



January | 2025

Annual Report of Corporate Governance

Popular Bank Ltd. Inc.

Annual report of corporate governance structure, principles, rules and practices and their applications during the period of January -December 2024.

This report has been approved by the Board of Directors of Popular Bank Ltd. Inc.
at its regular meeting of March 17, 2025.

1. INTRODUCTION.

This Annual Report of Corporate Governance (hereafter the “Report”) contains the description of issues related to the corporate governance regime of Popular Bank Ltd. Inc. (hereafter “Popular Bank”) during 2024. Through this report, Popular Bank fulfill its responsibility of reporting the main advances and the good management of corporate governance throughout the year, showing its commitment with the measurement, evaluation and improvement of the internal practices that impact on corporate objectives in a framework of prudent and efficient administration. At the same time, this report fulfills the Principle VIII of the Declaration of Principles on Information and Transparency, which aims to consummate the duty of accountability of the entity and members of its Board of Directors.

This document is the eleventh report on Corporate Governance rendered by Popular Bank Ltd. Inc. The report is for informational purposes, in which it shows the performance of the governing bodies (Shareholders, Board of Directors and its Committees) serving as a communication tool toward the different stakeholders of the entity (shareholders, staff, customers, suppliers, regulators, community in general).

Today, there is no doubt of the relevance that the understanding of the concept and application of the rules of corporate governance has for the business world and, above all, for the scope of the companies that perform or base their operations in financial activities. As indicated by bodies such as the Organization for Economic Cooperation and Development (OECD) corporate governance is the main tool of control and risk mitigation in the sphere of financial institutions around the world.

For our institution, Corporate Governance is the set of principles, policies, practices and actions of management, administration and control, aimed to create, promote, strengthen, consolidate and preserve a culture based on corporate transparency. The Superintendency of Banks of Panama, through Agreement 05-2011 of September 20, 2011, modify by the Agreements 4-2012, 5-2014, 8-2019 and 2-2023, establishes guidelines for banks to conduct their businesses within the framework of good Corporate Governance.

One of the most important elements of the entire system of corporate governance is constituted by the ongoing evaluation and improvement of the rules and practices in this area. In this sense, during 2024, Popular Bank reviewed policies governing the field of corporate governance with the purpose of verifying its compliance and adherence to their guidelines.

Since January 2014, Popular Bank joined as a member of the Institute of Corporate Governance Panama, participating each year in the election of its Board of Directors and in conferences of interest that are organized throughout the year. During 2024, the Institute of Corporate Governance Panama (IGCP in Spanish) organized the IX Corporate Governance Congress under the topic “Technology and Governance in the Digital Era”, which included the participation of national and international speakers, experts in those subjects, who addressed the challenges and

opportunities that arise with technological evolution, as well as the importance of effective governance that ensures the sustainability and long-term success of organizations.

The Vice president of Compliance served as member of Training Committee of the Board of Directors of the Institute of Corporate Governance Panama, by April 2024.

The *Institute of Corporate Governance Panama* (IGCP in *Spanish*) is the main center in Panama for the training, dissemination, and research in relation to corporate governance and the center in which to share knowledge and experience on the subject. It is a member of the regional network of similar institutes in the countries of Latin America, *Latin American Institutes of Corporate Governance* (IGCLA in *Spanish*), for which it is recognized as the local authority on corporate governance.

Principles of Corporate Governance

Popular Bank has a Declaration of Principles of Corporate Governance in line with Grupo Popular principles, wherein it establishes explicitly the principles that ruled our corporate structure, its functioning and performance, as well as the relations with its shareholders, directors, management, staff and third parties with which it has relationships. Since 2023, our Declaration of Principles include the principle of “Corporate Governance Framework Purpose” and renamed the principle of Social Responsibility to consider the concept of Corporate Citizenship, which refers to the consideration of the legal person as a citizen with responsibilities and actions, that make an impact in the society.

This Declaration of Principles is based in the principles described as follows:

Principles
I. Corporate Governance Framework Purpose
II. Objective, Responsible, Capable and Prudent Management
III. Protection and defense of the interests of the Shareholders
IV. Stakeholders
V. Corporate Citizenship and Social Responsibility
VI. Ethical Conduct
VII. Conflict of Interest
VIII. Information and Transparency
IX. Audit, Internal Control and Risk Management
X. Regulatory Compliance
XI. Anti-Money Laundering and Financing of Terrorism

2. OWNERSHIP STRUCTURE.

The Ownership Structure of an enterprise refers to the information on the composition of the capital shares, as well as the applicable conditions for the decision-making by the shareholders.

