

(Free translation from the original issued in Spanish)

**FONDO FINANCIERO PARA EL DESARROLLO DE LA CUENCA DEL
PLATA (FONPLATA)**

Financial statements as at December 31, 2016 and 2015

CONTENT

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

US\$ = US dollars



(Free translation from the original report issued in Spanish)

Independent auditor's report

February 24, 2017

To the Assembly of Governors
Fondo Financiero para el Desarrollo de la Cuenca del Plata (FONPLATA)
Santa Cruz de la Sierra

Our opinion

In our opinion, the financial statements of Fondo Financiero para el Desarrollo de la Cuenca del Plata (FONPLATA) present fairly, in all material respects, the financial position as at December 31, 2016, and its financial performance, its comprehensive income, its net equity and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Audited information

The financial statements of Fondo Financiero para el Desarrollo de la Cuenca del Plata (FONPLATA) comprise:

- The statement of financial position as at December 31, 2016.
- The income statement for the year ended December 31, 2016.
- The comprehensive income statement for the year ended December 31, 2016.
- The statement of cash flows for the year ended December 31, 2016.
- The statement of changes in equity for the year ended December 31, 2016; and
- The notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

Independence

We are independent of Fondo Financiero para el Desarrollo de la Cuenca del Plata (FONPLATA) in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.



Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, 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 ability of Fondo Financiero para el Desarrollo de la Cuenca del Plata (FONPLATA) to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate FONPLATA or to cease operations, or has no realistic alternative but to do so.

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

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.

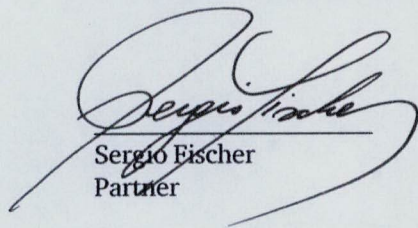
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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



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

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

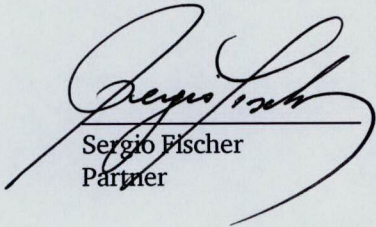


Sergio Fischer
Partner



- 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.



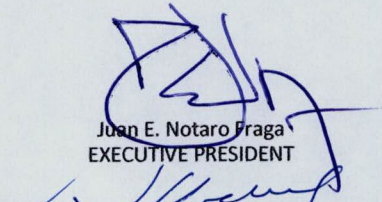
Sergio Fischer
Partner

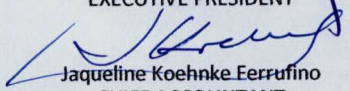


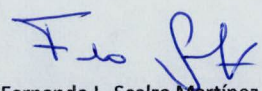
(Free translation from the original issued in Spanish)
FONDO FINANCIERO PARA EL DESARROLLO DE LA CUENCA DEL PLATA
STATEMENT OF FINANCIAL POSITION
(All amounts expressed in U.S. dollar thousands)

	As of December 31,	
	2016	2015
ASSETS		
Cash and cash equivalents – Note 6.1	31,038	17,618
Investments		
Available for sale – Note 6.2	12,193	4,997
Held to maturity – Note 6.3	167,739	152,158
	179,932	157,155
Loan portfolio – Note 6.4	539,517	447,327
Accrued interest		
On investments – Note 6.3	550	330
On loans – Note 6.4	4,007	2,674
	4,557	3,004
Other assets		
Property and equipment, net – Note 7.1	3,191	2,377
Miscellaneous – Note 7.2	380	136
	3,571	2,513
Total assets	758,615	627,617
LIABILITIES AND NET EQUITY		
Liabilities		
Borrowings – Note 6.5	16,000	--
Other liabilities	204	271
Special funds – Note 6.6	8,816	9,425
Long-term provisions – Note 7.3	577	411
	25,597	10,107
Net equity		
Capital – Note 8.1		
Authorized	3,014,200	1,639,200
Less callable portion	(1,665,000)	(840,000)
Paid-in capital	1,349,200	799,200
Paid-in capital pending integration	(705,917)	(256,667)
	643,283	542,533
General reserve – Note 8.3	74,979	65,654
Other reserves – Note 8.2	(5)	(2)
Retained earnings – Note 8.3	14,761	9,325
	733,018	617,510
Total net equity	733,018	617,510
Total liabilities and net equity	758,615	627,617

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


 Juan E. Notaro Fraga
 EXECUTIVE PRESIDENT


 Jaqueline Koehnke Ferrufino
 CHIEF ACCOUNTANT


 Fernando L. Scelza Martinez
 PRESIDENT OF BOARD OF EXECUTIVE DIRECTORS


 Gerardo Hita Dusset
 MANAGER FINANCE AND ADMINISTRATION




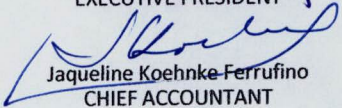
(Free translation from the original issued in Spanish)
FONDO FINANCIERO PARA EL DESARROLLO DE LA CUENCA DEL PLATA
INCOME STATEMENTS

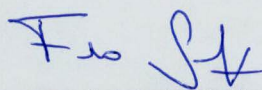
(All amounts expressed in U.S. dollar thousands)

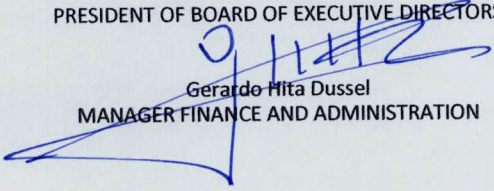
	<u>Years ended on December 31,</u>	
	<u>2016</u>	<u>2015</u>
INCOME – Note 9		
Loan portfolio		
Interest	15,554	10,911
Other loan income	<u>3,382</u>	<u>2,863</u>
	<u>18,936</u>	<u>13,774</u>
Investments		
Interest	1,318	1,246
Other	<u>44</u>	<u>43</u>
	<u>1,362</u>	<u>1,289</u>
Other income	<u>180</u>	<u>274</u>
Income from financial assets	<u>20,478</u>	<u>15,337</u>
EXPENSES		
Interest expense	<u>19</u>	<u>--</u>
Expenses from financial liabilities	<u>19</u>	<u>--</u>
Income on net financial assets	<u>20,459</u>	<u>15,337</u>
Provision for loan impairments	<u>105</u>	<u>2,922</u>
Income after provision for loan impairments	<u>20,354</u>	<u>12,415</u>
Administrative expenses – Note 10	<u>5,593</u>	<u>5,381</u>
Net income	<u>14,761</u>	<u>7,034</u>
COMPREHENSIVE INCOME STATEMENT		
Net income	14,761	7,034
Changes in value of available for sale investments	(3)	(2)
Reclassification of fixed assets revaluation reserve	<u>--</u>	<u>(305)</u>
Comprehensive income	<u>14,758</u>	<u>6,727</u>

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


 Juan E. Notaro-Fraga
 EXECUTIVE PRESIDENT


 Jaqueline Koehnke-Ferrufino
 CHIEF ACCOUNTANT

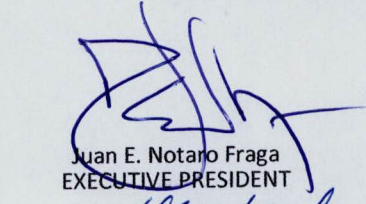

 Fernando L. Scelza Martínez
 PRESIDENT OF BOARD OF EXECUTIVE DIRECTORS

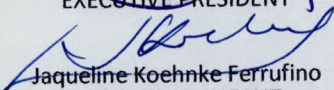

 Gerardo Mita Dussel
 MANAGER FINANCE AND ADMINISTRATION

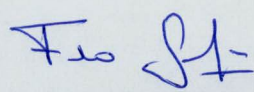
(Free translation from the original issued in Spanish)
FONDO FINANCIERO PARA EL DESARROLLO DE LA CUENCA DEL PLATA
STATEMENT OF CASH FLOWS
(All amounts expressed in U.S. dollar thousands)

