

**POPULAR BANK LTD., INC.
AND SUBSIDIARY**
(Panama, Republic of Panama)

Consolidated Financial Statements

December 31, 2025

(With the Independent Auditors' Report)

(FREE ENGLISH LANGUAGE TRANSLATION
FROM SPANISH VERSION)

POPULAR BANK LTD., INC. AND SUBSIDIARY
(Panama, Republic of Panama)

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of
Popular Bank Ltd., Inc.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Popular Bank Ltd., Inc. and Subsidiary (the "Bank"), which comprise the consolidated statement of financial position as at December 31, 2025, the consolidated statements of profit or loss, other comprehensive income, changes in equity, and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Bank as at December 31, 2025, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Bank in accordance with the International Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (including the International Independence Standards) (the IESBA Code), which is applicable to audits of financial statements of public interest entities, together with the ethical requirements that are relevant to audits of public interest entity financial statements in the Republic of Panama. We have also fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the 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 Bank's internal control.
- Evaluate the appropriateness of the accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubts on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

Other legal information requirements

In compliance with Law 280 of December 30, 2021, which regulates the authorized public accountant profession in the Republic of Panama, we declare the following:

- The direction, execution and supervision of this audit work have been carried out physically in Panamanian territory for those entities or business activities within the Bank that carry out operations that are perfected, consummated or take effect within the Republic of Panama.
- The audit partner who has prepared this independent audit report is Luis Venegas.
- The engagement team that has participated in the group audit to which this report refers to, is formed by Gerardo Contreras – Director, and Sonia F. Sosa – Senior Manager.

KPMG (SIGNED)

LUIS VENEGAS (SIGNED)

Panama, Republic of Panama
March 23, 2026

Luis Venegas
Partner
C.P.A. 0215-2012

POPULAR BANK LTD., INC. AND SUBSIDIARY
(Panama, Republic of Panama)

Consolidated Statement of Financial Position

December 31, 2025

(Amounts in Balboas)

	<u>Notes</u>	<u>2025</u>	<u>2024</u>
Assets			
Cash		<u>700</u>	<u>700</u>
Deposits in banks:			
Demand deposits in local banks		645,069	1,558,461
Demand deposits in foreign banks		204,947,678	147,822,579
Time deposits in local banks		25,004,861	25,005,833
Time deposits in foreign banks		155,148,985	156,864,007
Less: Allowance for expected credit losses		<u>(35,400)</u>	<u>(26,757)</u>
Total deposits in banks	7	<u>385,711,193</u>	<u>331,224,123</u>
Investment in securities	8	201,202,729	194,821,808
Loans	4	1,199,636,228	1,067,643,316
Less: Allowance for loan losses	4	<u>(9,735,412)</u>	<u>(8,400,097)</u>
Loans	9	<u>1,189,900,816</u>	<u>1,059,243,219</u>
Property, furniture, equipment and improvements, net	10	<u>3,247,300</u>	<u>1,347,173</u>
Other assets			
Intangible assets, net	11	1,323,174	1,760,555
Other assets	12	<u>4,703,423</u>	<u>4,444,087</u>
Total other assets		<u>6,026,597</u>	<u>6,204,642</u>
Total assets		<u><u>1,786,089,335</u></u>	<u><u>1,592,841,665</u></u>

The consolidated statement of financial position should be read in conjunction with the notes which are part of the consolidated financial statements

	<u>Notes</u>	<u>2025</u>	<u>2024</u>
Liabilities and Equity			
Liabilities:			
Foreign Deposits:			
Demand Deposits		367,233,674	322,865,331
Savings accounts		31,572,519	11,243,623
Time Deposits		874,845,791	798,129,542
Total deposits		<u>1,273,651,984</u>	<u>1,132,238,496</u>
Financial obligations	13	30,263,518	30,032,873
Other liabilities	14	8,534,745	10,685,848
Total liabilities		<u>1,312,450,247</u>	<u>1,172,957,217</u>
Stockholders' Equity:			
Common stock	15	42,400,000	42,400,000
Regulatory loan reserve	22	32,561,494	21,647,851
Investment valuation at FVOCI	8	1,455,886	(1,076,649)
Actuarial valuation of defined benefits		47,744	198,835
Retained earnings		397,173,964	356,714,411
Total stockholders' equity		<u>473,639,088</u>	<u>419,884,448</u>
Commitment and contingencies	18		
Total liabilities and stockholders' equity		<u><u>1,786,089,335</u></u>	<u><u>1,592,841,665</u></u>

POPULAR BANK LTD., INC. AND SUBSIDIARY

(Panama, Republic of Panama)

Consolidated Statement of Profit or Loss

For the year ended December 31, 2025

(Amounts in Balboas)

	<u>Notes</u>	<u>2025</u>	<u>2024</u>
Interest and commission income:			
Interest Income:			
Loans		91,940,275	89,536,148
Investment securities		10,755,701	8,701,408
Deposits in banks		11,619,362	10,159,473
Commission income on credit cards		5,495,239	5,217,731
Total interest and commission income		<u>119,810,577</u>	<u>113,614,760</u>
Interest expense:			
Deposits		(43,726,751)	(41,932,285)
Financial obligations		(1,510,009)	(1,597,486)
Total interest expense		<u>(45,236,760)</u>	<u>(43,529,771)</u>
Interest and commission income, net		<u>74,573,817</u>	<u>70,084,989</u>
Provision for impairment on deposits placed	4	(8,643)	(17,077)
Reversal (provision) for impairment of investment securities at FVOCI	4	360,034	(290,662)
Reversal (provision) for impairment of investment securities at AC	4	322	(61)
Provision for impairment on loans	4	(2,092,002)	(884,781)
Provision for impairment of interest, contingencies and other balances	4	(679,784)	(658,709)
Total provisions for expected credit losses		<u>(2,420,073)</u>	<u>(1,851,290)</u>
Net interest income after provisions		<u>72,153,744</u>	<u>68,233,699</u>
Other income (expenses):			
Other commissions	16	2,152,273	2,480,590
Commission expense, net	17	(1,879,454)	(1,859,801)
Net foreign exchange gain		635,887	201,819
Other income	16	4,077,144	3,274,660
Total other income, net		<u>4,985,850</u>	<u>4,097,268</u>
General and administrative expenses:			
Salaries and other personnel expenses	17	7,274,981	6,496,130
Professional services	17	6,753,871	8,267,216
Credit card processing and administration		3,247,213	3,313,248
Other expenses	17	3,034,639	3,026,877
Maintenance and leases		2,497,362	3,253,169
Representation and travel expenses		766,671	610,831
Amortization of intangible assets	11	706,154	3,069,123
Directors' fees		441,400	443,600
Banking expenses		401,061	339,985
Depreciation	10	360,187	347,132
Communications and mail		207,728	180,169
Operational risk loss - net		75,131	99,372
General and administrative expenses		<u>25,766,398</u>	<u>29,446,852</u>
Net income		<u>51,373,196</u>	<u>42,884,115</u>

The consolidated income statement should be read in conjunction with the notes which are part of the consolidated financial statements.

POPULAR BANK LTD., INC. AND SUBSIDIARY

(Panama, Republic of Panama)

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2025

(Amounts in Balboas)

	<u>2025</u>	<u>2024</u>
Net Income	<u>51,373,196</u>	<u>42,884,115</u>
Other comprehensive income		
<i>Items that are or may be reclassified in the consolidated income statement:</i>		
Investment valuation at FVOCI:		
Net changes in FVOCI	2,892,569	2,614,018
Impairment in FVOCI	(360,034)	290,662
<i>Items that will not be reclassified in the consolidated income statement:</i>		
Actuarial valuation of defined benefits	<u>(151,091)</u>	<u>11,701</u>
Other comprehensive income	<u>2,381,444</u>	<u>2,916,381</u>
Comprehensive income	<u><u>53,754,640</u></u>	<u><u>45,800,496</u></u>

The consolidated statement of comprehensive income should be read in conjunction with the notes which are part of the consolidated financial statements

POPULAR BANK LTD., INC. AND SUBSIDIARY

(Panama, Republic of Panama)

Consolidated Statement of Changes in Equity

For the year ended December 31, 2025

(Amounts in Balboas)

	Common Stock	Regulatory Loan Reserve	Investment Valuation at FVOCI	Actuarial valuation of defined benefits	Retained Earnings	Total
Balance as of January 1, 2024	42,400,000	27,992,714	(3,981,329)	187,134	307,485,433	374,083,952
Net Income	0	0	0	0	42,884,115	42,884,115
Other comprehensive income						
Investment valuation at FVOCI:						
Net changes in investment valuation at FVOCI	0	0	2,904,680	0	0	2,904,680
Actuarial valuation of defined benefits	0	0	0	11,701	0	11,701
Total other comprehensive income	0	0	2,904,680	11,701	0	2,916,381
Total comprehensive income	0	0	2,904,680	11,701	42,884,115	45,800,496
Other stockholders equity transactions						
Release of regulatory loan reserve	0	(6,344,863)	0	0	6,344,863	0
Total other stockholders equity transactions	0	(6,344,863)	0	0	6,344,863	0
Balance as of December 31, 2024	42,400,000	21,647,851	(1,076,649)	198,835	356,714,411	419,884,448
Net income	0	0	0	0	51,373,196	51,373,196
Other comprehensive income						
Investment valuation at FVOCI:						
Net changes in investment valuation at FVOCI	0	0	2,532,535	0	0	2,532,535
Actuarial valuation of defined benefits	0	0	0	(151,091)	0	(151,091)
Total other comprehensive income	0	0	2,532,535	(151,091)	0	2,381,444
Total comprehensive income	0	0	2,532,535	(151,091)	51,373,196	53,754,640
Other stockholders equity transactions						
Increase of regulatory loan reserve	0	10,913,643	0	0	(10,913,643)	0
Total other stockholders equity transactions	0	10,913,643	0	0	(10,913,643)	0
Balance as of December 31, 2025	42,400,000	32,561,494	1,455,886	47,744	397,173,964	473,639,088

The consolidated statement of changes in equity should be read in conjunction with the notes which are part of the consolidated financial statements

POPULAR BANK LTD., INC. AND SUBSIDIARY
(Panama, Republic of Panama)

Consolidated Statement of Cash Flows

For the year ended December 31, 2025

(Amounts in Balboas)

	<u>Notes</u>	<u>2025</u>	<u>2024</u>
Cash Flows from operating activities			
Net income		51,373,196	42,884,115
Adjustments to reconcile net income and cash from operating activities:			
Provision for impairment for deposits on banks	4	8,643	17,077
(Reversal of) provision for impairment in investment securities	4	(360,356)	290,723
Provision for impairment of loans	4	2,092,002	884,781
Provision for impairment of interest, contingencies and other balances	4	679,784	658,709
Gain on sale of investments held for sale	8	(15,000)	0
Loss on disposal of property and equipment	10	8,809	36
Amortization of intangible assets	11	706,154	3,069,123
Depreciation of property and equipment	10	360,187	347,132
Net income of interest and commission		(74,573,817)	(70,084,989)
		(19,720,398)	(21,933,293)
Net changes in operating assets and liabilities:			
Loans		(131,375,864)	16,600,359
Other assets		(271,879)	(350,241)
Deposits received		143,049,432	86,978,635
Other liabilities		(2,981,978)	(266,536)
Interest received		118,143,256	116,164,996
Interest paid		(46,642,059)	(40,792,675)
Net cash provided by operating activities		<u>60,200,510</u>	<u>156,401,245</u>
Cash flows from investment activities			
Purchase of investment securities		(279,764,101)	(223,230,695)
Redemption and amortization of investment securities	8	246,597,200	207,314,121
Proceeds from sale of investments held for sale	8	30,000,000	0
Acquisition of intangible assets		(268,773)	(762,339)
Acquisition of property and equipment	10	(2,269,123)	(208,578)
Cash used in investment activities		<u>(5,704,797)</u>	<u>(16,887,491)</u>
Cash flows used in financing activities			
Financing obligations		60,000,000	40,000,000
Financing obligations payments		(60,000,000)	(57,500,000)
Net cash used in financing obligations payments activities		<u>0</u>	<u>(17,500,000)</u>
Net increase in cash and cash equivalents		54,495,713	122,013,754
Cash and cash equivalents at the beginning of the year		331,251,580	209,237,826
Cash and cash equivalents at end of year	7	<u>385,747,293</u>	<u>331,251,580</u>

The consolidated statement of cash flows should be read in conjunction with the notes which are part of the consolidated financial statements.

POPULAR BANK LTD., INC. AND SUBSIDIARY

(Panama, Republic of Panama)

Notes to the Consolidated Financial Statements

December 31, 2025

(Amounts in Balboas)

(1) General Information

Popular Bank Ltd., Inc. (the "Bank"), is an entity organized and constituted in accordance with Panamanian law. The Bank began operations in the Republic of Panama in August 1983, under an International Banking License granted by the Superintendence of Banks of Panama (formerly the Panama Banking Commission), which allows it to direct, from an office established in Panama, transactions that are perfected, consummated or take effects abroad.

In addition, the Bank has a Trust License granted by the Superintendence of Banks of Panama, through FID Resolution No.02-2000 to carry out trust operations that are perfected, consummated or take effects abroad.

The Bank is a subsidiary of Grupo Popular, S.A., holding company of 100% of the shares, established in the Dominican Republic.

The consolidated financial statements include the operations of the subsidiary Popular Bank LLC. Cayman. The subsidiary has been incorporated under the laws of the Cayman Islands since 1986 and operates a Type "B" License under the Cayman Islands Banks and Trust Companies Act, to conduct banking and trust business. As of December 31, 2025 and 2024, the subsidiary is dormant.

Popular Bank Ltd., Inc. and its Subsidiary shall be referred to as the "Bank."

The Bank's office is located in Urbanización Marbella, Aquilino de La Guardia Street, Torre Banco General, Panama City.

Legal Regime

The Bank is regulated and supervised by the Superintendence of Banks of the Republic of Panama, through Decree Law No.9 of February 26, 1998, amended by Decree Law No.2 of February 22, 2008, as well as the Resolutions and Agreements issued by this entity. The main aspects of this Law include the following: authorization of banking licenses, minimum capital and liquidity requirements, consolidated supervision, procedures for credit and market risk management, for the prevention of money laundering and procedures for bank intervention and liquidation, among others.

Similarly, banks are subject to at least one inspection every two (2) years carried out by the auditors of the Superintendence of Banks of Panama to determine compliance with the provisions of Decree Law No. 9 of February 26, 1998, as amended by Decree Law No. 2 of February 22, 2008 and Law No. 23 of April 2015, which adopts measures to prevent money laundering, the financing of terrorism and the financing of the proliferation of weapons of mass destruction.

Trust operations in Panama are regulated by the Superintendency of Banks of Panama, through Law No.1 of January 5, 1984, and by Law No.21 of May 10, 2017; Law No.23 of April 2015 described above is also applicable to it.

POPULAR BANK LTD. INC. AND SUBSIDIARY

(Panama, Republic of Panama)

Notes to the Consolidated Financial Statements

(2) Base of Preparation

(a) *Statement of Compliance*

The Bank's consolidated financial statements presented have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

These consolidated financial statements were approved by the Bank's Board of Directors for issuance on March 23, 2026.

(b) *Basis of Measurement*

These consolidated financial statements have been prepared on the basis of historical cost, except for fair value through other comprehensive income (FVOCI) that are presented at fair value.

(c) *Functional and presentation currency*

The consolidated financial statements are presented in balboas (B/.), the currency unit of the Republic of Panama, which is on par and freely exchangeable with the dollar (US\$) of the United States of America. The Republic of Panama does not issue its own paper money and, instead, the dollar (US\$) is used as legal tender, which is considered the functional currency of the Bank.

(3) Material Accounting Policies

The Bank has consistently applied the following accounting policies to all periods presented in these consolidated financial statements.

