I N T E R I M F I N A N C I A L S T A T E M E N T S

Latin American Reserve Fund "FLAR".

As of June 30, 2023
With Independent Auditor's Report

Latin American Reserve Fund "FLAR".

Financial Statements

For the six-month period ended June 30, 2023

Index

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EXTERNAL AUDITOR'S REPORT

To the members of the Assembly of Representatives and Directorship of the Latin American Reserve Fund – FLAR (Fondo Latinoaermicano de Reservas)

Opinion

We have audited the attached financial statements of the Latin American Reserve Fund (hereinafter "the Fund"), which comprise the statement of financial position as of June 30, 2023, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the periods of six-months ended that date, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements, taken from the accounting books, present fairly in all material respects, the financial position of the Fund as of June 30, 2023, the results of its operations and its cash flows for the period ended on that date, and notes to the financial statements, in accordance with International Financial Reporting Standards - IFRS.

Basis for Opinion

We conducted our audit in accordance with the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of financial statements, and we have fulfilled other ethical responsibilities in accordance with those requirements. We believe that Audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

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

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

Other matters

The financial statements for the year ended December 31, 2022, and the statement of comprehensive income for the period of six-months ended June 30, 2022, which are included for comparative purposes only, were audited by Deloitte & Touche Ltda. (Now Deloitte & Touche S.A.S.), where an unqualified opinion was expressed on February 27, 2023.

Deloitte & Touche S.A.S.
Deloitte & Touche S.A.S.

Bogota, Colombia

September 21, 2023

LATIN AMERICAN RESERVE FUND - FLAR

STATEMENT OF FINANCIAL POSITION
FOR THE PERIOD ENDED AS OF JUNE 30, 2023, AND DECEMBER 31, 2022
(Stated in dollars of the United States of America)

	Notes	June 30, 2023	December 31, 2022
ASSETS			
Cash	7	$ 10,056,569	$ 10,425,566
Internally managed investment portfolios		6,615,376,344	6,395,763,133
Investments at fair value through profit or loss	8	1,340,169,283	1,174,192,625
Investments at amortized cost	8	5,275,207,061	5,221,570,508
Special Drawing Rights (SDR)	9	3,993	3,923
Externally managed investment portfolios		645,013,670	680,358,880
Investments at fair value through profit or loss	8	620,221,665	647,820,077
Investments at amortized cost	8	24,792,005	32,538,803
Derivative financial instruments	10	12,039,678	1,689,048
Trade receivable on sale of investments	11	151,982,090	145,296,914
Loans to central banks	12	1,108,419,583	1,107,082,472
Property and equipment, net	13	2,184,257	1,872,290
Other assets	14	488,222	1,429,704
Total assets		$ 8,545,564,406	$ 8,343,921,930
LIABILITIES			
Deposits from central banks and other institutions	15	$ 4,610,040,931	$ 4,482,799,566
Demand deposits		209,545,864	221,468,329
Term deposits		4,400,495,067	4,261,331,237
Derivative financial instruments	10	3,017,671	3,736
Accounts payable on purchase of investments	11	92,840,944	107,112,840
Commissions received on loans granted	16	405,214	405,214
Other liabilities	17	2,318,104	2,706,589
Total Liabilities		$ 4,708,622,864	$ 4,593,027,945
EQUITY			
Subscribed and paid-in capital	18	3,356,600,048	3,346,158,768
Subscribed capital		4,537,500,000	4,437,500,000
Less: outstanding capital contributions		(1,180,899,952)	(1,091,341,232)
Institutional reserves		393,219,638	392,175,510
Comprehensive income	18	1,074,299	1,074,299
Net Profit (Loss) for the period		86,047,557	11,485,408
Total Equity		3,836,941,542	3,750,893,985
Total Liabilities and Equity		$ 8,545,564,406	$ 8,343,921,930

The notes are an integral part of these financial statements.

José Darío Uribe Escobar
Executive President

Néstor Eduardo Benjumea Lizarazo
Accounting Manager

LATIN AMERICAN RESERVE FUND - FLAR

STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED JUNE 30,2023 AND 2022
(Stated in dollars of the United States of America)

	Notes	June 30, 2023	June 30, 2022
Interest income	19	$ 108,766,133	$ 17,229,351
Loans to central banks		37,229,879	2,090,550
Deposits in commercial banks		41,892,389	2,829,615
Internally managed investment portfolios		20,655,243	7,946,203
Investments at fair value through profit or loss		11,984,784	6,572,436
Investments at amortized cost		8,670,459	1,373,767
Externally managed investment portfolios		8,988,622	4,362,983
Investments at fair value through profit or loss		8,462,986	4,332,272
Investments at amortized cost		525,636	30,711
Interest expense on deposits from central banks and other institutions at amortized cost	22	(97,598,861)	(8,647,139)
Demand deposits		(2,377,956)	(95,139)
Term deposits		(95,220,905)	(8,552,000)
Net interest income		11,167,272	8,582,212
Net investment profit (loss)	20	78,607,198	(24,270,773)
Internally managed investment portfolios		74,682,392	5,551,994
Investments at fair value through profit or loss		4,520,852	(8,589,783)
Investments at amortized cost		70,161,540	14,141,777
Externally managed investment portfolios		3,924,736	(31,749,316)
Investments at fair value through profit or loss		3,539,761	(31,735,564)
Investments at amortized cost		384,975	(13,752)
Derivatives - Credit operations portfolios		-	1,922,371
Special Drawing Rights (SDR)		70	4,178
Net commission income received by portfolio administration	21	389,454	394,001
Net expense from expected credit losses on financial assets	23	(60,880)	(304,115)
Loans to central banks		-	25
Investments at amortized cost		(60,880)	(304,140)
Employee benefits and operating expenses	24	(3,752,388)	(4,171,100)

LATIN AMERICAN RESERVE FUND - FLAR

STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED JUNE 30,2023 AND 2022
(Stated in dollars of the United States of America)

	Notes	June 30, 2023	June 30, 2022
Employee benefits		(2,374,941)	(2,349,385)
Operating expenses		(1,699,025)	(1,783,614)
Other operating income (expense)		321,578	(38,101)
Other financial net expenses	25	(303,099)	(812,851)
Other financial incomes		138,705	23,256
Other financial expenses		(441,804)	(836,107)
Net Profit (Loss) for the period		**86,047,557**	**(20,582,626)**
Total Comprehensive Income		**$ 86,047,557**	**$ (20,582,626)**

The notes are an integral part of these financial statements.

José Darío Uribe Escobar
Executive President

Néstor Eduardo Benjumea Lizarazo
Accounting Manager

STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED JUNE 30, 2023 AND DECEMBER 31, 2022
(Stated in dollars of the United States of America)

	Notes	Subscribed and Paid-in Capital	Institutional Reserves	Net Profit (Loss) for the period	Other comprehensive income	Total Equity
BALANCES AS OF DECEMBER 31, 2021		**$ 2,846,158,768**	**$ 334,694,686**	**$ (1,119,176)**	**$ 1,330,980**	**$ 3,181,065,258**
Contributions received by Central Bank of Chile as an Associated Bank approved by Agreement No. 219 of the Assembly of Representatives of the FLAR on February 16, 2022	18	500,000,000	58,600,000			558,600,000
Appropriation of institutional reserves to cover losses in 2021, according to Agreement No. 221 of Assembly of Representative of the FLAR on April 12, 2022.	18	-	(1,119,176)	1,119,176	-	-
Results for the period of six-month to June 30, 2022		-	-	(20,582,626)	-	(20,582,626)
BALANCES AS OF JUNE 30, 2022		**$ 3,346,158,768**	**$ 392,175,510**	**$ (20,582,626)**	**$ 1,330,980**	**$ 3,750,893,985**
Results for the period of six-month to December 31, 2022		-	-	32,068,034	-	32,068,034
Surplus from the revaluation of real estate	18	-	-	-	(208,857)	(208,857)
Adjustments to pension reserves		-	-	-	(47,824)	(47,824)
BALANCES AS OF DECEMBER 31, 2022		**$ 3,346,158,768**	**$ 392,175,510**	**$ 11,485,408**	**$ 1,074,299**	**$ 3,750,893,985**

LATIN AMERICAN RESERVE FUND - FLAR

STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED JUNE 30, 2023 AND DECEMBER 31, 2022
(Stated in dollars of the United States of America)

	Notes	Subscribed and Paid-in Capital	Institutional Reserves	Net Profit (Loss) for the period	Other comprehensive income	Total Equity
Appropriation of Net income of 2022, according to Agreement No. 227 of Assembly Representative of the FLAR on March 28, 2023.	18	10,441,280	1,044,128	(11,485,408)	-	-
Results for the period of six-month to June 30, 2023	18	-	-	86,047,557	-	86,047,557
BALANCES AS OF JUNE 30, 2023		**$ 3,356,600,048**	**$ 393,219,638**	**$ 86,047,557**	**$ 1,074,299**	**$ 3,836,941,542**

The notes are an integral part of these financial statements.

José Darío Uribe Escobar
Executive President

Néstor Eduardo Benjumea Lizarazo
Accounting Manager

LATIN AMERICAN RESERVE FUND - FLAR

STATEMENT OF CASH FLOWS
FOR THE PERIODS ENDED JUNE 30, 2023 AND 2022
(Stated in dollars of the United States of America)

	Note	June 30, 2023	June 30, 2022
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net Profit (Loss) for the period		$ 86,047,557	$ (20,582,626)
Adjustments to reconcile net profit (loss) with net cash provided by operating activities:			
Depreciation expense	13	58,504	48,791
Unrealized (gain) loss in:			
Investments at fair value through profit or loss			
Internally managed portfolios		8,658,801	26,702,929
Externally managed portfolios		(7,618,450)	20,398,478
Derivative transactions	10	2,718,145	577,211
Expected credit losses on loans to central banks	23	-	(25)
Expected credit losses on investments at amortized cost	23	60,880	304,140
Profit on disposal/sale of fixed assets		(920)	-
(Decrease) increase of COP deposits operations		(1,955,908)	735,598
Net increase (decrease) due to operations in externally managed portfolios		44,391,542	(12,130,367)
Decrease in foreign exchange portfolio operations SDR	9	(70)	(3,877)
(Decrease) increase in operations of sales, redemptions, and purchases of marketable securities		(904,904,755)	267,929,920
Increase in deposits operations in commercial banks		660,740,654	313,795,644
(Decrease) increase in demand deposits liabilities operations		(11,922,465)	71,042,297
Increase (decrease) in term deposits liabilities operations		135,734,458	(1,231,454,591)
(Decrease) increase in derivative operations		(12,791,665)	2,534,327
Increase for received collateral on derivative transactions	10	2,830,903	1,998,652
Decrease for delivered collateral on derivative operations	10	(94,078)	-
Increase in other assets	14	941,482	457,745
(Decrease) increase in other liabilities		(388,485)	114,125
Interest accrued on received deposits from central banks and other institutions		97,598,861	8,647,139
Interest paid on deposits received from central banks and other institutions		(94,169,489)	(6,915,906)
Interest accrued on loans granted, investments securities and deposits in commercial banks		(108,766,133)	(17,229,351)
Interest received on loans granted, investment securities and deposits in commercial banks		102,831,185	14,641,741
Net cash provided (used) by operating activities		554	(558,388,006)

LATIN AMERICAN RESERVE FUND - FLAR

STATEMENT OF CASH FLOWS
FOR THE PERIODS ENDED JUNE 30, 2023 AND 2022
(Stated in dollars of the United States of America)

	Note	June 30, 2023	June 30, 2022
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of fixed assets	13	(370,471)	(16,673)
Sale of fixed assets	13	920	-
Net cash (used) in investing activities		(369,551)	(16,673)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Increase due to new capital and reserves contributions from associated central bank		-	558,600,000-
Net cash provided by financing activities		-	558,600,000
NET (DECREASE) INCREASE IN CASH		(368,997)	195,321
CASH AT THE BEGINING OF PERIOD		10,425,566	11,303,411
CASH AT THE END OF PERIOD		$ 10,056,569	$ 11,498,732

The notes are an integral part of these financial statements.

José Darío Uribe Escobar
Executive President

Néstor Eduardo Benjumea Lizarazo
Accounting Manager

1. ORGANIZATION AND OPERATIONS

The Latin American Reserve Fund (FLAR) is the public international law organization that succeeded the Andean Reserve Fund (FAR), established in 1978. In 1988, the "Agreement for the Establishment of the Latin American Reserves Fund" (Constitutive Agreement) replaced the treaty by which FAR was constituted.

On July 12, 2021, the Assembly of Representatives created a new membership category called "associate central bank". Thus, FLAR's new members can belong to two categories: i) full members, for countries that adhere to the Constitutive Agreement, and ii) associate central banks, through a linking agreement approved by the Assembly, upon recommendation of the Board of Directors.

The following are FLAR's objectives:

a) to assist in supporting the balance of payments of member countries by granting credits and guaranteeing credit for third parties,

b) to contribute to the harmonization of exchange, monetary, and financial policies of member countries,

c) to enhance the investment condition of international reserves held by members.

On the other hand, FLAR receives demand and term deposits from multilateral organizations, central banks, and public institutions of Latin American and the Caribbean. Additionally, FLAR provides asset management, custody, and compliance services to central banks and public institutions of member countries.

FLAR's assets and liabilities (including, but not limited to, properties, equity, deposits, and resources entrusted to FLAR) enjoy immunity from any form of forced seizure that alters FLAR's ownership over these, as a result of legal and administrative actions (including, but not limited to, restrictions, regulations and control measures or moratoriums).

FLAR is headquartered in the city of Bogotá D.C., Republic of Colombia, and may establish branches, agencies, or representative offices in any other city of member countries or outside them, if agreed by the Board of Directors. As of the date, FLAR does not have agencies or branches.

FLAR is a multilateral financial organization whose main objective is to provide balance of payments support financing to its members to help them address external sector imbalances in their economies. In these operations, members have always given FLAR *de facto* Preferred Creditor Treatment (PCT). This refers to the fact that sovereigns traditionally continue to pay their financial obligations to multilateral organizations, even when they have defaulted on private sector creditors.

In line with the above, FLAR expects its members and associated central banks to continue paying their credits, even if they experience delays with other creditors, and in the exceptional case of delays in their obligations to FLAR, it is expected to substantially recover the amounts owed. FLAR's impairment model is aligned with its nature as a multilateral financial organization and its institutional objectives.

