

FINANCIAL STATEMENTS

Latin American Reserve Fund "FLAR".

As of June 30, 2025, with Independent
Auditor's Report.

Latin American Reserve Fund "FLAR".

Financial Statements

For the periods ended December 31, 2024 and the six-month period ending June 30, 2025

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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 June 30, 2025, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the periods of six-months 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 June 30, 2025, 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.

Deloitte se refiere a una o más entidades de Deloitte Touche Tohmatsu Limited (“DTTL”), su red global de firmas miembro y sus sociedades afiliadas a una firma miembro (en adelante “Entidades Relacionadas”) (colectivamente, la “organización Deloitte”). DTTL (también denominada como “Deloitte Global”) así como cada una de sus firmas miembro y sus Entidades Relacionadas son entidades legalmente separadas e independientes, que no pueden obligarse ni vincularse entre sí con respecto a terceros. DTTL y cada firma miembro de DTTL y su Entidad Relacionada es responsable únicamente de sus propios actos y omisiones, y no de los de las demás. DTTL no provee servicios a clientes. Consulte www.deloitte.com/co/conozcanos para obtener más información.



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, 2024, and the comprehensive income statement, which are included for comparative purposes only, were audited by Deloitte & Touche S.A.S, where an unqualified opinion was expressed on February 18, 2025.

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

September 8, 2025





LATIN AMERICAN RESERVE FUND - FLAR

STATEMENT OF FINANCIAL POSITION AS OF JUNE 30, 2025 AND DECEMBER 31, 2024 (Stated in dollars of the United States of America)

	Notes	June 30, 2025	December 31, 2024
ASSETS			
Cash	7	\$ 19,969,961	\$ 10,203,603
Internally managed investment portfolios		8,369,646,462	8,011,245,610
Investments at fair value through profit or loss	8	3,212,290,770	2,473,036,499
Investments at amortized cost	8	5,157,355,692	5,538,209,111
Special Drawing Rights (SDR)	9	4,410	4,120
Externally managed investment portfolios		743,852,785	711,409,668
Investments at fair value through profit or loss	8	707,239,353	657,900,236
Investments at amortized cost	8	36,613,432	53,509,432
Derivative financial instruments	10	10,804,002	10,501,603
Accounts receivable on sale of investments	11	33,399,395	137,077,548
Loans granted to central banks	12	310,174,138	310,286,729
Property and equipment, net	13	2,270,770	2,285,945
Other assets	14	836,665	1,126,073
Total Assets		\$ 9,490,958,588	\$ 9,194,140,899
LIABILITIES			
Deposits from central banks and other institutions	15	\$ 5,101,855,444	\$ 4,965,031,119
Demand deposits		410,106,314	60,411,985
Term deposits		4,691,749,130	4,904,619,134
Derivative financial instruments	10	226,047	42,363
Accounts payable on purchase of investments	11	87,599,587	56,309,765
Commissions received on loans granted	16	416,943	385,840
Other liabilities	17	5,683,458	3,977,142
Total Liabilities		\$ 5,195,781,479	\$ 5,025,746,229
EQUITY			
Subscribed and paid-in capital	18	3,734,002,453	3,554,683,584
Subscribed capital		4,537,500,000	4,537,500,000
Less: capital installments receivable		(803,497,547)	(982,816,416)
Institutional reserves		430,959,878	413,027,991
Other Comprehensive income	18	1,439,907	1,439,907
Net Profit for the period		128,774,871	199,243,188
Total Equity		4,295,177,109	4,168,394,670
Total Liabilities and Equity		\$ 9,490,958,588	\$ 9,194,140,899

The notes are an integral component 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 SIX-MONTH PERIOD ENDING JUNE 30, 2025 AND 2024 (Stated in dollars of the United States of America)

	Notes	June 30, 2025	June 30, 2024
Interest income	19	\$ 149,379,178	\$ 120,200,561
Loans to central banks		8,289,934	12,464,165
Deposits in commercial banks		49,440,003	46,458,807
Internally managed investment portfolios		78,543,154	49,790,221
Investments at fair value through profit or loss		55,376,549	29,062,367
Investments at amortized cost		23,166,605	20,727,854
Externally managed investment portfolios		13,106,087	11,487,368
Investments at fair value through profit or loss		12,658,701	11,218,245
Investments at amortized cost		447,386	269,123
Interest expense on deposits from central banks and other institutions at amortized cost	22	(108,713,900)	(120,833,618)
Demand deposits		(763,294)	(718,663)
Term deposits		<u>(107,950,606)</u>	<u>(120,114,955)</u>
Net interest income		<u>40,665,278</u>	<u>(633,057)</u>
Net investment profit	20	93,371,671	95,237,889
Internally managed investment portfolios		83,652,275	97,207,269
Investments at fair value through profit or loss		36,981,882	13,253,033
Investments at amortized cost		46,670,393	83,954,236
Externally managed investment portfolios		9,719,106	(1,969,369)
Investments at fair value through profit or loss		9,371,706	(2,268,260)
Investments at amortized cost		347,400	298,891
Special Drawing Rights (SDR)		290	(11)
Net income from fees received by portfolio management	21	491,293	496,535
Net income (expense) from expected credit loss on financial assets	23	322	36,130
Investments at amortized cost		322	36,130
Employee benefits and operating expenses	24	(4,901,324)	(4,766,655)
Employee benefits		(3,020,738)	(2,758,517)
Operating expenses		(1,863,561)	(1,953,515)
Other operating (expense) income		(17,025)	(54,623)

LATIN AMERICAN RESERVE FUND - FLAR

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX-MONTH PERIOD ENDING JUNE 30, 2025 AND 2024 (Stated in dollars of the United States of America)

		June 30, 2025	June 30, 2024
	Notes		
Other financial expenses, net	25	(852,369)	(554,363)
Other financial incomes		61,575	17,132
Other financial expenses		<u>(913,944)</u>	<u>(571,495)</u>
Net Profit for the period		\$ <u>128,774,871</u>	\$ <u>89,816,479</u>
Other comprehensive income		<u>-</u>	<u>-</u>
Total Comprehensive Income		\$ <u>128,774,871</u>	\$ <u>89,816,479</u>

The notes are an integral component of these financial statements.



José Darío Uribe E.
Executive President




Néstor E. Benjumea L.
Accounting Manager


LATIN AMERICAN RESERVE FUND - FLAR

STATEMENT OF CHANGES ON EQUITY FOR THE PERIODS ENDED JUNE 30, 2025, AND DECEMBER 31 2024 (Stated in dollars of the United States of America)

	Notes	Subscribed and Paid-in Capital	Institutional Reserves	Retained Earnings	Net Profit for the period	Other comprehensive income	Total Equity
BALANCES AS OF DECEMBER 31, 2023		\$ 3,356,600,048	\$ 393,219,638	\$ -	\$ 218,891,889	\$ 1,533,210	\$ 3,970,244,785
Appropriation of 2023 profit, according to Agreement No. 233 of FLAR's Assembly of Representatives from March 19, 2024.	18	198,083,536	19,808,353	1,000,000	(218,891,889)	-	-
Results for six-month period ended on June 30,2024		-	-	-	89,816,479	-	89,816,479
BALANCES AS OF JUNE 30, 2024		<u>\$ 3,554,683,584</u>	<u>\$ 413,027,991</u>	<u>\$ 1,000,000</u>	<u>\$ 89,816,479</u>	<u>\$ 1,533,210</u>	<u>\$ 4,060,061,264</u>
Distribution of retained earnings to confirm the technical capacity development program for member central banks, Agreement No. 233 of the Assembly.	18	-	-	(1,000,000)	-	-	(1,000,000)
Other comprehensive Income		-	-	-	-	-	-
Surplus from the revaluation of property and equipment		-	-	-	-	(315.189)	(315.189)
Adjustments to pension reserves		-	-	-	-	221,886	221,886
Results for six-month period ended on June 30,2025	18	-	-	-	109,426,709	-	109,426,709
BALANCES AS OF DECEMBER 31, 2024		<u>\$ 3,554,683,584</u>	<u>\$ 413,027,991</u>	<u>\$ -</u>	<u>\$ 199,243,188</u>	<u>\$ 1,439,907</u>	<u>\$ 4,168,394,670</u>
Distribution of profits 2024 according to agreement no. 238 of the FLAR's representatives' assembly of March 18, 2025, for increase in paid-in capital and institutional reserves	18	179,318,869	17,931,887	-	(197,250,756)	-	-
Appropriation of profits for 2024 according to Agreement No. 238 of the FLAR Assembly of Representatives of March 18, 2025, for the technical capacity development program.		-	-	-	(1,992,432)	-	(1,992,432)
Results for six-month period ended on June 30,2025	18	-	-	-	128,774,871	-	128,774,871
BALANCES AS OF JUNE 30, 2025		<u>\$ 3,734,002,453</u>	<u>\$ 430,959,878</u>	<u>\$ -</u>	<u>\$ 128,774,871</u>	<u>\$ 1,439,907</u>	<u>\$ 4,295,177,109</u>

The notes are an integral component 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 PERIODS ENDED JUNE 30, 2025, AND 2024 (Stated in dollars of the United States of America)

	Note	June 30, 2025	June 30, 2024
CASH FLOWS FROM OPERATING ACTIVITIES:			
Results for the period		\$ 128,774,871	\$ 89,816,479
Adjustments to reconcile net profit with net cash provided by operating activities:			
Depreciation expense	13	74,334	72,698
Unrealized profit (loss) in the following:			
Investments at fair value through profit or loss			
Internally managed portfolios		(43,656,934)	(1,131,260)
Externally managed portfolios		(8,709,263)	1,862,193
Derivative transactions	10	(1,659,543)	(36,961)
Expected credit loss on investments at amortized cost	23	(322)	(36,130)
Profit on disposal/sale of fixed assets		(342)	815
Increase in COP deposits operations		(28,588)	(112,294)
Net (decrease) from operations in externally managed portfolios		(13,432,180)	(11,018,828)
Increase in disbursements and payments of loans to central banks		-	962,500,000
Commissions received for loans granted		31,103	-
Incentive for performance on credits		-	(405,214)
(Decrease) increase in foreign currency portfolio operations SDR	9	(290)	11
(Decrease) in sales, redemptions, and purchases of marketable securities		(162,817,260)	(805,925,636)
(Decrease) increase in deposit operations in commercial banks		(122,089,563)	4,379,268
Increase (Decrease) in demand deposits liabilities operations		349,694,329	(9,979,259)
(Decrease) in term deposits liabilities operations		(110,642,277)	(222,778,631)
Increase in derivative operations	10	1,240,828	4,303,877
Decrease in delivered collateral on derivative operations	10	300,000	3,078,982
Increase in collateral received in derivative operations		-	(3,065,125)
Increase (decrease) in other assets	14	289,408	(121,910)
(Decrease) in other liabilities		(286,116)	(476,176)
Interest accrued on received deposits from central banks and other institutions		108,713,900	120,833,618
Interest paid on deposits received from central banks and other institutions		(107,023,602)	(120,262,138)

	Note	June 30, 2025	June 30, 2024
Interest received in loans granted, investment securities and deposits in commercial banks		<u>140,431,861</u>	<u>118,970,551</u>
Net cash (used) provided by operating activities		<u>9,825,175</u>	<u>10,268,368</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of fixed assets	13	(60,008)	(18,134)
Sale of fixed assets	13	<u>1,191</u>	<u>-</u>
Net cash (used) in investing activities		<u>(58,817)</u>	<u>(18,134)</u>
INCREASE IN CASH		9,766,358	10,250,234
CASH AT THE BEGINNING OF THE PERIOD		<u>10,203,603</u>	<u>10,699,411</u>
CASH AT THE END OF THE PERIOD		<u>\$ 19,969,961</u>	<u>\$ 20,949,645</u>

The notes are an integral component of these financial statements.



José Darío Uribe E.
Executive President



Néstor E. Benjumea L.
Accounting Manager

LATIN AMERICAN RESERVE FUND - FLAR

NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2025, AND DECEMBER 31 2024 (Stated in dollars of the United States of America)

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 under the label "associate central bank". Thus, new FLAR members can belong to two categories: i) full members, for countries that adhere to the Constitutive Agreement, and ii) associate central banks, for members that join through a linkage agreement approved by the Assembly, on the basis of the recommendation of the Board of Directors.

The objectives of FLAR are as follows:

- a) to support the balance of payments of member countries by granting credit and guaranteeing credit for third parties.
- b) to promote the harmonization of exchange, monetary, and financial policies among member countries, and
- c) to improve the investment positions of members' international reserves.

In addition, FLAR receives demand and term deposits from multilateral organizations, central banks, and public institutions in Latin America and the Caribbean. Furthermore, 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) are immune from any form of forced seizure that could alter FLAR's 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 either in member countries or outside them, if agreed upon by the Board of Directors. To date, FLAR has not established any agencies or branches.