(a) *Basis of Consolidation*

a. *Subsidiaries*

The Bank controls a subsidiary when it is exposed, or is entitled to, variable returns from its involvement in the subsidiary and has the ability to influence those returns through its power over the subsidiary. The financial statements of subsidiaries are included in the consolidated financial statements from the date control commences until the date such control ceases.

b. *Fund Administration*

The Bank acts as administrator and trustee of trust contracts on behalf, and at the risk of its clients. The financial statements of these entities are not included in these consolidated financial statements, except when the Bank has control over the entity.

c. *Loss of control*

When the Bank loses control over a subsidiary, it derecognizes the accounts of the subsidiary's assets and liabilities, and the carrying amount of all non-controlling interests and other equity components. Any gain or loss resulting from loss of control is recognized in profit or loss. If the Bank retains any interest in the subsidiary, that interest will be recognized at fair value on the date on which control is lost.

d. *Transactions Eliminated in Consolidation*

All intra-group assets and liabilities, equity, income, expenses and cash flows related to transactions between the Bank's entities are eliminated when preparing the consolidated financial statements.

POPULAR BANK LTD. INC. AND SUBSIDIARY

(Panama, Republic of Panama)

Notes to the Consolidated Financial Statements

(3) Material Accounting Policies, continued

(b) *Fair value measurement*

The fair value of a financial asset or liability is the price that would be received for selling an asset or paid for transferring a liability in an orderly transaction between market participants on the measurement date (exit price).

When an asset is acquired or a liability is assumed, the transaction price is the price paid for acquiring the asset or received for assuming the liability (entry price). The initial fair value of a financial instrument is the transaction price.

The fair value of an instrument is measured using a price quoted in an active market for that instrument. A market is considered active if transactions for the assets or liabilities occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

The fair value of financial instruments is determined using prices provided by stock exchanges, various electronic means of information, broker-dealers, independent investment valuation companies and banks.

(c) *Cash and Cash Equivalents*

For purposes of the consolidated statement of cash flows, cash equivalents include demand deposits and time deposits in banks with original maturities of three months or less.

(d) *Foreign currency*

Assets and liabilities held in foreign currency are converted to balboas (B/.) at the exchange rate in effect on the reporting date, with the exception of those transactions with contractually agreed exchange rates.

Transactions in foreign currency are recorded at the exchange rates in effect on the dates of the transactions. Gains or losses on foreign currency translation are reflected in the accounts of other income or other expenses in the consolidated statement of profit or loss.

(e) *Financial Assets and Liabilities*

At initial recognition, the Bank measures financial assets or liabilities, other than at fair value through profit or loss, at fair value plus or minus the transaction costs that are directly attributable to their acquisition or issuance.

Loans and Advances to Customers

Loans are presented at amortized cost considering the outstanding principal value, less interest and provision for expected credit losses. Loans are initially measured on the date they originate or settlement date, at fair value plus direct incremental transaction costs, and subsequently at amortized cost using the effective interest rate method.

POPULAR BANK LTD. INC. AND SUBSIDIARY

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Notes to the Consolidated Financial Statements

(3) Material Accounting Policies, continued

Investments and Other Financial Assets

Investments and other financial assets are classified at the date of the trade and initially measured at fair value, plus incremental costs related to the transaction, except for investments recorded at fair value through profit or loss.

Classification of Financial Assets

The classification and measurement of financial assets reflect the business model in which the assets are managed and their cash flow characteristics.

The Bank classifies its financial assets as measured at amortized cost (AC), at fair value through other comprehensive income (FVOCI), and at fair value through profit or loss (FVPL), based on the following:

- of the Bank's business model for the management of financial assets; and
- of the characteristics of contractual cash flows of financial assets (principal and interest only payments test – SPPI).

The Bank records the following items under the heading of financial assets: cash, bank deposits; investment in securities at fair value; investment in securities with changes in other comprehensive income and loans at amortized cost.

Amortized Cost (AC)

A financial asset must be measured at amortized cost (AC) if the following two conditions are met:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Fair Value with changes through other comprehensive income (FVOCI)

A financial asset will be classified and measured at FVOCI only if it meets both of the following conditions:

- the asset is held within a business model whose objective is achieved both by collecting contractual cash flows and by selling financial assets; and
- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Fair Value with changes through profit or loss (FVPL)

Financial assets are measured at FVPL when:

- a. The business model is to collect cash flows through the recurring sales of the assets, that is, the asset is not held for the purpose of collecting contractual cash flows throughout its life. However, even if the Bank obtains contractual cash flows, while maintaining the financial assets, the objective of this business model is not to achieve this by obtaining contractual cash flows but by selling the financial assets.

POPULAR BANK LTD. INC. AND SUBSIDIARY

(Panama, Republic of Panama)

Notes to the Consolidated Financial Statements

(3) Material Accounting Policies, continued

- b. The Bank makes decisions based on the fair values of assets and manages them to obtain fair values. In this case, the Bank's objective will usually result in active purchases and sales.
- c. The Bank may irrevocably designate a financial asset as measured at FVPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as "accounting mismatch") that would otherwise arise from the measuring assets or liabilities or from recognizing gains and losses on such assets or liabilities on a different basis. Management has elected to present fair value gains or losses in equity instruments at fair value through profit or loss.

Business Model Assessment

The Bank conducts an assessment of the objectives of the business model that hold the financial asset in a portfolio level to better represent how the business is managed and how information is provided to management. The information considered includes:

- The policies and objectives set for the portfolio and the operation of those policies in practice. In particular, if the Administration's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of financial assets with the duration of the liabilities that finance those assets, or realizing cash flows through the sale of the assets;
- How portfolio performance is evaluated and reported to Bank management;
- The risks that affect the performance of the business model (and the financial assets that are held within that business model) and how those risks are managed;
- The frequency, volume, and timing of sales in prior fiscal periods, the reasons for such sales, and the Bank's expectations about future sales activity.

Financial assets held or managed for trading and whose performance is assessed on a fair value basis are measured at FVPL because they are not held to cover contractual cash flows or to obtain contractual cash flows and to sell these financial assets.

Assessing whether Contractual Cash Flows are solely Payments of Principal and Interest (SPPI)

For the purpose of this assessment, "principal" is defined as the fair value of the financial asset at the time of initial recognition. "Interest" is defined as compensation for the time value of money and for the credit risk associated with holding the current principal for a period of time and for other risks from loan agreement and other associated costs (e.g., liquidity risk and administrative costs), as well as the profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank considers the contractual terms of the instrument. This includes an assessment to determine whether the financial asset contains a contractual term that could change the timing or amount of the contractual cash flows in such a way that it would not meet this condition. In making this assessment, the Bank considers:

- Contingent events that will change the amount or timing of cash flows;
- Leverage features;
- Prepayment and extension terms;

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(3) Material Accounting Policies, continued

- Terms that limit the Bank's claim to cash flows from specified assets (e.g., unfunded asset agreements); and
- Features that modify the considerations for the time value of money (e.g., periodic rate resets);

Derecognition of financial assets and liabilities

The Bank derecognizes a financial asset when contractual rights to the financial asset's cash flow expire, or transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Bank does not transfer or retain substantially all of the risks and rewards of ownership and does not retain the control of financial assets.

When derecognizing a financial asset, the difference between the book value of the asset (or the book value assigned to the portion of the asset derecognized) and the sum of (i) the consideration received (including any new assets obtained minus any new liabilities assumed) and (ii) any accumulated gain or loss that has been recognized in other comprehensive income is recognized in the consolidated statement of profit or loss.

A financial liability is written off when the obligation is extinguished, either when said obligation has been paid, cancelled, or has expired.

Modification of Financial Assets

The Bank renegotiates loans for clients experiencing financial distress (e.g., exceptions, policy tolerance, and restructurings) to maximize collection opportunities and minimize the risk of default.

Under the Bank's policy, credit forbearance is granted selectively when the debtor is either in default or at high risk of default, provided there is evidence that the debtor has made all reasonable efforts to pay under the original contractual terms, and the debtor is expected to comply with the revised terms.

Revised terms typically include extending the maturity, changing the interest payment schedule, and modifying the terms of loan agreements. Both consumer and corporate loans are subject to the forbearance policy.

For financial assets modified as part of the Bank's forbearance policy, the default risk estimate of default risk reflects the best possible assessment prior to renegotiation.

In general, renegotiation is a qualitative indicator of a significant increase in credit risk, and an expectation of forbearance may constitute evidence that an exposure is credit-impaired or non-performing. A customer must demonstrate consistently good payment behavior over a period of time before the exposure is no longer considered in default or the risk of default is considered to have diminished such that the loss can be remeasured in an amount equal to 12 months of estimated credit losses.

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(3) Material Accounting Policies, continued

If the terms of a financial asset are renegotiated or modified or an existing financial instrument is replaced by a new one, the Bank then makes an assessment of whether the financial asset should be derecognized and considers the following: If the estimated cash flows change, a new carrying amount is calculated by calculating the present value of the new estimates of cash flows using the effective interest rate in the initial recognition. The adjustment to the carrying amount is immediately recognized in the consolidated statement of profit or loss.

If the expected change results in the derecognition of the existing financial instrument, then the expected cash flows arising from the modified financial instrument are included in calculating the cash deficiencies of the existing financial instrument. In this case, the Bank recalculates the gross carrying amount of the financial instrument and recognizes the amount arising from the adjustment of the gross carrying amount as a gain or loss due to a change in the consolidated statement of profit or loss.

- If such modification is made due to financial difficulties of the debtor, then the gain or loss is presented together with the impairment losses. In other cases, it is presented as interest income or expense.
- If the cash flows are materially different (difference greater than 10% of the present value), then the contractual rights to the cash flows of the original financial instrument are considered expired and the expected fair value of the new financial instrument is treated as the final cash flow of the financial instrument existing at the time of its derecognition. This amount is included in calculating the Cash shortfall of the existing financial instrument that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial instrument.

Modification of Financial Liabilities

The Bank writes off a financial liability when its terms are modified and the cash flows of the modified liability are substantially different (difference greater than 10% of the present value). In this case, a new financial liability based on the amended terms is recognized at fair value and the difference is recognized in the consolidated statement of profit or loss.

If the change in a financial liability is not recognized as a write-off, then the amortized cost of the liability is recalculated by discounting the changed cash flows at the original effective interest rate and the resulting gain or loss is recognized in the consolidated statement of profit or loss.

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Notes to the Consolidated Financial Statements

(3) Material Accounting Policies, continued

Impairment of Financial Instruments

Definition of Impairment

The Bank considers a financial asset to be impaired when:

- It is unlikely that the debtor will pay its credit obligations to the Bank in full, without the Bank resorting to actions such as the enforcement of guarantees (if applicable); or
- The debtor is more than 90 days behind on any material credit obligation to the Bank. Overdrafts are considered past due once the customer has missed a recommended limit or has been notified of a limit lower than the current outstanding amount.
- The debtor is increasingly likely to enter bankruptcy or other financial reorganization; or
- The disappearance of an active market for an investment in securities due to financial difficulties.

In assessing whether a debtor is in default, the Bank considers indicators:

- qualitative - e.g., breaches of contractual clauses;
- quantitative – e.g., state of default and non-payment of another obligation of the same debtor to the Bank; and
- based on data developed internally or obtained from external sources.

The inputs used to assess whether a financial instrument is impaired, and its importance may vary over time to reflect changes in circumstances.

The definition of impairment is largely aligned with the definition applied by the Bank for regulatory capital purposes.

With respect to the assessment of whether an investment in sovereign debt is credit impaired, the Bank considers the following factors:

- The assessment of the solvency market reflected in bond yields;
- Independent evaluations of rating agencies;
- The country's ability to access capital markets for the issuance of new debts;
- The likelihood that the debt will be restructured, causing holders to suffer losses through voluntary or mandatory debt forgiveness;
- The international support mechanisms established to provide the necessary support as "lenders of last resort" to that country, as well as the intention, reflected in public statements, of governments and agencies to use these mechanisms. This includes an assessment of the depth of those mechanisms and regardless of political intent, whether there is capacity to meet the required criteria.

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(3) Material Accounting Policies, continued

Presentation of the Provision for Expected Credit Losses in the Consolidated Statement of Financial Position

Provisions for expected credit losses are presented in the consolidated statement of financial position as follows:

- Financial assets measured at AC: as a deduction from the gross carrying amount of assets.
- Financial assets measured at FVOCI: the provision for expected credit losses is presented in the valuation of financial assets at fair value with changes through other comprehensive income (equity).
- Loan commitments and contingencies: generally, as a provision.

Impairment Losses

Loans and investments in securities are written off (either partially or totally) when there is no reasonable expectation of recovery. This is generally the case when the Bank determines that the debtor has no assets or sources of income that could generate sufficient cash flows to pay the amounts due subject to impairment loss, with no course of action by the Bank to award the collateral (if any). However, financial assets that are derecognized may still be subject to compliance activities to carry out the Bank's procedures for the recovery of amounts owed.

Impairment losses are determined using the methodology that applies the concept of expected credit losses (ECL) as defined in IFRS 9. Expected credit losses are based on the possibility of potential cash shortfalls in the future, which are supported by potential debtor default events.

This expected loss is calculated with risk parameters estimated with internal models based on historical and forward-looking information, macroeconomic variables and the definition of the stage of the level of risk experienced by the financial instrument.

Impairment-related requirements apply to financial assets measured at amortized cost and fair value through changes in other comprehensive income (FVOCI) whose business model is aimed at receiving contractual flows and/or selling.

The IFRS 9 methodology entails that assets are classified into three "stages" of risk:

Stage 1: In the first "stage" are those operations that do not present a significant increase in risk since the initial recognition.

Stage 2: In this stage, the Bank includes those operations whose risk is significantly impaired on the reporting date with respect to their origination date.

Stage 3: In this stage, as mentioned in the regulation, operations that have objective evidence of impairment are included. This concept is aligned with both the definitions of default followed by the Bank's risk management, as well as the definition of default in IFRS 9.

Taking into consideration the classification of financial assets according to the stages described, the following components are used for the establishment of provisions:

Stage 1: 12-month expected credit losses

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Notes to the Consolidated Financial Statements

(3) Material Accounting Policies, continued

Stage 2: Expected loss due to the remaining contractual term of the operation.

Stage 3: Exposure balance net of the effect of collateral.

Significant Increase in Credit Risk:

The Bank determines whether the credit risk of a financial asset has increased significantly since its initial recognition, considering reasonable and sustainable information that is relevant and available without disproportionate cost or effort, including quantitative and qualitative information and analysis based on historical experience and expert credit assessment including future information.

To establish whether an asset has significantly increased credit risk since initial recognition, an assessment of quantitative and qualitative factors is carried out, including:

- a) Significant changes in credit risk indicators as a result of a change in credit risk from inception;
- b) Significant changes in external market credit risk indicators for a particular financial instrument or similar financial instruments with the same expected life;
- c) A significant actual or expected change in the external credit rating of the financial instrument;
- d) Existing or anticipated adverse changes in business, financial or economic conditions;
- e) A significant actual or expected change in the operating results of the debtor or joint and several guarantor (if applicable);
- f) An expected or actual significant adverse change in the debtor's regulatory, economic, or technological environment; and
- g) Significant changes, such as reductions in financial support from a parent or other subsidiary or an actual or expected significant change in the quality of the credit enhancement, among other factors incorporated into the Bank's expected credit loss model.

Credit Risk Rating

The Bank assigns each exposure a credit risk rating defined by using quantitative and qualitative factors that are indicative of default risk. These factors vary depending on the type of debtor and the nature of the exposure.

For the consumer portfolio, the main indicative factor of risk is payment behavior, while for the corporate portfolio, factors related to the debtor's financial situation, among others, are also considered.

Notes to the Consolidated Financial Statements

(3) Material Accounting Policies, continued

IFRS 9 establishes a detailed credit loss valuation in accordance with the credit risk inherent in the instruments. In this way, an assessment of the credit risk profile of the instrument will determine its classification at a given stage and, consequently, a specific expected credit loss estimation model.

The Bank measures the credit quality of each debtor based on collective risk models, in the case of the corporate portfolio through rating models and for the consumer portfolio through scoring models.

In the case of the rating models, these have been constructed in a differentiated way according to the segmentation identified by type of economic activity and income level. Although each model will have both quantitative and qualitative elements, each one will have different variables (indebtedness, profitability, leverage, coverage, efficiency, among others) and weights depending on historical evidence and the specific factors identified as risk discriminants for each industry and level of default recorded by the Bank.

