

BANCO HIPOTECARIO DE EL SALVADOR, S. A.

FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2025 AND 2024

Banco Hipotecario de El Salvador, S. A.
Table of Contents – Financial Statements
As of December 31, 2025 and 2024

	Página
Independent Auditor’s Report	1 - 5
Financial Statements	
Statement of Financial Position	6
Statement of Comprehensive Income	7
Statement of Changes in Equity	8
Statement of Cash Flows	9
Notes to the Financial Statements	10 - 36

Independent Auditor's Report

To the Board of Directors and Shareholders of
Banco Hipotecario de El Salvador, S. A.

REF-09-0426

Opinion

We have audited the financial statements of Banco Hipotecario de El Salvador, S. A. (the "Bank"), which comprise the statement of financial position as of December 31, 2025 and 2024, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, as well as the notes to the financial statements, including material accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as of December 31, 2025 and 2024, as well as its financial performance and its cash flows for the years then ended, in accordance with the Accounting Standards for Banks in effect in El Salvador, as described in Note 3 to the financial statements.

Basis for Opinion

We conducted our audit in accordance with the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA Code of Ethics) and the ethical requirements applicable to our audit of the financial statements in El Salvador. We have also fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Basis of Accounting

We draw attention to Note 2 to the financial statements, which states that the financial statements and their accompanying notes of Banco Hipotecario de El Salvador, S.A. have been prepared in accordance with the Accounting Manual for Deposit-Taking Institutions and Holding Companies (NCF-01), issued by the Standards Committee of the Central Reserve Bank of El Salvador. This accounting framework establishes the minimum content and procedures for the preparation and presentation of financial statements. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements as of December 31, 2025 and 2024. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our audit opinion and we do not provide a separate opinion on these matters. The key audit matter is as follows:

Key Audit Matter	How Our Audit Addressed the Matter
<p>Allowance for Loan Losses and Contingencies</p> <p>As of December 31, 2025 and 2024, the Bank reports in its statement of financial position a loan portfolio and interest receivable balance of \$1,094,739.1 thousand and \$1,086,850.5 thousand, and an allowance for loan losses and contingencies balance of \$52,328.0 thousand and \$54,337.0 thousand, respectively. We focused on this allowance for loan losses due to its significance to the financial statements and because its determination involves significant management judgment and estimates. An error in this estimate could have a material impact on the financial statements.</p> <p>The allowance for loan losses is determined in accordance with regulatory standards, which require a risk classification based on an individual analysis of loans with potential impairment. This analysis considers the borrower's financial capacity, payment behavior, days past due, and existing collateral. Additionally, the Bank records voluntary allowances in accordance with its internal policies.</p> <p>The accounting policies applied by the Bank for the estimation of loan loss reserves and contingencies are detailed in Note 3 to the financial statements.</p>	<p>To address this key audit matter, we performed a combination of test of internal control and substantive procedures, including:</p> <ul style="list-style-type: none"> • Reviewing and evaluating the design and operational effectiveness of the Bank's internal control for determining loan loss allowances. • Verifying, on a sample basis, that the monthly allowance reconciliation was aligned with the balances in the accounting records and that such records were properly authorized. • Reviewing and selectively evaluating, through sampling, the Bank's compliance with regulatory requirements related to the risk classification of refinanced loans. • Verifying, through selective testing, that the calculation of loan loss allowances was performed in compliance with regulatory requirements. • Testing the calculation of loan loss allowances in accordance with regulatory standards for a sample of borrowers from the corporate, mortgage, and consumer loan portfolios. • Reviewing and evaluating the criteria defined by the Bank for classifying borrowers with loans under \$350 thousand.

Key Audit Matter	How Our Audit Addressed the Matter
	<ul style="list-style-type: none"> • Reviewed and evaluated the controls established by the Bank for the timely valuation and system update of mortgage collateral appraisal amounts, as well as selectively verified the evidence of collateral registration in the Public Registry. • Performed tests on balance movements related to releases of loan loss allowances to determine whether they were made in accordance with applicable accounting standards and that the records were properly authorized. • Reviewed and evaluated the criteria used by the Bank for the estimation of voluntary loan loss allowances.

Other information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our audit report.

Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion on it.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Accounting Standards for Banks in effect in El Salvador, as well as for the internal control that management deems necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

As part of an audit conducted in accordance with the International Standards on Auditing (ISAs), we apply professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the financial statements, whether due to fraud or error; design and perform audit procedures to respond to those risks; and obtain sufficient and appropriate audit evidence to provide a basis for our opinion. The risk of not detecting a material misstatement due to fraud is higher than for an error, as fraud may involve collusion, forgery, deliberate omissions, intentional 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, determine whether there is a material uncertainty related to events or conditions that may cast significant doubt 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 audit report to the related disclosures in the financial statements, or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit 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 financial statements, including the disclosures, and assess whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We also provide those charged with governance of the Bank with a statement that we have complied with the applicable ethical requirements regarding independence and have communicated all relationships and other matters that may reasonably affect our independence, as well as, where applicable, the actions taken to eliminate threats or the safeguards applied.

From the matters communicated to those charged with governance of the Bank, we determine those matters that were of greatest significance in the audit of the current year's financial statements and that, therefore, are the key audit matters. We describe these matters in our audit report unless legal or regulatory provisions prohibit their public disclosure, or in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the auditor's other reporting responsibilities established in NRP 018 – Technical Standards for the Provision of External Audit Services, we consider that we have had access to the information necessary to provide our opinion on the Bank's financial statements; and, in the performance and in the context of our audit of the aforementioned financial statements, no matters came to our attention that indicated material non-compliance with respect to: (i) the equity-to-liabilities and contingencies ratio, (ii) the equity-to-risk-weighted assets ratio, (iii) the equity-to-paid-in share capital ratio, (iv) the indebtedness limits for related-party loans and contracts with related parties, (v) the indebtedness limits for loans to economic groups, and (vi) the establishment of allowances for loan losses and contingencies.

San Salvador, february 2 2026



Integrity Auditing Group, Ltda. de C.V.
Public Accountants
Professional Registration No. 5437
Carlos Alexis Carpio Hernández
Professional Registration No. 5204



Banco Hipotecario de El Salvador, S. A.
Statement of Financial Position
Balances as of December 31, 2025 and 2024
(Expressed in thousands of U.S. dollars)

