

FINANCIAL STATEMENTS

Latin American Reserve Fund (FLAR)

As of December 31, 2025

With Independent Auditor's Report

Latin American Reserve Fund "FLAR"

Financial Statements

For the period ended December 31, 2025

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EXTERNAL AUDITOR'S REPORT

To the members of the Assembly of Representatives and the Board of Directors of the Latin American Reserve Fund (FLAR)

Opinion

I have audited the attached financial statements of the Latin American Reserve Fund (hereinafter “the Fund”), which include the statement of financial position as of December 31, 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 December 31, 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 have 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

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

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

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

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

Auditor’s Responsibilities for the Audit of the Financial Statements

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



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

I identify and assess the risks of material misstatements of financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is greater than that resulting from an error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the overriding of internal control.

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

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

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

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

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

Other matters

The financial statements for the year ended December 31, 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.
Bogotá, Colombia

February 19, 2026



LATIN AMERICAN RESERVE FUND – FLAR

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

	Notes	December 31, 2025	December 31, 2024
ASSETS			
Cash	7	\$ 11,573,916	\$ 10,203,603
Internally managed investment portfolios		10,080,408,433	8,011,245,610
Investments at fair value through profit or loss	8	2,596,720,230	2,473,036,499
Investments at amortized cost	8	7,483,688,203	5,538,209,111
Special Drawing Rights – SDR	9	4,470	4,120
Externally managed investment portfolios		377,412,235	711,409,668
Investments at fair value through profit or loss	8	377,099,107	657,900,236
Investments at amortized cost	8	313,128	53,509,432
Derivative financial instruments	10	4,752,944	10,501,603
Accounts receivable from sale of investments	11	163,111,937	137,077,548
Loans granted to central banks	12	500,709,861	310,286,729
Property and equipment, net	13	3,597,657	2,285,945
Other assets	14	1,162,404	1,126,073
Total Assets		\$ 11,142,733,857	\$ 9,194,140,899
LIABILITIES			
Deposits from central banks and other institutions	15	\$ 6,712,413,781	\$ 4,965,031,119
Demand deposits		130,302,124	60,411,985
Term deposits		6,582,111,657	4,904,619,134
Derivative financial instruments	10	66,253	42,363
Accounts payable on purchase of investments	11	16,328,043	56,309,765
Commissions received on loans granted	16	384,467	385,840
Other liabilities	17	6,032,503	3,977,142
Total Liabilities		\$ 6,735,225,047	\$ 5,025,746,229
EQUITY			
Subscribed and paid-in capital	18	3,734,002,453	3,554,683,584
Subscribed and paid-in capital		4,537,500,000	4,537,500,000
Less: capital contributions receivable		(803,497,547)	(982,816,416)
Institutional reserves		430,959,878	413,027,991
Other Comprehensive income	18	2,797,565	1,439,907
Net profit for the period		239,748,914	199,243,188
Total Equity		4,407,508,810	4,168,394,670
Total Liabilities and equity		\$ 11,142,733,857	\$ 9,194,140,899

The notes are an integral component of these financial statements.



José Dario Uribe
Executive President



Néstor E Benjumea L.
Accounting Manager

LATIN AMERICAN RESERVE FUND - FLAR

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEARS ENDING DECEMBER 31, 2025 AND 2024 (Stated in dollars of the United States of America)

	Notes	December 31, 2025	December 31, 2024
Interest income	19	\$ 311,453,230	\$ 249,338,533
Loans to central banks		11,029,382	19,553,248
Deposits in commercial banks		113,667,369	96,749,122
Internally managed investment portfolios		162,147,275	109,059,747
Investments at fair value through profit or loss		110,846,789	64,596,146
Investments at amortized cost		51,300,486	44,463,601
Externally managed investment portfolios		24,609,204	23,976,416
Investments at fair value through profit or loss		23,899,090	23,182,970
Investments at amortized cost		710,114	793,446
Interest expense on deposits from central banks and other institutions at amortized cost	22	(224,309,582)	(241,848,270)
Demand deposits		(1,643,378)	(1,638,131)
Time deposits		(222,666,204)	(240,210,139)
Net interest income (expense)		87,143,648	7,490,263
Net investment profit	20	164,239,452	202,368,379
Internally managed investment portfolios		153,463,866	197,669,577
Investments at fair value through profit or loss		72,546,999	50,784,795
Investments at amortized cost		80,916,867	146,884,782
Externally managed investment portfolios		10,775,237	4,698,783
Investments at fair value through profit or loss		10,143,223	4,027,058
Investments at amortized cost		632,014	671,725
Special Drawing Rights (SDRs)		349	19
Net income obtained from fees received for portfolio administration	21	876,290	1,008,904
Net expense (income) from expected loss on financial assets at amortized cost	23	(316,821)	9,638
Employee benefits and operating expenses	24	(10,496,989)	(10,177,646)
Employee benefits		(6,022,343)	(5,538,795)
Operating expenses		(4,350,586)	(4,583,121)
Other operating expenses		(124,060)	(55,730)
Other financial expenses, net	25	(1,696,666)	(1,456,350)
Other financial income		92,840	35,816
Other financial expenses		(1,789,506)	(1,492,166)

LATIN AMERICAN RESERVE FUND - FLAR

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEARS ENDING DECEMBER 31, 2025 AND 2024
(Stated in dollars of the United States of America)**

	Notes	December 31, 2025	December 31, 2024
Net Profit for the period		<u>\$ 239,748,914</u>	<u>\$ 199,243,188</u>
Other comprehensive income		1,357,658	(93,303)
TOTAL COMPREHENSIVE INCOME		<u>\$ 241,106,572</u>	<u>\$ 199,149,885</u>

The notes are an integral component of these financial statements.



José Dario Uribe
Executive President



Néstor E Benjumea L.
Accounting Manager

LATIN AMERICAN RESERVE FUND - FLAR

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEARS ENDING DECEMBER 31, 2025 AND 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 profits for 2023 according to Agreement No. 233 of the FLAR Assembly of Representatives of March 19, 2024	18	198,083,536	19,808,353	1,000,000	(218,891,889)	-	-
Distribution of retained earnings for the creation of a technical capacity development program for member central banks Assembly Agreement No. 233	18	-	-	(1,000,000)	-	-	(1,000,000)
Other Comprehensive Income							
Surplus from revaluation of property and equipment	18	-	-	-	-	(315,189)	(315,189)
Adjustments to the pension reserve		-	-	-	-	221,886	221,886
Results for the 2024 financial year	18	-	-	-	199,243,188	-	199,243,188

LATIN AMERICAN RESERVE FUND - FLAR

**STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED DECEMBER 31, 2025 AND 2024
(In United States dollars)**

	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, 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>
Appropriation of 2024 profits according to Agreement No. 238 of the FLAR Assembly of Representatives 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 2024 profits in accordance with Agreement No. 238 of the FLAR Assembly of Representatives of March 18, 2025, for the technical capacity-building program	17	-	-	-	(1,992,432)	-	(1,992,432)
Other Comprehensive Income							
Surplus from revaluation of property and equipment	18	-	-	-	-	1,357,521	1,357,521
Adjustments to the pension reserve		-	-	-	-	137	137
Results for the 2025 financial year		<u>-</u>	<u>-</u>	<u>-</u>	<u>239,748,914</u>	<u>-</u>	<u>239,748,914</u>

LATIN AMERICAN RESERVE FUND - FLAR


**STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED DECEMBER 31, 2025 AND 2024
(In United States dollars)**

	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, 2025		<u>\$ 3,734,002,453</u>	<u>\$ 430,959,878</u>	<u>\$ -</u>	<u>\$ 239,748,914</u>	<u>\$ 2,797,565</u>	<u>\$ 4,407,508,810</u>

The notes are an integral component of these financial statements.



José Dario Uribe
Chief Executive Officer



Néstor E Benjumea L.
Accounting Manager

LATIN AMERICAN RESERVE FUND - FLAR

STATEMENT OF CASH FLOWS FOR THE YEARS ENDING DECEMBER 31, 2025 AND 2024 (Stated in dollars of the United States of America)

	Note	December 31, 2025	December 31, 2024
CASH FLOW FROM OPERATING ACTIVITIES:			
Results for the year		<u>239,748,914</u>	<u>\$ 199,243,188</u>
Adjustments to reconcile net profit with net cash provided by operating activities:			
Depreciation expense	13	144,505	145,487
Unrealized Profit (losses) in the following:			
Investments at fair value through profit or loss			
Internally managed portfolios		(49,470,344)	(3,283,892)
Externally managed portfolios		(6,446,618)	(1,245,020)
Derivative transactions	10	(1,550,423)	1,452,981
Expected losses on investments at amortized cost	23	316,821	(9,638)
Profit on disposal/sale of fixed assets		(341)	(10,627)
Net increase (decrease) from operations in externally managed portfolios		321,482,748	(26,090,572)
Increase due to credit operations with central banks		308,000,000	962,500,000
Decrease in credit operations to central banks due to loan disbursements		(192,000,000)	654,500,000
Commissions received for loans granted		384,467	385,840
Compliance incentive on loans		(385,840)	(405,214)
(Decrease) in foreign currency portfolio operations	SDR 9	(350)	(18)
(Decrease) due to sales, redemption and purchase of marketable securities		(103,714,407)	(119,522,142)
(Decrease) in commercial bank deposit transactions and money market funds		(1,905,790,176)	(533,981,111)
Increase (decrease) in demand deposit operations on demand		69,890,139	(44,896,061)
Increase (decrease) in term deposit operations		1,620,327,071	(121,792,768)
Increase in derivative operations		7,022,972	280,237
Increase due to collateral received in derivative operations		300,000	-
(Decrease) due to collateral delivered in derivative operations	10	-	(300,000)
(Decrease) in other assets	14	(36,331)	(422,961)
Increase (decrease) in other liabilities		63,066	(17,562)
Interest accrued on deposits received from central banks and other institutions		224,309,582	241,848,270
Interest paid on deposits received from central banks and other institutions		(216,536,626)	(234,213,443)
Interest accrued on deposits received from central banks and other institutions		(311,453,230)	(249,338,532)
Interest received on loans granted, investment securities and deposits in commercial banks		<u>304,863,069</u>	<u>237,226,572</u>

LATIN AMERICAN RESERVE FUND - FLAR


**STATEMENT OF CASH FLOWS
FOR THE YEARS ENDING DECEMBER 31, 2025 AND 2024
(Stated in dollars of the United States of America)**

	Note	December 31, 2025	December 31, 2024
Net cash provided (used) by operating activities		<u>1,468,668</u>	<u>(446,986)</u>
CASH FLOW FROM INVESTING ACTIVITIES:			
Purchases of fixed assets	13	(99,546)	(60,338)
Sales of fixed assets	13	<u>1,191</u>	<u>11,516</u>
Net cash (used) in investing activities		<u>(98,355)</u>	<u>(48,822)</u>
NET INCREASE (DECREASE) IN CASH		<u>1,370,313</u>	<u>(495,808)</u>
CASH AT THE BEGINNING OF THE PERIOD		<u>10,203,603</u>	<u>10,699,411</u>
CASH AT END OF PERIOD		<u>\$ 11,573,916</u>	<u>\$ 10,203,603</u>

The notes are an integral component of these financial statements.