FLAR is financed with its own capital, which is contributed by members and associated central banks, as well as demand deposits from central banks and other official institutions. Currently, full members of FLAR are: Bolivia, Colombia, Costa Rica, Ecuador, Peru, Paraguay, Uruguay, and Venezuela; and as an Associate Central Bank, the Central Bank of Chile.

2. BASIS OF PREPARATION

The Financial Statements have been prepared on the going concern basis, and it is expected that FLAR will continue its activities in the foreseeable future. The presentation basis is historical cost, except for marketable financial assets and derivative financial instruments, which are measured at fair value. The accounting basis is accrual, except for the preparation of the statement of cash flows.

2.1. Significant events -. During the first half of 2023, the global economy has shown a gradual slowdown and a decrease in inflationary pressures in line with the implementation of restrictive monetary policies by the major central banks worldwide. The Federal Reserve continued to increase the Federal Funds rate, and its range went from 4.25% - 4.50% in January to 5.00% - 5.25% at the end of June of 2023.

FLAR's portfolios are primarily invested in short-term fixed income securities denominated in U.S. dollars with high credit ratings. During this semester, FLAR's investments benefited from higher interest accruals and recorded an increase in fair value. FLAR’s management will continue to monitor the market environment and act if deemed necessary.

2.2. Basis of presentation and compliance statement – FLAR’s financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). Management is responsible for the information contained in these financial statements, applying the requirements of IAS 1 Presentation of Financial Statements.

2.3. Presentation of financial statements - The financial statements as of June 30, 2023, are presented to the Board of Directors, and the financial statements as of December 31, 2022, were presented to the Board of Directors and subsequently to the Assembly of Representatives. They are expressed in U.S. dollars and include: the statement of financial position, statement of comprehensive income, statement of changes in equity, statement of cash flows and explanatory notes.

The financial position statement is presented in order of liquidity. The statement of comprehensive income is presented considering the nature of the expense, through a single statement that includes the result for the period, and other comprehensive income. The cash flow statement is presented using the indirect method and in accordance with the nature of its operations.

2.4. Accounting estimates and judgments - The preparation of Financial Statements requires management to use judgments and make estimates based on historical experience and other factors, including expectations that are considered reasonable under the circumstances. The most significant estimates used in the application of accounting policies are based on FLAR's business model definitions. Currently, there are 5 lines of business for the resource's investment: loans granted to central banks, management of proprietary investment position portfolios (capital contributions), financial intermediation (deposit-taking and short-term resources investment activities), investments of resources obtained through medium-term debt issuance in the financial markets, and management of third-party investments portfolios where FLAR acts as trustee.

The key judgments and estimates for the aforementioned lines of business are:

- Assumptions used in calculating the fair value of Level 2 and 3 investments (see Note 6 - Fair value measurement).

- Measurement of expected credit losses for investments measured at amortized cost and member credits (see Note 4.2.4 - Impairment of financial assets).

Management considers the above described as its best judgments and estimates based on the information available on the facts analyzed as of the date of preparation of these financial statements. Judgments and estimates are reviewed periodically, and in the event of material changes, their recognition is prospective and is treated as a change in an accounting estimate in the Financial Statements.

(Stated in dollars of the United States of America)

2.5. Functional currency and foreign currency transactions

- The functional and presentation currency of FLAR is the U.S. dollar. Transactions in other currencies are considered foreign currency and are presented at exchange rates prevailing on the transactions dates. Foreign currency-denominated assets and liabilities are translated at the exchange rate prevailing at the date of the Financial Statements.

Net gains or losses from transactions denominated in currencies other than the U.S. dollar are included in the results for each period. The exchange rates of the main currencies other than the U.S. dollar used for the presentation of the Financial Statements are as follows:

Exchange Rate	June 30, 2023	December 31, 2022
USD/AUD	0.66565	0.67815
CAD/USD	1.32325	1.35495
USD/CHF	1.11776	1.08085
USD/EUR	1.09100	1.06725
USD/GBP	1.27135	1.20290
JPY/USD	144.535	131.945
NOK/USD	10.71355	9.85100
USD/NZD	0.61265	0.63245
SEK/USD	10.80130	10.41950
SGD/USD	1.35335	1.34120
COP/USD	4,175.78	4,848.89
USD/SDR	1.33007	1.3308

3. CHANGES IN ACCOUNTING POLICIES

As of June 30, 2023, there have been no changes in FLAR’s accounting policies.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies indicated below have been consistently applied under the IFRS framework for all periods presented by FLAR, unless otherwise stated.

4.1. Cash - FLAR presents as cash the sum of cash on hand balances, balances in U.S. dollar accounts with correspondent banks, the balances of cash accounts held in custodian for internally managed portfolios, and balances in Colombian pesos accounts with correspondent banks.

Demand deposits and term deposits in commercial banks are presented within internally and externally managed assets and are not classified as cash equivalents in the financial statements. They are part of the intermediation portfolio management, recorded at amortized cost, and are remunerated at short-term market rates, equivalent to similar instruments (See Note 19 - Interest Income).

4.2. Financial instruments

4.2.1. Recognition and initial measurement - FLAR recognizes a financial asset or liability when it becomes a party to a contract that gives rise to a financial asset, financial liability, or equity instrument of another institution.

Financial instruments are initially measured at fair value. Transaction costs directly attributable to the acquisition or issue of financial assets and liabilities (other than financial assets at fair value through profit or loss FVTPL) are added to or deducted from the fair value of the financial assets or liabilities, if any, on initial recognition.

When the fair value of financial instruments at initial recognition differs from the transaction price, FLAR records the gain or loss in profit or loss.

4.2.2. Recognition date – FLAR records all its investment transactions on the trading date. Trading transactions of financial assets and liabilities are made within the term generally established by regulation or market convention.

Credits to member central banks are recognized on the date on which the funds are transferred to the accounts of member countries.

4.2.3. Classification and measurement of financial assets and liabilities

4.2.3.1. Classification:

FLAR classifies its financial assets into two main categories: at fair value through profit or loss (FVTPL) and at amortized cost.

For this purpose, it considers two main criteria: the evaluation of the business model and the characteristics of the contractual cash flows of the instrument; the criteria are explained below:

a. Evaluation of the business model, which refers to the way in which FLAR manages its financial assets to generate cash flows and achieve its objectives through observable facts of the activities it carries out, such as:

Activities	Amortized Cost	Fair value through profit or loss
Loans to member central banks	Cash flows of principal and interest are expected to be received periodically.	Not applicable
Management of investment portfolios derived from the capital contributions of member countries	For deposits and money market securities at a discount, from which the cash flows of principal and interest are expected to be received periodically.	For the securities for which market conditions are evaluated in order to realize gains based on their market value.
Intermediation Management of short-term assets and liabilities (acquisition of short-term deposits and investment of resources)	For discounted deposits and money market securities from which cash flows of principal and interest are expected to be received periodically.	For securities for which market conditions are evaluated in order to realize profits based on their market value.
Investment of resources obtained from the issuance of medium-term debt in the financial markets	For discounted deposits and money market securities from which the cash flows of principal and interest are expected to be received periodically.	For securities for which market conditions are evaluated in order to realize profits based on their market value.
Management of third-party investment portfolios in which FLAR acts as trustee	Not applicable	For securities for which market conditions are evaluated in order to realize profits based on their market value.

b. Evaluation of the characteristics of the contractual cash flows of the financial asset solely represent payment of principal and Interest hereinafter (SPPI). These correspond mainly to simple debt instruments with determinable dates and cash flows.

4.2.3.2. Measurement

Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and liabilities (other than financial assets at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or liabilities, if any, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets and liabilities at fair value through profit or loss are recognized immediately in profit or loss.

a. Amortized cost, financial assets whose purpose is to be held to obtain contractual cash flows (principal and interest).

Deposit liabilities are recognized at amortized cost using the effective interest method with effect on profit or loss. It is important to note that these operations (assets and liabilities) are mainly concentrated in money market instruments with a term of less than three months.

The effective interest method is a method of calculating the amortized cost and systematically allocating the interest income or cost of a financial instrument over its term.

The effective interest rate is the rate that discounts estimated future cash flows (including all fees and basis points paid or received that are an integral part of the effective interest rate, transaction costs, and other premiums or discounts) through the expected life of the debt instrument or, where appropriate, a shorter period to the net carrying amount at initial recognition.

Income is recognized based on the effective interest rate for debt instruments other than those financial assets classified at fair value through profit or loss.

b. Fair value through profit or loss (FVTPL), financial assets that are traded in active markets with the objective of obtaining the benefits resulting from the variation of its market price. In general, a financial asset is classified in this category if:

i. It is purchased with the objective of selling it in a short period of time; or

ii. At initial recognition, it is part of a portfolio of identified financial instruments that the FLAR jointly manages and for which there is a recent actual pattern of short-term profit taking; or
iii. It is a derivative that is not designated and effective as a hedging instrument.

All financial liabilities are subsequently classified and measured under the amortized cost category, except for derivative liabilities, which are measured at fair value.

Financial assets at FVTPL are recorded at fair value, recognizing in the statement of comprehensive income any profit or loss arising from their revaluation.

The net profit or loss recognized in the statement of comprehensive income includes any dividends or interest earned or amortized cost of the financial assets and is included in financial statements under the concept "Net loss on investments".

4.2.4. Impairment of financial assets – At the end of each reporting period, investments other than those measured at fair value through profit or loss are tested for impairment.

For financial assets (loans and investments) carried at amortized cost, the amount of the impairment loss is recognized as the expected loss over a time horizon.

For this type of investment, FLAR does not have a preferred creditor treatment (PCT); therefore, it is necessary to estimate the present value of the credit losses that may arise in a possible default scenario. For this purpose, the current rating of the instrument and the probability of default assigned by the risk rating agencies over a 12-month horizon are directly considered.

For loans granted, FLAR adopts the expected credit loss model in accordance with IFRS 9, in the context of the nature of FLAR's financing and its unique institutional situation:

- The *de facto* PCT, which has been instrumental in multilaterals historically experienced lower default rates and higher recovery rates than commercial lenders had on their sovereign exposures. The *de facto* PCT has been tested several times over the more than 45 years since its existence (see Note 1-Organization and Operations).

- FLAR's unique relationship with its member countries is based on the principle of cooperation. All members have paid-in capital in FLAR.

- The monitoring that FLAR carries out on the borrowers' economies to review reasonable payment capacity.

FLAR's Board of Directors may approve the repayment of a portion of the paid-in capital to a member country when it has operations in arrears for more than 180 days and meets certain conditions as described in section 4.6.1-Capital. Once the repayment is made, there is an offsetting of the reciprocal obligations between FLAR (repayment of a portion of the paid-in capital) and the member (repayment of the credit).

In addition, FLAR's Regulations provide that the profits of each financial year that FLAR must pay to its member countries may be offset against any overdue obligations that any of them have with FLAR.

FLAR collects credit risk fees to transfer the financial cost of the allowance for expected credit losses to the borrower (see Note 16 - Fees received for loans granted). The amount of commissions is determined using the expected credit loss model and is applied at the time of disbursement and during the life of the loan if the expected loss increases. To the extent that the accumulated credit risk commissions and the deposit for the payment of future credit risk commissions are greater than the expected loss, considering principal and interest, the provision for credit risk will be zero, otherwise a provision for the difference will be registered.

The expected credit loss model considers two scenarios, which are assigned a probability of occurrence, and losses are estimated for the appropriate horizon according to the stage of impairment explained below. The scenarios have the following characteristics:

- Base scenario: assumes a lower probability of default considering the PCT (two notches above that associated with the average rating of the rating agencies) and a higher recovery rate (99%).

- Stressed scenario: includes a higher probability of default (three notches below that associated with the average rating of the rating agencies) and a lower recovery rate (90%).

FLAR has adopted the general three-step model for estimating expected credit losses, applicable for loans granted and investments at amortized cost. The model is based on changes in credit quality since initial recognition. The stages of impairment are presented below:

Stage 1 - Financial assets that have not experienced a significant increase in credit risk since initial recognition. The classification conditions in this stage depend on the type of asset.

- **Loans**: This category classifies credits that are up to date or that have a delinquency or delay in payments of up to 89 calendar days.

  In this case, the estimate of expected credit losses for a stage-1 loan is calculated by applying the current level of risk under the loss model established over a 12-month time horizon. Effective interest is applied to the gross carrying amount of the loan in accordance with contractual conditions.

- **Investments at amortized cost**: This category includes investments that are current or in arrears that do not exceed the grace period contained in the prospectus, and up to 30 days in the absence thereof.

  The provision is made over a 12-month horizon. Effective interest is applied to the gross carrying amount of the security in accordance with the contractual terms.

Stage 2 - Financial assets that have experienced a significant increase in credit risk since initial recognition. The classification conditions in this stage depend on the type of asset.

- **Loans**: This category includes loans that are 90 to 180 calendar days past due. Given the nature of the loans that FLAR grants to its member countries, the relationship it has with them, and the historical evidence of payments, it is expected that the loans will be repaid, even if they are delinquent or overdue for up to 180 calendar days.

  In this case, the estimate of expected credit losses for a stage 2 loan is calculated by applying the risk-adjusted level under the loss model established over a horizon equivalent to the remaining term of the loan. Effective interest is applied to the gross carrying amount of the loan in accordance with the contractual terms.

- **Investments at amortized cost**: This category includes investments that are in arrears for more than the grace period (according to the prospectus) or more than 30 days. From that moment on, provision is made in the default category, assuming an expected recovery rate of 55%. At this point, the investment guidelines establish that when an investment ceases to comply with the policies, there is a 30-day term to liquidate it, so the investments would be classified in this stage if it were not possible (or not deemed convenient) to liquidate them in that time window.

Stage 3 - Financial assets with evidence of impairment at the reporting date. The classification conditions in this stage depend on the type of asset.

- **Loans**: This category includes credits with payment arrears of 181 calendar days or more, or with contractual declaration of default.

  In this case, given the *de facto* preferred creditor status of FLAR and the nature of the debtors, the estimate of expected credit losses for a stage 3 loan is calculated based on available information. Interest will be accrued based on the effective interest rate, and the basis for its calculation corresponds to the principal minus the estimated provision, i.e., on the asset net of impairment.

- **Investments at amortized cost**: Investments in which the debtor falls under the bankruptcy laws of its jurisdiction belong to this category. From that moment on, provision is made in the default category, assuming an expected recovery rate of 55% or the value determined in the liquidation process.

