(Free translation from the original issued in Spanish)

# FONPLATA – BANCO MULTILATERAL DE DESARROLLO

Financial Statements as of December 31, 2022
together with the independent auditor's report financial information

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## Abbreviation

$ = Thousands of U.S. dollars

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# INDEPENDENT AUDITOR'S REPORT

To the Board of Governors
**FONPLATA – Banco Multilateral de Desarrollo**

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of FONPLATA – Banco Multilateral de Desarrollo (the Bank), which comprise the statement of financial position as of December 31, 2022, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as of December 31, 2022, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board.

### 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 are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. 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.

For each of the aspects below, we describe how we have treated them in the context of our audit.

We have fulfilled the responsibilities described in the Auditor's Responsibilities section in connection with the audit of the financial statements of our report, including those related to these aspects. Accordingly, our audit included the execution of procedures designed to respond to our assessment of the risks of material misstatement in the financial statements. The results of our audit procedures, including the procedures performed to respond to the matters described below, provide the basis for our audit opinion on the accompanying financial statements.

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1. **Valuation of hedging instruments**

| Key Audit Matter | Audit Response |
|---|---|
| As of December 31, 2022, FONPLATA holds the following debt for bond issuances:<br><br>- During 2019, FONPLATA, through Credit Swiss & UBS, issued a five-year bond, with a fixed annual coupon of 0.578%, denominated in Swiss francs for an amount of CHF 150,000,000.<br><br>- During 2021, FONPLATA, through Credit Swiss & UBS, issued two 5 and a half and 7-year bonds, with fixed annual coupons of 0.556% and 0.795% denominated in Swiss francs (CHF) and for an amount of CHF 200,000,000 and CHF 150,000,000, respectively.<br><br>- During 2022, FONPLATA obtained loans from CAF, within the framework of the credit line subscribed in 2021, whose reference rate is the "Term SOFR".<br><br>As part of the risk management strategy, in connection with the issuance of these bonds, FONPLATA entered into currency exchange and interest rate contracts with J.P. Morgan Chase, NA., Credit Suisse and Deutsche Bank under the parameters of "The international Swaps and Derivatives Agreement Association, Inc. (ISDA)".<br><br>We view this situation as a key audit matter, due to the inherent relevance and overall complexity that the estimate poses in the presentation and disclosure of the financial statements. | We evaluated these transactions through the following audit procedures.<br><br>- We obtained an understanding of the process implemented by the Bank for the identification, classification, valuation and accounting of these operations and identified the main controls implemented by FONPLATA associated with these derivative operations.<br><br>- We inspected the contractual origin of the transactions obtaining the financing contracts, as well as the respective derivative contracts.<br><br>- We evaluated the risk of material error in the selection of the accounting criteria of financial instruments as "Cash Flow or Fair Value Hedges".<br><br>- We inspected the effectiveness of the hedging of Derivatives, through the comparison of the market value of both debt instruments and hedging instruments.<br><br>- We inspected the calculation of the fair value of the Derivatives, through the appropriate selection of the valuation curves obtained from the Bloomberg terminal.<br><br>- We received confirmation of the collateral balances at the end of the year, from the derivative issuers' financial institutions, J.P. Morgan and Credit Suisse and Deutsch Bank.<br><br>- We inspected the effect of the exchange differences and the rates originated both in the transaction and in the hedging instrument, with information obtained from financial institutions and market quotes.<br><br>- We inspected the reasonableness of the effect of the valuation of currency exchange and interest rate contracts recognized in the Financial Statements. |

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2. Revenue recognition and measurement

| Key Audit Matter | Audit response |
|---|---|
| The Bank generates most of its income (Note 11), based on the result obtained from the granting of sovereign guaranteed loans to its member countries, and from 2020, to a lesser extent, from the approval of loans to banks and public enterprises at the national or subnational level of the member countries, as well as, based on administration and commitment fees that are charged to the same institutions or companies to which the credits were granted.<br><br>Interest income is recognized using the effective interest rate method in accordance with IFRS 9 – Financial Instruments and other income related to loan management, consisting of administrative and commitment fees, is recognized in accordance with IFRS 15 – Revenue from Contracts with Customers, based on management's analysis of the likelihood that such loans will be used by creditors.<br><br>Both, the calculation of interest and commissions, which are parameterized in the system, are determined considering the conditions established in each of the contracts.<br><br>We have considered this situation as a key audit matter due to the relevance of interest income and loan management to the financial statements. | We evaluate revenue recognition through the following audit procedures.<br><br>- We got an understanding of the process implemented by the Bank for the identification, classification and valuation of its income and identified the main controls implemented by FONPLATA associated with its portfolio management and income recognition.<br><br>- We performed an analysis of the appropriate recognition of income for interest, administration, and commitment fees.<br><br>- We inspected the contracts signed between the countries, corroborating that the interest rates and commissions had been properly incorporated into the system for the respective calculation.<br><br>- We recalculated the related interest identifying those loans that are subject to the SOFR Rate as well as those that are subject to the Libor Rate.<br><br>- We recalculated the administration and commitment fees. |

### Other matters

The Bank's financial statements as of December 31, 2021 were audited by another auditor who expressed an unqualified opinion on February 18, 2022.

### 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 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 Bank’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

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

**Auditor's Responsibilities for the Audit of the Financial Statements**

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank'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 Bank'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 the Bank to cease to continue as a going concern.

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

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

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

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

**ERNST & YOUNG LTDA.**
**Member Firm of Ernst & Young Global**

Lic. Aud. Javier Iriarte J.
Partner
MAT. PROF. N° CAUB - 9324
MAT. PROF. N° CAUSC - 3125

Santa Cruz de la Sierra, February 28, 2023

FONPLATA
Banco de Desarrollo

**FONPLATA – Multilateral Development Bank**
**STATEMENT OF FINANCIAL POSITION**
(All amounts expressed in thousands of U.S. dollars)

| | As of December 31, | | | |
|---|---|---|---|---|
| | **2022** | | **2021** | |
| **ASSETS** | | | | |
| Cash and cash equivalents – Note 8.1 | | 217,589 | | 128,261 |
| **Investments** | | | | |
| At fair value with changes in other comprehensive income – Note 8.2 | 338,850 | | 352,788 | |
| At amortized cost – Note 8.3 | -.- | 338,850 | 151,850 | 504,638 |
| **Loan portfolio** – Note 8.4 | | 1,744,396 | | 1,503,666 |
| **Accrued interest** | | | | |
| On investments– Note 8.2 y 8.3 | 1,374 | | 2,366 | |
| On loans – Note 8.4 | 28,182 | 29,556 | 10,673 | 13,039 |
| **Other assets** | | | | |
| Fair value hedge derivatives– Note 8.5 | 5 | | 694 | |
| Property and equipment, net – Note 9.1 | 5,679 | | 5,742 | |
| Miscellaneous – Note 9.2 | 1,088 | 6,772 | 748 | 7,184 |
| **Total assets** | | 2,337,163 | | 2,156,788 |
| **LIABILITIES AND EQUITY** | | | | |
| **Liabilities** | | | | |
| Borrowings – Note 8.5 | 975,343 | | 926,741 | |
| Other liabilities – Note 9.3 | 10,294 | | 3,149 | |
| Special funds – Note 8.6 | 22,635 | | 21,891 | |
| **Total liabilities** | | 1,008,272 | | 951,781 |
| **Equity** | | | | |
| **Capital – Note 10.1** | | | | |
| Authorized | 3,014,200 | | 3,014,200 | |
| Less callable portion | (1,665,000) | | (1,665,000) | |
| Paid-in capital | 1,349,200 | | 1,349,200 | |
| Paid-in capital pending integration | (267,540) | 1,081,660 | (342,733) | 1,006,467 |
| General reserve – Note 10.3 | | 203,595 | | 183,165 |
| Other reserves – Note 10.2 | | (3,979) | | (8,655) |
| Retained earnings – Note 10.3 | | 47,615 | | 24,030 |
| **Total equity** | | 1,328,891 | | 1,205,007 |
| **Total liabilities and equity** | | 2,337,163 | | 2,156,788 |

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

Luciana Botafogo Brito
EXECUTIVE PRESIDENT a.i.

Leandro A. Gorgal
CHAIRMAN BOARD OF EXECUTIVE DIRECTORS

Fernando A. Fernandez Mantovani
CHIEF ACCOUNTING AND BUDGET

Rafael Robles
MANAGER OF FINANCE

FONPLATA
Banco de Desarrollo

(Free translation from the original issued in Spanish)

**FONPLATA – Multilateral Development Bank**

**INCOME STATEMENT**

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

| | **Years ended as of December 31,** | |
|---|---|---|
| | **2022** | **2021** |
| **INCOME** – Note 11 | | |
| **Loan portfolio** | | |
| Interest | 69,613 | 35,609 |
| Other loan income | 5,900 | 6,612 |
| | 75,513 | 42,221 |
| **Investments** | | |
| Interest | 2,096 | 4,770 |
| Other | 13 | 15 |
| | 2,109 | 4,785 |
| **Income from financial assets** | 77,622 | 47,006 |
| **EXPENSES** | | |
| Interest expense | (25,176) | (10,949) |
| **Income from financial assets, net** | 52,446 | 36,142 |
| Other income | 7,390 | 85 |
| | 59,836 | 36,142 |
| Provision for loan impairment | (1,171) | (2,599) |
| **Income after provision for loan impairment** | 58,665 | 33,543 |
| Administrative expenses – Note 12 | (11,050) | (9,513) |
| **Net income** | 47,615 | 24,030 |
| **STATEMENT OF COMPREHENSIVE INCOME** | | |
| **Net income** | 47,615 | 24,030 |
| ***Items that may be reclassified to profit or loss:*** | | |
| Changes in fair value of investments | 1,191 | (3,928) |
| Losses/Gains on cash flow hedges net | 3,578 | (5,744) |
| ***Items that will be not reclassified to profit or loss:*** | | |
| Technical appraisal of property | (93) | (28) |
| **Comprehensive income** | 52,291 | 14,330 |

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Luciana Botafogo Brito
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CHIEF ACCOUNTING AND BUDGET

Rafael Robles
MANAGER OF FINANCE

FONPLATA
Banco de Desarrollo

**FONPLATA – Multilateral Development Bank**
**STATEMENT OF CASH FLOWS**
(All amounts expressed in thousands of U.S. dollars).

| | As of December 31, 2022 | 2021 |
|---|---|---|
| **Cash Flows from Operating Activities** | | |
| Lending | | |
| Cash received from loan principal amortizations | 113,387 | 77,347 |
| Cash received from interest and other loan charges | 57,346 | 41,020 |
| Loan disbursements | (354,629) | (345,451) |
| ***Net flows used in lending activities*** | (183,896) | (227,084) |
| **Other operating flows**: | | |
| Payment of salaries, benefits, and other personnel expenses | (7,564) | (6,305) |
| Payment of administrative expenses | (3,369) | (1,647) |
| (Decrease)/Increase in trade accounts payable and with special funds | (1,347) | 7,011 |
| ***Net flows used in other operating activities*** | (12,280) | (941) |
| ***Net flows used in operating activities*** | (196,176) | (228,025) |
| **Cash Flows from Financing Activities** | | |
| Proceeds from borrowings | 169,114 | 493,750 |
| Derivatives – Collateral deposited at counterparts | (44,460) | (15,980) |
| Repayment of borrowings and debt service | (84,285) | (145,342) |
| ***Net flows from financing from third parties*** | 40,369 | 332,428 |
| Collection of paid-in capital subscriptions | 75,193 | 89,585 |
| ***Net flows from financing activities*** | 115,562 | 422,013 |
| **Cash flows from investing activities** | | |
| Collection of investment income | 2,861 | 4,233 |
| Net sales/(purchase) of investments | 166,980 | (101,783) |
| Income from office sale | 225 | -.- |
| Capital expenditures | (124) | (214) |
| ***Net flows from/(used) in investment activities*** | 169,942 | (97,764) |
| **Increase in cash and equivalents during the year** | 89,328 | 96,224 |
| **Cash and equivalents at the beginning of the year** | 128,261 | 32,037 |
| **Cash and equivalents at the end of the year** | 217,589 | 128,261 |

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

Luciana Botafogo Brito
EXECUTIVE PRESIDENT a.i.