José Dario Uribe
Chief Executive Officer



Néstor E Benjumea L.
Accounting Manager

LATIN AMERICAN RESERVE FUND "FLAR"

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2025 AND 2024 (In United States dollars)

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 help 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 status 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 would 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, with the exception of the preparation of the statement of cash-flows.

2.1 Significant events

In 2025, global economic growth was slightly lower than in 2024, amid political uncertainty and market volatility. This uncertainty increased with the US administration's tariff measures, which have raised fears of trade retaliation and affected global supply chains. The European Central Bank continued its cycle of rate cuts, reducing its rate four times to 2.15% in June 2025. The Federal Reserve, for its part, resumed its cycle of rate cuts in September and ended 2025 with three cuts, placing its rate in a range between 3.50% and 3.75%.

FLAR's portfolios are mainly invested in short-term fixed-income securities denominated in US dollars and with high credit ratings. Rates have remained above 3.5%, which has sustained high accrual levels. Additionally, during 2025, there was a drop of more than 75 basis points in the 2-year tranche. These two factors were the main determinants of performance in 2025.

FLAR management will continue to monitor the market environment and act accordingly if deemed necessary.

2.2 Basis of presentation and statement of compliance

FLAR's Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). Management is responsible for the information contained in these Financial Statements, applying the required by IAS 1 Presentation of Financial Statements.

2.3 presentation of financial statements

The financial statements as of December 31, 2024, are submitted to the Audit Committee for presentation to the Board of Directors. The Board of Directors reviews the audited financial statements alongside the audit opinion and approves their presentation to the Assembly at its ordinary meeting, which is held in the first half of the year. These statements are denominated in U.S. dollars and include the following: 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 on the basis of the nature of the expense, in the form of a single statement that includes the results for the period and other comprehensive income. The statement of cash flows is presented via the indirect method 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 the definitions included in FLAR's business model.

At present, the 5 lines of business pertaining to resource investment are as follows:

- Loans granted to central banks
- Portfolio management of FLARS' own investment position (Capital contributions),
- Financial intermediation management (deposit-taking activities and investment in short – term funds),
- Management of investments 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 Level 3 investments (see Note 6 - Fair value measurement).
- Measurement of expected losses due to impairment of investments measured at amortized cost and of loans to members (see Note 4.2.3 - Impairment of financial assets).

Management considers these examples 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 cases involving 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 indicated at the exchange rates in effect as of 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 profit or loss from transactions denominated in currencies other than the U.S. dollar are 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	December 31, 2025	December 31 2024
USD/AUD	0.66685	0.61915
CAD/USD	1.37075	1.43820
USD/CHF	1.26223	1.10345
USD/EUR	1.17445	1.03550
USD/GBP	1.34505	1.25240
JPY/USD	156.75	157.16
NOK/USD	10.08685	11.35735
USD/NZD	0.57505	0.56025
SEK/USD	9.21880	11.04925
SGD/USD	1.28600	1.36420
COP/USD	3.757.08	4.409.15
USD/DEG	1.37071	1.30413

3. CHANGES IN ACCOUNTING POLICIES

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

4. SIGNIFICANT 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 noted.

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 in accounts with correspondent banks denominated in Colombian pesos.

Demand deposits and term deposits in commercial banks are represented within internally and externally managed assets; therefore, they are not classified in the 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 instrument when it becomes a party to a contract that gives

rise to a financial asset or liability, or an equity instrument of another institution.

FLAR records all its investment transactions on the trade date. Trading in financial assets and liabilities is carried out within the time frame generally established by regulation or market convention. Loans to member central banks are recognized on the date 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 discount deposits and money market securities, from which cash flows of principal and interest are expected to be received periodically.	For securities concerning which market conditions are evaluated to realize profit on the basis of their market value.
Short-term asset and liability intermediation management (short-term deposits taking and investment of funds)	For discounted deposits and money market securities, from which cash flows of principal and interest are expected to be received periodically.	For securities concerning which market conditions are evaluated to realize profit on the basis of their market value.
Investment of proceeds from the issuance of medium-term debt in the financial markets	For discounted deposits and money market securities, from which cash flows of principal and interest are expected to be received periodically.	For securities concerning which market conditions are evaluated to realize profit on the basis of their market value.

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

This test Refers to an assessment of the contractual cash flow characteristics of the financial assets and liabilities in question. It requires that the contractual terms of the financial asset or liability give rise (on specific dates) to cash flows that are SPPI on the principal amount outstanding. These examples correspond mainly to simple debt

instruments with determinable dates and cash flows. In the case of liabilities, they correspond mainly to the positions of deposits received on demand or term deposits pertaining to the intermediation portfolio (see Note 5. - Main policies in asset management).

4.2.2.2. Measurement

a. Initial measurement

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, as appropriate, upon initial recognition. When the fair value of financial instruments at initial recognition differs from the transaction price, FLAR recognizes the gains or losses in profit or loss.

b. Subsequent measurement

- (i) Amortized cost: financial assets held to collect contractual cash flows (principal and interest).

Deposits liabilities are subsequently measured at amortized cost using the effective interest method with an effect on income. It is important to note that these transactions (assets and liabilities) are mainly concentrated in money-market instruments with a maturity 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 the basis of the effective interest rate for debt instruments other than financial assets that are classified at fair value through profit or loss.

- (ii) Fair value through profit or loss (FVTPL): financial assets that are traded in active markets with the objective of obtaining the benefits resulting from changes in market price. In general, a financial asset is subsequently measured at FVTPL if:
- It 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 any gain or loss arising from their revaluation in profit or loss. The net gain or

loss recognized in profit or loss includes any dividends, interest earned, or amortized cost of the financial asset and is included in the financial statements (see Note 20 - Net gain on investments).

All financial liabilities are subsequently measured under the amortized cost category, except for derivative liabilities, 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) recorded 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, so it is necessary to estimate the present value of credit losses that may arise in a possible default scenario. To do this, the current rating of the instrument and the probability of default assigned by the credit rating agencies over a 12-month horizon are taken directly into account.

For loans granted, FLAR employs 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 multilateral institutions historically experiencing lower default rates and higher recovery rates than commercial lenders have on their sovereign exposures. The *de facto* PCT has been tested on several occasions during FLAR's more than 45 years of existence (see Note 1-Organization and Operations).
- FLAR's unique relationship with its member countries, which is based on the principle of mutual cooperation. All members have paid-in capital in FLAR.
- FLAR monitors borrowers' economies to review their reasonable capacity for repayment.

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 4.6.1-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 – Fees received for loans granted). The value of the fee is determined by using the expected credit loss model and is applied at the time of disbursement and during the life of the loan if the expected loss increases. To the extent that the accumulated credit risk fees and the deposit for the payment of future credit risk

fees exceed the expected loss, considering principal and interest, the provision for credit risk will be zero; otherwise, the difference will be provisioned.

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 explained below. The scenarios have 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 experienced a significant increase in credit risk since initial recognition. The classification conditions at this stage depend on the asset class.

- **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 losses for a loan in stage 1 is calculated using the model described above, considering the risk rating applicable at that time, for a 12-month horizon. In addition, the effective interest method is applied to the gross carrying amount of the loan in accordance with the contractual terms.

- **Amortized cost investments:** 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 loan 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 in arrears for a period of 90 to 180 calendar days. 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 estimated expected credit losses for a stage 2 loan are calculated using the model described above, considering the risk rating applicable at that time, for a horizon equivalent to the remaining term of the loan. In addition, the effective interest method is applied to the gross carrying amount of the loan in accordance with the contractual terms.

- **Amortized cost investments:** This category includes investments that are past due beyond the grace period (according to the prospectus) or more than 30 days past due. From that point on, the provision is recognized assuming an expected recovery rate of 55%.

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

- **Loans:** This category includes loans that are 181 calendar days or more past due, or with a contractual declaration of default.

Given FLAR's status as a de facto preferred creditor and the nature of the debtors, the estimate of expected credit losses for a stage 3 loan is calculated based on available information. Interest will be accrued using the effective interest method, and the basis for its calculation corresponds to the principal less the estimated provision, i.e., on the net impaired asset.

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

The subsequent recoveries of the recorded provision amounts are reversed to their initial values. Changes in the value of the provision are recognized directly in the results pertaining to the period in question.

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

- a. The obligation in question has been paid or cancelled or has expired.
- b. There is a swap between a lender and a borrower of debt instruments with substantially different terms, in which case it will be accounted for as a cancellation of the original financial liability and a new financial liability will be recognized.
- c. There are substantial modifications to the current terms of an existing financial liability or part thereof, which shall be accounted for as a cancellation of the original financial liability and a new financial liability shall be recognized.

4.2.5. 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 Cartagena Agreement Board (JUNAC), the Development Bank of Latin America (CAF), the Andean Parliament, the Central Bank of Chile, and the Central Bank of the Argentine Republic are authorized holders of Andean Pesos.

The list of holders of Andean Pesos was expanded with the approval of the FLAR Board of Directors, through Agreement No. 108 of September 20, 1986, which qualified other Central Banks or other Latin American institutions outside the subregion that sign the respective agreement with FLAR as authorized holders of Andean Pesos.

Andean pesos will be used exclusively to make payments through FLAR between authorized holders. As of December 31, 2025, and 2024, there are no outstanding balances in Andean pesos.

FLAR Treasury Notes – By Resolution No. 100 of the FLAR Board of Directors, dated March 12, 1986, the issuance of short-term obligations called "FLAR Treasury Notes" was authorized to be offered to central banks and other institutions. As of December 31, 2025, and 2024, there are no FLAR treasury notes in effect.