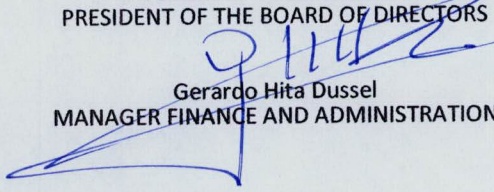
	Years ended as of December 31,	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from loan principal amortization	35,434	35,443
Cash received from interest and other loan charges	17,006	13,271
Loan disbursements	(127,133)	(119,310)
Payment of salaries, administrative expenses and suppliers	(5,648)	(5,109)
	(80,341)	(75,705)
OTHER OPERATING CASH FLOWS		
Collection of receivables and miscellaneous accounts	(244)	113
Payments to suppliers and transfers to special funds	(599)	(820)
Payroll taxes and other benefits paid	(42)	(34)
	(886)	(741)
<i>Net cash flows used in operating activities</i>	(81,227)	(76,446)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	1,356	1,309
(Purchase of investments)/Proceeds from sale	(22,350)	934
Payment of financial charges	(114)	(96)
Proceeds from sale of buildings	--	560
Capital expenditures	(918)	(515)
<i>Net cash flows from investing activities</i>	(22,026)	2,192
CASH FLOWS FROM FINANCING ACTIVITIES		
Collection of paid-in capital subscriptions	100,750	46,666
Proceeds from borrowings	16,000	--
Financial charges	(77)	--
<i>Cash flows from investing activities</i>	116,673	46,666
Net (decrease)/increase of cash and cash equivalents during the year	13,420	(27,588)
Cash and cash equivalents at the beginning of the year	17,618	45,206
<i>Cash and cash equivalents at the end of the year</i>	31,038	17,618

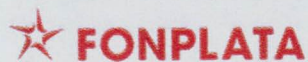
The accompanying notes are an integral part of these financial statements.


 Juan E. Notaro Fraga
 EXECUTIVE PRESIDENT


 Jacqueline Koehnke Ferrufino
 CHIEF ACCOUNTANT


 Fernando L. Scelza Martinez
 PRESIDENT OF THE BOARD OF DIRECTORS

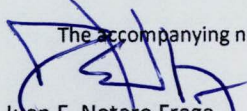

 Gerardo Hita Dussel
 MANAGER FINANCE AND ADMINISTRATION

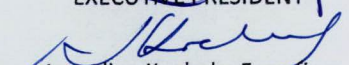


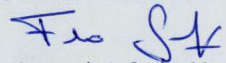
(Free translation from the original issued in Spanish)
FONDO FINANCIERO PARA EL DESARROLLO DE LA CUENCA DEL PLATA
STATEMENT OF CHANGES IN NET EQUITY
(All amounts expressed in U.S. dollar thousands)

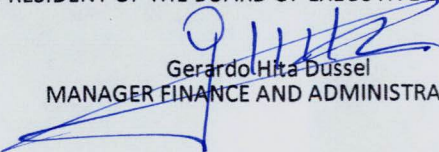
	Paid-in Capital (a)	General Reserve (b)	Reserve for Unforeseen Events (c)	Reserve for the Technical Revaluation of Buildings (d)	Reserve for Changes in Value of Negotiable Paper (e)	Reserve for Changes in the Value of Available for Sale Investments (f)	Total Other Reserves (g=d+ e + f)	Retained Earnings (h)	Total (a+b+c+g+h)
Balance as of December 31, 2014	495,867	40,055	17,843	305	628	--	933	7,756	562,464
Capital increase – Paid-in portion	46,666	--	--	--	--	--	--	--	46,666
Allocated by the Board of Governors in 2015	--	25,599	(17,843)	--	--	--	--	(7,756)	--
Changes in value in negotiable paper adjustable based on changes in Argentina's GDP	--	--	--	--	(628)	--	(628)	--	(628)
Prior-period adjustments on loan administrative commissions	--	--	--	--	--	--	--	1,986	1,986
Net income	--	--	--	--	--	--	--	7,034	7,034
Other comprehensive income – Changes in the value of investments available for sale	--	--	--	--	--	(2)	(2)	--	(2)
Other comprehensive income – Reclassification of fixed assets revaluation reserve	--	--	--	(305)	--	--	(305)	305	--
Balance as of December 31, 2015	542,533	65,654	--	--	--	(2)	(2)	9,325	617,510
Capital increase – Paid-in portion	100,750	--	--	--	--	--	--	--	100,750
Allocated by the Board of Governors in 2016	--	9,325	--	--	--	--	--	(9,325)	--
Net income	--	--	--	--	--	--	--	14,761	14,761
Other comprehensive income – Changes in the value of investments available for sale	--	--	--	--	--	(3)	(3)	--	(3)
Balance as of December 31, 2016	643,283	74,979	--	--	--	(5)	(5)	14,761	733,018

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


 Juan E. Notaro Fraga
 EXECUTIVE PRESIDENT


 Jacqueline Koehnke Ferrufino
 CHIEF ACCOUNTANT


 Fernando L. Scelza Martínez
 PRESIDENT OF THE BOARD OF EXECUTIVE DIRECTORS


 Gerardo Hita Dussel
 MANAGER FINANCE AND ADMINISTRATION



(Free translation from the original issued in Spanish)
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AS OF DECEMBER 31, 2016, AND 2015
(All amounts expressed in U.S. dollar thousands)

NOTE 1 – BACKGROUND

The governments of Argentina, Bolivia, Brazil, Paraguay and Uruguay, inspired by a spirit of cooperation and solidarity, persuaded that cooperation would lead to harmonized and balanced regional growth, subscribed the River Plate Basin Treaty, on April 23, 1969.

The River Plate Basin is a region characterized by its richness in natural resources, its vast rivers, the abundance of mineral resources and its fertile soil.

The region has large areas with a great potential for agricultural and industrial activities and houses one of the most important hydroelectric reserves in Latin America, such as Itaipú, Yacretá and Salto Grande, as well as an extended river and road transportation network.

The five countries maintain a very close relationship among themselves sharing the same ecosystems, such as the hydrographic and energy systems, and air, river and road transportation networks and other communication systems.

The Financial Fund for the Development of the River Plate Basin (FONPLATA or the Fund), was created as a result of the River Basin Treaty, through a Charter signed by the governments of its Member Countries. The Charter became effective on October 14, 1976.

FONPLATA is an international legal entity of indefinite life, which is governed by the covenants contained in its Charter and on its Regulations. It is headquartered in the city of Santa Cruz de la Sierra, Plurinational State of Bolivia, and since 1989, it has an office in the city of Asuncion, Republic of Paraguay, as support for monitoring projects.

Per the terms of Article I of the Treaty, FONPLATA's objective is the financing of studies, projects, programs and civil works aimed at fostering the harmonic development and physical integration of the River Plate Basin, using for such purposes its own resources and those obtained from other sources of financing.

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

In 2011, as part of the implementation of a new institutional management model, the Assembly of Governors created the position of Executive President and approved a new delegation and distribution of governance and administrative functions, delegating in the Executive President the legal representation, direction and administration of the Fund. The first Executive President was appointed and started his functions in September 2012.

Between September and December 2012, several measures were implemented that had the effect of modernizing and turning the Fund more dynamic. Among the most relevant measures were: the reformulation of the project cycle, making it more agile and reducing transaction costs; the adoption of a

new results based budget framework, improving the accountability, transparency and decision making process; the addition of management by results and the beginning of a close relationship with international multilateral development institutions.

In 2013, the Strategic Institutional Plan (PEI) 2013-2022 was approved. The PEI is a strategic planning tool designed to conduct, supervise and ensure accountability for the attainment of FONPLATA's expected results. Concurrent with approval of the PEI, the Charter was modified to strengthen its governance and approved the first capital replenishment, increasing it from \$489,000 to \$1,639,000.

Continuing with the implementation of measures to modernize and make more agile the operations of the Fund, and to galvanize the new institutional management model, between 2013 and 2014, new financial instruments and policies were approved. These changes provided the foundation for the new role that FONPLATA aims at attaining at the sub-regional level and to obtain an investment grade credit risk rating.

On January 28, 2016, as a demonstration of their support to FONPLATA's administration during the period 2012 – 2015, and their commitment to increase the Fund's lending capacity to respond to the increasing demands for financing of its member countries, the 14th Assembly of the Board of Governors approved a new capital replenishment. This new increase, which would become effective in 2017 and would be fully integrated by 2024, would result into an increase of the lending capacity of \$1,375,000. The capital increase consists of \$550,000 of paid-in capital, payable in seven annual installments beginning in 2018, and of \$825,000 of callable capital to be fully subscribed in 2017.

The 2016 financial statements were reviewed by the Audit Committee of the Board of Executive Directors, and the Board of Executive Directors issued its recommendation for the Board of Governors of FONPLATA to approve them.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

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

2.1 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, applicable to entities that report under IFRS and comply with the standards issued by the International Accounting Standards Board.

The Fund presents its statement of financial position classifying assets and liabilities in accordance to their expected liquidity. Assets and liabilities are shown based on their expected recovery or repayment within the period of 12 months following the date of the financial statements (current), and more than 12 months following the date of the financial statements (non-current), as per Note 11.