Leandro A. Gorgal
CHAIRMAN BOARD OF EXECUTIVE DIRECTORS

Fernando A. Fernandez Mantovani
CHIEF ACCOUNTING AND BUDGET

Rafael Robles
MANAGER OF FINANCE

**FONPLATA – Multilateral Development Bank**
**STATEMENT OF CHANGES IN EQUITY**
(All amounts expressed in thousands of U.S. dollars)

| | Paid-in Capital | General Reserve | Reserve for changes in the value of investments at fair value | Reserve for changes in value of cash flow hedges | Reserve for revaluation of property | Retained Earnings | Total |
|---|---|---|---|---|---|---|---|
| **Balance as of January 1, 2021** | 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 |
| Other comprehensive income for the year | - | - | (3,927) | (5,744) | (28) | - | (9,699) |
| **Balance as of December 31, 2021** | 1,006,467 | 183,165 | (5,806) | (3,578) | 729 | 24,030 | 1,205,007 |
| | | | | | | | |
| **Balance as of January 1, 2022** | 1,006,467 | 183,165 | (5,806) | (3,578) | 729 | 24,030 | 1,205,007 |
| Capital increase – Paid-in portion | 75,193 | - | - | - | - | - | 75,193 |
| Allocated by the Assembly of Governors to: | | | | | - | - | - |
| General Reserve | - | 20,430 | - | - | - | (20,430) | - |
| Fund for the Compensation of Interest Rate (FOCOM) | - | - | - | - | - | (3,100) | (3,100) |
| Technical Cooperation Program (PCT) | | | | - | - | (500) | (500) |
| Net income for the year | - | - | - | - | - | 47,615 | 47,615 |
| Other comprehensive income for the year | - | - | 1,191 | (3,578)) | (93) | - | 4,676 |
| **Balance as of December 31, 2022** | 1,081,660 | 203,595 | (4,615) | - | 636 | 47,615 | 1,328,891 |

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

Luciana Botafogo Brito
EXECUTIVE PRESIDENT a.i.

Leandro A. Gorgal
CHAIRMAN BOARD OF EXECUTIVE DIRECTORS

Fernando A. Fernandez Mantovani
CHIEF ACCOUNTING AND BUDGET

Rafael Robles
MANAGER OF FINANCE

**FONPLATA – Multilateral Development Bank**
**NOTES TO THE FINANCIAL STATEMENTS**
**FOR THE YEARS ENDED DECEMBER 31, 2022, AND 2021, 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 established by its founding members, within a spirit of cooperation and solidarity, persuaded that only cooperation and joint action could lead to harmonized, inclusive, and sustainable development to foster a better insertion of its member countries within the regional and global economy.

The Bank's founding members maintain a 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 to enhance the development and integration of its member countries at regional and global levels; the financing and contracting of technical assistance; and to undertake any other functions that are considered conducive to the attainment of its objectives.

On November 9, 2018, reaffirming its support to management and the continuous growth of its portfolio of operations, the Board of Governors approved modifications to the Charter pursuing the purpose of modernizing and enhancing the institution's overall capacity and relevance to perform as an effective partner in the development of its member countries and their integration at a regional and global level. The modifications approved encompass: (i) FONPLATA's transformation from a "fund" into a "development bank"; (ii) a change in its name to be formally recognized as "FONPLATA", or "The Bank"; (iii) expansion of its scope of work from an strictly geographic focus based on the countries, to one encompassing the region of its member countries and their integration in the global market; (iv) the expansion of its membership beyond its founding members, recognizing the possibility of incorporating non-founding members that could consist of either countries or institutions, to its capital base; (v) the redenomination of capital as "authorized capital" for an initial amount of $3,014,200, consisting of 301,420 class "A" shares, to be allocated to founding members only, with a par value of $10 each, and with a voting right of one vote per share. Furthermore, the modifications approved estipulate that the authorized capital shall also include shares class - 6 - "B", to be allocated to non-founding members. The

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

Both series 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 the date of issuance of these financial statements the above mentioned modifications to the Bank’s Charter are yet pending ratification by the parliamentary of one of the five member countries

As a corollary of several uninterrupted actions undertaken towards the expansion of the Bank’s membership since 2019, on June 13, 2022, the Bank and the Republic of Colombia signed the Agreement of Immunities and Privileges. This agreement recognizes the Banks jurisdiction, immunities and privileges and sets the applicable legal framework that would govern the relationship between Colombia and the Bank once it has formalized its membership.

The Bank Administration is characterized by a keen focus on strategic planning and results-based management. The Strategic Institutional Plan 2013 – 2022 (a.k.a. PEI for its Spanish acronym), constitutes the main instrument designed to manage, supervise and ensure accountability for the attainment of expected results. The PEI and its updates of 2017, covering the period 2018 – 2022, and its most recent update covering the period 2022 – 2026, were approved by the Board of Governors in September 2021. Complementing the PEI, the Bank prepares the Programs and Budget Document (a.k.a. DPP for its Spanish acronym). The DPP integrates the business plan with the expected results to be attained for the next three years, as well as the activities required and their related costs, that make the basis for the administrative and capital budgets. The DPP for period 2023-2025, was approved by the Board of Governors on December 16, 2022.

On September 2, 2022, and before the expiration of the second term mandate of the previous Executive President, and in order to assure the continuity and normal operation of the Bank, the Board of Governors appointed Luciana Botafogo Brito, Operations and Countries Manager, as interim Executive President. Mrs. Botafogo’s mandate will continue until April 21, 2023, date on which the Board of Governors, in accordance with the established process, must select and appoint a new Executive President.

The financial statements for the fiscal year 2021 were approved by the Board of Governors on march 29, 2022, following a recommendation of the Board of Executive Directors.

**NOTE 2 – SIGNIFICANT CHANGES IN THE CURRENT YEAR**

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

The following paragraphs depict the strategy and actions undertaken by the Bank since the beginning of the COVID-19 pandemic, as well as the current status after its five member countries have overcome the health crisis that forced them to close their borders towards the middle of March 2020, following the advice of the World Health Organization (WHO).

Since the beginning of the pandemic the Bank swiftly and successfully implemented its strategy designed to ensure the continuity of its operations both in its hybrid and telecommuting working modalities, in response to the cease of on-site activities.

During the approximately 18 months that the cease of on-site activities lasted, the Bank implemented several actions allowing it to ensure its business continuity while preserving the health of its staff. Among the most relevant measures are the following:

- Adoption of a hybrid working modality. Under this modality, staff is allowed to telecommute one day a week and to work four days on-site.
- Assignment of approximately 25% of the staff positions to the Liaison Offices in Asunción, Paraguay; Buenos Aires, Argentina; Brasilia, Brazil; and Montevideo, Uruguay, prioritizing a fluid dialogue with the member countries increasing the potential for adding value through more timely and focused interventions.
- Migration of all information systems to the cloud improving access security and reducing the possibility of unauthorized access, ensuring business continuity throughout the pandemic and other events that preclude on-site work.
- The Bank continues working in a close dialogue with its government counterparts to adapt its focus on their respective fiscal, health, and social prevailing environment, optimizing its ability to offer financial and technical cooperation assistance in the best possible terms.

**B – SPECIFIC ACTIONS**

The following paragraphs provide a more specific analysis on the operational and financial activities of the Bank that have directly contributed to the growth of its net earning assets and to the generation of net income during the year ended as of December 31, 2022:

- Loan income is mostly the result of increases on the balance of loans outstanding. These increases result directly from the excess of loan disbursements over loan principal amortizations received from member countries, and from changes in the loan reference rate that forms an integral part of the loan rate that applies to all loan contracts. Throughout the COVID-19 pandemia, the 6-month Libor rate, experienced continuous reductions to reach its lowest point at 17 bases points in the second semester of 2021. Starting with the fourth quarter of 2021, interest rates have consistently and rapidly increased due to major developed countries' efforts to restrain the persistent inflation caused by the pandemic and exacerbated by the geopolitical conflict confronting Russia with the European Union and the United States of America. As a result, the 6-month Libor rate has reached 513.8 basis points by the end of December 2022. The SOFR rate ("Secured Overnight Financing Rate"), which replaces the 6-month Libor rate on all loan Bank contracts signed on or after January 1, 2022, as well as for those legacy loan contracts where the member countries have agreed to replace the 6-month Libor rate with the SOFR in arrears rate, registered a value of 5 basis points in December 2021, and experienced an increase of 425 basis points in 2022. Although it is anticipated that interest rates will continue to increase, it is expected that those increases will be less aggressive than the increased effected from January through September 2022. Interest rate corrections are expected to continue to increase until major economies manage to cap inflation at an annual rate of approximately 2%.
  As of December 31, 2022, approximately 60% of the Bank's loan contracts accrue interest based on the SOFR rate. The average increase experienced in the combined reference rate accrued on Bank loans throughout 2022 was 167 basis points. This average increase is lower than the actual increase registered by the 6-month Libor and in the SOFR rates. Such difference is explained by the fact that the Bank applies the 6-month Libor rate with a 6-month time lag, and that the adoption of the SOFR rate on legacy loans was achieved gradually from January through September 2022. Adoption of the SOFR rates on all legacy loan contracts will be completed by the end of June 2023.

- In compliance with its financial and risk management policies, the Bank manages its risk from exposure to changes in exchange and interest rates by denominating all of its loan contracts in United States dollars and through December 31, 2021, by adopting the 6-month Libor rate as its reference rate component of its lending rate. Effective January 1, 2022, all loan contracts signed incorporate the compounded SOFR in arrears as its reference rate. Furthermore, on all legacy loan contracts signed prior to December 31, 2021, due to the replacement of the 6-month Libor rate by the SOFR rate, the Bank agreed with its member countries to a voluntary conversion process by some countries adopted the compounded SOFR in arrears plus an adjusting margin[1] in replacement of the 6-mohth Libor rate. Effective June 30, 2023, date on which publication of the 6-month Libor rate would be discontinued, all legacy loan contracts would accrue interest based on the SOFR in arrears.

- As of 31st December 2022, and as mutually agreed with its member countries, the Bank replaced the 6-month Libor rate as the reference rate with the compounded SOFR in arrears ain 52 loan contracts of a total of 108 legacy loan contracts signed prior to December 31, 2021. Furthermore, during 2022, 12 new loan contracts signed after January 1, 2022, which have the SOFR in arrears rate as their reference rate became effective. Consequently, as of December 31, 2022, the Bank's loan portfolio has 64 loan contracts accruing interest under the SOFR in arrears and 52 loan contracts still accruing interest under the 6-month Libor rate (55.2% and 44,8%, respectively). The total amount of loan contracts accruing on the basis of the SOFR in arrears is $1,048,568, equivalent to 59.5% of the outstanding balance prior subtracting the unaccrued portion of administrative commissions and the provision for potential loan losses ($1,025,472 in loan contracts approved through December 31, 2021, and $23,096 in contracts approved on or after January 1, 2022, respectively), and $712,276, equivalent to 40.5% in loans outstanding that accrue interest based on the 6-month Libor rate.

- During the fiscal year ended December 31, 2022, the Bank approved new loan contracts with the sovereign guarantee of the member country for $456.000 (2021 - $401,430, including $48,000 with no sovereign guarantee); disbursed $354,629, including $10,000 in non-sovereign guaranteed loans (2021 - $341,251 in sovereign guaranteed loans); and received $113,387 in loan principal amortizations, of which $6,000 correspond to amortizations in loans without sovereign guarantee. Moreover, all member countries experienced a positive net lending flow.

- As stated in greater detail in the following subsection and in Note 3 – How Income is Generated, during the year ended as of December 31, 2022, the loan reference rate has experienced constant increases. This in turn has driven a recovery in nominal terms of loan revenues though still lower than before the pandemic when measured in terms of actual return. This has contributed to the Bank's reaching a level of income from net financial assets that is 45.8% higher than the one attained in 2021, strengthening its already robust financial profile.

- Financial costs increased on average by 114 basis points as a result of the sudden increase in interest rates experienced throughout 2022. The increase in average financial costs is 195 basis points lower than the Bank's loan return. This differential can be explained for the most part on the fact that approximately 40% of the outstanding loan balance is financed with the Bank's own capital. With the exception of the borrowings contracted with the IADB and ICO, where the reference interest rate was effectively replaced by the SOFR in March and in June, 2022, respectively, and the two disbursements drawn-down under the line of credit signed with CAF in 2021, which are also based

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

on the Term SOFR, all other borrowings bear interest based on the 6-month Libor rate. The Bank expects to gradually replace the 6-month Libor to the SOFR rate in all of its outstanding borrowing contracts by June 30, 2023.

- In compliance with its policies and procedures for the maintenance of liquid assets and borrowings, during the year ended December 31, 2022, the Bank signed loan borrowing contracts, consisting of loans and lines of credit with (i) the Inter-American Development Bank (IADB) for $100,000; and with the French Development Agency (AFD) for EUR 30,000, and withdrew funds against existing loans and lines of credit for an aggregate amount of $169,165. The Bank also amortized principal on existing loans and lines of credit for $66,016. The certificate of deposit contracted with the Central Bank of Uruguay (CBU) in May 2020, for $80,000, was automatically renewed since the CBU did not exercised the option to redeem it.