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 state category, these assets are presented at revaluated costs less depreciation, and accumulated impairment loss 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 years as of December 31, 2025)	
Real Estate		1.2
Systems equipment	3 years	33
Office equipment	10 years	10.0
Furniture and fixtures	10 years	10.0
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

arising from formal plans or agreements, requirements or informal practices that generate implicit obligations, granted in exchange for services rendered by employees or as severance pay. Benefits include all payments made directly to employees, their beneficiaries, dependents, or through third parties, which may be settled through cash payments or the provision of goods and services (non-monetary benefits).

4.5.1. Short-term benefits –

These are recognized at their gross amount in the expense accounts for the period when FLAR consumes the economic benefit arising from the service provided by the employee, unless another IFRS requires or permits their inclusion as the cost of an asset. When the corresponding payment to the employee has not been made, FLAR periodically provisions the corresponding amounts in the liability accounts. It consolidates outstanding benefits annually.

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

4.5.2. Post-employment benefits

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

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

- i. **Current service costs:** This is the increase in the present value of the obligation arising from services rendered by employees in the current period. Considering that current employees are not beneficiaries of pension or health plans, no current service costs are incurred.
- ii. **Past service costs:** This is the change in the present value of the obligation for services rendered by employees in prior periods, resulting from a change in the plan.
- iii. **Net interest on the obligation:** This is the increase during the period in the present value of the obligations, as a result of the benefits (pensions and health) being closer to their maturity date. It is determined using the nominal discount rate in effect at the beginning of each period.
- iv. **New measurements of the obligation:** This mainly includes actuarial gains and losses arising from: experience adjustments (the effects of differences between previous actuarial assumptions and events that actually occurred in the plan); and the effects of changes in actuarial assumptions.

The first three items, together with any gains or losses arising at the time of settlement of the plans, are recorded in the results for the period in which they arise. New actuarial measurements are recorded in Other Comprehensive Income (OCI).

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

The fair values of the pensions and medical plan for its retirees as of December 31, 2025 include the annual accrual of the estimated cost of the plan benefit in accordance with the values provided by the actuarial calculation performed by an independent firm as of December 31, 2025 (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 for termination benefits when it announces the offer and can no longer withdraw it, 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 can be made of the amount of the obligation.

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

Outflow of resources	Analysis	Treatment
-----------------------------	-----------------	------------------

Probable	The probability of the event occurring is greater than it not occurring in the future	Recognition of the liability (provision) and disclosure.
Possible	The probability that the event will occur is less than the probability that it will not occur in the future	Disclosure of contingent liability
Remote	Low probability that the event will occur in the future	None

If no reliable estimate can be produced, the liability cannot be recognized. This exceptional situation results in 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 that may be established by the assembly; retained earnings; profits for the annual period; and other 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 member's 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 constitute at least 10% of paid-in capital. These reserves may be used to cover potential losses that may occur during any financial year. Institutional reserves are established on the basis of additional contributions from each member in the context of making capital payments, as well as from the net profit that are approved annually by the Assembly.

4.5.8. Capitalization of Net Profit

Each member's share in the profits for the fiscal year is based on the weighted average of the capital paid during the fiscal year in question.

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

4.6. Revenue and Expense Recognition

FLAR uses 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 receipts 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 time of disbursement and accrued via the effective interest rate method in accordance with the terms and rates agreed upon with respect to each loan.

Interest income and capital gains from investment portfolios are recognized systematically and periodically in accordance with the terms of each instrument purchased and sold.

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

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

4.7. Tax exemptions – FLAR is exempt in the countries that are signatories to the Constitutive Agreement from all types of taxes on its income and assets. It is also exempt from any responsibility related to the payment, withholding, or collection of any taxes.

4.8. New and amended IFRSs – FLAR has evaluated and analyzed the new standards or amendments issued as of December 31, 2025, effective as of January 1, 2025, or later dates. With respect to the standards applicable to FLAR, none have been adopted early, nor have any current standards been adopted that have a significant impact.

IFRS 18 Presentation and Disclosure in Financial Statements: This standard replaces IAS 1 and establishes the requirements for presentation and disclosure in financial statements with the general purpose of helping to ensure that relevant information is provided that faithfully represents an entity's assets, liabilities, equity, income, and expenses. This standard is applicable for annual periods beginning on or after January 1, 2027, with early adoption permitted.

The FLAR has decided not to implement this standard in advance of its effective date. Therefore, no adjustments or disclosures are required in these financial statements.

Annual improvements to IFRS accounting standards (application 2026)

In May 2024, the IFRS issued a final amendment 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 yet effective. The Fund has not implemented them early and does not know with certainty the possible impact they may have once implemented.

Annual Improvements to IFRS Accounting Standards—Volume 11 (issued in July 2024, effective in 2026)

- IFRS 7 Financial Instruments: Disclosure of gains or losses on derecognition.
- Guidance on the application of IFRS 7 Financial Instruments: Disclosures—Introduction
- Guidance on the application of IFRS 7 Financial Instruments: Disclosures - Information on credit risk.
- IFRS 9 – Financial Instruments: Derecognition 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 applicable to FLAR, or does not require adjustments or disclosures additional to those disclosed in these Financial Statements.

5. MAIN ASSET MANAGEMENT POLICIES

FLAR's financial assets are divided into different portfolios, in accordance with the provisions of Board Agreement No. 324 of April 30, 2005, and its amendments.

At its meeting on June 14, 2025, the FLAR Board of Directors approved the modification of the investment portfolio structure, in line with the liquidation and recomposition methodology applied to disbursements or loan payments and their respective reference portfolios. This modification consists of segmenting the investment portfolio into short- and medium-term tranches, with the aim of optimizing liquidity management and the allocation of financial resources. The objectives and guidelines of the portfolios are described below:

- **Working capital portfolio** – Replaces the name of the "liquidity" portfolio. Its main objective is to manage FLAR's working capital. The Assets and Liabilities Committee (CAP) determine the size range and investment strategy of this portfolio, considering, among other factors, FLAR's operating expenses and possible loan disbursements. Investments in this portfolio may have a maturity of 397 days or less.
- **Investment portfolio** – Replaces the aggregate investment portfolio (PAI). This portfolio **contains the short-term portfolio and the medium-term portfolio**, which represent the institution's investment portfolios. It is made up of FLAR's equity resources, excluding the resources of the operations portfolio and the working capital portfolio.

The purpose of this portfolio is to balance the availability of immediate liquidity for granting financial support with the preservation and growth of the institution's long-term equity.

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

This portfolio is divided into two portfolios:

Short-term investment portfolio - This portfolio is composed of assets with maturities of less than one year. Its benchmark index is linked to the money market, referenced 100% to the 6-month dollar deposit rate with constant maturity. It is the primary source of funds for meeting financing requests from FLAR members. It will be characterized by high liquidity and low market risk, investing in high credit quality and short-term instruments.

Medium-term portfolio – The objective of this portfolio is to promote capital growth through investments in medium-term instruments and preserve capital in nominal terms over a five-year horizon. This portfolio is protected from early redemption except in certain circumstances and is composed of: 15% US Treasury bonds with maturities of 1 to 5 years, 10% TIPS with maturities of 1 to 5 years, 30% supranational, agency, and sovereign bonds with credit ratings between AAA and A with maturities of 1 to 5 years, 25% in corporate bonds with credit ratings between AAA and A with maturities of 1 to 5 years, 10% in mortgage-backed securities issued by US agencies (Agency MBS), 5% in US investment-grade fixed income ("US aggregate" or equivalent), and 5% in US large-ALCO equities (S&P 500 index).

The benchmark indices of the portfolios that make up the Investment Portfolio will be reviewed by the Board of Directors every three years, or sooner if required.

The ALCO will define the distribution between the Short-Term Portfolio and the Medium-Term Portfolio, as well as the structure and benchmark indices of their sub-portfolios. In addition, the ALCO will determine the market indices representative of each asset class.

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

Notwithstanding the foregoing, resources from the intermediation portfolio may be used to finance loans. The limit on 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, excluding the Republic of Costa Rica from this calculation.

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

- **Asset and Liability Management Portfolio** – The objective is to invest the funds raised from FLAR's medium-term issuances or other FLAR asset and liability management needs. To this end, exposure to liquidity, interest rate, and exchange rate

risks will be matched, including derivative transactions linked to these risks, if applicable. As of December 31, 2025, there are no funds allocated to this portfolio.

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

Taking into account FLAR's current portfolio structure, described above, the following is a summary of assets, aggregated by portfolio, as of December 31, 2025, and 2024:

	December 31, 2025	December 31, 2024
Intermediation portfolio	6,715,865,387	\$ 4,986,621,242
Investment portfolio	3,901,720,646	3,863,735,052
Credit operations and foreign exchange portfolio	500,714,331	310,290,849
Working capital portfolio	19,436,915	-
Assets other than reserve investments*	4,991,985	3,694,795
Liquidity portfolio	<u>4,593</u>	<u>29,798,961</u>
Total Assets	<u>\$ 11,142,733,857</u>	<u>\$ 9,194,140,899</u>

*Assets other than reserve investments include cash and investments in Colombian pesos 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 December 31, 2025, and 2024 is presented below:

Portfolio	Interest income (expense)	Portfolios profit/(loss)	Derivatives profit/(loss)	Other income resulting from commissions and (administrative expenses)	Total contribution
Intermediation1/ Investments	(74,504,555)	76,638,931	1,461,692	-	3,596,068
Operations (loans granted to central banks)	149,350,154	101,129,488	(15,107,059)	-	235,372,583
Working capital	11,029,382	-	-	-	11,029,382
Liquidity	128,591	-	-	-	128,591
Foreign exchange transactions	1,140,075	8,778	-	-	1,148,853
Personnel and Operating expenses	217	132	-	-	349
	-	-	-	(11,526,912)	(11,526,912)
Net income for 2025	87,143,864	177,777,329	(13,645,367)	(11,526,912)	239,748,914

