<u>356,508</u>	<u>1,338,460</u>	<u>1,694,968</u>
<b><u>LIABILITIES</u></b>			
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
<b>Total liabilities</b>	<u>140,299</u>	<u>445,078</u>	<u>585,377</u>

<sup>1</sup>As of December 31, 2021, all investments classified as available for sale and valued at FVCOI, are held for purpose of financing expected loan disbursements within the next 12-month.

#### NOTE 14 – IMMUNITIES, EXEMPTIONS AND PRIVILEGES

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

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

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

#### NOTE 15 – 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 Bank'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 with the support of its liaison offices. 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:

	<u>Gross portfolio</u>	<u>Unaccrued commissions</u>	<u>Impairment</u>	<u>Loan portfolio</u>	<u>Interest and commissions receivable</u>	<u>Total</u>
	\$	\$	\$	\$	\$	\$
<b><u>December 31, 2021:</u></b>						
Argentina	403,808	(1,335)	(7,373)	395,100	3,030	398,130
Bolivia	355,393	(283)	(2,060)	353,050	2,566	355,616
Brazil <sup>1</sup>	179,242	(792)	(1,222)	177,228	1,192	178,420
Paraguay	311,546	(916)	(721)	309,910	2,066	311,976
Uruguay	269,610	(269)	(963)	268,378	1,819	270,197
Total	1,519,600	(3,595)	(12,339)	1,503,666	10,673	1,514,339

	<u>Gross portfolio</u>	<u>Unaccrued commissions</u>	<u>Impairment</u>	<u>Loan portfolio</u>	<u>Interest and commissions receivable</u>	<u>Total</u>
	\$	\$	\$	\$	\$	\$
<b>December 31, 2020:</b>						
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 <sup>1</sup>	142,045	(1,275)	(1,135)	139,635	1,119	140,754
Paraguay <sup>1</sup>	215,773	(833)	(670)	214,270	1,428	215,698
Uruguay	239,181	(473)	(946)	237,762	1,953	239,715
<b>Total</b>	<b>1,251,495</b>	<b>(4,723)</b>	<b>(9,741)</b>	<b>1,237,031</b>	<b>10,600</b>	<b>1,247,631</b>

<sup>1</sup>Includes \$72,000 of NSG loans approved and fully disbursed in 2020 (June 30, 2020 - \$36,000). As of December 31, 2021, unaccrued commissions on NSG loans amount to \$191, (December 31, 2020 - \$370); and interest and commissions receivable amount to \$185 (December 31, 2020, \$186). The amount of provision for potential NSG loan losses amounts to -\$1,217 (December 31, 2020 - \$1,250), see Note 8.4, for more details.

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

	<u>Communication, transportation, energy, and logistics infrastructure</u>	<u>Infrastructure for productive development</u>	<u>Infrastructure for socio-economic development</u>	<u>NSG Loans</u>	<u>Total</u>
	\$	\$	\$	\$	\$
<b>December 31, 2021:</b>					
Argentina	199,851	65,529	138,428	-	403,808
Bolivia	340,051	-	15,342	-	355,393
Brazil <sup>1</sup>	128,880	-	14,362	36,000	179,243
Paraguay <sup>1</sup>	263,295	12,251	-	36,000	311,546
Uruguay	224,028	28,848	16,734	-	269,610
<b>Total</b>	<b>1,156,106</b>	<b>106,628</b>	<b>184,866</b>	<b>72,000</b>	<b>1,519,601</b>
<b>December 31, 2020:</b>					
Argentina	135,379	65,511	121,970	-	322,860
Bolivia	314,653	-	16,983	-	331,636
Brazil	88,172	-	17,873	36,000	142,045
Paraguay	165,772	14,001	-	36,000	215,773
Uruguay	210,754	15,000	13,427	-	239,181
<b>Total</b>	<b>914,730</b>	<b>94,512</b>	<b>170,253</b>	<b>72,000</b>	<b>1,251,495</b>

<sup>1</sup>The amount under "Total", includes \$72,000 of NSG loans outstanding with government owned banks, 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 and its break-down by country correspond mostly to sovereign guaranteed loans, and are as follows:

	<u>As of December 31,</u>	
	<u>2021</u>	<u>2020</u>
	\$	\$
Argentina	313,214	287,539
Bolivia	71,390	116,716
Brazil <sup>1</sup>	142,564	180,737
Paraguay	146,136	250,413
Uruguay	27,711	57,067
<b>Total</b>	<b>701,014</b>	<b>892,472</b>

<sup>1</sup>Includes \$6,000 of NSG loans.