  The following chart depicts outstanding borrowing amounts as of December 31, 2022 and 2021 respectively, under the various lines of credit, loans and the amount owed to the Bank's bondholders for the three bond issuances in the Swiss capital market in 2019 and in 2022:

| Creditor | Outstanding as of December 31,2021 | Principal repaid/exchange adjustments | Funds received in 2022 | Outstanding debt as of December 31,2022 |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Banco de Desarrollo de América Latina (CAF) | 64,000 | (64,000) | 100,000 | 100,000 |
| Inter-American Development Bank (IDB)) | 100,000 | -.- | 18,396 | 118,396 |
| French Development Agency (AFD) [2] | 20,000 | (197) | 8,519 | 28,322 |
| European Investment Bank (BEI) | 12,000 | -.- | 30,000 | 42,000 |
| Official Credit Institute E.P.E. (ICO) | 5,536 | (1,107) | 12,200 | 16,629 |
| Banco Bilbao Vizcaya Argentaria (BBVA) | 100,000 | -.- | -.- | 100,000 |
| Banco Central del Uruguay (BCU) – Fixed rate | 80,000 | -.- | -.- | 80,000 |
| KfW – Euros at Euribor rate[1] | -.- | -.- | -.- | -.- |
| ***Subtotal before deferred charges*** | **381,536** | **(65,304)** | **169,115** | **485,347** |
| Deferred loan charges | (598) | (106) | 208 | (496) |
| ***Subtotal multilaterals and other*** | **380,938** | **(65,410)** | **169,323** | **484,851** |
| Bond issuance of CHF FONPLATA 24 | 148,809 | -.- | -.- | 148,809 |
| Bond issuance of CHF FONPLATA 26 | 221,828 | -.- | -.- | 221,828 |
| Bond issuance of CHF FONPLATA 28 | 163,898 | -.- | -.- | 163,898 |
| Exchange differences | 13,290 | (6,289) | -.- | 7,001 |
| Fair value adjustments | -.- | (49,519) | | (49,519) |
| ***Subtotal before deferred charges*** | **547,825** | **(55,808)** | **-.-** | **492,017** |
| Deferred loan charges | (2,022) | (537) | 1,034 | (1,525) |
| ***Subtotal bonds*** | **545,803** | **(56,345)** | **1,034** | **490,492** |
| ***Total borrowings*** | **926,741** | **(121,755)** | **170,357** | **975,343** |

[1]Loan signed on December 16, 2022, with KfW for EUR 37,000 and not disbursed as of December 31, 2022 (see Note 8.5 (i) (8) for more details).

[2]The total shown as principal amortization and fair value adjustments of $197, consists of $909 of principal amortization made against the balance of $20,000 denominated in US dollars, and $712 of fair value adjustments on the Euros 8,000 disbursed, which has a fair value of $9,231 as of December 31, 2022.

- Most the Bank’s borrowings are denominated in United States dollars and based on the 6-month Libor rate as its reference rate. This way the Bank minimizes its exposure to exchange and interest rate risks. However, in those borrowings denominated in currencies other than the United States dollar or at interest rates different from the 6-month Libor rate, and in compliance with its financial and risk management policies, the Bank enters into derivative contracts to effectively mitigate its exposure. In anticipation of the replacement of the Libor reference rate by the SOFR in the second semester of 2023, the Bank is gradually realigning the reference interest rate in its financial assets and liabilities providing adequate coverage against the risk of changes in interest rates. In this regard, the Bank agreed with JP Morgan (JPM) to replace the 6-month Libor reference rate with the SOFR rate due in the cross-currency swaps contracted in connection with the issuance of FONPLATA 24 and FONPLATA 28 bonds, maturing on March 11, 2024 and December 1, 2028, respectively. This agreement becomes effective for interest payments occurring on March 3, 2023, and January 1, 2023, respectively.

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

- In compliance with its financial and risk management policies, the Bank use of derivatives for the sole purpose of reducing its risk exposure to changes in exchange rates of currencies different than the United States dollar, and in interest rates different from its lending reference interest rate and not for speculative purposes. Proceeds from borrowings are used to finance disbursements on loans to member countries, which are denominated in United States dollars and accrue interest based on the 6 month Libor rate for those loan contracts signed before January 1, 2022, which have not been converted to the SOFR rate, and effective January 1, 2022, on the SOFR rate for all loan contracts.

- On January 3, 2023, the Bank received from Brazil the sum of $69,842, corresponding to its paid-in capital contributions for the period 2020 to 2022. As of December 31, 2022, Brazil still owes a balance of $98 corresponding to the 2022 installment. These contributions will increase the Bank's equity and its cash flows in 2023.

- Administrative expenditures during the year ended December 31, 2022, on average represented 84 basis points of the actual return on net financial assets. When compared to 2021, this relationship between administrative expenses and net financial assets shows a marginal increase of 6 basis points. Such increase is considered reasonable taking into account that throughout the period February 2020 and through September 2021, due to the pandemic, the Bank adopted strict cost saving measures through the freezing of staff vacancies, as well as the suspension of all business travel. Starting in 2022, and given the increase in its loan portfolio and a the return to “in-office-work” modality, administrative expenses experienced a return to normal levels according to the volume of operations. Furthermore, the Bank has also started recruitment for those positions considered necessary to ensure the effectiveness and agility that characterizes its operations and to solidify its growth.

- The Bank is the fiduciary agent for the management of the investment portfolio of the Structural Convergence Fund (“Fondo de Convergencia Estructural de MERCOSUR - FOCEM)”.

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## NOTE 3 – HOW INCOME IS GENERATED

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

- The lending capacity, which is based on three-times the amount of equity.
- The amount of loan disbursements.
- The amount of principal collections received during the year; and,
- The 6-month Libor rate on legacy loan contracts note yet converted to the SOFR rate, and the SOFR rate in arrears for loan contracts approved on or after January 1, 2022, as well as on legacy loan contracts where the borrower has agreed to take the option to replace the 6-month Libor rate with the SOFR rate; and a fixed 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, | | | | | |
|---|---|---|---|---|---|---|
| | 2022 | | | 2021 | | |
| | Average balance $ | Income/ (Expenses) $ | Return[3] % | Average balance $ | Income/ (Expenses) $ | Return[3] % |
| Loans receivable | 1,640,222 | 75,513 | 4.60 | 1,385,548 | 42,221 | 3.05 |
| Investments[1] | 546,226 | 2,289 | 0.42 | 455,711 | 4,807 | 0.98 |
| Cash and cash equivalents [1] | 47,955 | -.- | -.- | 80,149 | -.- | -.- |
| ***Financial assets*** | 2,234,403 | 77,802 | 3.48 | 1,921,408 | 47,028 | 2.45 |
| Borrowings | (953,363) | (25,176) | (2.64) | (747,533) | (10,949) | (1.46) |
| ***Financial assets, net*** | 1,281,040 | 52,626 | 4.11 | 1,173,875 | 36,079 | 3.08 |
| Provision and other charges[2] | | 5,599 | (0.44) | | (2,957) | (0.25) |
| Administrative expenses | | (10,610) | (0.83) | | (9,092) | (0.78) |
| ***Net assets*** | 1,281,040 | 47,615 | 3.72 | 1,173,875 | 24,030 | 2.05 |
| ***Equity*** | 1,266,949 | 47,615 | 3.76 | 1,157,299 | 24,030 | 2.08 |

[1]The average balance of investments as of December 31, 2022, includes $124,482 reclassified as cash and equivalents for presentation purposes in the Financial Statements, as they correspond to investments where the time spanned between the day of purchase and of their contractual maturity is of 90 days or less (2021- $ 65,369).

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| [2] Provision and other charges | As of December 31, 2022 $ | 2021 $ |
|---|---|---|
| Provision for loan impairment (loss)/gain– Note 8.4 | (1,171) | (2,599) |
| Depreciation | (365) | (379) |
| Exchange differences (loss)/gain | (69) | (41) |
| Special funds participation in investment income | (180) | (23) |
| Leasing expense | (6) | -.- |
| Other income | 7,390 | 85 |
| Total provision and other charges | 5,599 | (2,957) |

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

## NOTE 4 – SUMMARY OF 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 (current), and those for which their expected recovery or repayment is expected to take more than a 12-month period following the date of the financial statements (non-current), as per Note 13.

#### (ii) Historical cost

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

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

**(iii) New standards and modifications adopted by the Bank**

During the year ended December 31, 2022, the Bank did implement any new standards, interpretations or modifications issued by the International Financial Accounting Board which effective implementation date was after December 31, 2022.

The International Financial Accounting Board issued in 2022 some modifications and specific standards. Among the modifications it issued IAS 8 "Accounting Estimates", which clarifies the distinction between changes in accounting estimates, changes in accounting policies and correction of an error; and modifications to IAS 1, and practice guidance No. 2, "Accounting Policy Disclosures", which guides application of materiality in the determination of accounting policy disclosures. These modifications are applicable for financial statements beginning January 1, 2023, for which management is evaluating the potential impacts.

**4.2 Segment disclosures**

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 and liabilities, such as investments and loans are denominated in U.S. dollars, and except for the Swiss Francs denominated bonds and the disbursement denominated in Euros under the line of credit obtained in December 2022 with AFD, 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.

Most operational expenditures are incurred in the Bank's 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 on loans and investments at amortized cost is recognized using the effective interest rate method. Other loan income consists of the administrative commission and the commitment fee. These commissions relate to the Bank's service provided to its borrowers for inspection and supervision of loans and to ensure the availability of funds for borrowers to disbursed at any time during the contractually agreed upon disbursement period, and as such are recognized ratably in income in accordance with IFRS 15.

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 month or less and that do not include a purchase option are recognized as an expense on a straight-line basis throughout the contract.

Lease contracts for terms greater than 12 month 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. For this purpose, every 5 to 7 years, MDBs may go through a capital replenishment that consists of an increase of both paid-in and callable capital or in some cases may also involve the addition of new members.

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

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

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

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

Liquidity is maintained for the purpose of ensuring the ability to meet all planned loan disbursements, debt service requirements, and to pay for all planned and approved operating expenditures and capital investments expected to occur during the next 12 month following the end of the Bank's fiscal year. Liquidity is invested with the sole purpose of reducing the cost of 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 fair value. Investments available for sale are valued at their fair value with changes in value recognized in other comprehensive income (OCI). Note 8, provides further details on the recognition, measurement and disclosure of investments.

The bank classifies its financial assets in the following categories:

- **Financial assets at amortized cost - Loan and investment portfolios (FAVAC):** are assets generated or purchased with the objective of collecting contractual cash flows resulting from principal amortization and accrued interest. These financial assets are not designated as "financial assets at fair value with changes in income," and are measured at their amortized cost. The value of these financial assets is adjusted by the provision for estimated losses, which is calculated and recognized as stated in this note.
- **Financial assets at fair value with changes in other comprehensive income (FVOCI):** are assets purchased with the purpose of collecting contractual cash flows resulting from principal amortization and accrued interest, as well as from the sale of the underlying assets. These assets are designated as "financial assets at fair value with changes in the Income Statement," and are measured at their fair value with changes recognized in other comprehensive income
- The Bank does not have financial assets at fair value with changes in income.
- Derivatives resulting from the cross-currency and interest rate swaps entered into as an integral part of the Bank's risk management strategy designed to hedge the interest rate and foreign exchange risk associated to borrowings contracted in currencies other than the U.S. dollar or at interest rates other than the 6-month Libor, which is the Bank's reference rate for its loans, have been designated as a cash flow hedge, and are considered completely effective. The reference interest rate for loans approved through December 31, 2021, and that have not been converted to the compounded SOFR in arrears is the 6-month Libor rate. For all loans that have been converted under the voluntary conversion program and for all loans approved on or after January 1, 2022, the reference interest rate is the compounded SOFR in arrears. Changes in fair value of these derivatives, given the Bank's right to offset and be compensated in the event of counterparty's default, are shown forming part of Other Assets, as derivatives, together with the resulting collateral in the statement of financial position. Bonds are valued at their amortized cost and shown under borrowings in the statement of financial position. Changes in fair value of the cross-currency swaps are accounted for in other income (see Notes 2; 4.10 and 8.5-(ii).

**(ii) Reclassification**

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

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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.

**(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 fair 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 fair 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 non-sovereign guaranteed loans.

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

For non-sovereign guaranteed loans, the Bank assesses the probability of default, using the most recent credit risk rating 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 will be included in the income statement.

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

Note 8.4-(iii), has a detailed explanation of this methodology as well as the determination of the provision for loan impairment.

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

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

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

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

**Stage 1:** includes all instruments that have not experienced a significant increase in credit risk since their initial purchase and recognition, where the ECL equals the impairment expected in the next 12-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, close to overdue, which are considered to be credit impaired. Likewise, loan commitments or financial guarantees whose payment is probable and their recovery doubtful.

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

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

**(vi) Revenue recognition**

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

**4.9 Property and equipment**

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

Equipment is carried at their historical cost less depreciation. The historical cost includes all 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.

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

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

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

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

***Derivative financial instruments and hedging activities:*** Derivatives are solely used for hedging interest and exchange rate risk associated with its three bond issuances in the Swiss capital market, namely FONPLATA24; FONPLATA26; and FONPLAT28; and other liabilities originally contracted in currencies other than the dollar or in dollars at a fixed rate (see notes 2 and 8.5-(ii)).

Derivatives carry inherent market and credit risks. The inherent market risk on a financial instrument is the potential fluctuation in the interest rate, currency exchange rate or other factors, and it is a function of the type of product, the volume of the transactions, the tenor and other terms of each contract and the underlying volatility.