(ii) Historical cost

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

- Financial assets available for sale.
- Some investments valued at the lower of amortized cost or market value, in those cases where there are indicators of impairment.

(iii) New standards and modifications adopted by FONPLATA

FONPLATA has applied the following standards and modifications for the first time during the fiscal year beginning January 1, 2015:

- Annual improvements to IFRS – Years 2010 to 2012.
- Annual improvements to IFRS – Years 2011 to 2013.

Adoption of the IFRS improvements made during the years 2010 – 2012, and during the years 2011 to 2013, required the inclusion of additional disclosures pertaining segments information and amendments to the accounting and disclosure of financial instruments, which includes changes in the accounting for credit losses based, which FONPLATA adopted in 2015.

(iv) New standards and interpretations not yet adopted

Standard	Nature of Change	Impact	Mandatory adoption date
IFRS 9 – Financial Instruments	<p>IFRS 9 establishes the classification, measurement and disposition of financial assets and liabilities, and introduces new rules for the accounting of hedges.</p> <p>In July 2014, the IASB completed its financial instruments project with the issuance of IFRS 9, as a complete standard including the requirements previously issued and the additional amendments to introduce a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets.</p>	<p>With regards to the changes approved by the IASB in July 2014, FONPLATA does not anticipate major impact resulting from the new rules on the classification, measurement and disposal of financial assets and liabilities.</p> <p>FONPLATA has not performed a detailed evaluation of its financial assets classified as available for sale, which apparently would comply with the conditions to be classified as financial instruments to be carried at fair value, with changes reflected as other comprehensive income, based on the current business model used for these financial assets. Accordingly, it does not anticipate a change in their accounting.</p> <p>Furthermore, considering that the new accounting requirements would only affect the accounting of financial liabilities designated to be carried at fair value with changes in income and that</p>	<p>This amendment completes the IASB's financial instruments project and this Standard is effective for reporting periods beginning on or after 1 January 2018 with early adoption permitted (subject to local endorsement requirements).</p>

Standard	Nature of Change	Impact	Mandatory adoption date
		<p>FONPLATA does not have any such liabilities, it does not anticipate any impact on the accounting of financial liabilities.</p> <p>The new standard also introduces changes to the applicable rules on accounting for hedges. These new rules do not have any effect on FONPLATA, since it does not have any hedges.</p> <p>Starting in 2015, FONPLATA applied the new expected loss impairment model to measure expected credit losses related to its sovereign loan portfolio outstanding.</p>	
<p>IFRS 15 –Revenue from contracts with customers</p>	<p>The IASB issued a new standard for the recognition of revenues. This standard replaces the following standards and interpretations:</p> <ul style="list-style-type: none"> • for the Construction of Real Estate • IFRIC 18 Transfers of Assets from Customers • SIC-31 Revenue - Barter Transactions IAS 11 Construction contracts • IAS 18 Revenue • IFRIC 13 Customer Loyalty Programs • IFRIC 15 Agreements Involving Advertising Services <p>The core principle of IFRS 15 is that an entity will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.</p>	<p>FONPLATA's management is currently assessing the impact on these new rules.</p> <p>Although, FONPLATA, believes this new standard would not significantly affect its financial statements, a full assessment would be completed in the next 12 months.</p>	<p>Adoption of this standard is mandatory for all fiscal years beginning on or after January 1, 2017.</p> <p>It is anticipated that FONPLATA would adopt this new standard for its fiscal year beginning on January 1, 2017.</p>

Standard	Nature of Change	Impact	Mandatory adoption date
	<p>This core principle is delivered in a five-step model framework: [IFRS 15:IN7]</p> <ul style="list-style-type: none"> • Identify the contract(s) with a customer • Identify the performance obligations in the contract • Determine the transaction price • Allocate the transaction price to the performance obligations in the contract • Recognize revenue when (or as) the entity satisfies a performance obligation. <p>This standard allows for a retroactive adjustment at the time of its adoption. Under this modality, entities could recognize a cumulative adjustment affecting retained earnings without restating prior periods, at the time of adopting the new standard. The new rules should be applied on all outstanding contracts at the time of initial adoption.</p>		
IFRS 16 - Leasing	<p>For lessors, eliminates the distinction between "financial leases," that are recorded in the financial statement of financial position, and "operating leases," for which the recognition of future payments is not required. In its replacement, it establishes a single model, similar to one currently used for financial leases.</p>	<p>The Fund does not foresee any material impact in its financial statements resulting from the revision of this accounting standard.</p>	<p>This revised standard applies to financial statements beginning on or after January 1, 2019.</p>
Modifications to IFRS 12 – Accounting for Income Taxes	<p>These new modifications to the recognition of deferred tax assets associated to unrealized losses provide clarification</p>	<p>This accounting standard does not have an impact on FONPLATA's financial statements since the Fund and its operations are</p>	<p>These modifications are applicable to financial statements beginning on or after January 1, 2017.</p>

Standard	Nature of Change	Impact	Mandatory adoption date
	to the accounting of such assets when they are related to debt instruments measured at fair value.	exempt from income taxes.	
Modifications to IFRS 7 – Statement of Cash Flows	These modifications of IAS 7 introduce additional disclosures allowing financial statement users to assess changes in liabilities resulting from financing activities. The latter includes changes resulting into “cash flows,” such as withdrawal of funds and repayment of loans, as well as “non-cash flow changes,” such as purchases, sales and unrealized exchange differences.	The Fund does not foresee any material impact in its financial statements resulting from the revision of this accounting standard.	These modifications are applicable to financial statements beginning on or after January 1, 2017.

2.2 Segments’ disclosure

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

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

2.3 Foreign currency translation

(i) Functional and reporting currency

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

(ii) Account balances and transactions

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

Financial assets, such as investments and loans are denominated in United States dollars, and FONPLATA does not have financial liabilities in other currencies. Consequently, there are no exchange differences related to financial assets and liabilities.

Goods and services denominated in currencies other than the functional currency carried at their fair value, 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.

2.4 Revenue recognition

Interest revenues on loans and interest revenues on investments held to maturity are calculated based on the effective interest rate method. Other loan revenues consisting of administrative commissions and commitment fees, are calculated in accordance with IFRS 18.

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

2.5 Leases

Leasing arrangements where the risk and rewards of ownership are not retained by the lessee are classified as operating leases. Payments made on operating leases are reported as expenses during the period of the lease using the straight-line method. FONPLATA does not have financial leases.

2.6 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.

2.7 Loan portfolio

Loan portfolio is initially recorded at its fair value and subsequently measured at its amortized cost using the effective interest rate method, net of the provision for loan impairment. For additional information on the loan portfolio accounting see Note 6.4.

2.8 Investments and other financial assets

(i) Classification

FONPLATA classifies its financial assets in the following categories:

- Financial assets at fair value with changes in income.
- Loans.
- Investments classified as held to maturity, and
- Financial assets available for sale.

Classification of financial assets depends on the purpose at the time of their acquisition. FONPLATA determines the classification of its investments at the time of their purchase and recognition. Investments designated as held to maturity are reassessed annually to validate the reasonableness of their classification. Note 6 shows more detailed information on each type of financial asset.

(ii) Reclassification

Financial assets other than loans could be reclassified under a different category of "trading securities." However, these changes, if any, should be made only under special circumstances and be the result of an unusual event. Additionally, FONPLATA could choose reclassifying financial assets other than loans, outside of the category of "trading securities" or "available for sale", if it has both the ability and the intent to hold those assets in the future or until their maturity, within the category into which they were reclassified.

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

(iii) Recognition and disposal

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

When investments classified as "available for sale" are sold, the cumulative fair value adjustments accounted for under "other comprehensive income" is reclassified in the income statement as "gains or losses on investments."

(iv) Measurement

At the beginning of a transaction, FONPLATA measures financial assets at their fair value plus those transaction costs directly attributable to their acquisition.

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

"Available for sale" financial assets are subsequently valued at their fair value. Gains and losses resulting from changes in fair value are recognized in other comprehensive income.

Interest resulting from "available for sale", "held to maturity" financial assets and loans, calculated based on the effective interest rate method, is recognized in the income statement as part of operating income.

Note 6.7 includes a detail pertaining the determination of fair value of financial instruments.

(v) Impairment

At the end of each fiscal year, FONPLATA assesses the likelihood of potential impairment affecting either a financial asset or a group of financial asset. The potential impairment on loans is determined based on the credit risk classification of borrowing countries, following a methodology adopted by most multilateral development banks. Note 6.4 has a detailed explanation of this methodology as well as the determination of the provision for loan impairment.