Subsequent recoveries of the recorded provision amounts are reversed to their initial value. Changes in the value of the provision are recognized directly in the results of the period.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases, and that decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment was reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

4.2.5. Derecognition of financial assets and liabilities -

Derecognition of financial assets - FLAR derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or when substantially all the risks and rewards of ownership of the financial asset are transferred.

FLAR recognizes its interest in the asset and the associated obligation for the amounts it would have to pay if FLAR does not transfers or retain substantially all the risks and rewards incidental to ownership and continues to retain control of the transferred asset.

On the other hand, if FLAR retains substantially all the risks and rewards of ownership of a transferred financial asset, it continues to recognize the financial asset and recognizes a liability for the resources received.

On derecognition of a financial asset in its entirety, the difference between the carrying amount of the asset and the sum of the consideration received and receivable and the cumulative profit or loss that has been recognized in other comprehensive income and retained earnings is recognized in profit or loss.

On the derecognition of a financial asset other than in its entirety (for example, when FLAR retains an option to repurchase part of a transferred asset), FLAR distributes the previous carrying amount of the financial asset among the party it continues to recognize by virtue of its continued involvement and the party it no longer recognizes based on the relative fair values of such parties at the date of the transfer.

Derecognition of financial liabilities - A financial liability is derecognized in the statement of financial position when:

a. The obligation has been paid or canceled or has expired.

b. There is an exchange between a lender and a borrower of debt instruments with substantially different terms, in which case it is accounted for as a cancellation of the original financial liability, and a new financial liability is recognized.

c. There are substantial modifications to the current conditions of an existing financial liability or part thereof, which shall be accounted for as a cancellation of the original financial liability, and a new financial liability shall be recognized.

4.2.6. Financing instruments

Andean Pesos – Through Agreement No. 83 of the Board of Directors of FLAR dated December 17, 1984, FLAR was authorized to issue bonds denominated in Andean pesos (AP)for a value of AP$80,000,000. One Andean Peso will have a value equivalent to one United States dollar.

In addition to the central banks of the member countries and FLAR, the Board of the Cartagena Agreement (JUNAC), the Development Bank of

(Stated in dollars of the United States of America)

Latin America (CAF), the Andean Parliament, the Central Bank of Chile and the Central Bank of Argentina are authorized holders of APs.

The list of holders of APs was expanded with the approval of the FLAR Board of Directors by means of Agreement No. 108 of September 20, 1986, which qualified as authorized holders of APs the central banks or Latin American institutions other than those of the subregion that sign the respective agreement with FLAR.

The APs will be used exclusively to make payments through the FLAR among authorized holders. As of June 30, 2023, and December 31, 2022, there are no outstanding balances of APs.

FLAR Treasury Notes - The Board of Directors of FLAR by Resolution No. 100 of March 12, 1986, authorized the issuance of short-term obligations denominated "FLAR Treasury Notes" to be offered to central banks and other institutions. As of June 30, 2023, and December 31, 2022, there are no FLAR treasury notes outstanding.

4.3. Property and equipment - FLAR's fixed assets are presented in the financial statements at a historical cost less accumulated depreciation. For the real state, accumulated impairment losses are presented in other comprehensive income.

Depreciation is recognized to record the cost of assets over their useful lives using the straight-line method. The estimated useful life, residual value and depreciation method are reviewed at the end of each period, and the effect of any change in the recorded estimate is recognized on a prospective basis. Depreciation is calculated using the straight-line method, based on the probable useful life of the assets at annual rates.

Category	Useful Life	%
Real Estate	According to appraisal (73.5 years as of June 30, 2023	1.2
Systems equipment	3 years	33.0
Office equipment	10 years	10.0
Furniture and fixtures	10 years	10.0
Vehicles	5 years	20.0

FLAR's subsequent measurement policy for the real estate category is the revaluated cost model, and for the other fixed asset categories, the cost model. FLAR performs an annual evaluation of the fair value of its real estate with the support of an independent specialized firm.

An item of property and equipment is derecognized when its ownership is transferred or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising from the sale or retirement of an item of property and equipment is calculated as the difference between the proceeds received from the sale and the carrying amount of the asset and is recognized in profit or loss (see Note 13 Property and equipment, net).

4.4. Intangible assets - FLAR currently has no intangible assets; all software licenses and computer programs acquired by FLAR are recognized directly in the statement of comprehensive income .

4.5. Employee benefits - FLAR recognizes as employee benefits all considerations originating in formal plans or agreements, legal requirements, or nonformalized practices that generate implicit obligations, granted in exchange for services rendered by employees or termination indemnity. Benefits comprise all payments made directly to employees, their beneficiaries, dependents or through third parties, which may be settled through cash payments or the provision of goods and services (nonmonetary benefits).

4.5.1. Short-term benefits

In general, short-term benefits are recognized at the gross amount in the period's expense accounts when FLAR consumes the economic benefit arising from the service rendered by the employee, unless another IFRS requires or permits their inclusion as the cost of an asset.

When the corresponding payment to the employee has not been made, FLAR periodically records the corresponding amounts in the liability accounts through provisions. On an annual basis, it consolidates the benefits pending payment.

For some expatriate officials, FLAR has contracted pension savings and a policy that covers the risks of disability and death with an international insurance company. Other expatriate officials contribute to the pension system of their country of origin or to the local pension system of FLAR headquarters.

4.5.2. Postemployment benefits

FLAR currently has two defined benefit plans: i) a pension plan for three former employees and ii) a health plan for two of those former employees, whose obligations are determined by the present value of future payments due, using the projected unit credit method, with actuarial valuations performed at the end of each annual reporting period.

Annual updates, which include a review of demographic and financial assumptions, are performed by an independent actuarial firm. The accounting treatment of changes in the value of the obligation is described below:

i. **Present service cost:** This is the increase in the present value of the obligation arising from services rendered by employees in the current period. Considering that current employees are not beneficiaries of the pension or health care plans, no current service costs are incurred.

ii. **Past service cost**: The change in the present value of the obligation for services rendered by employees in prior periods resulting from a plan amendment.

iii. **Net interest on the obligation**: It is the increase produced during the period in the present value of the obligations as a consequence of the benefits (pensions and health) that are in a period closer to their maturity. It is determined using the nominal discount rate in effect at the beginning of each period.

iv. **New measurements of the obligation:** This mainly comprises actuarial profit or loss arising from: experience adjustments (the effects of differences between previous actuarial assumptions and actual plan events) and the effects of changes in actuarial assumptions.

The first three items, together with any profit or loss arising on settlement of the plans, are recorded in the results for the period when they are established. The new actuarial measurements are recorded in Other Comprehensive Income -OCI.

To date, there are no specific assets for the payment of defined benefit plan obligations.

The fair values of the allowances and retiree medical plan as of June 30, 2023, and December 31, 2022, were recognized in accordance with the actuarial calculation performed on the same dates by an independent firm (see Note 17 Other Liabilities).

4.5.3. Long-term benefits

Other long-term benefits are recognized gradually in the results of the period in which the employee is expected to provide the services that will make him or her a creditor, using a simplified actuarial method. Actuarial profit or loss arising annually are recorded directly to the results of the period.

4.5.4. Termination benefits

Termination benefits arise from an entity's decision to terminate employment or from an employee's decision to accept an offer by the entity of benefits in exchange for the termination of the employment contract.

FLAR recognizes an expense and a liability for termination benefits when it announces the offer and can no longer withdraw it, considering the following criteria:

i. If expected to be settled within 12 months after the annual reporting period, they are recognized at the undiscounted agreed value, using short-term benefit requirements.

ii. If expected to be settled later than 12 months following the annual reporting period, they are recognized at the present value of the obligation, in accordance with long-term benefit measure requirements.

4.5.5. Other financial liabilities

Other financial liabilities are mainly composed of commissions received on loans granted (see Note 16 Commissions received on loans granted), interest payable on demand and time deposits, and accounts payable to suppliers.

4.5.6. Provisions, contingent assets, and liabilities.

The policy related to provisions, contingent assets, and contingent liabilities is framed within the definitions established by IAS 37. FLAR recognizes a provision when all the following conditions are met:

i. There is a present obligation, either legal or implied.

ii. It arises because of a past event.

iii. It is probable that an entity will have to give up resources embodying economic benefits to settle the obligation.

iv. A reliable estimate can be made of the amount of the obligation.

The following outline helps to define the accounting treatment when analyzing the probability of an outflow of resources embodying economic benefits:

Output of resources	Analysis	Treatment
Probably	The probability that the event will occur is greater than it will not occur in the future	Recognition of liabilities (provision), and disclosure
Possible	The probability that the event will occur is lower than it will not occur in the future	Disclosure of contingent liabilities
Remote	Low probability that the event will occur in the future	None

If no reliable estimate can be made, it will be a liability that cannot be recognized, an exceptional situation that will give rise to a contingent liability that will be disclosed in the notes to the Financial Statements.

4.6. Equity - FLAR's equity consists of subscribed and paid-in capital, institutional reserves, net profit (loss) for the annual period, and other comprehensive income.

4.6.1. Capital

A member may not withdraw, dispose of, or pledge its paid-in capital contributions to the Fund unless it denounces the Articles of Constitutive Agreement, and such denunciation has produced all its effects, or the affiliation agreement signed between FLAR and the member has been terminated, as applicable.

In this case, FLAR shall pay the withdrawing member its paid-in capital, after offsetting its outstanding obligations to FLAR. If any outstanding obligation remains (in favor of the member or FLAR), a guarantee of payment must be provided.

FLAR’S Assembly of Representatives approved by Agreement 213 of March 24, 2020, a general policy that allows the Board of Directors of FLAR the possibility of repaying part of the paid-in capital of a member when such member has one or more credits in arrears or overdue for 180 days or more, and the country meets at least one of the following criteria evaluated by FLAR: i) a cumulative fall in real gross domestic product of more than 30% in the last three years and ii) an annual inflation rate of more than 100% in the last three years.

The repaid capital shall be used exclusively for the payment by offset of the member's obligations.

The member’s paid-in capital is the basis for access and limits on its credit applications.

4.6.2. Institutional Reserves

FLAR Regulations establish that institutional reserves must be at least 10% of paid-in capital. These reserves may be used to cover possible losses that may occur in a given financial period. Institutional reserves are constituted by the additional contribution that each member makes when making capital contribution payments and with the amount of the net profits approved annually by the Assembly.

4.6.3. Capitalization of net profit

The participation of each member in the profits of the financial year is based on the weighted average of the paid-in capital during the year in question.

Since 1982, FLAR's profit distribution policy has been to capitalize profits (after contributions to the institutional reserves) to make payments to the subscribed capital of each member.

4.7. Revenue and expense recognition - FLAR applies accrual accounting for the recognition of its revenues and expenses. That is, it recognizes the effects of transactions and other events and circumstances on economic resources and creditors' claims in the periods in which they occur, even if the resulting receipts and payments occur in a different period.

FLAR'S primary source of income includes interest income from loans granted to central banks of member countries, which is generated from the time of disbursement and is accrued using the effective interest rate method in accordance with the terms and rates agreed in each loan.

Interest income and capital gains from investment portfolios are recognized systematically and periodically according to the conditions of each instrument purchased and sold.

Income from commissions derived from contracts with customers is recognized at the time the following services are transferred: trust and portfolio management; portfolio management and custody; and, in general, those provided to central banks and public institutions. The recognition process considers the following stages:

- Contract identification.
- Identification of performance obligations.
- Determination of the transaction price.
- Allocation of the transaction price among the obligations of the contract.
- Recognition of the revenue as the obligations are satisfied.

4.8. Tax exemptions - FLAR is exempt in the signatory countries of the Articles of Agreement from all taxation of its income and assets. It is also exempt from any liability related to the payment, withholding, or collection of any taxes.

4.9. New and amended IFRS - FLAR has applied and evaluated the following new and/or amended IFRS that have been issued and are effective as of January 1, 2023, or future effective dates.

FLAR has not early adopted any standards, interpretations or amendments that has been published and is not yet in force.

Several amendments and interpretations are effective for the first time in 2023 or future effective dates, but have no material impact on these financial statements:

Improvements 2023 - As of the close of January30, 2023, no new IFRS or amendments to existing IFRS have been introduced.

Improvements 2022

Amendments to IAS 8: Definition of Accounting Estimates - The amendment was published by the IASB in February 2021 and clearly defines an accounting estimate as follows: "Accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty".

Clarify the use of an accounting estimate and differentiate it from an accounting policy. In particular, it es mentioned "an accounting policy could require that elements of the financial statements be measured in a way that involves measurement uncertainty - that is, the accounting policy could require that these elements be measured by monetary amounts that cannot be directly observed and must be estimated. In this case, an entity develops an accounting estimate to achieve the objective established by the accounting policy." The modifications clarify the following points:

- The word "significant" is changed to "material or with relative importance".

- The accounting policies to be disclosed are clarified in the financial statements notes with the suggestion that "an entity shall disclose information about its significant material accounting policies".

- Clarifies when an accounting policy is considered material or materially significant.

The effective date of the standard is January 1, 2023. FLAR has reviewed the amendments related to the definition of accounting estimates and determined that there are no additional current or future impacts or disclosures concerning these Financial Statements.

Amendments to IAS 1 - Disclosures about Accounting Policies - Incorporates the following paragraph "Disclosures about accounting policies that focus on how an entity has applied the requirements of IFRSs to its circumstances provide entity-specific information that is more useful to users of financial statements than standardized information or information that only duplicates or summarizes the requirements of IFRS".

The Effective date of the standard is January 1, 2023. FLAR has reviewed the amendments on disclosures about accounting policies and considers that no additional disclosures to those presented in the Financial Statements are required.

Improvements 2018 - 2020

Amendments to IAS 1: Classifications of Liabilities as Current or Non-current - In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify the following points:

- The meaning of the right to defer settlement of a liability.

- The right to defer settlement of the liability must be granted at year-end.

- The classification is not affected by the probability that the entity will exercise its right to defer settlement of the liability.

- Only if any embedded derivative in a convertible liability itself represents an equity instrument, the terms of the liability would not affect its classification.

Effective date of amendments for January 1, 2024

These amendments were evaluated by FLAR and had no impact on the Financial Statements.

Improvements 2023

IFRS 17 - Insurance Contracts: requires insurance liabilities to be measured at current realizable value and provides a more uniform measurement and presentation approach for all insurance contracts.

