



FONPLATA

Bringing development closer to the people

Annual Report

2018

Road rehabilitation - Uruguay

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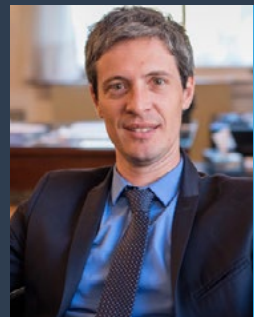


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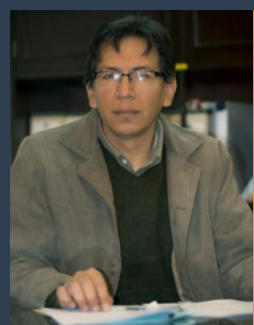


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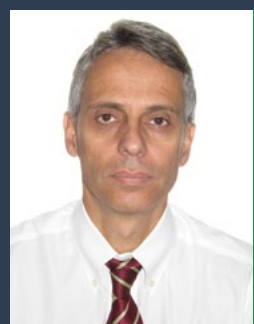


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I Message From the President



Juan E. Notaro Fraga
EXECUTIVE PRESIDENT

Dear friends,

The year 2018 was marked by the accomplishment of major goals as a result of the transformation process we carried out in FONPLATA over the past 6 years. Approval by the Board of Governors of the amendments to the Articles of Agreement strengthened FONPLATA's position as a development bank by adding the the possibility of opening up the membership to new members. As the President of FONPLATA, I am proud of our achievements that further strengthen our growth opportunities.

It was only by the end of 2012 that we began this new phase with the reforms approved by our Governors. The approval of the first 2013-2022 Institutional Strategic Plan marked the beginning of the new management model implementation. This new strategy embodies our vision and commitment of working for an important and ambitious yet pragmatic work program with clear and well-defined goals for the short, medium and long term.

During these years we have relied on a modern governance committed to continuing our growth and transformation into a more relevant regional development bank, which has enabled us to achieve the desired outcomes in such a short period of time.

Working alongside a fully engaged and highly professional team which has grown and consolidated since 2012, we have been able to attain cost-efficient, timely and quality results including:

- 1.** The first capital replenishment approved by the Board of Governors in 2013, increasing capital by 2.3 times.
- 2.** Approval in 2014 of the first Program and Budget document (DPP) which together with the administrative expense and capital investment budgets make up the Business Plan. The DPP introduced the management by results approach, thus increasing the level of transparency in the allocation and use of resources and the results achieved.
- 3.** Approval of the 2nd capital replenishment in 2016, increasing the capital to \$3.014 billion, six times the capital available to FONPLATA in 2012.
- 4.** Increased the annual lending from an average of \$50 million prior to 2012, to \$425 million in 2018, totaling over \$1.9 billion for the period 2012-2018 - more than two times the level of FONPLATA's total historical lending approvals up to 2012.
- 5.** As a result of robust financial policies, a solid business plan and the continuous support from the member countries, in 2016 FONPLATA received its first credit risk rating - an outstanding investment grade of A- (Standard & Poors') and A2 (Moody's).
- 6.** The year 2018 marked a turning point in the history of FONPLATA, with the amendment to its Charter, completing the transition from a fund to a full-fledged development bank. Such amendment provides for the addition of new members and the expansion of FONPLATA's operational reach the River Plate basin to include the entire region of its member countries.
- 7.** Another significant outcome in 2018 was the approval of revisions to our financial policies. This revision enhances the ability to continue increasing the annual level of loan approvals and of the loan portfolio in the medium term without affecting the prudential risk and favorable rating achieved by FONPLATA.

In addition, the Common Market Council of MERCOSUR approved a framework agreement entrusting FONPLATA with the fiduciary management of FOCEM resources, opening up the possibility of co-financing projects.

Likewise, new partnerships with multilateral development banks and agencies were strengthened including, in particular, credit lines for \$20 with the French Development Agency (AFD), for \$60 million with the European Investment Bank, and for \$15 million with the Instituto de Crédito Oficial of Spain (ICO). Some of these credit lines technical cooperation resources intended to help improve FONPLATA's overall capacity.

As a result of the financial support received, FONPLATA has now an environmental and social policy aligned with its member countries' regulations, with strict implementation of best international practices. Additionally, within that approach a Green Fund was created in 2018 to finance environmentally sustainable projects.

As part of the commitment undertaken in the 2013 Institutional Strategic Plan, the increased physical presence of FONPLATA in the member countries also represents a major step forward. As a result of the growth of operations under execution in Argentina, a new liaison office was established in Buenos Aires in addition to the office in Asunción.

FONPLATA's economic and financial situation remains sound. The relevant indicators are set out in detail in Section IV., of this Annual Report.

For 2019, our major challenges are to sustain the continued growth in the portfolio in terms of quantity and quality in the medium term, to favor the development of strategic partnerships with other development banks and agencies, and make it possible for the first time to gain access to international capital markets through the issuance of bonds under suitable conditions.

We will face these challenges with the commitment and devotion that have distinguished our prudential, efficient and streamlined management over the past six years.

Our achievements have been many and significant in the past twelve months. They were made possible thanks to the strong and continued support of the Board of Governors, the timely and effective commitment of the Board of Executive Directors, and the support and contribution of all FONPLATA officials.

I would like to express my gratitude for the results achieved, and share my conviction that, with the efforts undertaken, 2019 will be another year of growth which will enable FONPLATA to continue strengthening our position in the region. We will continue to work to make FONPLATA an increasingly relevant organization.

JUAN E. NOTARO FRAGA
EXECUTIVE PRESIDENT





II Economic and Social Context



Following a strong and synchronized expansion in 2017 which lasted until the beginning of 2018, industrial production and international trade of world economy slowed down, and growth trends among countries were different as the year progressed.

While the US economy accelerated above trend thanks to the fiscal incentive enacted at the beginning of the year in the form of tax cut and expenditure growth, which boosted demand, the major economies of the euro area, the UK, Japan, and China's economies and other dynamic economies in Asia started to weaken. The confidence of economic actors measured by the purchasing index has also weakened, marking the lack of trust in the development of business.

These diverging trends in growth will continue in 2019 and 2020. The growth of the world economy is expected to slow down to 3.5 percent, according to the IMF.

That does not mean that we are facing a major global recession, as leading analysts predict that that reduced growth will occur within a trend of reduced risks. However, all analysts emphasize that volatility and uncertainty will remain present. With this background, policy makers would probably prioritize actions to reverse the negative trends and be prepared to face recession.

This underscores the importance of closely following-up this economic trend and particularly the relevant risks that may be increased within that context.



The escalation of trade tensions and deteriorated financial conditions are the key sources of risks that directly affect the economic prospects.

The increasing protectionist rhetoric from the U.S. imposing duties mainly on China explains the growing international trade tensions.

This has exacerbated the uncertainty around trade policies, lessening investment decisions and affecting volumes and prices in global supply chains. In recent months there has been a tendency for the main countries involved to start solving their disagreements in trade matters and the resulting political uncertainty in a more cooperative and expeditious way, instead of raising higher barriers to free trade and further destabilize an already contracting global economy.

The greater-than-expected China's slow-down could lead to significant and abrupt falls in sales - especially if trade tensions persist - and could affect commodity prices due to a greater restraint of global demand, as it happened in 2015-2016.

In Europe, besides what was pointed out for the major euro zone economies, there also remains the issue of the uncertainty about BREXIT and the contagion effects of sovereign and financial risk in Italy. The major central banks of the developed economies are aware of this momentum slowdown, and they are expected to adjust their future decisions in line with the potential increase in production and the improved mobilization of macro prudential instruments to address emerging financial vulnerabilities.



A weakening world economic expansion

CONCEPT	GROWTH (%)			
	2017	2018	2019*	2020*
World production	3.8%	3.7%	3.5%	3.6%
U.S.A.	2.2%	2.9%	2.5%	1.8%
Euro zone	2.4%	1.8%	1.6%	1.7%
United Kingdom	1.7%	1.4%	1.5%	1.6%
China	6.9%	6.6%	6.2%	6.2%
Five Asian countries	5.3%	5.2%	5.1%	5.2%
Emerging and developing (Excl. Venezuela)	4.3%	4.9%	5.1%	4.6%
Latin America	2.4%	1.1%	2.0%	2.5%
Argentina	2.9%	-2.8%	-1.7%	2.7%
Brazil	1.1%	1.3%	2.5%	2.2%
Volume of world trade	5.3%	4.0%	4.0%	4.0%
Advanced economies	4.3%	3.2%	3.5%	3.3%
Emerging and developing economies	7.1%	5.4%	4.8%	5.2%
Commodity prices				
Oil	23.3%	29.9%	-14.1%	-0.4%
Non-fuel commodities	6.4%	1.9%	-2.7%	1.2%
Consumer prices				
Advanced economies	1.7%	2.0%	1.7%	2.0%
Emerging and developing economies	4.3%	4.0%	4.4%	4.4%

Source: Based on information provided by the IMF WEO, and WEF.

* Estimates



The U.S. economy grew above trend in 2018 due to fiscal stimulus. Therefore, the FED continued to increase the monetary policy rate driving underlying inflation close to the target level, which is good news for the labor market development.

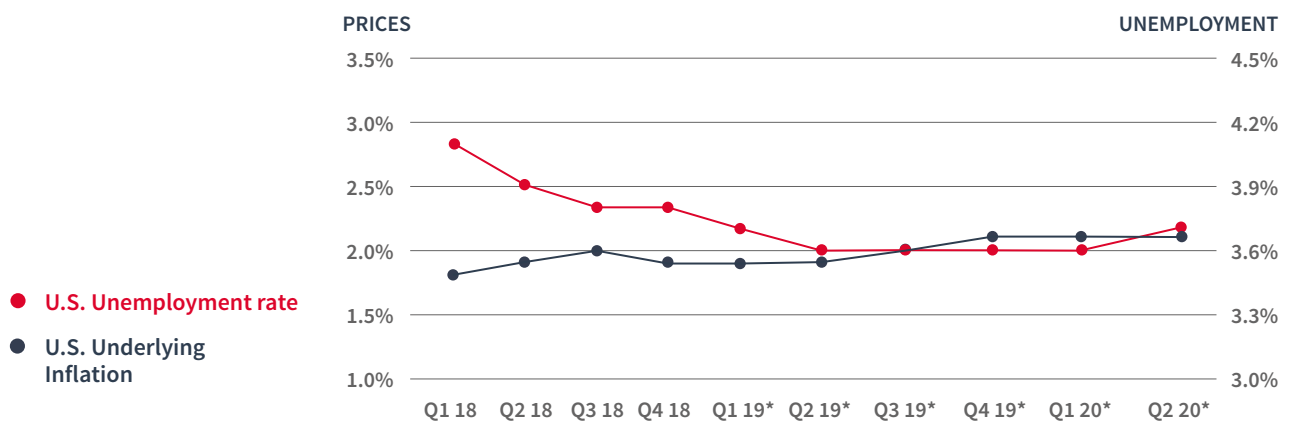
The outlook for the U.S. points to a slow-down in 2019 due to a retreat of fiscal stimulus, a long-lasting government shutdown due to the failure to settle on a budget, and deterioration in the investors' confidence measured by risk perception regarding growth. This has been evident in that the U.S. long-term bond yields are not rising as

much as the short-term bond yields, and in a fall in prices of the most important stock markets.

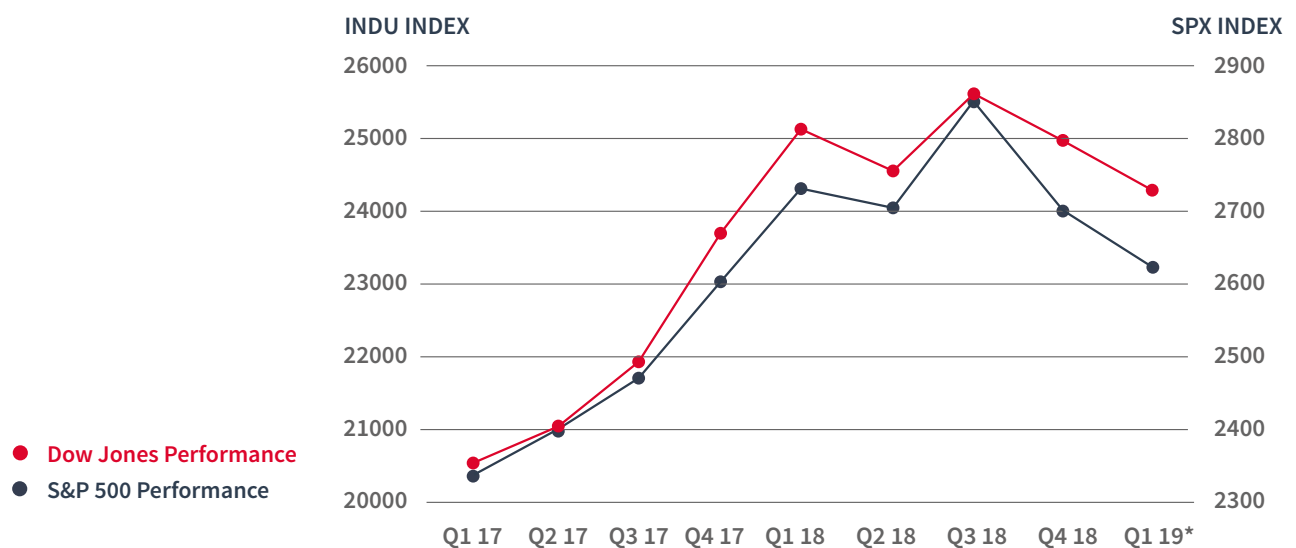
The S&P 500 and the Dow Jones Industrial Average have fallen significantly in a few months due to reduced growth expectations, thereby undermining investors' confidence. The gap between short-term bond yield and 10-year bond yield -which usually turn negative before a recession- has dropped to almost zero, which has further depressed investors who value the safety of government bonds.



U.S. Economic forecasts



World stock market performance





The slow growth, market fluctuation, the lack of confidence among economic agents in the outlook for growth, and government pressures have virtually reduced to zero the possibility that the Central Bank raises monetary policy rates in 2019, when a new course of action that addresses the new economic cycle should be mapped out.

For advanced economies, growth is expected to slow from 2.3 percent in 2018 to 2 percent in 2019, and to 1.7 percent in 2020. This momentum restraint reduces the likelihood that inflation increases. However, while underlying inflation in the U.S. is close to the target in the U.S., inflation in the euro zone and Japan is well below that target.

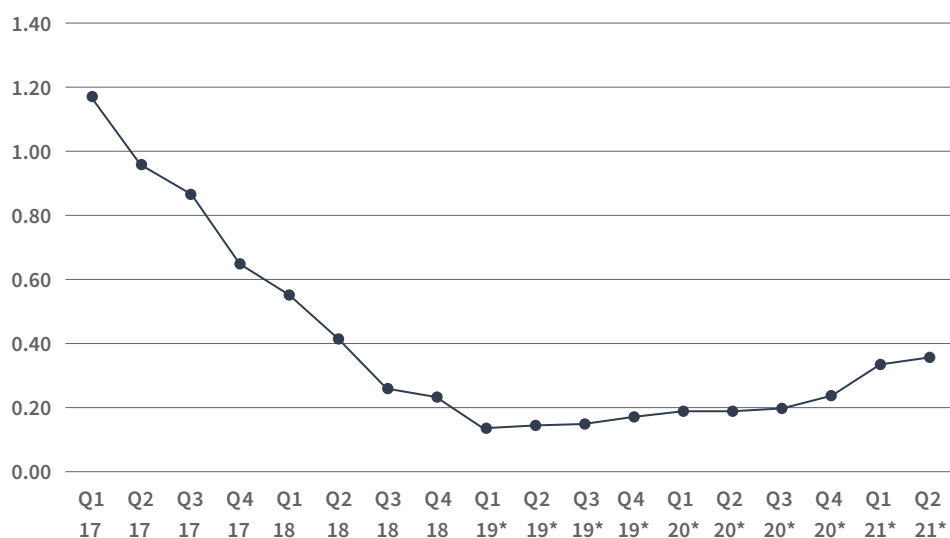
The outlook for emerging markets and developing economies reflects weaker capital flows following higher rates from the U.S. monetary policies, and a broad-based depreciation of exchange rates against the dollar, although it has become more moderate. In emerging economies, the increase in inflation was reversed to some extent.

The strengthening of the U.S. dollar and interest rates, together with the lower level of risk international investors are willing to take, have increased external borrowing for emerging markets, particularly for the most vulnerable economies with higher credit needs, and especially those with low credit risk rating. That resulted in more countries with increased external borrowing, though to varying extents (see differences between JPMorgan EMBI bond index for emerging markets and U.S. Treasury bonds of similar maturities).

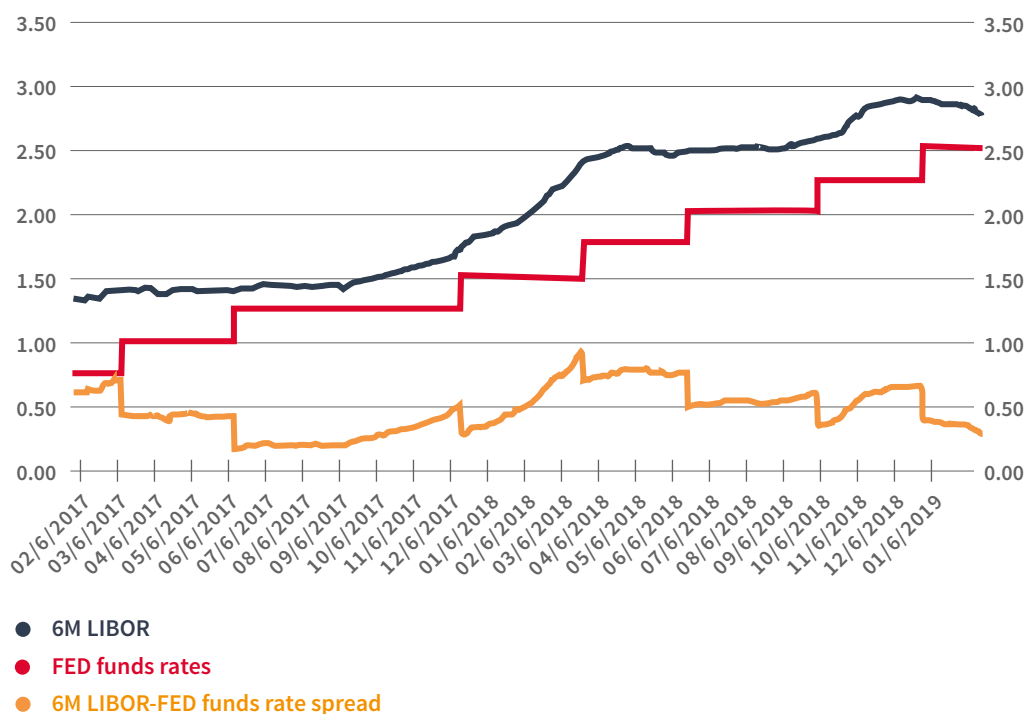
If pressure on emerging and developing economies is intensified or increased, risks to stability in the international financial system would grow significantly.

The economic activity in Latin America continues to rise but at a slower-than-expected rate. The weakening global economy and the economic policies uncertainty are contributing to slowing growth momentum. Overall, the region is expected to grow by 2 percent in 2019 - higher than the 1.1 percent growth in 2018 - and 2.5 percent in 2020. Growth is further strengthened but at rates still well below peer countries in other regions.

10-2 Yr Treasury spread (%)



Evolution of benchmark interest rates



A tightening of global financial conditions, the slowdown in China's economy growth, and lower commodity prices arising from trade tensions have contributed to the region's slowdown. In addition, monetary policy was tightened in some economies to contain inflationary pressures stemming partly from currency depreciation, which further dampened growth. Net capital outflows in 2018 were partly the result of tighter global financial conditions.

As the global economy slows and uncertainty about its development increases, the opportunity to focus on reforms or mobilize growth stimulus measures is closing.

In 2018 fiscal policies in the region have become less accommodative, leading to several economies to reduce their primary deficits as a percent of GDP. But this was not enough to put public debt on a downward path—except for Argentina. These policies tried to avoid the adverse effects on economic activity and poverty, by protecting infrastructure investment and well-targeted and priority social expenditures. Various countries from the region are facing new challenges to manage the monetary policy between supporting growth and keeping inflation expectations anchored in the face of currency depreciation and volatile commodity prices.

In South America, Argentina's economy fell into recession in 2018, and the strong peso depreciation fueled inflation, reducing disposable income and the confidence of

economic agents. The government's stabilization plan is helping reduce the financial turmoil and stabilized the exchange rate, while inflation and inflation expectations continue a slow decline. A recovery of economic activity is expected starting from 2019.

In Brazil, growth is projected to rise over 2 percent in 2019-20 for the first time since 2013, as a result of a series of market-friendly reforms and the prospect of implementing policies to ensure public debt sustainability.

Peru, Colombia and Chile's economies will continue to expand at rates above 3 percent. Regarding Venezuela, it is difficult to make growth and stability forecasts in 2019. Growth contraction is likely to be significant and hyperinflation is likely to continue, and thus humanitarian matters and outward migration will probably remain issues.

Smaller economies such as Uruguay and Paraguay maintained their growth rates demonstrating strengths stemmed from an economic and financial management to reduce the volatility impact within a challenging regional situation. After years of significant growth and poverty reduction, Bolivia is facing reduced tax revenues caused by commodity price movements, and associated with the uncertainty regarding the election process. Bolivia's economy grew by 4.5 percent in 2018 -among the highest economic growth rates in the region- which is expected to moderate somewhat in the medium term.