FLAR is a multilateral financial organization whose main objective is to provide a balance of payments to support financing for its members with the goal of helping them address external sector imbalances in their economies. In these operations, members have always given FLAR *de facto* preferred creditor treatment (hereinafter PCT). This status refers to the fact that sovereigns' entities traditionally continue to pay their financial obligations to multilateral organizations, even when they have defaulted on their creditors in the private sector.

In line with the preceding discussion, FLAR expects its members and associated central banks to continue to pay their loans, even when they experience delays with other creditors. In the exceptional case of delays in their obligations to FLAR, a substantial recovery of the amounts owed is expected. FLAR's impairment model is in line with its nature as a multilateral financial organization and its institutional objectives.

FLAR is financed by its own capital, which is contributed by its members and associated central banks, as well as demand deposits from central banks and other official institutions. At present, the full members of FLAR are as follows: 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

These financial statements have been prepared on a going concern basis, and FLAR is expected to continue its activities for the foreseeable future. The basis on which these statements are presented is historical cost, with the exceptions of marketable financial assets and derivative financial instruments, which are measured at fair value. The accounting basis is accrual, except in relation to the preparation of the statement of cash-flows.

2.1. Significant events

In the first half of 2025, global economic growth slowed compared to the first half of 2024, in an environment of political uncertainty and market volatility. This uncertainty has increased with the U.S. administration's new tariff measures, which have raised fears of trade retaliation and affected global supply chains. The European Central Bank continued its cycle of cuts, cutting its rate four times to 2.15%. The Federal Reserve, for its part, kept its benchmark rate in the range of 4.25% to 4.5% since December 2024.

FLAR's portfolios are invested primarily in short-term fixed-income securities denominated in U.S. dollars and feature high credit ratings. The continuity of the cycle of high rates in the long term resulted in the maintenance of a high interest rate on investments during the first half of 2025. FLAR management will continue to monitor the market environment and act accordingly if deemed necessary.

2.2. Basis of Presentation and Compliance Statement

FLAR's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting

Standards Board (IASB). Management is responsible for the information contained in these financial statements, according to the requirements of IAS 1 Presentation of Financial Statements.

2.3. Presentation of Financial Statements

The financial statements as of June 30, 2025, are submitted to the Audit Committee for presentation to the Board of Directors. The Board of Directors in turn reviews the audited financial statements together with the audit opinion and approves their presentation to the Assembly at its ordinary meeting, which takes place in the first half of the year. These statements are expressed in U.S. dollars and include: the statement of financial position, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows, and explanatory notes.

The statement of financial position is presented in order of liquidity. The statement of comprehensive income is presented based on the nature of expenses, through a single statement that includes the results for the period and other comprehensive income. The statement of cash flows is presented under the indirect method and in accordance with the nature of its operations.

2.4. Accounting Estimates and Judgments

The preparation of financial statements requires management to use judgments and make estimates on the basis of historical experience and other factors, including expectations that are considered reasonable under certain circumstances. The most significant estimates used in the application of accounting policies are based on FLAR's business model definitions.

At present, the five (5) lines of business related to resource investment are as follows:

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

The main judgments and estimates pertaining to the aforementioned lines of business are as follows:

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

- Measurement of expected credit loss on investments measured at amortized cost and loans granted to members (see Note 4.2.3 - Impairment of Financial Assets).

Management considers the foregoing to be its best judgments and estimates on the basis of information available concerning the facts that have been analyzed as of the date on which these financial statements were prepared. 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 Transaction in Foreign Currency

The functional and presentation currency used by FLAR is the U.S. dollar. Transactions in currencies other than the U.S. dollar are considered foreign currencies and are presented at the exchange rates in effect on the dates of such transactions. Assets and liabilities denominated in foreign currencies are translated at the exchange rates in effect as of the date of the financial statements.

Net gain or loss from transactions denominated in currencies other than the U.S. dollar is included in the results of each period. The exchange rates of the main currencies other than the U.S. dollar used for the presentation of the financial statements are as follows:

Exchange Rate	June 30, 2025	December 31, 2024
USD/AUD	0.65535	0.61915
CAD/USD	1.36450	1.43820
USD/CHF	1.25628	1.10345
USD/EUR	1.17385	1.03550
USD/GBP	1.37035	1.25240
JPY/USD	144.45	157.16
NOK/USD	10.11970	11.35735
USD/NZD	0.60705	0.56025
SEK/USD	9.53040	11.04925
SGD/USD	1.27365	1.36420
COP/USD	4,069.67	4,409.15
USD/DEG	1.354404	1.304413

3. CHANGES IN ACCOUNTING POLICIES

As of June 30, 2025 and December 31, 2024, no changes have occurred in FLAR's accounting policies.

4. MATERIAL INFORMATION ON ACCOUNTING POLICIES

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

4.1. Cash

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

Demand deposits and term deposits in commercial banks are represented within internally and externally managed assets; therefore, they are not classified in financial statements as cash equivalents. They are part of the Intermediation Portfolio management, which is recorded at amortized cost, and is remunerated at short-term market rates, equivalent to similar instruments (see Note 19 - Interest Income).

4.2. Financial Instruments

4.2.1. Recognition

FLAR recognizes a financial asset or liability when it becomes an obligated party to a contract that gives rise to a financial asset, a financial liability, or an equity instrument of another institution.

FLAR records all its investment transactions on the trade date. Trading transactions related to financial assets and liabilities are made within the time frame generally established by regulation or market convention. Credits to member central banks are recognized on the date on which the funds are transferred to the accounts of the member countries.

4.2.2. Classification and Measurement of Financial Assets and Liabilities

4.2.2.1. Classification

FLAR classifies its financial assets at fair value through profit or loss (FVTPL) and amortized cost. For this purpose, it employs two tests: i) an evaluation of the business model and ii) the characteristics of the contractual cash flow of the instrument (SPPI), these criteria are explained below:

a. Business Model Evaluation

This test refers to the way in which FLAR manages its financial assets with the goals of generating cash flow and achieving its objectives on the basis of observable facts concerning the activities that it performs, such as the following:

Activities	Amortized Cost	Fair value through profit or loss
Loans granted to member central banks	Cash flows of principal and interest are expected to be received periodically.	Not applicable
Management of investment portfolios derived from the capital contributions of member countries	For deposits and money market securities at a discount, from which it is expected to receive cash flows of principal and interest periodically.	For securities for which market conditions are evaluated in order 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 a discount, from which it is expected to receive cash flows of principal and interest periodically.	For securities for which market conditions are evaluated in order to realize profits based on their market value.
Investment of resources obtained from the issuance of medium-term debt in the financial markets	For deposits and money market securities at a discount, from which it is expected to receive cash flows of principal and interest periodically.	For securities for which market conditions are evaluated in order to realize profits based on their market value.

b. Solely Payments of Principal and Interest (hereinafter SPPI):

It refers to the test of the characteristics of the contractual cash flows of the financial assets and liabilities in question. The requirement is that the contractual terms of the financial asset or liability give rise on specific dates to cash flows that are SPPI on the outstanding principal amount. These examples correspond mainly to simple debt instruments with determinable dates and cash flows. In the case of liabilities, it corresponds to the positions of deposits received on demand or term deposits pertaining to the intermediation portfolio (see Note 5. Main Asset Management Policies).

4.2.2.2. Measurement

a. Initial Recognition:

Financial assets and liabilities are initially measured at fair value. Transaction costs that are 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. When the fair value of financial instruments, at initial recognition, differs from the transaction price, FLAR records the gain or loss in terms of profit or loss.

b. Subsequent Measurement:

- i. Amortized cost, which refers to financial assets whose purpose is to hold them to obtaining contractual cash flows (principal and interest).

Deposit liabilities are subsequently measured at amortized cost using the effective interest method, which impacts profit or loss. It is important to note

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

The effective interest method is used to calculate the amortized cost and to allocate the interest income or cost of a financial instrument systematically over its term. The effective interest rate is the rate at which estimated future cash flows (including all fees and basis points paid or received that are integral components of the effective interest rate, transaction costs, and other premiums or discounts) are discounted 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 on an effective interest basis for debt instruments other than financial assets that are classified at fair value through profit or loss.

- ii. Fair value through profit or loss (hereinafter FVTPL), which refers to financial assets traded in active markets with the aim of obtaining benefits resulting from variations in the market price. In general, financial assets are subsequently measured at FVTPL itself if the following hold:
 - The asset in question is purchased with the objective of selling it in a short period; or
 - At initial recognition, the asset is included in 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
 - It is a derivative that is not designated and effective as a hedging instrument.

Financial assets at fair value through profit or loss (FVTPL) are recorded at fair value, recognizing in the statement of comprehensive income any profit or loss arising from their revaluation. The net profit or loss recognized in the statement of comprehensive income includes any dividends, interest earned or amortized cost of the financial assets and is included in the financial statements under the concept "net loss on investments".

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

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

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

Investments at amortized cost do not receive preferential creditor treatment (hereinafter PCT); so, it is necessary to estimate the present value of credit losses that may arise in a possible default scenario. For this, the current rating of the instrument and the probability of default assigned by the risk rating agencies in a 12-month horizon are taken directly into account.

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

- The *de facto* PCT, which has been instrumental in multilaterals that have historically experienced lower default rates and higher recovery rates than commercial lenders with respect to their sovereign exposures. The *de facto* PCT has been tested several times over the more than 45 years of FLAR's existence (see Note 1-Organization and Operations).
- FLAR's unique relationship with its member countries is based on the principle of cooperation. All members have paid-in capital in FLAR.
- The monitoring that FLAR carries out on the economies of the borrower to review the reasonable payment capacity.

FLAR's Board of Directors may approve the repayment of a portion of the paid-in capital to a member country when its operations have been in arrears for more than 180 days and when it meets certain conditions as described in section 4.5.6 - Capital. Once such a repayment is made, the reciprocal obligations between FLAR (i.e., the repayment of a portion of the paid-in capital) and the member (i.e., the repayment of the loan) offset one another.

In addition, FLAR's regulations stipulate that the profit for each financial year that FLAR must pay to its member countries may be offset against any overdue obligations that any of those countries have with respect to 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 such commissions is determined on the basis of 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, given the principal and interest, the allowance for credit risk will be zero; otherwise, the difference will be provided for.

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

- **Base scenario:** This scenario assumes a lower probability of default considering the PCT (i.e., two notches above the probability associated with the average rating of the rating agencies) and a higher recovery rate (99%).
- **Stressed scenario:** This scenario includes a higher probability of default (i.e., three notches below the probability associated with the average rating of the rating agencies) and a lower recovery rate (90%).

FLAR employs the general three-step model to estimate expected credit loss, this model is applicable to loans granted and investments at amortized cost. The model is based on the changes in credit quality that have occurred since its initial recognition.

The stages of impairment are presented below:

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

- **Loans:** This category includes loans that are up to date or that have been affected by a delinquency or delay in payments of up to 89 calendar days.

The estimate of expected credit loss pertaining to a stage 1 loan is calculated on the basis of the model described above, taking into account the risk rating applicable at that moment over 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 for a period that does not exceed the grace period indicated in the prospectus, or in the absence of such an indication, 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 undergone a significant increase in credit risk since initial recognition. The classification conditions in this stage depend on the type of asset in question.

- **Loans:** This category includes loans that are 90 to 180 days past due. Given the nature of the loans that FLAR grants to its member countries, the relationship that it has with them, and the historical evidence of payments, the loans are expected to be repaid, even when the loans are in arrears for periods of up to 180 calendar days.

The estimate of expected credit loss pertaining to a stage 2 loan is calculated on the basis of the model described above, taking into account the risk rating applicable at that moment, over 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 past due for more than the grace period (as stipulated in the prospectus) or that are more than 30 days past due. From that moment on, the provisions are recognized assuming an expected recovery rate of 55%.

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

- **Loans:** This category includes credits in which payment are in arrears for 181 calendar days or more, or those that are characterized by contractual declarations of default.

Given the *de facto* preferred creditor status of FLAR and the nature of the debtors, the estimate of expected credit losses pertaining to a stage 3 loan is calculated based on the available information. Interest is accrued by applying the effective interest method and the basis for the appropriate calculation corresponds to the principal minus the estimated allowance, i.e., on the asset net of impairment.

- **Investments at Amortized Cost:** Investments in which the debtor files for bankruptcy under the bankruptcy laws of its jurisdiction are included in this category. From that moment, provision is made with respect to the default category, assuming an expected recovery rate of 55% or the value determined during the liquidation process.

The subsequent recoveries of the recorded provision amounts are reversed to their initial values. Changes in the amount of the provision are recognized directly in the profit or loss of the period in question.

For financial assets that are measured at amortized cost, if, during a subsequent period, the amount of the impairment loss decreases, and that decrease can be related objectively to an event that occurred 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 when

the impairment was reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

4.2.4. Derecognition of Financial Assets and Liabilities -

4.2.4.1 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 assets and the associated obligation for the amounts that it would have to pay if it did not transfer or retain substantially all the risks and rewards that are incidental to ownership while continuing to retain control of the transferred assets.

Conversely, if FLAR substantially retains all the risks and rewards of ownership of a transferred financial asset, it also continues to recognize the financial asset and alongside a liability for the resources received.

