(Free translation from the original issued in Spanish)

FONPLATA – Multilateral Development Bank

Interim financial statements as at June 30, 2021

CONTENT

$ = U.S. thousand dollars

pwc

(Free translation from the original issued in Spanish)

Report on review of interim financial statements

August 23, 2021

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

Introduction

We have reviewed the accompanying interim statement of financial position of FONPLATA – Multilateral Development Bank (the Bank) as at June 30, 2021 and the related interim statements of income, comprehensive income, cash flows and changes in equity for the six-month period then ended, and notes, comprising significant accounting policies and other explanatory information. Management of the Bank is responsible for the preparation and fair presentation of these interim financial statements in accordance with International Accounting Standard 34 (Interim Financial Reporting). Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements do not present fairly, in all material respects, the financial position of the Bank as at June 30, 2021, and of its financial performance and its cash flows for the six-month period then ended in accordance with International Accounting Standard 34.

PricewaterhouseCoopers S.R.L.

Sergio Fischer
Partner

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

	As of June 30, 2021		As of December 31, 2020	
ASSETS				
Cash and cash equivalents – Note 8.1		234,863		32,037
Investments				
At fair value with changes in other comprehensive income – Note 8.2	274,438		321,061	
At amortized cost – Note 8.3	215,614	490,052	85,722	406,783
Loan portfolio – Note 8.4		1,304,141		1,237,031
Accrued interest				
On investments – Note 8.3	1,497		1,821	
On loans – Note 8.4	10,010	11,507	10,600	12,421
Other assets				
Property and equipment, net – Note 9.1	5,747		5,934	
Miscellaneous – Note 9.2	1,025	6,772	762	6,696
Total assets		2,047,335		1,694,968
LIABILITIES AND EQUITY				
Liabilities				
Cash flow hedge derivatives – Note 8.5 (ii)	912		5	
Borrowings – Note 8.5	855,360		568,324	
Other liabilities – Note 9.3	3,052		1,982	
Special funds – Note 8.6	14,354	873,678	15,066	585,377
Total liabilities		873,678		585,377
Equity				
Capital – Note 10.1				
Authorized	3,014,200		3,014,200	
Less callable portion	(1,665,000)		(1,665,000)	
Paid-in capital	1,349,200		1,349,200	
Paid-in capital pending integration	(373,900)	975,300	(432,318)	916,882
General reserve – Note 10.3		155,751		155,751
Other reserves – Note 10.2		(5,444)		1,044
Retained earnings – Note 10.3		48,050		35,914
Total equity		1,173,657		1,109,591
Total liabilities and equity		2,047,335		1,694,968

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

Juan E. Notaro Fraga
EXECUTIVE PRESIDENT

Fernando Scelza
CHAIRMAN BOARD OF EXECUTIVE DIRECTORS

Fernando A. Fernandez Mantovani
CHIEF ACCOUNTING AND BUDGET

Rafael Robles
MANAGER FINANCE AND ADMINISTRATION

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

	January 1 through June 30, 2021	2020
INCOME – Note 11		
Loan portfolio		
Interest	17,071	19,373
Other loan income	3,661	3,318
	20,732	22,691
Investments		
Interest	2,374	3,458
Other	6	13
	2,380	3,471
Other income	47	32
Income from financial assets	23,159	26,194
EXPENSES		
Interest expense	(4,877)	(4,238)
Income from financial assets, net	18,282	21,956
Provision for impairment of investments – Notes 8.3 (ii), 8.7	-.-	(893)
Provision for loan impairment	(1,481)	(2,842)
Income after provision for loan impairment	16,801	18,221
Administrative expenses – Note 12	(4,665)	(4,471)
Net income	12,136	13,750

INTERIM STATEMENT OF COMPREHENSIVE INCOME

	2021	2020
Net income	12,136	13,750
Items that may be reclassified to profit or loss:		
Changes in fair value of investments	(1,577)	744
Losses/Gains on cash flow hedges net	(4,897)	888
Items that will be not reclassified to profit or loss:		
Technical appraisal of property	(14)	(14)
Comprehensive income	5,648	15,368

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

Juan E. Notaro Fraga
EXECUTIVE PRESIDENT

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

	January 1 through June 30, 2021	2020
Cash Flows from Operating Activities		
Lending		
Cash received from loan principal amortizations	37,523	33,423
Cash received from interest and other loan charges	20,202	22,166
Loan disbursements	(104,995)	(201,427)
Net flows from lending activities	(47,270)	(145,838)
Other operating flows:		
Payment of salaries, benefits, and other personnel expenses	(3,142)	(2,980)
Payment of administrative expenses	(680)	(964)
Increase in trade accounts payable and with special funds	(1,631)	(1,931)
Net flows from other operating activities	(5,453)	(5,875)
Net flows used in operating activities	(52,723)	(151,713)
Cash Flows from Financing Activities		
Proceeds from borrowings	333,730	244,000
Derivatives- Collateral	(17,343)	3,951
Repayment of borrowings and debt service	(36,745)	(7,073)
Net flows from of on-lent activities	279,642	240,878
Collection of paid-in capital subscriptions	58,418	-.-
Net flows from financing activities	338,060	240,878
Cash flows from investing activities		
Collection of investment income	2,705	4,028
Purchase of investments	(85,197)	(101,049)
Capital expenditures	(19)	(6)
Net flows used in investment activities	(82,511)	(97,027)
Increase/(Decrease) in cash and equivalents during the period	202,826	(7,862)
Cash and equivalents at the beginning of the period	32,037	37,413
Cash and equivalents as of June 30,	234,863	29,551

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

Juan E. Notaro Fraga
EXECUTIVE PRESIDENT

Fernando Scelza
CHAIRMAN BOARD OF EXECUTIVE DIRECTORS

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FONPLATA

(Free translation from the original issued in Spanish)

FONPLATA – Multilateral Development Bank

INTERIM STATEMENT OF CHANGES IN EQUITY

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

	Paid-in Capital (*)	General Reserve	Reserve for changes in the value of investments at fair value	Reserve for changes in value of cash flow hedges	Reserve for revaluation of property	Retained Earnings	Total
Balance as of January 1, 2020	865,549	132,443	538	515	785	28,308	1,028,138
Net income for the period	-.-	-.-	-.-	-.-	-.-	13,750	13,750
Comprehensive income for the period	-.-	-.-	744	888	(14)	-.-	1,618
Balance as of June 30, 2020	865,549	132,443	1,282	1,403	771	42,058	1,043,506
Balance as of January 1, 2021	916,882	155,751	(1,879)	2,166	757	35,914	1,109,591
Capital increase – Paid-in portion	58,418	-.-	-.-	-.-	-.-	-.-	58,418
Net income for the period	-.-	-.-	-.-	-.-	-.-	12,136	12,136
Comprehensive income for the period	-.-	-.-	(1,577)	(4,897)	(14)	-.-	(6,488)
Balance as of June 30, 2021	975,300	155,751	(3,456)	(2,731)	743	48,050	1,173,657

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

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

Juan E. Notaro Fraga
EXECUTIVE PRESIDENT

Fernando Scelza
CHAIRMAN BOARD OF EXECUTIVE DIRECTORS

Fernando A. Fernandez Mantovani
CHIEF ACCOUNTING AND BUDGET

Rafael Robles
MANAGER FINANCE AND ADMINISTRATION

(Free translation from the original issued in Spanish)
FONPLATA – Multilateral Development Bank
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED JUNE 30, 2021 AND FOR THE YEAR ENDED DECEMBER 31, 2020
(All amounts expressed in thousands of U.S. dollars)

NOTE 1 – BACKGROUND

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

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

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

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

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

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

Furthermore, the modifications approved estipulate that the authorized capital shall also include shares class "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 June 30, 2021, and as the date of issuance of these interim financial statements, the modifications to the Charter approved by the Board of Governors are still pending ratification by the corresponding authorities of one of the five member countries.

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

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

The Bank's 2020 financial statements were approved by the Board of Governors on April 14, 2021, following a recommendation of the Board of Executive Directors.

In accordance with the prevailing delegation of authority, the Bank's Executive President approved the interim financial statements for the period January 1, through June 30, 2021, on August 23, 2021, and submitted to the Board of Executive Directors and to the Board of Governors for information.

NOTE 2 – SIGNIFICANT CHANGES IN THE CURRENT REPORTING PERIOD

A – COVID-19 STRATEGY TO ENSURE BUSINESS CONTINUITY

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

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

- To ensure the health of our staff, the Bank immediately and seamlessly transitioned to a remote working modality.

- International staff and a small cadre of specialized advisors were given the option of working from their respective home country, while local staff was allowed to work remotely as well.

- With most of its international staff in their respective countries, the Bank continued to expand the use of Liaison Offices, opening new offices in Montevideo, Uruguay and Brasilia, Brazil, consolidating its presence in all five member countries. As vaccines become available in our member countries and our staff is vaccinated, our staff will continue to work partly in a remote working modality and partly working from our liaison offices, which contributes to strengthening our dialogue and presence with our member countries.

- Since March 2020, the Bank migrated its servers to the cloud and significantly strengthen data security and access. Through this action, the Bank experienced no disruptions to its core systems and digital communications. This in-turn, along with the ability to work remotely, has allowed the Bank to ensure the health of its staff and their immediate family while attaining record loan approvals and disbursements in 2020, and to continue the growth of its portfolio in the 6-month ended as of June 30, 2021.

- As it was the case throughout 2020, in 2021, the Bank is working in close dialogue with its government counterparts and tailoring its approach to the circumstances of the fiscal, health and social conditions of each member country, optimizing its ability to offer financial and technical cooperation assistance.

- As stated in greater detail under the following subsection and in Note 3 – How Income is Calculated, the sharp decrease experienced in the 6-month Libor rate was mostly offset by the continued growth in loan disbursements, and also by a decrease in administrative expenses, which for the interim period ended June 30, 2021, represent 77 basis points of net earning assets, a decrease of 6.1% compared to 2020. This decrease translates to savings in the amount of administrative expenses of approximately $3,000.