ASSETS	<u>Notes</u>	<u>2025</u>	<u>2024</u>
Cash and cash equivalents		US\$ 366,608.9	318,592.6
Investment financial instruments (net)	4	907,479.5	876,628.1
At fair value through other comprehensive income (FVOCI)		742,351.0	864,782.0
At amortized cost		165,128.5	11,846.1
Loan portfolio (net)	5	1,051,611.4	1,043,953.9
Current loans – up to one year term		94,819.0	89,476.7
Loans over one year term		961,244.6	957,233.7
Past due loans		38,675.5	40,140.1
(Allowance for impairment losses)		(43,127.7)	(42,896.6)
Accounts receivable (net)		14,102.5	13,993.8
Physical and intangible assets (net)	10	22,898.4	23,380.7
Foreclosed assets (net)	9	11,492.2	7,038.4
Equity investments (net)		114.3	114.3
Other assets		1,304.1	978.3
Total assets		US\$ 2,375,611.3	2,284,680.1
LIABILITIES			
Financial liabilities at amortized cost (net)		2,095,200.6	2,025,951.3
Deposits	14	1,645,327.5	1,550,134.5
Loans		51,397.6	77,472.0
Own issued securities	15	398,475.5	398,344.8
Demand obligations		31,305.4	29,580.7
Accounts payable		5,941.8	6,337.6
Provisions		3,444.4	3,726.9
Other liabilities		10,188.5	12,627.7
Total liabilities		US\$ 2,146,080.7	2,078,224.2
Equity			
Share capital	21	145,387.7	121,403.2
Reserves		24,621.8	30,351.5
Capital reserves		24,621.8	30,351.5
Unallocated Results		24,923.9	18,551.2
(Losses) Earnings from prior years		(1,991.7)	182.8
Current year earning	19	26,915.6	18,368.4
Restricted Equity		30,340.6	31,594.7
Undistributable earning		30,340.6	31,594.7
Accumulated other comprehensive income		4,256.6	4,555.3
Items that will not be reclassified to profit or loss		4,256.6	4,555.3
Total equity		229,530.6	206,455.9
Total liabilities and equity		US\$ 2,375,611.3	2,284,680.1

The accompanying notes are an integral part of the financial statements.

Banco Hipotecario de El Salvador, S. A.
Statement of Comprehensive Income
For the periods from January 1 to December 31, 2025 and 2024
((Expressed in thousands of U.S. dollars))

	<u>Notes</u>	<u>2025</u>	<u>2024</u>
Interest Income	US\$	164,821.8	163,559.9
Financial assets at fair value through other comprehensive income		71,284.5	75,581.4
Financial assets at amortized cost		7,229.2	4,741.7
Loan portfolio		86,308.1	83,236.8
		<u>96,412.7</u>	<u>95,072.1</u>
Interest Expenses			
Deposits		64,532.6	66,846.3
Financial liabilities at fair value through profit or loss		-	12.0
Own issued securities		28,116.9	23,733.2
Loans		3,474.4	4,241.6
Other interest expenses		288.8	239.0
		<u>68,409.1</u>	<u>68,487.8</u>
Net Interest Income			
Net impairment loss on financial assets subject to credit risk	5 y 22	(14,732.7)	(18,995.0)
Interest Income, after impairment charges		<u>53,676.4</u>	<u>49,492.8</u>
Fee and commission income		14,373.1	13,311.5
Fee and commission expenses		(5,216.8)	(4,758.1)
Net fee and commission income		<u>9,156.3</u>	<u>8,553.4</u>
Loss on sale of assets and discontinued operations		(80.5)	(110.6)
Other financial income and gains		7,990.8	1,222.5
Total net income		<u>70,743.0</u>	<u>59,158.1</u>
Salaries and employee benefits		18,524.4	18,583.6
General expenses		16,031.6	15,620.3
Depreciation and amortization expenses		3,128.4	3,022.4
Provisions expenses		-	10.6
Profit before tax		<u>33,058.6</u>	<u>21,921.2</u>
Income tax expense		1,844.6	-
Net profit for the year		<u>31,214.0</u>	<u>21,921.2</u>
Other comprehensive income for the year		-	-
Total comprehensive income for the year	US\$	<u>31,214.0</u>	<u>21,921.2</u>

The accompanying notes are an integral part of the financial statements.

Banco Hipotecario de El Salvador, S. A.
Statement of Changes in Equity
For the years ended December 31, 2025 and 2024
((Expressed in Thousands of U.S Dollars))

Sources of Changes in Equity	Share Capital (1)	Capital Reserves	Retained Earnings	Undistributable Earnings	Other Comprehensive Income from Prior Years	Other Comprehensive Income for the Year	Total Equity
Balance at January 1, 2025	US\$ 121,403.2	30,351.5	18,551.2	31,594.7	4,962.3	(407.0)	206,455.9
Share issuance	23,984.5	(9,035.6)	(14,948.9)	-	-	-	-
Dividends	-	-	(2,127.5)	-	-	-	(2,127.5)
Profit for the year	-	-	31,214.0	-	-	-	31,214.0
Effect of recognition of recovered assets	-	-	(2,127.2)	(3,172.3)	-	-	(5,299.5)
Legal reserve	-	3,305.9	(3,305.9)	-	-	-	-
Other comprehensive income							
Increases in items that will not be reclassified to profit or loss	-	-	-	-	(407.0)	(298.7)	(705.7)
Decreases in items that will not be reclassified to profit or loss	-	-	-	-	-	407.0	407.0
Other increases (decreases) in equity			(2,331.8)	1,918.2	-	-	(413.6)
Balance at December 31, 2025	US\$ 145,387.7	24,621.8	24,923.9	30,340.6	4,555.3	(298.7)	229,530.6
Balance at January 1, 2024	121,403.2	20,836.4	10,452.5	29,716.4	4,962.3	-	187,370.8
Effect of changes in accounting policies	-	-	(262.9)	-	-	-	(262.9)
Restated Balance	121,403.2	20,836.4	10,189.6	29,716.4	4,962.3	-	187,107.9
Dividends	-	-	(2,007.6)	-	-	-	(2,007.6)
Other comprehensive income							
Decreases in items that will not be reclassified to profit or loss	-	-	-	-	-	(407.0)	(407.0)
Other increases (decreases) in equity		9,515.1	10,369.2	1,878.3	-	-	21,762.6
Balance at December 31, 2024	US\$ 121,403.2	30,351.5	18,551.2	31,594.7	4,962.3	(407.0)	206,455.9

(1) The Bank's share capital is represented by 11,992,232 common shares, with a par value of US\$10.0 in 2024), and 246,817 preferred shares, with a par value of US\$6.0 in both periods, all of which are fully subscribed and paid.

The accompanying notes are an integral part of the financial statements.

Banco Hipotecario de El Salvador, S. A.
Statement of Cash Flows
Years ended December 31, 2025 and 2024
(Expressed in thousands of U.S. dollars)

	<u>Notes</u>	<u>2025</u>	<u>2024</u>
Cash flows from operating activities:			
Net profit for the period	US\$	31,214.0	21,921.2
<u>Adjustments to reconcile net profit to cash flows from operating activities:</u>			
Allowances for impairment of credit risk assets	5	14,237.9	17,242.9
Allowances for impairment of other assets		309.7	1,709.5
Depreciation	10	2,552.3	2,424.2
Amortization	10	576.1	598.2
Results from the sale and/or disposal of foreclosed assets		(1,833.4)	(265.0)
Results from the sale and/or disposal of physical assets		1.3	105.8
Effect of recognition of recovered assets		(5,299.5)	-
Deferred tax income		(32.7)	-
Interest and commissions receivable		959.8	(2,961.6)
Interest and commissions payable		(568.7)	1,364.6
<u>Changes in asset accounts:</u>			
(Increase) in Loans		(28,474.1)	(38,351.1)
(Increase) decrease in accounts receivable		(278.2)	1,050.1
Sales of foreclosed assets		5,738.4	1,055.9
(Increases) in other assets		(325.4)	(153.3)
<u>Changes in liability accounts:</u>			
Increases (decreases) in deposits		95,668.6	(163,390.5)
Increases in own-issued securities		121.7	-
Increases (decreases) in demand obligations		1,724.7	(3,004.4)
(Decreases) in accounts payable		(395.9)	(537.3)
(Decreases) in other liabilities		(3,353.2)	(763.3)
Net cash provided by (used in) operating activities		<u>112,543.4</u>	<u>(161,954.1)</u>
Cash flows from investing activities:			
(Increases) decreases in investment financial instruments		(33,814.5)	40,434.6
Acquisition of property and equipment	10	(1,380.6)	(2,704.5)
Proceeds from sale of property and equipment		2.6	0.3
Net cash (used in) provided by investing activities		<u>(35,192.5)</u>	<u>37,730.4</u>
Cash flows from financing activities:			
Loans received		33,000.1	48,178.3
Loans Repayments		(59,752.4)	(55,340.1)
Issuance of own-issued securities		-	169,877.5
(Decreases) in repurchase agreement transactions		-	(1,182.8)
Payments of finance leases		(454.8)	(396.9)
Dividend payments		(2,127.5)	(2,007.6)
Net cash (used in) provided by financing activities		<u>(29,334.6)</u>	<u>159,128.4</u>
Cash and cash equivalents at January 1		318,592.6	283,687.9
Net cash provided by (used in) operating activities		112,543.4	(161,954.1)
Net cash (used in) provided by investing activities		(35,192.5)	37,730.4
Net cash provided by (used in) financing activities		(29,334.6)	159,128.4
Cash and cash equivalents at December 31	US\$	<u>366,608.9</u>	<u>318,592.6</u>

