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 December 31, 2023, with Independent Auditor's Report.

Latin American Reserve Fund "FLAR".

Financial Statements

For the one-year period ending on December 31, 2023

Index

Deloitte & Touche S.A.S.
NIT 860.005.813-4
Carrera 9 No. 78 – 31. Piso 1
Bogotá, D. C.
Colombia

Tel: +57 (601) 426 2000
www.deloitte.com/co

EXTERNAL AUDITORS' REPORT

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

Opinion

I have audited the attached financial statements of the Latin American Reserve Fund (hereinafter "the Fund"), which include the statement of financial position as of December 31, 2023, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the one-year period ended on that date, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements, taken from the accounting books, reasonable present in all significant respects, the financial position of the Fund as of December 31, 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

I've conducted the audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described below in the Auditor Responsibilities section. I am independent of the Fund in accordance with the ethical requirements relevant to the audit of financial statements, and I have fulfilled other ethical responsibilities in accordance with those requirements. I believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for expressing my 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 the internal control management considers necessary for 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

My objective is 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 audit report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the International Standards on Auditing will always detect a material misstatement when it exists. Misstatements may arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

As part of an audit in accordance with the International Standards on Auditing, I exercise professional judgment and maintain professional skepticism throughout the audit. In addition:

- I identify and assess the risks of material misstatements of 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 my opinion. The risk of not detecting a material misstatement resulting from fraud is greater than that resulting from an error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the overriding of internal control.

- I 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 FLAR's internal control.

- I assess the appropriateness of accounting policies applied, and the reasonableness of accounting estimates and related disclosures made by management.

- I 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 my audit report to the corresponding disclosures in the financial statements or, if such disclosures are inadequate, to express a modified opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

- I 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.

I communicate with those charged with governance of the fund, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control, if any, identified during the audit.

Other matters

The financial statements for the year ended December 31, 2022, and the comprehensive income statement, 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.

English translation

These financial statements, notes to the financial statements and the external auditor's report were translated into English, for the convenience of stakeholders outside of member countries, from financial statements originally issued in Spanish.

Deloitte & Touche S.A.S.
Deloitte & Touche S.A.S.
Bogota, Colombia

February 15, 2023

LATIN AMERICAN RESERVE FUND - FLAR

STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2023, AND 2022
(Stated in dollars of the United States of America)

	Notes	December 31, 2023	December 31, 2022
ASSETS			
Cash	7	$ 10,699,411	$ 10,425,566
Internally managed investment portfolios		**7,337,626,004**	**6,395,763,133**
Investments at fair value through profit or loss	8	1,583,518,967	1,174,192,625
Investments at amortized cost	8	5,754,107,037	5,221,570,508
Special Drawing Rights (SDR)	9	4,102	3,923
Externally managed investment portfolios		**666,942,511**	**680,358,880**
Investments at fair value through profit or loss	8	646,981,377	647,820,077
Investments at amortized cost	8	19,961,134	32,538,803
Derivative financial instruments	10	12,083,644	1,689,048
Trade receivable on sale of investments	11	131,582,657	145,296,914
Loans to central banks	12	970,147,330	1,107,082,472
Property and equipment, net	13	2,687,171	1,872,290
Other assets	14	703,112	1,429,704
Total assets		**$ 9,132,475,942**	**$ 8,343,921,930**
LIABILITIES			
Deposits from central banks and other institutions	**15**	**$ 5,101,209,384**	**$ 4,482,799,566**
Demand deposits		105,308,046	221,468,329
Term deposits		4,995,901,338	4,261,331,237
Derivative financial instruments	10	191,186	3,736
Accounts payable on purchase of investments	11	57,208,783	107,112,840
Commissions received on loans granted	16	405,214	405,214
Other liabilities	17	3,216,590	2,706,589
Total Liabilities		**$ 5,162,231,157**	**$ 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: capital installments receivable		(1,180,899,952)	(1,091,341,232)
Institutional reserves		393,219,638	392,175,510
Comprehensive income	18	1,533,210	1,074,299
Net Profit for the period		218,891,889	11,485,408
Total Equity		**3,970,244,785**	**3,750,893,985**
Total Liabilities and Equity		**$ 9,132,475,942**	**$ 8,343,921,930**

The notes are an integral part of these financial statements.

José Darío Uribe E.
Executive President

Néstor E. Benjumea L.
Accounting Manager

LATIN AMERICAN RESERVE FUND - FLAR

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31,2023 AND 2022
(Stated in dollars of the United States of America)

	Notes	December 31, 2023	December 31, 2022
Interest income	19	$ **232,256,032**	$ **85,510,384**
Loans to central banks		77,463,410	24,692,372
Deposits in commercial banks		83,130,312	28,028,209
Internally managed investment portfolios		52,018,357	21,750,670
Investments at fair value through profit or loss		29,743,859	15,197,177
Investments at amortized cost		22,274,498	6,553,493
Externally managed investment portfolios		19,643,853	11,039,133
Investments at fair value through profit or loss		18,967,395	10,758,304
Investments at amortized cost		676,558	280,829
Interest expense on deposits from central banks and other institutions at amortized cost	22	**(207,992,133)**	**(64,856,694)**
Demand deposits		(3,739,913)	(1,583,716)
Term deposits		(204,252,220)	(63,002,978)
Net interest income		**24,263,899**	**20,923,690**
Net investment profit (loss)	20	**203,881,783**	**(337,054)**
Internally managed investment portfolios		188,864,899	42,255,386
Investments at fair value through profit or loss		36,795,620	(12,624,386)
Investments at amortized cost		152,069,279	54,879,772
Externally managed investment portfolios		15,016,705	(44,535,337)
Investments at fair value through profit or loss		14,330,336	(44,796,081)
Investments at amortized cost		686,339	260,744
Derivatives - Loan operations portfolios		-	1,938,674
Special Drawing Rights (SDR)		179	(4,223)
Net income from fees received for portfolio administration	21	**821,195**	**749,419**
Net (expense) income from expected credit losses on financial assets	23	**(22,431)**	**38,867**
Loans to central banks		-	1,677
Investments at amortized cost		(22,431)	37,190
Employee benefits and operating expenses	24	**(8,936,921)**	**(8,415,531)**
Employee benefits		(5,007,422)	(4,517,232)
Operating expenses		(4,198,950)	(3,879,401)
Other operating income (expense)		269,451	(78,898)

LATIN AMERICAN RESERVE FUND - FLAR

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2023, AND 2022
(Stated in dollars of the United States of America)

	Notes	December 31, 2023	December 31, 2022
Other financial expenses, net	25	**(1,115,636)**	**(1,473,983)**
Other financial incomes		292,688	55,256
Other financial expenses		(1,408,324)	(1,529,239)
Net Profit for the period		**218,891,889**	**11,485,408**
Other comprehensive income		458,911	(256,681)
Total Comprehensive Income		**$ 219,350,800**	**$ (11,228,727)**

The notes are an integral part of these financial statements.

José Darío Uribe E.
Executive President

Néstor E. Benjumea L.
Accounting Manager

LATIN AMERICAN RESERVE FUND - FLAR

STATEMENT OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023, AND 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 from the entry of Central Bank of Chile to FLAR as an Associated Bank approved by Agreement of the Assembly of Representatives No. 219 of February 16, 2022	18	500,000,000	58,600,000	-		558,600,000
Appropriation of institutional reserves to cover 2021 losses according to Agreement No. 221 of the FLAR Assembly of Representative on April 12, 2022.	18	-	(1,119,176)	1,119,176	-	-
Results for year 2022		-	-	11,485,408	-	11,485,408
Other Comprehensive Income						
Surplus from the revaluation of property and equipment	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**
Appropriation of 2022 profits, according to Agreement No. 227 of FLAR's Assembly Representative of March 28, 2023.	18	10,441,280	1,044,128	(11,485,408)	-	-
Results for year 2023	18	-	-	218,891,889	-	218,891,889

LATIN AMERICAN RESERVE FUND - FLAR

STATEMENT OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023, AND 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
Other comprehensive Income						
Surplus from the revaluation of property and equipment	18				572,812	572,812
Adjustments to pension reserves					(113,901)	(113,901)
BALANCES AS OF DECEMBER 31, 2023		$ 3,356,600,048	$ 393,219,638	$ 218,891,889	$ 1,533,210	$ 3,970,244,785

The notes are an integral part of these financial statements.