- In March 2021, the Bank successfully accessed for the second time since 2019, the Swiss bond market, raising CHF 200,000. Based on its capital structure, a portion of its on-lent activities must be financed with borrowings. With the exception of its two bond issuances, which are denominated in Swiss Francs and at fixed-cost but have been transformed into U.S. dollars obligations at variable interest rate based on the 6-month Libor rate, all borrowings are denominated in U.S. dollars and accrue interest based on the 6-month Libor rate. While borrowings as of June 30, 2021, have increased from $568,324 to $855,361, which represents a 50% increase from December 31, 2020, interest and other financial costs have decreased from 219 bps to 137 bps. This in turn also contributed to ameliorating the negative effects of the reduction in interest rates on net income.

- On June 22, 2021, the Bank signed a 5-year financing facility in the amount of $100,000, with Banco Bilbao Vizcaya Argentaria, S.A. (BBVA). On June 30, 2021, the Bank drew-down the total amount allowed under this facility, which will be used to finance expected loan disbursements through year-end.

- Going forward, as the pandemic gradually subsides and regular activities resume, the Bank will continue to leverage its valuable experience during the pandemic to the benefit of its member countries and its staff.

- As part of the transition from the Libor rate to the SOFR, the Bank is in close dialogue with member countries to convert all loan contracts into the SOFR based rate, using the modality of SOFR in arrears, effective January 1, 2022. Additionally, the Bank is reading its loan, investment and debt systems to accommodate this change during the first quarter of, 2022 (see Note 7.1.1).

B – SPECIFIC OPERATIONAL ACTIONS AND TRENDS

The following paragraphs provide a more specific analysis on the operational and financial activities of the Bank that contributed to growing its net earning assets and to generating net income from January 1, through June 30, 2021:

- Loan income is mainly affected by both, the increase of loans receivable through loan disbursements, net of principal collections, which is the main basis for the Bank's financial earnings, and by changes in the 6-month Libor rate, which is the reference rate applicable to all bank loans. As a trend that started at the onset of the COVID-19 pandemic, the 6-month Libor rate continued to drop, reaching its lowest historical levels during the period January 1 through June 30, 2021, at 17 bps, from 25 bps as of December 31, 2020. The pronounced drop in interest rates continues to drive a reduction on the amount of income accrued on loans in nominal terms. That reduction was largely offset by a 5% growth in the amount of loans receivable as of June 30, 2021.Interest rates are expected to gradually increase as all major economies are recovering from the economic crisis caused by COVID-19.

- The effect on net income arising from the decrease in interest rates was also offset due to decreases in borrowing costs, which are also based on the 6-month Libor rate, and by a reduction in administrative expenses. This in turn is contributing to the Bank's ability to generate an adequate level of net income, reinforcing its robust financial and economic profiles.

- During the interim period January 1, through June 30, 2021, the Bank approved new sovereign loans to members in the amount of $153,100. Loan disbursements reached $104,995, and loan amortizations received reached $37,523. More importantly, all member countries have had net positive loan flows, which stresses the Bank's commitment to supporting its member countries.

- On February 3, 2021, the Bank agreed on the terms and conditions with Credit Suisse, leading to the issuance of a bond in the Swiss capital market. This issuance consists of CHF 200,000 in Swiss Francs denominated bonds with a 5 ½ years maturity on September 3, 2026, and annual coupon based on an annual fix rate of 0.556%. Proceeds from this bond were received on March 3, 2021.

- The following chart depicts outstanding amounts under the various lines of credit, loans and the two CHF bond issuances, as of the interim period ended June 30, 2021:

Entity	Outstanding 31 Dec 2020	Principal repaid/Exchange adjustments	Borrowed from Jan 1 through June 30, 2021	Outstanding as of June 30, 2021
	$	$	$	$
Corporación Andina de Fomento (CAF)	69,334	(2,667)	-.-	66,667
Inter-American Development Bank (IDB)	88,098	-.-	11,902	100,000
French Development Agency (AFD)	20,000	-.-	-.-	20,000
European Investment Bank (BEI)	6,000	-.-	-.-	6,000

Entity	Outstanding 31 Dec 2020	Principal repaid/Exchange adjustments	Borrowed from Jan 1 through June 30, 2021	Outstanding as of June 30, 2021
	$	$	$	$
Official Credit Institute E.P.E. (ICO)	5,536	-.-	-.-	5,536
Banco Bilbao Vizcaya Argentaria (BBVA)	-.-	-.-	100,000	100,000
Deferred loan charges	(281)	18	(383)	(646)
Subtotal multilaterals and other	**188,687**	**(2,649)**	**111,519**	**297,557**
Issuance of CHF FONPLATA 24	**148,809**	-.-	-.-	**148,809**
Issuance of CHF FONPLATA 26	-.-	-.-	222,668	222,668
Deferred loan charges	(580)	114	(970)	(1,436)
Exchange differences	21,413	(13,651)	-.-	7,762
Subtotal bonds	**169,642**	**(13,537)**	**221,698**	**377.803**
Central Bank of Bolivia (BCB) – 6-month Libor	80,000	(30,000)	-.-	50,000
Deferred loan charges	(5)	5	-.-	-.-
Central Bank of Uruguay (BCU) – Fixed rate	130,000	**-.-**	-.-	130,000
Subtotal borrowed from Central Banks	**209,995**	**(29,995)**	**-.-**	**180,000**
Total borrowings	**568,324**	**(46,181)**	**333,217**	**855,360**

- As part of its strategy for the management of exposure to risks arising from changes in both, interest and exchange rates, the Bank has the policy of granting and denominating all of its loans in United States dollars and uses the 6-month Libor as its reference rate. Furthermore, most of its borrowings are also contracted and denominated in United States dollars, and bear interest based on the 6-month Libor rate. This way, the Bank minimizes its risk exposure. However, in those cases where it contracts debt denominated in currencies other than the United States dollar, or where the debt accrues interest in a rate other than the 6-month Libor rate, the Bank enters into derivative contracts to effectively mitigate its exposure. To this end, on March 3, 2021, the Bank contracted a cross-currency swap with Credit Suisse, entity with which it signed an ISDA agreement. By virtue of this cross-currency swap, the Bank effectively transformed the CHF denominated liability and the fixed interest rate into a U.S. dollar obligation in the amount of $222,668, with semiannual interest payments based on the 6-month Libor rate plus a fixed margin. This transaction has been designated as a cash-flow hedge derivative within the framework of IFRS 9 (see also Notes 4.10; 6; and 8(ii)).

- The Bank use of derivatives is for the sole purpose of reducing the risk exposure to changes in interest rates different from the 6-month Libor rate and foreign exchange rates different from the U.S. dollar, adopted as the Bank's reference interest rate and functional currency for its on-lent and for the majority of its borrowing activities, and not for speculative purposes.

  Since July 24, 2020 and following the agreement for the trusteeship of the Fund for the Structural Convergence of MERCOSUR (FOCEM), in December 2019, the Bank became fiduciary agent for the investment of the financial resources of FOCEM. In exchange for its services, the Bank is entitled to receiving a commission based on the investment return obtained. For the interim period ended on June 30, 2021, the Bank accrued $42 in trusteeship commissions (December 31, 2020 - $42 commissions accrued).

NOTE 3 – HOW INCOME IS CALCULATED

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

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

Investment income relates directly to the investment of the Bank's portfolio of liquid assets (i.e. cash and cash equivalents), for the purpose of reducing the cost of carry. The Bank holds liquidity for the purpose of meeting expected loan disbursements; meeting its financial obligations, and to defray its operational expenses for a period of 12-month (see Note 6.5).

The following table, which is based on average financial assets and liabilities and annual administrative expenses illustrates how the Bank derives its revenues, expenses, and net income:

	June 30, 2020			June 30, 2021			December 31, 2020		
	Average balance	Income	Return %	Average balance	Income	Return %	Average balance	Income	Return %
	$	$		$	$		$	$	
Loans receivable	1,020,460	22,691	4.45	1,285,231	20,732	3.23	1,093,977	43,108	3.94
Investments	396,732	3,588	1.81	448,417	2,402	1.07	369,145	8,057	2.18
Cash and equivalents	32,482	-.-	-.-	133,450	-.-	-.-	34,725	-.-	-.-
Financial assets	1,449,674	26,279	3.63	1,867,098	23,134	2.48	1,497,847	51,165	3.42
Borrowings	(387,120)	(4,238)	(2.19)	(711,842)	(4,877)	(1.37)	(416,516)	(8,626)	(2.07)
Financial assets, net	1,062,554	22,041	4.15	1,155,257	18,257	3.16	1,081,331	42,538	3.93
Accounting charges[1]	-.-	(3,935)	(0.74)	-.-	(1,691)	(0.29)	-.-	2,244	0.20
Administrative expenses	-.-	(4,356)	(0.82)	-.-	(4,430)	(0.77)	-.-	(8,868)	(0.82)
Net assets	1,062,554	13,750	2.59	1,155,257	12,136	2.10	1,081,331	35,914	3.32
Equity	1,035,822	13,750	2.65	1,141,624	12,136	2.13	1,068,865	35,914	3.36

[1]**Accounting Charges**	**January 1 through June 30 2020**	**2021**	**December 31, 2020**
	$	**$**	**$**
Provision for impairment of investments – Notes 8.3 (ii), 8.7	(893)	-.-	-.-
Provision for loan impairment – Note 8.4	(2,842)	(1,481)	2,498
Depreciation	(162)	(192)	(321)
Exchange differences gain/(loss)	48	(44)	129
Special funds' participation in investment income	(118)	(21)	(162)
Other income	32	47	100
Total accounting charges	(3,935)	(1,691)	2,244

NOTE 4 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

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

FONPLATA

4.1 Basis for presentation

(i) Compliance with International Financial Reporting Standards

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

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

(ii) Historical cost

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

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

(iii) New standards and modifications adopted by the Bank

The following chart summarizes new international financial reporting standards (IFRS), as well as certain applicable modifications of existing ones that were applied by the Bank starting January 1, 2021. The standards listed below exclude the following standards and interpretations or modifications that are not yet mandatory for fiscal years beginning on January 1, 2021: IFRS 17, Insurance Contracts; IAS 16, Property, Plant and Equipment: proceeds before intended use; IFRS 3, Business Combinations; IAS 37, Onerous Contracts – Cost of fulfilling a contract; Annual Improvements to IFRS 9, Financial Instruments; IFRS 16, Leases; IFRS 1, First time adoption of IFRS; IAS 1, Classification of Liabilities as Current and non-Current; IAS 1 and IFRS Practice Statement 2, Disclosure of Accounting Policies; IAS 8, Definition of Accounting Estimates; IAS 12, Deferred Tax related to Assets and Liabilities arising from a single transaction.