Portfolio	Interest income (expense)	Portfolios profit/(loss)	Derivatives profit/(loss)	Other income resulting from commissions and (administrative expenses)	Total contribution
Intermediation1/ Investment aggregate	(119,636,648)	119,449,334	3,832,441	-	3,645,127
Operations (loans granted to central banks)	104,578,663	71,024,066	8,295,401	-	183,898,130
Liquidity	19,553,248	-	-	-	19,553,248
Foreign exchange transactions	2,995,000	1,304	-	-	2,996,304
Personnel and Operating expenses	126	(107)	-	-	19
	-	-	-	(10,849,640)	(10,849,640)
Net income for 2024	7,490,389	190,474,597	12,127,842	(10,849,640)	199,243,188

1/The brokerage portfolio includes coupon-bearing deposits. These investments are mainly matched with 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:

- Type of issuer: Governments, government agencies, international financial institutions, commercial banks, and corporations.
- Permissible securities: Government bonds, government agency bonds, corporate bonds, mortgage-backed securities (MBS and CMO) issued by U.S. *government-sponsored enterprises* (GSEs), as well as discount notes, *exchange-traded funds* (ETFs), index funds, total return *swaps*, bonds indexed to permitted indices, or futures contracts where the underlying asset is one of the permitted indices, and commercial paper.
- The maximum maturity for US Treasury bonds, MBS, and Treasury bond futures is 30 years. For other fixed-income instruments, the maximum maturity is 10 years.
- Permitted investments include short- and medium-term securities with fixed and floating rates.
- Short-term securities must have a short-term credit rating of no less than any of the following: Standard and Poor's A-2, Moody's P-2, and Fitch Ratings F2.
- Medium-term securities may not have a credit rating lower than any of the following: Moody's A3, Standard & Poor's A-, and Fitch Ratings A-.
- Currency, bond, and interest rate derivative transactions.
- External managers may invest in AAA-rated asset-backed securities (ABS) denominated in US dollars for automobiles and credit cards.
- Investments may be made in financial instruments indexed to the Standard & Poor's 500 Index (SPX Index) and in instruments representing commodity indices. The purchase of individual stocks or commodities is not permitted.

Financial instruments are recognized and valued in accordance with the investment objectives mentioned above and are grouped into two categories: fair value through profit or loss and amortized cost.

- **Operating 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 has three lines of credit available to its member countries:

- **Liquidity:** Nonrenewable term of up to one year with a limit of up to 1.0 time the paid-in capital (1.1 times for Bolivia and Ecuador).
- **Contingency:** This line has an availability period of up to six months, extendable at the debtor's request for two periods of up to six months each, subject to FLAR's authorization. Once disbursed, the term is up to six months, extendable once for an equal period, subject to FLAR's authorization. The limit for this line is up to 2 times the principal paid (2.1 times for Bolivia and Ecuador). This line must have a guarantee satisfactory to FLAR.
- **Balance of payments support:** Term of up to three years and up to one year of grace, with a limit of up to 2.5 times the capital paid (2.6 times for Bolivia and Ecuador).

The maximum limit on the total amount of loans or other financial support that a country may have with FLAR may not exceed 2.5 times the paid-in capital (2.6 times in the case of 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 December 31, 2025, FLAR held a balance of payments loan with the Republic of Ecuador (RdE) for a principal amount of USD 500 million. The loan is current in meeting its obligations. Additionally, FLAR has not granted any guarantees to its members vis-à-vis third parties.

6. FAIR VALUE MEASUREMENT

6.1. Valuation principles

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

When estimating the fair value of an asset or liability, FLAR takes into account its characteristics and whether market participants would take those characteristics into account when setting the price of the asset or liability on the measurement date.

6.2. Fair Value Determination

To show how fair values have been obtained, financial instruments are classified based on a hierarchy of valuation techniques, as summarized below:

Level 1: Quoted prices (unadjusted) in an active market for assets or liabilities identical to those 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 fair value through profit or loss (FVTPL) if doing so eliminates or significantly reduces measurement or recognition inconsistencies.

6.3. Valuation techniques

- **Fair value investments through profit or loss:** FLAR values investments using information provided by an international price provider.

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

For instruments without a market quotation, prices obtained from the valuation source are used. In this case, fair values are estimated using standardized valuation techniques and models that use observable market data to the extent possible. These techniques include determining future cash flows, which are discounted using yield curves derived from observable market data for comparable instruments. The types of instruments valued using this methodology include securities issued by government agencies, multilateral agencies, investment-grade corporates, and agency-guaranteed mortgage-backed securities. These instruments are generally classified within fair value level 2.

- **Money market instruments:** Deposits (made by FLAR and collected from customers) and private sector money market instruments are valued at amortized cost.
- **Derivative financial instruments:** FLAR trades government bond and interest rate futures on the stock exchange. These instruments are valued at the price established on the stock exchange and classified under 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 guidelines allow exposures in its fixed-rate to variable-rate balance sheet to be hedged through the use of over-the-counter interest rate *swaps*.

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

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

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.

BLANK SPACE

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

December 31, 2025						
Fair Value Hierarchy by Type of Issuer/Instrument	Level 1	Level 2	Level 3	Total	Valuation techniques for levels 2 and 3	Main input data
Governments and Sovereigns					Market	Prices quoted in active markets for identical assets / Comparable yield curve
	\$ 498,506,412	\$ 1,376,079,656	-	\$1,874,586,068		
Financial sector	\$ 110,294,450	\$ 501,138,033	-	\$ 611,432,483	Market	Comparable yield curve
Non-financial sector	-	<u>\$ 110,701,679</u>	-	<u>\$ 110,701,679</u>	Market	Comparable yield curve
Internally managed portfolio	<u>\$ 608,800,862</u>	<u>\$ 1,987,919,368</u>	<u>\$ -</u>	<u>\$2,596,720,230</u>		
Governments and Sovereigns					Market	Prices quoted in active markets for identical assets / Comparable yield curve
	\$ 50,517,091	\$ 107,263,276	-	\$ 157,780,367		
Financial	-	\$ 141,617,690	-	\$ 141,617,690	Market	Comparable yield curve
Non-financial sector	-	<u>\$ 77,701,050</u>	-	<u>\$ 77,701,050</u>	Market	Comparable yield curve
Externally managed portfolio	<u>\$ 50,517,091</u>	<u>\$ 326,582,016</u>	<u>\$ -</u>	<u>\$ 377,099,107</u>		
Assets measured at fair value through profit or loss	<u>\$ 659,317,953</u>	<u>\$ 2,314,501,384</u>	<u>\$ -</u>	<u>\$ 2,973,819,337</u>		

December 31, 2024

Fair Value Hierarchy by Type of Issuer/Instrument					Valuation techniques for levels 2 and 3	Main input data
	Level 1	Level 2	Level 3	Total		
Derivatives	-	\$ 1,474,301	-	\$ 1,474,301	Market	Comparable yield curve and exchange rates
Governments and Sovereigns					Market	Prices quoted in active markets for identical assets / Comparable yield curve
Financial	\$ 703,584,550	\$ 1,276,321,200	-	\$1,979,905,751	Market	Comparable yield curve
Non-financial sector	\$ 194,025,178	\$ 299,105,570	-	\$ 493,130,748	Market	Comparable yield curve
Internally managed portfolio	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	Market	Comparable yield curve
	\$ 897,609,728	\$ 1,576,901,072	\$ -	\$2,474,510,800		
Derivatives	-	\$ 52,175	-	\$ 52,175	Market	Comparable yield curve and exchange rates
Governments and Sovereigns					Market	Prices quoted in active markets for identical assets / Comparable yield curve
Financial	\$ 20,023,812	\$ 163,668,956	-	\$ 183,692,768	Market	Comparable yield curve
Non-financial sector		\$ 262,825,740	-	\$ 262,825,740	Market	Comparable yield curve
Externally managed portfolio	<u>\$ 20,023,812</u>	<u>\$ 637,928,598</u>	<u>\$ -</u>	<u>\$ 657,952,410</u>	Market	Comparable yield curve
Assets measured at fair value through profit or loss	<u>\$ 917,633,540</u>	<u>\$ 2,214,829,670</u>	<u>\$ -</u>	<u>\$3,132,463,210</u>		

6.5. Transfers between fair value hierarchy levels -

As of December 31, 2025 and 2024, there were no transfers between fair value hierarchy levels to or from level 3 in FLAR.

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

December 31, 2025	Carrying amount	Fair value		Total Level 1 and 2
		Level 1	Level 2	
Cash on hand and in banks	\$ 11,573,916	\$ 11,573,916	\$ -	\$ 11,573,916
Investments at amortized cost - Internally managed portfolio (Investments)	\$ 2,950,969,475	-	\$ 2,934,683,901	\$ 2,934,683,901
Investments at amortized cost - Internally managed portfolio (Deposits)	\$ 4,532,718,728	-	\$ 4,375,120,279	\$ 4,375,120,279
Investments at amortized cost - Externally managed portfolio.	\$ 313,128	-	\$ 313,099	\$ 313,099
Accounts receivable on sale of investments	\$ 163,111,937	\$ 163,111,937	-	\$ 163,111,937
Financial assets	<u>\$ 7,658,687,184</u>	<u>\$ 174,685,853</u>	<u>\$ 7,310,117,279</u>	<u>\$ 7,484,803,132</u>
Deposits from central banks and other institutions	\$ 6,712,413,781	-	\$ 6,712,413,781	\$ 6,712,413,781
Accounts payable on investment purchases	16,328,043	16,328,043	-	16,328,043
Commissions received on loans granted	384,467	384,467	-	384,467
Financial liabilities	<u>\$ 6,729,126,291</u>	<u>\$ 16,712,510</u>	<u>\$ 6,712,413,781</u>	<u>\$ 6,729,126,291</u>

December 31, 2024	Carrying amount	Fair value		Total Level 1 and 2
		Level 1	Level 2	
Cash on hand and in 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 from sale of investments	\$ 137,077,548	\$ 137,077,548	-	\$ 137,077,548
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>

December 31, 2024

	Carrying amount	Level 1	Fair value Level 2	Total Level 1 and 2
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 measured at amortized cost. They are valued at least every six months in order to compare their fair value with their amortized cost, to reveal that there are no material differences with respect to their amortized cost, and that their measurement is on a recurring basis.

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

- Cash on hand and in banks, accounts receivable from sales of investments, accounts receivable from purchases of investments: the amounts recorded approximate fair value due to their short-term nature and are classified in Level 1.
- Investments at amortized cost in internally and externally managed portfolios: these are valued by discounting future cash flows using yield curves derived from observable market data and are classified as Level 2.