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

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

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

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

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

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

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

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

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

**4.11 Other liabilities and commitments**

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

**4.12 Special funds**

These balances represent liabilities equaling 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. Note 8.6), contains a detailed explanation of the special funds and their purpose, and the balance owed to each one as of December 31, 2022, and 2021, respectively.

**4.13 Other benefits to employees**

The amount included under "Other benefits to employees," represent accrued liabilities associated to benefits granted to the Bank's staff under a joint savings program "Programa de Ahorro Compartido" or PAC, by its name in Spanish. PAC liabilities are paid to the staff upon termination of their employment. The Bank's matching contribution on the amount of an employee's voluntary saving is subject to a withholding percentage based on the years of service required for full vesting under the program. Withheld amounts are deferred and subsequently expensed as employees accumulate the required years of service for full vesting under the PAC. Note 8.6 – c), provides a detailed explanation and breakdown of the PAC liability as of December 31, 2022, and 2021, 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.

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## 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:

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

## 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 | Apart from the Swiss Franc issuances and a loan denominated in Euros contracted with the French Development Agency (AFD), which were effectively hedged through cross-currency swaps as discussed in Notes 2; 4.10; and 8.5 – (ii), 99.9% of financial assets are denominated in U.S. dollars (functional currency). 47% of financial liabilities before cross-currency swaps, are denominated in U.S. dollars. | Cash flow budget. | All loan and investment transactions, as well as the most relevant liabilities shown in the financial statements have been transacted in U.S. dollars.<br><br>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 contracted cross-currency swaps to offset both the interest rate and foreign currency exchange risks associated to its bond issuances in the Swiss market, and a debt denominated in Euros , |

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| Risk | Source of Exposure | Measurement | Risk Management |
|---|---|---|---|
| | | | contracted with the AFD and a Euro 8,000 received in December 2022 under a Euro denominated line of credit in the amount of Euro 30,000 contacted with the AFD These derivatives are an integral part of the Bank's risk management process designed to minimize exposure to financial risks in the financing of loan disbursements and as such were designated as a fair value hedge. |
| Market risk – Interest rate risk | Risk of experiencing fluctuations in lending and borrowing rates applicable to the Bank's loans, and debt.<br><br>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. | Sensitivity analysis. | The Bank has established policies for the determination of interest rates, allowing it to mitigate the potential effects of interest rate fluctuations. The Bank seeks to minimize the negative impact associate to potential mismatches in the duration of the loan portfolio and the debt incurred to finance such loans.<br>Potential exposures from the issuance of the three Swiss Franc denominated bonds at fixed-rate are effectively managed through the cross-currency swaps, and the potential exposure related to two disbursements received from CAF which are based on the Term SOFR interest rate, and of a Euro denominated disbursement received from the AFD.<br><br>These currency and interest rate hedges were designed to replace the currency and interest rate in which the original debt was contracted, by a debt denominated in US |

| Risk | Source of Exposure | Measurement | Risk Management |
|---|---|---|---|
| | | | dollar that bears interest on the compounded SOFR in arrears, which is the Bank loan interest reference rate, effectively eliminating currency and interest rate risks. |
| Market risk – Security prices | The Bank does not have investments in equity instruments that might be exposed to price risk. All investments consist of bonds that according to the Bank's business model can either be classified as available for sale or held-to-maturity. | Sensitivity analysis based on changes in interest rate for bonds classified as available for sale, valued at fair value with changes in OCI. The analysis also focuses on changes in the credit risk rating of issuers of bonds classified as held-to-maturity, which are valued at the lower of amortized cost or fair value. | The Bank does not have investment in equity instruments that might be exposed to price risk.<br><br>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 designated as fair value hedges of specific borrowings. | - Arrears analysis based on aging of loans, derivatives, bonds, and other instruments.<br>- Credit ratings<br>- Loan loss provision | Diversification of bank deposits and applicable loan limits.<br><br>Investment policies and guidelines and credit rating of counterparts.<br><br>Limits for concentration of credit risk applied to member countries and non-sovereign loans.<br>No private sector loans. |
| Liquidity risk | Borrowings, other liabilities, and obligations with special funds. | Rolling cash flow forecasts. | Availability of funds required to meet obligations and commitments, at least for a 12-month period following the date of the financial statements. |

The Bank manages its risks exposures in accordance with its enterprise-wide risk management policy. This policy encompasses the management of market and interest rate risks, operational and strategic risks. The focus of the Bank's enterprise-wide risk management is to ensure risks will remain within established

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

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

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

**6.1 Currency risk**

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

**6.2 Interest rate risk**

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

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

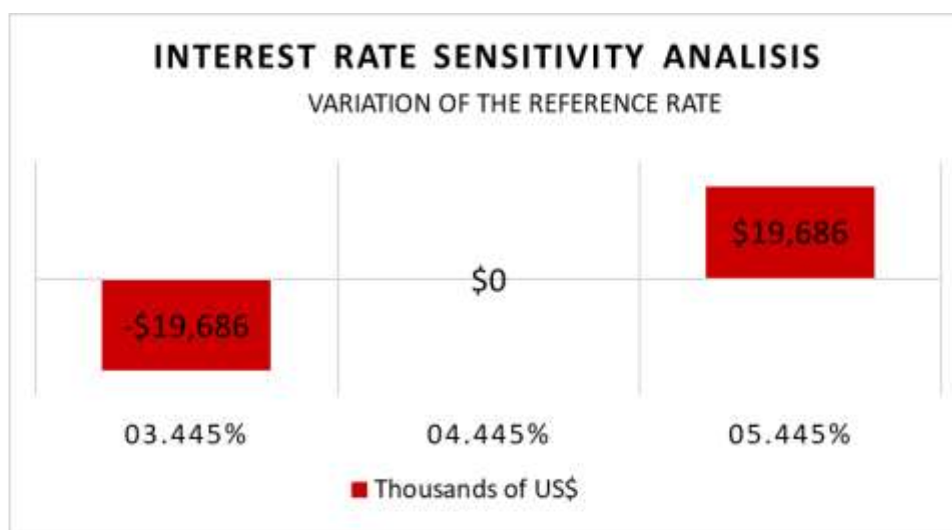
In compliance with its income management and financial charges policy, the Bank annually establishes a fixed margin applicable to new loans to be granted in the upcoming year (Operating Lending Rate or "TOR"). For loans approved after March 15, 2022, the Board of Executive Directors approved the new lending conditions for both sovereign and non-sovereign guaranteed loans (Resolution 1490/2022).

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 for loan contracts approved up to December 31, 2021, and which have not been converted to the SOFR in arrears rate, remains the 6-month Libor. For new loan contracts, effective January 1, 2022, the reference rate adopted is the SOFR in arrears. The Bank performs sensitivity analysis to determine the variance in income or in net equity associated to changes in interest rates.

The sensitivity analysis was performed using the weighted average of the two reference interest rates currently applicable to all loan contracts in the Bank's portfolio, which equals to 444.5 basis points.

Accordingly, the analysis yields a maximum and a minimum for the weighted average reference rate of 544.5 - 344.5 basis points, respectively. Should the positive or negative variation of the weighted average reference rate of 100 basis points were to materialize, future net income could be increased or decreased by $19,686, respectively.




**6.3 Market risk**

Market risk is the risk of losses in the value of financial assets and liabilities because of changes in market conditions. The Bank manages market risks affecting 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).

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).

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

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

The following chart shows the maximum exposure to losses related to price changes for investments classified as available for sale valued at fair value with changes in other comprehensive income assuming a 100 basis points change in interest rates, and the maximum exposure to losses associated to one notch downgrade in the credit risk rating of investments classified as held-to-maturity and valued at amortized cost as of December 31, 2022, and 2021, respectively:

| | Sensitivity analysis of investments As of December, 31 | | | | | |
|---|---|---|---|---|---|---|
| | 2022 | | | 2021 | | |
| Portfolio | Book value [1] $ | Maximum loss exposure $ | Variation % | Book value [1] $ | Maximum loss exposure $ | Variation % |
| Available for sale investments up to 12-months – FVTOCI [2] | 293,759 | 1,136 | 0.39 | 192,965 | 444 | 0.23 |
| Certificates of deposit fixed-term deposits [2] | -.- | -.- | -.- | 151,850 | -.- | -.- |
| ***Total short-term investments*** | 293,759 | 1,136 | 0.39 | 344,815 | 444 | 0.13 |
| Available for sale investments greater than 12-months – FVTOCI | 45,091 | 947 | 2.10 | 159,823 | 1,046 | 0.65 |
| ***Total long-term investments*** | 45,091 | 947 | 2.10 | 159,823 | 1,046 | 0.65 |
| ***Total*** | 338,850 | 2,083 | 0.61 | 504,638 | 1,490 | 0.30 |

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

[2]As of December 31, 2022, available for sale investments portfolio includes bonds for $13,760, and fixed –term certificates of deposits originally classified in held to maturity investment portfolio, for an amount of $169,836 which is included in cash and equivalent balance, since the time spanned from their date of purchase to their contractual maturity is up to 90 days or less (2021- $24,381 in bonds classified in the available for sale investment portfolio, and $40,987 in fixed term certificates of deposit classified in the held to maturity investment portfolio). For investments carried at amortized cost, the Bank periodically reviews their credit ratings to asses potential impairments (see Note 4.8).

### 6.4 Credit risk

Credit risk is the risk resulting from non-compliance with contract terms by the borrower. Financial policies establish individual limits of credit by member country, with the objective of reducing excessive risk exposures and 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.

As of December 31, 2022, 96% of the balance of loans outstanding correspond to loan contracts with the sovereign guarantee of the member government (2021- 95%). The Bank started lending without the sovereign guarantee of the member country in 2020, with the approval of its Board of Executive Directors. This new line targets development banks and enterprises where the central o local government is the majority owner. Since the creation of this line and through December 31, 2022, the Bank has approved $118,000 in four operations. From this total, as of December 31, 2022, $82,000 have been disbursed, $6,000 have been received in principal amortizations, and $76,000 remain outstanding (see Notes 2, and 8.4 (i), for more detail).

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

The credit risk associated to the investment of liquid assets is based on internal guidelines governing the investment of liquid assets, which establish the prudential investment limits by each asset class, sector and issuers, to guarantee an adequate diversification and mix of investment sources and maturities. As of December 31, 2022, and 2021, 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 to 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, including liabilities with special funds (see Note 8.6), loan disbursements, debt service, and the payment of obligations stemming from its administrative and capital expenditure requirements for a 12-month period. During the years ended as of December 31, 2022, and 2021, respectively, the Bank did not acquired commitments and obligations that would carry liquidity risk either in the short or medium term.

The following table shows financial assets as well as liabilities, as December 31, 2022, and 2021, respectively.

| | **As of December 31**, | |
|---|---|---|
| | 2022 | 2021 |
| **Financial Assets** | $ | $ |
| Cash and cash equivalents – Note 8.1 | 217,589 | 128,261 |
| Investments – Notes 8.2 and 8.3 | 338,850 | 504,638 |
| **Gross liquidity** | 556,439 | 632,899 |
| | | |
| **Financial Liabilities** | | |
| Borrowings – Note 8.5 | 975,343 | 926,741 |
| Other liabilities – Note 9.3 | 10,294 | 3,149 |
| Special funds – Note 8.6 | 22,635 | 21,891 |
| **Total Liabilities** | 1,008,272 | 951,781 |

Liquid assets coverage of the amount of net estimated disbursements was equivalent to 1.65 and 1.49 years, as of December 31, 2022, and 2021, respectively.

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

### 7.1 Operational risk

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

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

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

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

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

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

### 7.2 Management of strategic risks

***Strategic risk -*** Is the risk derived from the adverse or incorrect application of decisions or the absence of responses to changes affecting development financial institutions' 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 Bank.
- Specific information about each type of financial instrument
- Accounting policies.
- Information on the determination of fair values of financial instruments, including the professional judgment used, and the uncertainties affecting those estimates.

The Bank maintains the following financial assets and liabilities:

| | Note | Financial assets carried at fair value $ | Financial assets carried at amortized cost $ | Total $ |
|---|---|---|---|---|
| **December 31, 2022** | | | | |
| **Financial assets**: | | | | |
| Cash and cash equivalents | 8.1 | 3,893 | 203,696 | 217,589 |
| Investments at fair value with changes in OCI[1] | 8.2 | 340,224 | -.- | 340,224 |
| Investments at amortized cost[2] | 8.3 | -.- | -.- | -.- |
| Loan portfolio[3] | 8.4 | -.- | 1,772,578 | 1,772,578 |
| ***Subtotal*** | | 354,117 | 1,976,274 | 2,330,391 |
| Fair value hedge derivatives | 8.5 | 5 | -.- | 5 |
| ***Total financial assets*** | | 354,122 | 1,976,274 | 2,330,396 |

| | Note | Financial assets carried at fair value $ | Financial assets carried at amortized cost $ | Total $ |
|---|---|---|---|---|
| **Financial liabilities:** | | | | |
| Borrowings | 8.5 | (501,248) | (474,095) | (975,343) |
| Other liabilities | 8.5 | -.- | (10,294) | (10,294) |
| Special funds | 8.5 | -.- | (22,635) | (22,635) |
| ***Total financial liabilities*** | | (501,248) | (507,024) | (1,008,272) |
| ***Net financial assets*** | | (147,126) | 1,469,250 | 1,322,124 |
| | | | | |
| **December 31, 2021** | | | | |
| **Financial assets**: | | | | |
| Cash and cash equivalents | 8.1 | 24,652 | 103,609 | 128,261 |
| Investments at fair value with changes in OCI | 8.2 | 355,043 | -.- | 355,043 |
| Investments at amortized cost[1] | 8.3 | -.- | 151,961 | 151,961 |
| Loan portfolio[2] | 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 |
| | | | | |
| **Financial liabilities:** | | | | |
| 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 |

[1] Changes in fair value of investments are shown in OCI and changes in fair value of borrowings related to fair value hedges are shown in other income in the Income Statement as of December 31, 2022.
[2]Includes interest and other investment income.
[3] Includes interest and other loan income.