The following standards and modifications started to be applied by the Bank on January 1, 2021:

Standard	Key Requirements	Effective Date
Amendments to IAS 1, Presentation of financial statements on classification of liabilities	These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.	1 January 2021
Covid-19-related Rent Concessions – Amendments to IFRS 16	This amendment to IFRS 16, deals with the recognition and accounting for rent concessions granted to lessees as a result of the COVID-19 pandemic. The amendment provides lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concessions as variable lease payments in the period in which they are	1 January 2021

Standard	Key Requirements	Effective Date
	granted. Entities applying the practical expedients must disclose this fact, whether the expedient has been applied to all qualifying rent concessions or, if not, information about the nature of the contracts to which it has been applied, as well as the amount recognized in profit or loss arising from the rent concessions.	
Interest Rate Benchmark Reform Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	These amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 are intended to address the issues that arise during the reform of an interest rate benchmark rate, including the replacement of one benchmark with an alternative one. The Phase 2 amendments provide the following reliefs: • When changing the basis for determining contractual cash flows for financial assets and liabilities (including lease liabilities), the reliefs have the effect that the changes, that are necessary as a direct consequence of IBOR reform and which are considered economically equivalent, will not result in an immediate gain or loss in the income statement. The hedge accounting reliefs will allow most IAS 39 or IFRS 9 hedge relationships that are directly affected by IBOR reform to continue. However, additional ineffectiveness might need to be recorded. Affected entities need to disclose information about the nature and extent of risks arising from IBOR reform to which the entity is exposed, how the entity manages those risks, and the entity's progress in completing the transition to alternative benchmark rates and how it is managing that transition. Given the pervasive nature of IBOR-based contracts, the reliefs could affect companies in all industries. Note 7.1.1 contains the status of current plans for the Bank to accomplish its transition from the 6-month Libor rate to the SOFR in arrears by January 1, 2022, which is the reference rate for all of its loans and for the majority of its borrowings. In those instances, in which the borrowings are denominated in other currencies than the US dollar, the Bank has entered into cross-currency swap transactions to effectively offset the exchange and interest rate risks. Migration from the 6-month Libor rate to the SOFR for borrowings and swaps would be dictated by each lender. In the case of swap transactions, the migration from the Libor to the SOFR is due to occur on July 1, 2023.	January 1, 2021

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

4.2 Segments' disclosure

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

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

4.3 Foreign currency translation

(i) Functional and reporting currency

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

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(ii) Account balances and transactions

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

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

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

4.4 Revenue recognition

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

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

4.5 Leases

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

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

4.6 Cash and cash equivalents

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

4.7 Loan portfolio

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

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

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

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

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

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

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

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

The main financial earning asset of the Bank are its loans to member countries. All financial assets and liabilities are contracted and denominated in U.S. dollars and bear interest based on the 6-month Libor rate plus a margin. As part of its prudential risk-management philosophy and policies, the Bank uses derivatives for the sole purpose of hedging the underlying cash-flows associated to borrowings contracted in currencies different than the U.S. dollars or that bear interest at a rate different than the 6-month Libor rate.

Liquidity is maintained for the purpose of ensuring the ability to meet all planned loan disbursements, debt-service requirements, and to pay for all planned and approved operating expenditures and capital investments expected to occur in for the next 12 months following the end of the Bank's fiscal year. Liquidity is invested with the sole purpose of reducing the cost of carry the required level of liquidity in compliance with the Bank's policies.

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

(i) Classification

Classification of financial assets depends on the Bank's business model that contemplates the nature and purpose at the time of their acquisition and recognition. The Bank has two distinct investment portfolios, one where investments can be sold at any time prior to their contracted maturity, and the other one where investments are purchased with the intent to be held through their contractual maturity. Classification of investments on either portfolio, is determined based on planned liquidity requirements and other factors.

Investments held to their contractual maturity are accounted for at the lower of their amortized cost or reasonable value. Investments available for sale are valued at their reasonable value with changes in value recognized in other comprehensive income (OCI). Note 8, provides further details on the recognition, measurement and disclosure of investments.

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

- ***Financial assets at fair value with changes in other comprehensive income (FVOCI)***: are assets purchased with the purpose of collecting contractual cash flows resulting from principal amortization and accrued interest, as well as from the sale of the underlying assets. These assets are not designated as "financial assets at fair value with changes in income," and are measured at their fair value with changes recognized in other comprehensive income.

- The Bank does not have financial assets at fair value with changes in income.

- Derivatives resulting from the cross-currency and interest rate swaps entered into as an integral part of the Bank's risk management strategy designed to hedge the interest rate and foreign exchange risk associated to borrowings contracted in currencies other than the U.S. dollar or at interest rates other than the 6-month Libor, which is the Bank's reference rate for its loans, have been designated as a cash flow hedge, and are considered completely effective. Changes in fair value of these derivatives, given the Bank's right to offset and be compensated in the event of counterpart default, are shown forming part of Other Assets, as derivatives, together with the resulting collateral in the statement of financial position. Bonds are shown under Borrowings in the statement of financial position. Changes in fair value of the cross-currency swap are accounted for in other comprehensive income (see Notes 2; 4.10 and 8.5-(ii)).

(ii) Reclassification

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

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

(iii) Recognition and disposal

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

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

(iv) Measurement

Initially, the Bank measures financial assets at their fair value plus those transaction costs directly attributable to their acquisition.

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

Investments which will be maintained at fair value with changes in other comprehensive income, are subsequently valued at their corresponding market value. Gains and losses resulting from changes in fair value are recognized in other comprehensive income. Interest resulting from financial assets carried either at market value through other comprehensive income or at amortized cost and loans, calculated based on the effective interest rate method, is recognized in the income statement as part of operating income.

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

(v) Impairment

The Bank assesses the likelihood of potential impairment affecting either a financial asset or a group of financial assets. The Bank determines the adequacy of the provision for potential impairment on its loans applying a standard methodology adopted by the leading MDBs, that is considered to be a best practice. The methodology used assesses the expected loss based on the following factors: (i) the maximum exposure to risk of default; (ii) the probability of default; and (iii) the loss given default. Although the Bank uses the same formulae, the values used in connection with each factor are different for sovereign guaranteed loans, than those used for non-sovereign guaranteed loans.

For sovereign loans, the Bank assesses the probability of default by its member countries using the most recent sovereign credit risk rating assigned to each country, by three of the internationally recognized credit rating agencies, adjusted by the Bank's preferred creditor status, and multiplied by the expected amount of loss, measured as a percentage. The Bank uses the same percentage for all countries' sovereign loans outstanding.

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

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

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

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

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

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

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

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

Except for determining the adequacy of the amount of provision for expected losses on loans with sovereign guarantee and without sovereign guarantee, for which the Bank uses a specific methodology modelled after the one adopted by the leading MDBs, as stated above, and for purposes of estimating the expected credit loss (ECL) on other financial assets, and in accordance with its internal policies, the Bank classifies its financial instruments measured at amortized cost or fair value through OCI, in one of the following categories:

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

Stage 2: includes all instruments that, have experienced significant increases in credit risk since initial recognition but are not yet deemed credit impaired.

Stage 3: includes financial instruments, overdue or not, which are considered to be credit impaired. Likewise, loan commitments or financial guarantees whose payment is probable and their recovery doubtful are considered to be in Stage 3.

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

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

(vi) Revenue recognition

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

4.9 Property and equipment

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

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

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

Note 9.1 shows the depreciation methods and useful lives used by the Bank. Assets' residual values and useful lives are reassessed and adjusted as appropriate at year end. In those instances, where the carrying amount of assets exceeds their recoverable value, carrying amounts are adjusted to their recoverable value.

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

4.10 Financial liabilities

Financial liabilities consist of borrowings and derivative financial instruments that are an integral part of the Bank's hedging activities designed to effectively manage interest rate and exchange rate risks in connection with bond issuances. The fair values of derivative financial instruments designated in hedge relationships are disclosed in note 8.5, and the changes in the hedging reserve shown in the Statement of Changes in Equity are explained in note 10.2-(ii).

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

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

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

Derivative financial instruments and hedging activities: Derivatives are solely used for hedging interest and exchange rate risk associated with: (i) the 5-year maturity, fixed interest rate CHF 150,000 bonds issued by the Bank on March 11, 2019; (ii) the 5 ½ year maturity, fixed interest rate CHF 200,000 bonds issued by the Bank on March 3, 2021; and, (iii) the interest rate swaps associated to the $130,000 certificate of deposits at fixed interest rate received from the Central Bank of Uruguay (see also Notes 2; and 8.5-(ii)). Derivatives carry inherent market and credit risks. The inherent market risk on a financial instrument is the potential fluctuation in the interest rate, currency exchange rate or other factors, and it is a function of the type of product, the volume of the transactions, the tenor and other terms of each contract and the underlying volatility.

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

The Bank mitigates the credit risk in derivative financial instruments through transactions with highly qualified counterparties with a credit rating of "A" (or equivalent) or better, and by signing an ISDA master netting agreement with its derivatives counterparties.

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

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

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

Changes in fair value of a derivate instrument that is highly effective, and which has been designated and qualifies as a cash flow hedge are recorded in other comprehensive income (loss) to the extent that the derivative is effective as a hedge.

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

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

4.11 Other liabilities and commitments

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

4.12 Special funds

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

4.13 Other benefits to employees

The amount included under "Other benefits to employees," represent accrued liabilities associated to benefits granted to the Bank's staff under a joint savings program "Programa de Ahorro Compartido" or PAC, by its name in Spanish. PAC liabilities are paid to the staff upon termination of their employment. The Bank's matching contribution on the amount of an employee's voluntary saving is subject to a withholding percentage based on the years of service required for full vesting under the program. Withheld amounts are deferred and subsequently expensed as employees accumulate the required years of service for full vesting under the PAC. Note 8.6 – c), provides a detailed explanation and breakdown of the PAC liability as of June 30, 2021 and December 31, 2020, respectively.