These requirements are designed to achieve the objective of consistent, principles-based accounting for insurance contracts. IFRS 17 replaces IFRS 4 Insurance Contracts from January 1, 2023. Issued: May 18, 2017. Effective date January 1, 2023

These amendments were assessed by FLAR and do not require adjustments or disclosures in these Financial Statements.

Amendments to IFRS 16 Lease liability on a sale and leaseback: The amendment clarifies how a seller-lessee subsequently measures sale and leaseback transactions that meet the requirements of IFRS 15 to be accounted for as a sale. Issued: September 22, 2022. Effective date January 1, 2024

This amendment was evaluated by the FLAR and does not require adjustments or disclosures in these Financial Statements as there are no such contracts.

Amendments to IAS 7 and IFRS 7 - Supplier financing arrangements: The amendments add disclosure requirements, and "signals" within the existing disclosure requirements, that require entities to provide qualitative and quantitative information about supplier financing arrangements. Issued: May 25, 2023. Effective date: January 1, 2024.

These amendments were evaluated by the FLAR and do not require adjustments or disclosures in these Financial Statements.

5. MAIN POLICIES IN ASSET MANAGEMENT

FLAR'S financial assets are divided into different portfolios, in accordance with the provisions of Board of Directors Agreement No. 324 of April 30, 2005, and its amendments. These documents contain guidelines for the management of FLAR's assets. The following is a description of the objectives and guidelines of the investment portfolios:

- **Liquidity Portfolio** - Its main objective is to manage FLAR's working capital. The Assets and Liabilities Committee (ALCO) determines the size range and investment strategy of this portfolio, considering, among others, FLAR's operating expenses and potential loan disbursements. Investments in this portfolio may have a maturity of 397 days or less.

- **Aggregate Investment Portfolio** – It is comprised of FLAR's equity resources, excluding the resources of the Operations Portfolio and the Liquidity Portfolio.

  The investment objective of the Aggregate Investment Portfolio is to preserve FLAR's capital in nominal terms over a three-year investment horizon. It is understood that for investment periods of less than three years, negative returns may be observed.

  The Aggregate Investment Portfolio is structured and invested in such a way that its liquidity, together with debt alternatives or other resources, allows it to meet potential credit requests from FLAR member countries.

  Concerning the benchmark and considering the changes in market conditions since its last review, management considered it prudent to submit a new Strategic Asset Allocation to the Board of Directors.

The Board of Directors approved at its March 2023 meeting the new benchmark index effective June 30, 2023, and has the following composition: 33% U.S. Treasury bonds from 0 to 1 year, 10% U.S. Treasury bonds from 1 to 5 years, 5% in TIPS from 1 to 5 years, 25% in corporate bonds with credit rating between AAA and A from 0 to 1 year, 10% in corporate bonds with credit rating between AAA and A from 1 to 5 years, 10% AAA to A-rated supranational, agency and sovereign bonds 1 to 5 years, 5% in agency-backed mortgage-backed securities (MBS) and 2% in U.S. large cap equities (S&P 500 Index). (S&P 500 index)"

The Board reviews the benchmark every three years, or sooner if required. This portfolio is actively managed against its benchmark within a replication error budget of 100 basis points.

Based on the preferences defined by the Board of Directors in the investment guidelines, ALCO determines the distribution of resources to be managed by the internal investment team and by External Fund Managers (EFM), the composition of the benchmark indexes of the sub-portfolios comprising the Aggregate Investment Portfolio and their duration.

The resources managed by the EFMs are presented as externally managed portfolios.

- **Intermediation Portfolio -** The objective of the Intermediation Portfolio is to invest the short-term funds raised from deposits made by official institutions in FLAR, as well as the commercial paper issued by FLAR. For this purpose, the exposure to liquidity, interest rate and exchange rate risks will be matched.

  Notwithstanding, the foregoing resources from the Intermediation Portfolio may be used to finance loans. The limit of the resources to be used from this portfolio is up to an amount equivalent to 2.5 times the subscribed capital of a member country of a small economic size, except for the Republic of Costa Rica.

  ALCO periodically evaluates and decides the target value of the intermediation portfolio, considering the economic and market environment and the investment needs of the member countries, without this target value being higher than the limit established for this portfolio by the Board of Directors.

- **Asset and Liability Management Portfolio** - The objective of the Asset and Liability Management portfolio is to invest the fundraising resulting from the FLAR's medium-term issuances or other FLAR asset and liability needs. To do this, the exposure to liquidity, interest rate and exchange rate risks will be calculated, including derivative operations linked to these, if applicable. Currently there are no resources allocated to this portfolio.

Additionally, the guidelines establish that FLAR must always maintain all times at least 25% of its paid-in capital invested in the Liquidity Portfolio and the Aggregate Investment Portfolio.

Given FLAR's current portfolio structure described above. Below is the summary of assets, aggregated by portfolio, as of June 30, 2023 and December 31, 2022:

	June 30, 2023	December 31, 2022
Liquidity portfolio	$ 17,346,797	$ 29,687,984
Aggregate investment portfolio	2,790,072,513	2,709,581,372
Intermediation portfolio	4,624,570,140	4,493,720,402
Credit operations and foreign exchange portfolio	1,108,423,576	1,107,086,395
Asset other than reserve investments*	5,151,380	3,845,777
Total Assets	$ 8,545,564,406	$ 8,343,921,930

*Assets other than reserve investments include cash and investments in Colombian pesos that are used to cover operating expenses in the host country, net property and equipment, and commissions receivable.

(Stated in dollars of the United States of America)

To disclose the results of the financial year in accordance with the portfolio structure, a summary of the results obtained as of June 30, 2023, and 2022 is presented below:

Portfolio	Interest Income (expense)	Portfolio Profit/(Loss)	Derivatives Profit/(Loss)	Net profit /(Loss) from portfolios and derivatives	Other income from commission and (administrative expenses)	Total Contribution
Investment aggregate	$ 22,481,350	$ 23,434,788	$ 2,410,766	$ 25,845,554	$ -	$ 48,326,904
Intermediation 1/*	(49,068,378)	49,917,570	2,849,735	52,767,305	-	3,698,927
Liquidity	524,421	2,555	-	2,555	-	526,976
Operations (Loans to central banks)	37,229,879	-	-	-	-	37,229,879
Foreign currency transactions	254	(184)	-	(184)	-	70
Employee benefits and operating expenses	-	-	-	-	(3,735,199)	(3,735,199)
Net income as of June 2023	$ 11,167,526	$ 73,354,729	$ 5,260,501	$ 78,615,230	$ (3,735,199)	$ 86,047,557

Portfolio	Interest Income (expense)	Portfolio Profit/(Loss)	Derivatives Profit/(Loss)	Net Profit/(Loss)	Other commission income and (administrative expenses)	Total Contribution
Investment aggregate	$ 11,749,561	$ (42,707,997)	$ 7,764,599	$ (34,943,398)	$ -	$ (23,193,837)
Intermediation 1/*	(5,291,886)	(10,320,435)	18,825,778	8,505,343	-	3,213,457
Liquidity	33,987	150	-	150	-	34,137
Operations (Loans to central banks)	2,090,550	25	1,922,371	1,922,396	-	4,012,946
Foreign currency transactions	4,081	97	-	97	-	4,178
Employee benefits and operating expenses	-	-	-	-	(4,653,507)	(4,653,507)
Net losses as of June 2022	$ 8,586,293	$ (53,028,160)	$ 28,512,748	$ (24,515,412)	$ (4,653,507)	$ (20,582,626)

1/* In the intermediation portfolio, deposits that accrue interest are received. These investments are primarily matched with discount instruments (zero coupon) and interest-bearing accounts that are valued at amortized cost.

The investment guidelines are contained in Board of Directors Agreement No. 324 of April 30, 2005, and amendments. These documents establish the eligible investment instruments and FLAR's tolerance to market, credit, and liquidity risks. The following is a summary of the most relevant investment guidelines:

- Type of issuer: Governments, government agencies, international financial institutions, commercial banks, and corporations.

- Permissible securities: Government bonds, government agency bonds, corporate bonds, and mortgage-backed securities (MBS and CMO) issued by U.S. agencies (GSEs, government-sponsored enterprises), as well as discount notes and commercial paper.

- The maximum maturity for U.S. Treasury bonds, MBS and Treasury bond futures is 30 years. For other fixed-income instruments, the maximum maturity is 10 years.

- Permitted investments include short- and medium-term securities with fixed and floating rate yields.

- Short-term securities shall have a short-term credit rating of not less than any of the following: Standard and Poor's A-2, Moody's P-2, and Fitch Ratings F2.

- Medium-term securities may not have a credit rating lower than any of the following: Moody's A3, Standard & Poor's A- and Fitch Ratings A-.

- Currency, bond, and interest rate derivative transactions.

- External managers may invest in Asset-Backed Securities (ABS) of automobiles and credit cards denominated in U.S. dollars with AAA credit rating.

- Up to 5% of the portfolio's market value may be invested in financial instruments indexed to the Standard & Poor's 500 Index (SPX Index). Up to 3% in instruments representing commodity indices (such as the S&P GSCI (SPGCCITR Index) or any of its subcomponents). In any case, the sum of exposure to equity and commodity indices may not exceed 5% of the market value of the portfolio at the time of purchase, and net short positions are not permitted. The purchase of individual stocks or commodities is not permitted.

Investments in the eligible indices can only be made through exchange-traded funds (ETFs), index funds, total return swaps, bonds indexed to the permitted indices or through futures contracts where the underlying is one of the permitted indices.

The recognition and valuation of financial instruments are made in accordance with the investment objectives mentioned above and are grouped into two categories: at fair value through profit or loss and at amortized cost.

- **Operations** portfolio– is comprised of loans granted to member countries.

One of FLAR's objectives is to "Support the balance of payments of member countries by granting credits or guaranteeing credits from third parties".

FLAR continuously monitors the macroeconomic situation of its members to evaluate current exposures and anticipate future credit requests.

As of June 30, 2023, FLAR has not provided any third-party guarantees to its members.

FLAR has three lines of credit to its member countries:

- **Liquidity**: Non-renewable term of up to one year and a limit of up to 1 time the paid-in capital (1.1 times for Bolivia and Ecuador).

- **Contingency**: This line has an availability period of up to 6 months, extendable at the borrower's request for two periods of up to 6 months each, with prior FLAR's authorization. Once disbursed, the term is up to six months, extendable only once for an equal period, with prior authorization from FLAR. The limit of this line is up to 2 times the paid-in capital (2.1 times for Bolivia and Ecuador). This line must be guaranteed to the satisfaction of FLAR.

- **Balance of payments support**: Term of up to three years and up to one year grace period and a limit of up to 2.5 times the paid-in capital (2.6 times for Bolivia and Ecuador).

The maximum limit on total loans or other financial support that a country has with FLAR may not exceed 2.5 times the paid-in capital (2.6 times in the case of Bolivia and Ecuador).

Considering the *de facto* PCT that members have given to FLAR throughout its history, FLAR does not differentiate in the rates of credits it gives to its members, as is the practice in other multilateral financial organizations.

Loan rates are based on a variable reference rate that is adjusted quarterly and a fixed margin that seeks to incorporate FLAR's estimated cost of financing in international markets. Upon agreement with FLAR, members may choose to convert the loan to a fixed rate based on market conditions.

In all loans, FLAR studies the economic and financial policies that the country concerned has adopted, or is preparing to adopt, to mitigate the imbalance in its balance of payments and that provide FLAR with reasonable assurance that the loan will be repaid.

6. FAIR VALUE MEASUREMENT

6.1. Valuation principles - Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the valuation date, regardless of whether that price is observable or estimated directly using another valuation technique.

In estimating the fair value of an asset or liability, FLAR considers its characteristics and whether market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

6.2. Determination of fair value - To show how fair values have been derived, financial instruments are classified based on a hierarchy of valuation techniques, as summarized below:

Level 1: Quoted prices (unadjusted) in an active market for identical assets or liabilities that FLAR can access on the valuation date.

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (prices) or indirectly (price derivatives).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

FLAR may designate financial instruments at FVTPL if doing so eliminates or significantly reduces measurement or recognition inconsistencies.

6.3. Valuation techniques

- **Financial assets held for trading**: FLAR performs the valuation of investments with the information provided by an international price vendor.

  G7 sovereign bonds, exchange-traded futures, TBAs on U.S. agency mortgages, and Exchange Trade Funds (ETFs) on equity indices, commodities and investment-grade debt are generally classified within Level 1 of the fair value hierarchy because unadjusted quotations of published prices in an active market are used.

  For unquoted instruments, prices obtained from the valuation source are used. In this case, fair values are estimated using standardized valuation techniques and models that use observable market data to the extent possible. These techniques include the determination of future cash flows, which are discounted using yield curves derived from observable market data of comparable instruments.

  The types of instruments that are valued using this methodology include securities issued by government agencies, multilaterals, investment-grade corporate and agency-guaranteed mortgage-backed securities. These instruments are generally classified as level 2 fair value.

- **Money market instruments**: Deposits (made by FLAR and collected from customers) and private sector money market instruments are valued at amortized cost.

- **Derivative financial instruments**: FLAR trades government bonds and interest rate futures. These instruments are valued at the price established on the exchange and are classified as level 1 fair value.

  Additionally, FLAR uses foreign exchange forward contracts that are traded over the counter. The valuation is based on the spot rate of the day of the currency, the forward points for the same currency against the base currency, and the interest rate of the base currency in order to determine the present value of the profit or loss generated on a future date.

  The cross transactions are opened in two transactions that are valued against the base currency, which are valued with the forward price formula. The initial or agreed value in base currency will be the same for both transactions. The source of prices and rates for the valuation of these derivatives is the Wilshire Associates Abacus system. These instruments are classified as level 2 fair value. The exposure to counterparty risk arising from these operations is not significant.

FLAR's guidelines allow hedging exposures in its balance sheet from fixed to floating rates using over-the-counter interest rate swaps.

Forward curves promised expected flows, and the present value model is used for valuation. The source of prices and rates for the valuation of these derivatives is an external provider. FLAR requests collateral from its counterparties to reduce its credit exposure. The residual exposure is not significant, and therefore, no valuation adjustments are for credit risk.

- **Property and equipment**: FLAR's real state is appraised by external experts, who use valuation techniques based on comparable prices and replacement costs.

6.4. Financial assets and liabilities by fair value hierarchy - All FLAR investments measured at fair value through profit or loss are valued at market prices using pricing information from a recognized vendor.