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

The maximum exposure to credit risk as of December 31, 2022, and 2021, respectively, corresponds to the balances shown for each of the above-mentioned financial assets.

### 8.1 Cash and cash equivalents

Cash at banks and deposits with original contractual maturities of up to three months from their date of purchase, consist of:

| | As of December 31, | |
|---|---|---|
| | 2022 $ | 2021 $ |
| Cash at banks | 33,295 | 62,615 |
| Time deposits and short-term bonds | 184,294 | 65,646 |
| ***Total*** | 217,589 | 128,261 |

**(i) Classification of cash equivalents**

Time deposits and short-term bonds are considered as cash equivalents provided their contractual maturity is of up to three months from their date of purchase. Note 4.6 includes a disclosure of the cash and cash equivalents policy.

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

Investments classified under this category, correspond to bonds issued by high-quality issuers, and consist of:

| | As of December 31, | |
|---|---|---|
| | 2022 | 2021 |
| | $ | $ |
| Sovereign bonds | 245,920 | 225,943 |
| Multilateral development institutions – Bonds | 89,455 | 111,201 |
| Other financial institutions | 1,948 | 13,587 |
| Argentine treasury bonds | 1,527 | 2,057 |
| ***Subtotal*** | 338,850 | 352,788 |
| Accrued interest receivable | 1,374 | 2,255 |
| ***Total*** | 340,224 | 355,043 |

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 31,2022, and 2021, 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, 2022, the Bank has accumulated unrealized losses in the amount of $4,676 in its statement of comprehensive income (2021 - $9,699 unrealized net losses). These unrealized losses consist of a gain in market value adjustments of investments for $1,191 (2021- $3,927 loss) and $ 93 corresponding to the sale of the offices located in the third floor of the Bank's headquarters in January, 2022 (2021- $28 depreciation of the year). Furthermore, and consistent with the Bank’s decision, effective January 1, 2022, to classify its hedges and to carry the original debt at fair value, the Bank reclassified the cumulative loss balance maintained in OCI of $3,578, as of December 31, 2021, to the Income Statement under “Other income,” (see Notes 4.10 y 8.5).

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

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

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

**8.3 Investments carried at amortized cost**

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

| | As of December 31, | |
|---|---|---|
| | 2022 | 2021 |
| | $ | $ |
| Time and certificates of deposit [1] | | |
| Sovereign | 35,656 | 141,860 |
| Multilateral development institutions | 54,880 | 9,990 |
| Financial entities | 79,300 | -.- |
| ***Subtotal*** | 169,836 | 151,850 |
| | | |
| Principal invested | 169,836 | 151,850 |
| Accrued interest receivable | 564 | 111 |
| ***Total*** | 170,400 | 151,961 |

(1) Investments correspond to fixed term deposits and certificates of deposit for $169,836 with original maturities of up to three months from the date of purchase, for which reason they are exposed as part of the cash and equivalents as of December 31, 2022 (2021- $40,987)

**(i) Investments carried at amortized cost**

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

Based on the results of the Bank's assessment of ECL on investments carried at amortized cost, no allowance was deemed necessary, since the carrying amount of investments was lower than the respective fair values based on bid market prices as of December 31, 2022 (2021 – Nil).

**(ii) Impairment and exposure to risk**

In September 2020, the Bank exchanges its holdings of "PAR" and "DISCOUNT" bonds 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.

During the period ended December 31, 2022, the Bank sold bonds for an amount of $203, realizing a loss of $210.

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:

| | As of December 31, | |
|---|---|---|
| | 2022 | 2021 |
| Country | $ | $ |
| Argentina | 490,462 | 403,808 |
| Bolivia | 395,009 | 355,393 |
| Brazil | 178,992 | 143,243 |
| Paraguay | 342,042 | 275,547 |
| Uruguay | 278,339 | 269,610 |
| ***Gross loan portfolio with sovereign guarantee (SG)*** | 1,684,844 | 1,447,601 |
| ***Gross loan portfolio with non-sovereign guarantee (NSG))*** | 76,000 | 72,000 |
| ***Total gross loan portfolio*** | 1,760,844 | 1,519,601 |
| Less: Unaccrued administrative fee | (2,938) | (3,595) |
| ***Subtotal loan portfolio*** | 1,757,906 | 1,516,006 |
| Less: Provision for potential impairment on SG loans | (12,416) | (11,123) |
| Less: Provision for potential impairment on NSG loans | (1,094) | (1,217) |
| ***Net loan portfolio*** | 1,744,396 | 1,503,666 |

Accrued loan interest and commissions receivable amounts to $28,182 as of December 31, 2022 (2021-$10,673)

During the years ended as of December 31, 2022, and 2021, respectively, all loans were classified in stage 1. The amount of provision for potential impairment of loans as of December 31, 2022, and 2021 is as follows:

| | As of December31, | |
|---|---|---|
| | 2022 | 2021 |
| | $ | $ |
| Provision as of the beginning of the period or year SG [1] | 11,123 | 8,491 |
| Increase/(decrease) on provision of SG loans | 1,293 | 2,632 |
| ***Subtotal Provision SG*** | 12,416 | 11,123 |
| Opening NSG provision | 1,217 | 1,250 |
| Increase/(decrease) on NSG provision | (123) | (33) |
| ***Subtotal NSG provision*** | 1,094 | 1,217 |
| ***Total provision for potential impairment on loans*** | 13,510 | 12,340 |

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

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

| Maturity | As of December 31, 2022 | 2021 |
|---|---|---|
| | $ | $ |
| Up to one year | 171,608 | 108,752 |
| Greater than one and up to two years | 206,417 | 147,786 |
| Greater than two and up to three years | 199,611 | 176,558 |
| Greater than three and up to four years | 176,313 | 169,383 |
| Greater than four and up to five years | 172,591 | 145,965 |
| Greater than five years | 834,304 | 771,157 |
| ***Total gross loan portfolio*** | 1,760,844 | 1,519,601 |

**(i) Loan portfolio classification**

Approximately, 96% of the loan portfolio consists of loans granted with the sovereign guarantee of the member country. Starting in 2020, the Bank has begun extending non-sovereign guaranteed financing to government majority owned banks and enterprises at the central and local levels. The outstanding balance from those loans represents approximately 4.3% of gross loans outstanding as of December 31, 2022 (2021 – 4.7%).

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 months following year end, is classified as current, with the remaining balance classified as non-current. Notes 4.7 and 4.8 (v), describe accounting policies used in connection with the accounting of the loan portfolio and the recognition of its impairment, respectively.

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

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

As indicated in Note 6.4, as of December 31, 2022, the balance of non-sovereign guaranteed loans pending collection amounts to $76,000, which represents an increase of approximately 6% compared to the balance as of December 31, 2021, of $72,000.

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

As well as sovereign loans, these loans accrue interest based on 6-month Libor reference rate plus a margin established based on the credit risk rating at the time the financing is approved.

As explained in greater detail in Note 6.4, the 6-month Libor rate is being replaced by the SOFR rate, and this change is expected to take place in the coming months or by June 30, 2023. Like the sovereign guaranteed loans, these financings accrue a commitment commission on the undisbursed balance of each approved stage within the credit line, plus an administration commission based on the validity of each stage.

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

**(ii) Fair value of the loan portfolio**

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

**(iii) Impairment and exposure to risk**

The provisions for potential impairment on sovereign guaranteed and non-sovereign guaranteed loans are maintained at a level considered adequate by the Bank to absorb potential losses related to the loan portfolio as of the date of the financial statements.

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

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.

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

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

Moreover, the Bank maintains policies on risk 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 multilateral development banks and other bilateral organizations; financial institutions; certificates of deposit from Central Banks of the member countries; and bonds. As stated in (ii) below, the Bank contracts cross-currency swaps to reduce its exposure to exchange and interest rate risk in those instances where it contracts debt in currencies other than the U.S. dollar or with a reference rate different from that of its loan portfolio. The net balance of the swaps' receivable and payable together with the amount of collateral received from JP Morgan (JPM) and Credit-Suisse (CS), consists of a net receivable of $5, as of December 31, 2022 (December 31, 2021, net receivable of $694), and is shown under "Cash flow hedged derivatives", in the statement of financial position.

Total borrowings as of December 31, 2022, and 2021, are as follows:

| | As of December 31, | |
|---|---|---|
| | 2022 | 2021 |
| | $ | $ |
| **Borrowings** | | |
| Loans and time deposits at amortized cost[1] | 485,347 | 381,536 |
| Bonds at fair value[2] | 492,017 | 547,825 |
| ***Gross portfolio*** | 977,364 | 929,361 |
| Less: unamortized borrowing costs | (2,021) | (2,620) |
| ***Total*** | 975,343 | 926,741 |

[1] Includes borrowings denominated in Euros at the Euribor rate contracted with the AFD, which has been swapped into US Dollar at the compounded SOFR in arrears rate. This borrowing, as well as the hedging operation, is valued at fair value as of December 31, 2022, $9,231 (see Note 8.5 (i)).

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

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

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

| | As of December 31, | |
|---|---|---|
| | 2022 | 2021 |
| | $ | $ |
| Banco de Desarrollo de América Latina – (CAF) – See (1), below | 100,000 | 64,000 |
| Time deposits with Central Banks – See (2) below | 80,000 | 80,000 |
| Inter-American Development Bank (IDB) – See (3) below | 118,396 | 100,000 |
| French Development Agency (AFD) – See (4) below | 28,322 | 20,000 |
| European Investment Bank (EIB) – See (5) below | 42,000 | 12,000 |
| Oficial Credit Institute E.P.E. (ICO) – See (6) below | 16,629 | 5,536 |
| Banco Bilbao Vizcaya Argentaria (BBVA) – See (7) below | 100,000 | 100,000 |
| **Total** | 485,347 | 381,536 |

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

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

(1) On June 9, 2022, the Bank canceled the amount pending payment under the line of credit maintained with the "Banco de Desarrollo de América Latina" (CAF), since November 2016. On December 1 and December 6, 2022, respectively, the Bank disbursed $50,000, under the line of credit agreed with CAF on September 17, 2021. The first disbursement will be amortized in two equal payments of $25,000, with maturing on June 1 and December 2, 2024, respectively, and the second disbursement will also be repaid in two equal payments, maturing on June 6 and December 6, 2024, respectively. Both loans accrue interest at SOFR term plus a fixed margin. On January 27, 2023, the Bank contracted with DB two interest rate swaps to hedge the two disbursements received from CAF, which bear interest at the Term SOFR interest rate, into the compounded SOFR in arrears interest rate which is the Bank's loan interest reference rate. These swaps are retroactive to December 1 and 6, 2022, which are the original dates of each disbursement (see Note 8.5 (ii)).

(2) The Bank maintains agreements with the Central Banks of its member countries that allow it to accept medium-term funds denominated in US dollars, instrumented under the modality of promissory notes. As of December 31, 2022, the Bank borrowed $80.000 on a fixed rate certificate of deposit maturing on May 5, 2023, with the Central Bank of Uruguay.