For investments, FONPLATA recognizes the impairment only when there is objective evidence because of the occurrence of one or more events after initial recognition of the investment (loss event) and such event or events, affects future cash flows and those cash flows can be determined reliably.

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

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

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

- b. *Financial assets classified as available for sale*: Should there be objective evidence of impairment of "assets available for sale," cumulative losses measured as the difference between their acquisition cost and their fair value, less any impairment loss, are reclassified from net equity and recognized as operating income.

If the fair value of debt instruments classified as "available for sale" subsequently increases, and such increase can be objectively related to an event occurring after the recognition of the impairment loss in the income statement, then the impairment loss is reversed affecting the income statement.

(vi) Revenue recognition

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

2.9 Property and equipment

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

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

Increases to the carrying amount of property resulting from revaluations are included in other comprehensive income and reflected as part of the accumulated balance of revaluation reserves within net 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. Each year, the difference between the depreciation calculated on revalued assets and the depreciation calculated on the historical amount is reclassified from the revaluation reserve into retained earnings.

Note 7.1 shows the depreciation methods and useful lives used by FONPLATA.

Assets' residual values and useful lives are reassessed and adjusted as appropriate at year end.

In those instances, where the carrying amount of assets exceeds their recoverable value, carrying amounts are adjusted to their recoverable value.

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

Work in progress includes the cost of capital projects under construction, as well as furniture and equipment that forms an integral part of those projects. The total amount invested is capitalized and starts being amortized upon completion when the asset is ready to be put in service. Investments in assets under construction is based on certificates for actual work performed.

2.10 Borrowings

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

2.11 Other liabilities and commitments

These amounts represent outstanding liabilities for goods and services received by the Fund 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 based on the effective interest rate method.

2.12 Special funds' commitments

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

2.13 Other long term benefits to employees

This benefit consists of a severance payment at the time of termination of the employment contract, equivalent to a month of salary for each year of service, based on the last salary paid to each employee. Per existing regulations, this benefit is vested upon three months of employment. The present value of future payments is estimated to approximate the amount of the accrued liability as of the date of the financial statements.

2.14 Paid-in capital

Paid-in capital consists of the amount of capital subscriptions actually paid-in to FONPLATA by its member countries.

NOTE 3 – SIGNIFICANT ESTIMATES AND JUDGEMENTS

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

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

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

- Impairment of investments carried at amortized cost – Nota 6.3.
- Impairment of the loan portfolio – Nota 6.4.

NOTA 4 – FINANCIAL RISK MANAGEMENT

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

Risk	Source of Exposure	Measurement	Risk Management
Market risk – Exchange risk	Risk that financial assets and liabilities are denominated in currencies other than the U.S. dollar (functional currency)	Cash flow budget.	All loan and investment transactions, as well as the most relevant liabilities shown in the financial statements have been transacted in U.S. dollars.
Market risk – Interest rate risk	Risk of experiencing fluctuations in the lending rates used by FONPLATA for loans.	Sensitivity analysis.	FONPLATA has established policies for the determination of interest rates, allowing it to mitigate the potential effects of interest rate fluctuations.
Market risk	FONPLATA does not have investment in equity instruments that might be exposed to market risk.	Nil.	FONPLATA does not have investment in equity instruments that might be exposed to market risk.
Credit risk	Cash and its equivalents, available for sale investments, investments held to maturity.	- Aging analysis - Credit risk analysis.	Diversification of bank deposits and applicable limits on loans. Policies and guidelines on available for sale and held to maturity investments.

Risk	Source of Exposure	Measurement	Risk Management
Liquidity risk	Other liabilities and obligations with special funds	Cash flow budget.	Availability of funds required to meet obligations and commitments.

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

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

4.1 Currency risk

All financial assets and approximately 99% of liabilities are denominated in U.S. dollars, which constitutes FONPLATA's functional currency. Consequently, FONPLATA's financial statements are not exposed to significant levels of risk resulting from potential changes in exchange rates.

4.2 Interest rate risk

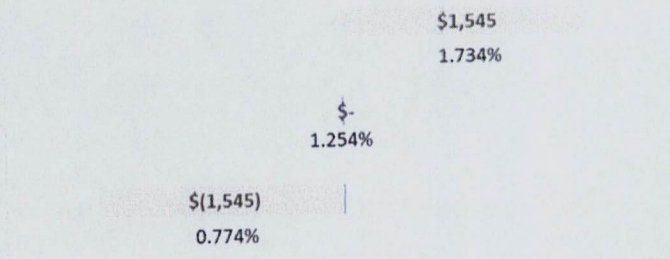
FONPLATA's lending interest rate consists of a fixed and a variable margin (6 months Libor). In accordance with its income management and financial charges policy, FONPLATA's fixed margin is reassessed annually for all new loans with the objective of reaching a balance between the accumulation of long-term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

In compliance with its income management and financial charges policy, FONPLATA annually establishes a fixed margin applicable to new loans to be granted in the upcoming year (Operating Lending Rate or "TOR"). Concurrently with the approval of the TOR for 2016, the Executive President was authorized to set lending rates applicable to loan maturities for periods shorter than 15 years, approving operating lending rates as an incentive for member countries to borrow at shorter terms.

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

Based on its 2017 Administrative and Capital Investment Budget approved by the Assembly of Governors, calculation of the sensitivity analysis was performed using a 6 month Libor rate of 125.4 bps with a positive and negative variation of 48 bps. Accordingly, the analysis yields a maximum and a minimum 6 months Libor rate of 173.4 bps and of 77.4 bps, respectively. Should the estimated 48 bps variation materialize, future net income could be increased or reduced by \$1,545, respectively.

Interest Rate Sensitivity Analysis Title
Variation of the 6-month Libor Rate
(All amounts in U.S. dollar thousands)



4.3 Market risk

Market risk, is the risk of losses in the value of financial assets as a result of changes in market conditions. FONPLATA manages market risks affecting mainly its investment and loan portfolios through various measures to ensure risk exposures would remain within established policy limits. As of the date of its financial statements for the years ended on December 31, 2016, as disclosed in note and 2015, FONPLATA did not have financial liabilities.

4.4 Credit risk

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

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

The credit risk associated to the investment of liquid assets is based on internal guidelines governing the investment of liquid assets, which establish the prudential investment limits by each asset class, sector and issuers, to guarantee an adequate diversification and mix of investment sources and maturities. At year end, the average credit risk rating of the investment portfolio was AA-, as required by the investment policy. Compliance with current policy limits is validated by having attained an average return on investments that exceeds the original assumptions that served the basis of the determination of the expected level of net income for 2016 and 2015, respectively, as part of the annual financial programming and budgeting required by the policy on net income management and financial charges.

4.5 Liquidity risk

Liquidity risk, is the risk originated in the inability of the institution to meet its obligations without incurring in unacceptable losses. The institution has a minimum required level of liquidity which is defined by its liquidity policy as the level required to comply meet all obligations, payments and disbursements for a 12-month period. As of December 31, 2016, the Fund does not have commitments and obligations that would carry liquidity risk either in the short or medium term. Liabilities amount to \$25,597. In accordance with its financial policies, FONPLATA assigns the sum of its cash and equivalents together with the totality of its available for sale and held-to maturity investment portfolios, as its first line of defense to respond to its short and medium-

term commitments. As of December 31, 2016, the total sum of these assets amounts to \$210,970, approximately. This amount provides an approximate coverage with respect to the total amount of estimated cash outlays of 1.1 years as of December 31, 2016, and 2015, respectively.

NOTE 5 – MANAGEMENT OF OTHER NON-FINANCIAL RISKS

5.1 Operational risk

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

5.2 Management of strategic risks

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

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

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

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

NOTE 6 – FINANCIAL ASSETS AND LIABILITIES

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

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

The institution maintains the following financial assets:

	Note	Financial assets at fair value with changes in OCI \$	Financial assets at amortized cost \$	Total \$
2016				
Cash and cash equivalents	6.1	--	31,038	31,038
Investments available for sale	6.2	12,193	--	12,193
Investments held to maturity	6.3	--	168,289	168,289
Loan portfolio	6.4	--	543,524	543,524
Total		<u>12,193</u>	<u>742,851</u>	<u>755,044</u>
2015				
Cash and cash equivalents	6.1	--	17,618	17,618
Investments available for sale	6.2	4,997	--	4,997
Investments held to maturity	6.3	--	152,488	152,488
Loan portfolio	6.4	--	450,001	450,001
Total		<u>4,997</u>	<u>620,107</u>	<u>625,104</u>

The institution maintains the following financial liabilities:

	Note	Financial liabilities at amortized cost \$	Total \$
2016			
Other liabilities		204	204
Borrowings	6.5	16,000	16,000
Special funds	6.6	8,816	8,816
Total		<u>25,020</u>	<u>25,020</u>
2015			
Other liabilities		271	271
Special funds	6.5	9,425	9,425
Total		<u>9,696</u>	<u>9,696</u>

The exposure of the institution to the various risks related to financial instruments is disclosed in Note 4. The maximum exposure to credit risk at year end corresponds to the balances shown for each of the above mentioned financial assets.