Within that complex external environment, FONPLATA continues to strengthen its business profile through sustained institutional growth, expanding long-term lending capacity to:

- 1.** Address the increasing requirements of the countries in the sub region associated with sustainable infrastructure gap reduction to expand its potential scope and improve competitiveness; and,
- 2.** Best carry out its functions when faced to this type of international economic cycle,

playing the expected countercyclical role multilateral financial institutions like FONPLATA play by providing funding under the most favorable financing conditions. Thus, FONPLATA takes advantage of its capital structure and low credit risk leverage capacity. Additionally, as a result of the updated articles of the Agreement, FONPLATA is able to expand financing by welcoming new member countries, thus helping to compensate insufficient funding under favorable conditions for member countries and the impact of less-favorable capital net flows in the sub region.



III Operations
by Country



Below is a brief description of the volume, nature and objective of the funding portfolio in each member country for the year ended December 31, 2018.

To best gauge the efforts made an analysis should be performed on the closing of the fiscal year 2012, as that year marks a turning point in FONPLATA's institutional life. At an aggregate level, the operations portfolio amounted to about \$347 million, of which \$82 million were undisbursed - with no operations in the project inventory. Starting in 2013, as part of the implementation of the new management model and in close co-ordination with the member countries, an inventory of projects was presented to allow approvals to be consistent with the lending capacity. The lending capacity grew from \$50 million per year in 2012 to \$250 million per year in 2014, and gradually increased to reach approximately \$425 million in 2018.

This effort has been the result of the unconditional support of the member countries, not only through the approval of the first and second capital increases in 2013 and 2016, but through dialogue with liaison bodies from the countries to identify the projects where FONPLATA can add value in order to promote development and the regional integration of its member countries and their entry into the global market.

As a corollary of the work done, FONPLATA faces challenges in the medium term with optimism and the ability to continue consolidating its status as an effective and increasingly relevant partner to help meet the funding requirements of the member countries.

Argentina

The operations portfolio increased by 25 percent as a result of 4 projects approved for \$105 million this year, totaling \$616 million which included 27 operations. Of that total, 24 operations for \$518 million make up the active portfolio. That total is broken down as follows: 20 operations under principal repayment; 16 operations in the process of disbursement, and 4 operations not yet disbursed. Likewise, 3 of the 4 operations approved this year totaling \$98 million are pending signature of the corresponding loan agreement.

FONPLATA is focusing its efforts on promoting the development of rural and border communities to benefit the most vulnerable segments of the population. The projects funded are programs for social development, access to drinking water and sanitation, and promotion of integration and trade through a comprehensive work plan which includes more isolated and distant communities in border areas and also interventions in the areas surrounding the greater Buenos Aires metropolitan area.

Among the funding approved in 2018, the program to support railway safety in the Buenos Aires metropolitan area stands out. That program seeks to improve the safety and quality of the rail passenger transport service in the Buenos Aires metropolitan area, thereby reducing the accident rate in the sections where financing is targeted, and improving the quality of the rail service.



Additionally, two projects that directly benefit the Province of Chaco were approved. One of these projects seeks to improve productivity and economic integration through the paving of the Province's road network. This program aims at expanding the province's paved road network, by enhancing the level of service on the provincial road no. 13. This will facilitate the access of the population under this project to local and regional consumer centers, thereby helping to reduce vehicle operating costs and driving time. The second program finances basic works and paving in the access

road to Puerto Las Palmas, contributing to regional integration, reduce transport costs and improve road safety conditions.

Lastly, in order to support the functioning of the government agencies, a program for the digitalization of the Mariano Moreno National Library was approved to strengthen digital access to the library collections, in order to ensure the digital preservation of the archives and make visible the materials representative of the country's cultural memory.

Bolivia

During 2018, Bolivia's project portfolio grew by \$65 million as a result of the approval for financing the Urban Infrastructure Program for Employment Generation 2. Thus, the project program grew by 16 percent over the previous year to include 14 operations for \$463 million. The active portfolio is comprised of 13 projects worth \$398 million. Such amount includes 5 operations in the repayment phase and 8 operations in the disbursement phase for \$220 million. Likewise, the project portfolio includes the project approved in the current year, which is pending ratification by the Bolivian Legislature.

The funding program has focused mainly on supporting the government's efforts on the construction and improvement of the urban road network.

In that sense, construction works are being carried out in four sections of the East-West (Ivirgarzama – Villa Tunari) road corridor, covering about 61 kilometers, to reduce passenger and cargo transportation time. The region of Cochabamba Tropics is an epicenter of enormous productive wealth, biodiversity and a center of tourist attraction. Thus, the improvement and extension of these road sections will be a major boost for both tourism development and productive integration in the Tropics region.



With regard to the social and economic inclusion of rural isolated populations, FONPLATA is funding the construction of bridges in the Department of Cochabamba. The objective of this program is to ensure free cargo and passenger transit to education and healthcare centers. With that same objective, works are also being carried out in three isolated rural communities of the Department of Potosí (Ravelo, Ocurí and Tacobamba) for the installation of water harvesting modules and photovoltaic panels to supply drinking water and electricity, benefiting over 6,000 people.

Lastly, FONPLATA financially supports the Employment Program led by the Ministry of Planning and Development. This program focuses on the improvement of urban infrastructure, and it will be first implemented in the cities of Cobija, Chimoré, La Paz, Oruro, Potosí, Riberalta, Shinahota, and Sucre, in order to reduce the public transportation cost in the involved areas and increase building land value. FONPLATA is also financing the second phase of the program that includes the cities of El Alto, La Paz, Cochabamba, Sacaba, Montero, Santa Cruz, and Yacuiba and is mainly focused on the construction and enhancing of green urban spaces, roads, and public sport areas.



Brazil

Brazil's project portfolio in 2018 was composed of 12 operations totaling \$307 million. During the financial year, the portfolio grew by 26 percent as a result of a new funding approval for the coastal city of Itajaí in the State of Santa Catarina for \$62.5 million, increasing the active portfolio to 10 operations totaling \$225 million. This amount includes 8 operations for an aggregate amount of \$153 million in the principal repayment phase, including 3 operations for \$143 million in the disbursement phase, and 2 operations for \$102 million not yet disbursed. Additionally, the approved loan portfolio includes 2 operations for \$52 million which are pending ratification.

The operations funded are mostly focused on the development of small and medium-sized towns in the interior of central and southern states. By funding this kind of projects, FONPLATA aims at enhancing infrastructure and the quality of life of the residents of the cities benefited by the program.

Accordingly, an extensive urban and port renewal program is being implemented in the city of Corumbá located on the border with Bolivia, an important port on the Paraguay River in the State of Mato Grosso do Sul. Such renewal will help Corumbá to better position itself as an integration and tourist hub across the River Plate Basin area. Likewise, in the city of Pelotas, Rio Grande do Sul, funding will be provided for environmental development works and housing construction - in both urban and rural areas of that city of almost 400,000 inhabitants.



The project approved for the city of Criciúma, in the State of Santa Catarina, will help improve the vehicle traffic flow, thereby benefiting more than 200,000 residents of this municipality, helping to reduce travel times, lower vehicle maintenance costs and reduce environmental pollution. These actions are expected to help create favorable conditions for the expansion of local productive activities.

The Environmental Green Line Program in Eastern Joinville, also in the State of Santa Catarina (Programa Eje Ecológico Línea Verde en la Región Este de Joinville) provides for the extension of a wastewater treatment plant and the construction of a sewage system. A bridge to provide improved connectivity across the eastern, northern and southern areas of the city will also be constructed.

In Atibaia, State of São Paulo, water, sanitation, and urban mobility works will be implemented under the local government's program "Moderniza Atibaia" (Upgrade Atibaia) focused on the enlargement of some of the city's main traffic arteries and the canalization of certain rivers.

Lastly, FONPLATA has approved the financing of the project "Itajaí 2040" in the coastal city of Itajaí, State of Santa Catarina. This project aims at enhancing mobility and urban access in the many neighborhoods of the city and surrounding communities, improving the city's drainage system, and the implementation of alternatives for public leisure spaces.

Paraguay

Paraguay's loan portfolio in 2018 grew \$82 million as a result of the approval of two loans, which represented a relative increase of 25 percent, thus reaching a \$414-million active portfolio. Such sum is made up of 9 operations, 2 of which totaled \$118 million and are in the repayment phase, 5 operations for \$214 million are in the disbursement phase, and the 2 operations approved this year are pending ratification by the Paraguayan Legislature.

The major part of this funding is used to finance infrastructure projects, including the construction and maintenance of road corridors across neighboring countries. However, investment in other sectors was prioritized in 2018.

The Improvement of Paraguay Jesuit Route's Connectivity and Building Infrastructure was one of the projects funded and aims at preserving the historical heritage of Paraguay by restoring the architectural complexes of the Jesuit Missions, enhancing the value of its museums, and improving additional tourist services. The second funding - for a project with the National Electricity Administration (ANDE) - will be used to construct a transformer substation and power transmission lines in the community of Valenzuela. The substation is aimed at enhancing the security and reliability of power supply in the Metropolitan System and the National Inter-connected System of Paraguay, under both normal and emergency conditions, thereby reducing the amount of unsupplied energy and the technical network losses. This project with ANDE was the first beneficiary of



the green funding line approved by FONPLATA's Executive Board in 2018. This funding line offers a preferential interest rate for projects associated with climate change mitigation and adaptation.

The significant increase in the portfolio and its diversification trend are major goals achieved in 2018. FONPLATA is playing a leading role as a funding provider in Paraguay, mainly due to its involvement as a strategic partner in projects that have a significant impact on the country's development.



Uruguay

The loan portfolio grew \$110 million during 2018 as a result of two new operations approved which will be eligible for disbursement in 2019, thereby reaching an active portfolio of \$346 million that includes 7 operations. This represents a 47 percent increase over the previous year.

The active portfolio is made up of 5 operations totaling \$236 million, 3 of which are in the repayment phase and total \$175 million, 2 operations for \$61 million are under execution, and the 2 operations approved this year will be eligible for disbursement in 2019 totaling \$110 million.

Operations are primarily focused on construction, rehabilitation, and maintenance of the country's road network, and aims at helping enhance the conditions and safety levels for the transport of people and goods within the country, as well as improving connectivity with the neighboring countries.

A project was approved in 2018 for the improvement of the port access on Rambla Portuaria in Montevideo, which will allow for improved road and rail access to the Port of Montevideo. This will enable to reduce congested traffic in the port access area, and will improve the port's capacity through a more efficient logistics system, while making optimal use of the property occupied by the port in harmony with the city development.





IV 2018 Performance



An analysis of the financial results is presented below to help evaluate the performance for the year ended December 31, 2018.

As stated above in the Message from the Executive President, in 2018 FONPLATA was able to consolidate its transformation into full-fledged multilateral development bank.

The results presented below are illustrative examples of the growth and maturity of the business profile, and provide a solid foundation for continuing to expand our operations and raise funds in capital markets.

1 Performance

1.1 Funding sources

1.1.1 Capital structure and Lending capacity

In 2018, member countries subscribed to the entire callable capital which corresponded to the first and second capital increases approved in 2013 and 2016, respectively. Thus, FONPLATA's subscribed paid-in capital and committed callable capital amounted to \$1.349 billion and \$1.665 billion, respectively, for the year ended December 31, 2018 (see Table 1). The process of cash capital paid-in corresponding to the second capital increase started in 2018, raising the total paid-in capital to \$817.5 million as at

December 31, 2018. The first installment of the paid-in capital amounted to \$111.7 million, representing a 16 percent increase over the paid-in capital as at December 31, 2017 (\$705.9 million).

The balance of the capital to be paid in cash by the member countries amounts to \$531.7 million. As at December 31, 2018, member countries were in good standing regarding outstanding loans and capital commitments.

TABLE 1

CAPITAL STRUCTURE Millions of U.S. dollars

CONCEPT	As at December 31:		
	2016	2017	2018
AUTHORIZED CAPITAL	3,014.2	3,014.2	3,014.2
Payable in cash	1,349.2	1,349.2	1,349.2
Callable capital	1,665.0	1,665.0	1,665.0
SUBSCRIBED CAPITAL	1,944.7	3,014.2	3,014.2
Payable in cash	921.4	1,349.2	1,349.2
Callable capital	1,023.3	1,665.0	1,665.0
AVAILABLE CAPITAL	1,524.4	2,299.8	2,482.5
Paid-in capital payable in cash	643.3	705.9	817.5
Committed callable capital	881.1	1,593.9	1,665.0

1.1.2 Composition of Net Assets

Net Assets amounted to \$952.9 million for the year ended December 31, 2018 (see Table 2), which represents a 17 percent increase over the previous year. Such increase was due to the paying-in of capital (in cash) by the member countries (\$111.7 million), the net income (\$26.6 million), unrealized

gains on investments at fair value (\$126,000 after distribution of net and realized profits as at December 31, 2017 approved by the Board of Governors on August 28, 2018 (\$2 million, in equal parts to FOCOM (Fund for equalizing the Operating Rate) and the Technical Cooperation Program.

TABLE 2

NET ASSETS

Millions of U.S. dollars

CONCEPT	As at December 31:		
	2016	2017	2018
Paid-in capital	643.3	705.9	817.5
General reserve	75.0	89.8	108.8
Retained earnings	14.8	20.1	26.6
NET ASSETS	733.0	815.8	952.9

1.2 Income and Profitability

Income on financial assets in 2018 amounted to \$40.4 million, a 47 percent increase over the previous year. This increase is largely due to the growth in the loan portfolio by 21 percent, the rise in 6-month LIBOR, and an increase in investment assets by 28 percent, along with an improvement in return on investment (68 percent). Financial income at year end consists of interest and charges on loans (\$36.2 million), and interest and other income on investment (\$4.2 million).

Gross income was higher than interest and noninterest expenses in 2018, resulting in a net income of \$26.6 million - an increase of

32 percent over the previous year. Finance charges from interest and charges on loans used for funding loans amounted to \$2.6 million, a figure consistent with the increase in total borrowing from \$26 million in 2017 to \$79 million in 2018. Additionally, and based on the methodology for determining potential loan impairment, the provision amount increased by \$1.2 million at year end (from \$2.9 million in 2017 to \$4.1 million in 2018). Finally, administrative expenses incurred in 2018 totaled \$9.9 million.

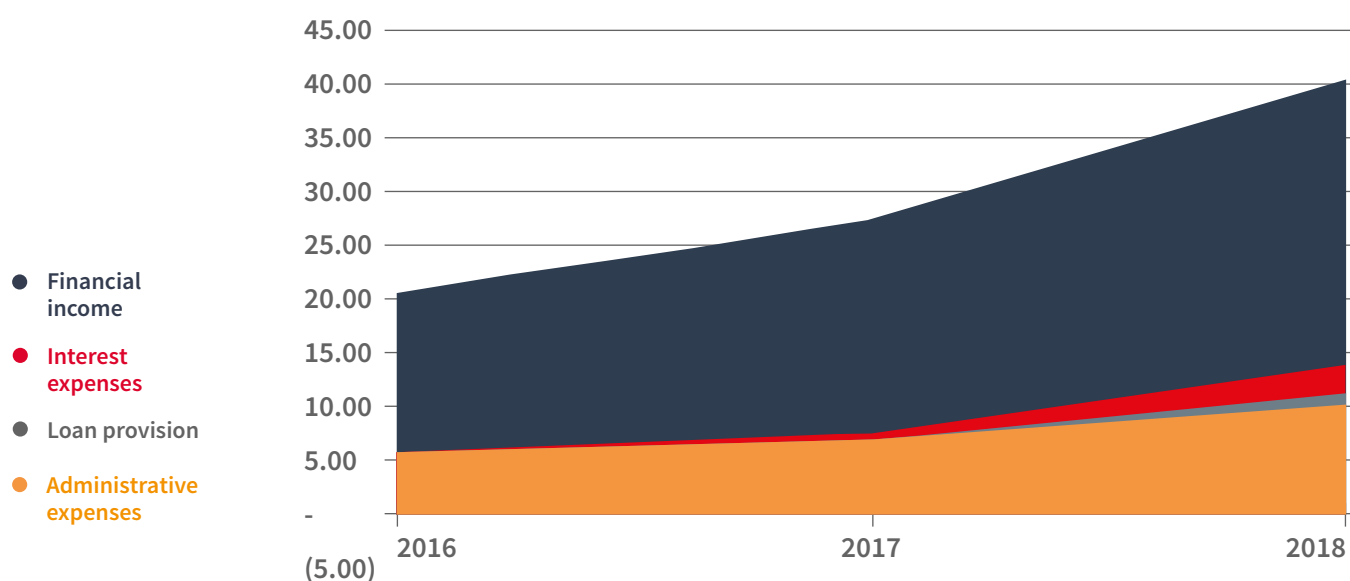
Chart 1 shows a more than proportional increase in financial income over administrative expenses.

Growth in net income and provisioning is consistent with the objective of increasing the net asset value by means of cash capital contributions and generating liquid and realized profits. This helps to gradually increase lending and borrowing capacity to fund a higher number of lending operations.

Return on net financial assets averaged about 2.99 percent, which compares favorably with the previous year and represents a relative increase of 16 percent. The evolution of financial assets and liabilities, and administrative expense throughout the 2015–2018 period is detailed in Table 3 and shows FONPLATA's profitability stemmed from a strategic planning and careful management focused on achieving the expected results in the short, medium, and long term.

CHART 1**INCOME AND EXPENSE**

Millions of U.S. dollars

**TABLE 3****RETURN ON FINANCIAL ASSETS AND LIABILITIES**

Millions of U.S. dollars

CONCEPT	2016		2017		2018	
	Average balance	Return (%)	Average balance	Return (%)	Average balance	Return (%)
Loans receivable	497.9	3.80%	602.9	4.16%	730.7	4.95%
Investments	192.9	0.71%	197.0	1.20%	209.1	2.02%
Financial assets	690.8	2.96%	799.9	3.44%	939.7	4.30%
Borrowings	(8.0)	-0.24%	(21.0)	-3.41%	(52.5)	-5.04%
Net financial assets	682.8	2.98%	778.9	3.46%	887.2	4.11%
Noninterest expenses	(5.6)	-0.82%	(6.8)	-0.87%	(9.9)	-1.12%
Net financial assets		2.16%		2.58%		2.99%
Net Assets	675.3	2.19%	774.4	2.60%	884.3	3.00%

As shown in Table 3, average financial assets in 2018 totaled \$939.7 million, an increase of \$139.8 million (17 percent) over the previous year - yielding an income of \$40.4 million. Financial charges grew as a result of higher levels of indebtedness to fund disbursements of loans, therefore the return on net financial assets before administrative expenses decreased by 14 basis points (4.11 percent), a 65-basis-point rise over 2017. The return on net financial assets averaged

2.99 percent after administrative expenses, a 41-basis-point rise over the previous year's return.

Finally, the return on Net Assets (net income/average net assets) was 3 percent, which was sufficient to cover all interest and noninterest expenses, enabled to preserve the net asset value, and replenish the FO-COM and Technical Cooperation Program and build up reserves.

1.2.1. Capital utilization and Lending capacity

To deliver on our commitment to permanently enhance our management, our policy to determine lending capacity, level of borrowing, and risk concentration was updated.

As a result of the above FONPLATA lending capacity was expanded. According to the approved update, lending capacity is calculated based on a ratio of three times the amount of net assets. The maximum borrowing capacity was also expanded. Likewise, the update approved stipulates that the maximum borrowing capacity is related to the lending capacity based on a ratio of two times the amount of net assets plus liquid assets.

Lastly, the maximum loan portfolio exposure by country should not exceed 25 percent of lending capacity or 30 percent of total assets.

TABLE 4 shows the maximum lending capacity calculated as per the new policy, which amounts to \$2.859 billion as at December

2018, an increase of 17 percent over the previous year. For comparison purposes, the lending capacity shown in 2016 and 2017 was recalculated based on the new policy.

The increase in the remaining lending capacity results from applying a multiplier of 3 to the net assets, minus the total amount of outstanding loan and loans to be disbursed as at December 31, 2018. Thus, the lending capacity varies directly with capital increase. Capital increase, as further explained in sections 1.1 – Funding sources, and 1.2 – Income and Profitability, varies based on capital cash contributions by the member countries and the return on financial assets, allowance for impairment, and administrative expense.

The remaining lending capacity grew about 11 percent over 2017. At the rate of approvals expected in the medium term, the remaining current capacity ensures keeping the average annual approvals in some \$450 million for the 2019-2020 period.

According to the financial projections established in the programming and planning model based on which FONPLATA draws up its business plan and budget, the increase in the loan portfolio must be accompanied by third-party funds. In that regard, resources are being mobilized as of late 2016 to fund disbursements; this naturally results in a gradual decrease of the asset coverage percentage. Such decrease is considered in the planning and is consistent with a careful, result-focused management, and a robust, integrated risk management and control model.

The loan coverage ratio indicates the number of times that Net Assets includes the total amount of the loan portfolio. As shown in Chart 2, this ratio rose from 1.23 in 2017 to 1.19 in 2018. The above ratio shows FONPLATA's leveraged position as a result of its strong financial situation.

All 2018 financial indicators presented in this Annual Report reaffirm FONPLATA's assets and financial soundness, the quality of its governance and careful management, and the validity of its financial and operating policies.