The accompanying notes are an integral part of the financial statements.

Banco Hipotecario de El Salvador, S. A.**Notes to the Financial Statements**

As of December 31, 2025, and 2024

(Expressed in thousands of U.S. dollars)

1. Identification of the entity

Banco Hipotecario de El Salvador Sociedad Anónima (hereinafter, the "Bank"), abbreviated as Banco Hipotecario, S.A., has operated under this name since its founding on January 29, 1935. The Bank currently operates as an individual entity, for an indefinite duration, and its primary purpose is to engage in all banking and financial activities permitted by the laws of the Republic of El Salvador. The Bank's principal domicile is in San Salvador, although its operations extend nationwide.

The financial information reported in the Statement of Financial Position, the Statement of Changes in Equity and the Statement of Cash Flows corresponds to periods ended December 31, 2025 and 2024; and the Statement of Comprehensive Income corresponds to the periods from January 1 to December 31, 2025 and 2024, in compliance with the Accounting Manual for Deposit-Taking Institutions and Holding Companies (NCF-01).

The financial statements, as approved by the Board of Directors, are considered final and are submitted to the Superintendency of the Financial System before being disclosed. Any subsequent changes must be authorized by the Superintendency of the Financial System.

2. Basis of preparation

The financial statements have been prepared in accordance with the hierarchy established in the Accounting Manual for Deposit-Taking Institutions and Holding Companies (NCF-01), issued by the Standards Committee of the Central Reserve Bank of El Salvador, effective since January 23, 2023, which defines the following:

- i) Salvadoran legislation that establishes specific accounting treatments.
- ii) Accounting Standards issued by the Central Bank through its Standards Committee.
- iii) International Financial Reporting Standards (IFRS), provided that the Standards Committee of the Central Bank does not expressly object to a particular treatment or to a new International Financial Reporting Standard, always adopting, among the alternatives provided by such Standards, the most prudent option and clearly disclosing such situation in the notes to the financial statements. Note 36 presents the main differences between the accounting standards applied and IFRS.

As of March 1, 2024, the Bank adopted the Accounting Manual for Deposit-Taking Institutions and Holding Companies (NCF-01).

The IFRS standards that the Bank must apply are the Spanish versions in effect as of January 16, 2023, issued by the International Accounting Standards Board (IASB), which include: a) International Financial Reporting Standards (IFRS); b) International Accounting Standards (IAS); c) IFRIC Interpretations; and d) SIC Interpretations. Subsequently, any changes to IFRS or the issuance of a new IFRS by the IASB will be subject to analysis by the Central Reserve Bank, which will determine its applicability.

Effects of the implementation of changes established in the accounting manual for deposit-taking institutions

In the preparation of the Bank's financial statements, the application of IFRS 9 is excluded with respect to the loan portfolio and its impairment, as well as the valuation of investment securities issued or guaranteed by the Central Reserve Bank and other State entities, which are payable with funds from the National Budget. These securities must be considered risk-free, in accordance with Chapter II, Section IX of the Accounting Manual for Deposit-Taking Institutions and Holding Companies (NCF-01). For the recognition, impairment measurement, and presentation of Foreclosed Assets (Assets Received in Payment or Adjudicated Properties), the provisions contained in Chapter II, Section IV of the aforementioned Manual must be applied.

Banco Hipotecario de El Salvador, S. A.**Notes to the Financial Statements**

As of December 31, 2025, and 2024

(Expressed in thousands of U.S. dollars)

Measurement basis

The initial recognition, subsequent measurement, presentation, and disclosure of financial statement elements are carried out in accordance with the provisions established in the Accounting Manual issued by the Standards Committee of the Central Reserve Bank, within the regulatory framework or in compliance with International Financial Reporting Standards (IFRS).

Presentation currency

The financial statements are expressed in thousands of U.S. dollars, rounded to one decimal place. Therefore, all balances and transactions denominated in currencies other than the U.S. dollar are considered foreign currency.

Use of estimates and judgments

The preparation of the financial statements requires the Board of Directors to approve certain estimates and assumptions that affect the amounts of assets and liabilities, the disclosure of contingent liabilities as of the date of the financial statements, as well as income and expenses for the periods reported. Assets and liabilities are recognized in the financial statements when it is probable that future economic benefits will flow to or from the entity and when the different items have a cost or value that can be reliably measured. If, in the future, these estimates and assumptions, which are based on management's best judgment as of the date of the financial statements, change as a result of current circumstances, the original estimates and assumptions will be appropriately revised in the year in which such changes occur.

Changes in accounting policies

As of March 2024, the Bank adopted the accounting policy for recognizing finance leases in accordance with IFRS.

3. Significant accounting policies

The structure of the financial statements and the accompanying notes, as well as the disclosures, are determined by the Accounting Manual for Deposit-Taking Institutions and Holding Companies (NCF-01).

Below is a summary of the main accounting policies:

- a. Recognition and subsequent measurement of cash and cash equivalents.
Transactions are recorded in cash and deposits in local and foreign banks at nominal value in United States dollars, and foreign currency transactions are recorded at the exchange rate in effect on the date of the transaction. The Bank's cash denominated in foreign currency is measured at the exchange rate in effect as of the reporting date of the corresponding financial statements.
- b. Recognition and subsequent measurement of investment financial instruments.
Financial investments are recorded in accordance with the Bank's business model, as established in NCF-01, under the following classifications:
 - i. At Fair Value Through Profit or Loss (FVTPL)
 - ii. At Fair Value Through Other Comprehensive Income (FVOCI)
 - iii. At Amortized Cost

Also included are financial instruments managed by the entity under a business model whose objective is achieved by collecting contractual cash flows; likewise, the contractual terms of these financial instruments give rise, on specified dates, to cash flows that are solely payments of principal and interest on the outstanding principal amounts.

Banco Hipotecario de El Salvador, S. A.**Notes to the Financial Statements**

As of December 31, 2025, and 2024

(Expressed in thousands of U.S. dollars)

The investment portfolio is measured at market value when it consists of instruments that are publicly traded on the stock market and are classified at fair value. Otherwise, investments are measured at amortized cost.