6.1 Cash and cash equivalents

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

	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
	\$	\$
Cash at banks	12,320	10,618
Time deposits	10,992	7,000
Bonds	7,726	-
Total	<u>31,038</u>	<u>17,618</u>

(i) Classification of cash equivalents

Time deposits are considered as cash equivalents provided their original maturity is of up to three months from the time of their acquisition. Note 2.6 includes a disclosure of the cash and cash equivalents policy.

6.2. Investments available for sale

Investments classified under this category, correspond to holdings of bonds issued by multilateral development institutions, and include the following:

	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
	\$	\$
Multilateral development institutions – Bonds	12,193	4,997
Total	<u>12,193</u>	<u>4,997</u>

(i) Investments with related parties

As of December 31, 2016, and 2015, the institution did not maintain investments available for sale with related parties.

(ii) Classification of investments available for sale

Investments are designated as “available for sale” financial assets if: i) they do not have a maturity date, ii) their face value is neither a fixed or a determinable amount of money, and iii) management has the intent to maintain those investments in the medium to long term. Financial assets that cannot be classified within the other categories of financial instruments (fair value with changes in income, loans or investments held to maturity), are also included in the category of “available for sale.”

As detailed under Note 11, financial assets are presented as non-current assets unless their maturity occurs within 12 months from the end of the fiscal year or management is intent on selling them during that period.

(iii) Indicators of impairment of available for sale investments

An investment is considered impaired when its fair value suffers a prolonged and material reduction below its cost. See Note 2.8 for more detail on impairment policies for financial assets.

(iv) Amounts recognized in the statement of comprehensive income

During the fiscal year, the institution recognized a \$3 loss in the statement of comprehensive income.

(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 6.6. There are no investments classified as available for sale that are either matured or impaired.

All investments classified as available for sale have been and are denominated in U.S. dollars, which is the functional currency in which the financial statements are expressed.

6.3 Investments held to maturity

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

	December 31,	
	2016	2015
	\$	\$
<u>Investments in time deposits ⁽¹⁾</u>		
Multilateral development institutions	13,438	10,000
Subtotal	<u>13,438</u>	<u>10,000</u>
<u>Investments in other values ⁽²⁾</u>		
Sovereign bonds	96,403	61,071
Multilateral development institutions' bonds	30,697	52,083
Financial sector bonds	23,211	25,514
Argentine treasury bonds ⁽³⁾	3,990	3,490
Subtotal	<u>154,301</u>	<u>142,158</u>
Principal invested	167,739	152,158
Accrued interest and commissions receivable	550	330
Total	<u><u>168,289</u></u>	<u><u>152,488</u></u>

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

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

(3) Corresponds to an investment in Argentinian Treasury Bonds "PAR" and "DISCOUNT", received in exchange for FONPLATA's holdings of bonds "BONTE-04" in 2005.

(i) Classification of held to maturity investments

The institution classifies its investments as held to maturity, if:

- Financial assets are not derivatives.
- Investments do not quote on an active capital market.
- Investments have scheduled payments for either a determinable or fixed amount.
- The institution has both the ability and intent to hold those investments until their maturity.

(ii) Impairment and exposure to risk

Argentine's bonds amounting to \$3,990 as of December 31, 2016 (2015: \$3,490), correspond to the issuances identified as "PAR" and "DISCOUNT," that were received as part of the Argentine's debt swap program in 2005, in exchange for FONPLATA's holdings of "BONTE - 04" bonds. The bonds received in exchange have maturities ranging from 2033 to 2038. Impairment on these bonds is calculated on the basis of the fair values quoted by Bloomberg for those two issuances. The amount of impairment recognized as of December 31, 2016, is of \$1,833 (2015: 2,498). During 2016, these investments experienced a recovery giving rise to the recognition of a net reduction in the total impairment of \$665 (2015: \$89).

All investments classified as held to maturity are denominated in U.S. dollars. Consequently, there is no exposure to the risk of currency exchange. Furthermore, there is no material exposure to the risk of changes in fair value since the investments will be held until their maturity.

6.4 Loan portfolio

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

<u>Country</u>	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
	<u>\$</u>	<u>\$</u>
Argentina	80,225	81,375
Bolivia	141,711	91,163
Brazil	83,155	97,870
Paraguay	99,896	82,523
Uruguay	<u>138,767</u>	<u>99,123</u>
<i>Subtotal gross loan portfolio</i>	543,754	452,054
Less: Unaccrued commitment fee	<u>(1,210)</u>	<u>(1,805)</u>
<i>Subtotal loan portfolio</i>	542,544	450,249
Less: Provision for potential impairment on loans	<u>(3,027)</u>	<u>(2,922)</u>
<i>Net loan portfolio</i>	<u>539,517</u>	<u>447,327</u>

Accrued loan interest receivable amounts to \$4,007 and to \$2,674, as of December, 31 2016 and 2015, respectively.

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

<u>Maturity</u>	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
	<u>\$</u>	<u>\$</u>
Up to one year	5,315	1,715
Greater than one and up to two years	7,717	799
Greater than two and up to three years	46,322	3,429
Greater than three and up to four years	16,193	46,423
Greater than four and up to five years	--	27,873
Greater than five years	<u>468,207</u>	<u>371,815</u>
<i>Total gross loan portfolio</i>	<u>543,754</u>	<u>452,054</u>

(i) Loan portfolio classification

The loan portfolio consists of amounts to be received from member countries that conform the River Plate Basin, in exchange for sovereign loans granted to them. 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 11, the amount of principal repayments to be received within 12 months following year end, is classified as current, with the remaining balance classified as non-current. Note 2.8 describes accounting policies used in connection with the accounting of the loan portfolio and for the recognition of its impairment.

(ii) Fair value of the loan portfolio

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

(iii) Impairment and exposure to risk

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

The provision for potential impairment on sovereign loans is based on the individual credit risk rating for long-term debt of borrowing member countries, and is determined as the lowest risk rating as of the date of the financial statements issued by three internationally recognized credit rating agencies. Those credit risk ratings incorporate a probability of default. Due to its preferred creditor status, and considering the immunities and privileges afforded to FONPLATA by its member countries, which are stated in its Charter and other specific documents signed with each country, the credit risk rating used reflects a lower default probability – generally equivalent to three levels above each country's credit risk rating.

The accrual of interest on loans is discontinued for loans balances that have been overdue for more than 180 days. The amount of loan interest accrued receivable on loans declared on non-accrual status is recognized at the 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.

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

Moreover, FONPLATA maintains policies on risk exposures to avoid concentrating its lending on one country only, which could be affected by market conditions or other circumstances. In this regard, FONPLATA uses certain measurements or indicators, such as: net equity and total loan portfolio. FONPLATA semiannually reviews the status of its loan portfolio 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 Note 4.

6.5 Borrowings

The outstanding balance from borrowings received by FONPLATA, is as follows:

	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
	\$	\$
Corporacion Andina de Fomento	<u>16,000</u>	<u>-.-</u>
Total	<u><u>16,000</u></u>	<u><u>-.-</u></u>

Based on the composition of the capital structure approved as part of the second capital replenishment, approximately 45% of the lending capacity are associated to callable capital. This in turn, requires FONPLATA to supplement the available liquidity required for on-lent operations with external funding. Accordingly, FONPLATA has designed its borrowing strategy and its financial programming to diversify its funding sources and to achieve the best possible average cost of borrowings considering its credit risk rating and preferred creditor condition.

On November 14, 2016, FONPLATA signed a Framework Agreement ("Agreement") with the "Corporación Andina de Fomento" (CAF). Under the Agreement, CAF provides FONPLATA with a conditional revolving line of credit of up to \$75 million. On December 14, 2016, FONPLATA signed a loan contract with CAF drawing \$16

million from the line of credit with the purpose of supplementing its lending liquidity to finance disbursements on existing loans to its member countries.

On December 19, 2016, FONPLATA received \$16 million from CAF, which were used to finance loan disbursements on approved loans. The applicable terms for this financing are based on the 6 months Libor rate plus a spread, based on a five-year maturity with a two-year grace period. Principal is scheduled to be paid over 6 equal semi-annual installments, including the corresponding interest, beginning June 19, 2019 and ending on December 16, 2021.