Measurement of loans to members: To determine the fair value of these credit instruments, FLAR has taken into account the concepts defined in IFRS13 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 to central banks):

1. The financing granted by FLAR is intended to help address the external sector imbalances in its members' economies.
2. The unique relationship between FLAR and its members, which have granted it the PCT throughout its history.
3. The absence of a primary 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 December 31, 2025, and 2024:

	December 31 2025	December 31 2024
Cash on hand	\$ 8,163	\$ 11,135
Correspondent banks	11,133,207	9,774,086

	December 31 2025	December 31 2024
Custodian bank	<u>212,323</u>	<u>155,855</u>
In United States dollars	11,353,693	9,941,076
Cash on hand	665	567
Local banks	<u>219,558</u>	<u>261,960</u>
In Colombian pesos converted to USD	<u>220,223</u>	<u>262,527</u>
Total Cash	<u>\$ 11,573,916</u>	<u>\$ 10,203,603</u>
Average interest rate during the period	0.88%	0.52%
Average interest rate at the end of the period	1.29%	0.20%

As a complement to cash, purchase and sale transactions of investments with a settlement date after December 31, 2025, and 2024 that affect available cash are presented (see Note 11 - Accounts receivable and payable on sale and purchase of investments).

8. INVESTMENT PORTFOLIO

The following table shows the distribution by type of issuer of the financial instruments that make up FLAR's investment portfolios as of December 31, 2025, and 2024:

Type of issuer	December 31 2025	December 31 of 2024
Governments and Quasi-Governments	\$ 1,874,586,068	\$ 1,979,905,751
Financial sector	611,432,483	493,130,748
Non-financial sector	<u>110,701,679</u>	<u>-</u>
Investments at fair value through profit or loss	<u>2,596,720,230</u>	<u>2,473,036,499</u>
Governments and Quasi-Governments	1,459,820,381	1,029,465,739
Financial sector	5,770,591,011	4,170,609,128
Non-financial sector	254,822,176	339,354,556
Provision for impairment losses	<u>(1,545,365)</u>	<u>(1,220,312)</u>
Investments at amortized cost	<u>7,483,688,203</u>	<u>5,538,209,111</u>
A. Internally managed portfolio	<u>\$ 10,080,408,433</u>	<u>\$ 8,011,245,610</u>
Governments and Sovereigns	\$ 157,780,367	\$ 183,692,769
Financial sector	141,617,690	262,825,740
Non-financial sector	<u>77,701,050</u>	<u>211,381,727</u>
Investments at fair value through profit or loss	<u>377,099,107</u>	<u>657,900,236</u>
Financial sector	313,128	53,517,663
Provision for impairment losses	<u>-</u>	<u>(8,231)</u>
Investments at amortized cost	<u>313,128</u>	<u>53,509,432</u>

Type of issuer	December 31 2025	December 31 of 2024
B. Externally managed portfolio	<u>\$ 377,412,235</u>	<u>\$ 711,409,668</u>
Total investment portfolio (A+B)	<u>\$ 10,457,820,668</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 December 31, 2025 and 2024, the SDR holdings of the currency management sub-portfolio of credit operations converted to US dollars are as follows:

	December 31 2025	December 31 2024
SDR holdings (IMF)	\$ 4,403	\$ 4,183
Interest receivable on SDR positions	20	22
Unrealized profit (loss) in SDR	<u>47</u>	<u>(85)</u>
	<u>\$ 4,470</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 that exhibit a long-term credit rating equal to or higher than any of the following: Standard & Poor's A-, Moody's A3, and Fitch A-.

FLAR does not designate derivatives to hedge specific assets for accounting purposes, and 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 income statement. Derivatives are recorded as financial assets when their fair values generate a right, and as financial liabilities when their fair values generate an obligation.

Assets and liabilities pertaining 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 with regard to its derivative contracts and all profit or loss are recognized on the income statement. The market value of derivative instruments is as follows:

	December 31 2025	December 31 2024
Futures	\$ 4,513,079	\$ 7,895,771
Forwards	-	1,474,301
Collateral delivered in forward transactions	<u>581</u>	<u>-</u>
Derivatives - internally managed instruments	<u>4,513,660</u>	<u>9,370,072</u>
Futures	239,284	779,356
Forwards	-	52,175
Collateral delivered in forward transactions	<u>-</u>	<u>300,000</u>
Derivatives - externally managed instruments	<u>239,284</u>	<u>1,131,531</u>
A. Derivative financial assets - Rights	<u>4,752,944</u>	<u>10,501,603</u>
Forwards	<u>(66,253)</u>	<u>-</u>
Derivatives - internally managed instruments	<u>(66,253)</u>	<u>-</u>
Forwards	<u>-</u>	<u>(42,363)</u>
Derivatives - externally managed instruments	<u>-</u>	<u>(42,363)</u>
B. Derivative financial assets - Obligations	<u>(66,253)</u>	<u>(42,363)</u>
Derivative financial assets -Net (A+B)	<u>\$ 4,686,691</u>	<u>\$ 10,459,240</u>

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 December 31, 2025, and 2024, which are due to the difference between the trade date and the date of actual collection or payment, are detailed below:

	December 31 2025	December 31 2024
Sales of externally managed securities	2,565,991	25,924,098
Constitution of liability deposits	<u>160,545,946</u>	<u>111,153,450</u>
Accounts receivable	<u>\$ 163,111,937</u>	<u>\$ 137,077,548</u>
Commissions payable to correspondent banks	\$ 55,000	\$ 59,000

	December 31 2025	December 31 2024
Purchases of externally managed securities	<u>16,273,043</u>	<u>56,250,765</u>
Accounts payable	<u>\$ 16,328,043</u>	<u>\$ 56,309,765</u>

12. LOANS GRANTED TO CENTRAL BANKS

The breakdown of loans to members, including principal and interest, as of December 31, 2025, and 2024 is as follows:

	December 31 2025	December 31 2024
Loans granted to members	<u>\$ 500,709,861</u>	<u>\$ 310,286,729</u>
Total	<u>\$ 500,709,861</u>	<u>\$ 310,286,729</u>

The following table shows the movements in loans granted to central banks and their movements between stages of impairment for the periods ended December 31, 2025, and 2024:

	Stage 1		Total	
	Gross carrying amount	Provision	Gross carrying amount	Provision
Balance as of January 1, 2025	<u>310,286,729</u>	=	<u>310,286,729</u>	=
Loans granted	500,000,000	-	500,000,000	-
Interest accrual	11,029,382	-	11,029,382	-
Principal and interest payments	<u>(320,606,250)</u>	<u>-</u>	<u>(320,606,250)</u>	<u>-</u>
Balance as of December 31, 2025	<u>\$ 500,709,861</u>	<u>\$ -</u>	<u>\$ 500,709,861</u>	<u>\$ -</u>
Balance as of January 1, 2024	<u>\$ 970,147,330</u>	<u>\$ -</u>	<u>\$ 970,147,330</u>	<u>\$ -</u>
Loans 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>

The details and events related to loans to central banks as of December 31, 2025, and 2024 are presented below:

i. Balance of payments support loan:

On December 23, 2025, the Board approved the disbursement of a loan for USD 500,000,000 with a term of three (3) years, including a one-year grace period for principal payments and quarterly amortization in equal principal installments. The rate is SOFR plus a margin of 200 basis points payable quarterly.

During 2025, the following were the movements of the loan:

Date	Principal	Interest	Total
12/23/2025	<u>500,000,000</u>	<u>709,861</u>	<u>500,709,861</u>
Subtotals	500,000,000	709,861	500,709,861

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
08/14/2024	308,000,000	-	308,000,000
11/13/2024	-	(4,802,354)	(4,802,354)
02/13/2025	-	(4,319,965)	(4,319,965)
05/13/2025	-	(4,082,560)	(4,082,560)
08/14/2025	<u>(308,000,000)</u>	<u>(4,203,724)</u>	<u>(312,203,724)</u>
Subtotals	<u>-</u>	<u>(17,408,603)</u>	<u>(17,408,603)</u>

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

On August 14, 2025, the Liquidity loan was paid in full.

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 December 31, 2025, this credit line is no longer available.

13. PROPERTY AND EQUIPMENT, NET

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

	December 31 2025	December 31 2024
Real estate	\$ 3,725,282	\$ 2,367,761
Furniture and fixtures	291,228	280,435
Office and computer equipment	1,898,709	1,872,570
Vehicles	<u>135,298</u>	<u>91,013</u>
Total property and equipment, gross	6,050,517	4,611,779
Less accumulated depreciation	<u>(2,452,860)</u>	<u>(2,325,834)</u>
Total property and equipment, net	<u>\$ 3,597,657</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	-	14,421	40,840	44,285	99,546
Sales/ write-offs	-	(3,628)	(14,701)	-	(18,329)
Revaluation surplus	<u>1,357,521</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,357,521</u>
December 31, 2025	<u>\$ 3,725,282</u>	<u>\$ 291,228</u>	<u>\$ 1,898,709</u>	<u>\$ 135,298</u>	<u>\$ 6,050,517</u>
	Accumulated Depreciation				
December 31, 2024	\$ (473,103)	\$ (152,547)	\$ (1,609,171)	\$ (91,013)	\$ (2,325,834)
Depreciation charges	(27,906)	(18,456)	(92,238)	(5,905)	(144,505)
Write-offs	<u>-</u>	<u>3,080</u>	<u>14,399</u>	<u>-</u>	<u>17,479</u>
December 31, 2025	<u>\$ (501,009)</u>	<u>\$ (167,923)</u>	<u>\$ (1,687,010)</u>	<u>\$ (96,918)</u>	<u>\$ (2,452,860)</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>
December 31, 2025	<u>\$ 3,224,273</u>	<u>\$ 123,305</u>	<u>\$ 211,699</u>	<u>\$ 38,380</u>	<u>\$ 3,597,657</u>

14. OTHER ASSETS

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

	December 31 2025	December 31 2024
Commissions receivable	\$ 513,252	\$ 459,061
Works of art and fixed assets in progress	64,617	117,391
Prepaid expenses	243,755	258,171
Taxes receivable	207,570	146,229
Accounts receivable from employees	74,694	66,244
Other minor assets	<u>58,516</u>	<u>78,977</u>
Total other assets	<u>\$ 1,162,404</u>	<u>\$ 1,126,073</u>

15. DEPOSITS FROM CENTRAL BANKS AND OTHER INSTITUTIONS

The balance of this account as of December 31, 2025 and 2024 comprises deposits received from member and non-member Central Banks and other official Latin American institutions. The figures presented below include accrued interest:

	December 31 2025	December 31 2024
Demand deposits		
Balance (A)	\$ 130,302,124	\$ 60,411,985
Average rate during the period	3.75%	4.52%
Average rate at the end of the period	3.75%	3.75%
Maximum days to maturity	On demand	On demand

Term deposits		
Balance (B)	\$ 6,582,111,657	\$ 4,904,619,134
Average rate at the end of the period	4.42%	4.60%
Maximum term to maturity in days	<u>315</u>	<u>317</u>
Total Deposits from central banks and other institutions (A + B)	<u>\$ 6,712,413,781</u>	<u>\$ 4,965,031,119</u>

16. COMMISSIONS RECEIVED ON LOANS GRANTED

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

The amount of the fees received is considered in the estimation of credit risk provisions. Given this, the expense for provisions is limited to the amounts not covered by the fee and the deposit for the collection of future fees.