2.1. Authorized Capital.

Authorized Capital
USD150,000,000.00

2.2. Number of shareholders and means of participation.

Number of Shareholders
1

Name of the Shareholder
Grupo Popular, S.A.

Number of authorized and issued shares
2,300,000 (Common Shares)

2.3. Information Regime.

In general, to the shareholder status is inherent a set of rights, among which is the right to information.

2.4 General Shareholders Meeting.

The General Shareholders Meeting is the highest authority of the company, which has as its main functions to elect the members of the Board of Directors and reform, among others the Articles of Incorporation, which is the main document of the Corporation, through which it is created and where clauses of great importance such as the name of the Corporation, the purposes of the same, the capital, the amount and type of shares are established.

2.4.1. Meeting and Rules.

In accordance with Article 3 of the Articles of Incorporation, the Shareholders' Meeting is held annually within the first four (4) months of the year, for the election of directors and carrying out any other business that are submitted properly to the session.

2.4.2. Meetings during 2024.

During 2024, were carried out one shareholder meetings, held in March 22, 2024.

2.5 Relations with Shareholders.

Principle III of our Declaration of Principles establishes the Bank's commitment, and particularly of the Board and Senior Management with the recognition, promotion and protection of parity among shareholders and establish measures to promote and safeguard this and other rights that such status gives them.

3. MANAGING BODIES.

3.1 Board of Directors.

In accordance with the provisions of Law 32 of February 26, 1927, the businesses of the corporation shall be managed and directed by the Board of Directors ("Board"), which shall act in accordance with the provisions of the Law, the Articles of Incorporation or by laws of the Corporation. In Popular Bank, the Board is the highest supervisory, control and management body.

The Charter of the Board of Directors, available in the Corporate Governance Manual, establishes the principles of action of this body, regularizing its organization and operation, in addition to setting standards of conduct for its members in order to achieve the greatest degree of optimization of their management

For the 2024 period, the Board consisted of eleven (11) members, two (2) of them meet the conditions established in Article 2 of Agreement 05-2011, Corporate Governance, to qualify as independent directors.

The following table shows the composition of the Board during the reporting period and the regulatory classification of the directors.

Nombre	Cargo
Luis E. Espínola M.	Director - Chariman
Alex Pimentel M.	Director- First Vicepresident
Práxedes Joaquín Castillo B	Director – Secretary
A. Alejandro Santelises	Director - Treasurer
José A. Bermúdez M.	Director
Néstor Moreno S.	Independent Director
Erich Schumann	Independent Director
Antonia Antón E.	Director
Juan Lehoux	Director
Enrique M. Illueca	Director
Lissette De Jesús Montero	Director

There were no new members in this managing body during this period, as per approved in the Annual General Meeting held on March 22, 2024.

Remuneration.

The remuneration payable to each External Member of the Board is made under a schema proposed by the Nomination and Remuneration of Grupo Popular, S. A., and approved by the Board of Directors of Grupo Popular, S. A.

In June 2014, Popular Bank adopted the Remuneration and Viaticum Policy for External Members of the Board of Directors and its Committees, whereby it sets out the manner in which they will be remunerated.

Ethics and Conduct.

Conflicts of Interests. The Superintendency of Banks, through Agreement 05-2011 on Corporate Governance, requires that banks have a Code of Conduct that has guidelines related with conflict of interests, among other issues.

In this sense, and as an essential element of its business model, Popular Bank has a Code of Ethics, which established the corporative values and behavior standard, being this document that led the principles that guide organizational behavior.

The Ethic and Conduct Code was reviewed and approved in September 2024, updating the guidelines of Anticorruption and Prevention of Bribery in order to incorporate prohibitions contained in guidelines of Superintendency of Banks of Panama through the Integrity Guidelines for banking sector, which is aligned with policies on this subject contained in the Manual of Prevention of Money Laundering, Financing of Terrorism and Financing of Proliferation of Weapons of Massive Destruction.