(Stated in dollars of the United States of America)

The following are the instrument categories according to the fair value hierarchy:

June 30, 2023

Fair Value Hierarchy	Level 1	Level 2	Level 3	Total	Valuation techniques for levels 2 and 3	Main input data
Derivatives	-	2,898,177	-	2,898,177	Market	Comparable Yield curve
Governments and Sovereigns	$ 866,768,408	$ 332,605,567	$ -	$1,199,373,975	Market	Comparable Yield curve
Financial sector	4,195,438	123,695,662	-	127,891,100	Market	Comparable Yield curve
Nonfinancial sector	-	12,904,208	-	12,904,208	Market	Comparable Yield curve
Internally Managed portfolio	$ 870,963,846	$ 472,103,614	$ -	$1,343,067,460		
Derivatives	-	32,966	-	32,966	Market	Comparable Yield curve
Governments and Sovereigns	25,159,245	158,765,361	-	183,924,606	Market	Comparable Yield curve
Financials sector	-	222,542,799	-	222,542,799	Market	Comparable Yield curve
Nonfinancial sector	-	213,754,260	-	213,754,260	Market	Comparable Yield curve
Externally Managed portfolio	25,159,245	595,095,386	-	620,254,631		
Assets measured at fair value through profit or loss	$ 896,123,091	$1,067,199,000	$ -	$1,963,322,091		

(Stated in dollars of the United States of America)

December 31, 2022

Fair Value Hierarchy	Level 1	Level 2	Level 3	Total	Valuation techniques for levels 2 and 3	Main input data
Governments and Sovereigns	$ 955,936,963	$ 135,333,583	$ -	$1,091,270,546	Market	Comparable Yield curve
Financial sector	-	61,089,878	-	61,089,878	Market	Comparable Yield curve
Nonfinancial sector	-	21,832,201	-	21,832,201	Market	Comparable Yield curve
Internally Managed portfolio	$ 955,936,963	$ 218,255,662	$ -	$1,174,192,625		
Derivatives	-	47,658	-	47,658		Comparable Yield curve
Governments and Sovereigns	41,177,173	292,855,467	-	334,032,640	Market	
Financials sector	11,688,457	188,795,207	-	200,483,664	Market	Comparable Yield curve
Non-financial sector	-	113,303,773	-	113,303,773	Market	Comparable Yield curve
Externally Managed portfolio	52,865,630	595,002,105	-	647,867,735		
Assets measured at fair value through profit or loss	$1,008,802,593	$ 813,257,767	$ -	$1,822,060,360		

6.5. Transfers between fair value hierarchy levels - As of June 30, 2023, and December 31, 2022, the FLAR has no transfers between fair value hierarchy levels from or to level 3.

(Stated in dollars of the United States of America)

6.6. Fair value of financial assets and liabilities not measured at fair value.

June 30, 2023		Fair Value		
	Carrying Amount	Level 1	Level 2	Total Level 1 and 2
Cash on hand and at banks	$ 10,056,569	$10,056,569	$ -	$ 10,056,569
Investments at amortized cost – Internally managed portfolio (Investments)	3,113,329,119	-	3,112,139,393	3,112,139,393
Investments at amortized cost – Internally managed portfolio (Deposits)	2,161,877,942	-	2,161,996,478	2,161,996,478
Investments at amortized cost – externally managed portfolio	24,792,005	-	24,767,290	24,767,290
Accounts receivable on sale of investments	151,982,090	151,982,090	-	151,982,090
Financial assets	$ 5,462,037,725	$162,038,659	$ 5,298,903,161	$ 5,460,941,820
Deposits from central banks and other institutions	$4,610,040,931	$ -	$4,610,040,931	$4,610,040,931
Accounts payable on purchase of investments	92,840,944	92,840,944	-	92,840,944
Commissions received on loans granted	405,214	405,214	-	405,214
Financial liabilities	$ 4,703,287,089	$ 93,246,158	$ 4,610,040,931	$ 4,703,287,089

(Stated in dollars of the United States of America)

December 31, 2022	**Carrying Amount**	**Fair Value Level 1**	**Level 2**	**Total Level 1 and 2**
Cash on hand and at banks	$ 10,425,566	$10,425,566	$ -	$ 10,425,566
Investments at amortized cost – Internally managed portfolio (Investments)	2,400,408,122	-	2,400,437,431	2,400,437,431
Investments at amortized cost – Internally managed portfolio (Deposits)	2,821,162,386	-	2,821,256,524	2,821,256,524
Investments at amortized cost – externally managed portfolio	32,538,803	-	32,403,728	32,403,728
Accounts receivable on sale of investments	145,296,914	145,296,914	-	145,296,914
Financial assets	$5,409,831,791	$155,722,480	$5,254,097,683	$5,409,820,163
Deposits from central banks and other institutions	$4,482,799,566	$ -	$4,482,799,566	$4,482,799,566
Accounts payable on purchase of investments	107,112,840	107,112,840	-	107,112,840
Commissions received on loans granted	405,214	405,214	-	-
Financial liabilities	$4,590,317,620	$107,518,054	$4,482,799,566	$4,590,317,620

(Stated in dollars of the United States of America)

Level 2 financial assets correspond to instruments measured at amortized cost, are valued at least every six months to compare their fair value with their amortized cost, to reveal that there are no material differences with respect to their amortized cost and that their measurement is regularly.

The following methods and assumptions were used to calculate the fair value of each class of financial instruments not carried at fair value:

- Cash on hand and at banks, receivables on sale of investments, receivables on purchase of investments: the amounts recorded approximate fair value due to their short-term nature and are classified in level 1.

- Investments at amortized cost in internally and externally managed portfolios are valued by discounting future cash flows using yield curves derived from observable market data and are classified in level 2.

Measurement of loans to members: To determine the fair value of these credit instruments, FLAR considered the concepts defined in IFRS13 paragraph 16 and determined it impracticable to apply fair value on loans based on the following arguments (see Note 12 - Loans to central banks):

i. The credits issued are counter-cyclical and are granted to members that are sovereign states and central banks.

ii. The unique relationship between FLAR and its members, who have awarded it PCT throughout its history.

iii. The nonexistence of a principal or more advantageous market for the type of loans granted.

7. CASH

The following is a detail of immediately available cash, which is unrestricted, as of June 30, 2023 and December 31, 2022:

	June 30, 2023	**December 31, 2022**
Cash on hand	$ 2,937	$ 9,213
Correspondent banks	9,372,551	9,723,203

	June 30, 2023	December 31, 2022
Custodian bank	163,857	161,406
In US dollars	9,539,345	9,893,822
Cash on hand	596	520
Local banks	516,628	531,224
In Colombian pesos	517,224	531,744
Total Cash	$ $10,056,569	$ 10,425,566
Average interest rate during the period	0.57%	0.65%
Current Interest rate at the end of the period	0.54%	0.56%

In addition, the purchase and sale of investments with a settlement date after June 30, 2023 and December 31, 2022, which impact cash on hand, are disclosed (refer to Note 11 - Accounts receivables and payables on sale and purchase of investments).

8. INVESTMENT PORTFOLIO

The distribution by type of issuer of the financial instruments comprising FLAR's investment portfolios as of June 30, 2023, and December 31, 2022, is presented below.

	June 30, 2023	December 31, 2022
Governments and quasi-Governments	$ 1,199,373,975	$ 1,091,270,546
Financial sector	127,891,100	61,089,878
Non-financial sector	12,904,208	21,832,201
Investments at fair value through profit or loss	1,340,169,283	1,174,192,625
Governments and quasi-Governments	144,292,081	994,600,846
Financial sector	4,067,899,342	2,885,403,673
Non-financial sector	1,064,289,668	1,342,774,418
Provision for impairment losses	(1,274,030)	(1,208,429)
Investments at amortized cost	5,275,207,061	5,221,570,508
A. Internally managed portfolio	$ 6,615,376,344	$ 6,395,763,133
Governments and sovereigns	$ 183,924,606	$ 334,032,640
Financial sector	222,542,799	200,483,664

(Stated in dollars of the United States of America)

Non-financial sector	213,754,260	113,303,773
Investments at fair value through profit or loss	620,221,665	647,820,077
Governments and sovereigns	-	-
Financial sector	24,794,607	32,546,126
Provision for impairment losses	(2,602)	(7,323)
Investments at amortized cost	24,792,005	32,538,803
B. Externally managed portfolio	$ 645,013,670	$ 680,358,880
Total investment portfolio (A+B)	$ 7,260,390,014	$ 7,076,122,013

9. SPECIAL DRAWING RIGHTS - SDR

FLAR is authorized by the International Monetary Fund (IMF) to acquire, hold, and use Special Drawing Rights (SDR). SDRs are an international reserve asset issued by the IMF to supplement the official reserves of member countries; their value is based on a basket of five currencies: the euro, Japanese Yen, Chinese Renminbi, British Pound, and US dollar. Holdings at the IMF are remunerated at a rate determined by the IMF.

As transactions in SDRs can only occur between authorized holders, and for the convenience of the reader, SDR holdings are presented separately from other investments.

As of June 30, 2023, and December 31, 2022, SDR holdings of the foreign currency management sub-portfolio of credit operations, translated into U.S. dollars are as follows:

	June 30, 2023	December 31, 2022
SDR holdings (IMF)	$ 4,020	$ 3,773
Interest receivable on SDR positions	25	18
Unrealized gains (losses) in SDRs	(52)	132
	$ 3,993	$ 3,923

The exchange rate used for the conversion of SDRs to USD is the one in effect at the end of the presentation period (see Note 2.5 - Functional currency and transactions in foreign currency).

(Stated in dollars of the United States of America)

10. DERIVATIVE FINANCIAL INSTRUMENTS

FLAR's investment guidelines allow the use of interest rates, bonds, and foreign exchange derivatives in authorized markets. These derivatives are used on a limited basis within portfolios to manage the risks associated with interest rate and foreign exchange fluctuations.

FLAR executes these transactions through exchange-traded futures and over-the-counter transactions with financial institutions that have long-term credit ratings equal to or higher than any of the following: Standard & Poor's A-, Moody's A3 and Fitch A-.

FLAR does not designate derivatives for hedging specific assets for accounting purposes and does not apply hedge accounting. Therefore, on the date of trading derivatives, they are held as marketable assets at fair value, and any changes in their market value are recognized in profit or loss.

Derivative financial instruments are recorded as financial assets when their fair value generates a right and as financial liabilities when their fair value generates an obligation.

Assets and liabilities for derivative financial instruments correspond to the market value of outstanding contracts in accordance with FLAR's rights and obligations. FLAR does not apply hedge accounting for its derivative contracts and all profit or loss are recognized in the entity's results.

The market value of derivative instruments is:

	June 30, 2023	December 31, 2022
Futures	$ 8,239,769	$ 1,260,200
Forwards	2,898,177	-
Collateral delivered in Forwards operations	94,813	-
Derivates - Internally managed instruments	11,232,759	1,260,200
Futures	773,953	381,190
Forwards	32,966	47,658
Derivates - Externally managed instruments	806,919	428,848
A. Derivate financial assets - Rights	$ 12,039,678	$ 1,689,048
Forwards	$ (108,284)	$ -

(Stated in dollars of the United States of America)

	June 30, 2023	December 31, 2022
Collateral received in Forwards operations	(2,848,595)	-
Derivates - Internally managed instruments	(2,956,879)	-
Forwards	(60,792)	(3,736)
B. Derivate financial assets - Obligations	(3,017,671)	(3,736)
Net Derivate financial instruments (A+B)	$ 9,022,007	$ 1,685,312

11. TRADE RECEIVABLE AND PAYABLE ON SALE AND PURCHASE OF INVESTMENTS

Sales and purchases of investment transactions are recorded on the trade date in accordance with the term established by regulation or market convention. Account receivables and payables as of June 30, 2023 and December 31, 2022, arising from the difference between the trade date and settlement date of actual collection or payment, are detailed below:

	June 30, 2023	December 31, 2022
Sales of internally managed securities	$ -	$ 812,500
Sales of externally managed securities	31,913,079	45,110,478
Passive deposits traded	120,069,011	99,373,936
Accounts receivable	$ 151,982,090	$ 145,296,914
Fees payable to correspondent banks	$ 49,807	$ 55,590
Purchases of internally managed securities	46,873,562	-
Purchases of externally managed securities	45,917,575	107,057,250
Accounts payable	$ 92,840,944	$ 107,112,840

12. LOANS TO CENTRAL BANKS

The details of loans to central banks, including principal and accrued interest, is as follows:

	June 30, 2023	December 31, 2022
Loans to members	$ 1,108,419,583	$ 1,107,082,472
Total	$ 1,108,419,583	$ 1,107,082,472

Movements in loans granted and their movements between impairment stages, for the periods January to June 2023 and during 2022 are below:

(Stated in dollars of the United States of America)

	Stage 1		Stage 2		Total	
	Gross carrying amount	**Provision**	**Gross carrying amount**	**Provision**	**Gross carrying amount**	**Provision**
Balance as of January 1, 2023	$ 1,107,082,472	$ -	$ -	$ -	$ 1,107,082,472	$ -
Loan granted	-	-	-	-	-	-
Interest accrual	37,229,879	-	-	-	37,229,879	-
Transfers to stage 1-2-3	-	-	-	-	-	-
Principal and interest payments	(35,892,768)	-	-	-	(35,892,768)	-
Balance as of June 30, 2023	$1,108,419,583	$ -	$ -	$ -	$1,108,419,583	$ -

	Stage 1		Stage 2		Total	
	Gross carrying amount	**Provision**	**Gross carrying amount**	**Provision**	**Gross carry amount**	**Provision**
Balance as of January 1, 2022	$308,773,850	$ (1,677)	$ -	$ -	$308,773,850	$ (1,677)
Loan granted	1,100,000,000	-	-	-	1,100,000,000	-
Interest accrual	24,692,372	-	-	-	24,692,372	-
Transfers to stage 1-2-3	-	-	-	-	-	-
Principal and interest payments	(326,383,750)	1,677	-	-	(326,383,750)	1,677
Balance as of December 31, 2022	$1,107,082,472	$ -	$ -	$ -	$1,107,082,472	$ -

(Stated in dollars of the United States of America)

Details and events related to loans to central banks as of June 30, 2023, and December 31, 2022 are presented below:

i. Central Bank of Costa Rica:

a. Balance of payments loan: approved by the Board of Directors, its disbursement was on August 19, 2022, in the amount of USD 1,100,000,000.