With respect to the 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 alongside the cumulative profit or loss that has been recognized in other instances of comprehensive income and retained earnings is recognized as a part of profit or loss.

With respect to 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 that it continues to recognize by virtue of its continuing involvement and the party that it no longer recognizes on the basis of the relative fair values of those parties at the date of transfer.

4.2.4.2 Derecognition of Financial Liabilities

A financial liability is derecognized in the statement of financial position when the following criteria are met:

- a. The obligation in question has been paid or cancelled or has expired.
- b. A lender and a borrower exchange debt instrument with substantially different terms, in which case this situation is accounted for as a cancellation of the original financial liability, and a new financial liability is recognized.
- c. Substantial modifications are made to the current conditions of an existing financial liability or part thereof, this situation is accounted for as a cancellation of the original financial liability, and a new financial liability is recognized.

4.2.5. Financing Instruments

Andean Pesos – On the basis of Agreement No. 83 on the part of FLAR's Board of Directors, which is 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 U.S. dollar.

In addition to the central banks of the member countries and FLAR, the Board of the Cartagena Agreement (JUNAC), the Development Bank of 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 AP holders was expanded with the approval of FLAR's Board of Directors on the basis of Agreement No. 108 from September 20, 1986, which qualified as authorized holders of APs central banks or Latin American institutions other than those in the subregion that signed the relevant agreement with FLAR.

These APs are used exclusively to make payments among authorized holders via FLAR. As of June 30, 2025 and December 31, 2024, no balances of Andean Pesos are outstanding.

FLAR Treasury Notes - On the basis of 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 June 30, 2025 and December 31, 2024, no FLAR treasury notes are outstanding.

4.3. Property and equipment

FLAR's property and equipment are presented in the financial statements at a net historical cost of accumulated depreciation. In the real estate category, these assets are presented at revaluated costs less depreciation, and accumulated impairment losses are presented in terms of other comprehensive income until the revaluation surplus is extinguished. Once the surplus is extinguished, any excess is recognized in the net income for the period in question.

Depreciation is used to record the cost of these assets over their useful lives via 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 via the straight-line method, which is based on the probable useful life of the assets at annual rates.

Category	Useful life	%
	According to appraisal (71.5 years old as of June 30, 2025)	
Real Estate		1.2
Systems equipment	3 years	33.0
Office equipment	10 years	10.0
Furniture and fixtures	10 years	10.0

Category	Useful life	%
Vehicles	5 years	20.0

The measurement policy subsequently used by FLAR for the real estate category is the revaluated cost model, and the cost model is used for the other fixed asset categories. FLAR evaluates the fair value of its real estate annually with the support of an independent specialized firm.

An item of property or a piece of equipment is derecognized when its ownership is transferred or when no future economic benefits are expected to result from the continued use of the asset. The profit or loss arising from the sale or retirement of an item from the property and equipment category is calculated as the difference between the proceeds received from the sale and the net carrying amount of the asset and is recognized as a part of gain 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 that have been acquired by FLAR are recognized directly in the statement concerning the comprehensive income for the period.

4.5. Employee benefits

FLAR recognizes as employee benefits all considerations that originated in formal plans or agreements, requirements or nonformalized practices that entail implicit obligations, which are granted in exchange for services rendered by employees or termination indemnity. Benefits refer to all payments made directly to employees, their beneficiaries, dependents or through third parties, the settlement of which can be made through cash payments or the supply of goods and services (non-cash benefits)..

4.5.1. Short-Term Benefits

They are recognized for the gross amount in the period's expense accounts when FLAR consumes the economic benefit resulting from the service rendered by the employee, unless another IFRS requires or permits its inclusion as the cost of an asset. When the corresponding payment to the employee has not been made, FLAR accrues the corresponding amounts periodically in the liability accounts. It consolidates outstanding benefits annually.

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

4.5.2. Postemployment Benefits

FLAR currently offers 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 reference to the present value of future payments due, specifically on the basis of the projected unit credit method, in which context actuarial valuations are performed at the end of each annual reporting period.

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

- i. **Present Service Cost:** The increase in the present value of the obligation resulting from services rendered by employees during the current period. Given that current employees are not beneficiaries of pension or health care plans, no current service costs are incurred in this context.
- ii. **Past Service Cost:** The change in the present value of the obligation for services rendered by employees in prior periods resulting from an amendment of the plan.
- iii. **Net Interest on the Obligation:** The increase generated in the present value of the obligations during the period in question as a result of the benefits (i.e., pensions and health plans) that are in a period closer to maturity. The amount is determined on the basis of the nominal discount rate in effect at the beginning of each period.
- iv. **Remeasurements of the Obligation:** This term primarily refers actuarial profits or losses arising from: experience adjustments (i.e., the effects of differences between previous actuarial assumptions and the actual events pertaining to the plan in question) and the effects of changes in actuarial assumptions.

The first three items, alongside any profit or loss resulting from the settlement of the plans, are recorded in the results for the period when they are constituted. The new actuarial measurements are recorded on Other Comprehensive Income - OCI.

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

The fair values of the allowances and retiree medical plan as of December 31, 2024, include the annual accrual of the estimated cost of the plan's benefit according to the values provided by the actuarial calculation, which was performed by an independent firm as of December 31, 2024 (see Note 17 - Other Liabilities).

4.5.3. Long-Term Benefits

Other long-term benefits are recognized gradually in the results pertaining to the period in which the employee is expected to provide the services that entitle him

or her to the benefits in question, on the basis of a simplified actuarial method. Actuarial profits or losses that emerge annually are recorded directly as a part of income for the period.

4.5.4. Termination Benefits

Termination benefits are the result of 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 pertaining to termination benefits when the offer is announced and can no longer be withdrawn, taking into account the following criteria:

- i. If such benefits are expected to be settled within 12 months following the yearly reporting period, they are recognized at the undiscounted agreed value, on the basis of the requirements for short-term benefits.
- ii. If these benefits are expected to be settled later than 12 months following the yearly reporting period, they are recognized at the present value of the obligation, on the basis of the requirements for long-term benefits.

4.5.5. Provisions, Contingent assets, and Liabilities.

The policy concerning provisions, contingent assets and contingent liabilities is rooted in the definitions established by IAS 37. FLAR recognizes a provision when all the following conditions are met:

- i. An obligation, either legal or implied, is presented.
- ii. The provision in question arises as a result of a past event.
- iii. An entity is likely to be required to give up resources that account for economic benefits to settle the obligation.
- iv. A reliable estimate of the amount of the obligation can be produced.

The following chart helps define the accounting treatment used to analyze the probability of an outflow of resources that account for economic benefits:

Output of resources	Analysis	Treatment
Probable	The probability that the event will occur in the future is greater than the probability that the event will not occur	Liability recognition (provision), and disclosure
Possible	The probability that the event will occur in the future is less than the probability that the event will not occur	Disclosure of contingent liabilities
Remote	The probability that the event will occur in the future is low	None

If no reliable estimate can be produced, the liability cannot be recognized. This exceptional situation results in a contingent liability that is disclosed in the notes to the financial statements.

Equity - FLAR's equity consists of subscribed and paid-in capital, institutional reserves, other reserves constituted by the assembly, retained earnings, earnings for the annual period, and other types of comprehensive income.

4.5.6. Capital

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

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

In Agreement 213 from March 24, 2020, FLAR's Assembly of Representatives approved a general policy that allows FLAR's Board of Directors to restore part of the paid-in capital of a member when the member has had one or more credits in arrears or overdue for 180 days or more and the country in question meets at least one of the following criteria, as evaluated by FLAR: i) a cumulative decrease in real gross domestic product of more than 30% over the past three years and ii) an annual inflation rate of more than 100% over the past three years.

The reimbursed paid-in capital shall be used exclusively to offset the members' obligations.

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

4.5.7. Institutional Reserves

According to FLAR's regulations, institutional reserves must be at least 10% of paid-in capital. These reserves may be used to cover any losses that may arise in a given financial year. The institutional reserves are constituted with the additional contribution that each member makes when making payments of capital contributions and with the amount of profits that is approved annually by the Assembly.

4.5.8. Capitalization of Net Profit

Each member's share in the profit for a given financial year is based on the weighted average paid-in capital during the year in question.

Since 1982, FLAR's profit distribution policy has focused on capitalizing profit (after the appropriate contributions to institutional reserves) with the goal of making payments to each member's subscribed capital.

4.6. 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 during the periods in which they occur, even if the resulting collections and payments occur during a different period.

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

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

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

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

4.7. Tax exemptions

In the signatory countries of the Constitutive Agreement, FLAR is exempt from all types of taxation on its income and assets. FLAR is also exempt from any liability pertaining to the payment, withholding, or collection of any taxes.

4.8. New and Amended IFRS

FLAR has evaluated and analyzed new standards or amendments issued as of June 30, 2025, effective as of January 1, 2025. With respect to the standards applicable to FLAR, none have been adopted in advance nor have existing standards been adopted that have a significant impact.

2024 Improvements

IFRS 18 Presentation and Disclosure in Financial Statements: This standard replaces IAS 1 and establishes requirements for presentation and disclosure in financial statements with the general aim of ensuring that relevant information is provided in a manner that faithfully represents the assets, liabilities, equity, income and expenses of an entity. This standard is applicable for annual periods beginning on or after January 1, 2027, although earlier application is permitted.

FLAR has considered not implementing this standard in advance of the effective date. Therefore, no adjustments or disclosures are required in these financial statements.

Annual improvements to IFRS accounting standards (2026 application)

In May 2024, IFRS issued a final amendment on amendments to IFRS 9 and IFRS 7 related to the measurement and classification of financial instruments; The following standards and amendments issued by the IASB have not yet been approved or are not in effect. The Fund has not implemented them in advance, nor does it know with certainty the possible impact that they could have once they are implemented.

Annual Improvements to IFRS Accounting Standards - Volume 11 (issued in July 2024 but applicable to 2026)

- IFRS 7 Financial Instruments: Information to be disclosed from derecognition of accounts.
- Guidance for the implementation of IFRS 7 Financial Instruments: Disclosures - Introduction
- Guidance for the application of IFRS 7 Financial instruments: Disclosures - Credit risk information.
- IFRS 9 – Financial Instruments: Recognition of Lease Liabilities
- IFRS 9 – Financial Instruments: Transaction Price.
- IFRS 10 – Consolidated Financial Statements: Determination of a "*De Facto Agent*".
- IAS 7 – Statement of Cash Flows: Cost Method

Each of these improvements has been evaluated and is considered not to be applicable to FLAR or does not require additional adjustments or disclosures to those disclosed in these financial statements.

5. MAIN POLICIES RELATED TO ASSET MANAGEMENT

FLAR's financial assets are divided into different portfolios, in accordance with the provisions of Board of Directors Agreement No. 324 from April 30, 2005, and their amendments. 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 the ALCO) determine the size range and investment strategy associated with this portfolio, taking into account, among other factors, 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 portfolio consists of FLAR's equity resources, excluding the resources included in the operations portfolio and the liquidity portfolio.

The 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, alongside debt alternatives or other resources, allows it to meet potential credit requests from FLAR's member countries.

Regarding the benchmark index and taking into account changes in market conditions since its last evaluation, management deemed it prudent to present a new strategic asset allocation statement to the Board of Directors.

In the March 2023 session, the Board approved a new benchmark index that remains in force as of June 30, 2025 and December 31, 2024, which has the following composition: 33% U.S. treasury bonds from 0 to 1 year, 10% U.S. treasury bonds from 1 to 5 years, 5% in 1-5 year TIPS, 25% in AAA-5 year AAA-A credit rated corporate bonds, 10% in AAA-5 year AAA-A credit rated corporate bonds, 10% AAA-5 year AAA-A credit rated 1-5 year bonds, 5% in agency guaranteed mortgage-backed securities (MBS) and 2% in equities U.S. large-cap (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 that are to be managed by the internal investment team and by external fund managers (EFM), the composition of the benchmark indices of the sub portfolios included in the aggregate investment portfolio and its duration.

The resources managed by the EFM are presented in the form of externally managed portfolios.

- **Intermediation Portfolio** - The objective of this portfolio is to invest the short-term funds raised from deposits made by official institutions in FLAR alongside the commercial papers issued by FLAR. To this end, exposure to liquidity, interest rate and exchange rates risks will be matched.

Notwithstanding the above, 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 capital subscribed by a member country of small economic size, except for the Republic of Costa Rica.

ALCO periodically evaluates and determines the target value of the intermediation portfolio, taking into account the economic and market environment and the investment needs of the member countries, however this target value cannot be higher than the limit established for this portfolio by the Board of Directors.

- **Asset and Liability Management Portfolio** - The goal of this portfolio is to invest the funds obtained from FLAR's medium-term issues or other assets and liabilities requirements pertaining to FLAR. To this end, exposure to liquidity, interest rate, and exchange rate risks shall be calculated, including derivatives operations tied to these, if applicable. As of June 30, 2025, there are no resources allocated to this portfolio.