Likewise, the Corporate Governance Manual contains the Policy of Management of Conflicts of Interest which establishes the prevention and resolution mechanisms in cases where there are or arise conflicts of interest, real or potential, or when its occurrence cannot be avoided, defining rules for its treatment that are applicable to the Members of the Board.

3.2. Members of the Board of Directors.

Rights and Responsibilities.

The Charter of the Board establishes the rights and duties of the members in the performance of their charges.

The main rights are described in the Article 6 of the Charter:

- Constant and sufficient information;
- Assistance by experts;
- Training;

- Remuneration; and
- Dissenting vote.

The main duties are found described in the Article 7 of the Charter:

- Attendance to meetings of the Board and the committees in which they acted as members;
- Active participation in the meetings;
- Diligence;
- Fidelity;
- Information;
- Ethical behaviour;
- Self evaluation of its own practices
- Loyalty; and
- Confidentiality.

Membership Criteria.

The participation as member of the Board is subject to compliance with certain rules and with the requirements, aptitude and minimum professional qualifications set out in the Charter. Note that as a condition to be member of the board of directors of banking entities in Panama, the Agreement 5-2011 of Corporate Governance states the following: it must be a "natural person with relevant knowledge or experience regarding the operations and the risks inherent to banking activities".

As a general condition and in attention to Article 15 of Banking Law, the Article 14 of the Charter, states that "Cannot act as a director or officer any person who has been a director or officer of a bank at the time of its forced liquidation or that participated in the management of a bank and found responsible for actions leading to its forced liquidation."

Independent Members.

As per Agreement 05-2011 of the Superintendence of Banks, it is required that the Board has at least two (2) independent directors.

The qualification as an independent member was defined through a questionnaire that takes into consideration the aspects indicated in the Agreement 05-2011, as amended by Agreement 05-2014 (definition of independent director), as well as the provision of Article 199 of the Banking Law (definition of a banking consumer).

This questionnaire is updated annually to validate that the conditions that allow the director to assess his qualification as "independent" are maintained.

3.3. Committees of the Board.

General Rules

The Committees of the Board are specialized bodies that are intended to assist the Board in its work, knowing and analyzing issues and particular aspects.

Article 18 of Agreement 05-2011 recommends, depending on the risk profile of the bank, the establishment of committees of the Board, which shall have their respective charters.

The Committees of the Board are regulated by the agreements issued by the Superintendency of Banks, which are integrated into the Manual of Corporate Governance.

The Board has approved the establishment of the following committees:

- Risk Committee
- Audit Committee
- Corporate Governance Committee
- Prevention of Money Laundering Committee
- Credit Committee

The inner workings of the committees shall meet the operating rules set out in the Charter of the Board of Directors for effects of calling the ordinary or extraordinary sessions, voting, and registry of minutes and other issues of the meeting.

Each committee has its own charter, which contains the rules for its operations and responsibilities, all of which is approved by the Board.

Ethics Policies and Behaviour.

In adherence to Principle V of the Declaration of Principles of Corporate Governance, Popular Bank recognizes the ethical conduct as an essential factor in our institution. The special provisions that are applicable are available through the Code of Ethics of Popular Bank, whereby the Bank establishes as a duty of the Board in conjunction with senior management, to encourage members of the Bank to show the highest level of personal conduct, regardless of the position or office they hold.