4.14 Capital

The authorized capital consists of paid-in shares and callable shares. Paid-in capital consists of the amount of capital subscriptions paid-in to the Bank by its member countries.

NOTE 5 – SIGNIFICANT ESTIMATES AND JUDGEMENTS

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

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

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

- Potential impairment of investments carried at amortized cost – Note 8.3 – (ii).
- Potential impairment of the loan portfolio – Note 8.4 – (iii).
- Overall effectiveness of derivatives to ensure adequate hedging of expected cash flows – Note 8.5 (ii).

NOTE 6 – FINANCIAL RISK MANAGEMENT

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

Risk	Source of Exposure	Measurement	Risk Management
Market risk – foreign exchange	Except for the Swiss Franc denominated bonds, issued on March 13, 2019, and on March 3, 2021, which were effectively hedged through cross-currency swaps as discussed in Notes 2; 4.10; and 8.5 – (ii), 99.9% of financial assets and liabilities are denominated in U.S. dollars (functional currency).	Cash flow budget.	All loan and investment transactions, as well as the most relevant liabilities shown in the financial statements have been transacted in U.S. dollars. The Bank signed enforceable ISDA master netting agreements with the right to offset with JPM and with CS, respectively. Based on these agreements, the Bank contracted cross-currency swaps to offset both the interest rate and foreign currency exchange risks associated to its bond issuances in the Swiss market. Furthermore, the Bank contracted interest rate swaps to offset the interest rate risk of certificates of deposit received from the CBU on May 5, 2020. These derivatives are an integral part of the Bank's risk-

Risk	Source of Exposure	Measurement	Risk Management
			management process designed to minimize exposure to financial risks and as such were designated as a cash flow hedge.
Market risk – Interest rate risk	Risk of experiencing fluctuations in lending and borrowing rates applicable to the Bank's loans, and debt. As explained in Notes 2; 4.10; and 8.5 – (ii), on March 13, 2019, and on March 3, 2021, respectively, the Bank issued a 5-year and a 5 ½ year Swiss Franc denominated bonds at fixed rate. To hedge both, the interest and exchange risk, the Bank entered into a cross-currency swap with JPM, and with Credit Suisse (CS). On May 5, 2020, the Bank also entered into two interest rate swaps with JPM, to exchange the fixed-interest rate to be paid to CBU on the $50,000 and $80,000 certificates of deposits received into the 6-month Libor rate. The ISDA master netting agreement signed provides for the right of offsetting.	Sensitivity analysis.	The Bank has established policies for the determination of interest rates, allowing it to mitigate the potential effects of interest rate fluctuations. Furthermore, the Bank has a relatively low degree of financial leverage, which further reduces its exposure to interest rate risk. Potential exposures from the issuance of the two Swiss Franc denominated bonds at fixed-rate are effectively managed through the cross-currency swaps. These swaps were designed to replace both, the debt in Swiss Francs by a debt denominated in U.S. dollars and the fixed rate by a variable rate based on the 6-month Libor rate plus a fixed margin, matching the rate structure applicable to all loans to member countries. Hence, effectively eliminating currency and interest rate exposures. Additionally, potential exposures to interest rate changes associated to the two certificates of deposits are effectively hedged through the interest rate swaps contracted with JPM.
Market risk – Security prices	The Bank does not have investments in equity instruments that might be exposed to price risk. All investments consist of bonds that according to the Bank's business model can either be classified as available for sale or held-to-maturity.	Sensitivity analysis based on changes in interest rate for bonds classified as available for sale, valued at reasonable value with changes in OCI. The analysis also focuses on changes in the credit risk rating of issuers of bonds classified as held-to-maturity, which are valued at the lower of	The Bank does not have investment in equity instruments that might be exposed to price risk.

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Risk	Source of Exposure	Measurement	Risk Management
		amortized cost or reasonable value.	
Credit risk	Cash and cash equivalents, investments valued at fair value with changes in OCI, investments valued at amortized cost, and derivative financial instruments used for cash flow hedging of borrowings.	- Aging analysis - Credit ratings - Loan loss provision	Diversification of bank deposits and applicable loan limits. Investment policies and guidelines and credit rating of counterparts.
Liquidity risk	Borrowings, other liabilities and obligations with special funds.	Rolling cash flow forecasts.	Availability of funds required to meet obligations and commitments for a 12-month period following the date of the financial statements.

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

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

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

6.1 Currency risk

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

6.2 Interest rate risk

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

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

In March 2017, through RDE 1390, the Board of Executive Directors approved a new line of loans based on the 6-month Libor plus a variable margin. In March 2018, through RDE 1411, the Board of Executive Directors approved a reduction of the variable lending rate. No loan has been approved under the variable margin modality as of June 30, 2021.

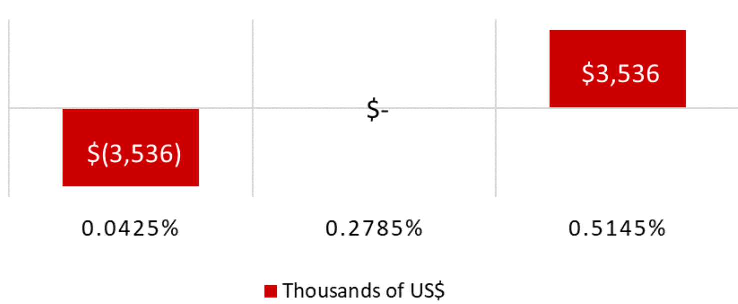
The Executive President was authorized to set lending rates applicable to loan maturities for periods shorter than 15 years, approving operating lending rates as an incentive for member countries to borrow at shorter terms.

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

Based on its 2021 Administrative and Capital Investment Budget approved by the Assembly of Governors, calculation of the sensitivity analysis was performed using a 6-month Libor rate of 28 bps.

Accordingly, the analysis yields a maximum and a minimum 6-month Libor rate of 51 bps and of 4 bps, respectively. Should the 6-month Libor rate increase by 24 bps, to reach 51 bps or decrease 24 bps to reach a minimum of 4 bps, future net income could be increased by $3,536, or reduced by $3,536, respectively.

INTEREST RATE SENSITIVITY ANALYSIS
VARIATION OF THE 6 MONTHS LIBOR RATE



6.3 Market risk

Market risk is the risk of losses in the value of financial assets and liabilities because of changes in market conditions. The Bank manages market risks affecting mainly its investment and loan portfolios through various measures to ensure risk exposures would remain within established policy limits.

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

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

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

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

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

The following chart shows the maximum exposure to losses related to price changes for investments classified as available for sale valued at fair value with changes in other comprehensive income assuming a 100 basis points change in interest rates, and the maximum exposure to losses associated to one notch downgrade in the credit risk rating of investments classified as held-to-maturity and valued at amortized cost as of June 30, 2021, and December 31, 2020, respectively:

	Sensitivity analysis of investments					
	June 30, 2021			December 31, 2020		
Portfolio	Book value $	Maximum loss exposure $	Variation %	Book value $	Maximum loss exposure $	Variation %
Available for sale investments up to 12-month – FVOCI	71,129	244	0.34	89,839	375	0.42
Held-to-maturity investments up to 12-month – At amortized cost	-.-	-.-	-.-	33,108	8	0.02
Certificates of deposit fixed-term deposits	215,614	-.-	-.-	51,316	-.-	-.-
Total short-term investments	286,743	244	0.09	174,263	383	0.22

Portfolio	June 30, 2021 Book value $	Maximum loss exposure $	Variation %	December 31, 2020 Book value $	Maximum loss exposure $	Variation %
Available for sale investments greater than 12-month – FVOCI	203,309	3,035	1.49	231,222	3,336	1.44
Held-to-maturity investments greater than 12-month – At amortized cost	-.-	-.-	-.-	1,298	-.-	-.-
Total long-term investments	203,309	3,035	1.49	232,520	3,336	1.43
Total	490,052	3,279	0.67	406,783	3,719	0.91

Sensitivity analysis of investments

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

6.4 Credit risk

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

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

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

The credit risk associated to the investment of liquid assets is based on internal guidelines governing the investment of liquid assets, which establish the prudential investment limits by each asset class, sector and issuers, to guarantee an adequate diversification and mix of investment sources and maturities. As of June 30, 2021, and as of December 31, 2020, respectively, the average credit risk rating of the investment portfolio was AA, above the AA- required limit by the investment policy.

6.5 Liquidity risk

Liquidity risk is the risk related the inability of the institution to meet its obligations without incurring in unacceptable losses. The Bank has a minimum required level of liquidity which is defined by its liquidity policy as the level required to meet all of its commitments, loan disbursements, debt service, and the payment of obligations stemming from its administrative and capital expenditure requirements for a 12-month period. For the interim period ended as of June 30, 2021, and for the year ended on December 31, 2020, respectively, the Bank did not have commitments and obligations that would carry liquidity risk either in the short or medium term.

The following table shows liquid assets as well as liabilities, as of June 30, 2021, and as of December 31, 2020, respectively.

	June 30, 2021	December 31, 2020
	$	$
Cash and cash equivalents – Note 8.1	234,863	32,037
Investments – Notes 8.2 and 8.3	490,052	406,783
Gross liquidity	724,915	438,820
Cash flow hedge derivatives payable – Note 8.5 (ii)	912	5
Borrowings – Note 8.5	855,360	568,324
Other liabilities – Note 9.3	3,052	1,982
Special funds – Note 8.6	14,354	15,066
Total liabilities	873,678	585,377

Liquid assets coverage of the amount of net estimated disbursements was equivalent to 1.14, and 0.98 years, as of June 30, 2021, and as of December 31, 2020, respectively.

NOTE 7 – MANAGEMENT OF OTHER NON-FINANCIAL RISKS

7.1 Operational risk

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

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

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

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

The Bank has adopted fallback language on new loans' contracts signed over the second half of 2020. The Bank has opted for using the SOFR "in-arrears" for all of its loans, starting January 1, 2022. Accordingly, the Bank is currently in the process of starting development and implementation to accommodate required changes to its loan, investment and debt, electronic transaction processing systems, aiming at having them in production by the end of the first quarter of 2022. Additionally, legacy loan documentation will be amended over the second half of 2021 to reflect the above-mentioned changes.