Based on its scheduled maturity, this loan may be classified as follows:

<u>Maturity</u>	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
	\$	\$
More than two and up to three years	5,333	--
More than three and up to four years	5,333	--
More than four and up to five years	5,334	--
More than five years	--	--
Total	<u><u>16,000</u></u>	<u><u>--</u></u>

The loan was transacted and is denominated in United States dollars.

(i) Fair value of borrowings

It is estimated that the book value of borrowings approximates its fair value since future cash flows to be received are very similar to the recorded amount for the borrowing.

(ii) Risk exposure

Note 5 provides information regarding the risk exposure associated to borrowings.

6.6 Special Funds

The balance held with special funds by FONPLATA as of December 31, 2016, and 2015, includes the following:

	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
	\$	\$
FOCOM:		
Investments managed by FONPLATA	5,457	5,452
Return on investments due to FOCOM	36	24
Balance at Banco do Brazil	81	97
<i>Subtotal due to FOCOM</i>	<u>5,574</u>	<u>5,573</u>
PCT:		
Investments managed by FONPLATA	3,039	3,500
Return on investments due to PCT	20	16
Due to PCT	--	27
Balance at Banco do Brazil	204	309
Technical cooperation expenses paid by FONPLATA	(21)	--
<i>Subtotal PCT</i>	<u>3,242</u>	<u>3,852</u>
	<u><u>8,816</u></u>	<u><u>9,425</u></u>

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

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

- a. *"Fund for the Compensation of the Operating Margin (FOCOM)"*: This fund pursues the objective of helping to reduce the financial cost incurred by Bolivia, Paraguay y Uruguay on their loans with FONPLATA, through the payment of a portion of the interest to be paid semiannually by these borrowing member countries. The payment of the part of the interest accrued on loans by FOCOM on behalf of the borrowers is contingent and determined annually. In May 2014, the Board of Governors assigned as a contribution to this fund, the amount of \$5,510, from retained earnings as of December 31, 2013. No additional contributions were assigned by the Board of Governors in 2016. FOCOM is managed by FONPLATA independently from the management of its own affairs and its funds and resources are invested in accordance with FONPLATA's investment guidelines.
- 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 FONPLATA's strategic focus. No additional contributions were assigned by the Board of Governors subsequent to the inception of the PCT. The PCT is managed by FONPLATA independently from the management of its own affairs and its funds and resources are invested in accordance with FONPLATA's investment guidelines.

In accordance with the operational guidelines of the special funds and to optimize investment returns, liquid investments are managed by FONPLATA, together with its own funds.

Accrued income on investments attributable to each fund is calculated pro-rata, based on the proportion resulting from comparing the amount of liquid investments managed by FONPLATA for of each fund to the total amount of investments, multiplied by the total return on investment earned during the period.

Accounting of investment amounts and investment returns due to each fund by FONPLATA as a result of the investments managed on behalf of these special funds is handled through specific inter-fund accounts.

6.7 Recognition and measurement of fair value

This note includes information about judgments and estimates used in the determination of fair values of financial instruments in the financial statements. Determination of fair values attributable to investment assets is made by obtaining values in accordance with the three levels described in the accounting standards. An explanation for each of these three levels follows:

	Note	Level 1 \$
2016		
Investments available for sale	6.2	<u>12,193</u>
2015		
Investments available for sale	6.2	<u>4,997</u>

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

- *Level 1:* Fair value of financial instruments transacted in an active market (such as investments available for sale), 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 7 – 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.

7.1 Property and equipment, net

The composition of property and equipment includes the following:

	<u>Property</u>	<u>Equipment and Furniture</u>	<u>Art</u>	<u>Vehicles</u>	<u>Total</u>
	\$	\$	\$	\$	\$
<u>Book value</u>					
Balances as of December 31, 2014	1,992	578	8	23	2,601
Additions	--	84	--	26	110
Write-offs	(452)	(191)	--	--	(643)
Construction in progress	320	268	--	--	588
Balances as of December 31, 2015	1,860	739	8	49	2,656
Additions	--	168	--	--	168
Write-offs	--	(64)	--	--	(64)
Construction in progress	240	501	--	--	741
Balances as of December 31, 2016	2,100	1,344	8	49	3,501

	<u>Property</u>	<u>Equipment and Furniture</u>	<u>Art</u>	<u>Vehicles</u>	<u>Total</u>
	\$	\$	\$	\$	\$
<u>Cumulative depreciation</u>					
Balances as of December 31, 2014	64	340	--	23	427
Depreciation	--	81	--	--	81
Write-offs	(64)	(165)	--	--	(229)
Balances as of December 31, 2015	--	256	--	23	279
Depreciation	--	88	--	2	90
Write-offs	--	(59)	--	--	(59)
Balances as of December 31, 2016	--	285	--	25	310
<u>Net book value 2016</u>	<u>2,100</u>	<u>1,059</u>	<u>8</u>	<u>24</u>	<u>3,191</u>
<u>Net book value 2015</u>	<u>1,860</u>	<u>483</u>	<u>8</u>	<u>26</u>	<u>2,377</u>

Construction in progress correspond to capital investments related to the acquisition of a new building for FONPLATA's headquarters. This caption includes the purchase price of the building, furniture, computer and communication equipment, vehicles, improvements, and other items approved by the Board of Governors, and conform the capital budget. Unlike the administrative budget that covers a three-year period with annual estimates for expenses, the capital budget comprises of the estimate for the total investment required for the construction or purchase of the asset, plus all costs to be incurred until that asset can be utilized. The 2017 capital budget encompasses the original purchase price of the building to host the new headquarters plus the costs required to retrofit and equip it, estimated at approximately \$5,020.

In 2013, FONPLATA's Executive Directors supported the recommendation to purchase a building to host the Fund's headquarters in the city of Santa Cruz de la Sierra, Bolivia, and the Board of Governors approved the budget resources required for its acquisition.

The amount originally approved in that opportunity corresponded only to the purchase price for the building. Accordingly, the budget was supplemented through subsequent appropriations and reallocations to encompass the estimated cost to pay for electrical, communication and internet networks, information technology equipment, furniture, office partitions, and other improvements. Based on the estimates received from the building Company, FONPLATA expects to formally move into the new headquarters in the first quarter of 2017. At that time, the total amount currently accumulated under construction in progress would be allocated to the following components: (i) buildings, and (ii) furniture and equipment.

The total amount shown for construction in progress includes accumulated payments for certified work in progress for \$2,100 and \$1,860, as of December 31, 2016, and 2015, respectively, as well as the cost of other goods acquired to be installed at the new headquarters for \$501 which were received in December 31, 2016, and will be installed in February 2017.

(ii) Depreciation methods, revaluation and useful lives

All assets included under this caption are carried at their historical cost net of cumulative depreciation.

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

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

Note 2.9 contains additional information on accounting policies applicable to property and equipment.

7.2 – Miscellaneous

This caption includes small balances owed to FONPLATA, resulting from advances to suppliers, guarantee deposit on the premises previously and currently leased to host FONPLATA's headquarters in the city of Santa Cruz de la Sierra, Bolivia, as well as for the offices located in Asunción, Paraguay.

The composition of other assets includes the following:

	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
	\$	\$
Unreconciled expenses	4	2
Advances to suppliers	55	3
Expenses paid in advance	74	67
Account receivables	203	7
CODETEL's shares	33	33
Guarantee deposits	11	24
<i>Total</i>	<u>380</u>	<u>136</u>

7.3 – Long-term provisions

It includes the balance of all pending liabilities related to the provision for severance payment. The balance for this benefit as of December 31, 2016, and 2015, amounts to \$ 577 and US\$ 411, respectively.

NOTE 8 – NET EQUITY

8.1. Paid-in capital

On January 28, 2016, FONPLATA's 14th Extraordinary Governors' Assembly approved a new capital increase in the amount of \$1,375,000, raising the authorized capital to \$3,014,200 (\$1,639,200 as of December 31, 2015,). On October 11, and on November 1, 2016, Bolivia and Uruguay, respectively, subscribed the whole amount of their respective share of the new capital increase and committed the totality of their respective callable capital.

The new capital increase will become effective in 2017 and it should be completed in 2024. This new capital increase consists of \$550,000 of paid-in capital and of \$825,000 of callable capital (\$799,200 of paid-in capital and \$840,000 of callable capital as of December 31, 2015,). Payment of subscribed and committed callable capital will proceed when required and based on FONPLATA's Governors' approval should FONPLATA be unable to comply with its financial obligations and commitments using its own resources.