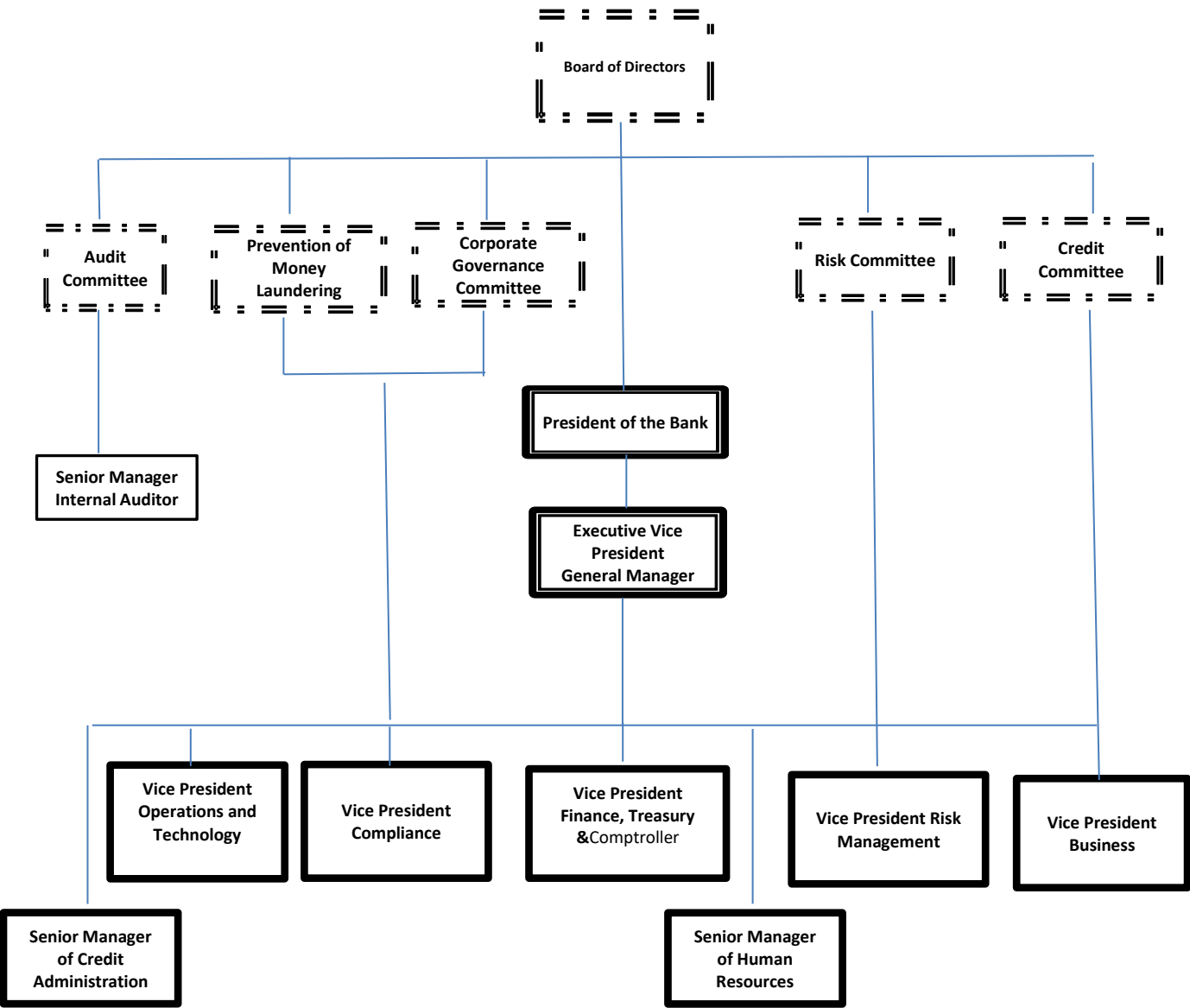
Evaluation.

In compliance with the provisions of both the Manual of Governing Bodies of Grupo Popular, S. A., to which we adhere, as well as with those of Article 13 of Agreement 05-2011 on Corporate Governance related to the assessment and self-assessment of governing bodies, Popular Bank developed the Policy of Evaluation of the Board and its Committees. This policy purpose is to evaluate the performance of the Board and its Committees, in order to identify strengths and opportunities for improvement.

During 2024, the Bank carried out the exercise to evaluate the performance of the Board and its Committees for the 2023 period.

3.5. Senior Management.

Structure.



The Management of Popular Bank attends to an organizational structure that allows it to operate in an efficient manner, according with the line of business and current regulations, ensuring that it provides a quality service to its client, leveraged on state-of-the-art technology and with a human resource characterized by the highest ethical standards.

The structure has been established in response to the recommendation of the Executive Vice President- General Manager and its approval corresponds to the Board of Directors.

4. TRANSACTIONS WITH RELATED PARTIES.

Popular Bank, as an entity regulated by the Superintendency of Banks, is subject to the provisions on related parties set out in Articles 95 and 96 of the Banking Law and Agreement 06-2009, as amended by Agreements 05-2013, 05-2016 and 10-2019 on Limits of Risk Concentration to Economic Groups and Related Parties.