In addition, the guidelines establish that FLAR must always maintain at least 25% of its paid-in capital invested in the liquidity portfolio and the aggregate investment portfolio.

Considering FLAR's current portfolio structure, described above, the summary of assets, aggregated by portfolio, as of June 30, 2025 and December 31, 2024, is presented:

	June 30, 2025	December 31, 2024
Liquidity portfolio	\$ 32,995,288	\$ 29,798,961
Aggregate investment portfolio	4,017,731,874	3,863,735,052
Intermediation portfolio	5,126,006,164	4,986,621,242
Credit operations and foreign exchange portfolio	310,178,548	310,290,849
Assets other than reserve investments*	<u>4,046,714</u>	<u>3,694,795</u>
Total Assets	<u>\$ 9,490,958,588</u>	<u>\$ 9,194,140,899</u>

*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.

To disclose the results for the financial year in accordance with the portfolio structure, a summary of the results obtained as of June 30, 2025 and 2024 is presented below:

Portfolio	Interest income (expense)	Portfolios profit/(loss)	Derivatives profit/(loss)	Net profit/(loss) from portfolios and derivatives	Other income resulting from commissions and (administrative expenses)	Total contribution
Investment aggregate	71,674,187	62,984,642	(12,078,214)	50,906,428	-	122,580,615
Intermediation 1/*	(39,974,114)	43,234,773	(663,781)	42,570,992	-	2,596,878
Liquidity	675,272	(719)	-	(719)	-	674,553
Operations (loans granted to central banks)	8,289,934	-	-	-	-	8,289,934
Foreign exchange operations	141	149	-	149	-	290
Employee benefits and operating expenses	-	-	-	-	(5,367,399)	(5,367,399)
Net income for 2024	\$ 40,665,420	\$ 106,218,845	\$ (12,741,995)	\$ 93,476,850	\$ (5,367,399)	\$ 128,774,871

Portfolio	Interest income (expense)	Portfolios profit/(loss)	Derivatives profit/(loss)	Net profit/(loss) from portfolios and derivatives	Other income resulting from commissions and (administrative expenses)	Total contribution
Investment aggregate	47,640,140	24,769,765	5,692,224	30,461,989	-	78,102,129
Intermediation 1/*	(62,174,960)	63,242,756	1,688,791	64,931,547	-	2,756,587
Liquidity	1,437,598	492	-	492	-	1,438,090
Operations (loans granted to central banks)	12,464,165	-	-	-	-	12,464,165
Foreign exchange operations	9	(20)	-	(20)	-	(11)
Employee benefits and operating expenses	-	-	-	-	(4,944,481)	(4,944,481)
Net loss 2023	\$ (633,048)	\$ 88,012,993	\$ 7,381,015	\$ 95,394,008	\$ (4,944,481)	\$ 89,816,479

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

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

- Types of issuers: 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 CMOs) 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 on the basis of futures contracts where the underlying is one of the permitted indices and commercial papers.
- 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 exhibit a short-term credit rating of not less than any of the following: Standard & Poor's (S&P) 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, S&P A- and Fitch Ratings A-.
- Foreign exchange, bonds, and interest rate derivative transactions.
- External managers may invest in Asset-Backed Securities (ABS) of automobiles and credit cards denominated in U.S. dollars with AAA credit rating.
- Investments may be made in financial instruments that are indexed to the S&P 500 Index (SPX Index), or in instruments that represent 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 divided into two categories: those at fair value through profit or loss and those 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 consists of credits granted to member countries, for which

FLAR permanently monitors the macroeconomic situation of its members with the goals of evaluating current exposures and anticipating future credit requests.

FLAR provides three lines of credit for its member countries:

- **Liquidity:** term of up to one year Non-renewable and a limit of up to 1.0 time the paid-in capital (1.1 times for Bolivia and Ecuador).
- **Contingency:** This line is characterized by an availability period of up to 6 months, which is 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 time, on the basis of 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:** Terms of up to three years and a grace period of up to one year alongside 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 forms of financial support that a country receives from FLAR may not exceed 2.5 times the paid-in capital (2.6 times for Bolivia and Ecuador).

In light of the *de facto* PCT that members have given to FLAR throughout its history, FLAR does not differentiate among members in terms of the rates of the loans that it provides, as is the practice in other multilateral financial organizations.

Loan rates are based on a variable reference rate that is adjusted quarterly alongside a fixed margin that aims to incorporate FLAR's estimated cost of financing in international markets. When members make an agreement with FLAR, they may choose to convert the loan to a fixed rate on the basis of market conditions.

In all loans, FLAR studies the economic and financial policies implemented in the country in question alongside those that the country is preparing to adopt, with the goals of mitigating any imbalances in the corresponding balance of payments and providing FLAR with reasonable assurance that the loan will be repaid.

As of June 30, 2025, 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 when selling an asset or the price to be paid when transferring a liability in an

orderly transaction between market participants on the valuation date, regardless of whether that price is observable or estimated directly on the basis of another valuation technique.

In the process of estimating the fair value of an asset or liability, FLAR considers its characteristics and whether market participants consider those characteristics when pricing the asset or liability on the measurement date.

6.2. Determination of Fair Value - To reveal how fair values have been derived, financial instruments are classified on the basis of a hierarchy of valuation techniques, as summarized below:

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

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

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

FLAR may designate financial instruments at FVTPL if doing so could eliminate or significantly reduce inconsistencies in terms of measurement or recognition.

6.3. Valuation Techniques

- **Investments at Fair Value Through Profit or Loss:** FLAR performs a valuation of investments using the information provided by an international price vendor.

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

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

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

- **Money Market Instruments:** Deposits (which are 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 determine the present value of the profit or loss generated on a future date, the valuation is based on the spot rate of the day of the currency, the forward points pertaining to the same currency against the base currency, and the interest rate of the base currency. The cross transactions are opened into two transactions that are valued against the base currency, which are valued in reference to the forward price formula. The initial or agreed value in the 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 exhibiting a level 2 fair value. The exposure to counterparty risk resulting from these operations is not significant.

FLAR's guidelines allow for the inclusion of hedging exposures in its balance sheet from fixed to floating rates through the use of 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 with the aim of reducing its credit exposure. The residual exposure is not significant; therefore, no valuation adjustments are made with respect to credit risk.

- **Property and Equipment:** FLAR's real estate is appraised by external experts, who use valuation techniques that refer to comparable prices and replacement costs.

6.4. Hierarchy of Financial Assets and Liabilities Measured at Fair Value

- All FLAR investments by FLAR measured at fair value through profit or loss are valued at market prices on the basis pricing information obtained from a recognized vendor.

The categories of financial assets at fair value through profit or loss are presented below in accordance with the hierarchy of levels of fair value:

June 30, 2025

Fair value hierarchy by issuer /instrument type					Valuation techniques for levels 2 and 3		Main input data
	Level 1	Level 2	Level 3	Total			
Derivate	\$ -	\$ -	\$ -	\$ -	Market		Comparable Yield curve and exchange rates
Governments and sovereign entities	\$ 624,775,774	\$ 1,904,916,024	-	\$2,529,691,798	Market		Quoted prices on active markets for identical assets / Comparable Yield curve
Financial sector	\$ 191,121,605	\$ 474,399,652	-	\$ 665,521,257	Market		Quoted prices on active markets for identical assets / Comparable Yield curve
Nonfinancial sector	-	\$ 17,077,715	-	\$ 17,077,715	Market		Comparable Yield curve
<u>Internally managed portfolio</u>	<u>\$ 815,897,379</u>	<u>\$ 2,396,393,391</u>	<u>-</u>	<u>\$ 3,212,290,770</u>			
Derivatives	-	\$ 50,111	-	\$ 50,111	Market		Comparable Yield curve and exchange rates
Governments and sovereign entities	\$ 15,920,656	\$ 172,904,557	-	\$ 188,825,213	Market		Quoted prices on active markets for identical assets / Comparable Yield curve
Financials sector	-	\$ 304,406,761	-	\$ 304,406,761	Market		Comparable Yield curve
Non-financial sector	-	\$ 214,007,379	-	\$ 214,007,379	Market		Comparable Yield curve
<u>Externally managed portfolio</u>	<u>\$ 15,920,656</u>	<u>\$ 691,368,808</u>	<u>-</u>	<u>\$ 707,289,464</u>			
Assets measured at fair value through profit or loss	<u>\$ 831,818,035</u>	<u>\$ 3,087,762,199</u>	<u>\$ -</u>	<u>\$ 3,919,580,234</u>			

December 31, 2024

Fair value hierarchy by issuer /instrument type					Valuation techniques for levels 2 and 3		Main input data
	Level 1	Level 2	Level 3	Total			

Derivate	\$	-	\$	1,474,301	\$	-	\$	1,474,301	Market	Comparable Yield curve and exchange rates
Governments and sovereign entities	\$	703,584,550	\$	1,276,321,200	-	\$	1,979,905,751	Market	Quoted prices on active markets for identical assets / Comparable Yield curve	
Financial sector	\$	194,025,178	\$	299,105,570	=	\$	493,130,748	Market	Quoted prices on active markets for identical assets / Comparable Yield curve	
Nonfinancial sector		-		-	-		-	Market	Comparable Yield curve	
<u>Internally managed portfolio</u>	<u>\$</u>	<u>897,609,728</u>	<u>\$</u>	<u>1,576,901,072</u>	<u>-</u>	<u>\$</u>	<u>2,474,510,800</u>			
Derivatives			\$	52,175		\$	52,175	Market	Comparable Yield curve and exchange rates	
Governments and sovereign entities	\$	20,023,812	\$	163,668,956	-	\$	183,692,768	Market	Quoted prices on active markets for identical assets / Comparable Yield curve	
Financials sector			\$	262,825,740	-	\$	262,825,740	Market	Comparable Yield curve	
Non-financial sector			\$	211,381,727	-	\$	211,381,727	Market	Comparable Yield curve	
<u>Externally managed portfolio</u>	<u>\$</u>	<u>20,023,812</u>	<u>\$</u>	<u>637,928,598</u>	<u>-</u>	<u>\$</u>	<u>657,952,410</u>			
Assets measured at fair value through profit or loss	<u>\$</u>	<u>917,633,540</u>	<u>\$</u>	<u>2,214,829,670</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>3,132,463,210</u>		

6.5. Transfers Between Fair Value Hierarchy Levels - As of June 30, 2025 and December 31, 2024, FLAR does not feature any transfers among different levels in the fair value hierarchy from or to level 3.

6.6. Fair Value of Financial Assets and Liabilities Not Measured at Fair Value.

June 30, 2025		Fair Value		
	Carrying amount	Level 1	Level 2	Total Level 1 and 2
Cash on hand and at banks	\$ 19,969,961	\$ 19,969,961	\$ -	\$ 19,969,961
Investments at amortized cost – Internally managed portfolio (investments)	2,410,645,161	-	2,399,048,046	2,399,048,046
Investments at amortized cost – Internally managed portfolio (deposits)	2,746,710,531	-	2,577,881,068	2,577,881,068
Investments at amortized cost – Externally managed portfolio	36,613,432	-	36,515,515	36,515,515
Accounts receivable on sale of investments	<u>33,399,395</u>	<u>33,399,395</u>	<u>-</u>	<u>33,399,395</u>
Financial assets	<u>\$ 5,247,338,480</u>	<u>\$ 53,369,356</u>	<u>\$ 5,013,444,629</u>	<u>\$ 5,066,813,985</u>
Deposits from central banks and other institutions	\$ 5,101,855,444	\$ -	\$ 5,101,855,444	\$ 5,101,855,444
Accounts payable on purchase of investments	87,599,587	87,599,587	-	87,599,587
Commissions received on loans granted	<u>416,943</u>	<u>385,840</u>	<u>-</u>	<u>385,840</u>
Financial liabilities	<u>\$ 5,189,871,974</u>	<u>\$ 87,985,427</u>	<u>\$ 5,101,855,444</u>	<u>\$ 5,189,840,871</u>
December 31, 2024		Fair Value		
	Carrying amount	Level 1	Level 2	Total Level 1 and 2
Cash on hand and at banks	\$ 10,203,603	\$ 10,203,603	\$ -	\$ 10,203,603
Investments at amortized cost – Internally managed portfolio (investments)	2,911,051,808	-	2,900,307,483	2,900,307,483
Investments at amortized cost – Internally managed portfolio (deposits)	2,627,157,303	-	2,623,015,382	2,623,015,382
Investments at amortized cost – Externally managed portfolio	53,509,432	-	53,357,930	53,357,930
Accounts receivable on sale of investments	<u>137,077,548</u>	<u>137,077,548</u>	<u>-</u>	<u>137,077,548</u>
Financial assets	<u>\$ 5,738,999,694</u>	<u>\$ 147,281,151</u>	<u>\$ 5,576,680,795</u>	<u>\$ 5,723,961,946</u>
Deposits from central banks and other institutions	\$ 4,965,031,119	\$ -	\$ 4,965,031,119	\$ 4,965,031,119
Accounts payable on purchase of investments	56,309,765	56,309,765	-	56,309,765
Commissions received on loans granted	<u>385,840</u>	<u>385,840</u>	<u>-</u>	<u>385,840</u>
Financial liabilities	<u>\$ 5,021,726,724</u>	<u>\$ 56,695,605</u>	<u>\$ 4,965,031,119</u>	<u>\$ 5,021,726,724</u>

Level 2 financial assets correspond to instruments that are measured at amortized cost. These assets are valued semiannually, to compare their fair value with their amortized cost, in which context no material differences have been observed.