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

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

FONPLATA
Banco de Desarrollo

| Loans | As of December 31, 2022 and 2021 | | | |
|---|---|---|---|---|
| | BID | | | To be financed by FONPLATA |
| | Eligible | Disbursed | To be disbursed | |
| **Active line of credit 2022**: | | | | |
| ARG-28/2016 Compl. Fronterizos | 16,690 | 8,300 | 8,390 | 3,310 |
| BRA-21/2018 Itajaí 2040 | 6,205 | 6,205 | -.- | 56,295 |
| BRA-23/2019 Ponta Pora | 22,130 | 3,892 | 18,238 | 2,870 |
| ***Subtotal*** | 45,025 | 18,397 | 26,628 | 62,475 |
| Projects to be identified | 54,975 | -.- | 54,975 | -.- |
| ***Total credit line*** | 100,000 | 18,397 | 81,603 | 62,475 |
| **Executed line of credit 2021**: | | | | |
| ARG-26/2016 Modernización | 750 | 750 | -.- | 6,750 |
| ARG-28/2016 Compl. Fronterizos | 10,000 | 2,000 | 8,000 | 10,000 |
| ARG-31/2016 BICE 1ª Etapa | 14,328 | 14,328 | -.- | 5,672 |
| ARG-31/2016 BICE 2ª Etapa | 13,881 | 13,881 | -.- | 6,119 |
| ARG-31/2017 Infraestr. p/la integración | 11,500 | 2,220 | 9,280 | 10,700 |
| ARG – 32/2016 Aristóbulo del Valle | 20,000 | 9,709 | 10,291 | 17,214 |
| ARG – 39/2018 Ruta 13 Chaco | 20,000 | 20,000 | -.- | 45,000 |
| BRA-16/2014 Corumba | 10,000 | 10,000 | -.- | 30,000 |
| PAR-20/2015 Integracion | 23,250 | 22,922 | 328 | 46,750 |
| PAR-25/2018 Rutas Jesuiticas | 12,000 | -.- | 12,000 | -.- |
| Advanced to ARG-35/ARG-39 projects[2] | -.- | 4,190 | (4,190) | (4,190) |
| Elegible projects not disbursed | (35,709) | -.- | -.- | -.- |
| ***Subtotal*** | 100,000 | 100,000 | 35,709 | 174,015 |
| ***Total*** | 200,000 | 118,397 | 117,312 | 236,490 |

(4) As of June 29, 2022, the Bank signed a new line of credit with the French Development Agency (AFD) to borrow up to EUR 30,000m with a 15-year maturity at the 6-month Euribor rate plus a margin. This credit line is added to the credit line denominated in U.S. dollars that was approved in October 2018, for $20,000, and that was fully executed in 2021, therefore it is in repayment process. As of December 31, 2022, eligible loans were financed under this new line of credit for a total of EUR 8,000, equivalent to $8,519. The total amount owed to AFD under these two lines amounts to $27,610 ($20,000 and EUR 8,000) as of December 31, 2022 (2021- $20,000). To hedge the currency and interest rate potential exposures related to the Euro denominated disbursement and to the Euribor, the Bank contracted a cross-currency swap with JPM (see Note 8.5 (ii)).

| Loans | AFD Funding in Euros and USD as of December 31, 2022, and 2021 | | | | |
|---|---|---|---|---|---|
| | Eligible | Disbursed | Available | FONPLATA | To pay |
| ARG-51/2021-PROSAF | 3,780 | 3,780 | -.- | 9,520 | -.- |
| BRA-33/2022-DOURADOS | 11,380 | 4,220 | 7,160 | 28,620 | -.- |
| Projects to be identified | 14,840 | -.- | 14,840 | -.- | -.- |
| ***Total Euros*** | 30,000 | 8,000 | 22,000 | 38,140 | 8,000 |
| ***USD equivalent*** | 31,947 | 8,519 | 23,428 | 40,615 | 8,519 |
| Line denominated in USD 2018 | 20,000 | 20,000 | -.- | -.- | 19,091 |
| ***Total*** | 51,947 | 28,519 | 23,428 | 40,615 | 27,610 |

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

(6) During the year ended as of December 31, 2022, the Bank received $12,200 under the new line of credit subscribed on June 9, 2022, with the "Instituto de Crédito Oficial E.P.E. – (ICO)," in the amount of $15,000. This line was added to the one signed in 2018, for $15,000, of which the undisbursed balance of $9,464 was cancelled on December 17, 2020. The outstanding balance on this first line of credit as of December 31, 2021, amounted to $5,536, and $4,429 as of December 31, 2022, after amortization of principal for $554 and $553 in June and December 2022, respectively.

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

| | ICO | | | |
|---|---|---|---|---|
| **Loans** | Eligible | Disbursed 2021 | Disbursed 2022 | Available |
| **December 31, 2022** | | | | |
| ARG 23/2015 Ferrocarril Belgrano SUR | 12,645 | -.- | 12,200 | 445 |
| Subtotal | 12,645 | -.- | 12,200 | 445 |
| **December 31, 2021** | | | | |
| BOL – 25 Alcantaríllado | 1,674 | 1,674 | -.- | -.- |
| URU – 14 Líquidos residuals | 3,629 | 2,129 | -.- | 1,500 |
| ARG – 38/2018 Ferroviario | 1,733 | 1,733 | -.- | -.- |
| Projects to be indentified | 7,964 | -.- | -.- | 7,964 |
| ICO PHASE II | 15,000 | -.- | 6,700 | 8,300 |
| Cancelled project | -.- | -.- | -.- | (9,464) |
| Subtotal | 30,000 | 5,536 | 6,700 | 8,300 |
| Total | 42,645 | 5,536 | 18,900 | 8,745 |

(7) In June 2021, the Bank signed and drew-down in full a 5-year term credit facility in the amount of $100,000 with Banco Bilbao Vizcaya Argentaria S.A. (BBVA).

(8) On December 16,2022, the Bank signed a loan contract with the KfW intended to finance green line proyects that contribute to mitigate negative impacts to the environment and climate change. This line of credit is denominated in Euros at the Euribor interest rate plus a fix margin. This line of credit amount to EUR 37,000. This line of credit should be disbursed by December 31, 2024, which is the date for the last disbursement. Amortization of this loan will commence on May 15, 2027, and end on May 15, 2030, based on 7 semi-annual equal installments. No disbursements were drawn-down under this line of credit as of December 31, 2022.

**(ii) Bonds and derivative financial instruments designated as fair value hedges**

As stated in Notes 2 and 4.10, between 2019 and 2021, the Bank launched three bond issuances, a.k.a., FONPLATA 24, FONPLATA26, and FONPLATA28, according to their respective year of maturity. These bond issuances are denominated in Swiss Francs with an annual fixed rate coupon and principal payment at maturity. FONPLATA 24, consisted of CHF 150,000 with a maturity on March 11, 2024; FONPLATA26, consisted of CHF 200,000 with a 5 ½ - years of maturity on September 3, 2026; and FONPLATA28, CHF 150,000, with a 7-year maturity on December 1, 2028, and a fixed rate coupon. Furthermore, as stated in Note 8.5 (i) (1) and (4), the Bank contracted a new line of credit with CAF. This line of credit is denominated

in US dollar and bears interest based on the Term SOFR, and also contracted a new line of credit with the AFD denominated in Euros that bears interest based on the Euribor rate. As of December 31, 2022, the Bank had drawn-down $100,000 from CAF and $8,519 with the AFD.

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

The following are the cross-currency swaps outstanding as of December 31, 2022, and 2021, respectively:

**December 31, 2022**

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

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

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

4. JPM – Cross-currency rate to exchange EUR 8.000, corresponding to the first draw-down on the loan contracted with the AFD, which accrues interest based on the Euribor rate plus a fix margin (see Note 8.5 (i) (4)). The terms of this cross-currency swap cover the period and service of the loan contracted, starting on December 23, 2022, and through its maturity on January 31, 2034. The Bank and JPM agreed to exchange EUR 8,000 for $8,516, which accrue interest on the SOFR in arrears, which is the Bank's reference rate on all loans starting January 1, 2022 (see Note 6.2).

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

**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, for variable interest rate semiannual payments based on the 6-month Libor rate.

3. CS- Cross-currency swapping 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.

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 a given threshold. Collateral is determined based on a proprietary valuation model. The Bank closely monitors the fairness and reasonableness of those valuation models used by its counterparts through its own valuation model based on market information provided by Bloomberg financial services regarding interest and exchange rates.

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

Interest received or paid by the Bank on the amount of collateral held by the counterparts is recognized as part of other incomes.

As of December 31, 2022, the Bank has a collateral receivable position with its derivative counterparts, in the amount of $36,858 (December 31, 2021 - $7,602 collateral payable).

Interest paid/received in collateral deposits with derivative counterparts is based on the interest rate published by the Federal Reserve Bank of the United States of America for overnight deposits. The total amount of interest received and paid on collateral sent and received from counterparts, amounted to $847 and $2, as of December 31, 2022 (2021- $13 and $5).

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

The following table presents the recognized financial instruments as if all set-off rights were exercised (i.e., cross-currency and interest rate swaps and collateral), based on the set-off and netting right arising from the contract. As of December 31, 2022, and 2021, neither of the parties exercised its rights to set-off and netting. The column "net amount" shows the impact on the Bank's statement of financial position if all set-off rights were exercised.

| | Gross amounts | Gross amounts offset in the Statement of Financial Position | Net amounts presented in the Statement of Financial Position |
|---|---|---|---|
| | $ | $ | $ |
| **As of December, 2022** | | | |
| **Credit Suisse (CS):** | | | |
| **Financial assets:** | | | |
| Cross-currency and interest rate swaps receivable[1] | 210,781 | (238,047) | (27,266) |
| Collateral receivable | 27,270 | -.- | 27,270 |
| **Subtotal Derivatives Receivable** | 238,051 | (238,047) | 4 |

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| | Gross amounts | Gross amounts offset in the Statement of Financial Position | Net amounts presented in the Statement of Financial Position |
|---|---|---|---|
| | $ | $ | $ |
| **Financial liabilities:** | | | |
| Cross-currency and interest rate swaps payable[1] | (238,047) | 238,047 | -.- |
| **Subtotal Derivatives Payable** | (238,047) | 238,047 | -.- |
| ***Derivatives net receivable CS*** | 4 | -.- | 4 |
| | | | |
| **J.P. Morgan (JPM):** | | | |
| **Financial assets[2]:** | | | |
| Cross-currency and interest rate swaps receivable[1] | 329,137 | (338,724) | (9,587) |
| Collateral receivable | 9,588 | -.- | 9,588 |
| **Subtotal Derivatives Receivable** | 338,725 | (338,724) | 1 |
| | | | |
| **Financial liabilities[2]:** | | | |
| Cross-currency and interest rate swaps payable[1] | (338,724) | 338,724 | -.- |
| **Subtotal Derivatives Payable** | (338,724) | 338,724 | -.- |
| ***Derivatives net receivable JPM*** | 1 | -.- | 1 |
| | | | |
| **Deutsche Bank (DB):** | | | |
| **Financial assets:** | | | |
| Interest rate swaps receivable | 100,000 | (100,000) | -.- |
| Collateral receivable | -.- | -.- | -.- |
| **Subtotal Derivatives Receivable** | | | |
| **Financial liabilities:** | | | |
| Interest rate swaps payable | (100.000) | 100.000 | -.- |
| Collateral payable | -.- | -.- | -.- |
| ***Derivatives net DB*** | -.- | -.- | -.- |
| ***Net receivable as of December 31,2022*** | 5 | -.- | 5 |
| | | | |
| **As of December 31, 2021** | | | |
| **Credit Suisse (CS):** | | | |
| **Financial assets:** | | | |
| Cross-currency and interest rate swaps receivable at FVOCI | 230,790 | (239,500) | (8,710) |
| Collateral Receivable | 8,720 | -.- | 8,720 |
| **Subtotal Derivatives Receivable** | 239,510 | (239,500) | 10 |
| | | | |
| **Financial liabilities:** | | | |
| Cross-currency and interest rate swaps payable at FVOCI | (239,500) | 239,500 | -.- |
| **Subtotal Derivatives Payable** | (239,500) | 239,500 | -.- |
| ***Derivatives net receivable CS*** | 10 | -.- | 10 |
| | | | |
| **J.P. Morgan (JPM):** | | | |
| **Financial assets:** | | | |
| Cross-currency swap receivable at FVOCI | 333,249 | (316,326) | 16,923 |
| Interest rate swaps receivable at FVOCI | 80,562 | (80,479) | 83 |
| **Subtotal Derivatives Receivable** | 413,811 | (396,805) | 17,006 |
| | | | |
| **Financial liabilities:** | | | |

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| | Gross amounts | Gross amounts offset in the Statement of Financial Position | Net amounts presented in the Statement of Financial Position |
|---|---|---|---|
| | $ | $ | $ |
| Cross-currency swaps payable at FVOCI | (316,326) | 316,326 | -.- |
| Interest rate swap payable at FVOCI | (80,479) | 80,479 | -.- |
| Collateral payable | (16,322) | -.- | (16,322) |
| **Subtotal Derivatives Payable** | (413,127) | 396,805 | (16,322) |
| ***Derivatives net receivable JPM[3]*** | 684 | -.- | 684 |
| ***Net receivable as of December 31, 2021*** | 694 | -.- | 694 |

[1]As of December 31, 2022, the reference interest rate of the cross-currency swap contracted with Credit Swiss is the 6-month Libor rate. This is consistent with the reference interest rate applicable to loans outstanding as of December 31, 2022, that have yet to be converted to the 6-month Libor rate. The replacement of the interest reference rate in the cross-currency swaps with Credit Swisse (CS) would take place on or before June 30, 2023.

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

[3]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 $1.