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

7.2 Management of strategic risks

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

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

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

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

NOTE 8 – FINANCIAL ASSETS AND LIABILITIES

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

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

FONPLATA maintains the following financial assets:

	Note	Financial assets carried at fair value w/changes in OCI $	Financial assets carried at amortized cost $	Total $
June 30, 2021				
Cash and cash equivalents	8.1	-.-	234,863	234,863
Investments at fair value with changes in OCI	8.2	275,738	-.-	275,738
Investments at amortized cost[1]	8.3	-.-	215,811	215,811
Loan portfolio[2]	8.4	-.-	1,314,151	1,314,151
Total		275,738	1,764,825	2,040,563
December 31 2020				
Cash and cash equivalents	8.1	-.-	32,037	32,037
Investments at fair value with changes in OCI	8.2	322,778	-.-	322,778
Investments at amortized cost[1]	8.3	-.-	85,826	85,826
Loan portfolio[2]	8.4	-.-	1,247,631	1,247,631
Total		322,778	1,365,494	1,688,272

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

FONPLATA maintains the following financial liabilities:

	Note	Financial liabilities carried at amortized cost $
June 30, 2021		
Cash flow hedge derivatives	8.5	912
Borrowings	8.5	855,360
Other liabilities	9.3	3,052
Special funds	8.6	14,354
Total		873,678
December 31 2020		
Cash flow hedge derivatives	8.5	5
Borrowings	8.5	568,324
Other liabilities	9.3	1,982
Special funds	8.6	15,066
Total		585,377

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

The maximum exposure to credit risk as of June 30, 2021, and as of December 31, 2020, respectively, corresponds to the balances shown for each of the above-mentioned financial assets.

8.1 Cash and cash equivalents

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

	June 30, 2021	December 31, 2020
	$	$
Cash at Banks	172,869	32,037
Time deposits	61,994	-.-
Total	234,863	32,037

(i) Classification of cash equivalents

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

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

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

	June 30, 2021	December 31, 2020
	$	$
Sovereign bonds	139,778	173,514
Multilateral development institutions – Bonds	121,140	132,482
Other financial institutions	11,529	12,969
Argentine treasury bonds	1,991	2,096
Subtotal	274,438	321,061
Accrued interest receivable	1,300	1,717
Total	275,738	322,778

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

(i) Investments with related parties

As of June 30, 2021, and as of December 31, 2020, respectively, the Bank did not maintain investments with related parties.

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

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

(iii) Impairment

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

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

For the interim period ended June 30, 2021, the Bank has recognized a net loss of $6,488, in its statement of comprehensive income, comprised of an unrealized loss in market value adjustments of investments $1,577; a loss of $4,897, in valuation of cross-currency and interest rate swaps (December 31, 2020, net loss of $794, consisting of: $2,417, in net losses arising from market value adjustments on investments kept at fair value; and a gain of $1,651, related to market value adjustments on the effective portion of derivatives designated as cash-flow hedge of bonds outstanding). Additionally, during the 6-month ended June 30, 2021, comprehensive income was reduced by $14, corresponding to the depreciation of the amount of technical appraisal of property recognized in 2018, $812 (December 31, 2020, depreciation amounted to $28).

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

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

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

8.3 Investments carried at amortized cost

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

	June 30, 2021	December 31, 2020
	$	$
Investments in time deposits [(1)]		
Sovereign	111,797	28,853
Multilateral development institutions	79,886	22,463
Other financial institutions	23,931	-.-
Subtotal	215,614	51,316
Investments in other values [(2)]		
Sovereign bonds	-.-	28,544
Bonds issued by Multilateral development institutions	-.-	1,298
Financial sector bonds	-.-	4,564
Subtotal	-.-	34,406
Principal invested	215,614	85,722
Accrued interest receivable	197	104
Total	215,811	85,826

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

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

(i) Investments carried at amortized cost

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

Based on the results of the Bank's assessment of ECL on investments carried at amortized cost, no allowance was deemed necessary, as of the carrying amounts for investments was lower than their respective fair values based on bid market prices as of June 30, 2021 (December 31, 2020 – Nil).

(ii) Impairment and exposure to risk

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

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

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

8.4 Loan portfolio

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

Country	June 30, 2021 $	December 31, 2020 $
Argentina	352,164	322,860
Bolivia	341,389	331,636
Brazil	116,198	106,045
Paraguay	192,868	179,773
Uruguay	244,348	239,181
Gross loan portfolio with sovereign guarantee (SG)	1,246,967	1,179,495
Gross loan portfolio without sovereign guarantee (NSG)	72,000	72,000
	1,318,967	1,251,495
Less: Unaccrued administrative fee	(3,605)	(4,723)
Subtotal loan portfolio	1,315,362	1,246,772
Less: Provision for potential impairment on SG loans	(10,004)	(8,491)
Less: Provision for potential impairment on NSG loans	(1,217)	(1,250)
Net loan portfolio	1,304,141	1,237,031

Accrued loan interest receivable amounts to $10,010 as of June 30, 2021, and to $10,600, as of December 31, 2020, respectively.

During the interim period ended as of June 30, 2021, and for the ended December 31, 2020, all loans were classified in Stage 1. The amount of provision for potential impairment of loans as of June 30, 2021, and as of December 31, 2020, is as follows:

	June 30, 2021 $	December 31, 2020 $
Provision as of the beginning of the period or year SG	8,491	12,239
Increase/decrease on provision of SG loans	1,513	(3,748)
Subtotal Provision SG	10,004	8,491
Opening NSG provision	1,250	-.-
Increase/decrease on NSG provision	(33)	1,250
Subtotal NSG provision	1,217	1,250
Total provision for potential impairment on loans	11,221	9,741

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

Maturity	June 30, 2021 $	December 31, 2020 $
Up to one year	85,745	75,667
Greater than one and up to two years	120,815	98,918
Greater than two and up to three years	143,986	127,677
Greater than three and up to four years	158,769	147,428
Greater than four and up to five years	129,464	136,154
Greater than five years	680,188	665,651
Total gross loan portfolio	1,318,967	1,251,495

(i) Loan portfolio classification

Most of the loan portfolio consists of loans granted with the sovereign guarantee of the member country. Starting in 2020, the Bank begun extending financing to state-owned banks without the sovereign guarantee of the member country. The outstanding balance from those loans represents approximately 5.5% of gross loans outstanding as of June 30, 2021 (December 31, 2020 – 5.7%).

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

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

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

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

In 2020, the Bank had granted and fully disbursed two loans in the amount of $36,000, each under this new line of NSG financing. No such loans were approved during the interim period ended as of June 30, 2021. These financings consist of revolving credit lines with 8-year validity and feature a 2-year grace period and 5-year amortization period. As it is the case in SG financings, SGS financings accrue interest based on the 6-month Libor rate, plus a margin based on the credit risk rating of the borrower at the time of approval. Furthermore, these financings accrue a commitment fee on the undisbursed balance of each tranche approved, and administrative commission based on the term of the line of credit.

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

(ii) Fair value of the loan portfolio

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

(iii) Impairment and exposure to risk

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

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

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

Moreover, the Bank maintains policies on risk exposures to avoid concentrating its lending on one country only, which could be affected by market conditions or other circumstances. In this regard, the Bank uses certain measurements or indicators, such as: equity and total loan portfolio. The Bank reviews the status of its loan portfolio, on a quarterly basis, to identify potential impairments affecting its collectability, in full or in part. Information about the overall credit quality of the loan portfolio, its exposure to credit risk, currency exchange and interest risk is disclosed Notes 4.7 and 6.

8.5 Borrowings

Borrowings includes outstanding loans with other multilateral development institutions (MDBs); time deposits with central banks of the Bank's member countries; bonds and derivatives used as a hedge of the interest rate exposure on time deposits with central banks contacted at fixed-rate and swapped into variable rate, and cross-currency swaps related to the two CHF denominated bond issuances; as well as collateral received or paid as per the ISDA master netting agreement, to compensate for credit risk in the event of non-performance of the counterpart of the cross-currency and interest rate swaps. The net balance of the swaps' receivable and payable together with the amount of collateral received from JPM and Credit-Suisse, consists of a net payable of $912, as of June 30, 2021 (December 31, 2020, $5), and is shown under "Cash flow hedged derivatives", in the statement of financial position.

Total borrowings as of June 30, 2021, and as of December 31, 2020, are as follows:

	June 30, 2021	December 31, 2020
	$	$
Borrowings		
Loans and time deposits at amortized cost	478,203	398,968
Bonds	379,239	170,222
Less: unamortized borrowing costs	(2,082)	(866)
Total	855,360	568,324

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

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

	June 30, 2021	December 31, 2020
	$	$
Corporación Andina de Fomento (CAF) - See (1), below	66,667	69,333
Time deposits with Central Banks - See (2) below	180,000	210,000
Inter-American Development Bank (IDB) - See (3) below	100,000	88,098
French Development Agency (AFD) - See (4) below	20,000	20,000
European Investment Bank (EIB) - See (5) below	6,000	6,000
Oficial Credit Institute E.P.E. (ICO) - See (6) below	5,536	5,536
Banco Bilbao Vizcaya Argentaria (BBVA) - See (7) below	100,000	-.-
Total	478,203	398,967

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

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

(1) As part of the framework contract signed with "Corporación Andina de Fomento – CAF" on November 14, 2016, the Bank has at its disposal an uncommitted line of credit for up to $75,000. On December 19, 2016, the Bank drew-down $16,000 for the financing loan disbursements, of which as of June 30, 2021, it had repaid $13,332 ($10,666 for the year ended December 31, 2020). The applicable terms for this financing are based

on the 6-month Libor rate plus a margin. This loan calls for a 5-year maturity, with a 2-year grace period. Loan principal is repayable in 6 semiannual equal and consecutive installments including interest, beginning June 19, 2019, and ending December 16, 2021. During the interim period ended as of June 30, 2021, the Bank amortized $2,667, of loan principal under the first tranche ($5,333 for the year ended December 31, 2020). On June 12, 2020, the Bank drew down $64,000 from the line of credit. The applicable terms for this new borrowing provide for a bullet payment after 2 years and semiannual interest payments based on the 6-month Libor rate plus a margin.