A break-down of FONPLATA's capital, by country, as of December 31, 2016, and 2015, is as follows:

As of December 31, 2016:

Member country ⁱ	Subscribed capital		Pending subscription		Authorized capital		Total	%
	Paid-in	Callable	Paid-in	Callable	Paid-in	Callable		
	\$	\$	\$	\$	\$	\$	\$	
• Argentina	266,410	280,014	183,333	275,000	449,744	555,014	1,004,758	33.3%
• Bolivia	149,904	184,991	--	--	149,904	184,991	334,895	11.1%
• Brazil	266,410	280,014	183,333	275,000	449,744	555,014	1,004,758	33.3%
• Paraguay	88,793	93,324	61,111	91,667	149,904	184,991	334,895	11.1%
• Uruguay	149,904	184,991	--	--	149,904	184,991	334,895	11.1%
	<u>921,422</u>	<u>1,023,333</u>	<u>427,778</u>	<u>641,667</u>	<u>1,349,200</u>	<u>1,665,000</u>	<u>3,014,200</u>	<u>100.0%</u>

As of December 31, 2015:

Member country ⁱ	Subscribed capital		Pending subscription		Authorized capital		Total	%
	Paid-in	Callable	Paid-in	Callable	Paid-in	Callable		
	\$	\$	\$	\$	\$	\$	\$	
• Argentina	266,410	280,014	--	--	266,410	280,014	546,424	33.3%
• Bolivia	88,793	93,324	--	--	88,793	93,324	182,117	11.1%
• Brazil	266,410	280,014	--	--	266,410	280,014	546,424	33.3%
• Paraguay	88,793	93,324	--	--	88,793	93,324	182,117	11.1%
• Uruguay	88,793	93,324	--	--	88,793	93,324	182,117	11.1%
	<u>799,200</u>	<u>840,000</u>	<u>--</u>	<u>--</u>	<u>799,200</u>	<u>840,000</u>	<u>1,639,200</u>	<u>100.0%</u>

The amount of paid-in capital subscribed and pending subscription, including the new capital increase, as well as the amount of callable capital subscribed, committed and pending commitment as of December 31, 2016, and 2015, respectively, is as follows:

As of December 31, 2016:

Member Country	Paid-in Capital Subscribed		Total ⁱ
	Paid-in ⁱ	Receivable ⁱ	
	\$	\$	\$
• Argentina	219,744	46,667	266,410
• Bolivia	73,238	76,667	149,904
• Brazil	203,827	62,583	266,410
• Paraguay	73,238	15,556	88,793
• Uruguay	73,238	76,667	149,904
Total	<u>643,283</u>	<u>278,139</u>	<u>921,422</u>

As of December 31, 2015:

Member Country	Paid-in Capital Subscribed		Total ⁱ
	Paid-in ⁱ	Receivable ⁱ	
	\$	\$	\$
Argentina	196,410	70,000	266,410
Bolivia	65,460	23,333	88,793
Brazil	149,744	116,667	266,410
Paraguay	65,460	23,333	88,793
Uruguay	65,460	23,333	88,793
Total	<u>542,533</u>	<u>256,667</u>	<u>799,200</u>

As of December 31, 2016:

<u>Member Country</u>	<u>Callable Capital Subscribed</u>		<u>Totalⁱ</u>
	<u>Committedⁱ</u>	<u>Uncommittedⁱ</u>	
	<u>\$</u>	<u>\$</u>	<u>\$</u>
Argentina	173,342	106,672	280,014
Bolivia	149,439	35,552	184,991
Brazil	280,014	-	280,014
Paraguay	93,324	-	93,324
Uruguay	184,991	-	184,991
Total	881,109	142,224	1,023,333

As of December 31, 2015:

<u>Member Country</u>	<u>Callable Capital Subscribed</u>		<u>Totalⁱ</u>
	<u>Committedⁱ</u>	<u>Uncommittedⁱ</u>	
	<u>\$</u>	<u>\$</u>	<u>\$</u>
Argentina	120,066	160,008	280,014
Bolivia	39,996	53,328	93,324
Brazil	280,014	-	280,014
Paraguay	93,324	-	93,324
Uruguay	93,324	-	93,324
Total	626,664	213,336	840,000

ⁱ Subtotals may differ from totals due to rounding.

8.2. Other reserves

The Fund maintains reserves originated in unrealized gains, which are considered as other comprehensive income, due to the following reasons:

- a. **Property revaluation reserve** – This reserve stems from the application of current regulations allowing the revaluation of fixed assets to offset the effects of inflation. The balance maintained for this concept under “Property revaluation reserve,” was written-off in 2015 and included as part of income for the year, as income from the sale of property, following the sale of the building originally occupied by FONPLATA as its first headquarters in the city of Santa Cruz de la Sierra, Bolivia, which was vacated in 1978 since it was no longer deemed suitable to accommodate FONPLATA’s required space needs.
- b. **Reserve for changes in the value of investments in negotiable paper** – Under this caption and until September 30, 2015, FONPLATA had been recording the effect of changes in value of this financial instrument. This bond has a notional value and a value of zero at their maturity. Consistent with its intent to hold this instrument through its maturity so as to generate accrued income, FONPLATA has decided to write-off this bond from its investments, at its current market value and to reclassify the cumulative amount of changes in fair value carried in the reserve as of December 31, 2015.
- c. **Reserve for changes in the value of investments available for sale** – The balance of \$ 5 of loss shown under this reserve as of December 31, 2016, reflects the amount of cumulative variations in market value of investment instruments available for sale (2015: \$ 2 cumulative losses).

8.3. Retained earnings and reserves

Retained earnings as of December 31, 2016, amount to \$14,761, consists solely of current year’s net income.

As of December 31, 2015, retained earnings amounted to \$9,325, and consisted of the net income for the year in the amount of \$7,034, and accumulated earnings in the amount of \$2,291, resulting from the adjustment in the calculation of loan administrative commissions of \$1,986, plus \$305 resulting from the reclassification of the fixed assets revaluation reserve following the sale of the building.

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

On September 27, 2016, the Board of Governors allocated to the General Reserve the amount of \$9,325 of Unappropriated Retained Earnings (Resolution A.G. 156/2016).

On August 7, 2015, the Board of Governors allocated to the General Reserve, the amount of \$25,599, consistent of \$7,756 from Unappropriated Retained Earnings, and \$17,843, held in the Reserve for Unforeseen Events, effectively cancelling it (Resolution A.G. 151/2015).

The balance held in the General Reserve as of December 31, 2016, and 2015, respectively is as follows:

	<u>General Reserve</u>
	\$
Balance as of December 31, 2015	65,654
Allocated by the Assembly of Governors in 2016:	
Net income	<u>9,325</u>
Balance as of December 31, 2016	<u><u>74,979</u></u>

NOTE 9 - REVENUES

The composition of revenues is as follows:

	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
	\$	\$
Loan revenues:		
Interest	15,554	10,911
Commitment fee	1,986	1,673
Administrative commissions	<u>1,396</u>	<u>1,190</u>
Subtotal	<u>18,936</u>	<u>13,774</u>
Investment revenues:		
Interest	1,318	1,246
Other	<u>44</u>	<u>43</u>
Subtotal	<u>1,362</u>	<u>1,289</u>
Other revenues	180	274
Total revenues	<u><u>20,478</u></u>	<u><u>15,337</u></u>

NOTE 10 – ADMINISTRATIVE EXPENSES

Since 2013, FONPLATA has adopted a result based budgeting system, including performance indicators allowing the measurement of results attained and their related cost. The system matches governance, operating and financial goals with the activities required to reach them and the resources required. During the years ended December 31, 2016 and 2015, FONPLATA reached a percentage of execution of its administrative budget equivalent to 88% y 79%, respectively. The break-down of administrative expenditures by functional activity is as follows:

<u>Functional classification of expenditures</u>	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
	<u>\$</u>	<u>\$</u>
Personnel expenses	4,080	3,461
Business travel expenses	573	433
Professional services	450	584
Credit risk rating	132	--
External auditors	28	31
Administrative expenses	834	791
Financial expenses	94	96
<i>Total administrative budget</i>	<u>6,191</u>	<u>5,396</u>
Depreciation	91	81
Changes in provision of Argentine bonds - Gain	(667)	(89)
Exchange differences	(27)	(7)
Loss on fixed-assets withdrawals	5	--
<i>Total administrative expenses</i>	<u>5,593</u>	<u>5,381</u>