TABLE 4**LENDING CAPACITY AND CAPITAL ADEQUACY**

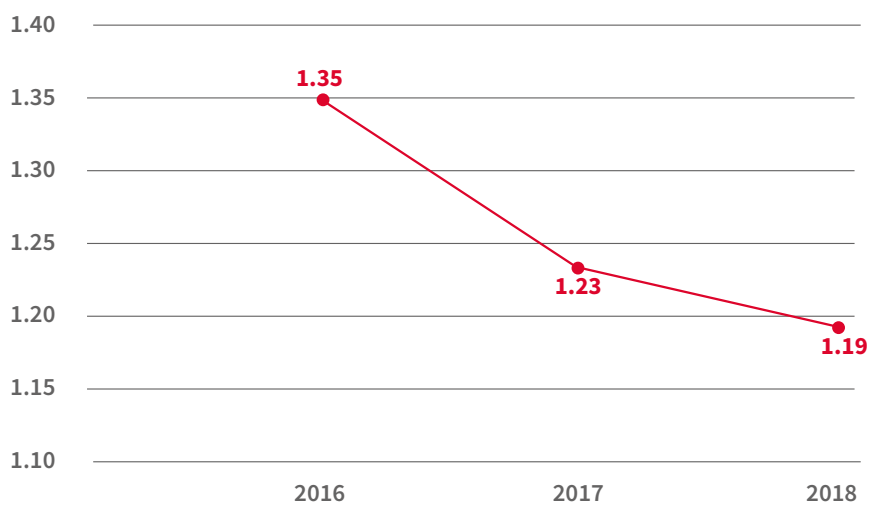
Millions of U.S. dollars; %

CONCEPT	As at December 31:		
	2016	2017	2018
Net Assets	733.0	815.8	952.9
Maximum lending capacity	2,199.1	2,447.3	2,858.7
Undisbursed loans	541.2	581.9	700.8
Loans receivable	543.8	662.0	799.4
Loan agreements pending signature	260.4	347.7	407.5
Utilized lending capacity	1,345.4	1,591.5	1,907.7
Actual remaining lending capacity	853.6	855.8	951.1
Utilized lending capacity	61.2%	65.0%	66.7%
Assets coverage on Gross loan portfolio	134.8%	123.2%	119.2%
Exposure of net assets (%) ¹	97.1%	96.5%	92.1%
Risk-adjusted portfolio exposure (%)²	142%	134%	129%
Minimum capital adequacy threshold (%) ³	35.0%	35.0%	35.0%

¹ (Net assets + Loan loss impairment provision – Fixed assets)/Productive assets

² (Net Assets + Loan loss impairment provision – Fixed assets)/Risk-adjusted productive assets)

³ Minimum capital required for the hedging of loans receivable exposure

**CHART 2****LOAN COVERAGE RATIO**

1.2.2 Loan’s approvals and disbursements

As show in Chart 3, approved loans in 2018 totaled \$425.1 million, an increase of 30 percent over 2017, in line with the goal set under the DPP approved by the Board of Governors in 2017 for the 2018–2020 period. Disbursements totaled \$196.4 million, 15 percent higher than in the previous year.

The sustained growth in the loan portfolio is directly in line with the mandate received from the Board of Governors for the sec-

ond capital increase to gradually increase the lending capacity. It is also in line with the second strategic goal under the Institutional Strategic Plan (PEI) for the 2018–2022 period of enhance the dialog with member countries to anticipate their funding requirements with regard to integration and development.

In 2018, the individual average loan size was \$42.5 million.

CHART 3

APPROVALS AND DISBURSEMENTS
Millions of U.S. dollars

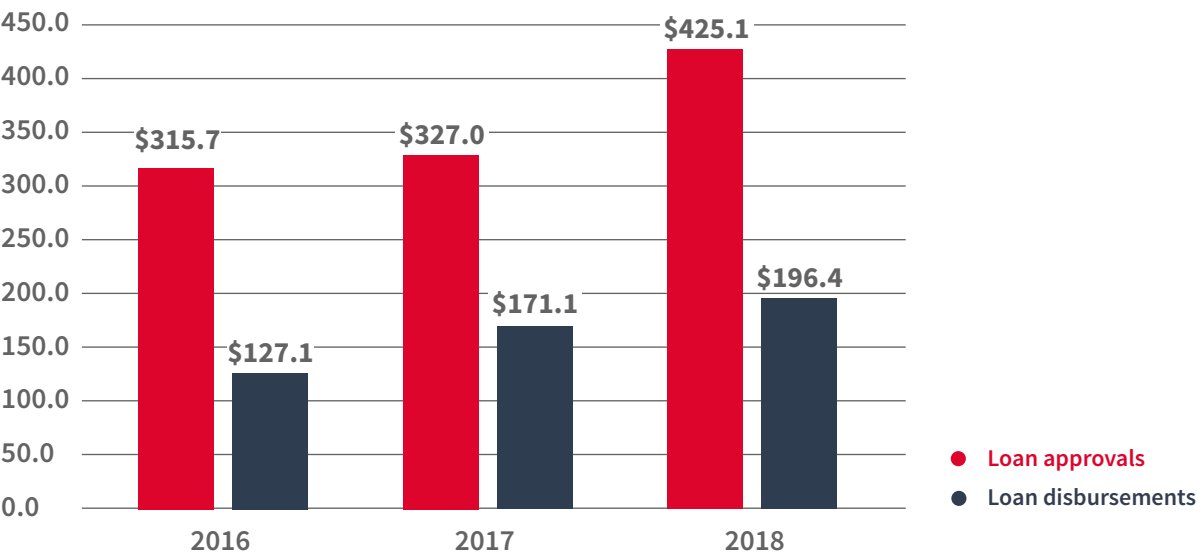
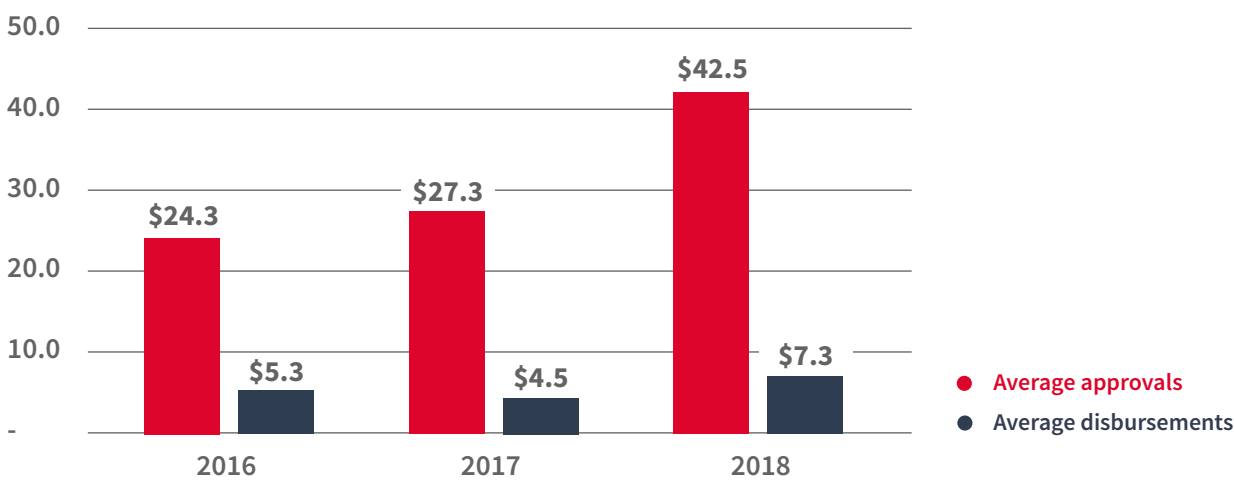


CHART 4

AVERAGE SIZE OF LOANS APPROVED AND LOANS DISBURSED
Millions of U.S. dollars



The average disbursement size per project grew from \$4.5 million in 2017 to \$7.3 million in 2018, which made a total of 27 loan disbursements (see Chart 4).

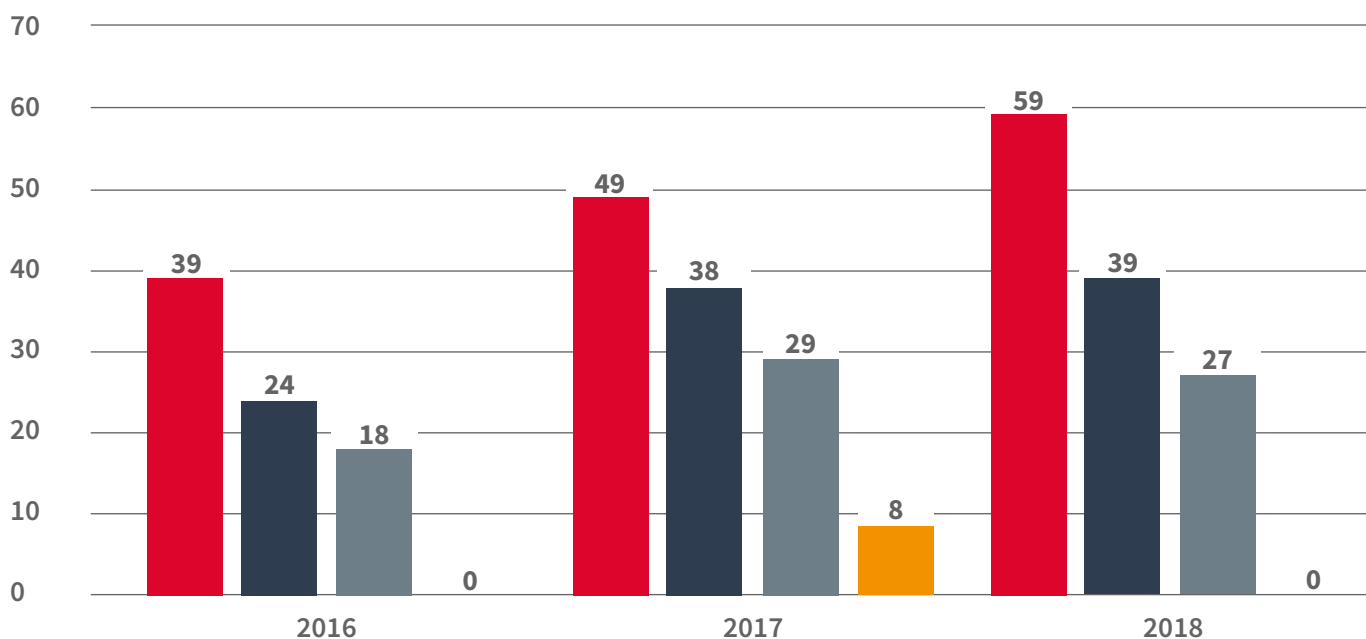
Likewise, the total number of projects in the portfolio -loans in the repayment stage, loans in the process of disbursement, and loans approved but not yet disbursed- grew from 60 in 2017 to 69 in 2018, an increase of 15 percent.

As envisaged under the DPP approved by the Board of Governors for the 2018–2020 period, and just like in 2017, there was a significant increase in the inventory of loans approved and under execution, from 49 projects in 2017 to 59 projects in 2018, representing a 20-percent increase (see Chart 5). The latter figure does not include the 10 loan operations approved in 2018 and which will be made eligible for disbursement in 2019, which will increase the number of loan operations under execution to 69 over the next 12-18 months.

CHART 5

GROWTH IN LOANS UNDER IMPLEMENTATION

Number of projects



- Loans approved under implementation during the year
- Outstanding and undisbursed loans, under implementation
- Loans with disbursements during the year
- Loans completed (after final disbursement)



1.2.3 Loan portfolio by country

One of FONPLATA’s strategic objectives is to achieve a balanced allocation among the member countries in the medium term, in terms of both providing financing and its exposure to credit risk. The indicator in TABLE 5 is based on the loan receivable balance at the end of the two past fiscal years. As at December 2018, the loan portfolio exposure by country was within the reasonable limits established in the policy (see Table 5).

TABLE 5
BALANCES OF LOANS
RECEIVABLE BY COUNTRY

COUNTRY	2017	2018
ARGENTINA	17%	21%
BOLIVIA	26%	29%
BRAZIL	11%	8%
PARAGUAY	18%	17%
URUGUAY	28%	25%
TOTAL	100%	100%

NOTE: Calculated based on loan receivable balances at year-end

1.2.4 Performance of loans receivable and loans approved balances

At year-end 2018, the portfolio of loans approved being executed, including the loan operations approved in 2018 and those pending signature or ratification, amounts to \$1.908 billion (see Table 4), an increase of 20 percent over the previous year.

Such growth reflects the hard work and commitment of FONPLATA to increase its impact and relevance as an active partner to support the regional development and integration of the member countries.

As outlined in section 1.2 Income and Profitability, the portfolio of Loans Receivable grew by \$137.4 million in 2018 -as a result of disbursements for \$196.4 million and collec-

tion of repayments for \$59 million, for a balance of \$799.4 million at year-end, representing a 21-percent net increase (see Chart 6).

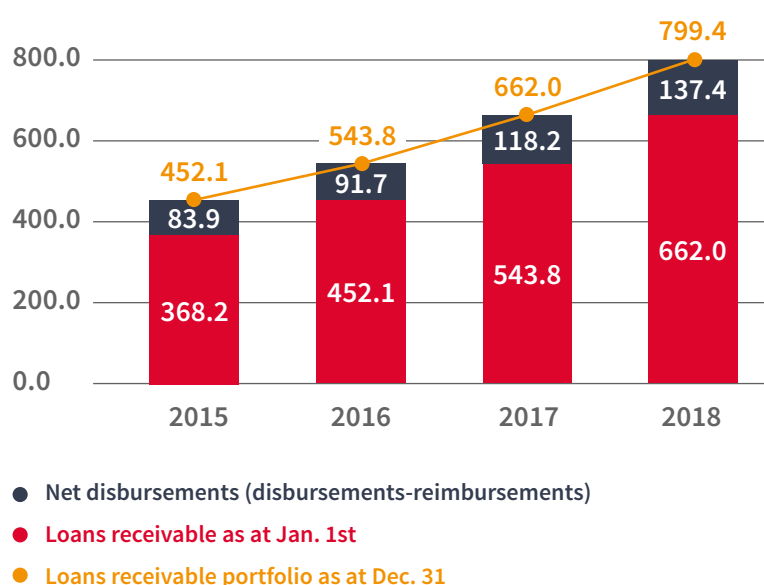
Loans to be disbursed totaled \$700.8 million in 2018 (compared to \$581.9 million in 2017), and Loans approved pending signature or ratification by the Parliament amounted to \$407.5 million (compared to \$347.7 million in 2017), which together give a net increase of 19 percent (compared to a 16-percent increase in 2017).

Loans were mainly used to fund infrastructure, primarily the subsector transportation and logistics, representing 66 percent of all funding granted (See Chart 7).

CHART 6

LOAN PORTFOLIO DEVELOPMENT

Millions of U.S. dollars



The degree of diversification of lending reached, reflects the effort made to enhance the dialog with the member countries, with a view to identifying projects whose nature allows enhancing sector diversification to fund other sectors other than physical infrastructure (see Chart 7). Projects financed that have an impact in one or more member country and that are focused on develop-

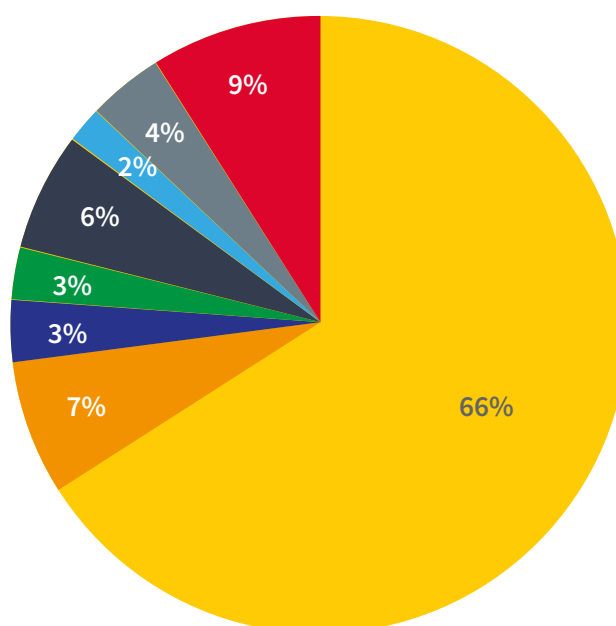
ment in border areas account for one-third of all approvals.

Through planning and identification exercises developed jointly with the member countries, the funding of projects aimed at reducing asymmetries and promoting sustainable development in specific geographic areas is being expanded (see Chart 6).

CHART 7**LOAN ALLOCATION BY SUB-SECTOR – 2018**

%

- Transport and Logistics
- Environment
- Health and Education
- Water and Sanitation
- Housing and Urban development
- Production
- Financial services
- Other

**TABLE 6****LENDING PORTFOLIO ALLOCATION BY SECTOR**

%

SECTOR	2016	2017	2018
Infrastructure	52.0%	61.4%	71.6%
Social and environmental development	26.0%	27.8%	17.2%
Economic and productive development	22.0%	10.8%	11.2%
TOTAL:	100.0%	100.0%	100.0%

1.3 Consistency with strategic objectives

1.3.1 Achievement of strategic goals as stated in the Vision statement

Supporting FONPLATA's transformation into a multilateral development bank, the Board of Governments approved the Institutional Strategic Plan (PEI) update for the 2018–2022 period in 2017. The new PEI is based on three strategic objectives developed on

the five pillars identified under the PEI 2013–2022, and ten lines of action to ensure the expected outcomes.

The three strategic objectives and the ten lines of action that make up the PEI include:

STRATEGIC OBJECTIVE	LINE OF ACTION
Ensure the relevance of FONPLATA as a funding agency for regional development and integration.	<p>Sustained growth of lending capacity under appropriate financial conditions.</p> <p>Enhance value for the member countries by ensuring positive cash flows and maximizing the assets value.</p> <p>Maintain and strengthen our credit rating</p> <p>Promote our lending capacity expansion with the possible involvement of other countries and regional integration agencies.</p>
Enhance dialog with the member countries to anticipate their funding requirements regarding integration and development.	<p>Implement new financial products.</p> <p>Broaden the appropriate offer of non-financial services</p> <p>Promote efficient decentralization of operations in the sub region.</p> <p>Strong commitment to adaptation to climate change and the sustainable use of natural resources.</p>
Adapt the organizational structure maintaining diligence and low transaction cost.	<p>Adapt the existing organizational structure to the operations growth.</p> <p>To be recognized as a modern, streamlined, innovative, effective and efficient financial agency.</p>

Based on the results achieved in 2018, and reaffirming its support to the vision of FONPLATA, the Board of Governors amended the Articles of Agreement in order to:

- 1. Change its legal nature to that of a multi-lateral bank;
- 2. Change the object to extend its scope from a strictly geographical concept to include the region of the member countries and their integration to the global market; and,
- 3. Extend membership to include other non-founding countries or agencies, recognizing the possibility of their participation in the institution’s capital.

The results achieved between 2013 and 2018 speak for themselves and show the transformation of FONPLATA into a more relevant, agile and efficient organization. The results also demonstrate the commitment and support of the member countries to the mission, vision and management undertaken to implement them.

Year 2018 marks a turning point in FONPLATA’s institutional life, through its transformation into an expanding, regional multilateral financial institution, deeply committed to the development and integration of its member states.

1.3.2 Consistency with our Mission

In line with our strategic goals, since 2013 FONPLATA has been focusing on promoting projects that enhance geographical integration and help either reduce costs or increase benefits for two or more member countries.

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

TABLE 7
.....
**CONTRIBUTION TO GEOGRAPHICAL
INTEGRATION IN BORDER AREAS¹**
%

INDICATOR		2013-2018 ²
Expected impact on more than one country (%) ³	Number of loans approved	51.0%
	Thousands of dollars	47.0%
Focus on border areas (%) ⁴	Number of loans approved	55.0%
	Thousands of dollars	51.0%

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

As shown in Table 7, it is noted that 51 percent of the projects approved are targeted at more than one member country (47 percent in value), and 55 percent are targeted at border areas (51 percent in value).

This geographic approach, along with the preferred size of average loans, defines the strategic niche to which FONPLATA targets its action. The diversification shown in the past years in social and environmental projects and productive development projects, places an increasing focus on the impact on inclusion and reduction of market asymmetries in relevant areas to promote regional development and enhance the integration of regional economies into the global economy.

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

In cumulative value of projects approved from 2013 to the present, the funding granted by FONPLATA to sectors that receive funding from other multilateral development organizations reached 45 percent. During that period, virtually every operation in which FONPLATA was involved was prioritized in the national public investment plans of the member countries. Likewise, 69 percent of the amount of funds approved during that period was allocated to initiatives that made it possible to anticipate the investment decision by borrowers, accelerating the realization of the benefits to be obtained.

TABLE 8**STRATEGIC COMPLEMENTARITY**

INDICATOR		2014-2018 ¹
Participation in joint programs with other Multilateral Development Agencies	Number of loans approved	32%
	Thousands of dollars	45%
Complementary with national investment plans	Number of loans approved	94%
	Thousands of dollars	98%
Help bring forward investment decisions for member countries	Number of loans approved	68%
	Thousands of dollars	69%
Total loans approvals	Number of loans approved	53
	Billions of U.S. dollars	\$1.569

¹ Weighted average

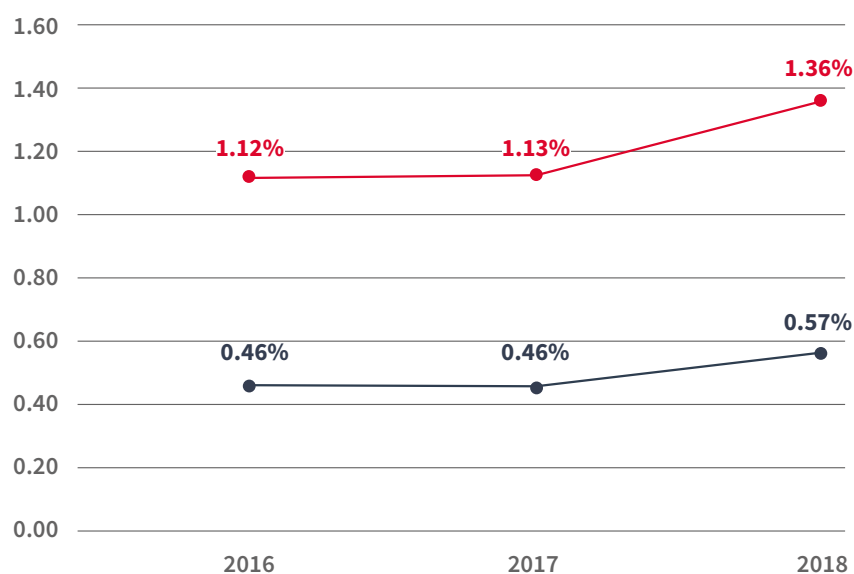


1.4 Operational efficiency

As a result of the increase approved in the organizational structure to better respond to the growth in the volume of operations -that grew from 62 in 2017 to 80 in 2018- increased transaction costs were observed in 2018. This is a temporary effect that will be significantly reduced over the 2019-2021 period with the gradual growth of the Loans receivable portfolio and the Undisbursed loans portfolio.