The allowance for financial instruments is determined in accordance with the expected credit loss methodology established by the Bank.

Securities issued or guaranteed by the Central Reserve Bank of El Salvador and other State entities, payable with funds from the National Budget, are presented at their acquisition value and are considered risk-free.

c. Finance Leases.

The Bank recognizes a finance lease when the right of use of an asset is transferred, including the risks and rewards inherent in ownership of the asset, and when the asset is clearly identifiable, giving rise to an obligation to pay lease payments in accordance with the terms and conditions established in the contract.

d. Suspension of interest recognition in income.

For credit operations with more than 90 days past due, and for performing credit operations with amortization installments overdue for more than 90 days, the recognition of interest income on credit risk assets shall be suspended.

e. Recognition and measurement of physical and intangible assets.

Physical and intangible assets are recognized at acquisition cost, in accordance with the hierarchy established in the "Conceptual Framework of Accounting" section of NCF-01.

After initial recognition as an asset, physical and intangible assets are recorded at cost less accumulated depreciation and accumulated impairment losses.

f. Recognition and control of severance and voluntary retirement.

The Bank records a provision for all employees as of the end of each financial year to cover expenditures of this nature. This provision is accrued on a fixed monthly basis, based on the estimated amounts from the latest actuarial study.

g. Estimation of allowances for loan losses due to reclassification of customer risk category.

Mandatory allowances for credit risk assets are established in accordance with NCB-022 – Standards for the Classification of Credit Risk Assets and the Establishment of Allowances; NRP-26 – Standards for the Evaluation and Classification of Agricultural Sector Loans and the Establishment of Allowances; and other regulations issued by the supervisory authority, which allow the assessment of the risks of each borrower of the institution based on the following criteria: financial condition, delinquency status, completeness of loan documentation files, or by presumption.

h. Reclassification of credit risk assets from current to past due.

The Bank reclassifies loan portfolio balances from current to past due when any of the following conditions, as established in Section II of the Accounting Manual issued by the Central Reserve Bank, are met:

- i) Installments or balances are more than ninety days past due
- ii) Financial guarantees have been honored.
- iii) Commercial letters of credit, as defined in Section II of NCF-01.
- iv) A decision has been made by the Bank's Board of Directors or the relevant authority to pursue judicial collection.

i. Recognition of equity investments

Investments in subsidiaries and joint ventures are recorded using the equity method, in accordance with the parameters detailed in IFRS.

Banco Hipotecario de El Salvador, S. A.
Notes to the Financial Statements
As of December 31, 2025, and 2024
(Expressed in thousands of U.S. dollars)

- j. Recognition and subsequent measurement of foreclosed assets.
Foreclosed assets are recognized when the entity acquires ownership rights over movable or immovable property, when such acquisition occurs under circumstances specified in applicable laws, and is supported by the relevant legal documentation.

The recognition of foreclosed assets is carried out in accordance with Section IV of NCF-01, as applicable, under the following circumstances:

- i) Acquisition through payment-in-kind
- ii) Judicial adjudication
- iii) Purchase and sale transactions
- iv) Termination of finance lease agreements

Foreclosed assets must be liquidated within five years from the date of acquisition, in compliance with Article 72 of the Banking Law of El Salvador. A 100% provision of the recorded value must be established within four years.

- k. Recognition and subsequent measurement of foreign currency transactions.
Transactions denominated in a currency other than the United States dollar are recognized using the exchange rate in effect in El Salvador at the date of the transaction. Any differences arising from the conversion of the transaction are recognized as income or expense, as appropriate.

The carrying amounts of assets and liabilities denominated in a currency other than the United States dollar are presented at the exchange rate in effect at the reporting date.

Exchange differences arising from month-end exchange rate fluctuations are recognized in profit or loss, as appropriate.

- l. General banking risk charges.
The Bank will recognize any charges for future losses in accordance with the regulations in effect at the financial statement reporting date, in the event of contingencies requiring such recognition.

- m. Recognition of interest payable.
Interest on deposits, issued securities, loans, and other obligations is recognized on an accrual basis.

- n. Derecognition of credit risk assets from the statement of financial position.
The Bank will write off from the Statement of Financial Position all loans and accounts receivable that, as of the financial statement date, are fully impaired; that is, assets whose expected contractual cash flows have been determined to be unrecoverable.

- o. Revenue recognition.
Accrued revenue is recognized on an accrual basis. When a loan is more than 90 days past due, the accrual of interest income is suspended and is only recognized as revenue when received in cash. Unaccrued interest on loans past due for more than 90 days is recorded in memorandum accounts.

Commissions derived from loan or contingent operations with a term of up to 30 days are recognized as revenue on the date they are collected or accrued. Commissions from loan or contingent operations with terms exceeding 30 days are recorded as deferred income, net of direct origination costs. Deferred income is recognized periodically, based on the original payment terms, under the effective interest method, using the internal rate of return.

Banco Hipotecario de El Salvador, S. A.
Notes to the Financial Statements
As of December 31, 2025, and 2024
(Expressed in thousands of U.S. dollars)

The amortization of commissions related to contingent operations and services is carried out monthly on a pro-rata basis over the term stipulated for the issuance of guarantees, sureties, bonds, and other services, net of direct origination costs. Deferred income recognition is suspended when loans or contingent operations are reclassified as past-due portfolio, and revenue is only recognized when such balances are recovered.

Interest that becomes part of the asset as a result of a loan refinancing is recorded as deferred liabilities and is only recognized as revenue when received.

p. Recognition of country risk provision

The Bank will establish provisions for country risk related to the placement of resources abroad. This risk is attributable to the debtor's country of domicile or the obligor responsible for payment, from which the return of invested resources must be obtained, unless the parent company acts as a joint debtor and/or the guarantor is domiciled in a country with an investment-grade rating.

When resources are placed or committed in other countries, the country risk rating will be used to determine sovereign risk, in accordance with the long-term credit ratings issued by internationally recognized rating agencies.

q. Recognition of loan losses and accounts receivable write-offs.

The Bank recognizes loan portfolio losses in the following cases:

- i. Secured balances that have reported no capital recoveries for more than 24 months, provided they are not in judicial enforcement proceedings;
- ii. Unsecured balances that have reported no capital recoveries for more than 12 months, provided they are not in judicial enforcement proceedings.
- iii. Balances without an enforceable document to initiate judicial recovery proceedings.
- iv. Balances for which judicial action has been initiated, but after 24 months, it has not been possible to secure an attachment;
- v. Cases in which a first-instance court ruling has been issued in favor of the debtor;
- vi. When there is no evidence that the debtor has acknowledged their debt in the last five years; and
- vii. When the criteria established by the Bank for the write-off of credit risk assets from the Statement of Financial Position are met, which must also include the criteria outlined in the previous items.

r. Use of accounting estimates in the preparation of financial statements.

The preparation of the financial statements requires the Bank's Board of Directors to approve certain estimates and assumptions that affect the balances of assets and liabilities, the recognition of contingent liabilities as of the financial statement date, as well as income and expenses for the reported periods.

Assets and liabilities are recognized in the financial statements when it is probable that future economic benefits will flow to or from the entity and when the respective items have a cost or value that can be reliably measured. If, in the future, these estimates and assumptions, which are based on the Board of Directors' best judgment as of the financial statement date, change due to new circumstances, the original estimates and assumptions will be appropriately adjusted in the year in which such changes occur.