This loan was for a term of three (3) years, including a one-year grace period for the beginning of principal payment. Subsequent amortization is quarterly in equal installments of principal. The rate is SOFR plus a margin of 201 basis points payable quarterly.

13. PROPERTY AND EQUIPMENT, NET

There are no restrictions on property and equipment. Balances as of June 30, 2023, and December 31, 2022, are below:

	June 30, 2023	December31, 2022
Real Estate	$ 2,110,137	$ 2,110,137
Furniture and fixtures	288,415	150,113
Office and computer equipment	1,984,397	1,757,341
Vehicles	119,828	119,828
Total property and equipment, gross	4,502,777	4,137,419
Less accumulated depreciation	(2,318,520)	(2,265,129)
Total property and equipment, net	$ 2,184,257	$ 1,872,290

(Stated in dollars of the United States of America)

The following were the movements in property and equipment:

	Real Estate	Furniture and fixtures	Office and computer equipment	Vehicles	Total
			Cost		
December 31, 2022	$2,110,137	$ 150,112	$1,757,342	$ 119,828	$4,137,419
Additions	-	138,303	232,168	-	370,471
Sales/write-offs	-	-	(5,113)	-	(5,113)
Real state revaluation	-	-	-	-	-
June 30, 2023	$2,110,137	$ 288,415	$1,984,397	$ 119,828	$4,502,777
			Accumulated Depreciation		
December 31, 2022	$(418,046)	$(131,167)	$(1,596,088)	$(119,828)	$(2,265,129)
Depreciation charges	(11,433)	(4,255)	(42,816)	-	(58,504)
Credits for write-offs	-	-	5,113	-	5,113
June30, 2023	$(429,479)	$(135,422)	$(1,633,791)	$(119,828)	$(2,318,520)
			Net Book Value		
December 31, 2022	$1,692,091	$ 18,945	$ 161,254	$ -	$1,872,290
June 30, 2023	$1,680,658	$ 152,993	$ 350,606	$ -	$2,184,257

(Stated in dollars of the United States of America)

14. OTHER ASSETS

The composition of other assets as of June 30,2023 and December 31, 2022, is presented below:

	June 30, 2022	December 31, 2022
Commissions receivable	$ 172,429	$ 536,170
Works of art and fixed asset in progress	54,691	346,842
Prepaid expenses	15,657	285,859
Taxes receivable	177,184	193,135
Trade receivable from employees	37,827	24,487
Other minor assets	30,434	43,211
Total other assets	$ 488,222	$ 1,429,704

15. DEPOSITS RECEIVED FROM CENTRAL BANKS AND OTHER INSTITUTIONS

Balance of this account comprises deposits received from member and non-member central banks and other Latin American official institutions; figures presented below include accrued interest. The detail as of June 30, 2023, and December 31, 2022, is as follows:

	June 30, 2023	December 31, 2022
Demand deposits		
Balance (A)	$ 209,545,864	$ 221,468,329
Average rate during the period	4.17%	1.33%
Average effective rate at the end of the period	4.50%	3.85%
Maximum days to maturity	On demand	On demand
Term Deposits		
Balance (B)	$ 4,400,495,067	$ 4,261,331,237
Average rate during the period	4.76%	1.93%
Average effective rate at the end of the period	5.16%	4.51%
Maximum days to maturity	784	965
Total Deposits from central banks and other institutions (A + B)	$ 4,610,040,931	$ 4,482,799,566

(Stated in dollars of the United States of America)

16. COMMISSIONS RECEIVED ON LOANS GRANTED

For each loan to its members, FLAR charges credit risk fees to cover the expected credit losses of the operation. These fees are received in cash at disbursement and during the life of the loan (charged to a deposit established at the beginning of the operation for this purpose) if there are changes in credit risk.

The amount of commissions received is considered in the estimate of provisions for credit risk. Given this, the provision expense is limited to the amounts not covered by the commission and the deposit for the collection of future commissions.

Credit risk fees are initially recorded as a liability, which will cease to be due and become income for FLAR only if the member defaults on the terms (financial and non-financial) of the loan.

Otherwise, if at the end of the term of the loan, the payments and conditions are met, the debtor receives a performance incentive equal to the amount of the commissions received.

As of June 30, 2023, and December 31, 2022, the balance of these funds remains unchanged at $405,214.

17. OTHER LIABILITIES

Other liabilities as of June 30, 2023, and December 2022, primarily consist of accounts payable to suppliers, the actuarial calculation of the retirement and health insurance plan for retired personnel under the FLAR's defined benefit plan, and other current liabilities, as detailed below:

	June 30, 2023	December 31, 2022
Suppliers (1)	$ 572,364	$ 1,168,368
Postemployment benefits pensioners' allowances (2)	371,661	348,443
Postemployment benefits pensioner medical plan (3)	47,543	41,386
Other labor liabilities (4)	1,326,536	1,148,392
	$ 2,318,104	$ 2,706,589

(3) Accounts payable to suppliers correspond to accounts payable due, related to FLAR's operating expenses, such as: custody of

(Stated in dollars of the United States of America)

securities, portfolio management, price vendors, internal and external audits, and other general services.

(2-3) Present value of pension and post-employment medical plan payments for three FLAR pensioners.

(4) Value of current employee benefits

(2) Changes in obligations related to pension liabilities and post-employment benefits for the periods ending June 30, 2023 and December 31, 2022, are below:

Postemployment benefits (3 pensioners)		**June30, 2023**		**December 31, 2022**
Changes in the obligation:				
Benefits accrued at the beginning of the period	$	348,443	$	416,931
Profit earned during the period - cost of service		15,629		23,989
Benefits paid		(42,007)		(78,242)
Devaluation effect		49,596		(65,669)
Adjustment of pension liabilities-OCI		-		51,434
Benefits accrued at the end of the period	$	371,661	$	348,443

(3) Corresponds to the present value of the health insurance payments for the two (2) FLAR pensioners who are included in the pension benefits scheme:

Postemployment benefits pensioner medical plan		**June30, 2023**		**December 31, 2022**
Changes in the obligation:				
Benefits accrued at the beginning of the period	$	41,386	$	54,804
Profit earned during the period - cost of service		1,971		3,327
Benefits paid		(1,886)		(3,777)
Devaluation effect		6,072		(9,358)
Adjustment of pension liabilities-OCI		-		(3,610)
Benefit accrued at the end of the period	$	47,543	$	41,386

Following are the benefit payments, which reflect future service and expected payments as of December 31, 2023, and the 9 subsequent years, in accordance with the disclosure requirements of IAS 19 Employee Benefits:

Year	Pension Liabilities	Postemployment benefits
Year 1	$ 85,872	$ 4,957
Year 2	75,775	5,071
Year 3	65,869	5,170
Year 4	56,496	5,252
Year 5	47,953	5,316
Next 5 Years	150,862	26,660

The main assumptions used in the determination of these obligations for the FLAR pension plan correspond to the estimates of the latest actuarial study in Colombian pesos as of December 31, 2022:

	Pension Liabilities	Postemployment benefits
Nominal discount rate	9.50%	9.50%
Nominal inflation rate	3.50%	3.50%
Nominal rate of pension increase	3.50%	N/A
Nominal medical inflation rate	N/A	5.50%
Census date of plan participants	30/11/2022	30/11/2022

As of June 30, 2023 and December 31, 2022, no assets have been allocated to the pension plan.

(4) Other labor liabilities correspond to short-term employee benefits such as:

	June 30, 2023	December 31, 2022
Severance pays	$ 94,466	$ $102,984
Interest over severance payments	5,511	12,046
Legal and Extralegal Vacations	125,033	127,667
Pension fund	11,034	-
Provident fund	1,090,492	905,695
Other labor liabilities	$ 1,326,536	$ 1,148,392

18. EQUITY

FLAR's paid-in capital is the basis for granting loans or other financial support of up to 2.5 times (2.6 times in the case of Bolivia and Ecuador) to the central banks of the member countries, in accordance with the regulations established in the constitutive agreement. The subscribed and paid-in capital is as follows:

(Stated in dollars of the United States of America)

Members	Subscribed	June 30, 2023 outstanding capital contributions	Paid-in
Bolivia	$ 328,125,000	$ 46,532,712	$ 281,592,288
Central Bank of Chile	600,000,000	98,763,898	501,236,102
Colombia	656,250,000	92,929,053	563,320,947
Costa Rica	656,250,000	92,782,869	563,467,131
Ecuador	328,125,000	46,474,289	281,650,711
Paraguay	328,125,000	46,976,332	281,148,668
Perú	656,250,000	92,983,238	563,266,762
Uruguay	328,125,000	45,926,264	282,198,736
Venezuela	656,250,000	617,531,297	38,718,703
	$ 4,537,500,000	$ 1,180,899,952	$ 3,356,600,048

Members	Subscribed	December 31, 2022 outstanding capital contributions	Paid-in
Bolivia	$ 328,125,000	$ 47,440,515	$ 280,684,485
Central Bank of Chile	500,000,000	-	500,000,000
Colombia	656,250,000	94,745,098	561,504,902
Costa Rica	656,250,000	94,599,385	561,650,615
Ecuador	328,125,000	47,382,280	280,742,720
Paraguay	328,125,000	47,882,704	280,242,296
Perú	656,250,000	94,799,108	561,450,892
Uruguay	328,125,000	46,836,022	281,288,978
Venezuela	656,250,000	617,656,120	38,593,880
	$ 4,437,500,000	$ 1,091,341,232	$ 3,346,158,768

FLAR may totally or partially reimburse capital contributions to members that are 180 days or more in arrears in their payment obligations, subject to certain specific conditions (See Note 4 - Significant accounting policies).

18.1. Reserves - The Assembly of Representatives of FLAR, through Resolution No. 221 of April 12, 2022, authorized the utilization of $1,119,176 from institutional reserves to cover losses incurred in 2021. This amount does not affect the minimum level of reserves stipulated in the constitutive agreement, which requires institutional reserves to be at least 10% of paid-in capital.

(Stated in dollars of the United States of America)

As of June 30, 2023, and December 31, 2022, FLAR's institutional reserves are at levels of 11.71% and 11.72% of paid-in capital.

18.2. Other comprehensive income - Comprises the remeasurements of the defined benefit plan, and changes in the fair value of real estate, as follows:

	Balance as of December 31, 2022	New measurements	Changes in fair value	Balance as of June 30, 2023
Retirement allowances	$ (138,676)	$ -	$ -	$ (138,676)
Postemployment benefits pensioners	(1,337)	-	-	(1,337)
Defined benefit plan	(140,013)	-	-	(140,013)
Real estate valuation	1,214,312	-	-	1,214,312
Total OCI	$ 1,074,299	$ -	$ -	$ 1,074,299

	Balance as of December 31, 2021	New measurements	Changes in fair value	Balances as of December 31, 2022
Retirement allowances	$ (87,242)	$ (51,434)	$ -	$ (138,676)
Postemployment benefits pensioners	(4,947)	3,610	-	(1,337)
Defined benefit plan	(92,189)	(47,824)	-	(140,013)
Real estate valuation	1,423,169	-	(208,857)	1,214,312
Total OCI	$ 1,330,980	$ (47,824)	$ (208,857)	$ 1,074,299

Within the aforementioned items of the OCI, the valuation of real estate will only be reclassified to profit or loss only in the event of the sale of FLAR's headquarters. On the other hand, the employee benefit plan will be reclassified to profit or loss only when FLAR’s obligation ceases.

19. INTEREST INCOME

Comprises all accrued interest on financial assets measured at fair value and amortized cost. As of June30, 2023 and 2022, its composition was as follows:

(Stated in dollars of the United States of America)

Issuer type	June 30, 2023	June 30, 2022
Balance of payments receivables	$ 37,229,879	$ -
Liquidity loans	-	2,090,550
Loans to central banks	37,229,879	2,090,550
Commercial banks deposits	41,892,389	2,829,615
Governments and Quasi-Governments	10,287,922	5,810,809
Financials sector	1,245,433	465,693
Non-financial sector	451,429	295,934
Investments at fair value through profit or loss	11,984,784	6,572,436
Governments and Quasi-Governments	2,015,408	-
Financials sector	6,124,722	1,373,767
Non-financial sector	530,329	-
Investments at amortized cost	8,670,459	1,373,767
Internally managed investment portfolios	20,655,243	7,946,203
Governments and quasi-Governments	3,834,500	2,047,459
Financials sector	2,330,423	1,450,616
Non-financial sector	2,298,063	854,197
Investments at fair value through profit or loss	8,462,986	4,332,272
Governments and Quasi-Governments	-	19,792
Financials sector	500,730	10,919
Non-financial sector	24,906	-
Investments at amortized cost	525,636	30,711
Externally managed investment portfolios	8,988,622	4,362,983
Interest income	$ 108,766,133	$ 17,229,351

During the first half of 2023, interest income increased due to the overall rise in market rates and the disbursement of new loans to members.

20. NET EXPENSE FROM RETURN ON MARKETABLE INVESTMENT

Includes all gains and losses arising from changes in fair value, amortized cost, interest income and exchange differences related to portfolio investments. As of June 30, 2023, and 2022, the details were as follows:

(Stated in dollars of the United States of America)

Issuer type	**June 30, 2023**	**June 30, 2022**
Governments and Quasi-Governments	$ 803,569	(31,050,483)
Financials sector	371,802	(2,285,671)
Non-financial sector	(170,700)	(1,275,118)
Derivates	3,516,181	26,021,489
Investments at fair value through profit or loss	4,520,852	(8,589,783)
Governments and Quasi-Governments	8,288,097	2,743,580
Financials sector	20,398,216	5,440,987
Non-financial sector	41,475,227	5,957,210
Investments at amortized cost	70,161,540	14,141,777
Internally managed investment portfolios	74,682,392	5,551,994
Governments and Quasi-Governments	2,527,121	(23,719,381)
Financials sector	461,656	(5,376,083)
Non-financial sector	(1,193,336)	(3,135,579)
Derivates	1,744,320	495,479
Investments at fair value through profit or loss	3,539,761	(31,735,564)
Governments and Quasi-Governments	-	(13,758)
Financials sector	359,187	6
Non-financial sector	25,788	-
Investments at amortized cost	384,975	(13,752)
Externally managed investment portfolios	3,924,736	(31,749,316)
Derivatives credit operations portfolio	-	1,922,371
Special Drawing Rights	70	4,178
Net investment income	$ 78,607,198	$ (24,270,773)

Internally managed investment portfolios invest primarily in money-market securities issued at a discount and measured at amortized cost. throughout the year, the funds received from these investments were reinvested at higher rates, which explains the positive performance of these portfolios.