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 as approximate fair values considering their short-term nature, which are classified as level 1.
- Investments at amortized cost in both internal and externally managed portfolios, which are valued by discounting future cash flows via yield curves derived from observable market data and are classified as level 2.

Measurement of Loans Granted to Members: To determine the fair value of these credit instruments, FLAR has taken into account the concepts defined in IFRS 13 paragraph 16 and determined the application of fair value on loans based to be impracticable on the basis of the following arguments (see Note 12 – Loans Granted to Central Banks):

- The financing granted by FLAR is intended to help address the external sector imbalances in its members' economies.
- There is a unique relationship between FLAR and its members, who have awarded it PCT throughout its history.
- The nonexistence of a principal or more advantageous market for the type of loans granted.

7. CASH

The following provides details regarding immediately available cash, which is unrestricted, as of June 30, 2025 and of 31 December 2024:

	June 30, 2025	December 31, 2024
Cash on hand	\$ 14,035	\$ 11,135
Correspondent banks	8,321,524	9,774,086
Custodian bank	<u>11,443,691</u>	<u>155,855</u>
In US dollars	19,779,250	9,941,076
Cash on hand	\$ 614	\$ 567
Local banks	<u>190,097</u>	<u>261,960</u>
In Colombian pesos	<u>190,711</u>	<u>262,527</u>
Total Cash	<u>\$ 19,969,961</u>	<u>\$ 10,203,603</u>
Average interest rate during the period	0.88%	0.52%
Current Interest rate at the end of the period	1.29%	0.20%

In addition to cash, the purchase and sale transactions of investments with settlement dates after June 30, 2025, and December 31, 2024, which affect cash on hand are presented. (See Note 11 – Accounts Receivable and Payable on the Sale and Purchase of Investments.)

8. INVESTMENT PORTFOLIO

The distribution by type of issuer of the financial instruments that are constituted in FLAR's investment portfolios as of June 30, 2025 and December 31, 2024, is presented below:

Issuer	June 30, 2025	December 31, 2024
Governments and quasi-governments	\$ 2,529,691,798	\$ 1,979,905,751
Financial sector	665,521,257	493,130,748
Nonfinancial sector	<u>17,077,715</u>	<u>-</u>
Investments at fair value through profit or loss	<u>3,212,290,770</u>	<u>2,473,036,499</u>
Governments and quasi-governments	851,836,294	1,029,465,739
Financial sector	3,735,637,346	4,170,609,128
Nonfinancial sector	571,103,094	339,354,556
Provision for impairment loss	<u>(1,221,042)</u>	<u>(1,220,312)</u>
Investments at amortized cost	<u>5,157,355,692</u>	<u>5,538,209,111</u>
A. Internally managed portfolio	<u>\$ 8,369,646,462</u>	<u>\$ 8,011,245,610</u>
Governments and sovereigns	\$ 188,825,213	\$ 183,692,769
Financial sector	304,406,761	262,825,740
Nonfinancial sector	<u>214,007,379</u>	<u>211,381,727</u>
Investments at fair value through profit or loss	<u>707,239,353</u>	<u>657,900,236</u>
Financial sector	30,813,106	53,517,663
Nonfinancial sector	5,807,505	-
Provision for impairment loss	<u>(7,179)</u>	<u>(8,231)</u>
Investments at amortized cost	<u>36,613,432</u>	<u>53,509,432</u>
B. Externally managed portfolio	<u>\$ 743,852,785</u>	<u>\$ 711,409,668</u>
Total investment portfolio (A+B)	<u>\$ 9,113,499,247</u>	<u>\$ 8,722,655,278</u>

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, the Japanese yen, the Chinese renminbi, the British pound, and the US dollar. Holdings at the IMF are remunerated at a rate that the IMF itself determines.

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

As of June 30, 2025 and December 31, 2024, the SDR holdings of the foreign currency management sub portfolio of the operations translated into U.S. dollars, are as follows:

	June 30, 2025	December 31, 2024
SDR holdings (IMF)	\$ 4,325	\$ 4,183
Interest receivable on SDR positions	21	22
Unrealized (loss) profit in SDR	<u>64</u>	<u>(85)</u>
	<u>\$ 4,410</u>	<u>\$ 4,120</u>

The exchange rate used to convert SDRs to USD is the rate in effect at the end of the reporting period (see Note 2.5 – Functional Currency and Transactions in Foreign Currencies).

10. DERIVATIVE FINANCIAL INSTRUMENTS

FLAR's investment guidelines permit the use of interest rates, bonds and foreign exchange derivatives in authorized markets. These derivatives are used to a limited extent within the portfolios, for the purpose of managing risks or taking investment positions on fluctuations in interest rates or foreign exchange risk.

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

FLAR does not designate derivatives to hedge specific assets for accounting purposes, and it does not employ hedge accounting. Therefore, on the date on which it trades derivatives, FLAR maintains these derivatives as marketable assets at fair value and recognizes changes in their market value in the profit or loss 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 related to derivative financial instruments correspond to the market value of outstanding contracts in accordance with FLAR's rights and obligations. FLAR does not employ hedge accounting regarding its derivative contracts, and all profit or loss are recognized on the income statement. The market value of derivative instruments is as follows:

	June 30, 2025	December 31, 2024
Futures	\$ 10,056,463	\$ 7,895,771
Forwards	-	1,474,301
Derivates – Internally managed instruments	10,056,463	9,370,072
Futures	697,428	779,356
Forwards	50,111	52,175
Collateral delivered in forward transactions	-	300,000
Derivates – Externally managed instruments	747,539	1,131,531
A. Derivate financial assets – Rights	\$ 10,804,002	\$ 10,501,603
B.		
Forwards	\$ (111,439)	\$ -
Derivates - Internally managed instruments	(111,439)	-
Forwards	\$ (114,608)	\$ (42,363)
Derivates - Internally managed instruments	(114,608)	(42,363)
B. Derivate financial assets – Obligations	(226,047)	(42,363)
Net derivate financial instruments (A+B)	\$ 10,577,955	\$ 10,459,240

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

The sales and purchases of investment transactions are recorded on the trading date in accordance with the term that has generally been established by regulation or market convention. Accounts receivable and payable as of June 30, 2025 and December 31, 2024, specifically those resulting from the difference between the trade and settlement dates of actual collection or payment, are detailed below:

	June 30, 2025	December 31, 2024
Sales of internally managed securities	\$ 5,005,595	\$ -
Sales of externally managed securities	21,146,630	25,924,098
Receivable from the time the deposits were traded	7,235,425	111,153,450
Transfers in the process of being fulfilled	11,745	-
Accounts receivable	\$ 33,399,395	\$ 137,077,548
Fees payable to correspondent banks	\$ 52,000	\$ 59,000
Purchases of internally managed securities	26,913,656	-
Purchases of externally managed securities	60,633,931	56,250,765

	June 30, 2025	December 31, 2024
Accounts payable	<u>\$ 87,599,587</u>	<u>\$ 56,309,765</u>

12. LOANS GRANTED TO CENTRAL BANKS

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

	June 30, 2025	December 31, 2024
Loans granted to members	<u>\$ 310,174,138</u>	<u>\$ 310,286,729</u>
Total	<u>\$ 310,174,138</u>	<u>\$ 310,286,729</u>

Below are the movements of the credits granted to central bank and their corresponding movements between impairment stages, for the periods as of June 30, 2025 and December 31, 2024 are as follows:

	Stage 1		Total	
	Gross carrying amount	Provision	Gross carrying amount	Provision
Balance as of January 1, 2025	<u>\$ 310,286,729</u>	<u>\$ -</u>	<u>\$ 310,286,729</u>	<u>\$ -</u>
Loan granted	-	-	-	-
Interest accrual	8,289,934	-	8,289,934	-
Transfers to stage 1-2-3	-	-	-	-
Principal and interest payments	<u>(8,402,525)</u>	<u>-</u>	<u>(8,402,525)</u>	<u>-</u>
Balance as of June 30, 2025	<u>\$ 310,174,138</u>	<u>\$ -</u>	<u>\$ 310,174,138</u>	<u>\$ -</u>

	Stage 1		Total	
	Gross carrying amount	Provision	Gross carrying amount	Provision
Balance as of January 1, 2024	<u>\$ 970,147,330</u>	<u>\$ -</u>	<u>\$ 970,147,330</u>	<u>\$ -</u>
Loan granted	308,000,000	-	308,000,000	-
Interest accrual	19,553,248	-	19,553,248	-
Transfers to stage 1-2-3	-	-	-	-
Principal and interest payments	<u>(987,413,849)</u>	<u>-</u>	<u>(987,413,849)</u>	<u>-</u>
Balance as of December 31, 2024	<u>\$ 310,286,729</u>	<u>\$ -</u>	<u>\$ 310,286,729</u>	<u>\$ -</u>

Details and events concerning loans granted to central banks as of June 30, 2025 and December 31, 2024, are presented below:

- i. Balance of payments loan: On August 19, 2022, the Board of Directors approved the disbursement of a loan for USD 1,100,000,000 with a term of three (3) years, including a one-year grace period for payment of the principal

and quarterly amortization in equal installments of the principal. The secured overnight financing rate (SOFR) plus a margin of 201 basis points payable quarterly.

During 2025 the credit movements observed in this context were as follows:

Date	Principal	Interest	Total
23/02/2024	\$ 137,500,000	\$ 17,930,864	\$ 155,430,864
7/03/2024	825,000,000	2,180,631	827,180,631
Subtotals	\$ 962,500,000	\$ 20,111,495	\$ 982,611,495

On March 7, 2024, the Balance of Payments loan was prepaid in full, this credit was granted by FLAR in August 2022.

ii. Liquidity loan:

On August 14, 2024 FLAR approved the disbursement of a liquidity loan for USD 308,000,000 with a term of one (1) year, for the payment of the principal and quarterly amortization. The rate is SOFR plus a margin of 100 basis points payable quarterly.

Date	Principal	Interest	Total
14/08/2024	\$ 308,000,000	\$ -	\$ 308,000,000
13/11/2024	-	(4,802,354)	(4,802,354)
13/02/2025	-	(4,319,965)	(4,319,965)
13/05/2025	-	(4,082,560)	(4,082,560)
Subtotals	\$ 308,000,000	\$ (13,204,879)	\$ 294,795,121

FLAR has received interest on the loan in accordance with the coupon payment schedule established for the periods in 2024 and the year to date in 2025.

iii. Contingency line:

Until January 31, 2025, FLAR maintained a contingent credit line with one of its members in the amount of USD 230,000,000, which was not used. As of June 30, 2025, this credit line is no longer available.

13. PROPERTY AND EQUIPMENT, NET

No restrictions on property or equipment are evident. The balances as of June 30, 2025 and December 31, 2024, are presented below:

	June 30, 2025	December 31, 2024
Real estate	\$ 2,367,761	\$ 2,367,761
Furniture and fixtures	282,704	280,435
Office and computer equipment	1,867,969	1,872,570

	June 30, 2025	December 31, 2024
Vehicles	<u>135,298</u>	<u>91,013</u>
Total property and equipment, gross	4,653,732	4,611,779
Less accumulated depreciation	<u>(2,382,962)</u>	<u>(2,325,834)</u>
Total property and equipment, net	<u>\$ 2,270,770</u>	<u>\$ 2,285,945</u>

The movements in property and equipment were as follows:

	Real Estate	Furniture and fixtures	Office and computer equipment	Vehicles	Total
		Cost			
December 31, 2024	\$ 2,367,761	\$ 280,435	\$ 1,872,570	\$ 91,013	\$ 4,611,779
Additions	-	5,623	10,100	44,285	60,008
Sales/write-offs	-	(3,354)	(14,701)	-	(18,055)
Real state revaluation	-	-	-	-	-
June 30, 2025	<u>\$ 2,367,761</u>	<u>\$ 282,704</u>	<u>\$ 1,867,969</u>	<u>\$ 135,298</u>	<u>\$ 4,653,732</u>
		Accumulated Depreciation			
December 31, 2024	\$ (473,103)	\$ (152,547)	\$ (1,609,171)	\$ (91,013)	\$ (2,325,834)
Depreciation charges	(13,157)	(9,001)	(50,700)	(1,476)	(74,334)
Write-offs	<u>-</u>	<u>2,807</u>	<u>14,399</u>	<u>-</u>	<u>17,206</u>
June 30, 2025	<u>\$ (486,260)</u>	<u>\$ (158,741)</u>	<u>\$ (1,645,472)</u>	<u>\$ (92,489)</u>	<u>\$ (2,382,962)</u>
Net Carrying amount					
December 31, 2024	<u>\$ 1,894,658</u>	<u>\$ 127,888</u>	<u>\$ 263,399</u>	<u>\$ -</u>	<u>\$ 2,285,945</u>
June 30, 2025	<u>\$ 1,881,501</u>	<u>\$ 123,963</u>	<u>\$ 222,497</u>	<u>\$ 42,809</u>	<u>\$ 2,270,770</u>