Banco Hipotecario de El Salvador, S. A.
Notes to the Financial Statements
As of December 31, 2025, and 2024
(Expressed in thousands of U.S. dollars)

4. Investment financial instruments.

This caption represents securities and other investments in financial instruments acquired for trading purposes or as required by the respective authorities. Investments in financial instruments and the related allowances as of December 31, 2025 and 2024 are described below:

		<u>2025</u>		<u>2024</u>
At fair value through other comprehensive income (FVOCI)				
Issued by the State	US\$	709,908.2	US\$	827,724.6
Issued by private companies		20,268.6		23,513.0
Interest and other receivables		12,174.1		13,544.3
At amortized cost				
Issued by banks		27,751.4		-
Issued by foreign institutions		80,856.0		-
Issued by other entities of the financial system		54,671.2		8,403.3
Interests and other amounts receivable		1,850.0		3,442.9
	US\$	<u>907,479.5</u>	US\$	<u>876,628.1</u>

As of December 31, 2025 and 2024, no allowances had been recorded in relation to the investments, nor were any securities pledged as collateral.

The average yield on financial investments is 8.49% (8.52% as of December 31, 2024).

The average yield represents the percentage resulting from dividing the income (including interest and commissions) from the investment portfolio by the average gross balance of the investment portfolio for the period reported.

5. Loans, contingencies and provisions

The loan portfolio as of December 31, 2025 and 2024, is presented below:

		Loans	Contingencies	Total
2025				
Gross loan portfolio	US\$	1,094,739.1	12,879.6	1,107,618.7
Less: Allowances		<u>(43,127.7)</u>	<u>(9,200.3)</u>	<u>(52,328.0)</u>
Net loan portfolio	US\$	<u>1,051,611.4</u>	<u>3,679.3</u>	<u>1,055,290.7</u>
2024				
Gross loan portfolio	US\$	1,086,850.5	17,528.2	1,104,378.7
Less: Allowances		<u>(42,896.6)</u>	<u>(11,440.4)</u>	<u>(54,337.0)</u>
Net loan portfolio	US\$	<u>1,043,953.9</u>	<u>6,087.8</u>	<u>1,050,041.7</u>

Banco Hipotecario de El Salvador, S. A.
Notes to the Financial Statements
As of December 31, 2025, and 2024
(Expressed in thousands of U.S. dollars)

The movement in allowances during the period reported is as follows:

		Loans	Contingencies	Total
Balance as of December 31, 2024	US\$	42,896.6	11,440.4	54,337.0
Add: Provision allocations		16,930.7	332.8	17,263.5
Less: Loans write-offs		(8,273.6)	-	(8,273.6)
Settlement of allowances		-	(2,572.9)	(2,572.9)
Reversals		(2,692.7)	-	(2,692.7)
Transfers to foreclosed assets		(5,733.3)	-	(5,733.3)
Balance as of December 31, 2025	US \$	43,127.7	9,200.3	52,328.0
Balance as of December 31, 2023	US \$	34,463.2	9,853.1	44,316.3
Add: Provision allocations		18,675.0	1,587.3	20,262.3
Less: Loan Write-offs		(8,422.8)	-	(8,422.8)
Reversals		(1,432.1)	-	(1,432.1)
Transfers to foreclosed assets		(386.7)	-	(386.7)
Balance as of December 31, 2024	US \$	42,896.6	11,440.4	54,337.0

As of December 31, 2025 and 2024, the Bank maintains voluntary allowances amounting to US\$4,394.6 and US\$3,151.7, respectively.

Allowances for "Contingencies" are presented under other liabilities.

Coverage ratio: 4.72% (4.92% as of December 31, 2024).

The coverage ratio represents the percentage obtained by dividing the amount of allowances by the total loan portfolio and contingencies.

Average yield: 9.12% (8.60% as of December 31, 2024).

The average yield represents the percentage resulting from dividing the income from the loan portfolio (including interest and commissions) by the average gross balance of the loan portfolio for the period reported.

Loans with adjustable interest rates as of December 31, 2025 and 2024 represent 100.0% of the portfolio.

Accrued interest on the loan portfolio not recognized in profit or loss during the period reported as of December 31, 2025 and 2024 amounts to US\$7,395.8 and US\$3,997.2, respectively.

As of December 31, 2025 and 2024, the Bank does not engage in finance lease lending activities.

Banco Hipotecario de El Salvador, S. A.**Notes to the Financial Statements**

As of December 31, 2025, and 2024

(Expressed in thousands of U.S. dollars)

6. Pledged loan portfolio

The Bank has obtained funding secured by its loan portfolio, as described below:

- a. Loans received from the Development Bank of El Salvador (BANDESAL) amounting to US\$28,952.0 (US\$51,419.0 as of December 31, 2024). As of December 31, 2025, the outstanding principal plus interest balance amounts to US\$12,844.6 (US\$34,078.8 as of December 31, 2024), which is secured by an active BANDESAL loan portfolio balance of US\$13,184.3 (US\$31,662.2 as of December 31, 2024). In addition, an additional guarantee has been granted for an amount of US\$7,911.1 (US\$7,950.9 as of December 31, 2024), consisting of loans classified as category "A1," "A2," and "B," corresponding to 10% of the credit line approved in January 2017, in the amount of US\$77,400.0.
- b. Loans received from the Central American Bank for Economic Integration (CABEI) amounting to US\$48,911.3 (US\$63,411.2 as of December 31, 2024). As of December 31, 2025, the outstanding loan balance plus interest amounts to US\$15,740.1 (US\$21,340.3 as of December 31, 2024), secured by guarantees totaling US\$22,306.9 (US\$30,025.4 as of December 31, 2024), consisting of loans classified as category "A1" and "A2."
- c. Loan received from Banco Internacional de Costa Rica, S.A. (BICSA) in the amount of US\$15,000.0 (US\$15,000.0 as of December 31, 2024). As of December 31, 2025, the outstanding loan balance plus interest amounts to US\$15,064.8 (US\$15,074.5 as of December 31, 2024), and the total guarantee amounts to US\$20,482.2 (US\$19,417.9 as of December 31, 2024), consisting of loans classified as category "A1" and "A2."

The aforementioned loans are recorded in registers that allow for their full identification, in order to respond to creditors for the legal obligations arising from the respective contracts.

7. Deferred tax assets and liabilities

As of December 31, 2025, the Bank has recognized a deferred income tax asset amounting to US\$2,354.0 (US\$2,065.4 as of December 31, 2024). The balance of this asset and its movement are detailed as follows:

<u>Temporary differences 2025</u>	<u>Beginning Balance</u>	<u>(Expense) Income</u>	<u>Adjustment to Prior year's result</u>	<u>Ending Balance</u>
Provision for severance or resignation	566.7	16.7	-	583.4
Voluntary loan loss allowances	945.5	372.9	-	1,318.4
Loan loss allowances for category A and B	393.6	(133.6)	-	260.0
Finance Lease	159.6	67.5	(34.9)	192.2
	<u>2,065.4</u>	<u>323.5</u>	<u>(34.9)</u>	<u>2,354.0</u>
<u>Diferencias temporarias 2024</u>				
Provisión por despido o renuncia	749.2	(182.5)	-	566.7
Reservas voluntarias de préstamos	1,290.7	(345.2)	-	945.5
Reservas de créditos categoría A y B	563.9	(170.3)	-	393.6
Arrendamiento financiero	-	12.4	147.2	159.6
	<u>2,603.8</u>	<u>(685.6)</u>	<u>147.2</u>	<u>2,065.4</u>

The recognition in profit or loss for the year is included under other income and expenses, net.