Externally managed investment portfolios were impacted by the valuation of the instruments measured at fair value at higher rates. This is in line with market behavior (see note 2.1 Significant Events).

(Stated in dollars of the United States of America)

21. NET COMMISSION INCOME

Correspond mainly to income fees for the management of trusts under administration, as follows:

Commissions

	June 30, 2023	June 30, 2022
Income from demand deposit commissions	$ 69,167	$ -
Commission income from trust asset management	320,287	394,001
Commission incomes	$ 389,454	$ 394,001

22. INTEREST EXPENSE ON DEPOSITS FROM CENTRAL BANKS AND OTHER INSTITUTIONS

Interest expenses on deposits received from central banks and other institutions for the periods ending June 30, 2023 and 2022, are presented below:

	June 30, 2023	June 30, 2022
Interest on demand-deposits received from central banks	$ (2,377,956)	$ (95,139)
Interest on term-deposits received from central banks	(49,118,434)	(6,621,158)
Interest on term-deposits received from other institutions	(46,102,471)	(1,930,842)
Total interest expenses	$ (97,598,861)	$ (8,647,139)

In 2023, interest expenses increased in line with the rise in market interest rates.

23. NET EXPENSE FROM CREDIT LOSS ON FINANCIAL ASSETS

The following table shows the expense and recovery of provisions for impairment of financial instruments:

	June 30, 2023	June 30, 2022
Recovery of expected losses in credits granted to central banks	$ -	$ 25
Expected losses on investments at amortized cost of internally managed portfolios	(65,601)	(304,838)

Recovery of expected losses on investments at amortized cost of externally managed portfolios	4,721	698
Expected loss on financial assets	$ (60,880)	$ (304,115)

24. EMPLOYEE BENEFITS AND OPERATION EXPENSES

Accrued employee benefits and operating expenses correspond to budget expenses approved by the Assembly of Representatives and the Board of Directors.

Employee expenses consist mainly of salaries, social benefits, social security contributions, and other employee benefits.

Operational expenses primarily include communication and information expenses, software licenses, fees, and institutional events.

Other operating expenses correspond to the depreciation of fixed assets and exchange differences on operating budget items denominated in Colombian pesos.

The accumulated balances as of June 30, 2023, and 2022, are below:

	June 30, 2023	June 30, 2022
Employee benefits (1)	$ (2,374,941)	$ (2,349,385)
Operating expenses	(1,699,025)	(1,783,614)
Other operating income (expenses)	321,578	(38,101)
Employee benefits and operating expenses	$ (3,752,388)	$ (4,171,100)

25. OTHER INCOME AND EXPENSES

Other income – mainly corresponds to interest generated by savings accounts in Colombian pesos and the recovery of funds associated with the materialization of operating events.

Other expenses – mainly correspond to custody and portfolio management expenses, expenses related to the management of trust asset contracts, interest on pension liabilities, loan studies and approval, expenses for debt issuance studies and others.

As of June 30, 2023, and 2022, other income and expenses are detailed below:

(Stated in dollars of the United States of America)

	June 30, 2023	June 30, 2022
Other incomes: Interest earned on peso accounts	$ 138,705	$ 23,256
Custody and portfolio management fees	(303,325)	(739,422)
Expenses under trust asset contracts	(72,217)	(67,597)
Studies and credit approval	(23,691)	(7,600)
Issuance and other expenses	(42,571)	(21,488)
Other expenses	(441,804)	(836,107)
Other incomes and expenses	$ (303,099)	$ (812,851)

26. FIDUCIARY ASSETS

FLAR acts as a trustee of an autonomous patrimony. The purpose of the trust is to safeguard, monitor and control the risks of the portfolio managed by third parties in accordance with the investment terms defined by the trustee.

For this management, FLAR charges a quarterly management fee calculated based on the monthly average of the market value of the portfolio in trust. FLAR's obligations under this trust are for monitoring and control, not to guarantee results. To date, all obligations under the contract have been fulfilled.

The following is the detail of the value of the autonomous patrimony under the trust contract administered by FLAR, which is not part of its financial statements, as they are not assets of its property:

	June 30, 2023	June 30, 2022
Risk management, monitoring and control trust	$ 666,522,541	$ 611,817,415

27. RISK MANAGEMENT

As part of its purpose as an international multilateral financial organization, FLAR is exposed to a variety of risks, including market risk (interest rate, equity prices and exchange rates), credit risk (in the investment portfolio, intermediation, and loans to its member countries) and liquidity risk.

FLAR operates within a framework of prudent financial policies and risk management and follows a well-defined management decision-making process aimed at avoiding or limiting its risk exposure. The asset and liability management policy defines risk tolerance and determines conservative limits on exposure to different risk factors (foreign exchange, interest rate and credit).

The Board of Directors establishes policies concerning FLAR’s financial management and is informed about the level of risk to which FLAR is exposed, as well as the management results related to performance, composition, portfolio risk, compliance with investment guidelines and leverage operations.

ALCO defines the internal framework required to comply with general financial management policies determined by the Board of Directors. In addition, ALCO evaluates the international economic environment, investment strategy of portfolios, and the general state of FLAR's risks, reviews and approves reports on financial results, and is aware of operating statistics and operational risk events.

Financial management is responsible for the execution and implementation of financial decisions approved by ALCO, risk management is responsible of risk control and compliance with investment policy, operations management oversees operations compliance, and accounting management is responsible for the preparation and presentation of FLAR's financial statements.

27.1. Financial risk management objectives - Risk is managed with a comprehensive balance sheet approach. The investment objectives of FLAR's investment portfolios are to preserve nominal capital over a three-year horizon and to generate a positive net interest margin while assuming moderate credit risk and maintaining ample liquidity (see Note 5 - Main Asset Management Policies).

FLAR manages these risks through comprehensive management that takes into consideration the eligible investments and risk preferences defined by the Board of Directors in the global risk policy. Management of the different risks to which FLAR's balance sheet is exposed is described below.

27.2. Market risk - Given the nature of FLAR's investments, market risk is mainly associated with interest rate risk, and in very low proportions, with foreign exchange risk, as explained below:

i. Interest rate risk:

(Stated in dollars of the United States of America)

Interest rate risk is defined as the risk of taking or holding positions in instruments sensitive to changes in interest rates. In FLAR, interest rate risk is measured using the duration gap.

This measure is defined as the gap between price sensitivity of interest earning assets and price sensitivity of liabilities to a change in market interest rates.

At the balance sheet level, the global risk policy establishes that the maximum interest rate duration gap will be 3 years and the minimum will be 0 years.

The sensitivity of the balance sheet to changes in interest rates is presented below:

Duration Gap Components (years)	**June 30, 2022**	**December 31, 2022**
Asset duration	0.57	0.41
Liabilities duration	0.06	0.06
Liabilities/assets	0.54	0.54
Gap duration	0.54	0.37

For the calculation of the gap duration, the duration of assets and the contribution to the duration of liabilities are utilized. The latter takes into account the ratio of liabilities to assets.

Given these exposures, if interest rates move in parallel by 10 b.p., the impact on FLAR would be $2.07 million on June 30, 2023 and $1.39 million as of December 31, 2022.

Given FLAR's portfolio structure, market risk is mainly concentrated in the Investment Aggregate Portfolio, which is actively managed against its benchmark index.

Agreement 324 of April 30, 2005, and its amendments establish that, for portfolios with authorized active management, the effective duration can be in a range of +/- 1 around the duration of the reference index.

	June 30, 2022	**December 31, 2022**
Portfolio duration	1.67	1.20

	June 30, 2022	**December 31, 2022**
Benchmark duration	1.51	1.23

For the measurement of market risk of the Aggregate Investment Portfolio, the value at risk (VaR) measure is used. The methodology used for the calculation of VaR is an ex-ante parametric model. The horizon used is one day, calculated with daily data for the last 18 months and a significance level of 5%.

The VaR of the Aggregate Investment Portfolio is presented below:

	June 30, 2022	**December 31, 2022**
VaR ($ millions)	$ 4.5	$ 3.3
VaR (b.p)	16.6 b.p.	12.7 b.p.

Otherwise, the interest rate risk in the other portfolios that do not have active management (Operations Portfolio, Liquidity Portfolio, and Intermediation Portfolio) is low. In the Operations Portfolio, loans earn interest at the SOFR rate; in the Intermediation Portfolio, the matching of assets and liabilities is very close (see liquidity risk, below); and in the Liquidity Portfolio resources are invested in demand accounts and other short-term investments.

ii. Foreign exchange risk:

Foreign exchange risk is the risk that the fair value or future cash flows of exposures may fluctuate because of changes in exchange rates.

Foreign exchange exposures are managed within the parameters of the policies approved by the Board of Directors' Agreement No. 324 of April 30, 2005, and its amendments. According to this, financial instruments eligible for investment of FLAR reserve assets must be denominated in the following currencies: US dollar (USD), euro (EUR), Japanese yen (JPY), Swiss franc (CHF), British pound (GBP), Canadian dollar (CAD), Australian dollar (AUD), New Zealand dollar (NZD), Norwegian krone (NOK), Swedish krona (SEK), onshore renminbi (CNY), offshore renminbi (CNH), Hong Kong dollar (HKD), Singapore dollar (SGD), South Korean won (KRW) and IMF SDRs.

Additionally, FLAR has a low exposure to the Colombian peso (COP) to cover its operating expenses in Colombia.

The following is a description of the foreign exchange exposure in the different FLAR portfolios.

Actively managed portfolios (Aggregate Investment Portfolio): Active unhedged foreign exchange positions are allowed up to a maximum of +/- 10% of the index's foreign exchange composition in eligible currencies mentioned above.

Subject to the above restriction, the purchase of bills and notes issued by agencies, sovereign governments, multilateral institutions, private companies, and financial institutions in currencies other than the U.S. dollar is permitted for up to 50% of the portfolio. Sub-portfolios of the Aggregate Investment Portfolio held positions in foreign exchange forwards in the following magnitude:

	Exposures June 30, 2023	**Exposures December 31, 2022**
Foreign exchange forward positions	0.08%	0.06%

The amounts of realized and unrealized gains and losses on foreign currency derivatives as of June 30, 2023, and December 31, 2022, are detailed in Note 10 - Derivative Financial Instruments.

- Other non-actively managed portfolios (Trading Portfolio, Liquidity Portfolio, Intermediation Portfolio): In other portfolios, operations will be designed in such a way that FLAR does not have material exposures to foreign exchange risk against the U.S. dollar.

- Operating expenses in Colombian pesos: To mitigate the effect of the fluctuation of the peso on operating expenses, an annual estimate is made of the expenses that imply exchange exposure to this currency. The equivalent amount is converted into Colombian pesos and invested in term-deposits (see Note 8 - Investment portfolio). These investments decrease as the operating budget is executed.

  As of June 30, 2023, there are term-deposits in Colombian peso by USD 2 million, equivalent to 2 basis points of the institution's assets. As of December 31, 2022, there were no outstanding investments in Colombian pesos.

27.3. Credit risk - Credit risk is the risk that one of the counterparties will not meet its obligations under a financial instrument or purchase contract, resulting in a financial loss.

FLAR is exposed to credit risk in:

i. Credits it grants to member countries.

Credit operations or other financial support from FLAR to its member countries are subject to evaluation of reasonable payment capacity of the applicant by the Board of Directors or Executive Presidency, depending on the type of credit.

The risk of these operations is mitigated due to the *de facto* PCT that member countries have given to FLAR throughout its history, and to measures established by FLAR, such as the determination of the eligible amount for credits, the collection of commissions for credit risk, and the offsetting of profits in the event that credits are in arrears.

ii. Investment activities (including deposits in banks and financial institutions, foreign currency transactions, and other financial instruments).

The credit risk of investments is monitored by FLAR's Risk Management Direction, which is responsible for reviewing and managing credit risk. Counterparty limits are established through the use of a risk classification methodology that considers the issuer's credit rating according to the main rating agencies and market signals (see Issuer Credit Evaluation Process below).

According to the investment guidelines, FLAR may invest in medium-term instruments which may not have a credit rating lower than any of the following: Moody's A3, Standard & Poor's A- and Fitch Ratings A-.

With respect to investments in short-term or money market instruments, these may not have a credit rating lower than any of the following: Moody's P-2, Standard & Poor's A-2 and Fitch Ratings F2.

Credit risk is managed following an approach of preference for high credit rating of exposures, sector diversification, and adequate granularity in exposures to individual short- and medium-term issuers.

One activity that implies that FLAR assumes credit risk is that associated with the intermediation activity. Agreement 323 of 2005 establishes that the ALCO has the power to periodically evaluate and decide the target value of the Intermediation Portfolio, considering the economic and market environment.

During the first half of 2023, ALCO established target ranges for term deposits of the Intermediation Portfolio. For the period January to March, the target range was set between USD 3,000 million and USD 4,500 million. For the period April to June, the target range was adjusted between USD 3,000 million and USD 4,000 million. A deviation of up to USD 500 million from these ranges was allowed. Throughout this period, the monthly portfolio closings fluctuated within the specified range. In March, the minimum portfolio value was registered at USD 3,287 million, while in January, the maximum portfolio value reached USD 4,419 million.

During 2022, ALCO determined that the target range of the Intermediation Portfolio's term-deposits will be between $3,000 million and $4,500 million, allowing a deviation of up to $500 million around this range. During this period, the minimum value of the portfolio's monthly closings was $3,108 million in May and the maximum was $4,579 million in February.

As of June 30, 2023, investments in the Intermediation Portfolio that match time-deposits received amounted to $4,294 million. As of December 31, 2022, investments in the Intermediation Portfolio that match time-deposits received amounted to $4,172 million.

27.3.1. Issuer credit evaluation process – For the evaluation of issuers, FLAR has human and technological resources dedicated exclusively to credit analysis and monitoring of the fundamental and market conditions of approved issuers.

Initially, the credit evaluation process involves a review of the fundamentals and conditions of the global fixed-income market, determining the countries, markets, and sectors in which there is value, and reasonable security in investment opportunities.

Based on the selection of global markets and sectors, a comprehensive credit evaluation methodology is followed to select issuers that meet the criteria of credit quality, probability of default, implicit rating, and fundamental analysis, consistent with the entity's risk profile.