The scoring models used are based on the payment behavior of each of the levels of arrears, levels of indebtedness, trajectory in the Bank, among other variables, which allow the Bank to assign a score to classify debtors.

For the purposes of calculating provisions under IFRS 9, the methodology has the sophistication required for each portfolio, which include parameters of probability of default (PD), loss due to default (LGD) and exposure in default (EAD) with the inclusion of the prospective criterion and the credit conversion factor in the cases that apply, which are defined below:

Probability of default (PD): is the estimated probability of default or non-payment of an instrument, where it is defined as the occurrence of any of either of the following two situations: 1) Delinquency of more than 90 days, 2) Notorious deterioration of the debtor's financial situation, from which it is considered unlikely that the debtor will return to a normal state. The PD will be estimated in a time horizon ranging from 1 year to the maximum remaining contractual term, depending on the presence or not of a significant increase in credit risk.

Loss given default (LGD): is the percentage of exposure that the Bank expects to lose in the event of a default on a financial instrument. The general formulation for the calculation is $LGD = 1 - \% \text{ recovery}$, where the recovery percentage refers to the sum of the flows received from the operation discounted at the interest rate of the obligation on the date of analysis divided by the total exposure at the time of default.

Exposure at Default (EAD): is the exposed value of the asset measured at amortized cost (includes the principal balance, interest and accounts receivable). In the case of revolving products and have an available quota that is likely to be used in whole or in part, the estimation of the EAD considers the use of the risk conversion factor (CF), in order to find a relationship with respect to the use of the unused component of the instrument and the significant increase in credit risk.

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(3) Material Accounting Policies, continued

Prospective Information

The Bank has incorporated macroeconomic scenarios into the calculation of the expected loss in order to reflect the prospective effect on the quality of the portfolio. The inclusion of macroeconomic conditions in the expected loss models is based on methodologies that correlate the historical behavior of the portfolio with certain economic variables. Based on the above, the Bank has projected three macroeconomic scenarios (baseline, pessimistic and optimistic). Each scenario has a probability of occurrence, to evaluate the best estimate of the expected credit loss under possible future economic conditions.

Write-Off Policy

The Bank writes off all loans classified as irrecoverable within a period of no more than one year from the date on which it was classified in this category, with prior authorization and in accordance with the established instances and amounts. The Bank may write-off a loan before the established term if it is aware of significant impairment and if there is almost no probability of normalization of the loan.

Amortized Cost

The Bank calculates the amortized cost of a financial asset, with the amount at which the financial asset is initially measured; more or less:

- Capital repayments;
- The accumulated amortization, using the effective interest rate method of any difference between the initial amount and the amount at maturity;
- Any reduction (directly or through the use of a provision account) for impairment or uncollectibility.

For the calculation of the effective interest rate, the Bank estimates cash flows taking into account all the contractual conditions of the financial asset, but does not consider expected credit losses, except for:

- a. financial assets with impairment of credit value purchased or originated. For these financial assets, the Bank will apply the effective interest rate adjusted for credit quality to the amortized cost of the financial asset from initial recognition.
- b. financial assets not purchased or originated with credit impairment but which have subsequently been converted into financial assets with impairment of credit value. For these financial assets, the Bank will apply the effective interest rate adjusted for credit quality to the amortized cost of the financial asset in subsequent reporting periods.

For these cases, the effective interest rate adjusted for credit quality must be considered. The calculation includes all commissions and expenses paid or received between the parties that form an integral part of the contract, as well as transaction costs, and any other premiums or discounts. Fees that are an integral part of the effective interest rate of a financial instrument include:

- Origination fees received by the Bank related to the origination or acquisition of a financial asset;
- Commitment fees received by the Bank to initiate a loan and the entity is likely to make a specific loan agreement;
- Initiation fees paid on the issuance of financial liabilities measured at amortized cost.

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Notes to the Consolidated Financial Statements

(3) Material Accounting Policies, continued

Investments in Securities

Investments in securities presented in the consolidated statement of financial position include:

- Debt investment securities measured at amortized cost: these are initially measured at fair value plus direct incremental transaction costs, and subsequently at their amortized cost using the effective interest rate method;
- Share values mandatorily measured at FVPL or designated as at fair value through profit or loss: these are measured at fair value with changes immediately recognized in profit or loss;
- Investment values measured at FVOCI.

For debt securities measured at FVOCI, gains and losses are recognized in the consolidated statement of comprehensive income, except for the following, which is recognized in profit or loss in the same manner as for financial assets measured at amortized cost:

- Interest income using the effective interest rate method;
- Provisions for expected credit losses and reversals; and
- Exchange gains and losses.

When the investment values measured at FVOCI are derecognized in accounts, the accumulated gain or loss previously recognized in the consolidated statement of comprehensive income is reclassified to the consolidated statement of profit or loss.

Financial Liabilities

Financial liabilities are classified either as financial liabilities through profit or loss or as other financial liabilities. The Bank does not maintain financial liabilities with changes in profit or loss.

(e) *Property, Furniture, Equipment & Improvements*

Property, furniture, equipment and improvements are recorded at cost, net of accumulated depreciation and amortization. Material improvements are capitalized, while minor repairs and maintenance that do not extend the useful life or improve the asset are charged directly to expenses when incurred.

Depreciation and amortization expenses for property and equipment are recognized in profit or loss, using the straight-line method, considering the useful life of the assets. The useful life and estimated residual value of the assets are summarized as follows:

Property	20 years
Furniture and equipment	3 to 5 years
Vehicles	5 years
Improvements	5 years

The estimated useful life and residual value of assets are reviewed, and adjusted as appropriate, on each reporting date.

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Notes to the Consolidated Financial Statements

(3) Material Accounting Policies, continued

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The carrying amount of an asset is immediately reduced to its recoverable value if the carrying value of the asset is greater than the estimated recoverable value.

The recoverable amount is the highest between the fair value of the asset less the cost of sales and its value in use. Impairment is recognized in profit or loss.

(f) *Intangible assets*

The Bank maintains intangible assets related to licenses or technological/computer programs. Intangible assets acquired by the Bank with a defined useful life are recorded at acquisition cost, less accumulated amortization and impairment losses.

Amortization is recognized in profit or loss, on a straight-line basis, over the estimated useful life of the acquired intangible assets, from the date they are available for use. The estimated useful life is three to five years.

(g) *Customer deposits and financial obligations*

Customer deposits and financial obligations are initially measured at fair value. Subsequently, they are measured at amortized cost, using the effective interest rate method.

(h) *Interest income and expense*

Interest income and expense are generally recognized in the consolidated statement of profit or loss for all financial instruments presented at amortized cost using the effective interest rate method.

Effective Interest Rate

Interest income and expense are recognized in profit or loss using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash payments or collections over the expected life of the financial instrument for:

- The gross carrying amount of the financial asset; or
- The amortized cost of the financial liability.

When calculating the effective interest rate for financial instruments other than credit impaired assets, the Bank estimates future cash flows by considering all contractual terms of the financial instrument but not expected credit losses.

For credit-impaired financial assets, the credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issuance of a financial asset or financial liability.

(i) *Commission Expenses, Net*

Income and expenses from fees and commissions that are integral to the effective interest rate on a financial asset or liability are included in the effective interest rate.

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Notes to the Consolidated Financial Statements**(3) Material Accounting Policies, continued***(j) Measurement and recognition of banking services revenue*

To determine the income from client contracts based on performance obligations in accordance with IFRS 15, the Bank uses 5-step analysis and the application of professional judgment.

The Bank maintains a list of the services it offers by business lines and the compensation received in each case. In most of its products, the Bank presents a single performance obligation and, in some cases, it assigns a price to each of the performance obligations presented. In the event of the incorporation of new products or services, the Bank performs a review to establish the possible existence of separate obligations.

By using the following Client Contract Matrix under IFRS 15, the Bank determines the types of service income and goods and services promised within each contract type, in order to determine which represents the performance obligations and the revenue recognition method:

Nature of Service	Recognition of income	Type of income
Documentary Letters of Credit / Stand-by Letters of Credit	Direct to profit or loss, once collected or deducted from the client's account, except commissions for letters of credit, which are recognized through monthly amortization during the term of the instrument.	Commissions for Letters of Credit, Acceptance, Pouch, Other Income (Freight)
Guarantees and Bonds	By means of monthly amortization during the term of the instrument.	Commission Guarantees, Bonds and Guarantees
Foreign Check Collection	Direct to profit or loss, once collected or deducted from the client's account.	Commissions for Collections
Banking services (customer accounts, loans, credit cards, foreign currency transactions, electronic channels, among others)	Direct to profit or loss, once charged or deducted from the client's account.	Commissions for returned Checks, Income for Service and Inactivity, Inbox Service, Telephone Service, Other Miscellaneous Income.
International transfers	Direct to profit or loss, once collected or deducted from the client's account.	Commissions for Transfers Sent, Received, Income from Currency Exchange
Credit Card Services	Direct to profit or loss for those commissions on each product by franchise and type of card, once charged or deducted from the client's account. Over time, the income from brand commissions (commission for exchanges purchases) related to the loyalty program, considering the probability of the use of the miles, the expiration date, and minimum amount.	Commissions on Credit Card – Exchange of Purchases, Cash Withdrawal, Returned Checks, Overdrafts, New Cards, Band Manufacturing, Visa and Mastercard Currency Conversion.
Commissions for Trust Business	Direct to profit or loss according to the nature, once only or as often as determined, during the term of the contract.	Commission for Structuring, Administration, Settlement
Loan Portfolio Facility Fees	Direct to profit or loss, once collected or deducted from the client's account	Commission on Loan Structuring; Other Commissions
	Through monthly amortization during the term of the loan, once collected or discounted (Syndicated)	Commission on Loans
	Through monthly amortization during the term of the loan, once collected or discounted	Commission on Loans
Time deposits	Direct to profit or loss by occurrence	Time deposit Penalty Income
Assets in lieu of payment	Direct to profit or loss, by occurrence	Profit from the Sale of Foreclosed Assets; Other Income

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Notes to the Consolidated Financial Statements

(3) Material Accounting Policies, continued

(k) *Dividend income*

Dividends are recognized in the consolidated profit or loss when the Bank has the rights to receive the established payment.

(l) *Trust Operations*

Assets held in trusts or in the role of trustee are not considered part of the Bank, and therefore such assets and their corresponding income are not included in these consolidated financial statements. It is the Bank's obligation to administer the trust resources in accordance with the contracts and independently of its equity.

The Bank charges commissions for the fiduciary administration of trusts funds, which are paid by the trustors on the basis of the amount maintained by the trusts or according to an agreement between the parties.

(m) *New and amended IFRS Accounting Standards not yet effective*

New standards, interpretations and amendments to IFRS Standards have been published, but are not yet mandatory as of December 31, 2025, and have not been adopted in advance by the Bank.

Management continues to evaluate the following amendments to IFRS Accounting Standards, stating that no material impact is expected on the Bank's consolidated financial statements:

<u>Improvements and Amendments</u>	<u>Mandatory application for annual periods starting from:</u>
Amendments to IFRS 9 and IFRS 7 – Classification and Measurement of Financial Instruments	January 1, 2026
Filing and Disclosure in Financial Statements (IFRS 18)	January 1, 2027

IFRS 18, which replaces IAS 1, will be mandatory from January 1, 2027, and will require a new classification of income and expenses as operating, investing, and financing activities in the statement of profit or loss, introducing the presentation of certain specific totals and subtotals. The main change is the mandatory inclusion of the subtotal "Operating profit or loss." Net Income for the year will remain unchanged.

The objective of this new structure is to reduce diversity in the presentation of the income statement and improve comparability between entities, facilitating understanding by users.

The Bank has not adopted IFRS 18 early and is currently assessing the impact of its application, including the potential effects on comparative figures for prior periods. These effects have not yet been quantified and will be disclosed in the consolidated financial statements when information becomes available.

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(4) Financial Risk Management

In the normal course of its operations, the Bank is exposed to financial risks, which it tries to minimize through the application of risk management policies and procedures. These policies and procedures cover among others, financial risks, they also cover other risks, so the Bank currently manages several risks: credit risk, liquidity risk, market risk, interest rate risk, exchange rate risk, operational risk, model risk, technological risk and information security.

A financial instrument is a contract that creates a financial asset for one of the parties and at the same time a financial liability or equity instrument for the counterparty. The Bank's consolidated statement of financial position is composed mostly of financial instruments.

Financial instruments expose the Bank to various types of risks. The Bank's Board of Directors has approved a Comprehensive Risk Management Manual, which identifies each of the main risks to which the Bank is exposed. To manage and monitor the various risks to which the Bank is exposed, the Board of Directors has established the Credit Committee, the Committee for the Prevention of Money Laundering, the Audit Committee, the Risk Committee, and the Corporate Governance Committee, which are made up of key executives and external directors. These Committees are in charge of prudently monitoring, controlling and managing these risks, establishing policies and limits for each of these risks.

In addition, the Bank is subject to the regulations established by the Superintendence of Banks of the Republic of Panama. With regard to credit, liquidity, market and operational risks, the following should be highlighted:

(a) Credit Risk

The Bank is exposed to credit risk, which is the risk that a counterparty will cause a financial loss to the Bank by failing to settle an obligation. Credit risk is the most important risk for the Bank's business; management, therefore, carefully manages its exposure to credit risk. Credit exposure occurs primarily during lending activities that lead to the granting of loans and investment activities that carry securities and other accounts for the Bank's portfolio of assets. It is also exposed to credit risk in operations of financial instruments outside the consolidated statement of financial position, for example, loan commitments. The Risk Management Area periodically monitors the financial condition of debtors (both outstanding loans and contingencies) and issuers of instruments.

The Bank has established policies for credit risk management, described below:

- Credit Policies

The Bank has a Credit Risk Manual whose main purpose is to protect the best interests of the Bank and depositors through the adoption of principles, policies and procedures for credit approval and administration consistent with the healthiest banking practices and the guidelines established by the Superintendency of Banks of Panama.

- Approval Limits

The Credit Risk Manual establishes the approval limits defined by the Bank's Board of Directors. Every credit application is subject to different decision-making instances, depending on the amounts involved in the transaction. The use of approval limits is conditional on credit operations complying with the analysis and evaluation process established in the Credit Management Manual.

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(4) Financial Risk Management, continued

- *Concentration Limits*

The Bank manages the concentration limits in accordance with the guidelines established by Executive Decree No.52 in Articles 95 and 96 and Agreement No.6-2009 issued by the Superintendency of Banks of Panama, which establishes the Standards for the Limit of Risk Concentration to economic groups and related parties.

- *Exposure Limits*

To limit exposure, maximum limits have been defined for an individual debtor or economic group, which have been set as a proportion of the Bank's capital funds.

- *Maximum Limit per Counterparty*

Regarding exposures by counterparties, limits have been defined based on the level of risk estimated for the counterparty, and as a proportion of the Bank's capital.

Risk management policies indicate counterparty limits, which determine, at all times, the maximum amount of net exposure to transactions outstanding with a counterparty. The Credit Committee is responsible for identifying those acceptable counterparties, taking into account the track record of each counterparty regarding compliance with its obligations, as well as indications of its ability and willingness to fully comply in the future.

- *Evaluation and Maintenance of Risk Assessments*

Exposure to credit risk is managed through periodic evaluations of debtors for the appropriate risk classification, both for the risk categories established by the Superintendency of Banks of Panama and for the internal models (Rating and Scoring). The assessments of each debtor are based on financial indicators that measure payment capacity, payment compliance, and compliance with credit policies.

- *Compliance with Credit Policies*

In the periodic assessments of the credit risk of debtors, the Bank considers compliance with the policies established in the Credit Risk Manual regarding the analysis process of each debtor, the authorization limits, and the terms and conditions approved by the corresponding approval levels.

Credit Risk Measurement

The Bank assigns to each exposure a credit risk rating defined by using quantitative and qualitative factors that are indicative of default risk. These factors vary depending on the type of debtor and the nature of the exposure.

Quality of the deposit portfolio in banks

The Bank maintains deposits placed in banks for B/.385,711,193 as of December 31, 2025 (2024: B/.321,224,123).