José Darío Uribe E.
Executive President

Néstor E. Benjumea L.
Accounting Manager

LATIN AMERICAN RESERVE FUND - FLAR

STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023, AND 2022
(Stated in dollars of the United States of America)

	Note	December 31, 2023	December 31, 2022
CASH FLOWS FROM OPERATING ACTIVITIES:			
Results for the year		**$ 218,891,889**	**$ 11,485,408**
Adjustments to reconcile net profit with net cash provided by operating activities:			
Depreciation expense	13	134,503	99,714
Unrealized gain (loss) in:			
Investments at fair value through profit or loss			
Internally managed portfolios		(17,199,440)	30,242,875
Externally managed portfolios		(18,897,395)	27,981,600
Derivative transactions	10	(10,432)	16,648
Expected credit losses on loans to central banks	23	-	(1,677)
Expected credit losses on investments at amortized cost	23	22,430	(37,190)
Profit on disposal/sale of fixed assets		(807)	(851)
Increase from operations in COP Deposits		-	735,598
Net (decrease) increase from operations in externally managed portfolios		(13,392,035)	69,949,765
Increase (decrease) from disbursements and payments of loans to central banks		134,500,000	(792,000,000)
Commissions received on loans granted		-	405,214
Performance incentive on loans granted		-	(677,600)
Decrease in operations of the SDR currency portfolio	9	(179)	(3,923)
(Decrease) increase from sales, redemptions, and purchases of marketable securities		(1,644,171,596)	1,218,702,971
Increase (decrease) in deposit operations in commercial banks		731,745,491	(930,21,298)
(Decrease) increase in demand deposits liabilities operations		(116,160,283)	166,273,172
Increase (decrease) in term deposits liabilities operations		735,845,340	(3,56,711,662)
(Decrease) increase in derivative operations		(10,183,221)	6,934,368
Decrease for collateral delivered in derivative operations	10	(13,492)	(2,016,432)
Increase (decrease) in other assets	14	726,592	(393,103)
(Decrease) in other liabilities		396,100	58,086
Interest accrued on received deposits from central banks and other institutions		208,017,898	64,586,694
Interest paid on deposits received from central banks and other institutions		(198,196,914)	(61,551,503)
Interest accrued on loans granted, investment securities and deposits in commercial banks		(232,256,033)	(85,510,384)
Interest received on loans granted, investment securities and deposits in commercial banks		217,851,194	72,208,529
Net cash provided (used) by operating activities		**649,610**	**(559,372,981)**

LATIN AMERICAN RESERVE FUND - FLAR

STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023, AND 2022
(Stated in dollars of the United States of America)

	Note	December 31, 2023	December 31, 2022
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of fixed assets	13	(378,507)	(106,622)
Sale of fixed assets	13	2,742	1,758
Net cash (used) in investing activities		**(375,765)**	**(104,864)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Increase due to new capital and reserves contributions from associated central banks		-	558,600,000-
Net cash provided by financing activities		**-**	**558,600,000**
INCREASE (DECREASE) IN CASH		273,845	(877,845)
CASH AT THE BEGINNING OF PERIOD		10,425,566	11,303,411
CASH AT THE END OF PERIOD		$ 10,699,411	$ 11,425,566

The notes are an integral part of these financial statements.

José Darío Uribe E.
Executive President

Néstor E. Benjumea L.
Accounting Manager

1. ORGANIZATION AND OPERATIONS

The Latin American Reserve Fund (hereinafter FLAR) is a public international law organization that succeeded the Andean Reserve Fund (FAR), which was established in 1978. In 1988, the "Agreement for the Establishment of the Latin American Reserves Fund" (Constitutive Agreement) replaced the treaty by which the 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, by means of a linkage agreement approved by the Assembly, upon recommendation of the Board of Directors.

The following are the objectives of FLAR:

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

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

c) to improve the investment status of international reserves made by members.

In addition, FLAR receives demand and term deposits from multilateral organizations, central banks, and public institutions in Latin America 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 its ownership over them, through the effect 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 so, agreed upon by the Board of Directors. To 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 (hereinafter 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 loans, even when they are experiencing delays with other creditors. 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, the Central Bank of Chile is an Associated Central Bank.

2. BASIS OF PREPARATION

The financial statements have been prepared on a going concern basis, and it is expected that FLAR will continue its activities for 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 cash-flow statement.

2.1. Significant events -. During 2023, the global economy experienced 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 decided to increase the Federal Funds rate in 4 of its 8 meetings. The range increased from 4.25% - 4.50% in January to 5.25% - 5.50% at the end of 2023.

FLAR's portfolios primarily invest in short-term investment grade fixed income securities denominated in U.S. dollars. In 2023, FLAR's investments benefited from higher interest accruals resulting from increases in market rates and recorded an increase in fair value. FLAR management continues to monitor the market environment and act accordingly if deemed necessary.

2.2. Basis of presentation and compliance statement – FLAR’s financial statements were 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 December 31, 2023, are presented to the Board of Directors and the Assembly of Representatives at their ordinary meetings held between March and April of each year. They are expressed in US. 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 of the period and other comprehensive income. The cash flow statement is presented under the indirect method and in accordance with the nature of FLAR's 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 considered reasonable under certain circumstances. The most significant estimates used in the application of accounting policies are based on FLAR's business model definitions.

Currently, the 5 lines of business for resource investments are:

- Loans granted to central banks,
- Portfolio management of its own investment position (capital contributions),
- Financial intermediation management (deposit-taking activities and investments in short-term funds),
- Management of investment of funds obtained from the issuance of medium-term debt in the financial markets, and
- Management of third-party investment portfolios in which FLAR acts as a trustee.

The main judgments and estimates for the lines of business mentioned above are as follows:

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

(Stated in dollars of the United States of America)

- Measurement of expected credit losses on investments measured at amortized cost and loan to members (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 on the date of the preparation of these financial statements. Judgments and estimates are reviewed periodically, and, in the event of material changes, their recognition is prospective and treated as a change in an accounting estimate in the financial statements.

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 to be in foreign currency and are stated at exchange rates prevailing on the transaction dates. Foreign currency-denominated assets and liabilities are translated at the exchange rate in effect 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	December 31, 2023	December 31, 2022
USD/AUD	0.68235	0.67815
CAD/USD	1.31860	1.35495
USD/CHF	1.18814	1.08085
USD/EUR	1.10465	1.06725
USD/GBP	1.27480	1.20290
JPY/USD	140.980	131.945
NOK/USD	10.15570	9.85100
USD/NZD	0.63315	0.63245
SEK/USD	10.07785	10.41950
SGD/USD	1.31910	1.34120
COP/USD	3,822.05	4,848.89
USD/SDR	1.34167	1.3308

3. CHANGES IN ACCOUNTING POLICIES

As of December 31, 2023 and 2022, there have been no changes in FLAR’s accounting policies.