Banco Hipotecario de El Salvador, S. A.**Notes to the Financial Statements**

As of December 31, 2025, and 2024

(Expressed in thousands of U.S. dollars)

8. Effect of income tax on components included in other comprehensive income.

As of December 31, 2025 and 2024, no income tax effects have been determined on items recognized in other comprehensive income.

9. Foreclosed assets

As of December 31, 2025, the Bank maintains balances of foreclosed assets arising from loans with a net value of US\$11,492.2 (US\$7,038.4 as of December 31, 2024)

The movement in foreclosed assets recorded during the periods reported is summarized below:

		Value of assets	Value of provisions	Net value of provisions
Balance as of December 31, 2024	US\$	12,234.0	5,195.6	7,038.4
Add: Acquisitions		14,731.5	-	14,731.5
Provision allocation		-	576.7	(576.7)
Transfers from loans		-	5,733.5	(5,733.5)
Less: Disposals		(5,991.6)	(2,024.1)	(3,967.5)
Balance as of December 31, 2025		20,973.9	9,481.7	11,492.2
Balance as of December 31, 2023	US\$	12,331.6	4,855.3	7,476.3
Add: Acquisitions		1,511.9	-	1,511.9
Provision allocation		-	648.0	(648.0)
Transfers from loans		-	386.9	(386.9)
Less: Disposals		(1,609.5)	(694.6)	(914.9)
Balance as of December 31, 2024	US\$	12,234.0	5,195.6	7,038.4

As of December 31, 2025, assets held for more than four years since acquisition amount to US\$2,486.7 (US\$5,491.8 as of December 31, 2024), of which US\$2.6 (US\$34.3 as of December 31, 2024) has been recognized as a loss for the year, in accordance with Article 72 of the Banking Law.

As of December 31, 2025 and 2024, the Bank presents the following information:

- The value of foreclosed assets mainly consists of 16 movable assets (5 as of December 31, 2024) and 53 real estate properties (63 as of December 31, 2024).
- During the periods, the following foreclosed assets were derecognized due to sales, as described below.

Period		Sale Price	Acquisition Cost	Allowance recognized	Profit
2025	US\$	5,906.3	5,991.6	(2,024.1)	1,938.8
2024	US\$	1,545.2	1,609.5	(694.6)	630.2

- During the periods ended December 31, 2025 and 2024, no transfers of assets received in lieu of payment to the Bank's property and equipment were made.
- During the period reported, no assets were derecognized due to destruction, transfers to property and equipment, or donations

Banco Hipotecario de El Salvador, S. A.
Notes to the Financial Statements
As of December 31, 2025, and 2024
(Expressed in thousands of U.S. dollars)

10. Physical and intangible assets

Movable and immovable assets are detailed below:

	<u>2025</u>	<u>2024</u>
Cost		
Buildings	US\$ 8,556.7	US\$ 8,556.7
Furniture and Equipment	15,954.4	16,789.8
Right of use assets – leased premises	8,915.2	7,781.1
Leasehold improvements	896.4	518.9
Intangible assets	1,973.7	1,776.8
Less: Accumulated depreciation	<u>(21,355.7)</u>	<u>(20,258.8)</u>
	<u>14,940.7</u>	<u>15,164.5</u>
Add:		
Land	4,362.9	4,362.9
Construction in progress	-	258.5
	<u>19,303.6</u>	<u>19,785.9</u>
Revaluations		
Buildings	1,367.5	1,367.5
Accumulated depreciation - revaluations	(1,367.5)	(1,367.5)
Land	3,594.8	3,594.8
Total	US\$ <u>22,898.4</u>	US\$ <u>23,380.7</u>

During the periods ended December 31, 2025 and 2024, no revaluation of assets was performed.

The movement in property and equipment during the periods reported is detailed below:

	<u>2025</u>	<u>2024</u>
Beginning balance	US\$ 23,380.7	US\$ 16,819.1
Add - Acquisitions	1,380.6	2,704.5
Right of use assets – leased premises (net) (*)	1,269.4	6,985.6
Less - Depreciation	(2,552.3)	(2,424.2)
Amortization	(576.1)	(598.2)
Disposals	(3.9)	(106.1)
Ending balance	US\$ <u>22,898.4</u>	US\$ <u>23,380.7</u>

(*) Corresponds to the recognition of the right-of-use assets related to leased premises that fall within the scope of IFRS.

11. Derivative financial instruments

As of December 31, 2025 and 2024, the Bank does not hold any derivative financial instruments.

12. Financial and operational risk management

Financial risks

The results of market, liquidity, and credit risk management are obtained through the preparation of a series of reports that are communicated to the Bank's Senior Management, the Comprehensive Risk Management Committee, and the Board of Directors.

A. Market risk

The Bank defines market risk as the potential loss arising from adverse and future movements in market variables (interest rates, prices, and exchange rates) that affect the prices of the products in which it operates.

To identify this risk in a timely manner, the Bank has developed a matrix of internal and external factors that generate market risk and that could impact the Institution's operations and balance sheet positions. Additionally, the Risk Management Department continuously monitors national and international economic conditions to detect any external factors that may materialize as market risk.

The Bank measures its exposure to market risk through the following methodologies:

1. **One-Year Interest Rate Gap:** This measure assesses the sensitivity of the Institution's net interest margin over the next twelve months to certain movements in local and international market interest rates.
2. **Value at Risk (VaR):** This methodology is defined as the maximum expected loss over a given period of time at a specified confidence level. Banco Hipotecario applies this methodology to securities traded in international markets and, therefore, subject to daily pricing in secondary markets.
3. **Counterparty Risk Methodology:** This methodology assesses the risk that a party with whom the Bank maintains a commercial or financial relationship fails to meet its contractual obligations, potentially resulting in a loss. The Bank performs an analysis of the counterparty's solvency, monitors credit ratings, evaluates financial indicators, and conducts qualitative assessments.

The measurement of the main market risk indicators, as well as any deviations from established limits, constitutes a fundamental part of the Market Risk Exposure Report, which is submitted to the Comprehensive Risk Management Committee and the Board of Directors.

B. Liquidity Risk.

The Bank defines liquidity risk as the probability of incurring losses due to insufficient liquid resources to meet financial obligations within a specific time horizon. This risk considers the possibility that the entity may need to liquidate assets under unfavorable conditions.

The Bank measures its liquidity risk exposure using the following methodologies.

1. **Maturity Gap Analysis:** This methodology focuses on identifying liquidity gaps by comparing the maturity profiles of assets and liabilities across different time bands. The Risk Management Division continuously monitors the Bank's liquidity position, which is tracked on a daily, monthly, and semi-annual basis, as well as through projections as needed.
2. **Liquidity Indicators:** This approach measures the institution's liquidity levels by estimating key indicators such as the net liquidity ratio, concentration of depositors (10, 25, and 50 largest depositors), and dependence on short-term liabilities.