Credit risk fees are initially recorded as a liability, which will cease to be enforceable and become income for FLAR only if the member defaults on the contractual terms of the loan.

Otherwise, at the end 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 December 31, 2025, and 2024, amounting to \$384,467 and \$385,480, respectively, is due to a balance of payments loan disbursed on December 23, 2025, and a liquidity loan granted on August 14, 2024.

	December 31 2025	December 31 2024
Commissions received for loans granted	\$ 384,467	\$ -
Commissions received for advances	-	385,840
Total other liabilities	<u>\$ 384,467</u>	<u>\$ 385,840</u>

17. OTHER LIABILITIES

Other liabilities as of December 31, 2025, and 2024 correspond mainly to the technical capacity development program for member central banks, accounts payable to suppliers, the actuarial calculation of the retirement and health insurance plan of the defined benefit plan for retired personnel under the responsibility of FLAR, and other current liabilities as detailed below:

	December 31 2025	December 31 2024
Suppliers (1)	\$ 1,100,768	\$ 834,178

	December 31 2025	December 31 2024
Technical capacity development program for member central banks (2)	2,301,620	910,873
Post-employment benefits, pension payments (3)	184,248	165,887
Post-employment benefits medical plan pensioners (4)	57,682	44,046
Provision for possible pension contribution charges (5)	62,065	42,324
Other labor liabilities (6)	<u>2,326,120</u>	<u>1,979,834</u>
Other liabilities	<u>\$ 6,032,503</u>	<u>\$ 3,977,142</u>

- (1) Accounts payable to suppliers correspond to accounts payable due, related to FLAR's operating expenses, such as custody of securities, portfolio management, price providers, internal and external audits, and other general services.
- (2) In 2024, through Agreement No. 238, the Board authorized the distribution of a portion of annual profits for the creation and maintenance of a technical capacity-building program for FLAR members. The balances as of December 31, 2025, and 2024 correspond to the program's fund balance.
- (3) Present value of pension and post-employment medical plan payments for the two FLAR pensioners.

Corresponds to the present value of the pension liability and post-employment benefits of two pensioners:

	December 31 2025	December 31 2024
Post-employment benefits		
Changes in the obligation:		
Benefits accrued at the beginning of the period	\$ 165,887	\$ 484,399
Benefits earned during the period - Cost of service	15,495	37,442
Benefits paid	(18,773)	(79,543)
Devaluation effect	28,586	(59,356)
Pension liability adjustment - OCI	<u>(6,947)</u>	<u>(217,055)</u>
Benefits accrued at the end of the period	<u>\$ 184,248</u>	<u>\$ 165,887</u>

- (4) Corresponds to the present value of health insurance payments for the two (2) FLAR pensioners who are part of the pension benefits scheme:

	December 31 December 31, 2025	December 31 2024
Post-employment benefits medical plan for retirees		
Changes in the obligation:		
Benefits accrued at the beginning of the period	\$ 44,046	\$ 56,786
Benefits earned during the period - Cost of service	4,098	4,156
Benefits paid	(4,808)	(4,570)
Effect of devaluation	7,536	(7,495)
Pension liability adjustment-OCI	<u>6,810</u>	<u>(4,831)</u>
Benefits accrued at the end of the period	<u>\$ 57,682</u>	<u>\$ 44,046</u>

	December 31 December 31, 2025	December 31 2024
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Post-employment benefits medical plan for retirees

The following are benefit payments, which reflect future service and expected payments as of December 31, 2025, and the nine subsequent years, in accordance with the disclosure requirements of IAS 19 Employee Benefits:

Year	Pension Liabilities	Post- employment benefits
Year	\$ 21,687	\$ 6,241
Year 2	22,329	6,482
Year 3	22,850	6,697
Year 4	23,229	6,879
Year 5	23,442	7,022
Next 5 years	113,470	35,445

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

	Pension Liabilities	Post- employment benefits
Nominal discount rate	10.25%	10.25%
Nominal inflation rate	3.50%	3.50%
Nominal rate of pension increase	5.25% - 3.50%	N/A
Nominal medical inflation rate	N/A	7.25% - 5.50%
Census date of plan participants	11/30/2025	11/30/2025

(5) This corresponds to the provision for probable claims by former employees regarding pension contributions not made by FLAR prior to 1997. The calculation is based on the best estimate of an independent actuary and historical information in this regard. This provision will be reviewed and adjusted periodically.

(6) Value of current social benefits for current personnel.

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

	December 31 2025	December 31 2024
Payroll	\$ -	\$ 30,399
Severance payments	134,164	127,626
Interest pertaining to severance payments	15,750	14,829
Statutory and non-statutory vacation pay	244,803	211,648
Provident fund	<u>1,931,403</u>	<u>1,595,332</u>
Other labor liabilities	<u>\$ 2,326,120</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:

Member countries	December 31, 2025		
	Subscribed	Outstanding capital contributions	Paid-in
Bolivia	\$ 328,125,000	\$ 14,872,107	\$ 313,252,893
BC-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
Peru	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>

Member countries	December 31, 2024		
	Subscribed	Outstanding capital contributions	Paid
Bolivia	\$ 328,125,000	\$ 29,915,529	\$ 298,209,471
BC-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
Peru	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>
	<u>\$ 4,537,500,000</u>	<u>\$ 982,816,416</u>	<u>\$ 3,554,683,584</u>

FLAR may repay all or part of capital contributions to members who are 180 days or more behind in paying their obligations and who meet 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 form 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 December 31, 2025, and 2024, institutional reserves on FLAR's paid-in capital were 11.54% and 11.62%.

18.2 Other comprehensive income – This includes the remeasurements of the defined benefit plan and changes in the fair value of real estate, as detailed below:

	Balance as of January 1, 2025	New measurements	Changes in fair value	Balance as of December 31, 2025
Retirement allowances	\$ (30,935)	\$ 6,947	\$ -	\$ (23,988)
Post-employment benefits pensioners	<u>(1,093)</u>	<u>(6,810)</u>	<u>-</u>	<u>(7,903)</u>
Defined benefit plan	(32,028)	137	-	(31,891)
Real estate valuation	<u>1,471,935</u>	<u>-</u>	<u>1,357,521</u>	<u>2,829,456</u>
Total OCI	<u>\$ 1,439,907</u>	<u>\$ 137</u>	<u>\$ 1,357,521</u>	<u>\$ 2,797,565</u>

	Balance as of January 1, 2024	New measurements	Changes in fair value	Balance as of December 31 2024
Retirement allowances	\$ (247,990)	217,055	\$ -	\$ (30,935)
Post-employment benefits pensioners	<u>(5,924)</u>	<u>4,831</u>	<u>-</u>	<u>(1,093)</u>
Defined benefit plan	(253,914)	221,886	-	(32,028)
Real estate valuation	<u>1,787,124</u>	<u>-</u>	<u>(315,189)</u>	<u>1,471,935</u>
Total OCI	<u>\$ 1,533,210</u>	<u>\$ 221,886</u>	<u>\$ (315,189)</u>	<u>\$ 1,439,907</u>

Within the 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 December 31, 2025 and 2024, its composition was as follows:

Issuer type	December 31 2025	December 31 of 2024
Loans granted to central banks (CB)	<u>\$ 11,029,382</u>	<u>\$ 19,553,248</u>
Deposits from commercial banks (CA)	<u>113,667,369</u>	<u>96,749,122</u>
Governments and Quasi-Governments (FV)	91,327,560	48,882,820
Financial sector (FV)	18,516,551	15,251,510
Non-financial sector (FV)	<u>1,002,678</u>	<u>461,816</u>
A. Interest on investments at fair value through profit or loss	<u>110,846,789</u>	<u>\$64,596,146</u>
Governments and Quasi-Governments (AC)	19,619,759	12,082,286
Financial sector (AC)	31,680,727	32,381,315
B. Interest on investments at amortized cost	<u>51,300,486</u>	<u>44,463,601</u>

Issuer type	December 31 2025	December 31 of 2024
Interest on internally managed investment portfolios (A) + (B)	<u>\$ 162,147,275</u>	<u>\$ 109,059,747</u>
Governments and Quasi-Governments (FV)	5,316,346	5,526,184
Financial sector (FV)	11,424,708	9,154,883
Non-financial sector (FV)	7,158,036	8,501,903
A. Interest on investments at fair value through profit or loss	23,899,090	23,182,970
Financial sector (AC)	<u>710,114</u>	<u>793,446</u>
B. Interest on investments at amortized cost	<u>710,114</u>	<u>793,446</u>
Interest on externally managed investment portfolios (A) + (B)	<u>24,609,204</u>	<u>23,976,416</u>
Total interest income	<u>\$ 311,453,230</u>	<u>\$ 249,338,533</u>

As of December 31, 2025, interest income increased due to three main factors: (i) market rates remained above 3.5%, (ii) the size of the portfolios grew compared to 2024, and (iii) the composition between indexed instruments, which are valued at price, and bonds that separate their performance between interest accrual and valuation due to rate movements, was modified.