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(4) Financial Risk Management, continued

<u>Deposits Placed</u>	2025			<u>Total</u>
	<u>ECL 12 months</u>	<u>Lifetime ECL without credit impairment</u>	<u>Lifetime ECL with credit impairment</u>	
AAA/BBB-	314,829,259	0	0	314,829,259
BB+/B-	<u>70,763,488</u>	<u>0</u>	<u>0</u>	<u>70,763,488</u>
Gross amount	385,592,747	0	0	385,592,747
Interest receivable	153,846	0	0	153,846
Credit loss reserve	<u>(35,400)</u>	<u>0</u>	<u>0</u>	<u>(35,400)</u>
Book value	<u>385,711,193</u>	<u>0</u>	<u>0</u>	<u>385,711,193</u>

<u>Deposits Placed</u>	2024			<u>Total</u>
	<u>ECL 12 months</u>	<u>Lifetime ECL without credit impairment</u>	<u>Lifetime ECL with credit impairment</u>	
AAA/BBB-	223,739,334	0	0	223,739,334
BB+/B-	<u>107,141,706</u>	<u>0</u>	<u>0</u>	<u>107,141,706</u>
Gross amount	330,881,040	0	0	330,881,040
Interest receivable	369,840	0	0	369,840
Credit loss reserve	<u>(26,757)</u>	<u>0</u>	<u>0</u>	<u>(26,757)</u>
Book value	<u>331,224,123</u>	<u>0</u>	<u>0</u>	<u>331,224,123</u>

Bank deposits are considered highly liquid short-term investments that are easily convertible into specified amounts in cash, being subject to a negligible risk of changes in value.

The financial institutions with which interbank demand deposits and interbank time deposits are placed are first-tier banks and have not presented credit risk problems in recent years. In addition, they maintain positive solvency and liquidity ratios, according to information obtained through Bloomberg, risk rating agencies of these financial institutions or the financial statements of the financial institution themselves.

In the case of local and foreign demand deposits, considering that they can be withdrawn by the Bank on demand and given that there is no previously agreed restriction that prevents the Bank from withdrawing such funds at any time, the Bank calculates the expected credit loss, where its calculation is proportional to the term of the operation.

In the case of time deposits that have a contractual maturity established, this will be equal to the period for which the Bank will be exposed to credit risk. The probability of default obtained for these deposits is annual, so that probability is interpolated according to the term of each deposit.

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Notes to the Consolidated Financial Statements

(4) Financial Risk Management, continued

Investment securities portfolio credit quality

As of December 31, 2025, the investment securities portfolio totaled B/.201,202,729 (2024: B/.194,821,808).

Investments securities at FVOCI and AC	2025			Total
	<u>ECL 12 months</u>	<u>Lifetime ECL without credit impairment</u>	<u>Lifetime ECL with credit impairment</u>	
AAA/A-	66,402,215	0	0	66,402,215
BBB+/BBB-	16,107,812	0	0	16,107,812
BB+/B-	<u>116,842,343</u>	<u>0</u>	<u>0</u>	<u>116,842,343</u>
Gross amount	199,352,370	0	0	199,352,370
Interest receivable	1,741,981			1,741,981
Reserve for losses on investments to AC	<u>(1,423)</u>	<u>0</u>	<u>0</u>	<u>(1,423)</u>
Book value	<u>201,092,928</u>	<u>0</u>	<u>0</u>	<u>201,092,928</u>
Reserve for losses on investments to FVOCI	<u>(1,128,140)</u>	<u>0</u>	<u>0</u>	<u>(1,128,140)</u>
Investments securities at FVOCI and AC	2024			Total
	<u>ECL 12 months</u>	<u>Lifetime ECL without credit impairment</u>	<u>Lifetime ECL with credit impairment</u>	
AAA/A-	74,262,960	0	0	74,262,960
BBB+/BBB-	21,077,910	0	0	21,077,910
BB+/B-	<u>97,951,589</u>	<u>0</u>	<u>0</u>	<u>97,951,589</u>
Gross amount	193,292,459	0	0	193,292,459
Interest receivable	1,443,089			1,443,089
Reserve for losses on investments to AC	<u>(1,745)</u>	<u>0</u>	<u>0</u>	<u>(1,745)</u>
Book value	<u>194,733,803</u>	<u>0</u>	<u>0</u>	<u>194,733,803</u>
Reserve for losses on investments to FVOCI	<u>(1,488,174)</u>	<u>0</u>	<u>0</u>	<u>(1,488,174)</u>

Loan portfolio quality

Note 3(e) provides an explanation of the measurement of the quality of financial instruments, which include the loan portfolio.

For the consumer portfolio, the main risk indicator factor is delinquency, while for the corporate portfolio, in addition to delinquency, factors related to the financial situation and payment behavior, among others, are considered.

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(4) Financial Risk Management, continued

The following table contains the detail of the credit quality of the loan portfolio and the reserve for credit losses, where low risk are corporate loans with a rating of 1, 2 or 3 and consumer loans with a score greater than or equal to 605; while medium risk are corporate loans with a rating of 4, 5 or 6 and consumer loans with a score between 324 and 605 and high risk are corporate loans with a rating of 7 or 8 and consumer loans with a score of less than 324:

Loans at Amortized Cost (AC)	2025			Total
	ECL at 12 months	Lifetime ECL without credit impairment	Lifetime ECL with credit impairment	
Low Risk	581,821,481	0	0	581,821,481
Medium Risk	459,181,333	48,636,106	0	507,817,439
High Risk	0	102,830,787	631,672	103,462,459
Gross amount	1,041,002,814	151,466,893	631,672	1,193,101,379
Interest receivable	5,503,183	994,937	36,729	6,534,849
Allowance for loan Losses	(6,502,164)	(2,860,492)	(372,756)	(9,735,412)
Book value	1,040,003,833	149,601,338	295,645	1,189,900,816

Loans at Amortized Cost (AC)	2024			Total
	ECL at 12 months	Lifetime ECL without credit impairment	Lifetime ECL with credit impairment	
Low Risk	475,968,850	0	0	475,968,850
Medium Risk	380,058,385	46,110,319	0	426,168,704
High Risk	0	159,593,236	751,413	160,344,649
Gross amount	856,027,235	205,703,555	751,413	1,062,482,203
Interest receivable	3,802,048	1,311,922	47,143	5,161,113
Allowance for loan Losses	(5,612,365)	(2,304,969)	(482,763)	(8,400,097)
Book value	854,216,918	204,710,508	315,793	1,059,243,219

The Bank monitors guarantees and other improvements to reduce credit risk and its financial impact.

The following table presents the guarantees the Bank maintains to reduce credit risk and ensure the collection of its financial assets exposed to credit risk.

The main types of collaterals taken with respect to the different types of financial assets are presented below:

	% Covered exposure		Type of Collateral
	2025	2024	
Commercial portfolio	51.86%	53.72%	Cash, Commercial and Residential Real Estate, Land and Securities not traded in an active market
Consumer portfolio	44.68%	45.32%	Cash, Commercial and Residential Real Estate, Land and Securities not traded in an active market

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Notes to the Consolidated Financial Statements

(4) Financial Risk Management, continued

The following tables show the reconciliation of beginning and ending balances for the year ended December 31, 2025 and 2024, which correspond to the provisions for losses on financial assets:

2025				
<u>Loans at Amortized Cost (AC)</u>	<u>ECL at 12 months</u>	<u>Lifetime ECL without credit impairment</u>	<u>Lifetime ECL with credit impairment</u>	<u>Total</u>
Balance as of January 1, 2025	5,612,365	2,304,969	482,763	8,400,097
Change to Stage 1	543,044	(543,044)	0	0
Change to Stage 2	(577,465)	577,465	0	0
Change to Stage 3	(5,348)	(9,810)	15,158	0
Provision expense - remeasurement	(611,371)	373,813	121,831	(115,727)
Provision expense – origination	2,726,893	945,108	54,725	3,726,726
Provision expense – cancellation	(1,185,954)	(788,009)	454,966	(1,518,997)
Write-offs	0	0	(1,059,221)	(1,059,221)
Recoveries	0	0	302,534	302,534
Balance as of December 31, 2025	<u>6,502,164</u>	<u>2,860,492</u>	<u>372,756</u>	<u>9,735,412</u>

2024				
<u>Loans at Amortized Cost (AC)</u>	<u>ECL at 12 months</u>	<u>Lifetime ECL without credit impairment</u>	<u>Lifetime ECL with credit impairment</u>	<u>Total</u>
Balance as of January 1, 2024	4,632,702	2,672,323	523,971	7,828,996
Change to Stage 1	149,357	(94,017)	(55,340)	0
Change to Stage 2	(405,894)	419,645	(13,751)	0
Change to Stage 3	(6,635)	(13,355)	19,990	0
Provision expense - remeasurement	52,947	113,942	142,297	309,186
Provision expense - origination	2,515,821	937,471	258,451	3,711,743
Provision expense - cancellation	(1,325,933)	(1,731,040)	(79,175)	(3,136,148)
Write-offs	0	0	(693,231)	(693,231)
Recoveries	0	0	379,551	379,551
Balance as of December 31, 2024	<u>5,612,365</u>	<u>2,304,969</u>	<u>482,763</u>	<u>8,400,097</u>

Movements in provisions are due to changes in the level of risk, formalization of guarantees and balances.

Another material component within the reserve methodology is the prospective factor, where the Bank, aligned with the requirements of IFRS 9, considers three scenarios: Optimistic, Base and Adverse, which are combined through weightings according to the expectations of each one in line with the economic outlook.

Below is the comparison of the weightings taken at the end of year 2025 and year 2024.

<u>Year</u>	<u>Optimistic</u>	<u>Base</u>	<u>Adverse</u>
2025	10%	60%	30%
2024	10%	60%	30%

The provision for expected credit losses on investments at fair value through changes in other comprehensive income (FVOCI) is recognized in equity and does not reduce its book value or fair value in the consolidated statement of financial position.

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Notes to the Consolidated Financial Statements

(4) Financial Risk Management, continued

The reconciliation between the beginning and ending balance of the provision for expected credit losses related to investments with fair value in other comprehensive income (FVOCI) is shown below:

	2025		
	ECL 12 months	Lifetime ECL without credit impairment	Lifetime ECL with credit impairment
Investments in FVOCI			Total
Balance as of January 1, 2025	1,488,174	0	0
Provision expense - remeasurement	(399,025)	0	0
Provision expense – origination	160,153	0	0
Provision expense – cancellation	(121,162)	0	0
Balance as of December 31, 2025	<u>1,128,140</u>	<u>0</u>	<u>0</u>

	2024		
	ECL 12 months	Lifetime ECL without credit impairment	Lifetime ECL with credit impairment
Investments in FVOCI			Total
Balance as of January 1, 2024	1,197,513	0	0
Provision expense - remeasurement	462,680	0	0
Provision expense – origination	194,025	0	0
Provision expense – cancellation	(366,044)	0	0
Balance as of December 31, 2024	<u>1,488,174</u>	<u>0</u>	<u>0</u>

	2025		
	ECL 12 months	Lifetime ECL without credit impairment	Lifetime ECL with credit impairment
Investments to AC			Total
Balance as of January 1, 2025	1,745	0	0
Provision expense - remeasurement	(322)	0	0
Balance as of December 31, 2025	<u>1,423</u>	<u>0</u>	<u>0</u>

	2024		
	ECL 12 months	Lifetime ECL without credit impairment	Lifetime ECL with credit impairment
Investments to AC			Total
Balance as of January 1, 2024	1,684	0	0
Provision expense - remeasurement	61	0	0
Balance as of December 31, 2024	<u>1,745</u>	<u>0</u>	<u>0</u>

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Notes to the Consolidated Financial Statements

(4) Financial Risk Management, continued

Reconciliation between the beginning and ending balance of the provision for expected credit losses related to contingent operations are shown below:

	2025			
	<u>ECL 12 months</u>	<u>Lifetime ECL without credit impairment</u>	<u>Lifetime ECL with credit impairment</u>	<u>Total</u>
Contingent operations				
Balance as of January 1, 2025	1,012,574	912,344	24	1,924,942
Change Stage 2 to 1	116,369	(116,369)	0	0
Change Stage 1 to 2	(74,512)	74,512	0	0
Change Stage 3	(1,934)	(1,922)	3,856	0
Provision expense - remeasurement	(216,823)	895,032	(3,611)	674,598
Provision expense – origination	225,050	525,956	5	751,011
Provision expense - cancellation	(473,169)	(272,641)	(15)	(745,825)
Balance as of December 31, 2025	<u>587,555</u>	<u>2,016,912</u>	<u>259</u>	<u>2,604,726</u>

	2024			
	<u>ECL 12 months</u>	<u>Lifetime ECL without credit impairment</u>	<u>Lifetime ECL with credit impairment</u>	<u>Total</u>
Contingent operations				
Balance as of January 1, 2024	654,812	610,372	1,048	1,266,232
Change Stage 2 to 1	25,117	(25,049)	(68)	0
Change Stage 1 to 2	(7,415)	7,602	(187)	0
Change Stage 3	(3,714)	(956)	4,670	0
Provision expense - remeasurement	23,614	74,571	(4,646)	93,539
Provision expense – origination	660,704	610,813	0	1,271,517
Provision expense - cancellation	(340,544)	(365,009)	(793)	(706,346)
Balance as of December 31, 2024	<u>1,012,574</u>	<u>912,344</u>	<u>24</u>	<u>1,924,942</u>

The Bank monitors the concentration of credit risk by sector and geographic location. The analysis of the concentration of credit risks is as follows:

	<u>Loans</u>		<u>Investments</u>		<u>Bank deposits</u>	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
Concentration by Sector						
Corporate	1,146,413,478	1,016,210,023	151,561,560	138,797,010	0	0
Consumer	53,167,125	51,346,902	0	0	0	0
Other sectors	<u>55,625</u>	<u>86,391</u>	<u>49,532,791</u>	<u>55,938,538</u>	<u>385,746,593</u>	<u>331,250,880</u>
	1,199,636,228	1,067,643,316	201,094,351	194,735,548	385,746,593	331,250,880
Less: allowance for loan losses	<u>(9,735,412)</u>	<u>(8,400,097)</u>	<u>(1,423)</u>	<u>(1,745)</u>	<u>(35,400)</u>	<u>(26,757)</u>
	<u>1,189,900,816</u>	<u>1,059,243,219</u>	<u>201,092,928</u>	<u>194,733,803</u>	<u>385,711,193</u>	<u>331,224,123</u>
Geographic Concentration						
Panama	0	0	19,568,640	1,197,147	25,649,930	26,564,294
Dominican Republic	1,187,404,184	1,047,772,350	82,545,114	74,375,139	70,133,819	96,799,888
United States of America and Canada	2,164,396	279,784	69,894,767	94,806,144	213,581,893	155,100,746
Other countries	<u>10,067,648</u>	<u>19,591,182</u>	<u>29,085,830</u>	<u>24,357,118</u>	<u>76,380,951</u>	<u>52,785,952</u>
	1,199,636,228	1,067,643,316	201,094,351	194,735,548	385,746,593	331,250,880
Less: allowance for loan losses	<u>(9,735,412)</u>	<u>(8,400,097)</u>	<u>(1,423)</u>	<u>(1,745)</u>	<u>(35,400)</u>	<u>(26,757)</u>
	<u>1,189,900,816</u>	<u>1,059,243,219</u>	<u>201,092,928</u>	<u>194,733,803</u>	<u>385,711,193</u>	<u>331,224,123</u>

The geographical concentrations of loans, investments securities and deposits with banks are based on the location of the debtor and issuer.

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Notes to the Consolidated Financial Statements**(4) Financial Risk Management, continued****Sensitivity Analysis for the calculation of Expected Credit Loss (ECL)**

Among the relevant assumptions that affect the calculation of the expected credit loss (ECL) in the loan portfolio are the Probability of Default (PD), the Loss Given Default (LGD) and the Forward-Looking Information Factor (FLI). The Bank has estimated the impact on expected credit loss (ECL) under stress scenarios that lead to the deterioration of the aforementioned factors.

The scenarios carried out are detailed as follows:

In millions of B/.