Banco Hipotecario de El Salvador, S. A.
Notes to the Financial Statements
 As of December 31, 2025, and 2024
 (Expressed in thousands of U.S. dollars)

3. **Deposit Concentration Indicators:** This methodology quantifies liquidity risk arising from the concentration of funds raised by the Bank within a specific economic group, individual or legal entity, or group of depositors.
4. **Value at Risk (VaR) for Demand Deposits:** This measure of liquidity risk consists of estimating the expected outflow from demand accounts based on volatility, over a given time horizon and confidence level. This methodology allows the calculation of the probability that such deposits may be withdrawn, based on their historical behavior at the Bank.
5. **Time Deposit Renewal Ratio:** This indicator estimates liquidity risk by calculating the percentage of balances in time deposit accounts that remain with the Bank (renewal) after their maturity date.
6. **Stress Scenarios:** This methodology involves simulating liquidity risk behavior under adverse scenarios. Banco Hipotecario applies this method through the development of a regulatory scenario (based on Annex 4 of regulation NRP-05) and an internal scenario (based on internal assumptions and the Liquidity Risk Index methodology (LRI)).
7. **Liquidity Risk Index:** This index measures the resilience of the Bank's high-quality liquid asset buffer to meet liquidity needs arising from a thirty-day stress scenario.

Deviations from established limits that could result in excessive exposure to liquidity and solvency risk are mitigated through two primary tools:

1. **Liquidity Contingency Plan:** This plan defines broad financial strategies to be implemented, as well as the roles and responsibilities of the areas involved in liquidity management, under different stress scenarios or liquidity shortfall situations.
2. **Voluntary Liquidity Reserves:** An additional measure to regulatory liquidity requirements, consisting of the estimation of a liquidity requirement (supported by liquid assets) that enables the Bank to cover its liquidity needs for the next thirty days from the calculation date.

C. Capital Solvency

Capital solvency is the institution's ability to maintain sufficient resources, even when such resources are different from cash, to support its obligations regardless of their maturity.

To ensure that the Bank maintains a minimum level of capital that allows it to cover the risks assumed in its operations at all times, the Risk Management Department monitors the Solvency Ratio (Capital Adequacy Ratio), which must remain above 12% at all times, as well as the amount of Regulatory Capital, Risk-Weighted Assets, and any Capital Surplus or Capital Deficiency.

D. Credit Risk.

The Bank adopts a comprehensive approach to credit risk; therefore, its policies, methodologies, and other relevant measures implemented are aligned with local regulations, as well as with the business segments it serves. Credit risk management begins with the proper identification of factors that may lead to customer payment default; therefore, these factors must be identified in advance to be managed adequately and in a timely manner.

The level of risk exposure is quantified both on an individual basis through financial analysis of each customer and on a portfolio-wide basis, including by loan segments. For this purpose, the Bank applies various methodologies, ranging from analysis and expected loss estimation, which quantify the potential amount of loss.

Banco Hipotecario de El Salvador, S. A.**Notes to the Financial Statements**

As of December 31, 2025, and 2024

(Expressed in thousands of U.S. dollars)

Additionally, early-stage delinquency management efforts are carried out to minimize the impact of loan portfolio deterioration, taking into consideration the personalized service approach offered by the Bank through its business units. This allows for timely engagement with customers by offering products, terms, and credit conditions that best fit their current situation.

To mitigate potential customer payment defaults, the Bank maintains regulatory allowances as well as additional voluntary allowances.

Operational Risk.

Operational risk management is a core component of the Bank's Comprehensive Risk Management framework, aimed at establishing control mechanisms that support the achievement of the Bank's strategic objectives. To accomplish this, the Bank has implemented a structured risk management framework, which includes manuals, policies, and processes. This framework defines the operational risk management cycle, which is applied to business elements through the identification, measurement, control, monitoring, and communication of operational risks. The Bank's operational risk exposure arises from the execution of its day-to-day activities. The risk management framework ensures compliance with the current regulatory framework and the Bank's obligations to stakeholders.

As part of compliance with NRP-42 "Standards for Operational Risk Management in Financial Institutions" and NRP-24 "Technical Standards for the Business Continuity Management System," during 2024 the following activities related to Operational Risk Management and Business Continuity were carried out within the Bank:

- Training programs for new employees and existing staff on key aspects of Operational Risk and Business Continuity.
- Monitoring of Operational Risk and Business Continuity events, including the development of action plans for risk mitigation.
- Planning and execution of Business Continuity tests.
- Issuance of risk opinions on business elements (initiatives, projects, new products, processes, services, among others)
- Approval of the Operational Risk Management Policy.
- Risk assessment of Bank subprocesses in accordance with the MERC methodology.
- Documentation and mapping of subprocesses related to Operational Risk Management and Business Continuity.
- Monitoring and control of compliance with requirements issued by regulatory authorities.

13. Financial Liabilities Held for Trading

As of December 31, 2025 and 2024, the Bank does not hold any financial liabilities classified as held for trading.

14. Deposits

The Bank's deposit portfolio is distributed as follows:

	<u>2025</u>	<u>2024</u>
Customer deposits	US\$ 976,922.1	US\$ 953,914.4
Deposits from other banks	906.5	1,380.7
Deposits from government entities	598,212.1	561,843.9
Restricted and inactive deposits	69,286.8	32,995.5
Total	US\$ <u>1,645,327.5</u>	US\$ <u>1,550,134.5</u>

Banco Hipotecario de El Salvador, S. A.
Notes to the Financial Statements
As of December 31, 2025, and 2024
(Expressed in thousands of U.S. dollars)

The different types of deposits held by the Bank are as follows:

		<u>2025</u>		<u>2024</u>
Demand deposits	US\$	458,532.9	US\$	400,924.3
Saving deposits		354,366.9		307,020.3
Time deposits		832,427.7		842,189.9
Total	US\$	<u>1,645,327.5</u>	US\$	<u>1,550,134.5</u>

The average cost of the deposit portfolio was 3.89% (4.21% as of December 31, 2024).

The average cost rate of the deposit portfolio represents the percentage resulting from dividing the Deposit Funding Cost by the average balance of the deposit portfolio.

15. Own-Issued Securities

As of December 31, 2025 and 2024, the Bank has issued securities, pursuant to Article 53 of the Banking Law, in order to raise funds from the public, as detailed below:

Issuance Date	Term	SERIES	Principal Amount ^{1/} in US\$	Principal Amount ^{1/} in US\$				Accrued Interest ^{1/} In US\$		Interest Rate		Guarantee	
				Issued	Allocated		Outstanding		2025	2024	2025		2024
					2025	2024	2025	2024					
08/14/2023	7 years	Tranche 1	CIBHIPO\$02	52,550.0	52,550.0	52,550.0	52,550.0	\$483.7	\$482.5	7.0%	7.0%	No specific guarantee.	
08/16/2023	7 years	Tranche 2	CIBHIPO\$022	44,600.0	44,600.0	44,600.0	44,600.0	\$393.4	\$392.4	7.0%	7.0%		
08/18/2023	7 years	Tranche 3	CIBHIPO\$023	44,600.0	44,600.0	44,600.0	44,600.0	\$376.4	\$375.3	7.0%	7.0%		
09/05/2023	7 years	Tranche 4	CIBHIPO\$024	33,450.0	33,450.0	33,450.0	33,450.0	\$173.2	\$172.7	7.0%	7.0%		
09/20/2023	7 years	Tranche 5	CIBHIPO\$025	16,725.0	16,725.0	16,725.0	16,725.0	\$38.5	\$38.4	7.0%	7.0%		
10/31/2023	7 years	Tranche 6	CIBHIPO\$026	33,673.0	33,673.0	33,673.0	33,673.0	\$400.4	\$399.3	7.0%	7.0%		
01/15/2024	5 years	Tranche 7	CIBHIPO\$027	20,000.0	20,000.0	20,000.0	20,000.0	\$309.9	\$309.0	7.25%	7.25%		
01/22/2024	5 years	Tranche 8	CIBHIPO\$028	50,000.0	50,000.0	50,000.0	50,000.0	\$705.1	\$703.2	7.25%	7.25%		
06/03/2024	5 years	Tranche 1	CIBHIPO\$031	50,000.0	50,000.0	50,000.0	50,000.0	\$317.8	\$316.9	7.25%	7.25%		
09/24/2024	5 years	Tranche 1	CIBHIPO\$041	50,000.0	50,000.0	50,000.0	50,000.0	\$89.4	\$89.1	7.25%	7.25%		
Total				395,598.0	395,598.0	395,598.0	395,598.0	3,287.8	3,278.8	-	-		