CHART 8

OPERATIONAL EFFICIENCY



● Noninterest expenses /Loans receivable

● Noninterest expenses /Loans receivable + Undisbursed loans + Loans pending contract signature or ratification



Administrative efficiency, measured by the ratio of non-interest expenses to average loan portfolio, shows a continuing decrease in the expenditure per operation since 2013, a trend that has persisted in 2018 (see Chart 8). Additionally, with the general business expansion the break-even point that relates interest and non-interest expenses to current income from the loan portfolio, remained low (an average 28 percent over the triennial 2016-2018). This enables FONPLATA to respond to contingencies comfortably, and allows for greater use of leveraged resources in capital markets.

Those indicators illustrate the emphasis placed by the management on efficiency and in maximizing the transaction cost. The increase from 0.46 percent in 2017 to 0.57 percent in 2018 is a temporary effect that will significantly fall in 2019 as the lending portfolio continues to grow.

Another relevant indicator of efficiency is the average delay in the operation processing, measured between the project profile submission until loan approval, which in 2018 was approximately 5.5 months, as expected.

1.5 Financial soundness

The results achieved in 2018 confirm the consolidation of FONPLATA as a multilateral development bank and are in line with the institutional strategy and business plan under the PEI 2018–2022 and the DPP for the 2018–2020 period, approved by the Board of Governors in 2017. Section 1 – Performance includes a detailed account of our financial position, the result of the lending operations and the changes in net assets which is illustrative of the soundness of FONPLATA'S financial profile. The above, together with a

solid governance and a careful, agile, and efficient management based on results that includes an integrated risk management and appropriate procedures, have enabled the consolidation of FONPLATA as a more relevant entity.

As in previous years, independent auditors from PricewaterhouseCoopers have issued a clean, unqualified auditor's report on FONPLATA financial statements, dated February 18, 2019.

1.6 Loan financing Liquidity and Indebtedness

This subsection contains relevant information on the indebtedness management in the long term and the management of liquidity and risks affecting the entity. As explained in section 1.1 – Funding sources, a portion of the loans granted to the member countries must be funded using third-party funds.

In March 2018, FONPLATA revised its lending capacity and indebtedness policies to bring them into line with the asset growth by using a multiple (see Section 1.2.1 – Capital utilization and Lending capacity for further details). With regard to the indebtedness policy, the maximum limit is based on a

multiple two times the Net assets plus investment liquid assets.

Based on the figures in the 2018 financial statements, FONPLATA's maximum lending capacity amounts to \$2.859 billion, and the debt capacity were \$2.062 billion after deducting the outstanding indebtedness balance at year-end. This figure provides ample space for financing lending operations within the framework dictated by the strategy and the debt framework approved by the Executive Board for the 2016–2020 period that stipulates a maximum aggregate amount of \$500 million.

1.6.1 Borrowing and Leverage

In 2018 and following its strategy, FONPLATA entered into new financing agreements with other multilateral organizations and international cooperation agencies and also attracted additional financing from the Central Bank of Bolivia, while continued to prepare to be able to mobilize funds directly from capital markets under the best possible terms at the start of 2019.

During 2018, FONPLATA increased its debt by in \$53 million totaling \$79 million at year-end. Such amount used for loan funding is equivalent to around 10 percent of the balance of outstanding loans as at Dec. 31, 2018 - a 27 percent of the disbursed amount during the year.

In addition to the \$75-million funding obtained from CAF (Latin American Development Bank) in 2016, of which \$16 million were used, in 2017 financing agreements were signed with the IDB (Inter-American Development Bank) for \$100 million, and with the AFD (French Development Agency) for \$20 million. Financing agreements were signed in 2018 with the European Investment Bank (BEI) for \$60 million and the Instituto de Crédito Oficial of Spain (ICO) for \$15 million. Additionally, talks in advance stage are being conducted with KfW to obtain financing.

The \$53-million borrowing in 2018 was as follows: (i) \$28 million disbursed against the IDB funding; (ii) \$5 million disbursed against the AFD funding, and (iii) \$20 million in respect of the increase in medium-term deposits from the Central Bank of Bolivia.

1.6.2 Liquidity

As year-end 2018, the investment portfolio totaled \$179.7 million and liquidity after cash and cash equivalents amounted to \$235.1 million, 62% above the minimum liquidity required under the financial policies (\$145 million). The liquid assets to total assets ratio was 22.5%, slightly higher than in 2017 (21.5%).

As shown in Table 9, the investment portfolio management reflects compliance with the prudential risk limits set out in the liquidity investment policy. As in the previous year, the average investment portfolio rating as of 31 December 2018 was AA, in full compliance with the authorized limits.

TABLE 9

INVESTMENT PORTFOLIO

LIMITS	POLICY	STATUS
LIMITS BY ASSET TYPE		
Sovereign limit	100%	54%
Limits on fixed-term deposits and/or certificates of deposit	100%	11%
Limits on Multilateral Development Agencies and National Development Banks	50%	36%
Money Market funds limit	30%	0%
Private Financial Sector Limit	15%	10%
LIMITS BY ISSUER		
Limits by AAA issuers (country, multilateral development agency, development banks)	100%	39%
Limits by issuing country, including states, local governments, public agencies	10%	8.3%
Limits by multilateral development agencies and national development banks	10%	7.9%
Limit by private financial institution agency	5%	3.4%
LIMITS BY RATING		
Average portfolio rating	Minimum AA-	AA
Minimum investment grade	BBB-	BBB-
Maximum investment grade - BBB	20%	9.4%
TERM LIMITS		
Minimum liquidity levels	\$145 million	\$235 million
Maximum investments with maturity	5 years	0.8 years
Max. duration	2 years	0.37 years

1.7 Institutional effectiveness

As of 2013, as part of the implementation of the new management model approved by the Board of Governors, a results-based planning and budgeting process integrated to the business plan in the medium term was implemented through the Program and Budget Document (DPP). The DPP - approved by the Board of Governors based on a recommendation by the Executive Board - includes the degree of achievement of the expected results for the previous year, as well as the results to be achieved in the next year and in the two subsequent years along with the cost of the activities needed to achieve those results.

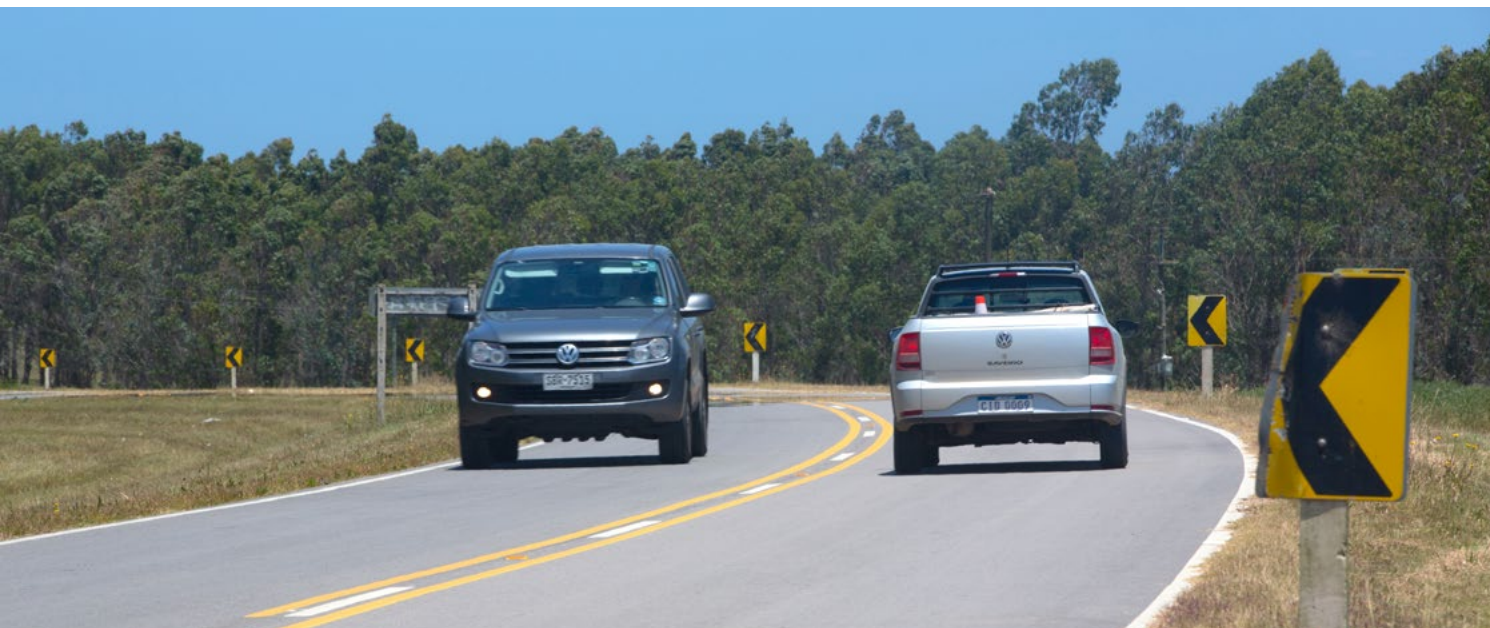
Since 2013 FONPLATA has demonstrated high levels of compliance and has earned the trust of both its Governance and multi-lateral and international cooperation agencies with which financing and co-financing agreements have been signed. Between 2013 and 2016, an increased and more mature business profile together with management effectiveness enabled us to achieve A- and A2 investment-grade ratings from Standard & Poor's and Moody's, respectively, two internationally recognized rating agencies. Such ratings were reaffirmed in 2017 and 2018 with a prospect of improvement in 2019 as the business profile grows. Approval by the Board of Governors of the updated

Articles of Incorporation in November 2018, with a redenominated authorized capital to enable the accession of new members, once again reaffirms the high level of trust and commitment of the member countries to a more relevant FONPLATA.

Consistent with the growth of the business profile, and after a thorough preparatory process in order to launch the first bond issue on the capital markets over the three past years, on Jan. 21, 2019 FONPLATA received the provisional (1-year) approval from SIX Exchange Regulation, Ltd. (Swiss exchange regulatory body).

The definite approval as issuer in the Swiss capital market is subject to the final decision by the Board of the regulatory body. Based on the provisional approval, on February 11, 2019, FONPLATA successfully agreed with the Credit Suisse & UBS the terms and conditions for the issuance of a bond in Swiss francs for CHF 150 million, with a 5-year maturity, at an annual fixed rate with a coupon of 0.578 percent.

This bond issuance marks another important milestone in the history of FONPLATA and shows the degree of maturity and effectiveness achieved by our management since 2013.



1.8 Contribution to the sub region growth

FONPLATA uses a number of relevant indicators to measure the impact of projects that promote development and regional and global integration of the member countries. One of those indicators is the expansion of loans approved - which grew by 30% compared to the previous year and has risen five-fold since 2012. The leverage ratio of mobi-

lized resources has been rising and reached 1.9 per each dollar financed by FONPLATA in 2018, which represents an increase of 5% (see Table 10).

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

TABLE 10

CONTRIBUTION TO SOCIAL AND ECONOMIC DEVELOPMENT

INDICATOR	2016	2017	2018
Loan portfolio annual change	20.3%	21.7%	20.8%
Direct resource mobilization ratio ¹	1.6	1.8	1.9
Net capital flow to member countries ²	\$91.7	\$118.2	\$137.4
Net transfers to member countries ³	\$74.7	\$94.1	\$103.8
Funding for relative less developed countries /Total approvals	54.9%	28.4%	60.6%
Preferential funding for relatively less developed countries ⁴	33.9%	21.3%	31.0%

¹ Total funds mobilized over funds provided by FONPLATA

² Disbursements net of principal repayments

³ Disbursements net of principal repayments and collection of interest and fees

⁴ Amount of loans funded through FOCOM / Total amount of loans approved



V Annexes

Annex 1

Operations Approved Historical Information

Loans approved by type of funding as at dec. 31, 2018

Amounts expressed in thousands of U.S. dollars

N°	LOAN ID	PROJECT NAME	TOTAL:
1	ARG-2/83	Construction of port and coastal defense structure in Formosa.	
2	ARG-3/83	Comprehensive Development in Southeast Formosa.	
3	ARG-4/93	Study: Impact of economic integration on urban and transportation systems of the coastal and Chaco provinces, in the River Plate Basin.	
4	ARG-5/94	Studies and projects to clean up streams in the city of Posadas.	
5	ARG-6/94	Pre-investment studies and construction works for the paving of Routes 8 and 2, sections 25 de Mayo - Santa Rita; Santa Rita - Colonia Aurora; Colonia Aurora - El Soberbio; El Soberbio - Saltos del Mocona. Province of Misiones.	
6	ARG-7/94	Execution of a technical cooperation program and social development investments in border areas with unmet needs in Northwest and Northeast Argentina.	
7	ARG-8/94	Implementation of the Productive reconversion and business restructuring program.	
8	ARG-9/96	Program for the modernization and development of International Trade - COMINTER	
9	ARG-10/96	Reimbursable Technical Cooperation. Business restructuring program for exports - PREX.	
10	ARG-11/99	Program to support the Regional and Economic Planning Secretariat of the Ministry of Finance, Public Works and Services.	
11	ARG-12/2002	Pre-investment studies and execution of works for the port restructuring in the city of Santa Fe.	
12	ARG-13/2003	Funding program - Local counterpart - Proyecto IADB Project 1118/OC-AR- Emergency program for the recovery of flood affected areas, with particular emphasis on the Provincia of Santa Fe.	
13	ARG-14/2004	Social development program in areas with unmet needs in Northwest and Northeast Argentina - PROSOFA II.	
14	ARG-15/2004	Program for the improvement and optimization of management of solid urban waste in the Metropolitan Area of Buenos Aires.	
15	ARG-16/2006	Project execution: Development and implementation of the National System for Early Warning and Prevention of Disasters.	
16	ARG-17/2006	Program for improving competitiveness of inland ports in the Province of Buenos Aires.	
17	ARG-18/2006	Execution of the program to support trade integration of small and medium sized Argentinean enterprises - PROARGENTINA II.	
18	ARG-19/2013	Project to strengthen the interruption of vectorial transmission of Chagas disease in Argentina.	
19	ARG-20/2014	Creation of a national programming agency and a movie theater network for the promotion and dissemination of audiovisual content from the region.	
20	ARG-21/2014	Social development program for areas with unmet needs in Northwest and Northeast Argentina - PROSOFA III.	
21	ARG-22/2014	Agricultural production areas development program for border provinces of the River Plate Basin - First Stage.	
22	ARG-23/2015	Enhancement project to improve rail connectivity to Constitución - Ferrocarril Belgrano Sur.	
23	ARG-24/2015	Program for the development of the Bermejo River Basin.	
24	ARG-25/2016	Institutional strengthening program for regional planning.	
25	ARG-26/2016	Government modernization project – Digital country program.	
26	ARG-27/2016	Emergency program to respond to the effects of “El Niño” in Argentina.	

i) Loans in subsequent stages

a) \$ 3,293,840.00 uncommitted, for Investment stage

b) \$ 25,000,000.00 uncommitted, for Investment stage

*1 Loans under implementation

*2 Loans completed

*3 Loans cancelled

*4 In the process of being signed

Argentina

NOTES	TYPE OF FINANCING		CANCELLED	TOTAL APPROVED	TO BE DISBURSED
	PRE-INVESTMENT	INVESTMENT			
	24,650	739,880	34,466	730,064	264,843
*2	-	7,100	-	7,100	-
*2	-	9,200	61	9,139	-
*2	1,462	-	25	1,437	-
*3	2,244	-	-	2,244	-
*2	1,877	i)	32,959	529	34,307
*2	978	i)	21,499	517	21,960
*2	8,000	-	-	8,000	-
*2	3,238	a)	-	2,881	357
*2	4,000	-	-	4,000	-
*3	1,500	-	-	1,500	-
*2	900	b)	25,000	25,122	778
*2	-	-	51,000	-	51,000
*2	-	-	22,485	0	22,485
*3	-	-	27,650	-	27,650
*2	450	-	44	406	-
*1	-	-	47,200	-	47,200
*2	-	-	4,500	580	3,920
*2	-	-	25,000	-	25,000
*2	-	-	9,953	4,706	5,248
*1	-	-	28,170	-	28,170
*1	-	-	18,400	-	18,400
*1	-	-	35,000	-	35,000
*1	-	-	35,000	-	35,000
*1	-	-	12,000	-	12,000
*1	-	-	7,500	-	7,500
*1	-	-	20,000	-	20,000



Loans approved by type of funding as at dec. 31, 2018

Amounts expressed in thousands of U.S. dollars

N°	LOAN ID	PROJECT NAME
27	ARG-28/2016	Program for the development of border facilities. 1/
28	ARG-29/2016	Comprehensive program for the improvement of border settlements. 2/
29	ARG-30/2016	Program to support the development of the agribusiness sector.
30	ARG-31/2016 I	Program for the access to productive financing in Northern Argentina. 3/
	ARG-31/2016 II	Program for the access to productive financing in Northern Argentina. 3/
31	ARG-32/2016	Program for the provision of drinking water and sanitation services in Argentine Mesopotamia.
32	ARG-33/2017	Program for the implementation of the Household Expenditures Survey - ENGHO
33	ARG-34/2017	Program for the Strengthening of Justice in the provinces and the Autonomous City of Buenos Aires.
34	ARG-35/2017	Infrastructure integration program.
35	ARG-36/2017	Program for connectivity in Greater Buenos Aires.
36	ARG-37/2018	Program for the digitalization of the Mariano Moreno National Library collection.
37	ARG-38/2018	Railway safety program in RMBA.
38	ARG-39/2018	Ruta Provincial no. 13 (Province of Chaco), road section: Empalme R.N.Nº11 - Empalme R.N.Nº95, Section 1: Emp. R.N.Nº11 - Cote Lai and Access road to Colonia Baranda and Cote Lai.
39	ARG-40/2018	Construction and paving in the access road to Puerto Las Palmas, section: Empalme Ruta Provincial no. 56 / Puerto Las Palmas.

i) Loans in subsequent stages

a) \$ 3,293,840.00 uncommitted, for Investment stage

b) \$ 25,000,000.00 uncommitted, for Investment stage

*1 Loans under implementation

*2 Loans completed

*3 Loans cancelled

*4 In the process of being signed

Argentina

NOTES	TYPE OF FINANCING		CANCELLED	TOTAL APPROVED	TO BE DISBURSED
	PRE-INVESTMENT	INVESTMENT			
*1	-	20,000	-	20,000	17,860
*1	-	20,000	-	20,000	18,855
*1	-	10,000	-	10,000	8,927
*1	-	20,000	-	20,000	300
*1	-	20,000	-	20,000	404
*1	-	33,000	-	33,000	33,000
*1	-	5,000	-	5,000	1,635
*1	-	5,000	-	5,000	5,000
*1	-	22,200	-	22,200	21,549
*1	-	40,000	-	40,000	40,000
*1	-	7,000	-	7,000	7,000
*4	-	50,000	-	50,000	-
*4	-	37,214	-	37,214	-
*4	-	10,849	-	10,849	-



Loans approved by type of funding as at dec. 31, 2018

Amounts expressed in thousands of U.S. dollars

N°	LOAN ID	PROJECT NAME	TOTAL:
1	BOL-1/79	Feasibility study for the Vallegrande–Zudáñez Railway.	
2	BOL-2/80	Final Design - Motacucito-Puerto Busch Railway.	
3	BOL-3/81	Aerophotogrammetry of the Upper Bermejo River Basin.	
4	BOL-4/81	Paving of the Potosí–Tarapaya Highway.	
5	BOL-5/82	Paving of the Sucre-Yotala–Totacoa Highway.	
6	BOL-6/83	Feasibility study and final design - Padcaya–Bermejo Highway.	
7	BOL-7/86	Final design - Challapata–Tarapaya Highway.	
8	BOL-8/85	Paving of the Santa Cruz–Trinidad Highway.	
9	BOL-9/89	Paving of the Totacoa-Puente Méndez Highway.	
10	BOL-10/89	Paving of the Palmar Grande–Yacuiba Highway.	
11	BOL-11/89	Rehabilitation of the following road sections: Cochabamba - Chimoré and Yapacaní - Guabirá	
12	BOL-12/90	Paving of the Santa Cruz–Trinidad Highway.	
13	BOL-13/90	Extension works and improvement of the “Capitán Nicolás Rojas” Airport in the Department of Potosí.	
14	BOL-14/92	Feasibility studies and final design for the paving of the Cuchu Ingenio - Villazón Highway.	
15	BOL-15/92	Works for improving and paving the road section between Santa Cruz de la Sierra and Abapó.	
16	BOL-16/94	Pre-investment studies and paving of Route no. 6, section Boyuibe-Hito Villazón.	
17	BOL-17/94	Pre-investment studies and paving of the Abapó-Camiri road.	
18	BOL-18/04	Paving of the following roads: Guabirá - Chané - Aguaíces - Colonia Pirai.	
19	BOL-19/11	Project for the construction of the road Río Uruguaito-Santa Rosa de la Roca-San Ignacio de Velasco.	
20	BOL-20/13	Road maintenance program - Rehabilitation in degrees of integration (periodic maintenance) of the road section San Ramón - San Javier - Concepción - Río Uruguaito.	
21	BOL-21/14	Project: Construction of the Montero-Cristal Mayu dual carriageway, road section: Ivirgarzama - Puente Mariposas.	
22	BOL-22/14	Project: Construction of the Montero-Cristal Mayu dual carriageway, road section: Puente Mariposas - Puente Chimoré.	
23	BOL-23/14	Project: Construction of the Nazacara-Hito IV highway, road section: Nazacara - San Andrés de Machaca.	
24	BOL-24/14	Project: Construction of flood protection structures in basins of the Department of Santa Cruz.	
25	BOL-25/15	Equipping of Alcantarí International airport facilities, Department of Chuquisaca	
26	BOL-26/15	Project: Montero-Cristal Mayu dual carriageway, section: Puente Chimoré, Km. 15 Villa Tunari	
27	BOL-27/15	Project: Montero-Cristal Mayu dual carriageway, Section of bridge SN4 - Villa Tunari.	
28	BOL-28/16	Program “Cosechando Agua, Sembrando Luz” (Harvesting water, spreading light).	
29	BOL-29/17	Program for the construction of bridges in the Department of Cochabamba.	
30	BOL-30/17	Urban infrastructure program for Employment generation in Bolivia.	
31	BOL-32/18	Urban infrastructure program for Employment generation in Bolivia II.	