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

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

| | As of December 31, | |
|---|---|---|
| Maturities | 2022 | 2021 |
| Up to one year | 104,592 | 66,016 |
| More than one and up to two years | 298,900 | 104,592 |
| More than two and up to three years | 41,992 | 205,606 |
| More than three and up to four years | 224,346 | 41,688 |
| More than four and up to five years | 12,928 | 244,579 |
| More than five years | 294,606 | 266,880 |
| **Total** | 977,364 | 929,361 |

**(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 similar to the recorded amount for the borrowing.

Bonds outstanding and cross-currency and interest rate swaps designated as a fair value hedge are valued at fair value with the effective portion of the hedge recognized in 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, 2022, and 2021, respectively, includes the following:

| | As of December 31, | |
|---|---|---|
| | 2022 | 2021 |
| | $ | $ |
| FOCOM | 14,230 | 13,769 |
| PAC | 4,184 | 4,056 |
| PCT | 4,221 | 4,066 |
| ***Total*** | 22,635 | 21,891 |

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

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

a. **"Fund for the Compensation of the Operational Rate (referred as FOCOM)"**: The scope of this fund, was expanded in 2020, from helping to reduce the financial cost incurred by Bolivia, Paraguay and Uruguay on their loans with the Bank, to also encompass projects under the "Green Financing Line" and projects financed under the "Economic Recovery Line", through the payment of a portion of the interest to be paid semiannually for all five member countries. The payment of the part of the interest accrued on loans by FOCOM on behalf of the borrowers is contingent and determined annually. On December 16, 2022, (RAG – 192), the Board of Governors approved a contribution of $3,100 from retained earnings as of December 31, 2021. Since the inception of this fund, in May 2014, and until December 31, 2022, it has received $21,610 in contributions approved by the Board of Governors from retained earnings (December 31, 2021 - $18,510).

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 December 16, 2022, the Board of Governors approved a contribution of $500 from retained earnings as of December 31, 2021. Since its inception and until December 31, 2022, the PCT has received $5,000 in contributions approved by the Board of Governors from retained earnings (December 31, 2021 - $4,500).

*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 as of December 31, 2022 and 2021, respectively:

| | Severance payment contributions $ | Participants' voluntary savings contributions $ | Bank's matching contributions on voluntary savings $ | Accumulated total $ | Total amount available for termination $ | Deferred amount $ |
|---|---|---|---|---|---|---|
| **December 31, 2022** | | | | | | |
| Balance as of December 31, 2021[1] : | 1,889 | 1,260 | 906 | 4,056 | 3,976 | 80 |
| Changes in vesting | | | | | 64 | (64) |
| Severance payment contributions | 471 | -.- | -.- | 471 | 471 | -.- |
| Participants' voluntary savings contribution | -.- | 358 | 358 | 716 | 673 | 43 |
| Additional participants' savings contributions | -.- | 65 | -.- | 65 | 65 | -.- |
| Investment income accrued | -.- | 13 | 10 | 24 | 24 | -.- |
| Withdrawals | (585) | (318) | (243) | (1,148) | (1,144) | (4) |
| **Balance due to the PAC December 31, 2022** | 1,775 | 1,379 | 1,031 | 4,184 | 4,130 | 54 |
| **December 31, 2021** | | | | | | |
| 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 December 31, 2021** | 1,889 | 1,260 | 906 | 4,056 | 3,976 | 80 |

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

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 is made by obtaining values in accordance with the three levels of the fair value hierarchy. An explanation for each of these three levels follows:

| | Level 1<br>$ | Level 2<br>$ | Level 3<br>$ |
|---|---|---|---|
| **December 31, 2022** | | | |
| Investments at fair value with changes in OCI – Note 8.2 | 338,850 | -.- | -.- |
| Borrowings at fair value with changes in income – Note 8.5 (i) | (501,248) | -.- | -.- |
| Receivable swaps at fair value with changes in income – Note 8.5 | 539,918 | -.- | -.- |
| Payable swaps at fair value with changes in income – Note 8.5 (ii) | (576,772) | -.- | -.- |
| **December 31, 2021** | | | |
| Investments at fair value with changes in OCI – Note 8.2 | 352,788 | -.- | -.- |
| Receivable swaps at fair value with changes in OCI – Note 8.5 (i) | 644,601 | -.- | -.- |
| Payable swaps at fair value with changes in OCI – Note 8.5 (ii) | (636,305) | -.- | -.- |

During the year ended as of December 31, 2022, and 2021, respectively, 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.

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## 9.1 Property and equipment, net

The composition of property and equipment includes the following:

| | Property<br>$ | Equipment and Furniture<br>$ | Art<br>$ | Vehicles<br>$ | Total[1]<br>$ |
|---|---|---|---|---|---|
| **Book value** | | | | | |
| Balance as of December 31, 2020 | 4,857 | 2,427 | 87 | 49 | 7,420 |
| Additions | -.- | 214 | | | 214 |
| Balance as of December 31, 2021 | 4,857 | 2,641 | 87 | 49 | 7,634 |
| Additions | -.- | 694 | -.- | -.- | 694 |
| Fixed Assets in transit | -.- | 32 | -.- | -.- | 32 |
| Write-offs | (392) | (86) | -.- | -.- | (478) |
| ***Balance as of December 31, 2022*** | 4,465 | 3,282 | 87 | 49 | 7,883 |
| Cumulative depreciation | | | | | |
| Balance as of December 31, 2020 | 513 | 928 | -.- | 46 | 1,487 |
| Depreciation | 166 | 237 | -.- | 3 | 406 |
| Balance as of December 31, 2021 | 679 | 1.165 | -.- | 49 | 1,893 |
| Write-offs | (22) | (33) | -.- | -.- | (55) |
| Depreciation | 102 | 263 | | -.- | 365 |
| **Balance as of December 31, 2022** | 759 | 1,395 | -.- | 49 | 2,204 |
| **Net book value as of December 31, 2022** | 3,706 | 1,887 | 87 | -.- | 5,679 |
| **Net book value as of December 31, 2021** | 4,178 | 1,476 | 87 | -.- | 5,741 |

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

The net book value of offices, parking, and storage spaces conforming the Bank's headquarters includes a technical revaluation in the amount of $812, recognized on December 31, 2018, based on the estimated fair value resulting from an independent appraisal as of that date. This revaluation resulted into the recognition of a revaluation reserve in other comprehensive income. As of December 31, 2022, the amount of the revaluation reserve was reduced by $73 because of the sale of the office space occupied by the Bank on the 3rd floor of its headquarters as explained below. The amount of the revaluation reserve is reduced by the depreciation and might be adjusted based on subsequent technical revaluations.

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

**(ii) Depreciation methods, revaluation, and useful lives**

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

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

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

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

**(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, | |
|---|---|---|
| | 2022 | 2021 |
| | $ | $ |
| Cost | 4,044 | 4,044 |
| Cumulative depreciation | (583) | (596) |
| **Total** | 3,461 | 3,448 |

**9.2 Miscellaneous**

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

The Bank has entered medium-term leases to secure space for its liaison offices in Montevideo, Uruguay, Brasilia, Brazil and Buenos Aires, Argentina. Leases for periods longer than one year are recognized and accounted in compliance with IFRS 16. Leasing and interest charges paid for the year ended December 31, 2022 amounted to $165 (2021- $65). The following table shows the relevant information on those leases as of December 31, 2022 and 2021, respectively:

| | Lease obligation $ |
|---|---|
| **As of December 31, 2022** | |
| Montevideo – Uruguay, 3-year lease contract signed on November 20, 2020, including extension for the lease of an additional 75 m2 in June 2022. Minimum monthly payments in U.S. dollars of $2.5, starting on February 1, 2021, and ending on January 1, 2024. Minimum rental payments are subject to 4% annual escalation adjustment. As of the June 2022 extension, the minimum payment is $3.9 per month. Minimum rental payments are subject to a 4% annual increase. | 83 |
| Brazil – Brasilia, 3-year lease contract signed on March 15, 2021, with minimum lease payments denominated in Brazilian Reais, 10.8, equivalent to $2.1 U.S. dollars, and subject | 31 |

| | Lease obligation $ |
|---|---|
| to annual escalation adjustments based on the local inflation price index. Lease expires on March 14, 2024. | |
| Buenos Aires – Argentina, 3-year lease signed for 36 months, from February 1, 2022, to January 31, 2025, with a minimum monthly payment of $5.4, including value added tax. | 152 |
| **Total** | 266 |
| **As of December 31, 2021** | |
| 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 | 95 |
| Brazil – Brasilia, 3-year lease contract signed on March 15, 2021, with minimum lease payments denominated in Brazilian Reais, $9.5, and subject to annual escalation adjustments based on the local inflation price index. Lease expires on March 14, 2024. | 49 |
| **Total** | 144 |

As of December 31, 2022, and 2021, the total amount of miscellaneous receivables amounts to $1,088, and to $748, respectively.

### 9.3 Other Liabilities

This caption includes interest and commissions payable accrued on borrowings, as well as small balances owed to suppliers and staff reimbursements. In addition, and as indicated in Note 9.2, it includes the recognition of the unamortized portion of the liability contracted by the lease contract in relation to the liaison offices in Montevideo, Uruguay. The composition of other liabilities as of December 31, 2022 and 2021, is as follows:

| | As of December, 2022 $ | As of December, 2021 $ |
|---|---|---|
| Interest and commissions accrued on borrowings | 9,638 | 2,534 |
| Trade payables and accruals | 390 | 471 |
| Unamortized financial lease obligations | 266 | 144 |
| Total | 10,294 | 3,149 |

## NOTE 10 – EQUITY

### 10.1 Capital

On January 28, 2016, the 14th Extraordinary Board of Governors approved a capital increase in the amount of $1,375,000, raising the authorized from $1,639,200 to $3,014,200. The capital increase became effective in 2017 with the subscription by all member countries of their respective installments of paid-in capital in the amount of $550,000 and their commitment of the totality of their respective portion of callable capital in the amount of $825,000.

Paid-in capital subscriptions for Argentina, Bolivia, Paraguay, and Uruguay are based in eight annual equal installments commencing in 2018 and ending in 2024, and from 2018 – 2026, for Brazil. At the end of the integration process, the total capital payable in cash will amount to $1,349,200.

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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, 2022, and 2021, is as follows:

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

During the year ended December 31, 2022, and 2021, the Bank received paid-in contributions in the amount of $79,194 and $89,585, 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, 2022, and 2021 respectively, is as follows:

| Member country | December 31, 2022<br>Paid-in Capital Subscribed | | | December 31, 2021<br>Paid-in Capital Subscribed | | |
|---|---|---|---|---|---|---|
| | Paid-in [i] | Receivable [i] | Total | Paid-in [i] | Receivable [i] | Total |
| | $ | $ | $ | $ | $ | $ |
| • Argentina | 387,410 | 62,334 | 449,744 | 356,244 | 93,500 | 449,744 |
| • Bolivia | 129,126 | 20,778 | 149,904 | 118,737 | 31,167 | 149,904 |
| • Brazil | 306,871 | 142,873 | 449,744 | 294,012 | 155,732 | 449,744 |
| • Paraguay | 129,126 | 20,778 | 149,904 | 118,737 | 31,167 | 149,904 |
| • Uruguay | 129,126 | 20,778 | 149,904 | 118,737 | 31,167 | 149,904 |
| Total | 1,081,660 | 267,540 | 1,349,200 | 1,006,467 | 342,733 | 1,349,200 |

As indicated in Note 2-B, on January 3, 2023, the Bank received from Brazil the amount of $69,842, corresponding to paid-in capital installments agreed for the period 2020 to 2022, leaving a remaining balance due of $98. These contributions will increase the Bank's equity and its cash flows in 2023.

**As of December 31, 2022, and 2021**:

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

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

### 10.2 Other reserves

As explained in Note 8.2 (iv), other comprehensive income as of December 31, 2022, and 2021 includes the following:

(i) Reserve for changes in the fair value of investments – FVOCI: During the year ended December 31, 2022 this reserve was increased by a gain of $1,191, for a cumulative unrealized loss of $4,615 (December 31, 2021 –$3,928 of unrealized loss for a cumulative total of unrealized losses of $5,806)

(ii) Reserve for changes in fair value of derivatives held for hedging: As stated in Note 8.5, effective January 1, 2022, the Bank classified its hedges of borrowings contracted in currencies other than the U.S. dollar and at interest rates other the Bank's loan reference interest rate as fair value hedges in accordance with IFRS 9. This change was made prospectively, in accordance with IAS 8, in recognition that the net effect in prior years was not material. As a result, the balance maintained in the Reserve of changes in fair value of cashflow hedges as of December 31, 2022, of $3,578, was reclassified as "Other Income" in the statement of income. This caption includes the net unrealized gains and losses resulting from the fair value of the derivative financial instruments contracted in currencies other than de U.S. dollar and at rates different than the Bank's loan reference interest rate, and net fair value adjustment of the receivable and payable swaps with the Bank's counterparts.

(iii) Reserve for revaluation of property: During the year ended December 31, 2022, this reserve was reduced by $93, for a balance of $636, as a result of the sale of the offices occupied on the third floor of the Bank's headquarters $66 and for depreciation of the period $27 (2021- $729 after deducting depreciation of the period $28).