In its ordinary business course, Popular Bank has entered transactions with certain related parties such as: shareholders, unconsolidated companies, directors, and key management personnel. Loans to Directors and officers of Grupo Popular or Subsidiaries are granted with the same terms and conditions that are available to other clients of the Bank.

5. RISK MANAGEMENT.

5.1. Risk Management.

Risk management constitute an essential element of the process of internal governance of Popular Bank, a process that is kept aligned with the rules governing the subject that have been issued by the Superintendency of Banks of Panama. Likewise, the risk management take into consideration the methodologies and good practices of principles established by the Banking Supervision Committee of Basilea.

According to Principle IX of the Declaration of Principles, Popular Bank "is committed to meet the applicable regulatory guidelines, established internal guidelines that allow the audit and control of its processes, the measure of its different risks and consequently, its mitigation and exposure, like a Society and as part of entities of Grupo Popular. Likewise, it "recognizes the obligation and the importance of complying with the minimum requirements of internal governance established by the law and regulations, and especially for having adequate risk control systems, independent internal control mechanisms and establishing clearly and in writing its administrative policies, as well as institutional schemes in order to conduct these functions. In this sense, it commits itself to have updated written policies in all matters related to granting of credit, investment regime, and evaluation of asset quality, adequacy of provisions and management of various risks.

The Bank has a Manual of Prevention of Money Laundering, Financing of Terrorism and Financing of Proliferation of Weapons of Massive Destruction, which contains policies and procedures related with knowledge of customers, assesses its transactional profile, establishment of risk level of the customer and ensures the compliance of the dispositions that regulate the prevention of inappropriate use of banking and trust products and services.

As part of this principle, Popular Bank has integral processes that include the management of the various risks to which it may be exposed and adequate information systems.

This commitment includes the duty to structure the necessary bodies to obtain an accounting oversight and effective internal control procedures that allow the analysis of the financial and operational status of the entity and adequately control the risks involved in the operations. At the same time, maintain a system of internal control appropriate to the nature and scale of its activities and count with integrated processes that includes the administration of the various risk to which it may be exposed, adequate information systems and an internal structure of governance consistent with the needs of the appropriate management of those.

5.2. Internal Control.

Popular Bank, as a subsidiary of Grupo Popular, S. A., is characterized for having a conservative risk culture. The recognition of the importance of internal control arises from the provisions of the Declaration of Principles, which in Principle IX states that "this commitment to [establish comprehensive criteria] includes the duty to structure the necessary bodies to obtain an accounting oversight and effective internal control procedures that allows the analysis of the financial and operational status of the entity and adequately control the risks involved in the operations. At the same time, maintain a system of internal control appropriate to the nature and scale of their activities."

On this subject, a set of policies manuals have been defined that addresses the standards established in the laws and regulations in force, as well as the best practices applicable to the management of the various risks inherent to the bank's operations.

5.3. System of Regulatory Compliance.

Popular Bank is part of the overall system of regulatory compliance established by Grupo Popular, S.A.

The use of this system seeks to establish an overall structure at Group level, that allows the measurement, assessment, monitoring and supervision of regulatory compliance and thereby reduce to a minimum the contingencies related to possible breaches of applicable standards and regulations.

5.4. Reputational Risk.

The Policy of Regulatory Compliance also takes into consideration the assessment of reputational risk, that is, the risk that is assumed before an adverse assessment by the stakeholders or the market in general as a consequence of a situation, or a constant or habitual violation of the inherent regulatory provisions applicable to the entity.

5.5 Prevention of Money Laundering.

The commitment to comply with the policies and recommendations on matters of prevention of money laundering and financing of terrorism is provided as part of our legislation through the Banking Law and Agreements of the Superintendency of Banks.

Among the principal topics carried out during 2024, we highlight the following:

- Review and tuning of the Methodology of Customer Risk Classification in the systems and applications of the bank.
- Stabilization of transactional monitoring system, due to the update of the version.
- Independent evaluation to controls related to prevention of money laundering, financing of terrorism and financing of proliferation of weapons of massive destruction.
- Compliance with the requirements of the Common Reporting Standard (CRS) and Foreign Account Tax Compliance Act (FATCA) which requires Financial Institutions in Panama to deliver account information to ninety (90) jurisdictions.
- Participate in the evaluation of new channels, processes, and tools to be used by the Bank, participating in the evaluation of the Projects developed during 2024 in order to identify and manage risks associated and mitigate them.
- Review and update of policies, procedures, and controls for the prevention of money laundering, financing of terrorism and proliferation of weapons of mass destruction applicable to the Bank under its Banking and Trust License.