i) Loans in subsequent stages

a) \$ 38,173,554.00 uncommitted, for Investment stage

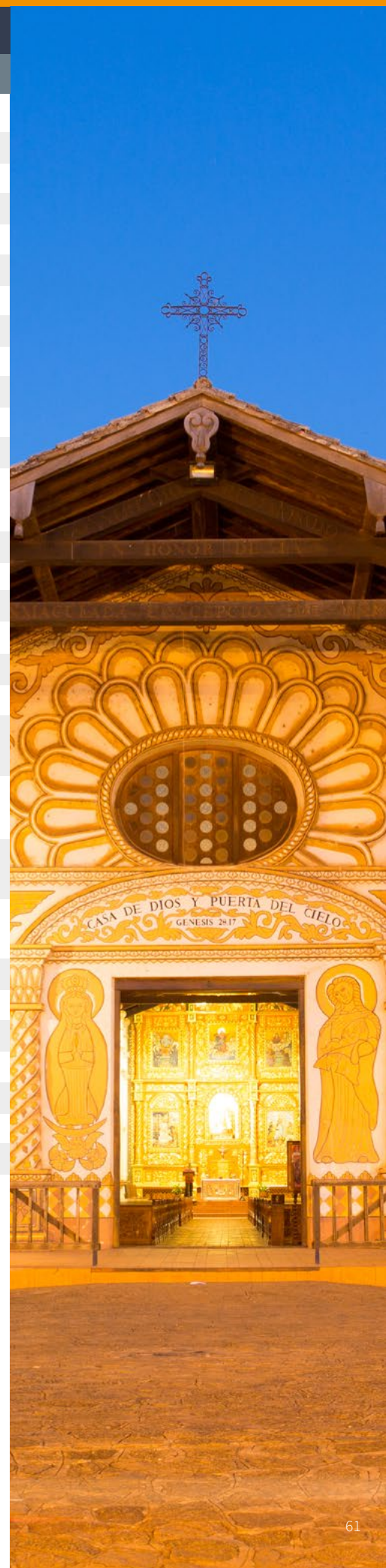
*1 Loans under implementation

*2 Loans completed

*3 Loans cancelled

*4 In the process of being signed

NOTES	TYPE OF FINANCING		CANCELLED	TOTAL APPROVED	TO BE DISBURSED
	PRE-INVESTMENT	INVESTMENT			
	6,998	573,292	1,798	578,492	107,832
*2	585	-	-	585	-
*2	423	-	-	423	-
*2	234	-	-	234	-
*2	-	7,000	65	6,935	-
*2	-	7,500	405	7,095	-
*2	1,000	-	-	1,000	-
*2	720	-	9	711	-
*2	-	19,500	156	19,344	-
*2	-	8,280	-	8,280	-
*2	-	13,878	74	13,804	-
*2	-	8,800	507	8,293	-
*2	-	13,700	2	13,698	-
*2	-	4,500	0	4,500	-
*2	2,087	-	165	1,922	-
*2	-	10,000	4	9,996	-
*2 a)	728	i) -	104	624	-
*2	1,220	i) 17,000	307	17,913	-
*2	-	40,000	-	40,000	-
*2	-	63,450	-	63,450	-
*2	-	35,000	-	35,000	-
*1	-	34,754	-	34,754	14,105
*1	-	20,531	-	20,531	7,306
*2	-	26,000	-	26,000	-
*2	-	13,400	-	13,400	0
*1	-	5,000	-	5,000	933
*1	-	50,000	-	50,000	28,821
*1	-	50,000	-	50,000	35,650
*1	-	10,000	-	10,000	6,318
*1	-	10,000	-	10,000	6,430
*1	-	40,000	-	40,000	8,269
*4	-	65,000	-	65,000	-



Loans approved by type of funding as at dec. 31, 2018

Amounts expressed in thousands of U.S. dollars

Nº	LOAN ID	PROJECT NAME	TOTAL:
1	BR-1/94	Paving works of Highway MS-141, section Ivinhema - Naviraí and Route MS-475, section MS-141 Guasulandia - Entr. BR-376.	
2	BR-2/95	Program implementation: Preservation of the natural environment and recovery of degraded areas in the Diluvio Stream basin.	
3	BR-3/95	Expansion works in Hospital de Pronto Socorro, Porto Alegre.	
4	BR-4/97	Program implementation: Construction of bridge over the Paraguay River in Highway BR-262 between Miranda and Corumbá.	
5	BR-5/01	Construction works: Paving of route MS 384/474, section Antonio Joao - Bela Vista - Caracol - Junction with route BR-267.	
6	BR-6/02	Program for the Recovery of degraded areas and preservation of Soter stream.	
7	BR-7/03	Implementation of the Integrated program for Entrada Da Cidade, northern area.	
8	BR-8/04	Construction works: Program for the development of basic infrastructure and urban services in Florianópolis.	
9	BR-9/05	Construction works: Improvement of the road infrastructure in the Southern-border region.	
10	BR-10/06	Program implementation: Environmental Pillar and structuring of environmental parks - Green line.	
11	BR-11/06	Program implementation: Structuring of housing settlements in the city of Curitiba.	
12	BR-12/07	Program implementation: Program for the recovery of degraded areas - Imbirussu Stream.	
13	BR-13/07	Financing of the project for Improving and expanding the road infrastructure in Chapecó.	
14	BR-14/08	Urban, social and environmental development program of the Municipality of Ipatinga.	
15	BR-15/08	Project for improving and expanding urban infrastructure in Cachoeirinha, Municipality of Cachoeirinha, Rio Grande do Sul, Brazil.	
16	BRA-16/14	Integrated Development Program in Corumbá - PDI.	
17	BRA-17/17	Transport and urban mobility project in Criciúma, Santa Catarina State.	
18	BRA-18/17	Environmental green line program in Esatern Joinville.	
19	BRA-19/17	Urban development program, Municipality of Atibaia.	
20	BRA-20/17	Project "Viva mejor" (Live better), Pelotas.	
21	BRA-21/18	Itajaí 2040 - Moderna e Sustentável	

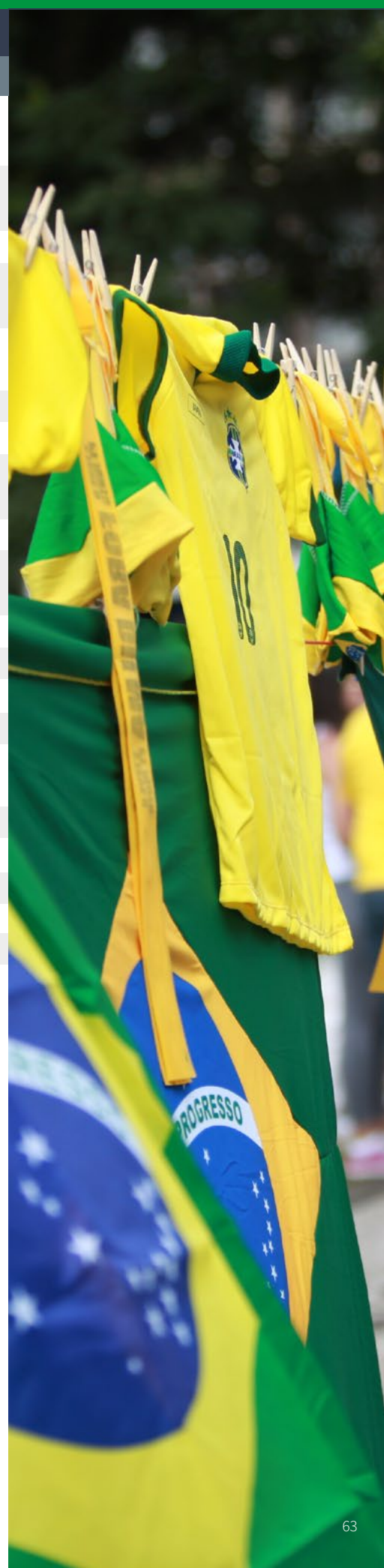
*1 Loans under implementation

*2 Loans completed

*3 Loans cancelled

*4 In the process of being signed

NOTES	TYPE OF FINANCING		CANCELLED	TOTAL APPROVED	TO BE DISBURSED
	PRE-INVESTMENT	INVESTMENT			
	-	471,412	860	470,553	136,334
*2	-	20,000	594	19,406	-
*2	-	1,143	98	1,045	-
*2	-	2,600	-	2,600	-
*2	-	13,400	10	13,390	-
*2	-	24,000	-	24,000	-
*2	-	6,148	-	6,148	-
*2	-	27,500	-	27,500	-
*2	-	22,400	89	22,311	-
*2	-	28,000	-	28,000	-
*2	-	11,800	66	11,734	-
*2	-	10,000	-	10,000	-
*2	-	17,061	-	17,061	-
*2	-	14,750	3	14,747	-
*3	-	19,250	-	19,250	-
*2	-	8,910	-	8,910	-
*1	-	40,000	-	40,000	33,834
*4	-	17,250	-	17,250	-
*1	-	40,000	-	40,000	40,000
*4	-	34,700	-	34,700	-
*4	-	50,000	-	50,000	-
*1	-	62,500	-	62,500	62,500



Loans approved by type of funding as at dec. 31, 2018

Amounts expressed in thousands of U.S. dollars

N°	LOAN ID	PROJECT NAME	TOTAL:
1	PAR-2/79	Pre-investment program.	
2	PAR-3/78	Road feasibility study in Paraguayan Chaco.	
3	PAR-4/81	Program for settlement and livestock development in Northwest Paraguayan Chaco.	
4	PAR-5/84	Works for the rehabilitation and paving of the Villarrica-Ñumi Highway.	
5	PAR-6/84	7th Livestock Project.	
6	PAR-7/85	Empowerment of small farmers in the Department of Caaguazu.	
7	PAR-8/86	Paving of Highway detour Filadelfia and Mariscal Estigarribia.	
8	PAR-9/90	Entrance to the Port of Asunción.	
9	PAR-10/92	Feasibility study and final design: Paving of section between Chaco-i and Fortín Gral.Bruguez of Route 12 12.	
10	PAR-11/93	Works for the supply of drinking water in border departments.	
11	PAR-12/93	Implementation of the Overall loan program for the industrial sector.	
12	PAR-13/93	Paving works of the road section San Ignacio-Pilar, Route IV (General Jose E. Díaz), section San Ignacio - Pilar.	
13	PAR-14/94	Pre-investment studies and construction works - Paving of Route No. 9 (Transchaco, section Mariscal Estigarribia - Eugenio A. Garay).	
14	PAR-15/94	Implementation of the Overall loan program for small and medium-sized producers of the livestock sector.	
15	PAR-16/01	Pre-investment studies and works for the construction of the multipurpose port terminal in the city of Pilar, Department of Ñeembucú.	
16	PAR-17/02	Partial funding from local contribution for the Program to improve the integration corridors in Western Paraguay.	
17	PAR-18/04	Overall loan program for the recovery and development of livestock production.	
18	PAR-19/11	Project for the rehabilitation and paving of section Santa Rosa de Aguaray - Capitán Bado.	
19	PAR-20/15	Road infrastructure program - Integration corridors in South-west Paraguay (enhancement of section Alberdi-Pilar; entrance to the port of Pilar, and rehabilitation of section Remanso-Falcón.	
20	PAR-21/15	Funding line to improve production and marketing by small and medium-sized producers at national level.	
21	PAR-22/16	Project for the paving of the road network in Paraguay.	
22	PAR-23/16	Project for the improvement of minor roads and bridges in Eastern Paraguay.	
23	PAR-24/17	Program for the rehabilitation and maintenance of paved routes by service levels - Vial 3.	
24	PAR-25/18	Improvement of Paraguay Jesuit Route's Connectivity and Building Infrastructure.	
25	PAR-26/18	Construction of the electrical substation in Valenzuela.	

i) Loans in subsequent stages

a) \$ 38,452,427.00 uncommitted, for Investment stage

1/ Of the \$140,000,000.00, \$70,000,000.00 were committed for the first stage.

The residual balance will be used for the second stage.

*1 Loans under implementation

*2 Loans completed

*3 Loans cancelled

*4 In the process of being signed

NOTES	TYPE OF FINANCING			CANCELLED	TOTAL APPROVED	TO BE DISBURSED
	PRE-INVESTMENT		INVESTMENT			
	6,475		557,056	16,644	546,887	169,099
*2	3,000		-	2,182	818	-
*2	675		-	0	675	-
*2	-		4,000	1,204	2,796	-
*2	-		8,400	1,750	6,650	-
*2	-		15,000	2,491	12,509	-
*3	-		2,300	-	2,300	-
*2	-		20,300	29	20,271	-
*3	230		-	-	230	-
*2	522		6,478	6,168	832	-
*2	-		3,800	3	3,797	-
*2	-		20,000	2,287	17,713	-
*2	-		34,580	261	34,319	-
*2 a)	1,548	i)	-	10	1,537	-
*2	-		10,000	-	10,000	-
*2	500	i)	8,500	220	8,780	-
*2	-		20,252	39	20,213	-
*3	-		10,000	-	10,000	-
*2	-		97,928	-	97,928	-
*1	-	1/	70,000	-	70,000	38,448
*1	-		15,000	-	15,000	4,432
*1	-		42,750	-	42,750	40,451
*1	-		42,911	-	42,911	42,911
*1	-		42,857	-	42,857	42,857
*4	-		12,000	-	12,000	-
*4	-		70,000	-	70,000	-



Loans approved by type of funding as at dec. 31, 2018

Amounts expressed in thousands of U.S. dollars

N°	LOAN ID	PROJECT NAME	TOTAL:
1	UR-2/82	Studies for highways 1, 4 and 14, and four bridges.	
2	UR-3/84	Building of a research and control laboratory on foot-and-mouth disease.	
3	UR-4/89	Building of University center Malvin Norte and equipping of post-graduate research centers.	
4	UR-5/92	Execution of works for the rehabilitation of four road sections in Route 5 (entrance to the city of Tacuarembó), Route 8 (entrance to the city of Treinta y Tres), and Route 9 (entrance to the city of Chuy).	
5	UR-6/92	Technical Cooperation Project for the drafting of a study on the impact of the regional integration process.	
6	UR-7/93	Study and final design of a sanitation plan for the country's interior.	
7	UR-8/93	Plan for the transformation of the Dirección Nacional de Correos (Uruguayan Post).	
8	UR-9/94	Technical Cooperation Program and Investment in physical infrastructure, equipment and training for the education sector.	
9	UR-10/94	Dredging and signaling of the Martin Garcia channels, between Km 0 of the Uruguay River and the crossing of the Buenos Aires Port access at km 37 (Barra del Farallon).	
10	UR-11/94	Execution of master plans for the ports of Colonia and Juan Lacaze.	
		Execution of master plans for the ports of Nueva Palmira and Fray Bentos.	
11	UR-12/2003	Financial assistance to partially cover local contributions for construction works and purchase of equipment for the programs and/or projects funded by IDB, IBRD, and CAF.	
12	UR-13/2012	Program for infrastructure rehabilitation and maintenance.	
13	URU-14/2014	Construction and improvement of sanitation systems in towns of the Santa Lucia River basin.	
14	URU-15/2014	Project for the construction of an electrical transmission line Tacuarembó-Melo – 500 kv	
15	URU-16/2015	Program for road infrastructure rehabilitation and maintenance – Stage II.	
16	URU-17/2015	Funding of the Second road infrastructure rehabilitation and maintenance program.	
17	URU-18/2016	Program to support the national road network (Uruguay).	
18	URU-19/2018	Project for the improvement of the port access in Rambla Portuaria.	
19	URU-20/2018	Support to the Program to adapt the road infrastructure to the forestry transport requirements.	

*1 Loans under implementation

*2 Loans completed

*3 Loans cancelled

*4 In the process of being signed

NOTES	TYPE OF FINANCING		CANCELLED	TOTAL APPROVED	TO BE DISBURSED
	PRE-INVESTMENT	INVESTMENT			
	6,247	466,124	20,766	451,605	22,690
*2	2,000	-	1,286	714	-
*2	2,000	-	-	2,000	-
*2	-	3,534	5	3,529	-
*2	-	19,727	906	18,820	-
*2	441	-	166	276	-
*2	954	-	4	950	-
*2	-	1,830	-	1,830	-
*3	337	-	-	337	-
*2	-	25,000	-	25,000	-
*2	233	-	4	229	-
*2	283	-	40	243	-
*2	-	30,000	18,355	11,645	-
*2	-	112,000	-	112,000	-
*1	-	30,500	-	30,500	21,489
*3	-	40,000	-	40,000	-
*1	-	35,000	-	35,000	-
*1	-	30,500	-	30,500	1,201
*1	-	27,500	-	27,500	-
*4	-	50,000	-	50,000	-
*4	-	60,533	-	60,533	-



CODE	CONCEPT	STATUS	TOTAL APPROVED	TO BE DISBURSED
OCT/RC-ARG-1/95	Additional studies of Stage I - Feasibility studies for the utilization of water resources in the Upper Bermejo River Basin and Rio Grande de Tarija.	(*)	437.3	-
OCT/RC-BINACIONAL-ARG-01/2008	Contingent-Recovery Technical Cooperation - Execution of the program for enhancing geographical connectivity between Argentina and Paraguay. Nodes: Ñeembucu - Rio Bermejo, and Clorinda - Asunción metropolitan area.	(*)	603.2	80.0
OCT/RC-BOL-1/91	Technical and Economic Feasibility Study - Project for the electrification of Modesto Omiste province, Department of Potosi.	(*)	102.0	-
OCT/RC-BOL-2/92	Updated feasibility study and Final design enhancement of the Padcaya-La Mamora road section, in the Department of Tarija.	1/	203.7	-
OCT/RC-BOL-3/92	Feasibility study execution (Stage I) for the utilization of water resources in the Upper Bermejo River Basin and Rio Grande de Tarija.	(*)	481.5	-
OCT/RC-BOL-4/95	Study for the elaboration of a "National plan for the control and eradication of FMD in the Republic of Bolivia".	(*)	344.3	-
OCT/RC-PAR-1/91	Study and final engineering design of the San Ignacio-Pilar road section.	2/	355.0	-
OCT/RC-PAR-2/91	Review and updating of the study to final engineering design of the Concepcion-Pozo Colorado road section.	3/	54.0	-
OCT/RC-PAR-3/92	Execution of Technical, economic and financial feasibility studies, and final design of the project "Access roads to the Port of Asuncion".	(*)	545.4	-
OCT/RC-PAR-4/96	Execution of studies for the zoning of flood areas along the Paraguay River.	(*)	254.1	-
OCT/RC-BINACIONAL-PAR-01/2008	Contingent-Recovery Technical Cooperation - Execution of the Program for enhancing geographical connectivity between Argentina and Paraguay. Nodes: Ñeembucu - Rio Bermejo, and Clorinda - Asunción metropolitan area.	(*)	603.2	53.5
OCT/RC-UR-1/91	Feasibility study for the railway branch to the Port of Nueva Palmira. Chronic diseases and subclinical complexes on livestock.	(*)	84.0	-
OCT/RC-UR-2/92	Execution of the feasibility study for the Eradication of bovine brucellosis and tuberculosis, and implementation of a system for epidemiological monitoring, prevention and assessment of the impact of chronic diseases and subclinical compounds on Uruguayan livestock.	(*)	97.0	-
OCT/RC-UR-3/93	Implementation of the social investment program - Stage I.	(*)	307.6	-
TOTAL			4,472.3	133.4

/1 In July 2000. the disbursement for \$ 201.9 was refunded by the Beneficiary.

/2 With the first disbursement of loan PAR-13/93, the OCT received reimbursements for 320,000 reales and 35,000 guaranies.

/3 On June 17. 1998. disbursement for \$ 53.1 was refunded by the Beneficiary.