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

Central Bank	Amount	Date of Acceptance	Maturity	Type of Interest Rate
Bolivia	50,000	5/6/2020	11/8/2021	6-month Libor plus margin
Uruguay	50,000	5/5/2020	11/5/2021	Fix[1]
Uruguay	80,000	5/5/2020	5/5/2023	Fix[1]
Total	180,000			

[1]In compliance with its prudential risk-management policies, the Bank swapped the fix-rate interest payments for the 6-month Libor rate, within the framework of the ISDA agreement signed with JPM in March 2018 (see Notes 2 and 8(ii), for further details).

(3) On December 1, 2017, the Bank subscribed a financing agreement in the amount of $100,000 with the Inter-American Development Bank (BID). This borrowing is based on the 3-month Libor rate and provides for a 5-year disbursement period, a 5 ½ grace period and a 25-year repayment period. The terms of this borrowing agreement, which entered into force upon its signature, provides for the recognition of eligible project expenditures for an amount of up to $20,000, covering project expenditures incurred from June 15 and November 15, 2017. Furthermore, with the purpose of optimizing cash flows under this line of credit, both parties agreed that the Bank could make disbursements on eligible loans and that the IDB would reimburse the Bank those amounts under the modality of reimbursement of expenditures. Hence, monies drawn down from the IDB under this line of credit can be used by the Bank as it sees fit. On June 25, 2021, the Bank received $7,712, as a reimbursement of previously made disbursements on eligible projects, and on June 28, 2021, the Bank received $4,190, to be allocated to projects ARG-35 and ARG-39 (November 2, 2020, the Bank received $27,883). With the reimbursements received as of June 30, 2021, this line of credit has been completely utilized, increasing the amount owed to the IDB to $100,000 (December 31, 2020, $88,098).

The 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:

	As of June 30, 2021, and December 31, 2020			
	IDB			
Loan	Eligible amount	Disbursed	non-financeable amount	To be financed by FONPLATA
	$	$	$	$
ARG-26/2016 Modernization	750	750	-.-	6,750
ARG-28/2016 Compl. Frontier	10,000	2,000	8,000	10,000
ARG-31/2016 BICE 1ª Stage	14,328	14,328	-.-	5,672

Loan	As of June 30, 2021, and December 31, 2020			
	IDB			
	Eligible amount	Disbursed	non-financeable amount	To be financed by FONPLATA
	$	$	$	$
ARG-31/2016 BICE 2ª Stage	13,881	13,881	-.-	6,119
ARG-35/2017 Infraestr. p/la integration	11,500	2,220	9,280	10,700
ARG – 39/2018 Route 13 Chaco	20,000	9,709	10,291	17,214
BOL-32/2018 - stage I Urban Infrastructure 2	20,000	20,000	-.-	45,000
BRA-16/2014 Corumba	10,000	10,000	-.-	30,000
PAR-20/2015 Integration	23,250	22,922	328	46,750
PAR-25/2018 Routes Jesuiticas	12,000	-.-	12,000	-.-
Advances to projects ARG-35/ARG-39[2]	-.-	4,190	(4,190)	(4,190)
Eligible and undisbursed projects	(35,709)	-.-	-.-	-.-
Total	100,000	100,000	35,709	174,015

[2]This amount will be allocated at later time.

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

(4) On December 13, 2017, the Bank entered into a contract with the French Development Agency to borrow up to $20,000 with a 15-year maturity at the 6-month Libor rate plus a margin. On October 22, 2018, the Bank drew-down $5,000 against this line of credit and used them to finance disbursements on its loan BOL – 28/2016 “Cosechando”, with an approved amount of $10,000. The Bank received the remaining amount under this line of credit of $15,000, on September 11, 2020.

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

(6) On December 17, 2018, the Bank signed a credit line with the “Instituto de Credito Oficial E.P.E. – (ICO),” in the amount of $15,000, which expires on December 17, 2020. There were no drawdowns under this line of credit subsequent to 2019, where the Bank drew-down $5,536.

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

Loan	June 30, 2021, and December 31, 2020			
	ICO			
	Eligible amount	Disbursed 2020	Disbursed 2021	Undisbursed
	$	$	$	$
BOL – 25 sewerage	1,674	1,674	-.-	-.-
URU – 14 residual liquids	3,629	2,129	-.-	1,500
ARG – 38/2018 railway	1,733	1,733	-.-	-.-
Projects to be identified	7,964	-.-	-.-	7,964
New Projects ICO Phase II	15,000	-.-	-.-	15,000
Cancelled project	(9,464)	-.-	-.-	(9,464)
Total	20,536	5,536	-.-	15,000

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

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

As stated in Notes 2 and 4.10, on February 3, 2021, the Bank launched its second bond issuance, consisting of a fixed rate, 5 ½ - year, Swiss Francs denominated bond maturing on September 3, 2026, with a 0.556% annual coupon in the amount of CHF 200,000, received on March 3, 2021.

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

The following are the cross-currency and currency swaps outstanding as of June 30, 2021, and as of December 31, 2020:

June 30, 2021

1. JPM – Cross-currency swapping CHF 150,000, maturing in 5-years at fix rate with 0.578% annual coupon, plus 1 bps paying agent's commission, exchanged for USD 148,809, maturing in 5-years with semiannual interest payments based on the 6-month Libor rate.
2. JPM – Interest rate swaps to exchange fixed rate semiannual payments related to time deposits taken from the Central Bank of Uruguay, in the aggregate amount of $130,000, for variable interest rate semiannual payments based on the 6-month Libor rate (see Notes 2, and 8).
3. Credit-Suisse – Cross-currency swap to exchange CHF 200,000, 5 ½ maturity at fix rate, with 0.556% annual coupon for USD 222,668, with semiannual payments based on the 6-month Libor rate.

December 31, 2020

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

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

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

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

As of June 30, 2021, the Bank holds collateral in the form of cash received from JPM, in the amount of $14,762, to compensate for credit risk in the event the counterparts were to default on its commitment (December 31, 2020 - $23,584). Additionally, during the interim period ended as of June 30, 2021, the Bank sent $8,820, collateral in connection with the cross-currency swap contracted with Credit-Suisse.

The total amount of interest received and paid on collateral sent and received from counterparts, based on the Federal Reserve overnight funds rate amounted to $1 and $7, respectively (December 31, 2020 - $0 of interest received and $30 of interest paid).

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

The following table presents the recognized financial instruments (i.e., cross-currency and interest rate swaps and collateral) that are offset, or subject to enforceable master netting arrangements and other similar arrangements but not offset, as of June 30, 2021. The column "net amount" shows the impact on the Bank's interim statement of financial position if all set-off rights were exercised.

	Gross amounts	Gross amounts set-off in the interim Statement of Financial Position	Net amounts presented in the interim Statement of Financial Position
	$	$	$
As of June 30, 2021			
Financial assets:			
Cross-currency swap receivable at FVOCI – CS	231,931	(240,744)	(8,813)
Collateral receivable – CS	8,820	-.-	8,820
Subtotal Derivatives Receivable – CS	240,751	(240,744)	7
Financial liabilities:			
Cross-currency and interest rate swaps payable at FVOCI – CS	(240,744)	240,744	-.-
Subtotal Derivatives Payable – CS	(240,744)	240,744	-.-
Cash-flow hedge derivatives net receivable [1]	7	-.-	7

	Gross amounts	Gross amounts set-off in the interim Statement of Financial Position	Net amounts presented in the interim Statement of Financial Position
	$	$	$
As of June 30, 2021			
Financial assets:			
Cross-currency swap receivable at FVOCI – JPM	168,750	(168,750)	-.-
Interest rate swaps receivable at FVOCI - JPM	131,465	(131,465)	-.-
Subtotal Derivatives Receivable – JPM	300,215	(300,215)	-.-
Financial liabilities:			
Cross-currency and interest rate swaps payable at FVOCI – JPM	(155,145)	168,750	13,605
interest rate swap payable at FVOCI - JPM	(131,227)	131,465	238
Collateral payable -JPM	(14,762)	-.-	(14,762)
Subtotal Derivatives Payable - JPM	(301,134)	300,215	(919)
Cash-flow hedge derivatives net receivable [2]	(919)	-.-	(919)
Net payable as of June 30, 2021	(912)	-.-	(912)
As of December 31, 2020			
Financial assets:			
Cross-currency swap receivable at FVOCI	179,475	(179,475)	-.-
Interest rate swaps receivable at FVOCI	132,360	(132,360)	-.-
Subtotal Derivatives receivable	311,835	(311,835)	-.-
Financial liabilities:			
Cross-currency and interest rate swaps payable at FVOCI	(156,261)	179,475	23,214
Interest rate swaps payable at FVOCI	(131,995)	132,360	365
Collateral	(23,584)	-.-	(23,584)
Subtotal Derivatives payable	(311,840)	311,835	(5)
Net receivable exposure	(5)	-.-	(5)

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

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

Maturities	June 30, 2021	December 31, 2020
	$	$
Up to one year	167,220	135,333
More than one and up to two years	85,426	66,016
More than two and up to three years	203,790	87,330
More than three and up to four years	41,473	177,553
More than four and up to five years	41,687	7,760
More than five years	317,846	95,198
Total	857,442	569,190

(i) Fair value of borrowings

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

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

(ii) Risk exposure

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

8.6 Special funds

The balance maintained with special funds by the Bank as of June 30, 2021, and as of December 31, 2020, respectively, includes the following:

	June 30, 2021	December 31, 2020
	$	$
FOCOM	7,885	8,838
PAC	3,671	3,242
PCT	2,798	2,986
Total	14,354	15,066

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

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

a. *"Fund for the Compensation of the Operational Rate (referred as FOCOM)"*: The scope of this fund, was expanded in 2020, from helping to reduce the financial cost incurred by Bolivia, Paraguay y Uruguay on their loans with the Bank, to also encompass green projects and projects financed under the Economic Recovery Line, through the payment of a portion of the interest to be paid semiannually for all five member countries. The payment of the part of the interest accrued on loans by FOCOM on behalf of the borrowers is contingent and determined annually. Since the inception of this fund, in May 2014, and through the interim period ended June 30, 2021, the Board of Governors has approved $11,510 in contributions from the retained earnings for the years ended December 31, 2013, 2017 through 2020.

b. *"Technical Cooperation Program (PCT)"*: This fund was created through the restructuring and transfer of resources from the "Fondo para Desarrollo de Proyecto de Integracion Regional" (FONDEPRO), to the PCT. The PCT pursues the purpose of fostering regional development and integration, through financing studies, technical knowledge exchange programs, and other initiatives that form an integral part of the Bank's strategic focus. Since its inception and through December 31, 2020, the Board of Governors approved $3,000, of contributions to the PCT from retained earnings.

c. *"Joint Savings Program (PAC)"*: As stated in Note 4.13, "Other benefits to employees" on August 14, 2018, the Board of Executive Directors approved the PAC, which became effective, on November 1, 2018, and has a validity of eight years counted from the first day of employment of a participant. The PAC preserves the exit payment benefit, upon termination of employment, and improves it by adding a supplemental contribution based on one-to-one matching of the voluntary amount of savings to be contributed by participating employees.