2025

	<u>Gross Exposure</u>	<u>Optimistic</u>	<u>Expected Loss - Scenarios</u>		<u>Weighted</u>
As of December 31			<u>Base</u>	<u>Pessimistic</u>	
Corporate	1,140.51	7.86	8.07	8.78	8.25
Consumer	52.97	1.33	1.37	1.51	1.41

In millions of B/.

2024

	<u>Gross Exposure</u>	<u>Optimistic</u>	<u>Expected Loss - Scenarios</u>		<u>Weighted</u>
As of December 31			<u>Base</u>	<u>Pessimistic</u>	
Corporate	1,011.76	6.38	6.55	7.12	6.70
Consumer	51.03	1.51	1.57	1.76	1.62

The macroeconomic variables used, mainly corresponding to the Dominican Republic, are detailed as follows:

	<u>Macroeconomic variables used</u>					
	<u>2025</u>			<u>2024</u>		
	<u>Optimistic</u>	<u>Base</u>	<u>Pessimistic</u>	<u>Optimistic</u>	<u>Base</u>	<u>Pessimistic</u>
GDP	4.50%	2.00%	(6.70%)	6.00%	5.00%	2.00%
CPI	4.00%	5.00%	8.50%	3.00%	4.00%	6.00%

(b) Liquidity Risk

Liquidity risk is defined as the Bank's possible inability to comply with all of its obligations due to, inter alia, an unexpected withdrawal of funds provided by creditors or customers, deterioration in the quality of the loan portfolio, reduction in the value of investments, excessive concentration of liabilities in a particular source, the mismatch between assets and liabilities, the lack of liquidity of assets, or the financing of long-term assets with short-term liabilities. The Bank manages its liquid resources to honor its liabilities at maturity under normal conditions.

Liquidity Risk Management

Risk management policies establish a liquidity limit that determines the portion of the Bank's assets that must be kept in highly liquid instruments.

The Bank is exposed to daily requirements on its available resources of funds from overnight deposits, checking accounts, time deposits, loan disbursements and guarantees.

POPULAR BANK LTD. INC. AND SUBSIDIARY

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Notes to the Consolidated Financial Statements**(4) Financial Risk Management, continued***Exposure to Liquidity Risk*

The Bank uses the legal liquidity ratio established by the Superintendency of Banks of Panama to measure and monitor its liquidity levels. Cash, demand and time bank deposits, investments and loan payments, all of them under conditions and percentages of eligibility are considered as liquid assets. The deposits that make up this ratio consider savings accounts, demand deposits and time deposits that meet certain criteria.

The Bank's liquidity ratio, which considered primary liquid assets divided by the total deposits measured as of the reporting date, is detailed below, as follows:

	<u>2025</u>	<u>2024</u>
At the end of the year	49.15%	45.53%
Average of the year	48.45%	48.71%
Year-high	55.54%	58.28%
Year Minimum	38.41%	40.13%

The chart below shows the future cash flows undiscounted from the assets and financial liabilities of the Bank and loan commitments not recognized on the basis of its earliest possible maturity. The expected flows of these instruments can vary significantly as a result of these analyses:

			<u>2025</u>		
	<u>Carrying Amount</u>	<u>Gross Nominal Inflows (Outflows)</u>	<u>Up to 1 Year</u>	<u>From 1-3 Years</u>	<u>More than 5 Years</u>
Assets:					
Demand and time deposits in banks	385,711,193	385,169,014	385,169,014	0	0
Investments securities	201,092,928	234,644,587	76,231,292	99,159,842	59,253,453
Loans, net	<u>1,189,900,816</u>	<u>2,052,334,365</u>	<u>997,130,342</u>	<u>659,381,067</u>	<u>395,822,956</u>
Total	<u>1,776,704,937</u>	<u>2,672,147,966</u>	<u>1,458,530,648</u>	<u>758,540,909</u>	<u>455,076,409</u>
Liabilities:					
Demand and time deposits	1,273,651,984	(1,413,890,503)	(1,405,011,606)	(8,878,897)	0
Financial obligations	30,263,518	(30,427,366)	(30,427,366)	0	0
Commitments and contingencies	<u>0</u>	<u>(2,604,726)</u>	<u>(2,604,726)</u>	<u>0</u>	<u>0</u>
Total	<u>1,303,915,502</u>	<u>(1,446,922,595)</u>	<u>(1,438,043,698)</u>	<u>(8,878,897)</u>	<u>0</u>

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(4) Financial Risk Management, continued

			<u>2024</u>		
	<u>Carrying Amount</u>	<u>Gross Nominal Inflows (Outflows)</u>	<u>Up to 1 Year</u>	<u>From 1-3 Years</u>	<u>More than 5 Years</u>
Assets:					
Demand and time deposits in banks	331,224,123	331,250,880	331,250,880	0	0
Investments securities	194,733,803	227,554,619	62,586,095	65,506,319	99,462,205
Loans, net	1,059,243,219	1,687,649,512	731,067,867	617,038,409	339,543,236
Total	<u>1,585,201,145</u>	<u>2,246,455,011</u>	<u>1,124,904,842</u>	<u>682,544,728</u>	<u>439,005,441</u>
Liabilities:					
Demand and time deposits	1,132,238,496	(1,252,796,706)	(1,247,611,959)	(5,184,747)	0
Financial obligations	30,032,873	(30,992,999)	(30,992,999)	0	0
Commitments and contingencies	0	(1,924,943)	(1,924,943)	0	0
Total	<u>1,162,271,369</u>	<u>(1,285,714,648)</u>	<u>(1,280,529,901)</u>	<u>(5,184,747)</u>	<u>0</u>

The following table analyzes the Bank's financial assets and liabilities in the remaining period of one year from the reporting date:

	<u>2025</u>	<u>2024</u>
Assets		
Cash and bank deposits	385,593,447	305,881,741
Investments securities	63,724,557	54,673,060
Loans	<u>244,502,441</u>	<u>185,645,382</u>
	<u>693,820,445</u>	<u>546,200,183</u>
Liabilities		
Demand deposits	367,233,587	322,865,251
Savings Deposits	31,570,946	11,243,185
Time Deposits	854,402,253	779,717,391
Financial obligations	<u>30,000,000</u>	<u>30,000,000</u>
	<u>1,283,206,786</u>	<u>1,143,825,827</u>

The quantities in the table above have been compiled as follows:

<u>Type of financial instrument</u>	<u>Basis on which quantities are determined</u>
Non-derivative financial assets and liabilities	Undiscounted cash flows, including interest payments

The Bank's expected cash flows on some financial assets and liabilities vary significantly from contractual cash flows. The main differences are as follows:

- customer demand deposits are expected to remain stable or increase;
- All unrecognized loan commitments are not expected to be withdrawn immediately.

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Notes to the Consolidated Financial Statements

(4) Financial Risk Management, continued

The inflow/ (outflow) of the gross nominal amount disclosed in the table above includes future undiscounted cash flows related to the principal and interest on financial liabilities or commitments.

As of December 31, 2025 and 2024, the Bank does not hold financial assets held as collateral and therefore keeps them available to support future financing.

(c) Market Risk

The risk that the value of a Bank's financial asset will be reduced by changes in interest rates, foreign exchange rates, stock prices, and other financial variables, as well as the reaction of stock market participants to political and economic events. The management of this risk is constantly monitored by the Risk Committee and the ALCO Committee. To mitigate this risk, the Bank has documented, in its policies, controls related to investment limits, investment classification and valuation, portfolio rating, verification of interest payments, sensitivity, and interest rate testing.

Market Risk Management

The global investment exposure policies and limits set forth in the Treasury and Investment Manual and the Comprehensive Risk Management Manual are established and approved by the Bank's Board of Directors, which take into consideration the portfolio and the assets that compose them.

Risk management policies provide for compliance with per-financial instrument limits, limits on the maximum amount of loss at which the closing of positions that caused such loss is required, and the requirement that, except for approval by the Board of Directors, substantially all assets and liabilities are denominated in United States dollars.

In addition, the Bank has established maximum limits for market risk losses in its investment portfolio that may be the result of movements in interest rates, credit risk and fluctuations in the market values of the investments.

Currently, the Bank's investment policy does not contemplate investments on its own account in foreign exchange markets or commodities.

The composition and analysis of each of the types of market risk is presented below:

- *Exchange Rate Risk*

It is the risk that the value of a financial instrument fluctuates as a result of variations in the exchange rates of foreign currencies, and other financial variables, as well as the reaction of market participants to political and economic events. For the purposes of standards, this risk does not arise from financial instruments that are not monetary items, nor from financial instruments denominated in the functional currency.

The value of the positions in Euros fluctuates as a result of changes in exchange rate quotes.

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Notes to the Consolidated Financial Statements**(4) Financial Risk Management, continued**

The position of currencies other than the United States dollar is presented in its dollar equivalent as follows:

	<u>2025</u> <u>Euros</u>	<u>2024</u> <u>Euros</u>
Bank deposits	1,368,736	2,728,834
Other assets	<u>72</u>	<u>58</u>
Total assets	<u>1,368,808</u>	<u>2,728,892</u>
Deposits received	<u>1,058,199</u>	<u>1,634,532</u>
Total liabilities	<u>1,058,199</u>	<u>1,634,532</u>

- Interest Rate Risk***

Cash flow interest rate risk is the risk that future cash flows of a financial instrument fluctuate due to changes in market interest rates. Fair value interest rate risk is the risk that the value of the financial instrument fluctuates due to changes in market interest rates.

The Bank assumes exposure to the effects of fluctuations in prevailing market interest rate levels on both its fair value risk and its cash flow risk. Interest margins may increase as a result of such changes but may decrease or create losses in the event of unexpected movements. The ALCO Committee periodically reviews the behavior of interest rates on assets and liabilities, measures the impact of the mismatch on the Bank's results, and takes appropriate measures to minimize negative repercussions on the Bank's financial results.

The table below summarizes the Bank's exposure to interest rate risks. The Bank's assets and liabilities are included in the table at their book value, categorized by the earlier of the new contractual rate setting or the maturity dates.

<u>2025</u>	<u>Up to 1</u> <u>Year</u>	<u>From 1 to 3</u> <u>Years</u>	<u>From 3 to 5</u> <u>Years</u>	<u>More than 5</u> <u>Years</u>	<u>Without</u> <u>Interest rate</u>	<u>Total</u>
Assets						
Bank deposits	368,377,542	0	0	0	17,333,651	385,711,193
Investments securities	42,804,877	50,185,831	0	108,102,220	109,801	201,202,729
Loans	<u>995,361,674</u>	<u>85,382,735</u>	<u>98,052,189</u>	<u>10,030,766</u>	<u>1,073,452</u>	<u>1,189,900,816</u>
	<u>1,406,544,093</u>	<u>135,568,566</u>	<u>98,052,189</u>	<u>118,132,986</u>	<u>18,516,904</u>	<u>1,776,814,738</u>
Liabilities						
Demand deposits	336,930,784	0	0	0	30,302,890	367,233,674
Savings deposits	31,566,428	0	0	0	6,091	31,572,519
Time deposits	758,634,224	114,710,642	1,500,925	0	0	874,845,791
Financial obligations	<u>30,263,518</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>30,263,518</u>
	<u>1,157,394,954</u>	<u>114,710,642</u>	<u>1,500,925</u>	<u>0</u>	<u>30,308,981</u>	<u>1,303,915,502</u>

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(4) Financial Risk Management, continued

<u>2024</u>	<u>Up to 1 Year</u>	<u>From 1 to 3 Years</u>	<u>From 3 to 5 Years</u>	<u>More than 5 Years</u>	<u>Without Interest rate</u>	<u>Total</u>
Assets						
Bank deposits	313,533,991	0	0	0	17,690,132	331,224,123
Investments securities	54,673,060	41,102,171	0	98,958,572	88,005	194,821,808
Loans	<u>764,184,707</u>	<u>52,839,737</u>	<u>118,422,890</u>	<u>123,580,753</u>	<u>215,132</u>	<u>1,059,243,219</u>
	<u>1,132,391,758</u>	<u>93,941,908</u>	<u>118,422,890</u>	<u>222,539,325</u>	<u>17,993,269</u>	<u>1,585,289,150</u>
Liabilities						
Demand deposits	291,458,511	0	0	0	31,406,820	322,865,331
Savings deposits	11,239,486	0	0	0	4,137	11,243,623
Time deposits	593,266,003	202,618,035	2,245,504	0	0	798,129,542
Financial obligations	<u>30,032,873</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>30,032,873</u>
	<u>925,996,873</u>	<u>202,618,035</u>	<u>2,245,504</u>	<u>0</u>	<u>31,410,957</u>	<u>1,162,271,369</u>

The sensitivity analysis of the consolidated statement of financial position is performed quarterly by the Market Risk Management, which in turn reviews the results and verifies that the limits established by the Board of Directors are not exceeded. This sensitivity analysis is presented monthly to the ALCO Committee.

Interest rates earned on the Bank's assets include variable rates that are adjusted as determined by the Bank, from time to time based on the cost of the Bank's liabilities.

For interest rate risks, the Bank's management has defined a scheme for measuring the sensitivity of the consolidated statement of financial position to an increase or decrease of 50, 100 and 200 basis points on interest rates and where it is assumed that the composition of the consolidated statement of financial position remains constant. The table below reflects the impact on net interest income when applying these variations in interest rates:

	<u>2025</u>					
Net interest impact	<u>Increase of 200 bp</u>	<u>Increase of 100 bp</u>	<u>Increase of 50 bp</u>	<u>Decrease of 50 bp</u>	<u>Decrease of 100 bp</u>	<u>Decrease of 200 bp</u>
At the end of the year	13,055,933	6,527,967	3,263,983	(3,263,983)	(6,527,967)	(13,055,933)
Average of the year	12,839,703	6,419,852	3,209,926	(3,209,926)	(6,419,852)	(12,839,703)
Maximum of the year	14,446,264	7,223,132	3,611,566	(2,430,270)	(4,860,539)	(9,721,079)
Minimum of the year	9,721,079	4,860,539	2,430,270	(3,611,586)	(7,223,132)	(14,446,264)
	<u>2024</u>					
Net interest impact	<u>Increase of 200 bp</u>	<u>Increase of 100 bp</u>	<u>Increase of 50 bp</u>	<u>Decrease of 50 bp</u>	<u>Decrease of 100 bp</u>	<u>Decrease of 200 bp</u>
At the end of the year	9,811,303	4,905,652	2,452,826	(2,452,826)	(4,905,652)	(9,811,303)
Average of the year	10,528,905	5,264,452	2,632,226	(2,632,226)	(5,264,452)	(10,528,905)
Maximum of the year	11,776,395	5,888,198	2,944,099	(2,418,762)	(4,837,524)	(9,675,048)
Minimum of the year	9,675,048	4,837,524	2,418,762	(2,944,099)	(5,888,198)	(11,776,395)

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Notes to the Consolidated Financial Statements

(4) Financial Risk Management, continued

2025

Impact on equity due to interest rate movements	<u>Parallel Increase</u>	<u>Parallel Decrease</u>	<u>Steepening</u>	<u>Flattening</u>	<u>Short-term rate increase</u>	<u>Short-term rate decrease</u>
At the end of the year	5,668,730	(5,389,547)	(17,925,260)	21,328,515	4,999,953	(4,712,247)
Average of the year	5,600,378	(5,348,049)	(15,616,912)	18,711,181	4,928,381	(4,647,488)
Maximum of the year	7,365,802	(4,263,016)	(14,508,256)	21,328,515	6,615,937	(3,363,334)
Minimum of the year	4,538,047	(7,140,364)	(17,925,260)	17,261,837	3,679,029	(6,361,140)

2024

Impact on equity due to interest rate movements	<u>Parallel Increase</u>	<u>Parallel Decrease</u>	<u>Steepening</u>	<u>Flattening</u>	<u>Short-term rate increase</u>	<u>Short-term rate decrease</u>
At the end of the year	6,554,981	(6,329,535)	(14,977,512)	18,108,035	5,880,951	(5,630,222)
Average of the year	10,491,433	(10,422,345)	(9,548,364)	12,645,699	9,947,016	(9,838,289)
Maximum of the year	12,417,943	(6,329,535)	(8,412,736)	18,108,035	11,860,201	(5,630,222)
Minimum of the year	6,554,981	(12,388,421)	(14,977,512)	11,248,141	5,880,951	(11,784,530)

- **Price Risk**

It is the risk that the value of a financial instrument fluctuates as a result of changes in market prices, regardless of whether caused by specific factors relating to the particular instrument or its issuer, or by factors affecting all securities traded in the market.