Evaluation criteria are different for financial and corporate issuers, thus ensuring that the former have capital adequacy ratios that comply with minimum regulatory requirements established in Basel I and the updates in the quality of capital established in Basel III, have solid liquidity conditions and systemic importance within the sector.

For the latter, they must have a competitive and leading position in the industry, healthy credit metrics, financial flexibility, and conservative management.

Credit quotas depend on the term to maturity. For medium-term investments (maturity greater than 397 days), the quota is 1% of the market value of the respective portfolio. For investments in the money market or short-term investments (up to 397 days to maturity), exposure limits are up to 1% for nonfinancial issuers, between 2% and 3% (depending on credit rating) for banks, financial institutions, and multilateral and quasi-government issuers. In addition, countries with AAA, AA, and A credit ratings with significantly large GDP size (USD billion) and classified in BICRA Groups 1 to 3 may have exposure to their securities of up to 25%, 15%, and 5%, respectively of the market value of the portfolio.

Overnight deposits with systemic commercial banks have a quota of up to $600 million.

The largest quotas are assigned only to global systemically important financial institutions (G-SIFIs) according to the classification established by the Financial Stability Board (FSB).

Following is the composition by sector and rating (using the S&P scale) of FLAR's investments as of June 30, 2023, and December 31, 2022 are presented below.

Composition by sector and credit quality as of June 30, 2023
(Amounts in millions of USD)

Sector	Medium-term ratings			Short-term ratings		No rated	Credit Operations Sub-portfolio	Total by asset class	Total by asset class
	AAA	AA	A	A-1	A-2		Balance of Payments Support Credit		
Credit Balance of Payments	-	-	-	-	-	-	1,108.4	1,108.4	13.0%
Cash	-	-	-	9.5	-	-	-	9.5	0.1%
Money Market	270.0	-	-	3,620.9	1,262.8	-	-	5,153.8	60.3%
Multilaterals and quasi-governments	141.1	150.8	33.0	185.8	-	-	-	510.7	6.0%
U.S. Treasury Bonds	-	516.8	-	-	-	-	-	516.8	6.1%
TIPS	-	152.3	-	-	-	-	-	152.3	1.8%
U.S. Treasury Bills	-	-	-	188.3	-	-	-	188.3	2.2%
U.S. Agencies	-	-	-	-	-	-	-	-	0.0%
MBS	118.6	29.1	-	-	-	-	-	147.7	1.7%
TBA	(0.4)	12.2	-	-	-	-	-	11.8	0.1%
ABS	41.1	-	-	-	-	-	-	41.1	0.5%
SDR	0.0	-	-	-	-	-	-	0.0	0.0%
Corporate	17.4	52.5	298.5	111.9	45.6	-	-	525.8	6.2%
ETF	-	-	-	-	-	[illegible]	-	10.1	0.1%
Accounts receivable and deposits receivable	-	-	-	152.0	-	-	-	152.0	1.8%
Futures margin accounts	-	-	9.0	-	-	-	-	9.0	0.1%
Forwards with positive valuation	-	-	2.9	-	-	-	-	2.9	0.0%
Cash Collateral with positive valuation	-	-	0.1	-	-	-		0.1	0.0%
Swaps with positive valuation	-	-	-	-	-	-	-	-	0.0%
Total by rating	587.9	913.7	343.4	4,268.4	1,308.4	10.1	1,108.4	8,540.4	100.0%
Total by rating	6.9%	10.7%	4.0%	50.0%	15.3%	0.1%	13.0%	100.0%	

Source: Risk Management Direction

Includes the effect of provisions for expected credit losses. Does not include cash in Colombian pesos for $2.5 million. Considering property and equipment - net, other assets of $2.2 and $0.5 million, respectively, result in a total asset value of $8,545.6 million.

Composition by sector and credit quality as of December 31, 2022
(Amounts in millions of USD)

Sector	Medium-term ratings			Short-term ratings		No rated	Credit Operations Sub-portfolio	Total by asset class	Total by asset class
	AAA	AA	A	A-1	A-2		Balance of Payments Support Credit		
Credit Balance of Payments	-	-	-	-	-	-	1,107.1	1,107.1	13.3%
Cash	-	-	-	9.9	-	-	-	9.9	0.1%
Money Market	-	-	-	2,778.3	1,492.9	-	-	4,271.2	51.2%
Multilaterals and quasi-governments	793.4	36.5	38.1	214.0	52.2	-	-	1,134.1	13.6%
U.S. Treasury Bonds	-	963.2	-	-	-	-	-	963.2	11.5%
TIPS	-	3.9	-	-	-	-	-	3.9	0.0%
U.S. Treasury Bills				30.0				30.0	0.4%
U.S. Agencies	-	-	-	-	-	-	-	-	0.0%
MBS	186.4	44.5	-	-	-	-	-	231.0	2.8%
TBA	-	57.7	-	-	-	-	-	57.7	0.7%
ABS	28.3	-	-	-	-	-	-	28.3	0.3%
SDR	0.0	-	-	-	-	-	-	0.0	0.0%
Corporate	3.8	34.8	1	103.	38.5			356.0	4.3%
ETF	-	-	-	-	-	0.8	-	0.8	0.0%
Accounts receivable and deposits receivable	-	-	-	145.3	-	-	-	145.3	1.7%
Futures margin accounts	-	-	1.6	-	-	-	-	1.6	0.0%
Forwards with positive valuation	-	-	0.0	-	-	-	-	0.0	0.0%
Swaps with positive valuation	-	-	-	-	-	-	-	-	0.0%
Total by rating	1,011.9	1,140.6	215.6	3,280.5	1,583.6	0.8	1,107.1	8,340.1	100.0%
Total by rating	12.1%	13.7%	2.6%	39.3%	19.0%	0.0%	13.3%	100.0%	

Source: Risk Management Direction

Includes the effect of provisions for expected credit losses. Does not include cash in Colombian pesos for $0.5 million. Considering property and equipment - net, other assets of $1.9 and $0.6 million, respectively, result in a total asset value of $8,343.9 million.

27.4. Liquidity risk - Liquidity risk is defined as the risk that an institution may not have access to sufficient cash and liquid assets to meet its obligations.

Main objective of FLAR's liquidity management is to have resources to meet the credit demands of member countries in a timely manner, with low settlement costs of the securities that make up the portfolios and to have the necessary liquidity to meet their obligations.

Investment guidelines favor investments in assets with very low credit risk, high liquidity, and low transaction costs (see Note 5 - Main asset management policies).

Under its liquidity guidelines, FLAR must ensure that sufficient resources are available to meet its debt commitments for a minimum period of twelve months and maintain, always, at least 25% of its paid-in capital invested in liquid instruments in Liquidity Portfolio and in Aggregate Investment Portfolio, which invest in highly liquid investment grade instruments.

As of June 30,2023 and December 31, 2022, FLAR had no long-term debt.

In terms of the liquid asset requirement, the value of Aggregate Investment Portfolio and Liquidity Portfolio versus paid-in capital as of June 30, 2023, was 80.8%, and as of December 31, 2022, it was 78.6%.

Currently, FLAR has the resources to meet the credit demands from member countries in a timely manner and with low liquidation costs of the securities that make up the portfolios. Financial liabilities are matched with assets of similar term characteristics.

Although the assets are liquid and can be sold before their maturity date, for disclosure purposes, a detail of the contractual maturities of financial assets and liabilities is presented:

Maturities by tranche and type of asset and liability as of June 30, 2023 (Amounts in millions of USD)
Financial assets

Expiration	Less than one month	One to three months	Three to six months	Six to 12 months	Between one and two years	More than two years	Total
Cash	9.5	0.0	0.0	0.0	0.0	0.0	9.5
Financial instruments and Term deposits	3,490.3	1,035.6	725.9	731.2	355.2	920.3	7,258.4
Credits to central banks	0.0	0.0	0.0	0.0	0.0	1,108.4	1,108.4
Foreign exchange portfolio	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accounts receivable on sales of financial instruments	152.0	0.0	0.0	0.0	0.0	0.0	152.0
Derivative financial assets	11.9	0.1	0.0	0.0	0.0	0.0	12.0
Total	3,663.7	1,035.7	725.9	731.2	355.2	2,028.7	8,540.4

Source: Risk Management Direction

Includes the effect of provisions for expected losses. Does not include cash and deposits in Colombian pesos for $2.5 million. Considering Property and Equipment - net, other assets of $2.2 and $0.5 million, respectively, give a total value of assets of $8,545.6 million.

Financial liabilities

Expiration	Less than one month	One to three months	Three to six months	Six to 12 months	Between one and two years	More than two years	Total
Financial liabilities (Term deposits)	4,276.7	289.7	0.0	0.0	0.0	43.6	4,610.0
Accounts payable on purchases of financial instruments	92.8	0.0	0.0	0.0	0.0	0.0	92.8
Derivative financial liabilities	0.1	2.9	0.0	0.0	0.0	0.0	3.0
Total	4,369.7	292.6	0.0	0.0	0.0	43.6	4,705.9

Source: Risk Management Direction

It does not include other liabilities and commissions received for loans granted in the amount of $0.4 million.

Below is a detail of the contractual maturities of financial assets and liabilities as of December 31, 2022:

Maturities by tranche and type of asset and liability as of December 31, 2022 (Amounts in millions of USD)
Financial assets

Expiration	Less than one	One to three months	Three to six months	Six to 12 months	Between one and two years	More than two years	Total
Cash	9.9	0.0	0.0	0.0	0.0	0.0	9.9
Financial instruments and Term deposits	4,070.7	986.3	388.4	840.7	295.0	495.0	7,076.1
Credits to central banks	0.0	0.0	0.0	0.0	0.0	1,107.1	1,107.1
Foreign exchange portfolio	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accounts receivable on sales of financial instruments	145.3	0.0	0.0	0.0	0.0	0.0	145.3
Derivative financial assets	1.6	0.0	0.0	0.0	0.0	0.0	1.7
Total	4,227.5	986.4	388.4	840.7	295.0	1,602.1	8,340.1

Source: Risk Management Direction

Includes the effect of provisions for expected losses. Does not include cash and deposits in Colombian pesos for $0.5 million. Considering Property and Equipment - net, other assets of $1.9 and $1.4 million, respectively, give a total value of assets of $8,343.9 million.

Financial liabilities

Expiration	Less than one month	One to three months	Three to six months	Six to 12 months	Between one and two years	More than two years	Total
Financial liabilities (Term-deposits)	4,050.2	388.6	0.0	0.4	0.0	43.6	4,482.8
Accounts payable on purchases of financial instruments	107.1	0.0	0.0	0.0	0.0	0.0	107.1
Derivative financial liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	4,157.3	388.6	0.0	0.4	0.0	43.6	4,589.9

Source: Risk Management Direction

It does not include other liabilities and commissions received for loans granted in the amount of $0.4 million.

As of June 30, 2023 and December 31, 2022, liabilities are appropriately matched by assets with similar maturities, which would allow FLAR to meet its obligations without having to liquidate investments. These assets far exceed FLAR's liabilities. Additionally, it should be noted that high proportion of FLAR's assets mature in less than one year.

In the previous section the composition of instruments by credit rating was presented. As of June 2023, 69.8% of FLAR's reserve assets were in high credit quality instruments that are significantly liquid.

27.5. Risk-adjusted capital - Due to its nature as an international organization, FLAR is not subject to regulatory capital compliance as is the case for private financial institutions globally. According to the capital adequacy ratings made by the rating agencies, FLAR has a level of financial strength and capital adequacy considered 'very strong' by Standard and Poor's (S&P). Moody's classifies FLAR's capital adequacy as 'a2'.

In FLAR's capital adequacy assessment, the rating agencies favorably value its preferred creditor status, backed by the contributions of paid-in capital and reserves from member countries, high credit quality of its assets, a level of zero leverage, given that as of June 30, 2023, there are no debt issues outstanding.

One way of looking at capital adequacy is through the risk-adjusted capital ratio (RAC). To measure this indicator, internally developed risk-adjusted capital ratio methodology is used, which is based on the S&P methodology weightings and other assumptions made by Risk Management Direction.

As of June 30, 2023, this indicator was 29%, compared to 28% on December 31, 2022.

28. RELATED PARTIES

Throughout the financial statements, the activities, and operations of FLAR with its related parties are disclosed, which by their nature and in accordance with its Constitutive Agreement are carried out mainly with its members.

For disclosure purposes, main transactions with member countries and associated banks are listed below:

- Receipt of contributions to paid-in capital and institutional reserves (see Note 18 - Shareholders' equity).
- Granting of loans under the established credit lines (see Note 12 - Loans to Central Banks).
- Commissions received for loans granted.
- Receipt of demand and term deposits (see Note 15 - Deposits received from Central Banks and Other Institutions).

As of June 30, 2023, FLAR has not received any loan, guarantee or similar from any of its members.

The values of related party transactions as of June 30, 2023 and December 31, 2022, are listed below.

(Stated in dollars of the United States of America)

Statement of Financial Position

June 30, 2023	Members
Assets	
Loans to central banks	$1,108,419,583
Liabilities	
Demand deposits	209,545,864
Term deposits	1,885,523,911
Commissions received on loans granted	405,214

December 31, 2022	Members
Assets	
Loans to central banks	$1,107,082,472
Liabilities	
Demand deposits	181,415,293
Term deposits	2,262,639,181
Commissions received on loans granted	405,214

Income statement

June 30, 2023	Members	Key management personnel
Profits		
Interest income on loans granted	$ 37,229,879	
Interest on demand deposits	2,140,758	
Interest on term deposits	44,222,274	
Key Management Personnel Compensation		857,970

June 30, 2022	Members	Key management personnel
Profits		
Interest income on loans granted	$ 2,090,550	
Interest on demand deposits	95,139	
Interest on term deposits	659,831	
Key Management Personnel Compensation		855,318

29. EVENTS AFTER THE REPORTING PERIOD

FLAR management has evaluated subsequent events occurring from June 30, 2023, through September 15, 2023, date on which the financial statements were available to be issued and determined that no additional subsequent events have occurred that would require recognition or disclosure of additional information in these statements.

30. APPROVAL OF THE FINANCIAL STATEMENTS

On the 13 of September of 2023, the Assets and Liabilities Committee ALCO reviewed the Financial Statements of the Latin American Reserve Fund "FLAR" for the period ended June 30,023 and December 31, 2022, and approved that they be submitted to the Board of Directors, at the VC meeting of October 30, 2023 for approval and publication.