4. SIGNIFICANT ACCOUNTING POLICIES

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

4.1. Cash - FLAR represents as cash the sum of cash on hand balances, balances in U.S. dollar accounts with correspondent banks, balances of cash held in custodian accounts 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; therefore, they do not appear in the financial statements as cash equivalents. They are part of the Intermediation Portfolio management, which is 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 issuance 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, upon initial recognition.

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

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

Loans 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: those at fair value through profit or loss (FVTPL) and those at amortized cost.

For this purpose, two main criteria are considered: 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, refers to how FLAR manages its financial assets to generate cash flows and achieve its objectives through observable facts of the activities it carries out, such as the following:

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 discount, from which cash flows of principal and interest are expected to be received periodically.	For securities for which market conditions are evaluated to realize profits based on their market value.
Short-term asset and liability intermediation management (short-term deposits taking and investment of funds)	For deposits and money market securities at discount, from which cash flows of principal and interest are expected to be received periodically.	For securities for which market conditions are evaluated to realize profits based on their market value.
Investment of proceeds from the issuance of medium-term debt in the financial markets	For deposits and money market securities at discount, from which cash flows of principal and interest are expected to be received periodically.	For securities for which market conditions are evaluated to realize profits based on their market value.

b. The evaluation of the characteristics of the contractual cash flows of the financial asset solely represents the 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 directly attributable to the acquisition or issuance 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, upon initial recognition. Transaction costs directly attributable to the acquisition of financial assets and liabilities at fair value through profits or losses are recognized immediately in profits or losses.

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. Importantly, these operations (assets and liabilities) are mainly concentrated in money market instruments with a term of less than three months.

The effective interest method calculates the amortized cost and systematically allocates 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 profits or losses.

b. Fair value through profit or loss (FVTPL), financial assets traded in active markets with the objective of obtaining the benefits resulting from variations in 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; 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 on 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, interest earned or amortized cost of the financial assets and is included in the 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 profits or losses 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 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 the impairment requirements of 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 for 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.

- FLAR monitors the borrowers' economies to review their reasonable repayment 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 operated 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 loan).

In addition, FLAR's regulations estipulate 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 commissions to transfer the financial cost of the expected credit loss allowance to the borrower (see Note 16 - Commissions received in loans granted). The amount of commission 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 the principal and interest, the allowance for credit risk will be zero, otherwise the difference will be provided for.

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 steps 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 steps 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, which is applicable for loans granted and investments at amortized cost. The model is based on changes in credit quality since its 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**: In this category are loans that are up to date or that present a delinquency or delay in payments of up to 89 calendar days.

  The estimate of expected credit losses for a stage 1 loan is calculated under the model described above, considering the risk rating applicable at that time, for a 12-month horizon. In addition, the effective interest method 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 up to date or in arrears that do not exceed the grace period contained in the prospectus, and in the absence thereof, up to 30 days.

  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 in arrears. According to 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 in the event of arrears of up to 180 calendar days.

  The estimate of expected credit losses for a stage 2 loan is calculated under the model described above, considering the risk rating applicable at the time, for a horizon equivalent to the remaining term of the loan. In addition, the effective interest method 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, provisions are made in the default category, assuming an expected recovery rate of 55%.

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 in arrears by 181 calendar days or more, or with contractual declarations of default.

  According to nature 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 considering the information available. Interest is accrued by applying the effective interest method 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 time 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 contractual rights to the cash flows from the financial asset expire or when the risks and rewards of ownership of the financial asset are substantially transferred.

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

On the other hand, if FLAR substantially retains all the risks and rewards of the ownership of a transferred financial asset, it continues to recognize the financial asset and recognize 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 allocates the previous carrying amount of the financial asset between the party it continues to recognize by virtue of its continuing involvement and the party it no longer recognizes on the basis of the relative fair values of those 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 is accounted for as a cancellation of the original financial liability, and a new financial liability is recognized.

4.2.6. Financing instruments

Andean Pesos – By means of Agreement No. 83 of the FLAR Board of Directors dated December 17, 1984, FLAR was authorized to issue bonds denominated in Andean pesos for a value of AP$80,000,000. One Andean Peso (AP) has 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 signed the respective agreement with FLAR.

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

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

4.3. Property and equipment - FLAR's property and equipment are presented in the financial statements at a historical cost less accumulated depreciation. For the real state category, they are presented at revaluated costs less depreciation, and accumulated impairment losses are presented in other comprehensive income until the revaluation surplus is extinguished. Once the surplus is extinguished, any excess is recognized on the statement of comprehensive income for the period.

Depreciation is recognized to record the cost of these 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, which is based on the probable useful life of the assets at annual rates.

Category	Useful Life	%
Real Estate	According to appraisal (73 years old as of December 31, 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 the cost model is used for the other fixed asset categories. FLAR performs an annual evaluation of the fair value of its real estate with the support of an independent specialized firm.

A property and equipment item 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 profit or loss arising from the sale or retirement of a property and equipment item is calculated as the difference between the proceeds received from the sale and the net 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 on the statement of comprehensive income for the period.

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 (non-monetary benefits).

4.5.1. Short-term benefits

The 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 employees, FLAR has contracted pension savings and a policy that covers the risks of disability and death with an international insurance company. Other expatriate employees 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, actuarial valuations are 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 the 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 because of the benefits (pensions and health) that are in a period closer to their maturity. The Amount 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 profits or losses 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 constituted. 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 December 31, 2023, include the annual accrual of the estimated cost of the plan’s benefit according to the values provided by the actuarial calculation performed by an independent firm as of December 31, 2023 (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 entitle him or her to them, using a simplified actuarial method. Actuarial profits or losses arising annually are recorded directly in the results of the period.

4.5.4. Termination benefits

Termination benefits arise from an entity's decision to terminate employment or an employee's decision to accept an entity’s offer 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 consist mainly of commissions received on loans granted (see Note 16 - Commissions received on loans granted), interest payable on demand and time deposits received (see Note 15 – Deposits from central banks and other institutions), and accounts payable to suppliers (see Note 17 – Other liabilities).

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 of the following conditions are met:

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

ii. It arises because of a past event.

iii. An entity will probably have to give up resources embodying economic benefits to settle the obligation.

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

The following chart helps 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 the probability that the event will not occur in the future	Liability recognition (provision), and disclosure
Possible	The probability that the event will occur is less than the probability that the event 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, the liability cannot be recognized, an exceptional situation that gives rise to a contingent liability that is 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 FLAR unless it denounces the Articles of Constitutive Agreement, and such a denunciation has produced all of 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 the member offsets 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 through Agreement 213 of March 24, 2020 is a general policy that allows the Board of Directors of

FLAR the possibility to repay part of the paid-in capital of a member when that 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 drop 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 reimbursed paid-in capital is used exclusively for the payment by offsetting 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 year. 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 to recognize 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 upon for 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 contract obligations.
- Recognition of revenue as an obligation is satisfactory.

4.8. Tax exemptions - FLAR is exempt in the signatory countries of the Constitutive Agreement from all types of taxation on its income and assets. FLAR 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 IFRSs that have been issued and are effective as of January 1, 2023, or on future effective dates.

FLAR has not early adopted any standards, interpretation or amendment that has been published and is not already in effect.

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

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, "an accounting policy may require that elements of the financial statements be measured in a way that involves measurement uncertainty - that is, the accounting policy may require that these elements be measured at 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 amendments clarify the following points:

- The word “significant” was changed to “material or with relative importance”.

- The accounting policies are disclosed in the notes to the financial statements "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 own circumstances provides 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 IFRSs".

In addition, this indicates that an entity should improve its accounting policy disclosures to provide more useful information to investors and other users of financial statements; and distinguish changes in accounting estimates from changes in accounting policies.

The effective date of the standard is January 1, 2023. FLAR has reviewed the amendments on disclosures about accounting policies and the differentiation between changes in policy and changes in estimates and considers that no additional disclosures to those presented in these financial statements are required.