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

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

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

The following table provides a break-down of funds accumulated and total available PAC funds for the interim period ended as of June 30, 2021, and for the year ended on December 31, 2020, respectively:

	Severance payment contributions $	Participants' voluntary savings contributions $	Bank's matching contributions on voluntary savings $	Accumulated total $	Total amount available for termination $	Deferred amount $
June 30, 2021						
Balance as of December 31, 2020:	1,598	803	585	2,986	2,896	90
Changes in vesting						
Severance payment contributions	253	-.-	-.-	253	253	-.-
Participants' voluntary savings contribution	-.-	181	181	362	383	(21)
Additional participants' savings contributions	-.-	79	-.-	79	79	-.-
Investment income accrued	-.-	1	1	2	2	-.-
Withdrawals	(11)	-.-	-.-	(11)	(11)	-.-
Balance due to the PAC June 30; 2021	1,840	1,064	767	3,671	3,602	69
December 31, 2020						
Balance as of December 31, 2019:	1,393	404	304	2,101	2,035	66
Severance payment contributions	423	-.-	-.-	423	423	-.-
Participants' voluntary savings contribution	-.-	322	322	644	620	24
Additional participants' savings contributions	-.-	161	-.-	161	161	-.-
Investment income accrued	-.-	8	6	14	14	-.-
Withdrawals	(218)	(92)	(47)	(357)	(357)	-.-
Balance due to the PAC	1,598	803	585	2,986	2,896	90

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

8.7 Recognition and measurement of fair value

This note includes information about judgments and estimates used in the determination of fair values of financial instruments in the interim 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 $
June 30, 2021				
Investments carried at fair value with effect in OCI	8.2	274,438	-.-	-.-
December 31, 2020				
Investments carried at fair value with effect in OCI	8.2	321,061	-.-	-.-

During the interim period ended as of June 30, 2021, and for the year ended on December 31, 2020, the Bank did not have holdings of financial instruments requiring valuation at fair value in accordance with the fair value measurement methodologies prescribed under either level 2 or 3. Should changes in the methodology of obtaining applicable fair values for financial investment instruments exist, it is the Bank's policy to recognize the effect from such changes.

- *Level 1*: Fair value of financial instruments transacted in an active market (such as investments carried at fair value), are based on prevailing quoted market prices at year end. The market price used for financial assets held by the institution is the quoted market price. These instruments are included under level 1.

- *Level 2*: Fair value of financial instruments not quoting in an active market is determined through valuation techniques, using as much as possible reliable and observable market information. If all information required to determine the applicable fair value for a financial instrument is observable information, then such instrument is classified under level 2. The institution does not have financial instruments classified under this category.

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

NOTE 9 – NON-FINANCIAL ASSETS AND LIABILITIES

This note provides information about non-financial assets and liabilities of the institution, including:

- Specific information of each type of non-financial asset and liability.
- Accounting policies used.
- Information about the determination of fair values attributable to those assets and liabilities, including professional judgments used and the uncertainties of the estimates applied.

9.1 Property and equipment, net

The composition of property and equipment includes the following:

	Property $	Equipment and Furniture $	Art $	Vehicles $	Total $
Book value					
Balance as of December 31, 2019	4,827	1,860	87	48	6,822
Additions	29	569	-.-	-.-	598
Balance as of December 31, 2020	4,856	2,429	87	48	7,420
Additions	-.-	19	-.-	-.-	19
Balance as of June 30, 2021	4,856	2,448	87	48	7,439
Cumulative depreciation					
Balance as of December 31, 2019	347	750	-.-	40	1,137
Depreciation	166	178	-.-	5	349
Balance as of December 31, 2020	513	928	-.-	45	1,486
Depreciation	83	120	-.-	3	206
Balance as of June 30, 2021	596	1,048	-.-	48	1,692
Net book value as of June 30, 2021	4,260	1,400	87	0	5,747
Net book value as of December 31, 2020	4,343	1,501	87	3	5,934

The net book value of offices, parking, and storage spaces conforming the Bank's headquarters includes a technical revaluation in the amount of $812, recognized on December 31, 2018, based on the estimated fair value resulting from an independent appraisal as of that date. This revaluation resulted into the recognition of a revaluation reserve in other comprehensive income. The amount of the revaluation reserve is reduced through depreciation and might be adjusted based on subsequent technical revaluations.

(ii) Depreciation methods, revaluation, and useful lives

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

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

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

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

(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:

		June 30, 2021	December 31, 2020
		$	$
Cost		4,043	4,043
Cumulative depreciation		(527)	(457)
	Total	3,516	3,586

9.2 Miscellaneous

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

The Bank has entered into medium-term leases to secure space for its liaison offices in Montevideo, Uruguay and Brazilia, Brazil. Leases for periods longer than one year are recognized and accounted in compliance with IFRS 16. The following table shows the relevant information on those leases as of June 30, 2021, and as of December 31, 2020, respectively:

	Lease Obligation
As of June 30, 2021	$
Montevideo – Uruguay, 3-year lease contract signed on November 20, 2020. Minimum monthly payments in U.S. dollars of $2.5, starting on February 1, 2021, and ending on January 1, 2024. Minimum rental payments are subject to 4% annual escalation adjustment.	117
Brazil – Brazilia, 3-year lease contract signed on March 15, 2021, with minimum lease payments denominated in Brazilian Reais, $9.5, and subject to annual escalation adjustments based on the local inflation price index. Lease expires on March 14, 2024.	63
Total	180
December 31, 2020	
Montevideo – Uruguay, 3-year lease contract signed on November 20, 2020. Minimum monthly payments in U.S. dollars of $2.5, starting on February 1, 2021, and ending on January 1, 2024. Minimum rental payments are subject to 4% annual escalation adjustment.	114
Total	114

As of June 30, 2021, and as of December 31, 2020, the total amount of miscellaneous receivables amounts to $1,025, and to $762, respectively.

9.3 Other Liabilities

This caption includes interest and commissions payable accrued on borrowings, as well as small balances owed to suppliers, and the financial lease liability in connection with the financial lease signed to secure office space for the liaison office in Montevideo, Republic Oriental del Uruguay. The composition of other liabilities as of June 30, 2021, and as of December 31, 2020, is as follows:

	June 30, 2021	December 31, 2020
	$	$
Interest and commissions accrued on borrowings	3,311	1,633
Trade payables and accruals	300	235
Unamortized financial lease obligations	180	114
Total	3,791	1,982

FONPLATA

NOTE 10 – EQUITY

10.1 Capital

On January 28, 2016, the 14th Extraordinary Board of Governors approved a new capital increase in the amount of $1,375,000, raising the authorized from $1,639,200 to $3,014,200. 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, for Argentina, Bolivia, Paraguay, and Uruguay, and from 2018 – 2026, for Brazil in 2026. Upon completion of the integration process paid-in capital would amount to $1,349,200. Callable capital in the amount of $1,665,000, was subscribed and committed in its totality as of December 31, 2017. Payment of subscribed and committed callable capital will proceed when required and based on the Governors' approval should the Bank be unable to comply with its financial obligations and commitments using its own resources.

Composition of the Bank's capital by member country as of June 30, 2021, and as of December 31, 2020, is as follows:

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

During the interim period ended as of June 30, 2021, the Bank received paid-in contributions in the amount of $58,418. The amount of paid-in capital subscribed and pending integration, as well as the amount of callable capital and committed as of June 30, 2021, and as of December 31, 2020, respectively, is as follows:

Member country	June 30, 2021 Paid-in Capital Subscribed			December 31, 2020 Paid-in Capital Subscribed		
	Paid-in [i]	Receivable [i]	Total	Paid-in [i]	Receivable [i]	Total
	$	$	$	$	$	$
• Argentina	356,243	93,501	449,744	325,076	124,668	449,744
• Bolivia	108,349	41,555	149,904	108,349	41,555	149,904
• Brazil	294,010	155,734	449,744	266,759	182,985	449,744
• Paraguay	108,349	41,555	149,904	108,349	41,555	149,904
• Uruguay	108,349	41,555	149,904	108,349	41,555	149,904
Total	975,300	373,900	1,349,200	916,882	432,318	1,349,200

June 30, 2021, and December 31, 2020:

Member Country	Subscribed Callable Capital [i] Committed [ii]
	$
• Argentina	555,014
• Bolivia	184,991

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

[i] As of December 31, 2018, all member countries had subscribed and committed their share of callable capital.

[ii] Subtotals may differ from totals due to rounding into thousands.

10.2 Other reserves

As explained in Note 8.2 (iv), other comprehensive income as of June 30, 2021, and as of December 31, 2020, includes the following:

(i) Reserve for changes in the fair value of investments – FVOCI: During the interim period ended as of June 30, 2021, this reserve was decreased by $1,577 loss, for a cumulative loss of $3,456 (December 31, 2020 – decreased by $2,417, due to unrealized losses, of unrealized gains for balance of $1,879 of unrealized losses).

(ii) Reserve for changes in fair value of derivatives held for hedging: During the interim period ended as of June 30, 2021, this reserve was decreased by $4,897, loss resulting from the fair value of derivatives contracted for the protection of cashflows, for a cumulative loss of $2,731 (December 31, 2020 - increased by $1,651, gains, for a balance of $2,166, cumulative gains).

(iii) Reserve for revaluation of property: During the interim period ended as of June 30, 2021, this reserve was reduced by $14, for a balance of $743 (December 31, 2020 – Reduced by $28, for a balance of $757).