The Bank is exposed to the price risk of equity instruments classified as available for sale. To manage the price risk arising from investments in equity instruments, the Bank diversifies its portfolio, according to the established limits.

(d) Operational Risk

Operational risk is the possibility of incurring losses due to deficiencies, failures or inadequacies of human resources, processes, technology, infrastructure or the occurrence of external events. This definition includes the legal risk associated with such factors.

The mission of the Operational Risk unit is to support the management of the Bank's risk in accordance with current regulations and sound banking practices, in order to guarantee an efficient process of identification, measurement and control of the level of risk to which the Bank is exposed according to the size and complexity of its operations, products and services.

The development of Operational Risk Management is supervised by a Risk Committee that also supports the work of administration and implementation of operational risk management and is supported by the Board of Directors that ensures effective management. The Committee is strategic in nature and demands information and analysis of the different risks assumed by the Bank.

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Notes to the Consolidated Financial Statements

(4) Financial Risk Management, continued

To facilitate Operational Risk Management, tools have been implemented which result in the qualitative and quantitative aspects of risks, such as Risk Matrices and a system for the Registration of Events and Incidents established in the Bank that results in a Database that supports the evaluation of the probability of occurrence of events and for continuous improvement in processes and controls.

The policies and procedures established by the Bank for operational risk management are reviewed periodically by the Internal Audit Department.

During 2025, operational risk management processes were executed in order to ensure compliance with regulatory agreements and guarantee business continuity in the face of the crisis scenario. Among the activities carried out, the following stand out:

- Awareness-raising activities for all personnel regarding about the importance of Operational Risk Management.
- Reinforcement of policies and procedures for Operational Risk Management, as well as in the identification of risks and monitoring of events and incidents materialized.
- Follow-up to the action plans defined for risks classified as high and catastrophic.
- Review of the operation of the Business Continuity Plan with the implementation of teleworking.

Capital Management

Internationally licensed banks over which the Superintendency of Banks of Panama exercises source supervision must comply, at all times, with the minimum capital adequacy ratio required of 8% of their total risk-weighted assets, within and outside the consolidated statement of financial position, as well as a primary capital equivalent to not less than 6% and a minimum leverage ratio of 3%, resulting from the ratio of ordinary primary capital to total exposure to unweighted assets in and out of the consolidated statement of financial position.

The Bank computes the capital adequacy ratio as a consolidated banking group with its subsidiary and for these purposes, the Bank submits quarterly to the Superintendency of Banks of Panama the Capital Adequacy Ratio report (individual and consolidated) which states that the Bank complies individually and consolidated with the minimum capital adequacy requirements. Panamanian banking law requires banks with an international license, among other requirements, to maintain a minimum paid-in or assigned capital of B/.3,000,000.

(5) Critical Accounting Estimates and Judgments in the Application of Accounting Policies

The preparation of the consolidated financial statements and their notes require the Bank to make estimates affecting the balances of assets and liabilities, and the balances of gains and losses recorded during the respective years, as well as the disclosure of contingent assets and liabilities as of the reporting date. Actual results may differ from those estimates.

Areas involving a high degree of judgment or complexity, or those areas in which management's assumptions and estimates are material to the consolidated financial statements, are the provision for expected credit losses (Note 4), and the determination of fair values (Note 19).

POPULAR BANK LTD. INC. AND SUBSIDIARY

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Notes to the Consolidated Financial Statements**(5) Critical Accounting Estimates and Judgements in the Application of Accounting Policies, continued**

Periodically, the Bank analyzes the recoverability of its loan portfolio, which is its most material estimate. With respect to this item, the Administration applies estimates based on expected credit losses. The methodology and variables used for this analysis are regularly reviewed by Management to reduce any difference between estimated losses and actual losses.

(a) Impairment losses on financial assets

The Bank continuously reviews the credit risk immersed in financial assets in order to identify any significant impairment which translates into the constitution of greater provisions for expected credit losses, such provisions are based on the expected credit loss model, which uses historical and forward-looking information; the key inputs of this model are described in section "3. Material Accounting Policies" in the impairment loss section.

(b) Fair Value

For investments listed on active markets, fair value is determined by the reference price of the instrument published on stock exchanges and electronic stock exchange information systems. When stand-alone prices are not available, fair values are determined using valuation techniques with reference to observable market data or by using internationally recognized price providers. These include discounted cash flow analysis and other valuation techniques commonly used by market participants. Changes in the assumptions about these factors could affect the reported fair value of financial instruments (Note 19).

(6) Related Party Transactions and Balances

The Bank in the ordinary course of business has engaged in transactions with certain related parties such as: shareholders, unconsolidated companies, directors and key personnel. As of December 31, 2025, the following were the aggregate balances of transactions with related parties:

	Directors and Key Personnel	2025 Related Companies	Total
<u>Assets:</u>			
Time deposits	0	70,133,819	70,133,819
Loans	<u>2,172,428</u>	<u>11,344,214</u>	<u>13,516,642</u>
		2024	
	Directors and Key Personnel	Related Companies	Total
<u>Assets:</u>			
Time deposits	0	96,799,889	96,799,889
Loans	<u>1,927,985</u>	<u>19,961,637</u>	<u>21,889,622</u>

As of December 31, 2025, the Bank recognized impairment provisions with respect to loans granted to related parties amounting to B/.105,226 (2024: B/.114,603).

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Notes to the Consolidated Financial Statements**(6) Related Party Transactions and Balances, continued**

As of December 31, 2025, the loan portfolio with related parties has been granted under usual market conditions and was secured by tangible collateral, including: real estate and other assets in the amount of B/.3,979,162 (2024: B/.1,735,000). There were no write-offs to related parties' loans.

	<u>2025</u>		
	<u>Directors and Key Personnel</u>	<u>Related Companies</u>	<u>Total</u>
<u>Liabilities:</u>			
Deposits:			
Demand	3,518,543	5,584,728	9,103,271
Savings	731,202	288,851	1,020,053
Time	<u>12,072,291</u>	<u>14,418,783</u>	<u>26,491,074</u>
	<u>16,322,036</u>	<u>20,292,362</u>	<u>36,614,398</u>
	<u>2024</u>		
	<u>Directors and Key Personnel</u>	<u>Related Companies</u>	<u>Total</u>
<u>Liabilities:</u>			
Deposits:			
Demand	21,707,826	1,410,100	23,117,926
Savings	0	19,066	19,066
Time	<u>7,448,022</u>	<u>17,454,767</u>	<u>24,902,789</u>
	<u>29,155,848</u>	<u>18,883,933</u>	<u>48,039,781</u>

For the period ended December 31, 2025, the following items of income and expenses are included in the aggregate amounts resulting from the transactions described above:

	<u>Directors and Key Personnel</u>	<u>2025 Related Companies</u>	<u>Total</u>
<u>Interest income:</u>			
Loans	<u>33,399</u>	<u>71,623</u>	<u>105,022</u>
Deposits	<u>0</u>	<u>4,221,861</u>	<u>4,221,861</u>
<u>Other commissions:</u>			
Trusts	<u>6,400</u>	<u>0</u>	<u>6,400</u>
<u>Interest expense:</u>			
Deposits	<u>808,473</u>	<u>820,471</u>	<u>1,628,944</u>
<u>General and administrative expenses:</u>			
Directors' fees	<u>441,400</u>	<u>0</u>	<u>441,400</u>
Salaries	<u>418,600</u>	<u>0</u>	<u>418,600</u>
Employee benefits	<u>450,000</u>	<u>0</u>	<u>450,000</u>
Fees and others	<u>0</u>	<u>1,933,503</u>	<u>1,933,503</u>

POPULAR BANK LTD. INC. AND SUBSIDIARY

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Notes to the Consolidated Financial Statements**(6) Related Party Transactions and Balances, continued**

	Directors and Key Personnel	2024 Related Companies	Total
<u>Interest income:</u>			
Loans	<u>120,986</u>	<u>1,613,554</u>	<u>1,734,540</u>
Deposits	<u>0</u>	<u>2,042,011</u>	<u>2,042,011</u>
<u>Other commissions:</u>			
Trusts	<u>5,000</u>	<u>0</u>	<u>5,000</u>
<u>Interest expense:</u>			
Deposits	<u>607,575</u>	<u>736,314</u>	<u>1,343,889</u>
<u>General and administrative expenses:</u>			
Directors' fees	<u>443,600</u>	<u>0</u>	<u>443,600</u>
Salaries	<u>162,500</u>	<u>0</u>	<u>162,500</u>
Employee benefits	<u>612,500</u>	<u>0</u>	<u>612,500</u>
Fees and others	<u>3,840,000</u>	<u>2,022,377</u>	<u>5,842,377</u>

(7) Cash and Bank Deposits

Cash and cash equivalents are detailed below for purposes of reconciliation with the consolidated statement of cash flows:

	<u>2025</u>	<u>2024</u>
Cash	700	700
Demand deposits – local	645,069	1,558,461
Demand deposits - foreign	204,947,678	147,822,579
Time deposits - local and foreign with original maturities of three months or less	<u>180,153,846</u>	<u>181,869,840</u>
Cash and cash equivalents in the Consolidated statement of cash flows	<u>385,747,293</u>	<u>331,251,580</u>

(8) Investments in Securities

As of December 31, 2025, investments in securities are detailed as follows:

	<u>2025</u>	<u>2024</u>
Investments at FVPL	109,801	88,005
Investments at FVOCI	200,865,849	194,507,488
Investments at AC	<u>227,079</u>	<u>226,315</u>
Total	<u>201,202,729</u>	<u>194,821,808</u>

(a) Investments at FVPL

Investments at FVPL correspond to equity shares for a total of B/.109,801 (2024: B/.88,005).

As of December 31, 2025, the Bank recorded dividend income of B/.6,206 (2024: B/.4,965) in the other income account.

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Notes to the Consolidated Financial Statements**(8) Investments in Securities, continued****(b) Investments at FVOCI**

Investments at FVOCI classified by type of instrument are detailed as follows:

	<u>2025</u>	<u>2024</u>
Debt securities - private	151,561,560	138,797,010
Debt securities - government	<u>49,304,289</u>	<u>55,710,478</u>
	<u>200,865,849</u>	<u>194,507,488</u>

During the year ended December 31, 2025, the Bank made sales of investments in securities for B/.30,000,000 (2024: B/.0), which generated net gains of B/.15,000 (2024: B/.0); and redeemed values for B/.246,597,200 (2024: B/.207,314,121). In addition, the Bank presents unrealized losses for investments at FVOCI for B/.1,455,886 (2024: losses for B/.1,076,649), which are presented in the valuation reserves for investments at FVOCI in equity for B/.1,128,140 (2024: B/.1,488,174).

(c) Investments at Amortized Cost (AC)

The investments at amortized cost correspond to bonds of the Republic of Panama, with a carrying value of B/.227,079 (2024: B/.226,315).

	<u>2025</u>	<u>2024</u>
Republic of Panama Bonds	228,502	228,060
Reserve expected credit losses	<u>(1,423)</u>	<u>(1,745)</u>
	<u>227,079</u>	<u>226,315</u>

(9) Loans

The distribution by economic activity of the loan portfolio is summarized below:

<u>2025</u>	<u>Gross balance</u>	<u>(ECL Allowance)</u>	<u>Net balance</u>
Foreign Sector			
Industrial	398,573,768	(2,223,700)	396,350,068
Commerce	156,539,026	(1,097,765)	155,441,261
Tourism	145,871,956	(814,099)	145,057,857
Construction	145,529,327	(1,065,265)	144,464,062
Financial and insurance institutions	83,548,870	(527,522)	83,021,348
Transportation	64,926,291	(403,948)	64,522,343
Communications and services	48,826,952	(556,557)	48,270,395
Ports and railways	34,051,264	(157,263)	33,894,001
Other loans	30,402,808	(576,436)	29,826,372
Agriculture and fishing	28,690,815	(166,508)	28,524,307
Credit cards	28,551,503	(1,851,215)	26,700,288
Consumer	22,823,420	(220,879)	22,602,541
Residential Mortgages	9,665,376	(52,262)	9,613,114
Mines and quarries	1,634,852	(21,993)	1,612,859
Loans, net	<u>1,199,636,228</u>	<u>(9,735,412)</u>	<u>1,189,900,816</u>

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(9) Loans, continued

	<u>2024</u>	<u>Gross balance</u>	<u>(ECL Allowance)</u>	<u>Net balance</u>
Foreign Sector				
Industrial		347,816,299	(1,739,372)	346,076,927
Tourism		177,465,184	(944,126)	176,521,058
Commerce		120,095,457	(816,200)	119,279,257
Construction		107,929,136	(603,192)	107,325,944
Transportation		67,783,083	(359,486)	67,423,597
Ports and railways		56,828,291	(466,065)	56,362,226
Financial and insurance institutions		54,126,450	(412,589)	53,713,861
Communications and services		48,938,948	(438,293)	48,500,655
Credit cards		29,083,473	(1,710,257)	27,373,216
Other loans		28,503,337	(667,333)	27,836,004
Consumer		13,889,423	(117,136)	13,772,287
Residential Mortgages		7,448,020	(37,202)	7,410,818
Agriculture and fishing		6,593,544	(54,870)	6,538,674
Mines and quarries		1,142,671	(33,976)	1,108,695
Loans, net		<u>1,067,643,316</u>	<u>(8,400,097)</u>	<u>1,059,243,219</u>

A material part of the Bank's loan portfolio is made up of commercial loans and loans to service companies, with time deposit guarantees and mortgage guarantees that represent approximately 63.69% (2024: 58.06%) of the loan portfolio.

(10) Property, Furniture, Equipment and Improvements, Net

The property, furniture, equipment, and improvements are summarized below:

<u>2025</u>	<u>Property</u>	<u>Furniture and equipment</u>	<u>Vehicles</u>	<u>Improvements to the property</u>	<u>Total</u>
Cost					
At the beginning of the year	2,399,613	1,636,716	47,000	1,973,892	6,057,221
Additions	0	772,830	0	1,496,293	2,269,123
Disposals	0	(78,078)	0	0	(78,078)
As of December 31, 2025	<u>2,399,613</u>	<u>2,331,468</u>	<u>47,000</u>	<u>3,470,185</u>	<u>8,248,266</u>
Accumulated depreciation and amortization					
At the beginning of the year	1,678,012	1,063,979	14,100	1,953,957	4,710,048
Period expense	77,049	224,944	9,400	48,794	360,187
Disposals	0	(69,269)	0	0	(69,269)
As of December 31, 2025	<u>1,755,061</u>	<u>1,219,654</u>	<u>23,500</u>	<u>2,002,751</u>	<u>5,000,966</u>
Net balance	<u>644,552</u>	<u>1,111,814</u>	<u>23,500</u>	<u>1,467,434</u>	<u>3,247,300</u>

POPULAR BANK LTD. INC. AND SUBSIDIARY

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Notes to the Consolidated Financial Statements**(10) Property, Furniture, Equipment and Improvements, Net, continued**

2024	Property	Furniture and equipment	Vehicles	Improvements to the property	Total
Cost					
At the beginning of the year	2,399,613	1,431,317	47,000	1,973,892	5,851,822
Additions	0	208,578	0	0	208,578
Disposals	0	(3,179)	0	0	(3,179)
As of December 31, 2024	<u>2,399,613</u>	<u>1,636,716</u>	<u>47,000</u>	<u>1,973,892</u>	<u>6,057,221</u>
Accumulated depreciation and amortization					
At the beginning of the year	1,600,963	839,953	4,700	1,920,443	4,366,059
Period expense	77,049	227,169	9,400	33,514	347,132
Disposals	0	(3,143)	0	0	(3,143)
As of December 31, 2024	<u>1,678,012</u>	<u>1,063,979</u>	<u>14,100</u>	<u>1,953,957</u>	<u>4,710,048</u>
Net balance	<u>721,601</u>	<u>572,737</u>	<u>32,900</u>	<u>19,935</u>	<u>1,347,173</u>

(11) Intangible Assets, Net

Intangible assets are made up of technological programs and other intangible assets, the movements of which are summarized below:

	2025	2024
Cost		
At the beginning of the year	3,466,801	18,943,143
Additions	268,773	762,339
Sales and disposals	<u>(120,389)</u>	<u>(16,238,681)</u>
At the end of the period	<u>3,615,185</u>	<u>3,466,801</u>
Accumulated amortization		
At the beginning of the year	1,706,246	14,875,804
Expense for the year	706,154	3,069,123
Sales and disposals	<u>(120,389)</u>	<u>(16,238,681)</u>
At the end of the period	<u>2,292,011</u>	<u>1,706,246</u>
Net balance	<u>1,323,174</u>	<u>1,760,555</u>

(12) Other Assets

The other assets include the following:

	2025	2024
Prepaid expense	1,993,253	580,955
Purchase advances	1,360,500	758,573
Unemployment fund	956,266	896,496
Security deposit	288,759	288,960
Other account receivable	76,479	110,213
Other assets	27,085	18,428
Other accounts receivable in loan management	1,081	1,773,069
Incentives receivables	<u>0</u>	<u>17,393</u>
	<u>4,703,423</u>	<u>4,444,087</u>

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Notes to the Consolidated Financial Statements**(13) Financial Obligations**

As of December 31, 2025, the Bank maintains financial obligations from local and foreign financial institutions for B/.30,263,518 (2024: B/.30,032,873) with maturities ranging from January 2026 to February 2026, agreed at fixed interest rates ranging from 5.49% to 5.84% (2024: with maturities ranging from March 2025 to September 2025, agreed at rates ranging from 6.22% to 6.81%) and without collaterals.