### 10.3 Retained earnings and reserves

Retained earnings as of December 31, 2022, amount to $47,615, and correspond fully to the net income earned from operations from January 1 through December 31, 2022 (2021- $24,030). The recognition of the fair value adjustment of the debt contracted in currencies other than the U.S. dollar and at reference interest rates other than the Bank's loans reference interest rate together with the fair value adjustment of the receivable payable swaps contracted to mitigate the risk of exposure to exchange rate and interest rate changes amounted to $ 6,370 of net unrealized gains, which are included in "Other income" as of December 31, 2022. These net unrealized gains resulting from the net fair value adjustment of the debt and swaps will gradually converge to zero as the original debt and the swaps mature. At that time, the Bank will Exchange the contracted flows with its swap's counterparts.

The Bank policies provide that Unappropriated Retained Earnings are to be used to finance the preservation of the value of its equity over time and to also finance the Special Fund for the Compensation of the operational Rate (FOCOM), and the Technical Cooperation Program (PCT). Note 8.6, provides additional information regarding the allocation of resources to these two funds based on retained and unallocated earnings as of December 31, 2021, approved by the Board of Governors on December 16, 2022 (RAG 192).

The amount of the General Reserve as of December 31, 2022, and 2021, respectively is as follows:

| | General Reserve |
|---|---|
| | $ |
| Balance as of December 31, 2020 | 155,751 |
| Allocated by the Board of Governors in 2021 | 27,414 |
| Balance as of December 31, 2021 | 183,165 |
| Allocated by the Board of Governors in 2022 | 20,430 |
| Balance as of December 31, 2022 | 203,595 |

**NOTE 11 – REVENUES**

The composition of net income is as follows:

| | January 1 through December 31, | |
|---|---|---|
| | 2022 | 2021 |
| | $ | $ |
| **Loan income:** | | |
| Interest | 69,613 | 35,609 |
| Commitment fee and commissions | 3,399 | 3,653 |
| Administrative fee | 2,501 | 2,959 |
| **Subtotal** | 75,513 | 42,221 |
| **Investment income:** | | |
| Interest | 2,275 | 4,793 |
| Other | 13 | 15 |
| ***Gross investment income*** | 2,288 | 4,808 |
| Special Fund's share of investment income – Note 8.6 | (179) | (23) |
| ***Investment income – Net*** | 2,109 | 4,785 |
| ***Other income*** | | |
| Unrealized gains due to the fair value adjustment of debt flows hedged with cross-currency and interest rate swaps – Note 4.10 | 48,807 | -.- |
| Unrealized losses resulting from receivable and payable swaps – Note 4.10 | (42,437) | -.- |
| ***Net unrealized gains*** | 6,370 | -.- |
| **Other income** | 1,020 | 85 |
| **Total Other Income** | 7,390 | 85 |

**NOTE 12 – ADMINISTRATIVE EXPENSES**

Since 2013, the Bank has adopted a result-based budgeting system, including performance indicators allowing the measurement of results attained and their related cost. The system matches governance, operating and financial goals with the activities required to reach them and the resources required. During the year December 31,2022 and 2021, the Bank reached a percentage of execution of its administrative budget equivalent to 81.2% and 76%, respectively. The break-down of administrative expenditures by functional activity is as follows:

| Classification of expenses | January 1, through December 31, 2022 $ | 2021 $ |
|---|---|---|
| Personnel expenses | 7,563 | 7,067 |
| Business travel expenses | 645 | 206 |
| Professional services | 838 | 561 |
| Credit risk rating | 78 | 51 |
| External auditors | 81 | 61 |
| Administrative expenses | 1,229 | 956 |
| Financial services | 182 | 190 |
| *Total administrative budget* | 10,616 | 9,092 |
| **Classification of other expenses** | | |
| Depreciation | 365 | 379 |
| Loss on foreign exchange | 69 | 42 |
| *Total administrative expenses* | 11,050 | 9,513 |

## 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 year ended as of December 2022 and 2021, respectively, based on their respective recovery or settlement date:

| | Current (Up to 1 year) $ | Non-Current (More than 1 year) $ | Total $ |
|---|---|---|---|
| **December 31, 2022** | | | |
| **ASSETS** | | | |
| **Cash and cash equivalents** | 217,589 | -.- | 217,589 |
| **Investments** | | | |
| At fair value[1] | 338,850 | -.- | 338,850 |
| At amortized cost | -.- | -.- | -.- |
| **Loan portfolio** | | | |
| Outstanding loans | 169,976 | 1,574,420 | 1,744,396 |
| **Interest and other accrued charges** | | | |
| On investments | 1,374 | -.- | 1,374 |
| Interest and commissions on loans | 28,182 | -.- | 28,182 |
| **Other assets** | | | |
| Cash flow hedge derivatives | 5 | -.- | 5 |
| Property and equipment, net | -.- | 5,679 | 5,679 |
| Miscellaneous | 510 | 578 | 1,088 |
| **Total assets** | 756,486 | 1,580,677 | 2,337,163 |
| **LIABILITIES** | | | |
| Borrowings | 104,601 | 870,742 | 975,343 |
| Other liabilities | 10,028 | 266 | 10,294 |
| Special funds | 4,520 | 18,115 | 22,635 |
| **Total liabilities** | 119,149 | 889,123 | 1,008,272 |

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| | Current<br>(Up to 1 year)<br>$ | Non-Current<br>(More than 1 year)<br>$ | Total<br>$ |
|---|---|---|---|
| **December 31, 2021** | | | |
| **ASSETS** | 128,261 | -.- | 128,261 |
| **Cash and cash equivalents** | | | |
| At fair value[1] | 352,788 | -.- | 352,788 |
| At amortized cost | 151,850 | -.- | 151,850 |
| **Loan portfolio** | | | |
| Outstanding loans | 106,702 | 1,396,964 | 1,503,666 |
| **Interest and other accrued charges** | | | |
| On investments | 2,366 | -.- | 2,366 |
| Interest and commissions on loans | 10,673 | -.- | 10,673 |
| **Other assets** | | | |
| Cash flow hedge derivatives | 694 | -.- | 694 |
| Property and equipment, net | -.- | 5,742 | 5,742 |
| Miscellaneous | 321 | 427 | 748 |
| **Total assets** | 753,655 | 1,403,133 | 2,156,788 |
| **LIABILITIES** | | | |
| Borrowings | 65,446 | 861,295 | 926,741 |
| Other liabilities | 3,005 | 144 | 3,149 |
| Special funds | 4,054 | 17,837 | 21,891 |
| **Total liabilities** | 72,505 | 879,276 | 951,781 |

[1]As of December 31, 2022, 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:

| | Gross portfolio $ | Unaccrued commissions $ | Impairment $ | Loan portfolio $ | Interest and commissions receivable $ | Total $ |
|---|---|---|---|---|---|---|
| **December 31, 2022**: | | | | | | |
| Argentina | 490,462 | (1,237) | (8,571) | 480,654 | 8,394 | 489,049 |
| Bolivia | 395,009 | (916) | (2,192) | 391,901 | 6,280 | 398,181 |
| Brazil[1] | 208,992 | (404) | (1,159) | 207,429 | 2,682 | 210,111 |
| Paraguay | 378,042 | (314) | (705) | 377,024 | 6,262 | 383,286 |
| Uruguay | 288,339 | (67) | (882) | 287,390 | 4,564 | 291,953 |
| Total | 1,760,844 | (2,938) | (13,509) | 1,744,398 | 28,182 | 1,772,580 |
| **December 31, 2021**: | | | | | | |
| 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[1] | 179,242 | (792) | (1,222) | 177,228 | 1,192 | 178,420 |
| Paraguay[1] | 311,546 | (916) | (721) | 309,910 | 2,066 | 311,976 |
| Uruguay | 269,610 | (269) | (963) | 268,378 | 1,819 | 270,197 |
| Total[2] | 1,519,600 | (3,595) | (12,339) | 1,503,666 | 10,673 | 1,514,339 |

[1] Includes $76,000 of three NSG loans (December 31, 2021- $72,000). As of December 31, 2022, unaccrued commissions on NSG loans amount to $44, (December 31, 2021 - $191); and interest and commissions receivable amount to $443 (December 31, 2021, $185). The amount of provision for potential NSG loan losses amounts to -$1,094 (December 31, 2021 – $1,217), see Note 8.4, for more details.
[2]Totals may differ due to rounding into thousands.

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

| | Communication, transportation, energy, and logistics infrastructure $ | Infrastructure for productive development $ | Infrastructure for socio-economic development $ | NSG Loans $ | Total $ |
|---|---|---|---|---|---|
| **December 31, 2022**: | | | | | |
| Argentina | 244,789 | 72,112 | 173,560 | -.- | 490,462 |
| Bolivia | 370,725 | 9,596 | 14,688 | -.- | 395,009 |
| Brazil[1] | 170,387 | -.- | 8,605 | 30,000 | 208,992 |
| Paraguay[1] | 331,542 | 10,501 | -.- | 36,000 | 378,042 |
| Uruguay | 227,133 | 28,848 | 22,358 | 10,000 | 288,339 |
| Total | 1,344,576 | 121,057 | 219,210 | 76,000 | 1,760,844 |

| | Communication, transportation, energy, and logistics infrastructure $ | Infrastructure for productive development $ | Infrastructure for socio-economic development $ | NSG Loans $ | Total $ |
|---|---|---|---|---|---|
| **December 31, 2021**: | | | | | |
| Argentina | 199,851 | 65,529 | 138,428 | -.- | 403,808 |
| Bolivia | 340,051 | -.- | 15,342 | -.- | 355,393 |
| Brazil | 128,880 | -.- | 14,362 | 36,000 | 179,243 |
| Paraguay | 263,295 | 12,251 | -.- | 36,000 | 311,546 |
| Uruguay | 224,028 | 28,848 | 16,734 | -.- | 269,610 |
| Total[2] | 1,156,105 | 106,628 | 184,866 | 72,000 | 1,519,601 |

[1]The amount under "Total", includes $76,000 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).
[2] Totals may differ due to rounding into thousands.

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

| | As of December 2022 $ | As of December 2021 $ |
|---|---|---|
| Argentina | 341,506 | 313,214 |
| Bolivia | 140,389 | 71,390 |
| Brazil[1] | 285,740 | 142,564 |
| Paraguay | 193,947 | 146,136 |
| Uruguay | 22,422 | 27,711 |
| ***Total*** | 984,004 | 701,015 |

[1] Includes $6,000 of NSG loans as of December 31, 2022 that were cancelled in 2022.

As December 31, 2022, and 2021, respectively, the balance of loans approved by the Bank but not yet disbursing due to either their respective contracts no having been signed or ratified by the member country's Legislative Branch, corresponds solely to sovereign guaranteed loans, and is as follows:

| | As of December 2022 $ | As of December 2021 $ |
|---|---|---|
| Argentina | 87,000 | 65,300 |
| Bolivia | -.- | 100,000 |
| Brazil | 165,130 | 206,510 |
| Paraguay | 175,000 | 276,246 |
| Uruguay | -.- | 42,000 |
| ***Total*** | 427,130 | 690,056 |

The average return on loans is as follows:

| | January 1, through December 31, | | | |
|---|---|---|---|---|
| | 2022 | | 2021 | |
| | Average balance $ | Average return % | Average balance $ | Average return % |
| Loan portfolio | 1,640,222 | 4.60% | 1,385,548 | 3.05% |

### (c) Segment revenues

Interest and other loan revenues by segment are as follows:

| | Loan interest<br>$ | Other loan operating revenues<br>$ | Total<br>$ |
|---|---|---|---|
| **January 1 through December 31, 2022:** | | | |
| Argentina | 19,800 | 2,254 | 22,054 |
| Bolivia | 14,924 | 759 | 15,683 |
| Brazil[1] | 8,291 | 1,013 | 9,304 |
| Paraguay[1] | 15,130 | 1,508 | 16,638 |
| Uruguay | 11,467 | 366 | 11,833 |
| ***Total*** | 69,612 | 5,900 | 75,512 |
| **January 1 through December 31, 2021**: | | | |
| Argentina | 9,782 | 2,177 | 11,959 |
| Bolivia | 8,860 | 806 | 9,665 |
| Brazil | 4,455 | 1,227 | 5,682 |
| Paraguay | 6,177 | 1,931 | 8,108 |
| Uruguay | 6,336 | 471 | 6,807 |
| ***Total*** | 35,609 | 6,612 | 42,222 |

[1] Includes accrued interest in the amount of $3,254, 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, 2021- $2,218 in interest, and $79, in other loan charges related to NSG loans)

## NOTE 16 – RELATED PARTIES

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

The balances and transactions maintained with related entities as of December 31, 2022, and 2021, 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, 2022, and 2021, respectively.

**NOTE 18 – SUBSEQUENT EVENTS**

The Bank has evaluated subsequent events as of the date of these financial statements up to February 27, 2023, date on which the financial statements were ready for their issuance. No matters were identified that might have a material impact on the financial statements for the year ended December 31,2022 and 2021.

| Luciana Botafogo Brito<br>EXECUTIVE PRESIDENT a.i. | Leandro A. Gorgal<br>CHAIRMAN BOARD OF EXECUTIVE DIRECTORS |
|---|---|
| Fernando A. Fernandez Mantovani<br>CHIEF BUDGET AND ACCOUNTING | Rafael Robles<br>MANAGER FINANCE |