Improvements 2023

IFRS 17 - Insurance Contracts: This standard 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 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.

This amendment was evaluated by FLAR and do not require adjustments or disclosures in these financial statements.

5. MAIN POLICIES IN ASSET MANAGEMENT

The financial assets of FLAR 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 assets. The objectives and guidelines of the investment portfolios are described below:

- **Liquidity portfolio** – Its main objective is to manage FLAR’s working capital. The Assets and Liabilities Committee (hereinafter 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** – This is comprised by 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. 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 December 31, 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% TIPS from 1 to 5 years, 25% corporate bonds with credit ratings between AAA and A from 0 to 1 year, 10% in corporate bonds with credit ratings between AAA and A from 1 to 5 years, 10% AAA to A-rated supranational, agency and sovereign bonds from 1 to 5 years, 5% in agency-backed mortgage-backed securities (MBS) and 2% U.S. large cap equities (S&P 500 Index)"

  The Board reviews the benchmark every three years, or sooner if needed. This portfolio is actively managed against its benchmark within a tracking 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 indices of the sub portfolios comprising the Aggregate Investment Portfolio and its duration.

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

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

Nonetheless, 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 with a small economy, except for the Republic of Costa Rica.

The 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 is to invest the funds raised from the FLAR's medium-term issues or other FLAR assets and liabilities needs. To do this, the exposure to liquidity, interest rate and exchange rate risks will be matched, including derivative operations tied to these, if applicable. Currently, no resources are allocated to this portfolio.

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

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

	December 31, 2023	**December 31, 2022**
Liquidity Portfolio	$ 35,563,382	$ 29,687,984
Aggregate Investment Portfolio	3,003,572,178	2,709,581,372
Intermediation Portfolio	5,119,490,254	4,493,720,402
Credit operations and foreign exchange portfolio	970,151,431	1,107,086,395
Asset other than reserve investments*	3,698,697	3,845,777
Total Assets	$ 9,132,475,942	$ 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 December 31, 2023, and 2022 is presented below:

Portfolio	Interest Income (expense)	Portfolios profit/(loss)	Derivatives profit/(loss)	Net profit/(loss) from portfolios and derivatives	Other income from commission and (administrative expenses)	Total Contribution
Investment aggregate	$ 52,432,587	$ 85,482,591	$ 4,458,390	$ 89,940,981	$ -	$ 142,373,568
Intermediation 1/*	(107,005,982)	112,585,454	1,501,306	114,086,760	-	7,080,778
Liquidity	1,373,883	(1,520)	-	(1,520)	-	1,372,363
Operations (Loans to central banks)	77,463,410	-	-	-	-	77,463,410
Foreign currency transactions	289	(110)	-	(110)	-	179
Employee benefits and operating expenses	-	-	-	-	(9,398,409)	(9,398,409)
Net income year 2023	$ 24,264,187	$ 198,066,415	$ 5,959,696	$ 204,026,111	$ (9,398,409)	$ 218,891,889

Portfolio	Interest Income (expense)	Portfolios profit/(loss)	Derivatives profit/(loss)	Net profit/(loss) from portfolios and derivatives	Other commission income and (administrative expenses)	Total Contribution
Investment aggregate	$ 28,736,577	$ (54,306,344)	$ 9,542,675	$ (44,763,669)	$ -	$ (16,027,092)
Intermediation 1/*	(35,027,750)	23,819,132	18,829,442	42,648,574	-	7,620,824
Liquidity	2,522,491	(2,252)	-	(2,252)	-	2,520,239
Operations (Loans to central banks)	24,692,372	1,677	1,938,674	1,940,351	-	26,632,723
Foreign currency transactions	3,790	433	-	433	-	4,223
Employee benefits and operating expenses	-	-	-	-	(9,265,509)	(9,265,509)
Net losses year 2022	$ 20,927,480	$ (30,487,354)	$ 30,310,791	$ (176,563)	$ (9,265,509)	$ 11,485,408

1/* In the Intermediation Portfolio, coupon-bearing deposits are received. These investments are mainly in the form of discount instruments (zero coupons) and interest-bearing accounts valued at amortized cost.

The investment guidelines are contained in Board of Directors Agreement No. 324 of April 30, 2005, and its amendments. These documents establish the eligible investment instruments and FLAR's tolerance for market, credit, and liquidity risks. Below 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 (GSE government-sponsored enterprises), as well as discount notes, exchange traded funds (ETFs), index funds, total return swaps, bonds indexed to permitted indices or through futures contracts where the underlying is one of the permitted indices and commercial paper.
- The maximum maturity for U.S. Treasury bonds, MBSs 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 must have a short-term credit rating of not less than any of the following: Standard and Poor's A-2, Moody's P-2, or 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-.
- Foreign exchange, bonds, and interest rate derivative transactions.
- External managers may invest in AAA-rated U.S. dollars denominated auto and credit card asset-backed securities (ABSs).
- Investments may be made in financial instruments indexed to the Standard & Poor's 500 Index (SPX Index), or in instruments representing commodity indices. The purchase of individual stocks or commodities is not permitted.

Financial instruments are recognized and valued 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 One of FLAR's objectives is to "support the balance of payments of member countries by granting credits or guaranteeing third party credits". This portfolio is composed of credits granted to member countries, for which FLAR permanently monitors the macroeconomic situation of its members to evaluate current exposures and anticipate future credit requests.

FLAR has three lines of credit to its member countries:

Liquidity: Nonrenewable 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, subject to FLAR's authorization. Once disbursed, the term is up to six months, long and 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 a 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 the loans that 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 intended 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 concerned country 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.

As of December 31, 2023, FLAR has not granted any guarantees to its members against third parties.

6. FAIR VALUE MEASUREMENT

6.1. Valuation principles - Fair value is defined as the price to 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.

When estimating the fair value of an asset or liability, FLAR considers its characteristics and whether market participants consider characteristics when pricing the asset or liability on 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

- **Investments at fair value through profit or loss**: FLAR performs the valuation of investments using the information provided by an international price vendor.

The sovereign obligations of G7 countries, exchange-traded futures, TBAs on U.S. agency-guaranteed mortgages and exchange traded funds (ETFs) on equity indices, commodities and investment-grade debt are generally classified within Level 1 of the fair value hierarchy because they use unadjusted quotes from published prices in an active market.

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, to the extent possible, observable market data. 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 valued using this methodology include securities issued by government agencies, multilaterals, investment-grade corporations, and agency-guaranteed mortgage-backed securities. These instruments are generally classified as having a 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 forward foreign exchange rate contracts that are traded over the counter. To determinate the present value of the profits or losses generated on a future date, 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. 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 is 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 having 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.