The Bank has not defaulted on principal, interest or other contractual clauses in relation to its other financial obligations.

(14) Other Liabilities

The other liabilities are detailed below:

	<u>2025</u>	<u>2024</u>
Contingencies ECL Reserves	2,604,726	1,924,942
Miscellaneous provisions	2,332,302	2,151,026
Labor provisions and withholding	938,457	848,107
Other liabilities	877,831	701,114
Accounts payable – suppliers and others	780,364	2,802,415
Severance Fund	622,765	418,782
Bonuses payable	341,017	58,652
Commission payable	36,531	37,417
Items pending to be applied	752	583,789
Accounts payable – clients in succession proceedings	0	1,159,604
	<u>8,534,745</u>	<u>10,685,848</u>

(15) Common Stock

The composition of the Bank's capital in common shares, with a par value of B/.50.00 each, is summarized as follows:

	<u>2025</u>		<u>2024</u>	
	<u>Number of Shares</u>	<u>Number of Shares</u>	<u>Number of Shares</u>	<u>Amount</u>
<u>Common Shares</u>				
Authorized shares	<u>2,300,000</u>	<u>115,000,000</u>	<u>2,300,000</u>	<u>115,000,000</u>
Issued shares	<u>848,000</u>	<u>42,400,000</u>	<u>848,000</u>	<u>42,400,000</u>

As of December 31, 2025, the Bank's authorized capital includes 35,000 unissued preferred shares for a total of B/.35,000,000, at a rate of B/.1,000 per share.

POPULAR BANK LTD. INC. AND SUBSIDIARY

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Notes to the Consolidated Financial Statements**(16) Other Commissions and Other Income**

The breakdown of other commissions and other income is presented below:

	<u>2025</u>	<u>2024</u>
Other commissions		
Banking services and letters of credit	920,614	1,021,885
Credit cards	876,120	1,060,861
Loan commitments	177,145	160,054
Guarantees, surety bonds and letters of guarantee	171,994	232,790
Trusts	<u>6,400</u>	<u>5,000</u>
	<u>2,152,273</u>	<u>2,480,590</u>
Other Income		
Other miscellaneous income	3,885,836	3,033,631
Credit card incentives	137,643	160,967
Issuance of cashier's checks	42,688	41,002
Penalty for early cancellation of deposits	<u>10,977</u>	<u>39,060</u>
	<u>4,077,144</u>	<u>3,274,660</u>

(17) Other Expenses

The breakdown of other expenses is presented below:

	<u>2025</u>	<u>2024</u>
Commission expenses, net		
Credit cards	1,816,546	1,795,955
Other commission expenses	<u>62,908</u>	<u>63,846</u>
	<u>1,879,454</u>	<u>1,859,801</u>
Professional fees		
Various consultancies and advisories	3,446,845	3,888,554
Outsourced Administrative Services	2,481,283	2,002,377
Audit, executive compensation, and regulatory inspections	807,524	937,810
Legal and specialized advice	<u>18,219</u>	<u>1,438,475</u>
	<u>6,753,871</u>	<u>8,267,216</u>

POPULAR BANK LTD. INC. AND SUBSIDIARY

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Notes to the Consolidated Financial Statements**(17) Other Expenses, continued**

	<u>2025</u>	<u>2024</u>
Salaries and other personnel expenses		
Salaries	3,045,400	2,824,973
Other	2,306,189	1,870,810
Employee profit sharing	984,284	918,018
Employee benefits	625,000	600,000
Thirteenth-month salary	<u>314,108</u>	<u>282,329</u>
	<u>7,274,981</u>	<u>6,496,130</u>
Other expenses		
Other expenses	959,993	1,133,820
Advertising	866,645	684,371
Fees and registrations	361,525	351,506
Insurance	313,957	300,362
Training and education	158,835	130,774
Cafeteria expenses	90,745	91,371
Electricity	77,295	88,400
Indirect taxes	75,000	75,021
Other credit card expenses	45,092	91,321
Donations and contributions	44,717	51,836
Official visit expenses	28,928	10,272
Stationery and office supplies	<u>11,907</u>	<u>17,823</u>
	<u>3,034,639</u>	<u>3,026,877</u>

(18) Commitments and Contingencies**Commitments**

In the normal course of its operations, the Bank holds financial instruments with risks outside the consolidated statement of financial position to meet the financial needs of its clients. These financial instruments include credit commitments, letters of credit, and guarantees issued and involve, to varying degrees, elements of credit risk.

Guarantees and commercial letters of credit issued at customers' request carry some element of risk of loss in the event of a default by the customer, net of the tangible collaterals that cover these transactions. The Bank's policies and procedures in granting these contingent loans are similar to those used in granting loans.

POPULAR BANK LTD. INC. AND SUBSIDIARY

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Notes to the Consolidated Financial Statements

(18) Commitments and Contingencies, continued

Financial instruments with risk outside the consolidated statement of financial position are presented below:

	<u>2025</u>	<u>2024</u>
Commercial Letter of Credit	2,977,202	3,228,152
Guarantees issued	8,296,601	7,497,125
Credit commitments	<u>10,000,000</u>	<u>66,263,257</u>
	<u>21,273,803</u>	<u>76,988,534</u>

As of December 31, 2025, the Bank has identified letters of credit from classified customers, on which it has established reserves for B/.2,604,726 (2024: B/.1,924,942).

As of December 31, 2025, the Bank maintains within contingent operations balances of surety and guarantees received for B/.6,819,000 (2024: B/.6,819,000).

Legal Contingencies

As of December 31, 2025, the Bank has minor legal proceedings pending, where Management and legal advisors do not expect them to have a material effect on the results of operations, financial position and cash flows.

(19) Fair Value of Financial Instruments

IFRS 13 defines fair value as the price that would be received for selling an asset, or paid for transferring a liability, in an orderly transaction between market participants at the measurement date. It also establishes a hierarchy that classifies the input data used in the measurement of the fair value of assets and liabilities into 3 levels:

- Level 1 - Prices that are quoted (not adjusted) in active markets for identical assets or liabilities. This level includes securities, shares and debt securities that are traded on stock exchanges.
- Level 2 - Information or data, other than prices quoted in active markets that are observable for the asset or liability, either directly (e.g., prices) or indirectly (e.g., derived from prices).
- Level 3 - Input data are unobservable elements for the asset or liability, i.e., it is data that cannot be confirmed in its main markets. In this sense, fair value is the result of a theoretical valuation process.

The classification of the hierarchy level for the estimation of fair value shall be determined on the basis of the lowest level variable that is relevant to the estimation of fair value. The hierarchy is based on the transparency of the variables that are used in the valuation of an asset.

The Bank uses external price vendors for most of its asset prices at fair value and has established a documented fair value estimation process with the participation of the different responsible areas. Through this process, the Bank periodically reviews the reasonableness of the prices used and the category assigned at the hierarchy level, in order to validate the calculation of fair values with the methodology applied.

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Notes to the Consolidated Financial Statements

(19) Fair Value of Financial Instruments, continued

In order to validate compliance with the requirements of IFRS 13, the Bank requests quarterly price quotes from a third party for all the financial instruments it holds in the portfolio, in order to verify the reasonableness of the prices used for the fair value estimate. As a result of the review, it is sought to identify if at the individual level there are differences greater than 10% or if at the aggregate level they are greater than 5% of the projected profit for the current year, which, if they occur, will force changes to be made in the sources used to obtain prices, this in the cases in which it corresponds.

The carrying amount and fair value of financial assets and liabilities, not measured at fair value, are detailed below:

	2025		2024	
	<u>Book Value</u>	<u>Fair Value</u>	<u>Book Value</u>	<u>Fair Value</u>
Financial Assets				
Demand deposits	205,592,747	205,592,747	149,381,040	149,381,040
Time deposits	180,118,446	180,118,446	181,843,083	181,843,083
Investments at FVOCI	200,865,849	200,865,849	194,507,488	194,507,488
Investments at FVPL	109,801	109,801	88,005	88,005
Investments at AC	227,079	256,009	226,315	248,260
Loans	1,189,900,816	1,302,423,121	1,059,243,219	1,079,029,953
	<u>1,776,814,738</u>	<u>1,889,365,973</u>	<u>1,585,289,150</u>	<u>1,605,097,829</u>
Financial Liabilities				
Demand deposits	367,233,674	367,233,674	322,865,331	322,865,331
Savings deposits	31,572,519	31,572,519	11,243,623	11,243,623
Time deposits	874,845,791	902,303,573	798,129,542	827,229,925
Financial obligations	30,263,518	30,263,518	30,032,873	30,032,873
	<u>1,303,915,502</u>	<u>1,331,373,284</u>	<u>1,162,271,369</u>	<u>1,191,371,752</u>

Financial instruments measured at fair value

The table below analyses financial instruments measured at fair value on a recurring basis. These instruments are classified at different levels of fair value hierarchy based on the input data and valuation techniques used.

Investments measured at fair value are broken down as follows:

	<u>2025</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Debt securities – private		120,320,833	31,240,727	0	151,561,560
Government debt securities		49,304,289	0	0	49,304,289
Equity Shares		109,801	0	0	109,801
		<u>169,734,923</u>	<u>31,240,727</u>	<u>0</u>	<u>200,975,650</u>
	<u>2024</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Debt securities – private		108,323,607	30,473,403	0	138,797,010
Government debt securities		55,710,478	0	0	55,710,478
Equity Shares		88,005	0	0	88,005
		<u>164,122,090</u>	<u>30,473,403</u>	<u>0</u>	<u>194,595,493</u>

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Notes to the Consolidated Financial Statements

(19) Fair Value of Financial Instruments, continued

The valuation techniques used to determine the fair value of investments in securities to FVOCI as of the reporting date are as follows:

Level 1 - Bid/Ask prices that are quoted (unadjusted) in active or liquid markets

Level 2 - Bid/Ask Prices from Market Participants

Level 3 - Discounted Cash Flow

The main valuation methods, assumptions and variables used in estimating the fair value of financial instruments as of December 31 are presented below:

Instrument	Valuation Technique	Variables used	Level
Private debt securities – corporate bonds	Market prices	Observable market prices in active markets and Observable market prices	1 2
Government debt securities – treasury bonds and global bonds	Market prices	Observable market prices in active markets	1
Unlisted equity shares	Price per share published by the New York Stock Exchange	Price based on Class E shares, given the investor's option of Class B shares to convert them to Class E	1

The Bank recognizes the transfer between levels of fair value hierarchy on the date the change occurred. During 2025, no changes were made to the source of estimation of the level of fair value of investments.

The following assumptions were established by Management to estimate the fair value of financial instruments not measured at fair value in the consolidated statement of financial position:

(a) Demand and time deposits with banks/customer demand and time deposits

For the above financial instruments, the carrying amount is close to their fair value due to its short-term nature.

(b) Investments in securities at amortized cost

The fair value of these instruments is estimated based on available quotes in active markets published on stock exchanges or in electronic stock exchange information systems. Where stand-alone prices are not available, fair values are determined using valuation techniques with reference to observable data for similar market instruments. Other techniques include discounted cash flow analysis and other valuation techniques commonly used by market participants.

(c) Loans

The estimated fair value for the loan portfolio represents the discounted amount of estimated future cash flows to be received. Future cash flows are discounted at current market rates to determine fair value.

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Notes to the Consolidated Financial Statements

(19) Fair Value of Financial Instruments, continued

(e) Deposits

For time deposits, fair value is based on discounted future cash flows using market interest rates for new deposits with a maturity similar to the remaining maturity of those deposits.

(f) Financial Obligations

The carrying amount of obligations with maturity of one year or less is close to their fair value given their short-term nature. For obligations with a maturity of more than one year, future cash flows are discounted at a current market interest rate to determine their fair value.

These estimates are subjective by nature, involve uncertainty and elements of critical judgment, and therefore cannot be accurately determined. Changes in assumptions or criteria may significantly affect estimates.

(20) Tax

According to Panamanian tax laws, the Bank is exempt from paying income tax on foreign-source earnings. Also exempt from income tax are interest earned on time deposits in local banks, interest earned on Panamanian government securities, and investments in securities issued through the Panama Stock Exchange.

(21) Administration of Trust Contracts

As of December 31, 2025, the Bank had trust contracts under management for the account and risk of customers that correspond to parties related to assets for B/.21,864,130 (2024: B/.19,283,337). Considering the nature of these services, Management considers that there are no significant risks to the Bank.

(22) Main Applicable Laws and Regulations

The main laws and regulations applicable in the Republic of Panama are detailed below:

(a) Banking Law

Banking operations in the Republic of Panama are regulated and supervised by the Superintendency of Banks of the Republic of Panama, in accordance with the legislation established by Executive Decree No. 52 of April 30, 2008, which adopts the single text of Decree Law 9 of February 26, 1998, as amended by Decree Law 2 of February 22, 2008 by which the banking regime in Panama is established and the Superintendency of Banks and the rules that govern it are created.

(b) Trust Law

Trust operations in Panama are regulated and supervised by the Superintendency of Banks of Panama in accordance with Law No.1 of January 5, 1984 and No. 21 of May 10, 2017 which establishes the rules for the regulation and supervision of trustees and the trust business and dictates other provisions in Panama.

POPULAR BANK LTD. INC. AND SUBSIDIARY

(Panama, Republic of Panama)

Notes to the Consolidated Financial Statements

(22) Main Applicable Laws and Regulations, continued

Main regulatory standards in force and issued by the Superintendence of Banks of Panama:

General Resolution of the Board of Directors SBP-GJD-003-2013 dated July 9, 2013, which establishes the accounting treatment for those differences that arise between the prudential standards issued by the Superintendency of Banks and the International Financial Reporting Standards (IFRS), in such a way that 1) the accounting records and financial statements are prepared in accordance with IFRS as required by *Agreement No.006-2012* of December 18, 2012 and 2) in the event that the calculation of a provision or reserve in accordance with prudential standards applicable to banks, which present specific accounting aspects in addition to those required by IFRS, is greater than the respective calculation under IFRS, the excess provision or reserve under prudential standards will be recognized in a regulatory reserve in equity.

Subject to prior approval by the Superintendent of Banks, banks may reverse the established provision, partially or totally, based on the justifications duly evidenced and submitted to the Superintendency of Banks.