(*) Concluded

(**) Under implementation

NON-REIMBURSABLE OPERATIONS

Amounts expressed in thousands of US dollars

TECHNICAL COOPERATION

CODE	CONCEPT	STATUS	TOTAL APPROVED	TO BE DISBURSED
OCT/N.R.-CIH-1/91	Non-reimbursable Technical Cooperation - Paraguay-Parana Waterway (Cáceres Port - Nueva Palmira Port).	(*)	150.0	-
OCT/N.R.-CIH-2/95	Non-Reimbursable Technical Cooperation Project to conduct studies on the development of productive zones in port areas.	(*)	485.0	-
OCT/N.R.-CIH-3/98	Non-reimbursable Technical Cooperation - Study on information systems of the Paraguay-Parana Waterway Program.	(*)	50.0	-
OCT-NR CIC-5/2003	Non-reimbursable Technical Cooperation - Assistance with financing of the framework program for the sustainable management of water resources of the River Plate basin.	(*)	155.0	-
OCT-NR ATN/SF-9229-RG	IADB and FONPLATA's participation in IIRSA - Support for implementation of the strategy of dissemination and participation of Iniciativa IIRSA.	(*)	20.0	-
OCT-NR -PAR-7/2015	Strengthening of capacities of Paraguay's Livestock Fund.	(*)	28.2	-
OCT-NR-ARG-11/2016	Redesign plan and launching the Household Expenditures Survey 2016. Argentine Republic	(*)	66.4	-
OCT-NR -PAR-10/2016	Institutional and technical strengthening of Paraguay's Livestock Fund.	(*)	97.0	-
OCT/NR-UCAR/2016	Preparation of agricultural development projects.	(*)	300.0	-
OCT/NR-UCAR/SUL-1/2016	Support to the sheep chain development in Paraguay.	(*)	52.8	-
OCT-NR - BOL-12/2016	High-level meeting on sustainable transport in landlocked countries.	(*)	9.0	-
OCT/NR-REDSUR-13/2017	Cooperation agreement between REDSUR and FONPLATA	(*)	70.0	-
OCT/NR-BOL-14/2017	Non-reimbursable Technical Cooperation - Institutional strengthening of the Social and Economic Policy Analysis Unit (UDAPE).	(**)	124.6	1.6
OCT/NR-COSIPLAN-IIRSA-15/17	Financing of Iniciativa IIRSA activities.	(*)	191.5	-
OCT/NR-PAR-16/18	Institutional strengthening of the Technical and management capacities of the Vice-Ministry of Livestock of Paraguay - Sheep National Program.	(**)	60.0	42.0
OCT/NR-CEPAL- 17/18	Work program number 1 "Challenges and opportunities for foreign trade in Paraguay-Paraná waterway".	(**)	160.0	110.0
OCT/NR-PAR-18/18	Institutional strengthening of the Priority areas of the public administration.	(**)	141.0	46.4
OCT/INS-ALADI-19/18	Study on infrastructure, logistics and costs of market access for better use of the Paraguay-Paraná waterway.	(**)	55.0	20.0
OCT/NR-COSIPLAN IIRSA-20/18	Financing of Iniciativa IIRSA activities.	(**)	92.1	29.9
OCT/NR-COM-21/18	Development Revolving Fund through gender equity, cultural promotion, social action and sports.	(**)	145.0	125.5
OCT/NR-BOL-22/18	Institutional strengthening of the Vice-Ministry of Planning and Coordination for the mid-term assessment of the economic and social development plan 2016-2020.	(**)	65.0	65.0
OCT/NR-REDSUR-23/18	Improvement of programming activities and evaluation of sovereign credit operations with external financing.	(**)	53.0	26.5
TOTAL			1,603.9	247.5

(*) Concluded

(**) Under implementation

TECHNICAL COOPERATION

NON-REIMBURSABLE OPERATIONS - IIRSA

Amounts expressed in thousands of US dollars

CODE	CONCEPT	STATUS	TOTAL APPROVED	TO BE DISBURSED
OCT/NR-ATN-SF-9229-RG	IADB and FONPLATA participation in IIRSA - Support for implementation of the strategy of dissemination and participation of Iniciativa IIRSA.	(*)	20.0	
OCT/NR-IIRSA-04/2002	FONPLATA participation in Iniciativa IIRSA for the Integration of regional infrastructure in South America.	(*)	1,759.3	
OCT/NR-IIRSA-08/2015	FONPLATA participation in Iniciativa IIRSA for the Integration of regional infrastructure in South America.	(*)	200.0	
OCT/NR-IIRSA-09/2016	FONPLATA participation in Iniciativa IIRSA for the Integration of regional infrastructure in South America.	(*)	198.3	
OCT/NR-IIRSA-COSIPLAN-15/2017	FONPLATA participation in Iniciativa IIRSA for the Integration of regional infrastructure in South America.	(*)	191.5	117.5
OCT/NR-COSIPLAN IIRSA-20/18	Financing of Iniciativa IIRSA activities.	(**)	92.1	29.9
TOTAL			2,369.1	117.5

(*) Concluded

(**) Under implementation





 **FONPLATA**



Annex 2

2018 Financial Statements and Independent Auditor's Report

(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, 2018 and 2017

CONTENT

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

US\$ = US dollars



(Free translation from the original issued in Spanish)

Independent auditor's report

February 18, 2019

To the Assembly of Governors

Fondo Financiero para el Desarrollo de la Cuenca del Plata (FONPLATA)

Santa Cruz de la Sierra

Opinion

We have audited the financial statements of Fondo Financiero para el Desarrollo de la Cuenca del Plata (FONPLATA), which comprise the statement of financial position as of December 31, 2018, the income statement, statement of comprehensive income, statement of cash flow and statement of changes in net equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of FONPLATA as of December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of FONPLATA in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

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



Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the FONPLATA's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the FONPLATA's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause FONPLATA to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

PricewaterhouseCoopers S.R.L.

Sergio Fischer
Partner

The signature of Sergio Fischer is a stylized, cursive script in black ink, written over the printed name and title.



(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,	
	2018	2017
ASSETS		
Cash and cash equivalents – Note 6.1	55,421	34,092
Investments		
At fair value with changes in other comprehensive income – Note 6.2	22,881	11,679
At amortized cost – Note 6.3	156,827	137,253
Loan portfolio – Note 6.4	792,580	657,087
Accrued interest and other charges		
On investments – Note 6.3	199	447
On loans – Note 6.4	8,943	5,740
Other assets		
Property and equipment, net – Note 7.1	5,791	5,161
Miscellaneous – Note 7.2	252	143
Total assets	<u>1,042,894</u>	<u>851,602</u>
LIABILITIES AND NET EQUITY		
Liabilities		
Borrowings – Note 6.5	79,000	26,000
Other liabilities	539	912
Special funds – Note 6.6	10,440	8,915
Net equity		
Capital – Note 8.1		
Authorized	3,014,200	3,014,200
Less callable portion	(1,665,000)	(1,665,000)
Paid-in capital	1,349,200	1,349,200
Paid-in capital pending integration	(531,666)	(643,333)
General reserve – Note 8.3	107,871	89,740
Other reserves – Note 8.2	938	37
Retained earnings – Note 8.3	26,572	20,131
Total net equity	<u>952,915</u>	<u>815,775</u>
Total liabilities and net equity	<u>1,042,894</u>	<u>851,602</u>

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

Juan E. Notaro Fraga
EXECUTIVE PRESIDENT

Antonio Mullisaca
PRESIDENT OF THE BOARD OF EXECUTIVE DIRECTORS

Jaqueline Koehnke Ferrufino
CHIEF ACCOUNTANT

Rafael Robles
MANAGER FINANCE AND ADMINISTRATION



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

	Years ended as of December 31,	
	2018	2017
INCOME – Note 9		
LOAN PORTFOLIO		
Interest	31,667	21,407
Other loan income	4,490	3,645
	<u>36,157</u>	<u>25,052</u>
Investments		
Interest	4,018	2,246
Other investments income	128	117
	<u>4,146</u>	<u>2,363</u>
Other income	69	89
Income from financial assets	<u>40,372</u>	<u>27,504</u>
EXPENSES		
Borrowing costs	2,645	716
Income from net financial assets	<u>37,727</u>	<u>26,788</u>
Provision for loan impairments	1,218	(142)
Income after the provision for loan impairments	<u>36,509</u>	<u>26,930</u>
Administrative expenses – Note 10	9,937	6,799
Net income	<u>26,572</u>	<u>20,131</u>
STATEMENT OF COMPREHENSIVE INCOME		
Net income	26,572	20,131
Changes in fair value of investments	89	42
Fixed assets revaluation	812	-
Comprehensive income	<u>27,473</u>	<u>20,173</u>

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

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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)

	As of December 31,	
	2018	2017
Cash Flows from Operating Activities		
Lending		
Cash received from loan principal amortizations	58,960	52,899
Cash received from interest and other loan charges	33,628	24,104
Loan disbursements	(196,364)	(171,112)
Net flows from lending activities	<u>(103,776)</u>	<u>(94,109)</u>
Other operating flows:		
Payment of salaries, administrative expenses and suppliers	(7,671)	(7,076)
(Payment)/collection of receivables and miscellaneous accounts	(109)	237
Payments to suppliers and transfers to special funds	(1,413)	(354)
Net flows from other operating activities	<u>(9,193)</u>	<u>(7,193)</u>
Net cash flows used in operating activities	<u>(112,969)</u>	<u>(101,302)</u>
 Cash Flows from Financing Activities		
Funding of on-lent activities:		
Net proceeds from borrowings	63,000	10,000
Repayment of borrowings and debt service	(12,365)	(539)
Net flows from funding of on-lent activities	<u>50,635</u>	<u>9,461</u>
Collection of paid-in capital subscriptions	111,667	62,584
Net flows from financing activities	<u>162,302</u>	<u>72,045</u>
 Cash flows from investing activities		
Investment income	4,394	2,180
Purchase/ (Proceeds from sale) of investments	(32,324)	31,473
Capital expenditures	(74)	(1,342)
Net flows (used in) /originated from in investment activities	<u>(28,004)</u>	<u>32,311</u>
 Increase in cash and equivalents during the year	<u>21,329</u>	<u>3,054</u>
Cash and equivalents at the beginning of the year	<u>34,092</u>	<u>31,038</u>
Cash and equivalents at the end of the year	<u>55,421</u>	<u>34,092</u>

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

Juan E. Notaro Fraga
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(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)

	<u>Paid-in Capital</u>	<u>General Reserve</u>	<u>Reserve for changes in the value of investments at fair value</u>	<u>Reserve for revaluation of property</u>	<u>Retained Earnings</u>	<u>Total</u>
Balance as of December 31, 2016	643,283	74,979	(5)	-	14,761	733,018
Capital increase – Paid-in portion	62,584	-	-	-	-	62,584
Allocated by the Assembly of Governors to the general reserve	-	14,761	-	-	(14,761)	-
Net income	-	-	-	-	20,131	20,131
Other comprehensive income	-	-	42	-	-	42
Balance as of December 31, 2017	705,867	89,740	37	-	20,131	815,775
Capital increase – Paid-in portion	111,667	-	-	-	-	111,667
Allocated by the Assembly of Governors to:						
General reserve	-	18,131	-	-	(18,131)	-
Fund for the Compensation of the Operating Margin (FOCOM)	-	-	-	-	(1,000)	(1,000)
Technical Cooperation Fund (PCT)	-	-	-	-	(1,000)	(1,000)
Net income	-	-	-	-	26,572	26,572
Other comprehensive income	-	-	89	-	-	901
Balance as of December 31, 2018	817,534	107,871	126	812	26,572	952,915

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

Juan E. Notaro Fraga
EXECUTIVE PRESIDENT

Antonio Mullisaca
PRESIDENT OF THE BOARD OF EXECUTIVE DIRECTORS

Jaqueline Koehnke Ferrufino
CHIEF ACCOUNTANT

Rafael Robles
MANAGER FINANCE AND ADMINISTRATION



(Free translation from the original issued in Spanish)

NOTES TO THE FINANCIAL STATEMENTS

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

NOTE 1 – BACKGROUND

The “Fondo Financiero para el Desarrollo de la Cuenca del Plata”, hereinafter and for all intent and purposes denominated as “FONPLATA”, is an international legal entity of indefinite life, which is governed by the covenants contained in its Charter and on its Regulations as a multilateral development institution. FONPLATA is headquartered in the city of Santa Cruz de la Sierra, Estado Plurinacional de Bolivia and has liaison and project monitoring offices in Asuncion, Republic of Paraguay, since 1989, and in Buenos Aires, República Argentina, since June 2018. These offices were established as part of a strategy to strengthen the working relationship with its member countries.

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

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

FONPLATA’s funding members maintain a very close relationship among themselves sharing the same ecosystems, such as the hydrographic and energy systems; air, river and road transportation networks and other communication systems.

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

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

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

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

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

As of December 31, 2018, and as the date of issuance of these financial statements, the modifications to the Charter approved by the Board of Governors are still pending ratification by the corresponding authorities of FONPLATA's member countries.

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

The 2018 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 have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretation Committee (IC), applicable to entities that report under IFRS and comply with the standards issued by the International Accounting Standards Board (IASB).

FONPLATA 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 interim financial statements (current), and more than 12 months following the date of the interim financial statements (non-current), as per Note 11.

(ii) Historical cost

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

- Financial assets at fair value with changes in other comprehensive income.
- Some investments valued at the lower of amortized cost or fair value, in those cases where there are indicators of impairment.
- Property valued at fair value.

(iii) New standards and modifications adopted by FONPLATA

The following chart summarizes new international financial reporting standards (IFRS), as well as certain applicable modifications of existing ones that were applied by FONPLATA starting January 1, 2018. The standards listed below exclude the following new standards or modifications that are not applicable to the activities performed by FONPLATA: IFRS 4 – Insurance contracts in light of the provisions of IFRS 9; IFRS 2 – Share based payments; modifications to IFRS 40 – Investment property; IFRS 17 – Insurance contracts; modifications to IFRS 28 – Investments in associates and joint ventures; modifications to IFRS 19 – Employee benefits curtailment of final terminal payments; and IFRIC 23 – Uncertainty over income tax treatments.

FONPLATA has begun applying for the first time the following standards and modifications on January 1, 2018:

Standard	Nature of Change	Impact	Mandatory adoption date
IFRS 9 – Financial Instruments	IFRS 9 replaces the classification and measurement models required under IFRS 39 – Financial Instruments for a model that contemplates three possible classifications for financial assets: (i) at amortized value; (ii) at fair value with changes in other comprehensive income; and (iii) at fair value with changes in net income. Furthermore, IFRS 9 introduces a new model for the recognition of potential loan impairments.	<p>Following the changes approved by the IASB, 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 performed a detailed evaluation of its financial assets carried at fair value and determined compliance with the conditions required for their classification as financial instruments to be carried at fair value, with changes in other comprehensive income, based on the current business model used for</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.</p> <p>FONPLATA has implemented the provisions of IFRS 9, effective January 1, 2018.</p>

Standard	Nature of Change	Impact	Mandatory adoption date
		<p>these financial assets. Accordingly, it does not anticipate a change in their accounting and measurement.</p> <p>The new standard also establishes changes in the accounting for hedges, which do not affect FONPLATA since it does not maintain such type of financial instruments.</p> <p>Starting January 1, 2015, FONPLATA adopted the new model for estimating expected impairment losses on its sovereign loan portfolio.</p>	
IFRS 15 –Revenue from contracts with customers	<p>The IASB issued a new standard for the recognition of revenues. This standard replaces IAB 18 covering goods and services contracts and IAS 11, covering construction contracts.</p> <p>The new standard is based on the principle that revenue should be recognized when control over the goods or services has been effectively transferred to the client. The concept of control replaces the concept of risks and benefits.</p> <p>This standard allows for a retroactive adjustment at the time of its adoption.</p>	<p>FONPLATA, has reviewed the accounting for its loan contracts, borrowings, acquisition and maintenance of fixed assets with the purpose of ensuring compliance with the accounting standard established by IFRS 15 and determined that its adoption does not give rise to changes in the valuation, recording, presentation and disclosure in the interim financial statements for the year ended on December 31, 2018, when compared to 2017.</p> <p>Adoption of this standard is not expected to affect the recognition of loan</p>	Adoption of this standard is mandatory for all fiscal years beginning on or after January 1, 2018.

Standard	Nature of Change	Impact	Mandatory adoption date
	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.	income or interest expenses incurred in the financing of loan disbursements or the recognition of expenses related to the financing of service contracts, as well as the recognition of expenses by services contracts.	
IFRIC 22 – Foreign currency prepayments	This interpretation refers to foreign currency transactions o part of transactions containing a component denominated in a foreign currency. The interpretation provides guidance in connection with single or multiple payments and receipts. This interpretation pursues the objective of reducing and standardizing the number of alternative treatments currently in use.	FONPLATA, does not foresee any impact on its financial statements since it does not maintain significant transactions in currencies other than the U.S. dollar.	This interpretation is to be applied for fiscal years beginning on January 1, 2018.

(iv) New standards and interpretations not yet adopted

Standard	Nature of Change	Impact	Mandatory adoption date
IFRS 16 - Leasing	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, like the one currently used for financial leases.	FONPLATA, has determined that these changes do not purport a significant impact on its financial statements since FONPLATA does not finance capital leases as part of its lending activities, nor it utilizes this modality in connection with leasing its liaison offices. Liaison offices are rented through operating leases which are annually	This revised standard applies to financial statements beginning on or after January 1, 2019.

Standard	Nature of Change	Impact	Mandatory adoption date
		renewed. No changes are foreseen regarding utilizing this modality for leasing liaison offices in the medium term.	

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

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 based on contracts that call for annual renewal, 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 up to three months, 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 Financial assets

(i) Classification

FONPLATA classifies its financial assets in the following categories:

- Financial assets at amortized cost (loan and investment portfolios): are assets generated or purchased with the objective of generating contractual cash flows resulting from principal amortizations and accrued interest. These financial assets are not designated as “financial assets at fair value with changes in income,” and are measured at their amortized cost. The value of these financial assets is adjusted by the provision for estimated losses, which is calculated and recognized as stated in this note.
- Financial assets at fair value with changes in other comprehensive income: are assets purchased with the purpose of generating contractual cash flows resulting from principal amortizations and accrued interest, as well as from the sale of the underlying assets. These assets are not designated as “financial assets at fair value with changes in income,” and are measured at their fair value with changes recognized in other comprehensive income.
- FONPLATA does not have financial assets at fair value with changes in income.

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 valued at their amortized cost 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 “investments at fair value with changes in other comprehensive income,” based on the business model in use to manage them or according to the characteristics of their contractual cash flows.

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

(iii) Recognition and disposal

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

When investments carried at fair value 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 maintained at amortized cost are subsequently valued at their amortized cost using the effective interest rate method.

Investments which will be maintained at fair value are subsequently valued at their corresponding fair value. Gains and losses resulting from changes in fair value are recognized in other comprehensive income. At its realization, the accumulated loss or gains in other comprehensive income is reclassified to the operating income.

Interest resulting from financial assets carried either at fair value or at amortized cost and loans, calculated based on the effective interest rate method, is recognized in the income statement as part of operating income.

Note 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 assets. 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 carried at fair value with changes in other comprehensive income*: Should there be objective evidence of impairment of financial assets maintained at fair value, cumulative losses measured as the difference between their acquisition cost and their fair value, less any impairment loss, are reclassified from other comprehensive income, which is a component of net equity, and recognized as operating income.

If the fair value of debt instruments 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 is carried at book value, which incorporates revaluations. 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.

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

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

Note 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 FONPLATA's policy to transfer the amounts carried in revaluation reserves into retained earnings.

2.10 Financial liabilities

Financial liabilities 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. Financial liabilities are removed from the books upon their full repayment, or their contractual expiration or cancellation.

2.11 Other liabilities and commitments

These amounts represent outstanding liabilities for goods and services received by FONPLATA 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

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 benefits to employees

The amount included under "Other benefits to employees," represent accrued liabilities associated to benefits granted to FONPLATA's staff under a joint savings program "Programa de Ahorro Compartido" or PAC, by its name in Spanish. The PAC was approved by the Board of Executive Directors on August 14, 2018 and entered into effect on November 1, 2018. PAC liabilities are paid to the staff upon termination of their employment. FONPLATA's matching contribution on the amount of an employee's voluntary saving is subject to a withholding percentage based on the years of service required for full vesting under the program. Withheld amounts are deferred and subsequently expensed as employees accumulate the required years of service for full vesting under the PAC. Note 6.6 – c), provides a detailed explanation and breakdown of the PAC liability as of December 31, 2018.

2.14 Capital

On November 9, 2018, following approval of FONPLATA's revised Charter, its authorized capital was denominated in shares of \$10 par value each. The authorized capital consists of paid-in shares and callable shares. Paid-in capital consists of the amount of capital subscriptions paid-in to FONPLATA by its member countries.

2.15 Adoption of IFRS 9

This note explains the overall impact on the measurement and classification of FONPLATA's financial assets and liabilities maintained as of December 31, 2017, when compared to the measurement and classification criteria applied in the preparation of the financial statements as of December 31, 2018, in accordance with the provisions of IFRS 9.

No changes to the criteria used for measuring and classifying financial assets and liabilities were deemed necessary for FONPLATA to adopt the provisions prescribed under IFRS 9, which replaces IFRS 7 and IFRS 39, beyond the mere change of the naming conventions used to designate investments valued at fair value from "Investments available for sale" under IFRS 39, to "Investments at fair value with changes in other comprehensive income" under IFRS 9, and investments valued at amortized cost from "Investments held to maturity" under IFRS 39, to "Investments at amortized cost" under IFRS 9, respectively.