  The process of valuation employs forward curves, agreed and expected cash flows, and the present value model. 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; therefore, no valuation adjustments are made 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. Hierarchy of Financial assets and liabilities measured at fair value - 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 categories of financial assets at fair value through profit or loss are presented below in accordance with the hierarchy of fair value levels:

December 31, 2023

Fair value hierarchy by issuer /instrument type	Level 1	Level 2	Level 3	Total	Valuation techniques for levels 2 and 3	Main input data
Governments and sovereigns	$ 932,347,020	$ 402,205,874	-	$1,334,552,894	Market	Quoted prices on active markets for identical assets
Financial sector	-	229,714,072	-	229,714,072	Market	Comparable Yield curve
Non-financial sector	-	19,252,001	-	19,252,001	Market	Comparable Yield curve
Internally managed portfolio	$ 932,347,020	$ 651,171,947	$ -	$1,583,518,967		
Derivatives	-	222,318	-	222,318	Market	Comparable Yield curve and exchange rates
Governments and sovereigns	12,957,524	151,630,035	440,244	165,027,803	Market	Comparable Yield curve
Financials sector	-	247,159,622	-	247,159,622	Market	Comparable Yield curve
Non-financial sector	-	234,793,952	-	234,793,952	Market	Comparable Yield curve
Externally managed portfolio	12,957,524	633,805,927	440,244	647,203,695		
Assets measured at fair value through profit or loss	**$945,304,544**	**$1,284,977,874**	**$440,244**	**$2,230,722,662**		

(Stated in dollars of the United States of America)

December 31, 2022

Fair value hierarchy by issuer /instrument type	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	Quoted prices on active markets for identical assets
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 and exchange rates
Governments and sovereigns	41,177,173	292,855,467	-	334,032,640	Market	Comparable Yield curve
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		

(Stated in dollars of the United States of America)

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

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

December 31, 2023		Fair Value		
	Carrying amount	Level 1	Level 2	Total Level 1 and 2
Cash on hand and at banks	$ 10,699,411	$10,699,411	$ -	$ 10,699,411
Investments at amortized cost – Internally managed portfolio (Investments)	3,662,751,164	-	3,664,807,225	3,664,807,225
Investments at amortized cost – Internally managed portfolio (Deposits)	2,091,355,873	-	2,091,475,223	2,091,475,223
Investments at amortized cost – Externally managed portfolio	19,961,134	-	19,962,378	19,962,378
Accounts receivable on sale of investments	131,582,657	131,582,657	-	131,582,657
Financial assets	$ 5,916,350,240	$142,282,069	$ 5,776,244,826	$ 5,918,526,895
Deposits from central banks and other institutions	$5,101,209,383	-	$5,101,209,383	$5,101,209,383
Accounts payable on purchase of investments	57,208,783	57,208,783	-	57,208,783
Commissions received on loans granted	405,214	405,214	-	405,214
Financial liabilities	$ 5,158,823,381	$ 57,613,997	$ 5,101,209,383	$ 5,158,823,381

(Stated in dollars of the United States of America)

December 31, 2022		**Fair Value**		
	Carrying amount	**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

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 on a recurring basis.

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 values due to their short-term nature and are classified as 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 as 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 impracticable the application of fair value on loans based on the following arguments (see Note 12 – Loans to central banks):

i. The financing granted by FLAR is intended to help address the external sector imbalances of its members' economies.

ii. There is a 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 unrestricted cash on hand as of December 31, 2023 and 2022:

	December 31, 2023	December 31, 2022
Cash on hand	$ 7,307	$ 9,213
Correspondent banks	10,242,777	9,723,203
Custodian bank	150,842	161,406
In US dollars	10,400,926	9,893,822
Cash on hand	654	520
Local banks	297,831	531,224
In Colombian pesos	298,485	531,744
Total Cash	$ $10,699,411	$ 10,425,566
Average interest rate during the period	0.59%	0.65%
Current Interest rate at the end of the period	0.26%	0.56%

To supplement cash, the purchase and sale transactions of investments with settlement dates after December 31, 2023 and 2022 that affect cash on hand are presented (see Note 11 – Accounts receivable and payable 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 December 31, 2023, and 2022, is presented below.

Issuer	December 31, 2023	December 31, 2022
Governments and quasi-governments	$ 1,334,552,894	$ 1,091,270,546
Financial sector	229,714,072	61,089,878
Non-financial sector	19,252,001	21,832,201
Investments at fair value through profit or loss	1,583,518,967	1,174,192,625
Governments and quasi-governments	1,425,668,165	994,600,846
Financial sector	3,405,691,863	2,885,403,673
Non-financial sector	923,983,368	1,342,774,418
Provision for impairment losses	(1,236,359)	(1,208,429)
Investments at amortized cost	5,754,107,037	5,221,570,508
A. Internally managed portfolio	$ 7,337,626,004	$ 6,395,763,133

(Stated in dollars of the United States of America)

Issuer	December 31, 2023	December 31, 2022
Governments and sovereigns	$ 165,027,803	$ 334,032,640
Financial sector	247,159,622	200,483,664
Non-financial sector	234,793,952	113,303,773
Investments at fair value through profit or loss	646,981,377	647,820,077
Governments and sovereigns	-	-
Financial sector	19,962,957	32,546,126
Provision for impairment losses	(1,823)	(7,323)
Investments at amortized cost	19,961,134	32,538,803
B. Externally managed portfolio	$ 666,942,511	$ 680,358,880
Total investment portfolio (A+B)	$ 8,004,568,515	$ 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 (SDRs). SDRs are international reserve assets 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 that it determines.

Transactions in SDRs can occur only between authorized holders. For the convenience of the reader, SDR holdings are presented separately from other investments.

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

	December 31, 2023	December 31, 2022
SDR holdings (IMF)	$ 4,052	$ 3,773
Interest receivable on SDR positions	28	18
Unrealized gains (losses) in SDR	22	132
	$ 4,102	$ 3,923

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

(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 in portfolios, to manage risks or take investment positions on interest rates and foreign exchange risk fluctuations.

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

FLAR does not designate derivatives to hedge specific assets for accounting purposes and does not apply hedge accounting. Therefore, on the date on which it trades derivatives, FLAR maintains them as marketable assets at fair value and recognizes changes in their market value in the income statement. Derivatives are recorded as financial assets when their fair values generate a right, and as financial liabilities when their fair values generate 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 profits or losses are recognized on the income statement. The market value of derivative instruments is:

	December 31, 2023	December 31, 2022
Futures	$ 10,982,001	$ 1,260,200
Derivates – Internally managed instruments	10,982,001	1,260,200
Futures	879,325	381,190
Forwards	222,318	47,658
Derivates – Externally managed instruments	1,101,643	428,848
A. Derivate financial assets – Rights	$ 12,083,644	$ 1,689,048
Forwards	(191,186)	(3,736)
B. Derivate financial assets – Obligations	(191,186)	(3,736)
Net Derivate financial instruments (A+B)	$ 11,892,458	$ 1,685,312

(Stated in dollars of the United States of America)

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

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

	December 31, 2023	December 31, 2022
Sales of internally managed securities	$ 496,250	$ 812,500
Sales of externally managed securities	42,808,694	45,110,478
Receivable from time deposits traded	88,277,713	99,373,936
Accounts receivable	$ 131,582,657	$ 145,296,914
Fees payable to correspondent banks	$ 50,500	$ 55,590
Purchases of externally managed securities	57,158,283	107,057,250
Accounts payable	$ 57,208,783	$ 107,112,840

12. LOANS TO CENTRAL BANKS

The details of loans to members, including the principal and accrued interest, are as follows:

	December 31, 2023	December 31, 2022
Loans to members	$ 970,147,330	$ 1,107,082,472
Total	$ 970,147,330	$ 1,107,082,472

Below are the movements of loans granted and their movements between impairment stages for the periods 2023 and 2022:

(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	77,463,410	-	-	-	77,463,410	-
Transfers to stage 1-2-3	-	-	-	-	-	-
Principal and interest payments	(214,398,552)	-	-	-	(214,398,552)	-
Balance as of December 31, 2023	$ 97,147,330	$ -	$ -	$ -	$970,147,330	$ -

	Stage 1		**Stage 2**		**Total**	
	Gross carrying amount	**Provision**	**Gross carrying amount**	**Provision**	**Gross carrying 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 December 31, 2023, and 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, for USD 1,100,000,000.