As December 31, 2021, and 2020, respectively, the balance of loans approved by the Bank but not yet disbursing due to either their respective contracts no having been signed or ratified by the member country's Legislative Branch, corresponds solely to sovereign guaranteed loans, and is as follows:

	<u>As of December 31,</u>	
	<u>2021</u>	<u>2020</u>
	<u>\$</u>	<u>\$</u>
Argentina	65,300	85,000
Bolivia	100,000	-.-
Brazil	206,510	94,877
Paraguay	276,246	276,246
Uruguay <sup>1</sup>	42,000	21,000
Total	<u>690,056</u>	<u>477,123</u>

<sup>1</sup>Includes \$42,000 of NSG of Uruguay.

The average return on loans is as follows:

	<u>January 1, through December 31,</u>			
	<u>2021</u>	<u>2020</u>		
	<u>Average</u>	<u>Average</u>	<u>Average</u>	<u>Average</u>
	<u>balance</u>	<u>return</u>	<u>balance</u>	<u>return</u>
	<u>\$</u>	<u>%</u>	<u>\$</u>	<u>%</u>
Loan portfolio	1,385,548	3.05	1,093,977	3.94

### (c) Segment revenues

Interest and other loan revenues by segment are as follows:

	<u>Loan interest</u>	<u>Other loan</u>	<u>Total</u>
	<u>\$</u>	<u>operating</u>	<u>\$</u>
	<u>revenues</u>		
<b><u>January 1 through December 31, 2021:</u></b>			
Argentina	9,782	2,177	11,959
Bolivia	8,860	806	9,665
Brazil <sup>1</sup>	4,455	1,227	5,682
Paraguay <sup>1</sup>	6,177	1,931	8,108
Uruguay	6,336	471	6,807
Total	<u>35,609</u>	<u>6,612</u>	<u>42,222</u>
<b><u>January 1 through December 31, 2020:</u></b>			
Argentina	9,940	1,934	11,874
Bolivia	10,584	1,070	11,654
Brazil	4,065	1,286	5,351
Paraguay	5,061	1,678	6,739
Uruguay	6,788	702	7,490
Total	<u>36,438</u>	<u>6,670</u>	<u>43,108</u>

<sup>1</sup>Includes accrued interest in the amount of \$2,218, and other loan charges in the amount of \$79, corresponding to NSG loans granted to state-owned development banks in Brazil, and Paraguay, respectively (December 31, 2020 - \$826 in interest, and \$418, in other loan charges related to NSG loans).

**NOTE 16 – RELATED PARTIES**

As indicated in Notes 1 and 6.4, the Bank only grants financings to its five borrowing member countries with sovereign guarantee, who are also the owners and shareholders of the Bank, and to government owned development financial institutions and government owned enterprises, both at the national and subnational level, without sovereign guarantee. All lending operations are entered in full compliance with the policies and guidelines approved by the Board of Governors, the Board of Executive Directors, or the Executive President, as required. Consequently, the Bank does not have transactions with its member countries in other terms than those established in its policies and guidelines.

The balances and transactions maintained with related entities as of December 31, 2021, and 2020, respectively, correspond to the balances maintained with the FOCOM; PCT; and the PAC, as explained in further detail in notes 4.12, 4.13 and 8.6, respectively.

**NOTE 17 – CONTINGENCIES**

No contingencies have been identified, that could materially affect the Bank's financial statements as of December 31, 2021, and 2020, respectively.

**NOTE 18 – SUBSEQUENT EVENTS**

The Bank has evaluated subsequent events as of the date of these financial statements up to February 18, 2022, date on which the financial statements were ready for their issuance. No matters were identified that might have a material impact in the financial statements for the years ended as of December 31, 2021, and 2020.

Juan E. Notaro Fraga  
EXECUTIVE PRESIDENT

Fernando Scelza  
PRESIDENT OF THE BOARD OF EXECUTIVE DIRECTORS

Fernando A. Fernandez Mantovani  
CHIEF ACCOUNTING AND BUDGET

Rafael Robles  
MANAGER FINANCE AND ADMINISTRATION