NOTE 11 – SCHEDULED MATURITY OF ASSETS AND LIABILITIES

The following tables provide an analysis of the expected time elapsed to maturity of assets and liabilities as of December 31, 2016, and 2015, respectively, based on their respective recovery or settlement date:

<u>As of December 31, 2016</u>	<u>Current</u>	<u>Non-Current</u>	<u>Total</u>
	<u>(Up to 1 year)</u>	<u>(More than 1 year)</u>	
	<u>\$</u>	<u>\$</u>	<u>\$</u>
<u>ASSETS</u>			
Cash and cash equivalents	31,038	--	31,038
Investments			
Available for sale	12,193	--	12,193
Held to maturity	161,425	6,314	167,739
Loan portfolio			
Outstanding loans	4,489	538,054	542,543
Provision for potential loan impairments	--	(3,026)	(3,026)
Interest and other accrued charges			
On investments	550	--	550
Loan interest and commissions	4,007	--	4,007
Other assets			
Property and equipment, net	--	3,191	3,191
Miscellaneous	348	32	380
Total assets	<u>214,050</u>	<u>544,565</u>	<u>758,615</u>

<u>As of December 31, 2016</u>	<u>Current</u> <u>(Up to 1 year)</u>	<u>Non-Current</u> <u>(More than 1</u> <u>year)</u>	<u>Total</u>
	\$	\$	\$
<u>LIABILITIES</u>			
Borrowings	--	16,000	16,000
Other liabilities	204	--	204
Special funds	8,816	--	8,816
Long-term provisions	--	577	577
Total liabilities	<u>9,020</u>	<u>16,577</u>	<u>25,597</u>
 <u>As of December 31, 2015</u>			
<u>ASSETS</u>			
Cash and cash equivalents	17,618	--	17,618
Investments			
Available for sale	4,997	--	4,997
Held to maturity	132,742	19,416	152,158
Loan portfolio			
Outstanding loans	1,325	448,924	450,249
Provision for potential loan impairments	--	(2,922)	(2,922)
Interest and other accrued charges			
On investments	330	--	330
Loan interest and commissions	2,674	--	2,674
Other assets			
Property and equipment, net	--	2,377	2,377
Miscellaneous	106	30	136
Total assets	<u>159,792</u>	<u>467,825</u>	<u>627,617</u>
 <u>LIABILITIES</u>			
Other liabilities	271	--	271
Special funds	9,425	--	9,425
Long-term provisions	--	411	411
Total liabilities	<u>9,696</u>	<u>411</u>	<u>10,107</u>

NOTE 12 – IMMUNITIES, EXEMPTIONS AND PRIVILEGES

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

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

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

NOTE 13 – SEGMENT INFORMATION

(a) Segment description

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

(b) Assets by segment

Composition of the loan portfolio by country is as follows:

	<u>Gross portfolio</u>	<u>Unaccrued commissions</u>	<u>Impairment</u>	<u>Loan portfolio</u>	<u>Interest and commissions receivable</u>	<u>Total</u>
	\$	\$	\$	\$	\$	\$
<u>As of December 31, 2016:</u>						
Argentina	80,225	(446)	(1,352)	78,427	1,105	79,532
Bolivia	141,711	(275)	(828)	140,608	1,214	141,822
Brazil	83,155	--	(283)	82,872	871	83,743
Paraguay	99,896	(111)	(340)	99,445	513	99,958
Uruguay	138,767	(378)	(224)	138,165	304	138,469
Total	<u>543,754</u>	<u>(1,210)</u>	<u>(3,027)</u>	<u>539,517</u>	<u>4,007</u>	<u>543,524</u>
<u>As of December 31, 2015:</u>						
Argentina	81,375	(607)	(1,829)	78,939	1,043	79,982
Bolivia	91,163	(726)	(482)	89,955	427	90,382
Brazil	97,870	--	(214)	97,656	840	98,496
Paraguay	82,523	(273)	(254)	81,996	279	82,275
Uruguay	99,123	(199)	(143)	98,781	85	98,866
Total	<u>452,054</u>	<u>(1,805)</u>	<u>(2,922)</u>	<u>447,327</u>	<u>2,674</u>	<u>450,001</u>

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

	<u>Communication, transportation, energy and logistics infrastructure</u>	<u>Infrastructure for productive development</u>	<u>Infrastructure for socio-economic development</u>	<u>Total</u>
	\$	\$	\$	\$
<u>As of December 31, 2016:</u>				
Argentina	24,769	7,815	47,641	80,225
Bolivia	128,704	--	13,007	141,711
Brazil	30,678	--	52,477	83,155
Paraguay	99,896	--	--	99,896
Uruguay	138,767	--	--	138,767
Total	<u>422,814</u>	<u>7,815</u>	<u>113,125</u>	<u>543,754</u>

	<u>Communication, transportation, energy and logistics infrastructure</u>	<u>Infrastructure for productive development</u>	<u>Infrastructure for socio-economic development</u>	<u>Total</u>
	\$	\$	\$	\$
<u>As of December 31, 2015:</u>				
Argentina	27,036	4,913	49,426	81,375
Bolivia	81,933	--	9,230	91,163
Brazil	43,802	--	54,068	97,870
Paraguay	82,523	--	--	82,523
Uruguay	99,123	--	--	99,123
Total	334,417	4,913	112,724	452,054

Furthermore, undisbursed loan balances on loans under execution and its break-down by country is as follows:

	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
Argentina	127,984	138,409
Bolivia	178,689	176,337
Brazil	-	--
Paraguay	139,671	116,337
Uruguay	94,903	107,048
Total	541,247	538,131

The average return on loans is as follows:

	<u>December 31,</u>			
	<u>2016</u>		<u>2015</u>	
	<u>Amount</u>	<u>Average</u>	<u>Amount</u>	<u>Average</u>
	\$	return %	\$	return %
Loan portfolio	497,904	3.80%	410,120	3.36%

(c) Segment revenues

Interest and other revenues by segment are as follows:

	<u>Loan revenues</u>	<u>Other operating revenues</u>	<u>Total</u>
	\$	\$	\$
<u>As of December 31, 2016:</u>			
Argentina	2,524	549	3,073
Bolivia	3,637	791	4,428
Brazil	2,828	615	3,443
Paraguay	2,849	620	3,469
Uruguay	3,715	808	4,523
Total	15,553	3,383	18,936

As of December 31, 2015:	<u>Loan revenues</u> \$	<u>Other operating</u> <u>revenues</u> \$	<u>Total</u> \$
Argentina	2,114	898	3,012
Bolivia	1,937	1,185	3,122
Brazil	3,271	74	3,345
Paraguay	1,583	388	1,972
Uruguay	2,006	318	2,323
Total	10,911	2,863	13,774

NOTE 14 – RELATED PARTIES

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

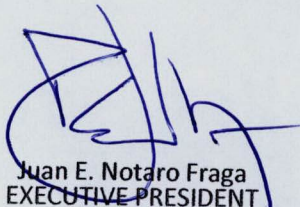
The balances and transactions maintained with related entities as of December 31, 2016, and 2015, respectively, correspond to the balances held with the FOCOM and the PCT, as well as the Special Account for Paying Termination Benefits, as explained in further detail in notes 2.12 and 6.6, and notes 2.13 and 7.3, respectively.

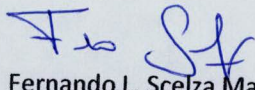
NOTE 15 – CONTINGENCIES

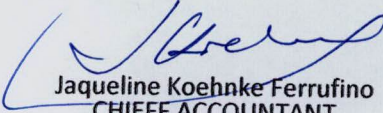
No contingencies have been identified, that could materially affect FONPLATA's financial statements as of December 31, 2016, and 2015, respectively.

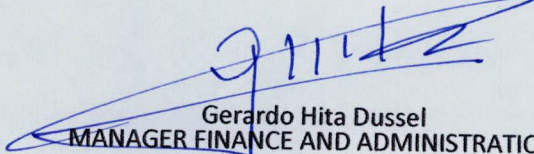
NOTE 16 – SUBSEQUENT EVENTS

The Fund has assessed events and transactions occurring after the date of the financial statements on December 31, 2016, and through February 23, 2017. No material events requiring either adjustment of the financial position and the results of operation or disclosure to the financial statements as of December 31, 2016, have been identified.


 Juan E. Notaro Fraga
 EXECUTIVE PRESIDENT


 Fernando L. Scelza Martínez
 PRESIDENT OF THE BOARD OF DIRECTORS


 Jaqueline Koehnke Ferrufino
 CHIEFF ACCOUNTANT


 Gerardo Hita Dussel
 MANAGER FINANCE AND ADMINISTRATION