14. OTHER ASSETS

The composition of other assets as of June 30, 2025 and December 31, 2024, is presented below:

	June 30, 2025	December 31, 2024
Commissions receivable	\$ 435,329	\$ 459,061
Works of art and fixed assets in progress	63,716	117,391
Prepaid expenses	210,715	258,171
Taxes receivable	84,693	146,229
Accounts receivable from employees	2,495	66,244
Other minor assets	<u>39,717</u>	<u>78,977</u>
Total other assets	<u>\$ 836,665</u>	<u>\$ 1,126,073</u>

15. DEPOSITS FROM CENTRAL BANKS AND OTHER INSTITUTIONS

The balance of this account as of June 30, 2025 and December 31, 2024, consists of deposits received from both member and nonmember central banks, alongside other Latin American official institutions; the figures presented below include accrued interest:

	June 30, 2025	December 31, 2024
Demand deposits		
Balance (A)	\$ 410,106,314	\$ 60,411,985
Average rate during the period	3.75%	4.52%
Average effective rate at the end of the period	3.75%	3.75%
Maximum days to maturity	On demand	On demand
Term deposits		
Balance (B)	4,691,749,130	4,904,619,134
Average effective rate at the end of the period	4.42%	4.60%
Maximum days to maturity	<u>315</u>	<u>317</u>
Total Deposits from central banks and other institutions (A + B)	<u>\$5,101,855,444</u>	<u>\$4,965,031,119</u>

16. COMMISSIONS RECEIVED ON LOANS GRANTED

For each loan granted to its members, FLAR charges credit risk fees to cover the expected credit loss associated with the operation. These fees are received in cash at disbursement and throughout the term of the loan (in which context they are charged to a deposit established at the beginning of the operation for this purpose) if changes in credit risk occur.

The amount of commissions received is taken into account 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 that is equal to the amount of the commissions received.

The balance of the commission as of June 30, 2025, and December 31, 2024, amounting to \$416,943 and \$385,480, respectively, is due to a liquidity loan granted on August 14, 2024.

17. OTHER LIABILITIES

Other liabilities as of June 30, 2025 and December 31, 2024, primarily include accounts payable to suppliers, the actuarial calculation of the retirement and

health insurance plan for retired personnel according to FLAR's defined benefit plan, and other current liabilities, as detailed below:

	June 30, 2025	December 31, 2024
Suppliers (1)	\$ 723,431	\$ 834,178
Technical Capacity Development Program for Member Central Banks (2)	2,561,297	910,873
Postemployment benefits pensioners' allowances (3)	178,335	165,887
Postemployment benefits pensioner medical plan (4)	47,343	44,046
Provision for possible collections of pension contributions (5)	45,636	42,324
Other labor liabilities (6)	<u>2,127,416</u>	<u>1,979,834</u>
	<u>\$ 5,683,458</u>	<u>\$ 3,977,142</u>

- (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) In 2024, through Agreement No. 238, the Board of Directors authorized the distribution of a portion of the annual profits for the creation and maintenance of a technical capacity development program for FLAR members. The balances as of June 30, 2025, and December 31, 2024 correspond to the balance of the program's funds.
- (3) Present value of pension and post-employment medical plan payments for the two FLAR pensioners.
- (3) It corresponds to the present value of the pension liability and the post-employment benefits for two pensioners:

	June 30, 2025	December 31, 2024
Postemployment benefits		
Changes in the obligation:		
Benefits accrued at the beginning of the period	\$ 165,887	\$ 484,399
Profit earned during the period - Cost of service	7,513	37,442
Benefits paid	(9,056)	(79,543)
Devaluation effect	13,991	(59,356)
Pension liability adjustment -OCI	<u>-</u>	<u>(217,055)</u>
Benefits accrued at the end of the period	<u>\$ 178,335</u>	<u>\$ 165,887</u>

- (4) Corresponds to the present value of health insurance payments for the two local FLAR pensioners included in the pension benefits scheme:

	June 30, 2025	December 31, 2024
Postemployment benefits pensioner medical plan		
Changes in the obligation:		
Benefits accrued at the beginning of the period	\$ 44,046	\$ 56,786
Profit earned during the period - Cost of service	1,987	4,156
Benefits paid	(2,331)	(4,570)
Devaluation effect	3,641	(7,495)
Adjustment of pension liability-OCI	-	(4,831)
Benefit accrued at the end of the period	\$ 47,343	\$ 44,046

The following presents the benefit payments, which reflect future service and expected payments as of June 30, 2025, and the 9 subsequent years, in accordance with the disclosure requirements for IAS 19 Employee Benefits:

Year	Pension Liabilities	Postemployment benefits
Year 1	\$ 18,976	\$ 5,396
Year 2	19,558	5,458
Year 3	20,056	5,497
Year 4	20,451	5,511
Year 5	20,722	5,497
Subsequent 5 Years	102,230	26,204

The main assumptions determine these obligations pertaining to the FLAR pension plan correspond to the estimates of the latest actuarial study in Colombian pesos as of June 30, 2025, and December 31, 2024:

	Pension Liabilities	Postemploy ment benefits
Nominal discount rate	9.00%	8.25%
Nominal inflation rate	3.50%	3.50%
Nominal rate of pension increase	5.30% -3.50%	N/A
Nominal medical inflation rate	N/A	7.30% - 5.50%
Census date of plan participants	31/10/2024	31/10/2024

- (5) This point corresponds to the provision for probable collections from former officers with respect to pension contributions that were not made by FLAR prior to 1997. The calculation is based on an independent actuary's best estimate, alongside historical information. This provision is reviewed and adjusted periodically.
- (6) Value of current employee social benefits: Other labor liabilities correspond to short-term employee benefits such as the following:

	June 30, 2025	December 31, 2024
Payroll	\$ 1,391	\$ 30,399
Severance payments	110,312	127,626
Interest pertaining to severance payments	6,945	14,829
Legal and extralegal vacations	230,068	211,648
Pension fund	31,273	-
Provident fund	<u>1,747,427</u>	<u>1,595,332</u>
Other labor liabilities	<u>\$ 2,127,416</u>	<u>\$ 1,979,834</u>

18. EQUITY

FLAR's paid-in capital is the basis for granting loans or other forms of 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 that have been established in the constitutive agreement. The subscribed and paid-in capital is as follows:

		June 30, 2025	
Members	Subscribed	Outstanding capital contributions	Paid-in
Bolivia	\$ 328,125,000	\$ 14,872,107	\$ 313,252,893
Central Bank of Chile	600,000,000	42,402,071	557,597,929
Colombia	656,250,000	29,592,510	626,657,490
Costa Rica	656,250,000	29,429,890	626,820,110
Ecuador	328,125,000	14,807,115	313,317,885
Paraguay	328,125,000	15,365,604	312,759,396
Perú	656,250,000	29,652,787	626,597,213
Uruguay	328,125,000	14,197,473	313,927,527
Venezuela	<u>656,250,000</u>	<u>613,177,990</u>	<u>43,072,010</u>
	<u>\$4,537,500,000</u>	<u>\$ 803,497,547</u>	<u>\$ 3,734,002,453</u>

		December 31, 2024	
Members	Subscribed	Outstanding capital contributions	Paid-in
Bolivia	\$ 328,125,000	\$ 29,915,529	\$ 298,209,471
Central Bank of Chile	600,000,000	69,179,673	530,820,327
Colombia	656,250,000	59,686,639	596,563,361
Costa Rica	656,250,000	59,531,828	596,718,172
Ecuador	328,125,000	29,853,658	298,271,342
Paraguay	328,125,000	30,385,327	297,739,673
Perú	656,250,000	59,744,021	596,505,979
Uruguay	328,125,000	29,273,293	298,851,707
Venezuela	<u>656,250,000</u>	<u>615,246,448</u>	<u>41,003,552</u>

\$ 4,537,500,000 \$ 982,816,416 \$ 3,554,683,584

FLAR may refund capital contributions either fully or partially to members who are 180 days or more in arrears in terms of their payment obligations, subject to certain specific conditions (see Note 4 - Significant Accounting Policies).

18.1. Reserves - The FLAR Assembly of Representatives, through Agreements No. 232 and No. 233 of March 19, 2024, authorized the appropriation of \$1,000,000 from retained earnings for fiscal year 2023 to establish a temporary reserve while regulations are being developed for a technical capacity-building program aimed at increasing the value offered to member central banks.

This amount does not affect the minimum reserve level established in the FLAR Regulations, which require institutional reserves to be at least 10% of paid-in capital.

As of June 30, 2024 and December 31, 2024, the institutional reserves over paid-in capital was 11.54% and 116.62% respectively.

18.2. Other Comprehensive Income – This category includes the remeasurements of the defined benefit plan, alongside changes in the fair value of real estate, as follows:

	January 01, 2025	New measurements	Changes in fair value	June 30, 2025
Retirement allowances	\$ (30,935)	\$ -	\$ -	\$ (30,935)
Postemployment benefits pensioners	<u>(1,093)</u>	<u>-</u>	<u>-</u>	<u>(1,093)</u>
Defined benefit plan	<u>(32,028)</u>	<u>-</u>	<u>-</u>	<u>(32,028)</u>
Real estate valuation	<u>1,471,935</u>	<u>-</u>	<u>-</u>	<u>1,471,935</u>
Total OCI	<u>\$ 1,439,907</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,439,907</u>
	January 01, 2024	New measurements	Changes in fair value	June 30, 2024
Retirement allowances	\$ (247,990)	\$ 217,055	\$ -	\$ (30,935)
Postemployment benefits pensioners	<u>(5,924)</u>	<u>4,831</u>	<u>-</u>	<u>(1,093)</u>
Defined benefit plan	<u>(253,914)</u>	<u>221,886</u>	<u>-</u>	<u>(32,028)</u>
Real estate valuation	<u>1,787,124</u>	<u>-</u>	<u>(315,186)</u>	<u>1,471,935</u>
Total OCI	<u>\$ 1,533,210</u>	<u>\$ 221,886</u>	<u>\$ (315,186)</u>	<u>\$ 1,439,907</u>

Within the aforementioned OCI items, the valuation of real estate is reclassified to indicate a profit only in the event of the sale of FLAR's headquarters, and the

employee benefit plan is reclassified to indicate profit or loss only when FLAR's obligation is terminated.

19. INTEREST INCOME

This category includes all accrued interest in financial assets measured at amortized cost (AC) and financial assets, as measured at fair value (FV). As of June 30, 2025 and 2024, the relevant information is as follows:

Issuer type	June 30, 2025	June 30, 2024
Loans granted to central banks (AC)	\$ 8,289,934	\$ 12,464,165
Deposits from commercial banks (AC)	49,440,003	46,458,807
Governments and Quasi-Governments (FV)	45,769,673	20,612,370
Financials sector (FV)	9,555,919	8,002,928
Non-financial sector (FV)	50,957	447,069
A. Investments at fair value through profit or loss	55,376,549	29,062,367
Governments and Quasi-governments (AC)	7,596,946	5,139,356
Financial sector (AC)	15,569,659	15,588,498
B. Investments at amortized cost (AC)	23,166,605	20,727,854
Internally managed investment portfolios (AC) and (FV) (A) + (B)	78,543,154	49,790,221
Governments and Quasi-Governments (FV)	2,67,035	2,594,970
Financial sector (FV)	5,925,643	4,315,024
No-financial sector (FV)	4,057,023	4,308,251
A. Investments at fair value through profit or loss	12,658,701	11,218,245
Financial sector (AC)	447,386	269,123
B. Investments at amortized cost (AC)	447,386	269,123
Externally managed investment portfolios (AC) and (FV) (A) + (B)	13,106,087	11,487,368
Total interest income	\$ 149,379,178	\$ 120,200,561

As of June 30, 2025, interest income increased as a result of the general increase in average market rates.