The following chart summarizes the extent of the changes implemented by FONPLATA, effective January 1, 2018, affecting its financial assets and liabilities as of December 31, 2017, in compliance of IFRS 9:

Effects from the adoption of IFRS 9 to FONPLATA's financial assets and liabilities as of December 31, 2017

<u>Measurement and classification as per IFRS 39</u>			<u>Measurement and classification as per IFRS 9</u>		
<u>Financial assets</u>		\$	<u>Financial assets</u>		\$
Cash and cash equivalents	At amortized cost	34,092	Cash and cash equivalents	At amortized cost	34,092
Loan portfolio	At amortized cost	662,827	Loan portfolio	At amortized cost	662,827
Investments available for sale	At fair value with changes in other comprehensive income	11,679	Investments at fair value with changes in other comprehensive income	At fair value with changes in other comprehensive income	11,679
Investments held to maturity	At amortized cost	137,700	Investments at amortized cost	At amortized cost	137,700
		<u>846,298</u>			<u>846,298</u>
<u>Financial liabilities</u>			<u>Financial liabilities</u>		
Borrowings	At amortized cost	26,000	Borrowings	At amortized cost	26,000
Other liabilities	At amortized cost	912	Other liabilities	At amortized cost	912
Special funds	At amortized cost	8,915	Special funds	At amortized cost	8,915
		<u>35,827</u>			<u>35,827</u>

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 more management judgment or inherent complexity to each estimate, and the items that are more likely to be materially adjusted because actual results could differ from those estimates. Detailed information pertaining each estimate and judgement made are included in Notes 6 and 7, respectively, together with the information regarding the basis used for computing each item affecting the financial statements.

The most relevant estimates affecting the preparation of 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 FONPLATA'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 lending and borrowing rates applicable to FONPLATA's loans, and debt.	Sensitivity analysis.	FONPLATA has established policies for the determination of interest rates, allowing it to mitigate the potential effects of interest rate fluctuations. Furthermore, FONPLATA has a relatively low degree of financial leverage, which further reduces its exposure to interest rate risk.
Market risk	FONPLATA does not have investments in equity instruments that might be exposed to price 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 enough 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"). During the years ended December 31, 2018, and 2017, respectively, FONPLATA maintained the TOR that had been approved for 2016.

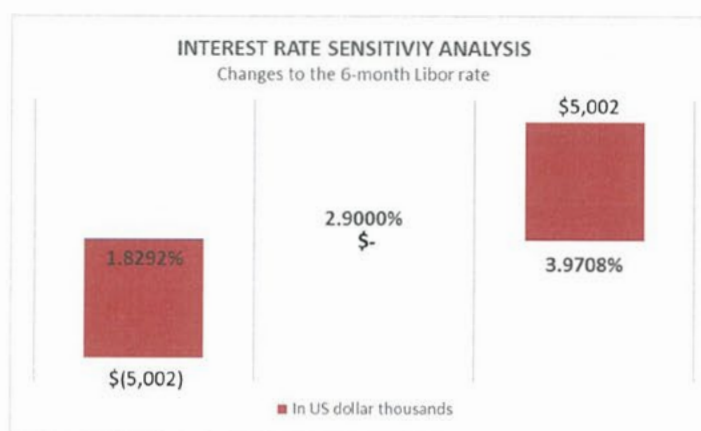
In March 2017, through RDE 1390, FONPLATA's Board of Executive Directors approved a new line of loans based on the 6-month Libor plus a variable margin. In March 2018, through RDE 1411, FONPLATA's Board of Executive Directors approved a reduction of the variable lending rate. No loan has been approved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

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 2019 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 290 bps with a positive and negative variation of 107 bps.

Accordingly, the analysis yields a maximum and a minimum 6 months Libor rate of 397 bps and of 183 bps, respectively. Should the estimated 107 bps variation materialize, future net income could be increased or reduced by \$5,002, respectively.



4.3 Market risk

Market risk is the risk of losses in the value of financial assets and liabilities because 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.

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 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. As of December 31, 2018, 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 2018 and 2017, 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, 2018, and 2017, respectively FONPLATA did not have commitments and obligations that would carry liquidity risk either in the short or medium term, and liabilities amount to \$89,979 and \$35,827, respectively, and liquid assets, including cash, amount to \$235,130 and \$183,024, respectively. Liquid assets coverage of gross estimated disbursements was equivalent to 1.4 years as of December 31, 2018, and 1.1 years as of December 31, 2017.

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 both of its policies and those of 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 medium-term work plan and contains results-based indicators and their related costs, which are all based on the PEI's results matrix. This ensures an adequate alignment between the long-term strategic objectives and results to be attained in the short run to move towards the attainment of those strategic objectives.

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

Non-compliance risk – Is the risk derived from violations of laws, norms, regulations, prescribed practices, and ethics policies or norms. Non-compliance risk could negatively affect the institution's reputation. 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 FONPLATA.

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 \$
2018				
Cash and cash equivalents	6.1	-.-	55,421	55,421
Investments carried at fair value with changes in OCI	6.2	22,881	-.-	22,881
Investments carried at amortized cost (includes interest and other investment income)	6.3	-.-	157,026	157,026
Loan portfolio (includes interest and other loan income)	6.4	-.-	801,523	801,523
Total		<u>22,881</u>	<u>1,013,970</u>	<u>1,036,851</u>
2017				
Cash and cash equivalents	6.1	-.-	34,092	34,092
Investments carried at fair value with changes in OCI	6.2	11,679	-.-	11,679
Investments carried at amortized cost (includes interest and other investment income)	6.3	-.-	137,700	137,700
Loan portfolio (includes interest and other loan income)	6.4	-.-	662,827	662,827
Total		<u>11,679</u>	<u>834,619</u>	<u>846,298</u>

The institution maintains the following financial liabilities:

		<u>Financial liabilities carried at amortized cost \$</u>
<u>2018</u>		
Other liabilities		539
Borrowings	6.5	79,000
Special funds	6.6	10,440
Total		<u>89,979</u>
<u>2017</u>		
Other liabilities		912
Borrowings	6.5	26,000
Special funds	6.6	8,915
Total		<u>35,827</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>At December 31,</u>	
	<u>2018</u>	<u>2017</u>
	<u>\$</u>	<u>\$</u>
Cash at banks	42,826	24,092
Time deposits	12,595	10,000
Total	<u>55,421</u>	<u>34,092</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 at fair value with changes in other comprehensive income

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

	<u>At December 31,</u>	
	<u>2018</u>	<u>2017</u>
	<u>\$</u>	<u>\$</u>
Bonds issued by Multilateral Development Institutions	22,881	11,679
Total	<u>22,881</u>	<u>11,679</u>

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

As stated in Note 2.15, during 2017, FONPLATA classified these investments as “investments available for sale,” currently denominated as “investments at fair value with changes in other comprehensive income.”

(i) Investments with related parties

At December 31, 2018 and 2017, respectively, FONPLATA did not maintain investments with related parties.

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

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

(iii) Impairment

See Note 2.8, for further detail regarding applicable policies for the measurement and presentation of impairment of financial assets.

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

For the year ended December 31, 2018, FONPLATA recognized net gains in the statement of comprehensive income for the amount of \$89 (2017: \$42, net gain).

(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 6.7. There are no investments carried at fair value with changes in other comprehensive income that are either matured or impaired.

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

6.3 Investments at amortized cost

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

		<u>At December 31,</u>	
		<u>2018</u>	<u>2017</u>
		\$	\$
<u>Investments in time deposits ⁽¹⁾</u>			
Multilateral development institutions		5,000	17,686
Other financial institutions		<u>2,700</u>	<u>-,-</u>
Subtotal		<u>7,700</u>	<u>17,686</u>

	At December 31,	
	2018	2017
	\$	\$
<u>Investments in other values</u> ⁽²⁾		
Sovereign bonds	102,357	78,110
Bonds issued by multilateral development institutions	27,495	18,070
Financial sector bonds	16,444	18,899
Argentine treasury bonds ⁽³⁾	2,831	4,488
Subtotal	<u>149,127</u>	<u>119,567</u>
Principal invested	156,827	137,253
Accrued interest and commissions	199	447
Total	<u>157,026</u>	<u>137,700</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.

As stated in Note 2.15, in 2017, FONPLATA classified these investments as "investments held to maturity," which are currently denominated as "investments at amortized cost."

(i) Classification of investments carried at amortized cost

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

(ii) Impairment and exposure to risk

Argentina's bonds received as part of the Argentine's debt swap program in 2005, in exchange for FONPLATA's holdings of "BONTE - 04" bonds amount to \$2,831 (net of interest receivable in the amount of \$134), and to \$4,354 (net of interest receivable in the amount of \$134) as of December 31, 2018 and 2017, respectively. Bonds received in exchange have maturities ranging from 2033 to 2038. Impairment on these bonds is calculated based on the fair values quoted by Bloomberg for those two issuances. The amount of impairment recognized as of December 31, 2018, \$2,907 (2017: \$ 1,359). The net change in the amount of impairment corresponds to an increase in unrealized losses incurred during the year ended December 31, 2018, and amounts to \$1,548 (2017: net recovery of \$ 473).

All investments carried at amortized cost 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 of the investments due to: their overall quality (i.e. credit risk of the issuer), ii) their scheduled maturity, which by in large is lower than 12 months, and iii) their return, which is based on a variable rate.

6.4 Loan portfolio

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

<u>Country</u>	<u>At December 31,</u>	
	<u>2018</u>	<u>2017</u>
	\$	\$
Argentina	166,815	114,395
Bolivia	234,256	169,188
Brazil	62,592	73,437
Paraguay	136,616	121,579
Uruguay	<u>199,092</u>	<u>183,368</u>
<i>Subtotal gross loan portfolio</i>	799,371	661,967
Less: Unaccrued management fee	<u>(2,688)</u>	<u>(1,995)</u>
<i>Subtotal loan portfolio</i>	796,683	659,972
Less: Provision for potential impairment on loans	<u>(4,103)</u>	<u>(2,885)</u>
<i>Net loan portfolio</i>	<u><u>792,580</u></u>	<u><u>657,087</u></u>

Accrued loan interest receivable amounts to \$8,943 and to \$ 5,740, as of December 31, 2018 and 2017, respectively. Interest rate risk is explained in Note 4.

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

<u>Maturity</u>	<u>At December 31,</u>	
	<u>2018</u>	<u>2017</u>
	\$	\$
Up to one year	75,998	58,505
Greater than one and up to two years	71,437	71,866
Greater than two and up to three years	66,083	61,719
Greater than three and up to four years	73,730	48,798
Greater than four and up to five years	72,742	50,502
Greater than five years	<u>439,381</u>	<u>370,577</u>
<i>Total gross loan portfolio</i>	<u><u>799,371</u></u>	<u><u>661,967</u></u>

(i) Loan portfolio classification

The loan portfolio consists of amounts to be received on sovereign guaranteed loans granted to member countries. 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. Notes 2.7 and 2.8, describe accounting policies used in connection with the accounting of the loan portfolio and the recognition of its impairment, respectively.

(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 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 time of collection until such date when those loans are in accrual status. Accrual status requires the borrower to pay in-full, the amount of principal and interest or commissions in arrears, as well as the assurance that the borrowing member country has resolved the financial difficulties that caused it to fall behind on meeting its obligations on a timely basis.

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 a 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 reviews the status of its loan portfolio, on a quarterly basis, to identify potential impairments affecting its collectability, in full or in part. Information about the overall credit quality of the loan portfolio, its exposure to credit risk, currency exchange and interest risk is disclosed Note 4.

6.5 Borrowings

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

	<u>At December 31,</u>	
	<u>2018</u>	<u>2017</u>
	\$	\$
Inter-American Development Bank ⁽³⁾	28,000	-
Time deposits with Central Banks ⁽²⁾	30,000	10,000
Corporacion Andina de Fomento ⁽¹⁾	16,000	16,000
French Development Agency ⁽⁴⁾	5,000	-
Total	<u>79,000</u>	<u>26,000</u>

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

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

- (1) As part of the framework contract signed with "Corporacion Andina de Fomento – CAF" on November 14, 2016, FONPLATA has at its disposal an uncommitted line of credit for up to \$75,000. On December 19, 2016, FONPLATA received \$16,000 and allocated them to the financing loan disbursements. The applicable terms for this financing are based on the 6-month Libor rate plus a margin. This loan calls for a 5-year maturity, with a 2-year grace period. Loan principal is repayable in 6 semiannual equal and consecutive installments including interest, beginning June 19, 2019, and ending December 16, 2021.

- (2) FONPLATA entered into an agreement with the Central Banks of its member countries to accept deposits in the form of medium-term certificates denominated in United States dollars. In February 2017, FONPLATA materialized the first operation of this kind with the Central Bank of Bolivia, in the amount of \$10,000. On May 15, 2018, FONPLATA accepted a \$30,000 deposit, in the form of a letter of credit maturing in 3 years.
- (3) On December 1, 2017, FONPLATA subscribed a financing agreement in the amount of \$100,000 with the Inter-American Development Bank (IDB). This borrowing is based on the 3-month Libor rate and provides for a 5-year disbursement period, a 5 ½ grace period and a 25-year repayment period. The terms of this borrowing agreement, which entered into force upon its signature, provides for the recognition of eligible project expenditures for an amount of up to \$20,000, covering project expenditures incurred from June 15 and November 15, 2017. Furthermore, with the purpose of optimizing cash flows under this line of credit, both parties agreed that FONPLATA could make disbursements on eligible loans and that the IDB would reimburse FONPLATA those amounts under the modality of reimbursement of expenditures. Hence, monies drawn-down from the IDB under this line of credit can be used by FONPLATA as it sees fit. During the first half of 2018, FONPLATA has received \$28,000 under this line of credit (2017: \$0).

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

Loan	At December 31, 2018			
	IDB			To be financed by FONPLATA
	Eligible financing amount	Disbursed	Undisbursed	
	\$	\$	\$	
ARG-26/2016 Modernización	750	750	-	6,750
ARG-28/2016 Compl. Fronterizos	10,000	2,000	8,000	10,000
ARG-31/2016 BICE 1ª Etapa	8,000	8,000	-	12,000
ARG-32/2016 Aristóbulo del Valle	1,021	-	1,021	31,979
ARG-35/2017 Infraestructura para la Int	11,500	-	11,500	10,700
BRA-16/2014 Corumba	10,000	3,490	6,510	30,000
PAR-20/2015 Integración	13,760	13,760	-	56,240
PAR-25/2018 Rutas Jesuíticas	12,000	-	12,000	-
Total	67,031	28,000	39,031	157,669

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

Furthermore, on July 6, 2018, FONPLATA signed a credit line with the European Investment Bank (EIB), in the amount of \$60,000. No disbursements towards this financing have been drawn-down as of the date of issuance of these interim financial statements.

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

<u>Maturities</u>	<u>At December 31,</u>	
	<u>2018</u>	<u>2017</u>
	\$	\$
Up to one year	5,333	10,000
More than one and up to two years	5,333	5,333
More than two and up to three years	35,334	5,333
More than three and up to four years	227	5,334
More than four and up to five years	1,855	-.-
More than five years	30,918	-.-
Total	<u>79,000</u>	<u>26,000</u>

(i) Fair value of borrowings

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

(ii) Risk exposure

Notes 4 and 5 provides information regarding the risk exposure associated to borrowings.

6.6 Special funds

The balance maintained with special funds by FONPLATA as of December 31, 2018 and 2017, respectively, includes the following:

	<u>At December 31,</u>	
	<u>2018</u>	<u>2017</u>
	\$	\$
<u>FOCOM:</u>		
Investments managed by FONPLATA	5,681	5,232
Return on investments due to FOCOM	73	44
Cash at bank	181	103
<i>Subtotal FOCOM</i>	<u>5,935</u>	<u>5,379</u>
<u>PCT:</u>		
Investments managed by FONPLATA	3,141	2,641
Return on investments due to PCT	40	23
Cash at bank	273	179
<i>Subtotal PCT</i>	<u>3,454</u>	<u>2,843</u>
<u>PAC</u>		
Investments managed by FONPLATA	87	-.-
Accrued benefits, net	876	411
Cash at banks	88	282
<i>Subtotal PAC</i>	<u>1,051</u>	<u>693</u>
<i>Total Special Funds</i>	<u>10,440</u>	<u>8,915</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 directly 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 earnings maintained in the general reserve. In 2014, the Board of Governors created and funded the following special funds:

- a. "Fund for the Compensation of the 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. On August 28, 2018, the Assembly of Governors approved the allocation of retained earnings as of December 31, 2017, including a contribution of \$1,000 to the FOCOM.
- 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. On August 28, 2018, the Assembly of Governors approved the allocation of retained earnings as of December 31, 2017, including a contribution of \$1,000 to the PCT.
- c. "Joint Savings Program (PAC)": As stated in Note 2.13, "Other benefits to employees" on August 14, 2018, the Board of Executive Directors approved the PAC, which became effective, on November 1, 2018, and has a validity of eight years counted from the first day of employment of a participant. The PAC preserves the severance payment Benefit, upon termination of employment, and improves it by adding a supplemental contribution based on one-to-one matching of the voluntary amount of savings to be contributed by participating employees.

Participant's contributions are optional and those employees who opt-out would only receive the severance payment benefit, upon termination of employment. Participant's voluntary savings contributions are limited to either a maximum of one month of salary for year of service (8.33%) or to a minimum of one-half month of salary for year of service (4.17%).

Participant's election of the percentage of voluntary savings contributions is performed annually prior to the beginning of each fiscal year. The PAC has a validity of eight years, counted since the date of employment of each participant. Furthermore, and as an incentive to foster personnel retention, the PAC provides for a vesting period of four years. Upon termination of employment, participants are entitled to withdraw from the PAC the totality of their severance payment benefit; their voluntary savings contributions plus accumulated investment earnings, and the accumulated matching contributions made by FONPLATA on participant's voluntary savings contributions plus accumulated investment earnings.

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

The following table provides a break-down of funds accumulated and total available PAC funds as of December 31, 2018, as well as the amount of severance payment available as of December 31, 2017:

	Severance payment contributions	Participants' voluntary savings contributions	FONPLATA's matching contributions on voluntary savings	Accumulated total	Total amount available for termination as of December 31, 2018	Deferred amount
	\$	\$	\$	\$	\$	\$
Balance as of December 31, 2017	819	-	-	819	819	-
Severance payment contributions	307	-	-	307	307	-
Participants' voluntary savings contributions	-	36	-	36	36	-
Additional participant's saving contributions	-	15	-	15	15	-
Matching contribution on voluntary savings	-	-	36	36	26	10
Withdrawals	(60)	-	-	(60)	(60)	-
Total accumulated benefits	1,066	51	36	1,153	1,143	10
Loans to FONPLATA's personnel	(102)	-	-	(102)	(102)	-
Balance owed to the PAC	964	51	36	1,051	1,041	10

Special funds' assets and liabilities are managed by FONPLATA independently from the management of its own affairs and their liquid funds are invested in accordance with FONPLATA's investment policies and all applicable guidelines. Accrued investment income attributable to each fund is calculated pro-rata based on the proportion that the amount of liquid assets of each fund bears relative to the total portfolio of liquid assets invested by FONPLATA, multiplied by the aggregate investment return accrued during the year. Investments managed by FONPLATA on behalf of special funds, as well as the related returns, is accounted for through accounts maintained with each special fund.

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 \$	Level 2 \$	Level 3 \$
2018				
Investments carried at market value with effect in OCI	6.2	<u>22,881</u>	<u>-</u>	<u>-</u>
2017				
Investments carried at market value with effect in OCI	6.2	<u>11,679</u>	<u>-</u>	<u>-</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 carried at fair value), are based on prevailing quoted market prices at year end. The market price used for financial assets held by the institution is the quoted market price. These instruments are included under level 1.
- Level 2:** Fair value of financial instruments not quoting in an active market is determined through valuation techniques, using as much as possible reliable and observable market information. If all information required

to determine the applicable fair value for a financial instrument is observable information, then such instrument is classified under level 2. The institution does not have financial instruments classified under this category.

- Level 3: If the information considered either significant or relevant for the determination of fair values cannot be obtained by reference to market sources, then the financial instrument is classified under level 3. The institution does not have financial instruments classified under this category.

NOTE 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>					
Balance as of December 31, 2016	2,100	1,344	8	49	3,501
Additions	1,813	161	37	-	2,011
Write-offs	-	(6)	-	-	(6)
Assets in transit	-	194	-	-	194
Balance as of December 31, 2017	3,913	1,693	45	49	5,700
Additions	101	164	-	-	270
Revaluation of buildings	812	-	-	-	812
Write-offs	-	(2)	-	-	(2)
Write-offs of assets in transit	-	(194)	-	-	(194)
Balance as of December 31, 2018	4,826	1,661	50	49	6,586
<u>Cumulative depreciation</u>					
Balance as of December 31, 2016	-	285	-	25	310
Depreciation	82	147	-	5	234
Write-offs	-	(5)	-	-	(5)
Balance as of December 31, 2017	82	427	-	30	539
Depreciation	99	154	-	5	258
Write-offs	-	(2)	-	-	(2)
Balance as of December 31, 2018	181	579	-	35	795
<u>Net book value as of December 31, 2018</u>	<u>4,645</u>	<u>1,082</u>	<u>50</u>	<u>14</u>	<u>5,791</u>
<u>Net book value as of December 31, 2017</u>	<u>3,831</u>	<u>1,266</u>	<u>45</u>	<u>19</u>	<u>5,161</u>

On November 13, 2018, FONPLATA's Board of Executive Directors approved the Administration's accountability report detailing the use of funds approved in 2013 for the acquisition, equipment and furnishing of the FONPLATA's headquarter offices, in the city of Santa Cruz de la Sierra, Estado Plurinacional de Bolivia. On

November 30, 2018, and acting upon the recommendation of the Board of Executive Directors, the Assembly of Governors approved the Administration's accountability report, which includes an authorization to complete pending retrofitting and furnishing tasks in the amount of \$137, as well as the use of remaining capital budget surplus of \$31,9, to supplement the investment approved for investments in information technology for 2019, in the amount of \$617,2.

The net book value of offices, parking and storage spaces conforming FONPLATA's headquarters as of December 31, 2018, was increased in the amount of \$812, in accordance with its fair value based on an independent appraisal as of that date. This revaluation resulted into the recognition of a revaluation reserve in other comprehensive income. The amount of the revaluation reserve will be adjusted based on changes in the subsequent revaluation of property.