6. RELATION WITH CLIENTS AND USERS.

It refers to relevant information on the system of relationship and attention to customers and users of financial services provided by the entity.

6.1. Rights and Protection of the Users.

Popular Bank, in its Declaration of Principles, states "Specifically, as a mechanism for ensuring the rights of clients, it is committed to make absolute implementation and enforcement of the rules that have been established by competent bodies on the subject of protection of users. At the same time, Popular Bank assumes this commitment without restricting its right to demand the rights that as a provider of financial products and services are recognized and entitled by the Constitution and laws."

6.2. Claim Process.

Popular Bank records the complaints or requests received from customers by writing, face to face or through Internet Banking. The Follow-Up of Customers' Complaints is carried out through a technologic tool.

The Area of Operations is responsible for the administration, control and follow-up of the registered claims, by managing the process following the Policy and Procedure for Receipt of Complaints and Inquiries contained within the Operations Manual.

6.3. Transparency and Dissemination of Information.

Popular Bank is governed by the rules established, on the subject of transparency of information, through Agreement 01-2011 which sets as Principle of Transparency of Information that "Banks shall promote transparency of information as a mechanism that will allow the users of banking services

and the general public to know, at any time, the banking operations and services and take well-informed decisions based on this premise.”

As part of the process of transparency, Popular Bank publishes through its website (www.popularbank.com.pa) information related to the fees of products and banking services, consolidated audited financial statements, annual risk rating report, among others.

7. SOCIAL RESPONSIBILITY.

It refers to the information above the principles, structure and policies on social responsibility matters conceived by the entity, as well as the practice of those during the period that is inform, in particular.

The Declaration of Principles of Popular Bank includes social responsibility as one of its essential pillars. In this sense, Principle IV states that it *"recognizes the importance of carrying out its business activities and financial operations within a framework of social responsibility. The bank, and in particular its Board of Directors and Senior Management, is committed to society to fulfill and perform voluntarily, initiatives and projects that could be oriented to social development in health, education, social management, culture and environment, as well as to progressively develop and implement policies tending to project into its business activities and as an enterprise, with the various stakeholders, these socially responsible values."*

In this sense, the Bank has the Social Responsibility Policy, which was developed in 2016 with the objective of establishing the guidelines to coordinate Bank's social responsibility practices and projects, which also promotes the participation of all Bank personnel in Social Responsibility actions.

By 2024, Popular Bank continues with its commitment with Casa Esperanza, a non-profit organization established as an ONG since 1992, whose mission is to offer development opportunities to children and adolescents living in conditions of poverty, child labor.

8. TRANSPARENCY AND INFORMATION.

The corporate governance regime of Grupo Popular recognizes the existence of different groups of societal interests. Consequently, both the governance system in the broadest sense, and the regime of transparency and information that is part of the former, are structured taking into account the diversity of agents that interact with society.

9. CORPORATE GOVERNANCE FOR 2025.

We will continue to use the technological tools that allow us to stay connected and carry out our functions on a regular basis, working remotely as well as personally, making the collaboration and teamwork environments easy.

The virtual meeting modality will be maintained as the mechanism used to hold the sessions of the Board of Directors and its Committees

To maintain internal practices on governance, matters aligned with local regulatory requirements as well as with the best international practices, Popular Bank addressed its efforts to undertake a continuous review of their corporate governance policies. In this sense, and to strength its own practices, the Bank includes in its Annual Plan of Corporate Governance the exercise of annual reviews, which helps to ensure compliance with the current policies and to identify improvement opportunities that are included in our Corporate Governance Manual.

By 2025, we will be making efforts to replace the actual regulatory tool, in order to strengthen our process.

Remain as member of the Institute of Corporate Governance Panama, as corporate partner, and participate in the conferences organized by this institution, provides us with a suitable mechanism to keep us updated with relevant topics on corporate governance matters.