   This loan was for a term of three (3) years, including a one-year grace period for payment of principal. 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 or equipment. The balances as of December 31, 2023, and 2022, are presented below:

	December 31, 2023	December31, 2022
Real Estate	$ 2,682,949	$ 2,110,137
Furniture and fixtures	277,809	150,113
Office and computer equipment	1,976,446	1,757,341
Vehicles	119,828	119,828
Total property and equipment, gross	5,057,032	4,137,419
Less accumulated depreciation	(2,369,861)	(2,265,129)
Total property and equipment, net	$ 2,687,171	$ 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	$ 150,113	$1,757,341	$ 119,828	$4,137,419
Additions	-	138,303	240,204	-	378,507
Sales/write-offs	-	(10,607)	(21,099)	-	(31,706)
Real state revaluation	572,812	-	-	-	572,812
December 31, 2023	$2,682,949	$ 277,809	$1,976,446	$ 119,828	$5,507,032
			Accumulated Depreciation		
December 31, 2022	$(418,046)	$(131,167)	$(1,596,088)	$(119,828)	$(2,265,129)
Depreciation charges	(25,470)	(13,124)	(95,909)	-	(134,503)
Credits for write-offs	-	9,565	20,206	-	29,771
December 31, 2023	$(443,516)	$(134,726)	$(1,671,791)	$(119,828)	$(2,369,861)
			Net Carrying amount		
December 31, 2022	$1,692,091	$ 18,946	$ 161,254	$ -	$1,872,290
December 31, 2023	$2,239,433	$ 143,083	$ 304,656	$ -	$2,687,171

(Stated in dollars of the United States of America)

14. OTHER ASSETS

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

	December 31 2023	December 31, 2022
Commissions receivable	$ 172,149	$ 536,170
Works of art and fixed assets in progress	777,336	346,842
Prepaid expenses	165,775	285,859
Taxes receivable	210,167	193,135
Accounts receivable from employees	27,069	24,487
Other minor assets	50,616	43,211
Total other assets	$ 703,112	$ 1,429,704

15. DEPOSITS FROM CENTRAL BANKS AND OTHER INSTITUTIONS

The balance of this account as of December 31, 2023, and 2022, comprises deposits received from member and nonmember central banks and other Latin American official institutions; the figures presented below include accrued interest:

	December 31, 2023	December 31, 2022
Demand deposits		
Balance (A)	$ 105,308,046	$ 221,468,329
Average rate during the period	4.44%	1.33%
Average effective rate at the end of the period	4.75%	3.85%
Maximum days to maturity	On demand	On demand
Term Deposits		
Balance (B)	$ 4,995,901,338	$ 4,261,331,237
Average effective rate at the end of the period	5.48%	4.51%
Maximum days to maturity	600	965
Total Deposits from central banks and other institutions (A + B)	$ 5,101,209,384	$ 4,482,799,566

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 term of the loan (charged to a deposit established at the beginning of the operation for this purpose) if there are changes in credit risk.

(Stated in dollars of the United States of America)

The amount of commissions received is considered in the estimate of provisions for credit risk. Therefore, the expense for provision 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 ceases to be due and becomes income to FLAR only if the member defaults on the contractual terms of the loan.

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

As of December 31, 2023, and 2022, the balance of these funds remains unchanged.

17. OTHER LIABILITIES

Other liabilities as of December 31, 2023, and 2022, primarily include 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:

	December 31, 2023	December 31, 2022
Suppliers (1)	$ 1,050,216	$ 1,168,368
Postemployment benefits pensioners' allowances (2)	484,399	348,443
Postemployment benefits pensioner medical plan (3)	56,786	41,386
Provision for possible collections of pension contributions (4)	48,823	-
Other labor liabilities (5)	1,576,366	1,148,392
	$ 3,216,590	$ 2,706,589

(1) Accounts payable to suppliers correspond to accounts payable due, related to FLAR's operating expenses, such as: securities custody fees, portfolio management fees, price vendors, internal and external audits, and other general services.

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

(4) Value of current employee benefits

(Stated in dollars of the United States of America)

(2) Changes in obligations related to pension liabilities and postemployment benefits for the periods ending December 31, 2023, and 2022 are as follows:

	December 31, 2023	**December 31, 2022**
Postemployment benefits (3 pensioners)		
Changes in the obligation:		
Benefits accrued at the beginning of the period	$ 348,443	$ 416,931
Profit earned during the period - cost of service	33,460	23,989
Benefits paid	(90,396)	(78,242)
Devaluation effect	83,578	(65,669)
Pension liability adjustment -OCI	109,314	51,434
Benefits accrued at the end of the period	$ 484,399	$ 348,443

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

	December 31, 2023	**December 31, 2022**
Postemployment benefits pensioner medical plan		
Changes in the obligation:		
Benefits accrued at the beginning of the period	$ 41,386	$ 54,804
Profit earned during the period - cost of service	4,220	3,327
Benefits paid	(4,046)	(3,777)
Devaluation effect	10,639	(9,358)
Adjustment of pension liability-OCI	4,587	(3,610)
Benefit accrued at the end of the period	$ 56,786	$ 41,386

The 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, 2023:

	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

(4) Corresponds to the provision for probable collections from former officers in respect of pension contributions not made by FLAR prior to 1997. The calculation is based on an independent actuary's best estimate and historical information. This provision is reviewed and adjusted periodically.

(5) Other labor liabilities correspond to short-term employee benefits such as the following:

	December 31, 2023	**December 31, 2022**
Payroll	53,154	-
Severance pays	$ 110,833	$ $102,984
Interest over severance payments	13,007	12,046
Legal and extralegal vacations	169,494	127,667
Pension fund	126	-
Provident fund	1,229,752	905,695
Other labor liabilities	$ 1,576,366	$ 1,148,392

(Stated in dollars of the United States of America)

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 central banks of the member countries, in accordance with the regulations established in the constitutive agreement. The subscribed and paid-in capital is composed as follows:

		December 31, 2023	
Members	**Subscribed**	**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

		December 31, 2022	
Members	**Subscribed**	**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 fully or partially refund capital contributions to members who are 180 days or more in arrears in their payment obligations, subject to certain specific conditions (see Note 4 - Significant accounting policies).

(Stated in dollars of the United States of America)

18.1. Reserves - The Assembly of Representatives of FLAR, through Resolution No. 221 of April 12, 2022, authorized the use of $1,119,176 of institutional reserves to cover losses obtained in 2021; such amount does not affect the minimum level of reserves established in the FLAR regulations which requires institutional reserves to be at least 10% of paid-in capital.

As of December 31, 2023 and 2022, institutional reserves over FLAR's paid-in capital were 11.71% and 11.72%, respectively.

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

	December 31, 2022	New measurements	Changes in fair value	December 31, 2023
Retirement allowances	$ (138,676)	$ (109,314)	$ -	$ (247,990)
Postemployment benefits pensioners	(1,337)	(4,587)	-	(5,924)
Defined benefit plan	(140,013)	(113,901)	-	(253,914)
Real State valuation	1,214,312	-	572,812	1,787,124
Total OCI	$ 1,074,299	$ (113,901)	$ 572,812	$ 1,533,210

	December 31, 2021	New measurements	Changes in fair value	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 OCI items, the valuation of real estate is reclassified to a profit or loss only in the event of the sale of FLAR headquarters, and the employee benefit plan is reclassified to gains or losses only when FLAR's obligation ceases.