Agreement No. 004-2013 dated May 28, 2013 and subsequent updates, which establishes provisions on the management and administration of credit risk inherent to the portfolio of loans and operations outside the consolidated statement of financial position, including the general criteria for the classification of credit facilities for the purpose of determining the specific and dynamic provisions for the coverage of the Bank's credit risk. In addition, this Agreement sets forth certain minimum disclosures required, in line with the disclosure requirements of IFRS, on credit risk management and administration.

Specific Provisions

Agreement No.4-2013 indicates that the specific provisions originate from objective and concrete evidence of impairment. These provisions must be made for credit facilities classified in the risk categories known as special, subnormal, doubtful or irrecoverable, both for individual credit facilities and for a group of such facilities.

Banks shall calculate and maintain at all times the amount of the specific provisions determined by the methodology specified in this Agreement, which takes into consideration the balance due of each credit facility classified in any of the categories subject to provision, mentioned in the preceding paragraph; the present value of each security available as a risk mitigator, as set forth by type of security in this Agreement; and a weighting table that is applied to the net balance exposed to loss of such credit facilities.

In the event that there is an excess of a specific provision calculated in accordance with this Agreement, over the provision calculated with International Financial Reporting Standards (IFRS), this excess will be accounted for in a regulatory reserve in equity that is increased or decreased with allocations from or towards retained earnings. For the purposes of calculating the capital adequacy ratio, concentration limits in a single debtor or related parties and any other prudential relationship, the balance of the regulatory reserve will not be considered as capital funds.

POPULAR BANK LTD. INC. AND SUBSIDIARY

(Panama, Republic of Panama)

Notes to the Consolidated Financial Statements**(22) Main Applicable Laws and Regulations, continued**

The Bank's management has estimated the regulatory reserves presented in the consolidated statement of financial position:

	<u>2025</u>	<u>2024</u>
Normal	0	0
Special Mention	13,909,496	4,073,148
Subnormal	736,022	3,033,471
Doubtful	4,365,334	2,064,697
Unrecoverable	<u>12,050</u>	<u>103,259</u>
Loans - specific reserves	19,022,902	9,274,575
Plus: Contingency – reserve	3,775,504	1,270,220
Less: Provision – IFRS	<u>(9,735,412)</u>	<u>(8,400,097)</u>
	<u>13,062,994</u>	<u>2,144,698</u>

As of December 31, 2025, the Bank has identified letters of credit and guarantees issued from classified customers, on which it has established regulatory credit reserves for B/.3,775,504 (2024: B/.1,270,220).

Dynamic Provision

Agreement No. 004-2013 indicates that the dynamic provision is a reserve constituted to meet possible future needs for the constitution of specific provisions, which is governed by prudential criteria typical of banking regulation. The dynamic provision is constituted on a quarterly basis for credit facilities that do not have a specific provision allocated, i.e., for credit facilities classified in the normal category.

This Agreement regulates the methodology for calculating the amount of the dynamic provision, which considers a maximum and minimum percentage restriction applicable to the amount of the provision determined on credit facilities classified in the normal category.

Dynamic provision is an equity item that increases or decreases with allocations from or to retained earnings. The credit balance of this dynamic provision is part of the regulatory capital, but does not replace or offset the capital adequacy requirements established by the Superintendency of Banks of Panama.

Agreement No. 4-2013 establishes a dynamic provision which will not be less than 1.25%, nor more than 2.50% of the risk-weighted assets corresponding to the credit facilities classified as normal. As of December 31, 2025, the Bank presents a dynamic provision of B/.19,422,866 (2024: B/.19,422,866).

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Notes to the Consolidated Financial Statements**(22) Main Applicable Laws and Regulations, continued**

The movement of regulatory reserves is as follows:

	<u>Dynamic</u>	<u>Specific</u>	<u>Total</u>
December 31, 2025			
Balance at the beginning of the year	19,422,866	2,224,985	21,647,851
Increase	<u>0</u>	<u>10,913,643</u>	<u>10,913,643</u>
Balance at the end of year	<u>19,422,866</u>	<u>13,138,628</u>	<u>32,561,494</u>
	<u>Dynamic</u>	<u>Specific</u>	<u>Total</u>
December 31, 2024			
Balance at the beginning of the year	19,836,592	8,156,122	27,992,714
Decrease	<u>(413,726)</u>	<u>(5,931,137)</u>	<u>(6,344,863)</u>
Balance at the end of year	<u>19,422,866</u>	<u>2,224,985</u>	<u>21,647,851</u>

The Bank's Management classifies the loan portfolio based on Agreement No.4-2013, issued by the Superintendency of Banks of Panama, and is shown below as of December 31, 2025:

<u>Loan Type</u>	<u>Normal</u>	<u>Special Mention</u>	<u>Subnormal</u>	<u>Doubtful</u>	<u>Unrecoverable</u>	<u>Total</u>
December 31, 2025						
Corporate	919,314,259	162,774,422	37,406,688	26,918,109	0	1,146,413,478
Consumer	52,505,883	465,101	59,923	122,024	14,194	53,167,125
Other loans	<u>436</u>	<u>55,189</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>55,625</u>
	971,820,578	163,294,712	37,466,611	27,040,133	14,194	1,199,636,228
Less:						
Regulatory reserve	<u>0</u>	<u>(13,909,496)</u>	<u>(736,022)</u>	<u>(4,365,334)</u>	<u>(12,050)</u>	<u>(19,022,902)</u>
	<u>971,820,578</u>	<u>149,385,216</u>	<u>36,730,589</u>	<u>22,674,799</u>	<u>2,144</u>	<u>1,180,613,326</u>
	<u>Normal</u>	<u>Special Mention</u>	<u>Subnormal</u>	<u>Doubtful</u>	<u>Unrecoverable</u>	<u>Total</u>
December 31, 2024						
Corporate	826,119,352	39,395,469	94,736,850	55,958,352	0	1,016,210,023
Consumer	50,495,988	520,721	61,494	153,676	115,023	51,346,902
Other loans	<u>6,179</u>	<u>80,212</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>86,391</u>
	876,621,519	39,996,402	94,798,344	56,112,028	115,023	1,067,643,316
Less:						
Regulatory reserve	<u>0</u>	<u>(4,073,148)</u>	<u>(3,033,471)</u>	<u>(2,064,697)</u>	<u>(103,259)</u>	<u>(9,274,575)</u>
	<u>876,621,519</u>	<u>35,923,254</u>	<u>91,764,873</u>	<u>54,047,331</u>	<u>11,764</u>	<u>1,058,368,741</u>

Delinquent and overdue loans

The Bank classifies as delinquent loans that have not made payments to principal or interest with 31 to 90 days after the agreed due date and those with arrears of 91 days and more after the due date of those payments.

The Bank, in compliance with Agreement 4-2013, will write-off all loans and credit cards classified as unrecoverable within a period of no more than one year from the date on which it was classified in this category.

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Notes to the Consolidated Financial Statements**(22) Main Applicable Laws and Regulations, continued**

However, the Bank may define that the write-off of operations of any line and/or loan segment and credit cards is carried out within a period of less than 1 year from the moment the operation has been defined as unrecoverable or even before the delinquency criteria established in Agreement 4-2013 are met, based on the Bank's experience or the existence of a particular situation evidenced in any line or loan portfolio segment or credit card.

The following table presents the loans that are delinquent or overdue for past due installments and their corresponding original maturity:

	<u>Normal</u>	<u>Special Mention</u>	<u>Subnormal</u>	<u>Doubtful</u>	<u>Unrecoverable</u>	<u>Total</u>
December 31, 2025						
Delinquent corporate	0	147,818	0	0	0	147,818
Delinquent consumer	98,902	449,279	0	0	0	548,181
Delinquent other loans	0	3,966	0	0	0	3,966
Overdue corporate	0	0	62,561	6,029	0	68,590
Overdue consumer	0	0	50,983	104,214	12,050	167,247
Book value	<u>98,902</u>	<u>601,063</u>	<u>113,544</u>	<u>110,243</u>	<u>12,050</u>	<u>935,802</u>
Original Maturity						
30-60 days	98,902	126,775	0	0	0	225,677
61-90 days	0	474,288	0	0	0	474,288
91-120 days	0	0	97,254	0	0	97,254
121-180 days	0	0	16,290	104,214	0	120,504
181-365 days	0	0	0	6,029	12,050	18,079
Book Value	<u>98,902</u>	<u>601,063</u>	<u>113,544</u>	<u>110,243</u>	<u>12,050</u>	<u>935,802</u>
	<u>Normal</u>	<u>Special Mention</u>	<u>Subnormal</u>	<u>Doubtful</u>	<u>Unrecoverable</u>	<u>Total</u>
December 31, 2024						
Delinquent corporate		61,727	0	0	0	61,727
Delinquent consumer	157,040	54,919	0	0	0	211,959
Overdue corporate	0	0	54,968	0	0	54,968
Overdue consumer	0	0	53,651	133,021	103,259	289,931
Book value	<u>157,040</u>	<u>116,646</u>	<u>108,619</u>	<u>133,021</u>	<u>103,259</u>	<u>618,585</u>
Original Maturity						
30-60 days	157,040	42,069	0	0	0	199,109
61-90 days	0	74,577	0	0	0	74,577
91-120 days	0	0	82,765	0	0	82,765
121-180 days	0	0	25,854	133,021	0	158,875
181-365 days	0	0	0	0	103,259	103,259
Book Value	<u>157,040</u>	<u>116,646</u>	<u>108,619</u>	<u>133,021</u>	<u>103,259</u>	<u>618,585</u>

As of December 31, 2025, the total balance of restructured loans amounts to B/.38,566,545 (2024: B/.47,481,913).

Country Risk Provision

Agreement No.7-2018 of the Superintendency of Banks of Panama related to Country Risk Management, establishes as a requirement the constitution of a provision on those positions whose payment flows and/or recovery flows originate in a country other than Panama.

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Due to the type of license that the Bank has, where all positions originate outside Panama, the country risk component is material; therefore, its measurement and coverage is done through credit reserves under IFRS, being presented as an integral part of the provision for expected credit losses in each of the respective financial asset items: loan portfolio, placements and investments securities.

Provision for goods in lieu of payment

The Bank considers the prudential rule issued by the Superintendency of Banks of Panama that requires banks to establish a capital reserve for assets in lieu of payment based on the table of computable percentages established in Agreement No. 3-2009.

The Agreement establishes a term for the sale of assets in lieu of payment of five (5) years, counted from the date of registration in the Public Registry.

If after this period the Bank has not sold the acquired real estate, it must carry out an independent appraisal of the same to establish whether it has decreased in value, applying in such a case the provisions of IFRS.

The Bank shall constitute a regulatory reserve in the equity account by assigning, in the following order: a) its undistributed profits and b) profits for the period, to which the following charges shall be made from the value of the asset held for sale:

<u>Years</u>	<u>Computable Percentage</u>
1	10%
2	20%
3	35%
4	15%
5	10%

Liquidity Ratio

At the end of the year, the percentage of the liquidity ratio reported by the Bank to the regulatory entity, under the parameters of Agreement No.4-2008, was 49.15% (2024: 45.53%).

With the entry into force of Agreements 02-2018 and Agreement 04-2018 on Liquidity Risk Management and Short-Term Liquidity Coverage Risk, the Bank has implemented technological tools that allow liquidity risk to be measured and managed in a timely manner, for which it has fully automated the calculation of the LCR and implemented an application to manage intraday liquidity and thus identify possible mismatches. As of December 31, 2025, the Liquidity Coverage Ratio reported by the Bank is 214.98%. (2024: 258.40%).

It should also be noted that the Bank has developed complementary tools and methodologies that allow simulating situations of liquidity stress and including other early warning indicators that complement liquidity management. Finally, it should be noted that the Bank, in the context of the consolidated financial statements, sufficiently complies with the legal and internal limits, both at the level of Liquidity Coverage Ratio and the Legal Liquidity Ratio.

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Capital Adequacy Ratio

The Banking Law in the Republic of Panama and the Superintendency of Banks of Panama, through Agreements 1-2015 and 03-2016, require the Bank to maintain a minimum total capital ratio of 10.50% measured based on the total of its assets weighted by credit risk, operational risk, and market risk. The Bank manages its capital structure and adjusts it according to changes in economic conditions and the risk characteristics of its activities.

In accordance with the provisions of Article No.10 of Agreement 1-2015 of the Superintendency of Banks of Panama dated February 3, 2015, all banks must maintain the following capital adequacy ratios:

1. Capital funds equivalent to at least 8% of their total assets and off-balance sheet operations that represent a contingency, weighted according to their risks.
2. A common primary capital equivalent to not less than 4.5% of its off-balance sheet assets and operations that represent a contingency, weighted according to its risks.
3. Primary capital equivalent to not less than 6% of its off-balance sheet assets and operations that represent a contingency, weighted according to its risks.

The Bank's Management has established that dividend payments or other equity operations may not be made whose effect results in a capital adequacy ratio of less than twelve and a half percent (12.5%) of capital funds on risk-weighted assets, calculated according to the Prudential Standards issued by the Superintendency of Banks of Panama.

The Bank maintains a regulatory capital position that is composed as follows:

	<u>2025</u>	<u>2024</u>
Common Stock	42,400,000	42,400,000
Dynamic loan reserve	19,422,867	19,422,867
Valuation of assets to FVOCI	327,746	(2,564,823)
Retained earnings	397,173,964	356,714,411
Regulatory adjustments - other intangible assets	<u>(1,323,174)</u>	<u>(1,760,555)</u>
Total equity funds	<u>458,001,403</u>	<u>414,211,900</u>
Assets weighted on a net credit risk	1,235,173,511	1,119,618,485
Assets weighted based on market risk	24,156	31,682
Assets weighted based on operational risk	<u>44,423,453</u>	<u>40,832,034</u>
Total Weighted Assets	<u>1,279,621,120</u>	<u>1,160,482,201</u>
Total capital adequacy ratio	<u>35.79%</u>	<u>35.69%</u>

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Agreement No.5-2023 issued by the Superintendence of Banks of Panama, which began on July 1, 2024, established the rules on the capital conservation buffer, whose objectives are: (i) to ensure that banks accumulate reserves that can be used in case of incurring losses, (ii) that banks do not fail to comply with the minimum requirements established, without considering the conservation buffer, in episodes of deterioration of solvency.

Banks must establish a capital conservation buffer of 2.5% of risk-weighted assets (credit, market and operating), consisting of ordinary primary capital and in addition to all the minimum regulatory capital requirements that are established.

The financial entities will have a transition period to constitute the capital conservation buffer established in the current Agreement, in the following dates:

	Applicable Percentage / Capital Conservation Buffer	Minimum Ordinary Primary Capital + Capital Conservation Buffer
July 1, 2024	0.50%	5.00%
July 1, 2025	0.75%	5.75%
July 1, 2026	1.25%	7.00%

The following is the ratio of ordinary primary capital and capital conservation buffer (in percentage), which banks must maintain:

<u>2025</u>	Ordinary Primary Capital	Total Primary Capital	Capital (regulatory) Minimum Total
Minimum	4.50%	6.00%	8.00%
Conservation Buffer	1.25%	1.25%	1.25%
Minimum plus capital conservation buffer	5.75%	7.25%	9.25%
<u>2024</u>	Ordinary Primary Capital	Total Primary Capital	Capital (regulatory) Minimum Total
Minimum	4.50%	6.00%	8.00%
Conservation Buffer	0.50%	0.50%	0.50%
Minimum plus capital conservation buffer	5.00%	6.50%	8.50%

As of December 31, 2025, the Bank calculated a capital buffer of 34.27% (2024: 34.02), in compliance with the new regulation.

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Leverage Ratio

Article No. 17 of Agreement 1-2015 establishes that banks must comply with a leverage ratio that may not be less than 3% at any time, which will be calculated by the ratio between ordinary primary capital and total exposure to unweighted assets on and off the balance sheet established by the Superintendency of Banks.

The Bank's Management has established that the leverage ratio must not be less than five percent (5%) of the funds of the ordinary primary capital, net of regulatory adjustments, on risk-weighted assets, calculated in accordance with the Prudential Standards issued by the Superintendence of Banks of Panama.

As of December 31, 2025, the Bank maintains a leverage ratio of 24.63% (2024: 24.39%).