20. NET INVESTMENT PROFIT (LOSS)

All profits and losses resulting from changes in fair value, amortized cost, interest income and exchange differences related to portfolio investments are included in this category. As of December 31, 2025 and 2024, the breakdown was as follows:

Issuer type	December 31 2025	December 31 2024
Internally managed investment portfolios:		
Governments and Quasi-Governments	\$ 48,081,130	\$ 30,338,291
Financial sector	34,008,429	11,274,726
Non-financial sector	3,837,370	(290,564)
Derivatives	<u>(13,379,930)</u>	<u>9,462,342</u>
Investments at fair value through profit or loss	72,546,999	50,784,795
Governments and Quasi-Governments	16,239,761	25,127,309
Financial sector	37,258,211	76,198,675
Non-financial sector	<u>27,418,895</u>	<u>45,558,798</u>
Investments at amortized cost	80,916,867	146,884,782
(1) Subtotal internally managed investment portfolios	<u>153,463,866</u>	<u>197,669,577</u>
Externally managed investment portfolios:		
Governments and Quasi-Governments	10,225,951	(3,559,098)

Issuer type	December 31 2025	December 31 2024
Financial sector	309,508	3,456,241
Non-financial sector	(124,891)	1,519,584
Derivatives	<u>(267,345)</u>	<u>2,610,331</u>
Investments at fair value through profit or loss	10,143,223	4,027,058
Financial sector	415,582	609,067
Non-financial sector	<u>216,432</u>	<u>62,658</u>
Investments at amortized cost	632,014	671,725
(2) Subtotal of externally managed investment portfolios	<u>10,775,237</u>	<u>4,698,783</u>
(3) Special drawing rights	<u>349</u>	<u>19</u>
Net profit (loss) on investments (1+2+3)	<u>\$ 164,239,452</u>	<u>\$ 202,368,379.00</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 2025, interest rates remained high, which favored the performance of these instruments in the portfolios. This was in line with market behavior (see Note 2.1 – Significant events).

21. NET INCOME OBTAINED FROM FEES RECEIVED FOR PORTFOLIO ADMINISTRATION

These correspond mainly to fee income from the management of trusts under administration and demand deposits, as detailed below:

Fees	December 31 2025	December 31 2024
Commission income on demand deposits	\$ 209,548	\$ 224,547
Fiduciary asset management fee income	<u>666,742</u>	<u>784,357</u>
Commission income	<u>\$ 876,290</u>	<u>\$ 1,008,904</u>

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

Interest expense on deposits received from central banks and other institutions as of December 31, 2025 and 2024 is presented below:

	December 31 2025	December 31 2024
Interest in demand deposits received from central banks		
Interest in term deposits received from central banks	\$ (1,643,378)	\$ (1,638,131)
Interest in term deposits received from other institutions	(99,687,079)	(112,303,715)

Total interest expense

	<u>(122,979,125)</u>	<u>(127,906,424)</u>
	\$ (224,309,582)	\$ (241,848,270)

So far in 2025, interest expense has decreased, as have market interest rates and deposits in the Intermediation Portfolio.

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

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

	December 31 2025	December 31 2024
Provision for expected losses on investments at amortized cost of internally managed portfolios	\$ (325,053)	\$ 16,047
Release of provision for expected losses on investments at amortized cost of externally managed portfolios	<u>8,232</u>	<u>(6,409)</u>
Net income (expense) from expected credit losses on financial assets	<u>\$ (316,821)</u>	<u>\$ 9,638</u>

24. EMPLOYEE BENEFITS AND OPERATING EXPENSES

The accumulated employee and operating expenses correspond to the nonfinancial 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 December 31, 2025, and 2024 are presented below:

	December 31 2025	December 31 2024
Employee benefits	\$ (6,022,343)	\$ (5,538,795)
Operating expenses	(4,350,586)	(4,583,121)
Other operating expenses	<u>(124,060)</u>	<u>(55,730)</u>
Employee benefits and operating expenses	<u>\$ (10,496,989)</u>	<u>\$ (10,177,646)</u>

25. OTHER FINANCE INCOME AND EXPENSES

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 – mainly correspond to portfolio custody and administration expenses, expenses related to the management of fiduciary asset contracts, interest on pension liabilities, credit studies and approvals, expenses for debt issuance studies, and others.

As of December 31, 2025 and 2024, other income and expenses are detailed below:

	December 31 2025	December 31 2024
Other Income: Interest generated by accounts listed in pesos	\$ 92,840	\$ 35,816
Custody and portfolio management fees	(1,285,909)	(1,111,209)
Expenses associated with trust asset contracts	(211,101)	(177,456)
Studies and credit approval	(176,335)	(60,061)
Issuance and other expenses	(116,161)	(143,440)
Other expenses	<u>(1,789,506)</u>	<u>(1,492,166)</u>
Other Income and Expenses	<u>\$ (1,696,666)</u>	<u>\$ (1,456,350)</u>

26. TRUST 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 grantor.

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:

	December 31 2025	December 31 2024
Trust for administration, monitoring, and risk control	<u>\$ 583,437,224</u>	<u>\$ 818,444,947</u>

27. RISK MANAGEMENT

As part of its mandate as a multilateral international financial organization, FLAR is exposed to a variety of risks, including market risk (interest rates, stock prices, exchange rates), credit risk (in its investment portfolio, intermediation, and loans 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 concerning FLAR's financial management and is informed about the level of risk to which FLAR is exposed, as well as management results related to portfolio performance, composition, risk, compliance with investment guidelines, and leverage operations.

The 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 event that could entail operational risk.

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 using a comprehensive approach to the financial balance sheet. The investment objectives of FLAR's investment portfolios are to preserve nominal capital over a three-year horizon and generate a positive net interest margin while assuming moderate credit risk and maintaining ample liquidity (see Note 5 - Main policies for asset management).

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

27.2. Market risk - Given the nature of FLAR's investments, market risk is mainly associated with interest rate risk and, to a very small extent, exchange rate risk, as explained below:

i. Interest rate risk:

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

This measure is defined as the difference between the price sensitivity of interest-bearing assets and that of liabilities to a change in market interest rates.

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

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

Components of the duration gap (in years)	December 31, 2025	December 31 2024
Asset duration	0.99	0.80
Liability duration	0.10	0.07
Liabilities/Assets	0.60	0.54
Duration gap	0.93	0.77

The duration gap is calculated using the duration of assets and the contribution to the Liability duration. The latter considers the ratio of liabilities to assets.

Given these exposures, if interest rates move in parallel by 10 basis points, the impact on FLAR would be \$4.10 million as of December 31, 2025, and \$3.20 million as of December 31, 2024.

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

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

	December 31, 2025	December 31 2024
Portfolio duration	2.25	1.69
Benchmark duration	1.79	1.34

Market risk in the Aggregate Investment Portfolio is measured using Value at Risk (VaR). The methodology used to calculate Value at Risk is an ex-ante parametric model. The horizon used is one day, calculated with daily data from the last 18 months and a significance level of 5%.

The VaR of the Investment Portfolio is presented below:

	December 31, 2025	December 31 2024
VaR (\$ millions)	<u>\$7.31</u>	<u>\$ 7.30</u>
VaR (bp)	18.80 bps	19.2 bps

In other cases, the interest rate risk in the other portfolios that are not actively managed (operations portfolio, working capital portfolio, and intermediation portfolio) is low. In the operations Portfolio, loans bear interest at the SOFR rate; in the Intermediation Portfolio, the matching of assets and liabilities is very close (see liquidity risk below); and in the Liquidity Portfolio, funds are held in demand accounts and other short-term investments.

ii. Foreign exchange risk:

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

Foreign exchange exposures are managed within the parameters of the policies that have been approved in the 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 exposure to the different FLAR portfolios.

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

Subject to the above restriction, the purchase of bills and notes issued by agencies, sovereign governments, multilateral institutions, private companies, and financial institutions in currencies other than the dollar is permitted up to 50% of the portfolio. The sub-portfolios of the Aggregate Investment Portfolio held positions in currency *forwards* in the following amounts:

	Exposures December 31, 2025	Exposures December 31, 2024
Foreign exchange forward positions	0.00	0.03

- Other portfolios without active management (Operations Portfolio, Liquidity Portfolio, Intermediation Portfolio): In other portfolios, transactions will be designed so that FLAR does not have material exposure to exchange rate risk against the US dollar.
- Operating expenses in Colombian pesos: To mitigate the effect of peso fluctuations on operating expenses, an annual estimate is made of the expenses that involve exchange rate exposure to this currency, the equivalent amount is converted into Colombian pesos and invested in deposits. (See Note 8 - Investment Portfolio). These investments decrease as the operating budget is executed.

As of December 31, 2025 and 2024, there were no current investments in Colombian pesos.

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

FLAR is exposed to credit risk in:

- i. *Loans made 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 as a result of the de facto PCT that member countries have given to FLAR throughout its history, 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 of investments is monitored by FLAR's Risk Management Department, 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 and market signals (see Issuer Credit Assessment Process below).

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

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

Credit risk is managed by giving preference to high credit ratings for exposures, diversifying sectors, and ensuring adequate granularity in exposures to individual short- and medium-term issuers.

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

During 2025, the ALCO determined the target range for term deposits in the Intermediation Portfolio. The range varied throughout the year, with a minimum of USD 4 billion and a maximum of USD 5 billion, allowing for a deviation of up to USD 500 million around each range. During that period, the minimum value of the portfolio's monthly closings was USD 4.024 billion in May, and the maximum was USD 4.912 billion in February.

As of December 31, 2025, investments in the Intermediation Portfolio that matched term deposits received were \$6.427 billion. As of December 31, 2024, investments in the Intermediation Portfolio that matched term deposits received were \$4.816 billion.

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

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

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

The evaluation criteria are different for financial and corporate issuers, ensuring that the former have capital adequacy ratios that meet the minimum regulatory requirements established in Basel I and the updates to capital quality established in Basel III, have solid liquidity conditions, and are systemically important within the sector.

For the latter, the aim is for them to have a competitive and leading position in the industry, healthy credit metrics, financial flexibility, and conservative management.

Credit limits depend on the maturity date. For medium-term investments (maturity greater than 397 days), the limit is 0.5% of the market value of the respective portfolio for corporate issuers and 3% and 5% (depending on credit rating) for supranational, sovereign, and government-related issuers. For money market investments or short-term investments (up to 397 days to maturity), exposure limits of 1% are applied for non-financial issuers and 3% for banks, financial institutions, multilateral issuers, and quasi-governments. In addition, countries with AAA, AA, and A credit ratings and sufficiently large GDPs (USD billions) and classified in BICRA groups 1 to 3 may have exposure to their securities of up to 25%, 15%, and 5%, respectively, of the market value of the portfolio.

Meanwhile, overnight deposits with systemic commercial banks have a limit of up to USD 600 million.