20. NET PROFIT ON INVESTMENTS

It includes all profits and losses arising from changes in fair value, amortized cost, and exchange differences related to portfolio investments. As of June 30, 2025 and 2024, the breakdown was as follows:

Issuer type	June 30, 2025	June 30, 2024
Internally managed investment portfolios:		

Issuer type	June 30, 2025	June 30, 2024
Governments and quasi-governments	\$ 33,880,107	\$ 5,215,838
Financial sector	15,403,757	2,158,393
Non-financial sector	82,563	(341,706)
Derivatives	<u>(12,384,545)</u>	<u>6,220,508</u>
Investments at fair value through profit or loss	<u>36,981,882</u>	<u>13,253,033</u>
Governments and quasi-governments	10,255,436	14,222,655
Financial sector	21,645,755	43,170,007
Non-financial sector	<u>14,769,202</u>	<u>26,561,574</u>
Investments at amortized cost	<u>46,670,393</u>	<u>83,954,236</u>
(1) Subtotal internally managed investment portfolios	<u>\$ 83,652,275</u>	<u>\$ 97,207,269</u>
Externally managed investment portfolios:		
Governments and quasi-governments	4,057,544	(3,123,350)
Financial sector	3,153,444	733,457
Non-financial sector	2,518,169	(1,038,874)
Derivatives	<u>(357,451)</u>	<u>1,160,507</u>
Investments at fair value through profit or loss	<u>9,371,706</u>	<u>(2,268,260)</u>
Financial sector	267,302	236,233
Non-financial sector	<u>80,098</u>	<u>62,658</u>
Investments at amortized cost	<u>347,400</u>	<u>298,891</u>
(2) Subtotal investment portfolios managed externally	<u>9,719,106</u>	<u>(1,969,369)</u>
(3) Special drawing rights	<u>290</u>	<u>(11)</u>
Net profit (loss) on investments (1+2+3)	<u>\$ 93,371,671</u>	<u>\$ 95,237,889</u>

Internally managed investment portfolios invest primarily in fixed-income securities and money market securities issued at a discount and recorded at amortized cost. During the first half of 2025, interest rates remained at high levels, which favored the performance of these instruments in the portfolios. The above is in accordance with market behavior (see note 2.1 – Significant events).

21. INCOME FROM COMMISSIONS

This amount corresponds mainly to income from commissions for managing trusts under administration and demand deposits, as detailed below:

Commissions	June 30, 2025	June 30, 2024
Income from demand deposit commissions	\$ 105,000	\$ 120,000
Income obtained from commission pertaining to trust asset management	<u>386,293</u>	<u>376,535</u>
Commission incomes	<u>\$ 491,293</u>	<u>\$ 496,535</u>

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

Interest expenses in deposits received from central banks and other institutions for the periods ending June 30, 2025 and December 31, 2024, are presented below:

	June 30, 2025	June 30, 2024
Interest in demand deposits received from central banks	\$ (763,294)	\$ (718,663)
Interest in term deposits received from central banks	(48,997,644)	(53,291,093)
Interest in term deposits received from other institutions	<u>(58,952,962)</u>	<u>(66,823,862)</u>
Total interest expenses	<u>\$ (108,713,900)</u>	<u>\$ (120,833,618)</u>

So far in 2025, interest expenses has decreased, as did the reduction in market interest rates and the decrease in deposits in the intermediation portfolio.

23. NET INCOME (EXPENSE) FROM EXPECTED CREDIT LOSSES ON FINANCIAL ASSETS

The following table presents the expense and recovery of provisions pertaining to the impairment of financial instruments:

	June 30, 2025	June 30, 2024
Expected recovery or (loss) on investments at amortized cost for internally managed portfolios	\$ (730)	\$ 40,360
Expected recovery or (loss) on investments at amortized cost for externally managed portfolios	<u>1,052</u>	<u>(4,230)</u>
Net income (expense) from expected credit loss on financial assets	<u>\$ 322</u>	<u>\$ 36,130</u>

24. EMPLOYEE BENEFITS AND OPERATING EXPENSES

The accumulated employee and operating expenses correspond to the non-financial current expenses that are 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 in operating budget items that are denominated in Colombian pesos.

The accumulated balances as of June 30, 2025, and 2024, are as follows:

	June 30, 2025	June 30, 2024
Employee benefits	\$ (3,020,738)	\$ (2,758,517)
Operating expenses	(1,863,561)	(1,953,515)
Other operating income (expenses)	<u>(17,025)</u>	<u>(54,623)</u>
Employee benefits and operating expenses	<u>\$ (4,901,324)</u>	<u>\$ (4,766,655)</u>

25. OTHER FINANCIAL EXPENSES NET

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

Other expenses – This point corresponds mainly to custody and portfolio management expenses, expenses related to the management of trust asset contracts, interest on pension liabilities, loan analysis and approvals, expenses for debt issuance analysis and other factors.

Other income and expenses as of June 30, 2025 and December 31, 2024, are detailed below:

	June 30, 2025	June 30, 2024
Other incomes: Interest earned on accounts listed in pesos	\$ <u>61,575</u>	\$ <u>17,132</u>
Custody and portfolio management fees	(774,363)	(440,549)
Expenses associated with trust asset contracts	(91,287)	(58,549)

	June 30, 2025	June 30, 2024
Studies and credit approval	(5,700)	(18,487)
Issuance and other expenses	<u>(42,594)</u>	<u>(53,910)</u>
Other expenses	<u>(913,944)</u>	<u>(571,495)</u>
Other incomes and expenses	\$ <u>(852,369)</u>	\$ <u>(554,363)</u>

26. FIDUCIARY ASSETS

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

For this service, FLAR charges a quarterly management fee that is calculated on the basis of the monthly average of the market value of the portfolio in trust. FLAR's obligations pertaining to this trust focus on monitoring and control, not guaranteeing results. To date, all obligations stipulated in this contract have been fulfilled.

The following details the value of the autonomous equity under the trust contract administered by FLAR, which is not included in its financial statements, since FLAR does not own any relevant assets:

	June 30, 2025	December 31, 2024
Risk management, monitoring, and control trust	\$ <u>527,325,490</u>	\$ <u>818,444,947</u>

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 (in terms of interest rates, equity prices and exchange rates), credit risk (in terms of the investment portfolio, intermediation, and loans granted to member countries) and liquidity risk.

FLAR operates within a framework that focuses on prudent financial policies and risk management and relies on a well-defined management decision-making process that aims to avoid or limit risk exposure. The asset and liability management policy used in this context defines FLAR's risk tolerance and determines conservative limits on exposure to different risk factors (e.g., foreign exchange, interest rates, and credit).

The Board of Directors establishes policies pertaining to FLAR's financial management and remains informed about the level of risk to which FLAR is

exposed, as well as management results pertaining to performance, composition, portfolio risk, compliance with investment guidelines and leverage operations.

ALCO defines the internal framework that is required to ensure compliance with the general financial management policies determined by the Board of Directors. In addition, the ALCO evaluates the international economic environment, the investment strategy of portfolios, and the general state of risks faced by FLAR. Furthermore, it reviews and approves reports concerning financial results and remains aware of operating statistics and events that could entail operational risks.

Financial management is responsible for executing and implementing financial decisions that have been approved by the 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. 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 a moderate level of credit risk and maintaining ample liquidity (see Note 5 - Main Policies in Asset Management).

FLAR manages these risks through comprehensive management that accounts for the eligible investments and risk preferences defined by the Board of Directors as part of 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

In line with the nature of FLAR's investments, market risk is associated mainly 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 associated with taking or holding positions in instruments that are sensitive to changes in interest rates. In FLAR, interest rate risk is measured by reference to 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 changes in market interest rates. At the balance sheet level, the global risk policy stipulates a maximum interest rate duration gap of 3 years and a minimum duration gap of 0 years.

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

Components of the duration gap (in years)	June 30, 2025	December 31, 2024
Asset duration	0.83	0.80
Liabilities duration	0.11	0.07
Liabilities/assets	0.54	0.54
Duration Gap	0.77	0.77

To calculate the duration gap, the duration of assets and the contribution to the duration of liabilities are used. The latter focuses on the proportion of liabilities relative to assets.

According to these exposures, if interest rates move in parallel by 10 b.p., the impact on FLAR is \$3.30 million as of June 30, 2025, and \$3.19 million as of December 31, 2024.

According to FLAR's portfolio structure, market risk is concentrated mainly in the investment aggregate portfolio, which is actively managed against the relevant benchmark index.

	June 30, 2025	June 30, 2024
Portfolio duration	1.72	1.69
Benchmark duration	1.48	1.34

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

To measure the market risk of the aggregate investment portfolio, the value at risk (VaR) measure is used. The methodology used to calculate the VaR relies on an ex-ante parametric model. The horizon used is one day, which is calculated by reference to daily data for the past 18 months at a significant level of 5%.

The VaR of the aggregate investment portfolio is presented below:

	June 30, 2025	December 31, 2024
VaR (\$ millions)	\$ 6.97	\$ 7.3
VaR (b.p)	17.73 p.b.	19.2 p.b.

In other cases, the interest rate risk for portfolios that do not feature active management (i.e., the operations portfolio, liquidity portfolio, and intermediation portfolio) is low. In the operations portfolio, loans earn interest at the SOFR; in the intermediation portfolio, the matching of assets and liabilities is very close

(see the discussion of liquidity risk,); and in the liquidity portfolio resources are invested in demand accounts and other short-term investments.

ii. Foreign Exchange Risk:

Foreign exchange risk arises from potential fluctuations in the fair value or future cash flows of exposures caused by changes in exchange rates.

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

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

The following describes the foreign exchange of exposure to 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 listed above.

Subject to the above restrictions, 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 sub portfolios associated with the aggregate investment portfolio held positions in foreign exchange forwards of the following magnitudes:

	Exposures June 30, 2025	Exposures December 31, 2024
Foreign exchange forward positions	0.07%	0.03%

The amounts of realized and unrealized profit and loss on foreign currency derivatives as of June 30, 2025 and December 31, 2024, are detailed in Note 10 - Derivative Financial Instruments.

- Other non-actively managed portfolios (i.e., the trading portfolio, liquidity portfolio, and intermediation portfolio): In other portfolios, operations are

designed to ensure that FLAR does not exhibit material exposures to foreign exchange risk against the U.S. dollar.

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

As of June 30, 2025, there were 727,662.01 USD in Colombian Pesos Investments and as December 31 2024, there were no outstanding Colombian peso investments.

27.3. Credit risk

Credit risk refers to the risk that one counterparty may not meet its obligations according to a financial instrument or purchase contract, thus leading to a financial loss.

FLAR is exposed to the following credit risks:

i. Credits That It Grants to Member Countries

Credit operations or other forms of financial support provided by FLAR to its member countries are subject to an evaluation of the reasonable payment capacity exhibited by the applicant, which is conducted by the Board of Directors or the Executive Presidency, depending on the type of credit in question.

The risk associated with these operations is mitigated by the *de facto* preferred creditor treatment (PCT) that member countries have historically granted to FLAR, well as in light of the measures that have been implemented by FLAR, such as the determination of the eligible amount for credits, the collection of commissions for credit risk, and the offsetting of profit 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 associated with investments is monitored by FLAR's Risk Management Direction, which is responsible for reviewing and managing credit risk. Counterparty limits are established using a risk classification methodology that considers the issuer's credit rating according to the main rating agencies alongside market signals (see the Issuer Credit Evaluation Process section below).

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

Investments in short-term or money market instruments may not exhibit a credit rating lower than any of the following: Moody's P-2, S&P A-2 or Fitch Ratings F2.

Credit risk is managed through a preferential approach focused on high credit ratings with respect to 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 associated with intermediation activity. Agreement 323 from 2005 stipulates 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 2025, the ALCO determined that the target range of the Intermediation Portfolio's term-deposit should be between \$4,000 and \$5,000 million, allowing for a deviation of up to \$500 million surrounding each range. In that period, the minimum value of the monthly closings of the portfolio was USD4,024 million (in May), and the maximum was USD4,912 million (in February).

As of June 30, 2025, investments in the Intermediation Portfolio that matched time-deposits received amounted to \$4,708 million. As of December 31, 2024, investments in the Intermediation Portfolio that match time-deposits received totaled \$4,816 million.

27.3.1. Issuer Credit Evaluation Process

To evaluate issuers, FLAR has dedicated human and technological resources exclusively to focusing on credit analysis and monitoring 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, with the goal of determining the countries, markets, and sectors that feature both value and reasonable security in terms of investment opportunities.

On the basis of this selection of global markets and sectors, a comprehensive credit evaluation methodology is subsequently employed to select issuers that meet the criteria of in terms credit quality, probability of default, implicit rating, and fundamental analysis that are consistent with the entity's risk profile.

The evaluation criteria differ between financial and corporate issuers, thus ensuring that the former have capital adequacy ratios that are in compliance with the minimum regulatory requirements established in Basel I and that the updates to the quality of capital established in Basel III exhibit solid liquidity conditions and systemic importance within the sector.

In contrast, the latter must have attained a competitive and leading position in the industry and exhibit healthy credit metrics, financial flexibility, and conservative management.

Credit limits depend on the term to maturity. For medium-term investments (i.e., those with a maturity greater than 397 days), the limit is 1% of the market value of the relevant portfolio. For investments in the money market or short-term investments (i.e., those with up to 397 days to maturity), exposure limits are up to 1% for non-financial issuers, and between 2% and 3% (depending on credit rating) for banks, financial institutions, and multilateral and quasigovernment issuers. In addition, for countries that exhibit AAA, AA, and A credit ratings alongside significantly large gross domestic product (GDP) values (USD 1 trillion) and are classified as part of BICRA Groups 1 to 3, exposure to their securities may reach values of up to 25%, 15%, and 5%, respectively, of the market value of the portfolio.

On the other hand, the overnight deposit in systemic commercial banks have a limit of up to \$600 million.