19. INTEREST INCOME

Comprises all accrued interest on financial assets measured at amortized cost. As of December 31, 2023 and 2022, its composition was as follows:

(Stated in dollars of the United States of America)

Issuer type	December 31, 2023	December 31, 2022
Loans to central banks	77,463,410	24,692,372
Deposits in commercial banks	83,130,312	28,028,209
Governments and quasi-governments	23,306,588	13,587,546
Financials sector	5,570,077	1,022,664
Non-financial sector	867,194	586,967
Investments at fair value through profit or loss	29,743,859	15,197,177
Governments and quasi-governments	3,787,956	34,375
Financials sector	17,956,213	6,507,955
Non-financial sector	530,329	11,163
Investments at amortized cost	22,274,498	6,553,493
Internally managed investment portfolios	52,018,358	21,750,670
Governments and quasi-governments	6,664,051	5,125,376
Financials sector	6,208,473	3,692,404
Non-financial sector	6,094,871	1,940,524
Investments at fair value through profit or loss	18,967,395	10,758,304
Governments and quasi-governments	-	19,792
Financials sector	651,652	261,037
Non-financial sector	24,906	-
Investments at amortized cost	676,558	280,829
Externally managed investment portfolios	19,643,953	11,039,133
Interest income	$ 232,256,032	$ 85,510,384

During 2023, interest income increased due to the general increase in market rates and the accrual of interest on outstanding member loans.

20. NET INVESTMENT PROFIT (LOSS)

All gains and losses arising from changes in fair value, amortized cost, interest income and exchange differences related to portfolio investments are included. As of December 31, 2023, and 2022, the details were as follows:

(Stated in dollars of the United States of America)

Issuer type	**December 31, 2023**	**December 31, 2022**
Internally managed investment portfolios		
Governments and quasi-governments	$ 31,252,951	(35,600,050)
Financials sector	386,374	(2,674,569)
Non-financial sector	225,797	(1,649,997)
Derivates	4,930,498	27,300,230
Investments at fair value through profit or loss	36,795,620	(12,624,386)
Governments and quasi-governments	25,973,381	7,866,863
Financials sector	57,309,839	14,299,113
Non-financial sector	68,786,062	32,713,796
Investments at amortized cost	152,069,279	54,879,772
(1) Subtotal Internally managed investment portfolios	188,864,899	42,255,386
Externally managed investment portfolios		
Governments and quasi-governments	4,943,656	(35,786,621)
Financials sector	5,335,063	(6,186,429)
Non-financial sector	3,022,449	(3,894,919)
Derivates	1,029,198	1,071,888
Investments at fair value through profit or loss	14,330,366	(44,796,081)
Governments and Quasi-Governments	-	(13,758)
Financials sector	660,551	268,893
Non-financial sector	25,788	4,609
Investments at amortized cost	686,339	260,744
(2) Subtotal Externally managed investment portfolios	15,016,705	(44,535,337)
(3) Derivatives - credit operations portfolio	-	1,938,674
(4) Special Drawing Rights (SDRs)	179	4,223
Net gain(loss) on investments (1+2+3+4)	$ 203,881,783	$ (337,054)

Internally managed 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 instruments in the portfolios.

In 2022, fair value instruments were affected by the sharp increase in interest rates. In 2023, medium-term rates remained relatively stable.

(Stated in dollars of the United States of America)

This is done according to market behavior (see note 2.1 - Significant events).

21. NET INCOME FROM FEES RECEIVED FOR PORTFOLIO ADMINISTRATION

This variable corresponds mainly to income from fees for the management of trusts and demand deposits, as follows:

Fees

	December 31, 2023	December 31, 2022
Income from demand deposit fees	$ 167,047	$ -
Fee income from trust asset management	654,148	749,419
Fee income	$ 821,195	$ 749,419

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 December 31, 2023 and 2022, are presented below:

	December 31, 2023	December 31, 2022
Interest on demand-deposits received from central banks	$ (3,739,913)	$ (1,583,716)
Interest on term-deposits received from central banks	(94,441,317)	(41,542,182)
Interest on term-deposits received from other institutions	(109,810,903)	(21,460,796)
Total interest expenses	$ (207,992,133)	$ (64,586,694)

In 2023, interest expenses increased in line with the increase in market interest rates and the increase in deposits in the Intermediation Portfolio.

23. NET EXPENSE FOR EXPECTED CREDIT LOSS ON FINANCIAL ASSETS

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

	December 31, 2023	December 31, 2022
Expected loss recoveries on loans granted to central banks	$ -	$ 1,677
Expected losses on investments at amortized cost of internally managed portfolios	(27,931)	43,815
Expected loss of recovery on investments at amortized cost of externally managed portfolios	5,500	(6,625)
Expected loss on financial assets	$ (22,431)	$ 38,867

24. EMPLOYEE BENEFITS AND OPERATION EXPENSES

The accumulated personnel and operating expenses correspond to the non-financial current expenses approved annually 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.

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

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

The accumulated balances as of December 31, 2023, and 2022, are as follows:

	December 31, 2023	December 31, 2022
Employee benefits	$ (5,007,422)	$ (4,517,232)
Operating expenses	(4,198,950)	(3,819,401)
Other operating income (expenses)	269,451	(78,898)
Employee benefits and operating expenses	$ (8,936,921)	$ (8,415,531)

25. OTHER INCOME AND EXPENSES

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

(Stated in dollars of the United States of America)

Other expenses – It corresponds mainly 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 December 31, 2023, and 2022, other income and expenses are detailed below:

	December 31, 2023	December 31, 2022
Other incomes: Interest earned on peso accounts	$ 292,688	$ 55,256
Custody and portfolio management fees	(1,036,328)	(1,251,606)
Expenses under trust asset contracts	(153,191)	(134,726)
Studies and credit approval	(38,639)	(87,202)
Issuance and other expenses	(180,166)	(55,705)
Other expenses	(1,408,324)	(1,529,239)
Other incomes and expenses	$ (1,115,636)	$ (1,473,983)

26. FIDUCIARY ASSETS

FLAR acts as a trustee of an autonomous trust. 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 grantor.

For this service, 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 equity under the trust contract administered by FLAR, which is not part of its financial statements, since it does not own any assets:

	December 31, 2023	December 31, 2022
Risk management, monitoring, and control trust	$ 611,817,415	$ 718,638,002

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 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.

The 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, the 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 for risk control and compliance with the 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 through 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 policies in asset management).

FLAR manages these risks through comprehensive management that considers the eligible investments and risk preferences defined by the

(Stated in dollars of the United States of America)

Board of Directors in the global risk policy. The management of the different risks to which FLAR's balance sheet is exposed is described below.

27.2. Market risk – According to 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:

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 the price sensitivity of interest earning assets and the 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 that the minimum will be 0 years.

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

Duration Gap Components (years)	December 31, 2023	December 31, 2022
Asset duration	0.56	0.41
Liabilities duration	0.09	0.06
Liabilities/assets	0.56	0.54
Gap duration	0.51	0.37

To calculate the gap duration, the duration of assets and the contribution to the duration of liabilities are utilized. The latter accounts for the ratio of liabilities to assets.

According to these exposures, if interest rates move in parallel by 10 b.p., the impact on FLAR would be $2.02 million as of December 31, 2023 and $1.39 million as of December 31, 2022.

According to 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 the range of +/- 1 around the duration of the reference index.

	December 31, 2023	December 31, 2022
Portfolio duration	1.56	1.20
Benchmark duration	1.47	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:

	December 31, 2023	December 31, 2022
VaR ($ millions)	$ 6.1	$ 3.3
VaR (b.p)	20.8 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. Accordingly, 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), Taiwan dollar (TWD) and IMF SDRs.

Additionally, FLAR has 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 the 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. The Subportfolios of the Aggregate Investment Portfolio held positions in foreign exchange forwards in the following magnitude:

	Exposures December 31, 2023	**Exposures December 31, 2022**
Foreign exchange forward positions	0.04%	0.06%

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

- Other no 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 December 31, 2023 and 2022, there were no current investments in Colombian pesos.

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

FLAR is exposed to credit risk as follows:

i. Credits it grants to member countries.