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

ETFs follow a passive investment strategy with specific characteristics depending on the type of asset, replicating indices such as the S&P 500, agency MBS, or investment-grade corporate bonds. They only invest in instruments that are part of the index or that represent it through an optimized sample.

The following tables present the composition by sector and rating (using the S&P scale) of FLAR's investments as of December 31, 2025, and 2024, respectively.

**Composition by sector and credit quality as of December 31, 2025
(in millions of USD)**

Sector	Medium-term ratings			Short-term ratings		Unrated	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	-	-	-	-	-	-	500.7	500.7	4.5%
Cash	-	-	-	11.5	-	-	-	11.5	0.1%
Money Market	1,288.8	-	-	4,230.1	505.4	-	-	6,024.2	54.1%
Supranational and quasi-governmental	182.4	447.4	9.7	1,747.0	10.1	-	-	2,396.6	21.5%
US Treasury bonds	-	56.2	-	-	-	-	-	56.2	0.5%
TIPS	-	276.5	-	-	-	-	-	276.5	2.5%
US Treasury bills	-	-	-	212.2	-	-	-	212.2	1.9%
US agencies	95.2	-	-	-	-	-	-	95.2	0.9%
MBS	331.8	110.1	-	-	-	-	-	441.9	4.0%
TBA	3.0	10.3	-	-	-	-	-	13.3	0.1%
ABS	10.5	-	-	-	-	-	-	10.5	0.1%
SDR	0.0	-	-	-	-	-	-	0.0	0.0%
Corporate	18.4	209.7	306.6	116.1	50.7	-	-	701.5	6.3%
ETF	-	-	-	-	-	229.5	-	229.5	2.1%
Accounts receivable and deposits receivable	-	-	-	163.1	-	-	-	163.1	1.5%
Futures margin accounts	-	-	4.8	-	-	-	-	4.8	0.0%
Forwards with positive valuation	-	-	-	-	-	-	-	-	0.0%
Cash Collateral with positive valuation	-	-	0.0	-	-	-	-	0.0	0.0%
Swaps with positive valuation	-	-	-	-	-	-	-	-	0.0%
Total by rating	1,930.1	1,110.3	321.0	6,480.0	566.2	229.5	500.7	11,137.7	100%
% Total by grade	17.3%	10.0%	2.9%	58.2%	5.1%	2.1%	4.5%	100.0%	

Source: Risk Management Department.

Includes the effect of provisions for expected losses. Does not include cash and investments in Colombian pesos amounting to \$0.24 million. Taking into account the item Property and equipment, net, Other assets of \$3.6 million and \$1.2 million, respectively, the total value of assets is \$11,142.7 million.

**Composition by sector and credit quality as of December 31, 2024
(in millions of USD)**

Sector	Medium-term ratings			Short-term ratings		Unrated	Credit Operations Sub-portfolio	Total by asset class	% Total by asset class
	AAA	AA	A	A-1	A-2		Liquidity Credit		
Liquidity Credit	-	-	-	-	-	-	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
Supranational and quasi-governmental	501.9	467.4	86.9	797.5	-	-	-	1,853.7	20.2
US Treasury bonds	-	219.2	-	-	-	-	-	219.2	2.4%
TIPS	-	415.4	-	-	-	-	-	415.4	4.5%
US Treasury bills	-	-	-	89.0	-	-	-	89.0	1.0
US 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 ratings	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 Department.

Includes the effect of provisions for expected losses. Does not include cash and investments in Colombian pesos amounting to \$0.3 million. Taking into account the items Property and equipment, net, and Other assets amounting to \$2.3 million and \$1.1 million, respectively, the total value of assets is \$9,194.1 million.

27.4. Liquidity Risk - Liquidity risk is defined as the risk that an institution will not be able to access sufficient cash and liquid assets to meet its obligations.

The main objective of FLAR's liquidity management is to have resources available to meet credit demands from member countries in a timely manner, with low settlement costs for the securities that make up the portfolios, and to have the necessary liquidity to meet its 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 asset management policies).

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

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

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

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

**Maturities by tranche and type of asset and liability as of December 31, 2025
(in millions of USD)
Financial assets**

Expiration	Less than one month	Between one and three months	Between three and six months	Between six months and one year	Between one and two years	More than two years	Total
Cash	11.5	0.0	0.0	0.0	0.0	0.0	11.5
Financial instruments and term deposits	5,317.2	1,005.8	492.1	1,338.6	321.5	1,982.4	10,457.7
Credits to central banks	0	0	0	0.0	0.0	500.7	500.7
Foreign exchange portfolio	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accounts receivable on sales of financial instruments	163.1	0.0	0.0	0.0	0.0	0.0	163.1
Derivative financial assets	4.8	0.0	0.0	0.0	0.0	0.0	4.8
Total	5,496.5	1,005.8	492.1	1,338.6	321.5	2,483.1	11,137.7

Source: Risk Management Department.

Includes the effect of provisions for expected losses. Does not include cash and investments in Colombian pesos for \$0.2 million. Considering the item Property and equipment, net, other assets of \$3.6 million and \$1.2 million, respectively, the total value of assets is \$11,142.7 million.

Financial liabilities

Expiration	Less than one month	Between one and three months	Between three and six months	Between six months and one year	Between one and two years	More than two years	Total
Financial liabilities (term deposits)	5,219.8	879.0	272.9	309.8	0	30.9	6,712.4
Accounts payable on purchases of financial instruments	16.3	0.0	0	0.0	0.0	0.0	16.3
Derivative financial liabilities	0.1	0.0	0.0	0.0	0.0	0.0	0.1
Total	5,236.2	879.0	272.9	309.8	0.0	30.9	6,728.8

Source: Risk Management Department.

Does not include other liabilities and commissions received for loans granted in the amount of \$6.0 million and \$0.3 million, respectively.

Maturities by tranche and type of asset and liability as of December 31, 2024 (millions of USD) Financial assets

Expiration	Less than one month	Between one and three months	Between three and six months	Between six months and one year	Between one and 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 deposits	3,452.9	1,742.0	519.7	369.6	565.7	2,073.1	8,723.1
Central Bank Loans	0	0	0.0	310.2	0.0	0.0	310.2
Foreign exchange operations 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
						1	

Source: Risk Management Department.

Includes the effect of provisions for expected losses. Does not include cash and investments in Colombian pesos amounting to \$0.3 million. Taking into account the items Property and equipment, net, and other assets amounting to \$2.3 million and \$1.1 million, respectively, the total value of assets is \$9,194.1 million.

Financial liabilities

Expiration	Less than one month	Between one and three months	Between three and six months	Between six months and one year	Between one and two years	More than two years	Total
Financial Liabilities (deposits)	3,956.0	661.6	165.1	182.2	0.	0.0	4,965.0
Accounts payable on purchases of financial instruments	56.3	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 Department.

Does not include other liabilities and commissions received for loans granted in the amount of \$3.9 million and \$0.4 million, respectively.

As of December 31, 2025 and 2024, liabilities are appropriately matched by assets with similar maturities, which would allow FLAR to meet its obligations without having to liquidate investments. These assets greatly exceed FLAR's liabilities. Additionally, it should be noted that a high proportion of FLAR's assets mature in less than one year.

The previous section presented the composition of instruments by credit rating. As of December 2025, 87.2% of FLAR's reserve assets were in high-quality credit instruments that are significantly liquid.

27.5. Risk- Adjusted capital - Due to its nature as an international organization, FLAR is not subject to regulatory capital compliance as is the case with private financial institutions globally. According to capital adequacy assessments conducted by credit rating agencies, FLAR has a level of financial strength and solvency considered "very strong" by *Standard and Poor's* (S&P). *Moody's*, for its part, considers FLAR's capital adequacy to be "a2."

In FLAR's capital adequacy assessment, rating agencies favorably evaluate its status as a preferred creditor, backed by paid-in capital contributions and reserves from member countries, the high credit quality of its assets, and zero leverage, given that as of December 31, 2025, there are no outstanding debt issues.

One way to view capital adequacy is through the risk-adjusted capital (RAC, s.i.) indicator. To measure this indicator, an internally developed risk-adjusted capital index methodology is used, which is based on the weightings of the S&P methodology and other assumptions made by the Risk Management Department.

As of December 31, 2025, this indicator was 54%, compared to 76% as of December 31, 2024.

28. RELATED PARTIES

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

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

- Receipt of contributions to paid-in capital and institutional reserves (see Note 18 – Equity).
- Granting of loans under established lines (see Note 12 – Loans to central banks).
- Commissions received for loans granted.
- Receipt of demand and time deposits (see Note 15 – Deposits received from central banks and other institutions).

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

The following table lists the values of related-party transactions as of December 31, 2025, and 2024:

Statement of Financial Position

As of December 31, 2025	Members
Assets	
Loans granted to central banks	\$ 500,709,861
Liabilities	
Demand deposits	130,302,124
Term deposits	2,926,581,207
Commissions received on loans granted	384,467
As of 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

	As of December 31, 2025	Members	Key management personnel
Profit			
Interest income on loans granted		\$ 11,029,382	
Interest on demand deposits		(1,643,378)	
Interest on time deposits		(81,624,655)	
Employee compensation management key			(1,913,497)

	As of December 31, 2024	Members	Key Management Personnel
Profit			
Interest income on loans granted		\$ 19,553,248	
Interest on demand deposits		(1,638,131)	
Interest on time deposits		(98,218,268)	
Employee compensation management key			(1,828,277)

29. EVENTS AFTER THE CLOSING DATE

The FLAR administration has evaluated subsequent events that occurred from January 1, 2026, to the date of issuance, February 19, 2026, when the Financial Statements were available for issuance, and determined that no additional material subsequent events have occurred other than those mentioned above that require recognition or disclosure of additional information in these statements.

30. APPROVAL OF THE FINANCIAL STATEMENTS

On February 4, 2026, the Assets and Liabilities Committee reviewed, approved, and authorized the Financial Statements completed as of December 31, 2025, to be presented to the Audit Committee at the XVIV meeting to be held on February 24, 2026. The Audit Committee will in turn review the financial statements for approval, together with the audit opinion, for presentation to the Board of Directors at the CXV ordinary meeting of the Board of Directors to be held on March 16, 2026, for their respective disclosure. Finally, the Assembly, at its XXXVI ordinary meeting on March 19, 2026, will review and approve the financial statements for publication.