10.3 Retained earnings and reserves

Retained earnings as of June 30, 2021, amount to $48,050 and correspond to the sum of net income earned from January 1 through June 30, 2021, $12,136, plus retained earnings as of December 31, 2020 - $35,914.

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

The amount of the General Reserve on June 30, 2021, and as of December 31, 2020, respectively is as follows:

	General Reserve $
Balance as of December 31, 2019	132,443
Allocated by the Board of Governors in 2020:	
from retained earnings	23,308
Balance as of December 31, 2020	155,751
Allocated by the Assembly of Governors in 2021	-.-
Balance as of June 30, 2021	155,751

FONPLATA

NOTE 11 – REVENUES

The composition of net income is as follows:

	January 1 through June 30, 2021 $	2020 $
Loan income:		
Interest	17,071	19,373
Commitment fee and commissions	1,909	2,328
Administrative fee	1,752	990
Subtotal	20,732	22,691
Investment income:		
Interest	2,396	3,575
Other	6	13
Gross investment income	2,402	3,588
Special Fund's share of investment income	(22)	(117)
Investment income – Net	2,380	3,471
Other income	47	32
Total Income	23,159	26,194

NOTE 12 – ADMINISTRATIVE EXPENSES

Since 2013, the Bank has adopted a result-based budgeting system, including performance indicators allowing the measurement of results attained and their related cost. The system matches governance, operating and financial goals with the activities required to reach them and the resources required. During the interim periods ended as of June 30, 2021, and 2020, the Bank reached a percentage of execution of its administrative budget equivalent to 38% and 37%, respectively. The break-down of administrative expenditures by functional activity is as follows:

Classification of expenses	January 1, through June 30, 2021 $	2020 $
Personnel expenses	3,494	3,449
Business travel expenses	45	145
Professional services	247	181
Credit risk rating	51	65
External auditors	43	43
Administrative expenses	480	423
Financial services	69	51
Total administrative budget	4,429	4,357
Depreciation	192	162
Loss/(Gain) on foreign exchange	44	(48)
Total administrative expenses	4,665	4,471

NOTE 13 – SCHEDULED MATURITY OF ASSETS AND LIABILITIES

The following tables provide an analysis of the expected time elapsed to maturity of assets and liabilities as of the end of the interim period on June 30, 2021, and for the year ended December 31, 2020, respectively, based on their respective recovery or settlement date:

	Current (Up to 1 year) $	Non-Current (More than 1 year) $	Total $
June 30, 2021			
ASSETS			
Cash and cash equivalents	234,863	-.-	234,863
Investments			
At fair value[1]	274,438	-.-	274,438
At amortized cost	215,614	-.-	215,614
Loan portfolio			
Outstanding loans	83,787	1,220,354	1,304,141
Interest and other accrued charges			
On investments	1,497	-.-	1,497
Interest and commissions on loans	10,010	-.-	10,010
Other assets			
Property and equipment, net	-.-	5,747	5,747
Miscellaneous	643	382	1,025
Total assets	820,852	1,226,483	2,047,335
LIABILITIES			
Cash flow hedge derivatives	912	-.-	912
Borrowings	166,756	688,604	855,360
Other liabilities	2,870	182	3,052
Special funds	3,670	10,684	14,354
Total liabilities	174,208	699,470	873,678
December 31, 2020			
ASSETS			
Cash and cash equivalents	32,037	-.-	32,037
Investments			
At fair value	152,856	168,205	321,061
At amortized cost	85,722	-.-	85,722
Loan portfolio			
Outstanding loans	72,829	1,164,202	1,237,031
Interest and other accrued charges			
On investments	1,821	-.-	1,821
Interest and commissions on loans	10,600	-.-	10,600
Other assets			
Cash flow hedge derivatives – Note 8.5 (ii)	-.-	-.-	-.-
Property and equipment, net	-.-	5,934	5,934
Miscellaneous	643	119	762
Total assets	356,508	1,338,460	1,694,968
LIABILITIES			
Cash-flow hedge derivatives - Note 8.5 (ii)	5	-.-	5
Borrowings	135,333	432,991	568,324
Other liabilities	1,895	87	1,982
Special funds	3,066	12,000	15,066
Total liabilities	140,299	445,078	585,377

FONPLATA

[1]As of June 30, 2021, all investments classified as available for sale and valued at FVCOI, are held for purpose of financing expected loan disbursements within the next 12-month.

NOTE 14 – IMMUNITIES, EXEMPTIONS AND PRIVILEGES

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

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

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

NOTE 15 – SEGMENT INFORMATION

(a) Segment description

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

(b) Assets by segment

Composition of the loan portfolio by country is as follows:

	Gross portfolio	Unaccrued commissions	Impairment	Loan portfolio	Interest and commissions receivable	Total
	$	$	$	$	$	$
June 30, 2021:						
Argentina	352,164	(1,140)	(6,532)	344,492	2,889	347,381
Bolivia	341,389	(453)	(2,017)	338,919	2,840	341,759
Brazil[1]	152,198	(1,036)	(1,120)	150,042	1,162	151,204
Paraguay	228,868	(653)	(655)	227,560	1,527	229,087
Uruguay	244,348	(323)	(897)	243,128	1,592	244,720
Total	1,318,967	(3,605)	(11,221)	1,304,141	10,010	1,314,151

	Gross portfolio $	Unaccrued commissions $	Impairment $	Loan portfolio $	Interest and commissions receivable $	Total $
December 31, 2020:						
Argentina	322,860	(1,470)	(4,922)	316,468	3,152	319,650
Bolivia	331,636	(672)	(2,068)	328,896	2,948	331,844
Brazil[1]	142,045	(1,275)	(1,135)	139,635	1,119	140,754
Paraguay[1]	215,773	(833)	(670)	214,270	1,428	215,698
Uruguay	239,181	(473)	(946)	237,762	1,953	239,715
Total	1,251,495	(4,723)	(9,741)	1,237,031	10,600	1,247,631

[1]Includes $72,000 of NSG loans approved and fully disbursed in 2020. As of June 30, 2021, unaccrued commissions on NSG loans amount to $331, (December 31, 2020 - $370); and interest and commissions receivable amount to $185 (December 31, 2020, $186). The amount of provision for potential NSG loan losses amounts to $1,217 (December 31, 2020 – $1,250), see Note 8.4, for more details.

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

	Communication, transportation, energy, and logistics infrastructure $	Infrastructure for productive development $	Infrastructure for socio-economic development $	NSG Loans $	Total $
June 30, 2021:					
Argentina	169,032	63,153	119,979	-.-	352,164
Bolivia	325,340	-.-	16,049	-.-	341,389
Brazil	100,080	-.-	16,118	36,000	152,198
Paraguay	179,742	13,126	-.-	36,000	228,868
Uruguay	216,592	15,000	12,756	-.-	244,348
Total	990,786	91,279	164,902	72,000	1,318,967
December 31, 2020:					
Argentina	135,379	65,511	121,970	-.-	322,860
Bolivia	314,653	-.-	16,983	-.-	331,636
Brazil	88,172	-.-	17,873	36,000	142,045
Paraguay	165,772	14,001	-.-	36,000	215,773
Uruguay	210,754	15,000	13,427	-.-	239,181
Total	914,730	94,512	170,253	72,000	1,251,495

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

	June 30, 2021 $	December 31, 2020 $
Argentina	351,254	287,539
Bolivia	96,786	116,716
Brazil	167,097	180,737
Paraguay	233,066	250,413
Uruguay	59,989	57,067
Total	908,192	892,472

As of June 30, 2021, and as of December 31, 2020, respectively, the balance of loans approved by the Bank but not yet disbursing due to either their respective contracts no having been signed or ratified by the member country's Legislative Branch, corresponds solely to sovereign guaranteed loans, and is as follows:

	June 30, 2021	December 31, 2020
	$	$
Argentina	28,000	85,000
Brazil	177,007	94,877
Paraguay	276,246	276,246
Uruguay	-.-	21,000
Total	481,253	477,123

The average return on loans is as follows:

	January 1, through June 30,			
	2021		2020	
	Average balance	Average return	Average balance	Average return
	$	%	$	%
Loan portfolio	1,285,231	3.23%	1,020,460	4.45%

(c) Segment revenues

Interest and other loan revenues by segment are as follows:

	Loan revenues	Other loan operating revenues	Total
	$	$	$
January 1 through June 30, 2021:			
Argentina	4,719	1,066	5,785
Bolivia	4,380	435	4,815
Brazil[1]	2,123	631	2,754
Paraguay[1]	2,827	1,266	4,093
Uruguay	3,022	263	3,285
Total	17,071	3,661	20,732
January 1 through June 30, 2020:			
Argentina	5,222	953	6,175
Bolivia	5,893	591	6,484
Brazil[1]	1,867	720	2,587
Paraguay	2,697	730	3,427
Uruguay	3,694	324	4,018
Total	19,373	3,318	22,691

[1]Includes accrued interest in the amount of $1,110, and other loan charges in the amount of $40, corresponding to NSG loans granted to state-owned development banks in Brazil, and Paraguay, respectively (June 30, 2020 - $146 and in interest, and $124, in other loan charges related to NSG loans).

NOTE 16 – RELATED PARTIES

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

The balances and transactions maintained with related entities as of June 30, 2021, and as of December 31, 2020, respectively, correspond to the balances maintained with the FOCOM; PCT; and the PAC, as explained in further detail in notes 4.12, 4.13 and 8.6, respectively.

NOTE 17 – CONTINGENCIES

No contingencies have been identified, that could materially affect the Bank's financial statements as of June 30, 2021, and as of December 31, 2020, respectively.

NOTE 18 – SUBSEQUENT EVENTS

The Bank has evaluated subsequent events as of the date of the interim financial statements up to August 23, 2021, date on which the interim financial statements were ready for their issuance. No matters were identified that might have a material impact in the interim financial statements for the interim period ended as of June 30, 2021, and for the year ended as of December 31, 2020.

Juan E. Notaro Fraga EXECUTIVE PRESIDENT	Fernando Scelza PRESIDENT OF THE BOARD OF EXECUTIVE DIRECTORS
Fernando A. Fernandez Mantovani CHIEF ACCOUNTING AND BUDGET	Rafael Robles MANAGER FINANCE AND ADMINISTRATION