(ii) Depreciation methods, revaluation and useful lives

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

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

Asset	Useful Live
Property:	
Land	Not amortized
Buildings	The lesser of 40 years or the value of the assessment
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.

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

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

	<u>At December 31,</u>	
	2018	2017
	\$	\$
Cost	4,014	3,913
Accumulated depreciation	(181)	(82)
Total	<u>3,833</u>	<u>3,831</u>

7.2 – Miscellaneous

This caption includes small balances owed to FONPLATA, resulting from advances to suppliers, expenses paid in advance, deferred expenses, guarantee deposit for the liaisons offices located in Asunción, Paraguay. As of December 31, 2018, the total amount of miscellaneous receivables amounts to \$252 (2017 - \$143).

NOTE 8 – NET EQUITY

8.1. 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 from \$1,639,200 to \$3,014,200. As of December 31, 2018, all member countries had fully subscribed their callable capital commitments.

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

Composition of FONPLATA's capital by member country as of December 31, 2018 and 2017, is as follows:

At December 31, 2018:

<u>Member Countryⁱ</u>	<u>Subscribed Capital</u>		<u>Authorized Capital</u>		<u>Total</u>	<u>%</u>
	<u>Paid-in</u>	<u>Callable</u>	<u>Paid-in</u>	<u>Callable</u>		
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	
• Argentina	449,744	555,014	449,744	555,014	1,004,758	33.3%
• Bolivia	149,904	184,991	149,904	184,991	334,895	11.1%
• Brazil	449,744	555,014	449,744	555,014	1,004,758	33.3%
• Paraguay	149,904	184,991	149,904	184,991	334,895	11.1%
• Uruguay	<u>149,904</u>	<u>184,990</u>	<u>149,904</u>	<u>184,990</u>	<u>334,894</u>	<u>11.1%</u>
	<u>1,349,200</u>	<u>1,665,000</u>	<u>1,349,200</u>	<u>1,665,000</u>	<u>3,014,200</u>	<u>100.0%</u>

At December 31, 2017:

<u>Member Countryⁱ</u>	<u>Subscribed Capital</u>		<u>Authorized Capital</u>		<u>Total</u>	<u>%</u>
	<u>Paid-in</u>	<u>Callable</u>	<u>Paid-in</u>	<u>Callable</u>		
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	
• Argentina	449,744	555,014	449,744	555,014	1,004,758	33.3%
• Bolivia	149,904	184,991	149,904	184,991	334,895	11.1%
• Brazil	449,744	555,014	449,744	555,014	1,004,758	33.3%
• Paraguay	149,904	184,991	149,904	184,991	334,895	11.1%
• Uruguay	<u>149,904</u>	<u>184,990</u>	<u>149,904</u>	<u>184,990</u>	<u>334,894</u>	<u>11.1%</u>
	<u>1,349,200</u>	<u>1,665,000</u>	<u>1,349,200</u>	<u>1,665,000</u>	<u>3,014,200</u>	<u>100.0%</u>

The following table provides detailed information on 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, 2018, and 2017, respectively:

At December 31, 2018:

<u>Member Country</u>	<u>Subscribed Paid-in Capital</u>		<u>Totalⁱ</u>
	<u>Paid-inⁱ</u>	<u>Receivableⁱ</u>	
	<u>\$</u>	<u>\$</u>	<u>\$</u>
• Argentina	275,576	174,168	449,744
• Bolivia	91,849	58,055	149,904
• Brazil	266,410	183,334	449,744
• Paraguay	91,849	58,055	149,904
• Uruguay	91,849	58,055	149,904
Total	<u>817,533</u>	<u>531,667</u>	<u>1,349,200</u>

At December 31, 2017:

<u>Member Country</u>	<u>Subscribed Paid-in Capital</u>		<u>Totalⁱ</u>
	<u>Paid-inⁱ</u>	<u>Receivableⁱ</u>	
	<u>\$</u>	<u>\$</u>	<u>\$</u>
Argentina	243,077	206,667	449,744
Bolivia	81,015	68,889	149,904
Brazil	219,744	230,000	449,744
Paraguay	81,015	68,889	149,904
Uruguay	81,015	68,889	149,904
Total	<u>705,866</u>	<u>643,334</u>	<u>1,349,200</u>

At December 31, 2018:

<u>Member Country</u>	<u>Subscribed Callable Capital</u>		<u>Totalⁱ</u>
	<u>Committedⁱ</u>	<u>Uncommittedⁱ</u>	
	<u>\$</u>	<u>\$</u>	<u>\$</u>
Argentina	555,014	-.-	555,014
Bolivia	184,991	-.-	184,991
Brazil	555,014	-.-	555,014
Paraguay	184,991	-.-	184,991
Uruguay	184,990	-.-	184,990
Total	<u>1,665,000</u>	<u>-.-</u>	<u>1,665,000</u>

At December 31, 2017:

<u>Member Country</u>	<u>Subscribed Callable Capital</u>		<u>Totalⁱ</u>
	<u>Committedⁱ</u>	<u>Uncommittedⁱ</u>	
	<u>\$</u>	<u>\$</u>	<u>\$</u>
Argentina	501,678	53,336	555,014
Bolivia	167,216	17,775	184,991
Brazil	555,014	-.-	555,014
Paraguay	184,991	-.-	184,991
Uruguay	184,990	-.-	184,990
Total	<u>1,593,889</u>	<u>71,111</u>	<u>1,665,000</u>

ⁱ Subtotals may differ from totals due to rounding into thousands.

8.2. Other reserves

Other reserves as of December 31, 2018, amount to \$938, and consist of: i) Reserves on investments at fair value with changes in other comprehensive income in the amount of \$126, and ii) Reserves resulting from the revaluation of property in the amount of \$812 ((2017: \$37 resulting from reserves on investments at fair value with changes in other comprehensive income).

8.3. Retained earnings and general reserve

Retained earnings as of December 31, 2018, amount to \$26,572, and correspond in its entirety to net income for the year (2017 –\$20,131).

FONPLATA'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). Accordingly, on August 29, 2018, the Assembly of Governors, in its 17th meeting, acted upon the recommendation of the Board of Executive Directors and approved the allocation of unappropriated retained earnings as of December 31, 2017, as follows: to the general reserve, the amount of \$18,131; to the FOCOM, the amount of \$1,000; and to the PCT, the amount of \$1,000.

The amount of the General Reserve at December 31, 2018 and 2017, respectively is as follows:

	<u>General Reserve</u> \$
Balance as of December 31, 2017	89,740
Allocation approved by the Assembly of Governors 2018:	
Net income	18,131
Balance as of December 31, 2018	<u>107,871</u>

NOTE 9 - REVENUES

The composition of net income is as follows:

	At December 31,	
	2018 \$	2017 \$
Loan income:		
Interest	31,667	21,407
Commitment fee	3,013	2,263
Administrative fee	1,477	1,109
Other	-	273
Subtotal	<u>36,157</u>	<u>25,052</u>

	At December 31,	
	2018	2017
	\$	\$
Investment income:		
Interest	4,018	2,246
Other	128	117
	<u>4,146</u>	<u>2,363</u>
Sub total	69	89
Other income		
	<u>40,372</u>	<u>27,504</u>
Total Income		

NOTA 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 as of December 31, 2018 and 2017, respectively, FONPLATA reached a percentage of execution of its administrative budget equivalent to 83% and 95%, respectively. The break-down of administrative expenditures by functional activity is as follows:

	At December 31,	
	2018	2017
	\$	\$
<u>Classification of expenses</u>		
Personnel expenses	5,687	4,720
Business travel expenses	700	507
Professional services	526	454
Credit risk rating	63	129
External auditors	55	57
Administrative expenses	1,019	1,051
Financial expenses	129	134
<i>Total administrative budget</i>	<u>8,179</u>	<u>7,052</u>
Depreciation	258	234
Unrealized losses/(gains) due to changes in provision of Argentine bonds	1,548	(473)
Exchange differences	(50)	(15)
Loss on fixed-assets withdrawals	2	1
<i>Total administrative expenses</i>	<u>9,937</u>	<u>6,799</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, 2018, and 2017, respectively, based on their respective recovery or settlement date:

	<u>Current</u> <u>(Up to 1</u> <u>year)</u>	<u>Non-Current</u> <u>(More than 1</u> <u>year)</u>	<u>Total</u>
	<u>₹</u>	<u>₹</u>	<u>₹</u>
<u>As of December 31, 2018</u>			
<u>ASSETS</u>			
Cash and cash equivalents	55,421	-.-	55,421
Investments			
At fair value	22,881	-.-	22,881
At amortized cost	153,996	2,831	156,827
Loan portfolio			
Outstanding loans	75,998	716,582	792,580
Interest and other accrued charges			
On investments	199	-.-	199
Interest and commissions on loans	8,943	-.-	8,943
Other assets			
Property and equipment, net	-.-	5,791	5,791
Miscellaneous	218	34	252
Total assets	<u>317,656</u>	<u>725,238</u>	<u>1,042,894</u>

<u>LIABILITIES</u>			
Borrowings	5,333	73,667	79,000
Other liabilities	539	-.-	539
Special funds	2,071	8,369	10,440
Total liabilities	<u>7,943</u>	<u>82,036</u>	<u>89,979</u>

At December 31, 2017

<u>ASSETS</u>			
Cash and cash equivalents	34,092	-.-	34,092
Investments			
At fair value	11,679	-.-	11,679
At amortized cost	132,765	4,488	137,253
Loan portfolio			
Outstanding loans	58,505	598,582	657,087
Interest and other accrued charges			
On investments	447	-.-	447
Interest and commissions on loans	5,740	-.-	5,740
Other assets			
Property and equipment, net	-.-	5,161	5,161
Miscellaneous	110	33	143
Total assets	<u>243,338</u>	<u>608,264</u>	<u>851,602</u>

<u>LIABILITIES</u>			
Borrowings	10,000	16,000	26,000
Other liabilities	912	-.-	912
Special funds	8,222	693	8,915
Total liabilities	<u>19,134</u>	<u>16,693</u>	<u>35,827</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 all administrative provisions that might be available to exempt or reimburse FONPLATA for such taxes, in connection with official purchases involving large amounts when such taxes are included in the price paid.

Complementary, both the Agreement on Immunities, Exemptions and Privileges as well as the Treaties signed by the 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 recognizes that FONPLATA 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 and Uruguay.

(b) Assets by segment

Composition of the loan portfolio by country is as follows:

	<u>Gross portfolio</u>	<u>Unaccrued commissions</u>	<u>Impairment</u>	<u>Loan portfolio</u>	<u>Interest and commissions receivable</u>	<u>Total</u>
	<u>₡</u>	<u>₡</u>	<u>₡</u>	<u>₡</u>	<u>₡</u>	<u>₡</u>
As of December 31, 2018:						
Argentina	166,815	(955)	(1,853)	164,007	1,915	165,922
Bolivia	234,256	(772)	(1,165)	232,319	3,174	235,493
Brazil	62,592	(195)	(311)	62,086	798	62,884
Paraguay	136,616	(664)	(429)	135,523	1,500	137,023
Uruguay	199,092	(102)	(345)	198,645	1,556	200,201
Total	<u>799,371</u>	<u>(2,688)</u>	<u>(4,103)</u>	<u>792,580</u>	<u>8,943</u>	<u>801,523</u>

	<u>Gross portfolio</u>	<u>Unaccrued commissions</u>	<u>Impairment</u>	<u>Loan portfolio</u>	<u>Interest and commissions receivable</u>	<u>Total</u>
	\$	\$	\$	\$	\$	\$
As of December 31, 2017:						
Argentina	114,395	(722)	(1,140)	112,533	1,489	114,022
Bolivia	169,188	(4)	(772)	168,412	1,822	170,233
Brazil	73,437	(259)	(335)	72,843	730	73,573
Paraguay	121,579	(546)	(348)	120,685	813	121,498
Uruguay	183,368	(464)	(290)	182,614	886	183,501
Total	<u>661,967</u>	<u>(1,995)</u>	<u>(2,885)</u>	<u>657,087</u>	<u>5,740</u>	<u>662,827</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>
	\$	\$	\$	\$
As of December 31, 2018:				
Argentina	51,267	66,005	49,543	166,815
Bolivia	186,001	-.	48,254	234,255
Brazil	23,835	-.	38,757	62,592
Paraguay	126,048	10,568	-.	136,616
Uruguay	190,082	-.	9,011	199,093
Total	<u>577,233</u>	<u>76,573</u>	<u>145,565</u>	<u>799,371</u>
As of December 31, 2017:				
Argentina	38,637	30,284	45,474	114,395
Bolivia	155,788	-.	13,400	169,188
Brazil	26,685	-.	46,752	73,437
Paraguay	115,483	6,096	-.	121,579
Uruguay	180,155	-.	3,213	183,368
Total	<u>516,748</u>	<u>36,380</u>	<u>108,839</u>	<u>661,967</u>

Undisbursed loan balances on loans under execution and its break-down by country are as follows:

	<u>At December 31,</u>	
	<u>2018</u>	<u>2017</u>
	\$	\$
Argentina	264,843	256,286
Bolivia	107,832	180,451
Brazil	136,334	35,373
Paraguay	169,099	64,414
Uruguay	22,690	45,435
Total	<u>700,798</u>	<u>581,959</u>

Furthermore, loans approved by FONPLATA but not yet effectively disbursing due to either their respective contracts no having been signed or ratified by the member country's Legislative Power, are as follows:

	<u>At December 31,</u>	
	<u>2018</u>	<u>2017</u>
	\$	\$
Argentina	98,064	67,200
Bolivia	65,000	10,000
Brazil	51,950	141,950
Paraguay	82,000	128,518
Uruguay	110,535	-.-
Total	<u><u>407,549</u></u>	<u><u>347,668</u></u>

The average return on loans is as follows:

	<u>Years ended on December 31,</u>			
	<u>2018</u>	<u>2018</u>	<u>2017</u>	<u>2017</u>
	<u>Average</u>	<u>Average</u>	<u>Average</u>	<u>Average</u>
	<u>balance</u>	<u>return</u>	<u>balance</u>	<u>return</u>
	\$	%	\$	%
Loan portfolio	730,669	4.95%	602,861	4.16%

(c) Segment revenues

Interest and other revenues by segment are as follows:

	<u>Loan revenues</u>	<u>Other operating</u>	<u>Total</u>
	\$	\$	\$
As of December 31, 2018:			
Argentina	6,095	1,772	7,867
Bolivia	8,588	1,060	9,648
Brazil	3,364	240	3,604
Paraguay	5,391	898	6,289
Uruguay	8,229	520	8,749
Total	<u><u>31,667</u></u>	<u><u>4,490</u></u>	<u><u>36,157</u></u>
As of December 31, 2017:			
Argentina	3,591	1,146	4,737
Bolivia	5,511	917	6,428
Brazil	3,184	173	3,357
Paraguay	3,491	766	4,257
Uruguay	5,630	643	6,273
Total	<u><u>21,407</u></u>	<u><u>3,645</u></u>	<u><u>25,052</u></u>

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, 2018, and 2017, respectively, correspond to the balances maintained with the FOCOM; PCT; and the PAC, as explained in further detail in notes 2.12, 2.13 and 6.6, respectively.

NOTE 15 – CONTINGENCIES

No contingencies have been identified, that could materially affect FONPLATA's financial statements as of December 31, 2018 and as of December 31, 2017, respectively.

NOTE 16 – SUBSEQUENT EVENTS

On January 21, 2019, SIX Exchange Regulation Ltd (the Swiss capital markets regulator), granted FONPLATA with a one year provisional approval to issue bonds in the Swiss capital market. FONPLATA's final approval as issuer in the Swiss capital markets requires approval of the regulator's board of directors. On February 11, 2019, FONPLATA successfully formalized the indicative terms and conditions applicable to the issuance with its underwriter's, Credit Suisse & UBS, for the issuance of fixed-interest bonds denominated in Swiss Francs in the amount of CHF 150 million, with a tenor of 5 years an annual coupon of 0.578%.

As of December 31, 2018, and through February 18, 2019, no subsequent events have materialized that may materially affect FONPLATA's financial statements.

Juan E. Notaro Fraga
EXECUTIVE PRESIDENT

Antonio Mullisaca
PRESIDENT OF THE BOARD OF EXECUTIVE DIRECTORS

Jaqueline Koehnke Ferrufino
CHIEF ACCOUNTANT

Rafael Robles
MANAGER FINANCE AND ADMINISTRATION

Annex 3

- 1. Strategic Alliances**
- 2. Supporting human development initiatives**
- 3. Volunteering and Corporate Social Responsibility Committee**



Within its Institutional Strategic Plan, FONPLATA is developing activities intended to expand the supply of financial resources and promote institutional strengthening activities.

In this respect, financing agreements were signed in 2018 with the French Development Agency (AFD) for \$20 million, the European Investment Bank (BEI) for \$60 million and the Instituto de Crédito Oficial of Spain (ICO) for \$15 million.

It is important to mention that, apart from expanding the supply of resources, these fundings help diversify the loan portfolio by promoting investments in climate change mitigation and adaptation to climate change in the member countries. Additionally, these operations are accompanied by

non-reimbursable cooperation funds aimed at strengthening and broadening technical capabilities associated with the project cycle, and by internal control and monitoring.

Likewise, in 2018 a partnership was formed with KfW (Kreditanstalt für Wiederaufbau) for the creation of a Green Credit Line to finance projects on energy efficiency, renewable energy, and clean public. This credit line is expected to be available towards the end of 2019.

Last but not least, two Memoranda of Understanding were signed with the Georgetown University in the U.S. and the Gabriel René Moreno University in Bolivia, aimed at promoting initiatives to generate knowledge to enhance the economic and social development of the member countries.

As part of its policy of relationship with the host country, FONPLATA has supported various initiatives throughout 2018. These initiatives encompassed cultural, artistic and sport activities:

Mundialito Paz y Unidad 2018

In January we supported the soccer tournament “Mundialito Paz y Unidad” (Peace and Unity mini world cup), organized by Academia Tahuichi in Santa Cruz de la Sierra. The tournament hosted 273 national and international teams (U-13, U-15 and U-17 girls, and U-4 to U-17 boys).

La Sinfonía de La Plata

This year we funded the recovery work of the Symphony No. 11 by Pedro Ximénez de Abrill y Tirado: “La Sinfonía de La Plata” carried out by APAC. Pedro Ximénez de Abrill y Tirado (1780–1856) was a prestigious composer who was designated as chapel master of the Cathedral of La Plata (later called Chuquisaca, nowadays Sucre). After nearly 200 years, the Symphony could be heard again in the San Roque church, in the city of Santa Cruz de la Sierra, Bolivia, during the 12th Latin American Baroque and Renaissance Music Festival. It was played by young musicians from the River Plate Basin countries and led by a young Argentinean director.

12th Baroque and Renaissance Music Festival “Misiones de Chiquitos”

For another year FONPLATA is supporting this event hosted by APAC (Pro Art and Culture Association in Bolivia) that brings together over 1,200 musicians from around the world. Concerts took place in the city of Santa Cruz de la Sierra and also at various locations throughout the Chiquitanía region, a UNESCO World Heritage Site.

Festival Posoka Gourmet

In September 2018 we supported the Festival Posoka Gourmet, which included a symposium, workshops and a food festival. It was organized by Plan Misiones, San Jose Local Government, CEPAC, CEPAD and AJHOGA, and it took place in the town of San José de Chiquitos located in the Jesuit Missions of Santa Cruz, Bolivia. International chefs (from Argentina, Bolivia, Brazil, Paraguay, and Uruguay), and experts in gastronomy and tourism gathered together to recover the Jesuit gastronomy and set a cultural integration sphere. A Jesuit Mission Dinner was also held within the festival for the benefit of the pediatric ward of the Cancer Hospital.

FENAVID 2018 International Film Festival of Santa Cruz

As every year, we have supported the FENAVID Festival (18th edition). The 2018 festival drew some 150 guests including attendees and local and international jurors, who took part in activities such as: Short films exhibition, films and documentaries, clips exhibition, the FONPLATA exhibit with films from the River Plate Basin countries, workshops and training sessions, the project Santa Cruz 100x100 and the Film Rally.

FITAZ

There was also room for supporting the 11th International Theater Festival of La Paz (FITAZ). This festival was created in 1999 on the first designation of La Paz as the Ibero-American Capital of Cultures, and was declared cultural heritage of the City of La Paz. Thirty two plays were performed by casts from Argentina, Bolivia, Brazil, Paraguay and Uruguay, among others.

EFE - 40 years in Bolivia

On its 40th anniversary in Bolivia, the EFE agency displayed a photographic exhibition on Bolivia's main historical events and its actors. FONPLATA provided support to this artistic and historical exhibition, thereby celebrating Bolivia's development and progress.

Cooperation with TECHO Internacional

In 2018, an agreement was initiated with TECHO Internacional for the construction of houses for vulnerable households in Argentina, Bolivia, Brazil, Paraguay and Uruguay. The project is to be executed between 2018 and 2019. TECHO works in 19 Latin American countries and aims to overcome situations of poverty for people living in slums.



3 Volunteering and Corporate Social Responsibility Committee



The Volunteering and Corporate Social Responsibility Committee is made up of FONPLATA officials involved in fundraising and community support activities, particularly among the most disadvantaged in the city of Santa Cruz de la Sierra.

Significant
achievements
in 2018
included:

Ongoing fundraising through raffles, donations and other activities.

Health care costs support.

Educational and medical visits to children and adults in the Chaco Güembé community.

Donation of desks to the Chaco Güembé primary school.

Tíos y Tías scholarship program for teenage mothers.

Construction of a house together with TECHO Bolivia.

Jesuit Mission Dinner held within the festival for the benefit of the pediatric ward of the Cancer Hospital.

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