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

The composition of FLAR's investments by sector and rating (according to the scale provided by S&P) as of June 30, 2025, and December 31, 2024, is outlined below.

Composition by Sector and Credit Quality as of June 30, 2025
(in Millions of USD)

Sector	Medium-term ratings			Short-term ratings		Not 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	-	-	-	-	-	-	310.2	310.2	3.3%
Cash	-	-	-	19.8	-	-	-	19.8	0.2%
Money Market	571.9	-	15.0	3,194.0	560.6	-	-	4,341.4	45.8%
Multilaterals and quasi-governments	260.0	834.2	69.5	991.4	-	-	-	2,155.1	22.7%
U.S. Treasury Bonds	-	326.6	-	-	-	-	-	326.6	3.4%
TIPS	-	226.9	-	-	-	-	-	226.9	2.4%
U.S. Treasury Bills	-	-	-	7.8	-	-	-	7.8	0.1%
U.S. Agencies	398.3	-	-	-	-	-	-	398.3	4.2%
MBS	294.6	124.4	-	-	-	-	-	419.1	4.4%
TBA	17.6	18.8	-	-	-	-	-	36.4	0.4%
ABS	44.2	4.8	-	-	-	-	-	48.9	0.5%
SDR	0.0	-	-	-	-	-	-	0.0	0.0%
Corporate	56.1	326.8	363.4	98.7	33.1	-	-	878.1	9.3%
ETF	-	-	-	-	-	274.0	-	274.0	2.9%
Accounts receivable and deposits receivable	-	-	-	33.4	-	-	-	33.4	0.4%
Futures margin accounts	-	-	10.8	-	-	-	-	10.8	0.1%
Forwards with positive valuation	-	-	0.1	-	-	-	-	0.1	0.0%
Cash Collateral with positive valuation	-	-	-	-	-	-	-	-	0.0%
Swaps with positive valuation	-	-	-	-	-	-	-	-	0.0%
Total by rating	1,642.8	1,862.5	458.7	4,345.2	593.6	274.0	310.2	9,486.9	100%
Total by rating	17.3%	19.6%	4.8%	45.8%	6.3%	2.9%	3.3%	100%	

Source: Risk Management Direction

This information includes the effect of provisions for expected loss. Cash and investments in Colombian pesos (for a total of \$1 million) are not included. When property and equipment (net), and other assets (accounting 2.3 and 0.8 million, respectively) are considered, a total assets value of \$9,491.0 million is obtained.

Composition by Sector and Credit Quality as of December 31, 2024
(in Millions of USD)

Sector	Medium-term ratings			Short-term ratings		Not 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	-	-	-	-	-	-	310.3	310.3	3.4%
Cash	-	-	-	9.8	-	-	-	9.8	0.1%
Money Market	90.1	29.7	50.2	3,931.8	460.4	0.2	-	4,562.4	49.6%
Multilaterals and quasi-governments	501.9	467.4	86.9	797.5	-	-	-	1,853.7	20.2%
U.S. Treasury Bonds	-	219.2	-	-	-	-	-	219.2	2.4%
TIPS	-	415.4	-	-	-	-	-	415.4	4.5%
U.S. Treasury Bills	-	-	-	89.0	-	-	-	89.0	1.0%
U.S. Agencies	71.3	338.8	-	-	-	-	-	410.1	4.5%
MBS	99.5	76.0	-	-	-	-	-	175.5	1.9%
TBA	10.5	19.5	-	-	-	-	-	30.0	0.3%
ABS	59.7	-	-	-	-	-	-	59.7	0.6%
SDR	0.0	-	-	-	-	-	-	0.0	0.0%
Corporate	48.1	191.8	258.3	106.6	11.2	-	-	616.0	6.7%
ETF	-	-	-	-	-	291.7	-	291.7	3.2%
Accounts receivable and deposits receivable	-	-	-	137.1	-	-	-	137.1	1.5%
Futures margin accounts	-	-	8.7	-	-	-	-	8.7	0.1%
Forwards with positive valuation	1.5	-	0.1	-	-	-	-	1.5	0.0%
Cash Collateral with positive valuation	-	-	0.3	-	-	-	-	0.3	0.0%
Swaps with positive valuation	-	-	-	-	-	-	-	-	0.0%
Total by rating	882.7	1,757.8	404.1	5,071.8	471.6	291.9	310.3	9,190.4	100%
Total by rating	9.6%	19.1%	4.4%	55.2%	5.1%	3.2%	3.4%	100.0%	

Source: Risk Management Direction

This information includes the effect of provisions pertaining to expected credit loss. Cash in Colombian pesos for a total of \$0.3 million is not included. When property and equipment (net), and other assets (accounting \$2.3 and \$1.1 million, respectively) are considered, a total asset value of \$9,194.1 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 ensure the availability of sufficient resources to meet the credit demands of member countries in a timely manner, at low settlement costs for the securities that make up the portfolios, and to ensure the necessary liquidity to meet their obligations.

Investment guidelines favor investments in assets that exhibit very low levels of credit risk, high levels of liquidity, and low transaction costs (see Note 5 – Main Policies Pertaining to Asset Management).

Under its liquidity guidelines, FLAR must ensure that sufficient resources are available to meet its debt commitments for a minimum of twelve months and maintain, (always) a minimum of 25% of its paid-in capital invested in liquid instruments in the liquidity portfolio and the aggregate investment portfolio, which invests in highly liquid investment grade instruments.

As of June 30, 2025, and December 31, 2024, FLAR had no long-term debt.

Regarding the requirement for liquid assets, the value of the aggregate investment portfolio and liquidity portfolio against paid-in capital was 87.2%, as of June 30, 2025, and as of December 31, 2024, it was 88.8%.

At present, FLAR has the resources necessary to meet credit demands from member countries in a timely manner, and it features low liquidation costs with respect to the securities of which the portfolios are composed. Financial liabilities are matched with assets that exhibit similar term characteristics.

Although the assets are liquid and can be sold before their maturity date, for the purposes of disclosure, details regarding the contractual maturity of financial assets and liabilities are presented as follows:

Maturities by Tranche and Type of Asset and Liability as of June 30, 2025
(in Millions of USD)
Financial Assets

Expiration	Less than one month	One to three months	Three to six months	Six to 12 months	One to two years	More than two years	Total
Cash	19.8	0.0	0.0	0.0	0.0	0.0	19.8
Financial instruments and Term deposits	2,293.6	1,874.9	334.3	1,172.1	511.8	2,926.1	9,112.7
Credits to central banks	0.0	310.2	0.0	0.0	0.0	0.0	310.2
Foreign exchange portfolio	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accounts receivable on sales of financial instruments	33.4	0.0	0.0	0.0	0.0	0.0	33.4
Derivative financial assets	10.8	0.1	0.0	0.0	0.0	0.0	10.8
Total	2,357.5	2,185.1	334.3	1,172.1	511.8	2,926.1	9,486.9

Source: Risk Management Direction

This information includes the effect of provisions for expected losses. However, it does not include cash and investments in Colombian pesos (for a total of \$1 million). When property and equipment, (net), and other assets (accounting \$2.3 and \$0.8 million, respectively), are considered a value of assets total of \$9,491.0 million is obtained.

Financial Liabilities

Expiration	Less than one month	One to three months	Three to six months	Six to 12 months	One to two years	More than two years	Total
Financial liabilities (Term deposits)	2,985.3	1,657.2	256.9	202.4	0.0	0.0	5,101.9
Accounts payable on purchases of financial instruments	87.6	0.0	0.0	0.0	0.0	0.0	87.6
Derivative financial liabilities	0.0	0.2	0.0	0.0	0.0	0.0	0.2
Total	3,072.9	1,657.5	256.9	202.4	0.0	0.0	5,189.7

Source: Risk Management Direction

This information does not include other liabilities, and commission received loans granted amounting to \$5.7 million and \$0.4 million, respectively.

The contractual maturities of financial assets and liabilities as of December 31, 2024, are presented below.

Maturities by Tranche and Type of Asset and Liability as of December 31, 2024 (in millions of USD)

Financial Assets

Expiration	Less than one month	One to three months	Three to six months	Six to 12 months	One to two years	More than two years	Total
Cash	9.8	0.0	0.0	0.0	0.0	0.0	9.8
Financial instruments and Term deposits	3,452.9	1,742.0	519.7	369.6	565.7	2,073.1	8,723.1
Credits to central banks	0.0	0.0	0.0	310.2	0.0	0.0	310.2
Foreign exchange portfolio	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accounts receivable on sales of financial instruments	137.1	0.0	0.0	0.0	0.0	0.0	137.1
Derivative financial assets	8.7	1.5	0.0	0.0	0.0	0.0	10.2
Total	3,608.5	1,743.5	519.7	679.8	565.7	2,073.1	9,190.4

Source: Risk Management Direction

This information includes the effects of provisions for expected loss. However, it does not include cash and deposits in Colombian pesos (for a total of \$0.3 million). When property and equipment (net), and other assets (accounting \$2.3 and \$1.1 million, respectively), are considered a total asset value of \$9,194.1 million is obtained.

Financial Liabilities

Expiration	Less than one month	One to three months	Three to six months	Six to 12 months	one to two years	More than two years	Total
Financial liabilities (Term-deposits)	3,956.0	661.6	165.1	182.2	0.0	0.0	4,965.0
Accounts payable on purchases of financial instruments	56.3	0.0	0.0	0.0	0.0	0.0	56.3

Derivative financial liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	4,012.3	661.7	165.1	182.2	0.0	0.0	5,021.4

Source: Risk Management Direction

This information does not include other liabilities and commissions received for loans granted accounting for a value of \$3.9 million and \$0.4 million, respectively.

As of June 30, 2024, and December 31, 2024, liabilities are appropriately matched by assets that exhibit similar maturities, thus allowing FLAR to meet its obligations without the necessity of liquidating investments. These assets exceed FLAR's liabilities. Additionally, the fact that a high proportion of FLAR's assets mature in less than one year should be noted.

In the previous section, the composition of instruments by credit rating was presented. As of June 30, 2025, 87.2% of FLAR's reserve assets are high credit quality instruments that are significantly liquid.

27.5. Risk-Adjusted Capital

As a result of its nature as an international organization, FLAR is not subject to regulatory capital compliance, as is the case for private financial institutions at the global level. According to the capital adequacy ratings provided by relevant rating agencies, FLAR's levels of financial strength and capital adequacy are considered 'very strong' by S&P. Moody's rating 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 June 30, 2025, there are no issues with outstanding debt.

One way of examining capital adequacy is to consult 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 weight stipulated by the S&P methodology and other assumptions made by the Risk Management Direction.

As of June 30, 2025, this indicator was 75%, in contrast with 76% as of December 31, 2024.

28. RELATED PARTIES

Throughout the financial statements, the activities and operations in which FLAR engages alongside related parties are disclosed, by their nature and in accordance with FLAR's Constitutive Agreement, these activities and operations are conducted mainly with its members.

For the purposes of disclosure, the main transactions in which FLAR engages 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 according to the established credit lines (see Note 12 Loans Granted to Central Banks).
- Commissions received loans for granted.
- Receipt of demand and term deposits (see Note 15 - Deposits Received from Central Banks and Other Institutions).

As of June 30, 2025 and December 31, 2024, FLAR has not received any loans, guarantees or similar funds from any of its members.

The values of related party transactions as of June 30, 2025 and December 31, 2024, are presented below.

Statement of Financial Position

	June 30, 2025	Members
Assets		
Loans granted to central banks	\$	310,174,138
Liabilities		
Demand deposits		410,106,314
Term deposits		1,355,810,820
Commissions received on loans granted		416,943
	December 31, 2024	Members
Assets		
Loans granted to central banks	\$	310,286,729
Liabilities		
Demand deposits		60,411,985
Term deposits		1,914,567,844
Commissions received on loans granted		385,840

Income Statement

	June 30, 2025	Members	Key management employees
Profit			
Interest income on loans granted	\$	8,289,934	-
Interest in demand deposits		(763,294)	-
Interest in term deposits		(40,236,457)	-
Employee compensation management key		-	(953,088)
	June 30, 2024	Members	Key management employees
Profit			
Interest income on loans granted	\$	12,464,165	-
Interest in demand deposits		(718,663)	-
Interest in term deposits		(52,847,561)	-
Employee compensation management key		-	(897,559)

29. EVENTS AFTER THE REPORTING PERIOD

The FLAR administration has evaluated subsequent events occurring from June 30, 2025, through September 8, 2025, the date the financial statements were issued, and concluded that no material events occurred that would require recognition or additional disclosure in these financial statements.

30. APPROVAL OF THE FINANCIAL STATEMENTS

In August 28, 2025, the Assets and Liabilities Committee reviewed, approved and authorized the financial statements as of June 30, 2025, for presentation to the Audit Committee, at the XVIII meeting to be held on September 29, 2025. The Audit Committee will then review the financial statements along with the audit report for approval and presentation to the Board of Directors at the CXIV ordinary meeting of the Board to be held on November 24, 2025, for their respective disclosure.