Credit operations or other financial support from FLAR to its member countries are subject to the evaluation of the 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 if 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 that may not have a credit rating lower than any of the following: Moody's A3, Standard & Poor's A- and Fitch Ratings A-.

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 or Fitch Ratings F2.

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

An 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 determine the target value of the Intermediation Portfolio, considering the economic and market environment.

During 2023, ALCO established target ranges for term deposits of the Intermediation Portfolio. The range varied throughout the year, with a low of $3,000 and a high of $4,500 million, allowing for a deviation of up to $500 million around each range. In that period, the minimum value of the monthly closings of the portfolio was USD3,084 million in July, and the maximum was USD4,926 million in December.

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 for 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 December 31, 2022, investments in the Intermediation Portfolio that match time-deposits received amounted to $4,172 million. As of December 31, 2023, investments in the Intermediation Portfolio that match time-deposits received amounted to $4,926 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.

The evaluation criteria are different for financial and corporate issuers, thus ensuring that the former have capital adequacy ratios that comply with the minimum regulatory requirements established in Basel I and that 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 limits depend on the term to maturity. For medium-term investments (maturity greater than 397 days), the limit 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, and 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 1 trillion) and classified in BICRA Groups 1 to 3 may have an exposure to their securities of up to 25%, 15%, and 5%, respectively of the market value of the portfolio.

Systemic commercial banks have a limit of up to $600 million for overnight deposits.

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

The following is the composition by sector and rating (using the S&P scale) of FLAR's investments as of December 31, 2023, and December 31, 2022.

Composition by sector and credit quality as of December 31, 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	-	-	-	-	-	-	970.1	970.1	10.6%
Cash	-	-	-	10.4	-	-	-	10.4	0.1%
Money Market	-	-	-	3,179.7	1,168.8	-	-	4,348.5	47.6%
Multilaterals and quasi-governments	690.5	227.8	52.1	741.4	113.2	-	-	1,825.1	20.0%
U.S. Treasury Bonds	-	294.2	-	-	-	-	-	394.2	4.3%
TIPS	-	403.7	-	-	-	-	-	403.7	4.4%
U.S. Treasury Bills	-	-	-	147.4	-	-	-	147.4	1.6%
U.S. Agencies	3.0	-	-	-	-	-	-	3.0	0.0%
MBS	7.6	136.8	0.1	-	-	-	-	144.5	1.6%
TBA	-	7.2	-	-	-	-	-	7.2	0.1%
ABS	48.8	-	-	-	-	-	-	48.8	0.5%
SDR	0.0	-	-	-	-	-	-	0.0	0.0%
Corporate	10.8	86.7	374.5	158.5	41.3	-	-	671.9	7.4%
ETF	-	-	-	-	-	10.	-	10.3	0.1%
Accounts receivable and deposits receivable	-	-	-	131.6	-	-	-	131.6	1.4%
Futures margin accounts	-	-	11.9	-	-	-	-	11.9	0.1%
Forwards with positive valuation	-	-	0.2	-	-	-	-	0.2	0.0%
Cash Collateral with positive valuation	-	-	-	-	-	-		-	0.0%
Swaps with positive valuation	-	-	-	-	-	-	-	-	0.0%
Total by rating	760.7	1,256.4	438.9	4,369.1	1,323.4	10.3	970.1	9,128.8	100.0%
Total by rating	8.3%	13.8%	4.8%	47.9%	14.50%	0.1%	10.6%	100.0%	

Source: Risk Management Direction

Includes the effect of provisions for expected losses. Cash and investments in Colombian pesos for a total of $0.3 million are not included. When considering property and equipment - net, and other assets of 2.7 and 0.7 million, respectively, the total value of the assets is $9,132.5 million is obtained.

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.	1	103	38.			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. Cash in Colombian pesos for a total of $0.5 million is not included. Considering property and equipment – net, and other assets of $1.9 and $1.4 million, respectively, the total asset value of $8,343.9 million is obtained.

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.

The 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 policies in asset management).

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 the Aggregate Investment Portfolio, which invest in highly liquid investment grade instruments.

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

In terms of the liquid asset requirement, the value of the Aggregate Investment Portfolio and Liquidity Portfolio versus paid-in capital as of December 31, 2023, was 89.2%, and as of December 31, 2022, 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 December 31, 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	10.4	0.0	0.0	0.0	0.0	0.0	10.4
Financial instruments and Term deposits	3,832.0	1,410.5	642.4	529.6	416.3	1,173.7	8,004.6
Credits to central banks	0.0	0.0	0.0	0.0	970.1	0.0	970.1
Foreign exchange portfolio	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accounts receivable on sales of financial instruments	131.6	0.0	0.0	0.0	0.0	0.0	131.6
Derivative financial assets	11.9	0.2	0.0	0.0	0.0	0.0	12.1
Total	3,985.9	1,410.8	642.4	529.6	1,386.4	1,173.7	9,128.8

Source: Risk Management Direction

Includes the effect of provisions for expected losses. Cash and investments in Colombian pesos for a total of $0.3 million is not included. When considering the items of property and equipment - net, and other assets of $2.7 and $07.5 million respectively, the total value of the assets is $9,132.5 million is obtained.

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)	4,092.3	806.5	67.6	91.1	43.6	0.0	5,101.2
Accounts payable on purchases of financial instruments	57.2	0.0	0.0	0.0	0.0	0.0	57.2
Derivative financial liabilities	0.0	0.2	0.0	0.0	0.0	0.0	0.2
Total	4,149.5	806.7	67.6	91.1	43.6	0.0	5,158.6

Source: Risk Management Direction

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

Below are 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. Cash and deposits in Colombian pesos for a total of $0.5 million. When considering property and equipment - net, and other assets of $1.9 and $1.4 million, respectively, the total value of assets is $8,343.9 million is obtained.

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

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

As of December 31, 2023 and December 31, 2022, liabilities are appropriately matched by assets with similar maturities, which allows FLAR to meet its obligations without having to liquidate investments. These assets far exceed FLAR's liabilities. Additionally, it should be noted that a 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 December, 2023, 70% of FLAR's reserve assets were 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 of 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, and a level of zero leverage, given that as of December 31, 2023, there are no outstanding debt issues.

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

As of December 31, 2023, this indicator was 33%, 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 - 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 December 31, 2023, FLAR has not received any loans, guarantees or similar funds from any of its members.

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

(Stated in dollars of the United States of America)

Statement of Financial Position

December 31, 2023		Members
Assets		
Loans to central banks	$	970,147,330
Liabilities		
Demand deposits		105,308,046
Term deposits		1,672,892,087
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

December 31, 2023		Members	Key management personnel
Profits			
Interest income on loans granted	$	77,463,410	
Interest on demand deposits		3,533,338	
Interest on term deposits		91,583,676	
Key Management Personnel Compensation			1,738,484

December 31, 2022		Members	Key management personnel
Profits			
Interest income on loans granted	$	24,692,372	
Interest on demand deposits		1,424,361	
Interest on term deposits		32,044,428	
Key Management Personnel Compensation			1,725,883

29. EVENTS AFTER THE REPORTING PERIOD

FLAR management has evaluated subsequent events occurring from December 31, 2023, through February 15, 2024, the date on which the financial statements were available to be issued and determined that no additional subsequent events have occurred that require recognition or disclosure of additional information in these statements.

30. APPROVAL OF THE FINANCIAL STATEMENTS

On 12 February 2024, the Assets and Liabilities Committee ALCO reviewed the Financial Statements of the Latin American Reserve Fund "FLAR" for the period ending December 31,2023, and 2022, and approved the presentation at the CIX regular meeting of the Board of Directors and the XXXIV regular meeting of the Assembly of Representatives for their consideration and study on March 18 and 19, 2024, respectively.