1/ El total d1/ The total principal plus interest amounting to US\$398,876.8 (US\$398,876.8 as of December 31, 2024), detailed above, does not include the commission paid for the acquisition of the aforementioned securities. The unamortized balance of such commission as of December 31, 2025 amounts to US\$410.3 (US\$532.0 as of December 31, 2024). Accordingly, the carrying amount of principal plus interest, net of the commission, is US\$398,475.5 (US\$398,344.8 as of December 31, 2024).

16. Trust Funds

As of December 31, 2025 and 2024, the Bank manages the following trusts:

Description	Asset Value		Net Result	
	2025	2024	2025	2024
Trust Fund B	US\$10,717.9	US\$8,070.4	US\$118.3	US\$ 66.2
Trust Fund C	US\$ 0.2	US\$ 0.3	US\$(0.0)	US\$ 0.4
Trust Fund D (1)	US\$ 0.0	US\$ 0.9	US\$ 0.0	US\$ (9.6)

(1) This trust concluded its operations by mutual agreement between the Trustor and the Trustee, pursuant to the deed of dissolution dated January 9, 2025.

Banco Hipotecario de El Salvador, S. A.
Notes to the Financial Statements
As of December 31, 2025, and 2024
(Expressed in thousands of U.S. dollars)

17. Subordinated Loans

As of December 31, 2025 and 2024, the Bank has no outstanding balance of subordinated loans.

18. Legal Reserve

In accordance with Article 39 of the Banking Law, the Bank must allocate at least ten percent (10%) of its annual profits until the legal reserve reaches at least twenty-five percent (25%) of paid-in share capital. As of December 31, the amount allocated to constitute the required legal reserve amounts to US\$3,305.9 (US\$2,192.1 as of December 31, 2024).

The balance of the legal reserve as of December 31, 2025 amounts to US\$24,621.8 (US\$21,315.9 as of December 31, 2024), representing 16.9% of paid-in share capital (17.6% as of December 31, 2024).

19. Distributable earnings

In accordance with the first paragraph of Article 40 of the Banking Law, banks must retain from their profits, after deducting the legal reserve, an amount equal to accrued income pending collection, net of the related allowance for loan losses. Accordingly, these amounts are determined as follows:

Concepts		2025		2024	
		Partial	Total	Partial	Total
Profit for the year	US\$		31,214.0		21,921.2
Legal reserve			(3,305.9)		(2,192.1)
Non-distributable earnings from prior years			26,375.0		25,014.3
Total available earnings	US\$		<u>54,283.1</u>		<u>44,743.4</u>
Restricted earnings					
Interest, commissions, and surcharges receivable	US\$		(27,367.5)		(26,375.0)
On banks		(0.0)		(0.0)	
On investments		(14,024.1)		(16,987.2)	
On loans		(8,522.1)		(6,258.3)	
On accounts receivable		(4,821.3)		(3,129.5)	
Distributable earnings at the end of the period	US\$		<u>26,915.6</u>		<u>18,368.4</u>

Treasury shares

The Banking Law requires banks to issue treasury shares in an amount equal to the regulatory capital or the required regulatory capital, as of December 31 of each year, whichever is greater. The certificate representing these shares is deposited with the Central Reserve Bank of El Salvador.

These treasury shares must be used, subject to authorization by the Superintendence of the Financial System, to be offered first to the Bank's shareholders and subsequently to the public, for the purpose of remedying any deficiencies in the Bank's regulatory capital.

Treasury shares that have not been subscribed and paid do not grant economic or voting rights.

As of December 31, 2025, treasury shares amount to US\$192,680.1 (US\$178,249.8 in 2024). During the period reported, the Bank did not make use of treasury shares.

Banco Hipotecario de El Salvador, S. A.
Notes to the Financial Statements
As of December 31, 2025, and 2024
(Expressed in thousands of U.S. dollars)

20. Equity instruments measured at fair value through other comprehensive income

As of December 31, 2025 and 2024, the Bank does not hold any equity instruments measured at fair value through other comprehensive income.

21. Capital fund or net equity requirement

In accordance with Article 41 of the Banking Law, in order to maintain ongoing solvency, banks must at all times comply with the following minimum ratios:

- 12.0% or more between regulatory capital and the sum of risk-weighted assets.
- 7.0% or more between regulatory capital and total obligations or liabilities with third parties, including contingencies.
- 100% or more between regulatory capital and paid-in share capital referred to in Article 36 of the Banking Law.

The Bank's position as of December 31, 2025 and 2024 is presented below:

	<u>2025</u>	<u>2024</u>
Capital fund to risk-weighted assets	18.2%	17.5%
Capital fund to liabilities and contingencies	9.9%	9.2%
Capital fund to paid-in share capital	147.6%	158.7%

22. Loss (gain) due to impairment (reversal of impairment) of credit risk assets

As of December 31, 2025 and 2024, increases due to impairment, write-offs of uncollectible balances for which allowances or loss estimates had been established, and reversals of impairment are as follows:

Movement of allowances	Private Companies	Housing	Consumer	Voluntary	Contingencies	Accounts Receivable
Balance as of December 31, 2024	US\$32,924.8	US\$1,217.5	US\$5,602.5	US\$3,151.7	US\$11,440.4	US\$157.1
(+) Allowance allocations	8,736.4	209.3	6,042.7	1,942.4	332.9	162.0
(-) Allowance releases	(2,692.8)	-	-	-	-	-
(-) Transfers of allowances to foreclosed assets	(5,731.0)	-	(2.2)	-	-	(0.3)
(-) Loan write-offs	(4,162.9)	(38.2)	(3,373.0)	(699.5)	(2,573.0)	(103.3)
Balance as of December 31, 2025	US\$29,074.5	US\$1,388.6	US\$8,270.0	US\$4,394.6	US\$9,200.3	US\$215.5

Movement of allowances	Private Companies	Housing	Consumer	Voluntary	Contingencies	Accounts Receivable
Balance as of December, 2023	US\$26,850.7	US\$1,006.7	US\$2,303.3	US\$4,302.4	US\$9,853.1	US\$104.0
(+) Allowance allocations	8,738.8	214.6	6,662.4	3,059.2	1,587.3	150.3
(+) Transfers from voluntary to mandatory allowances	3,788.4	-	-	(3,788.4)	-	-
(-) Allowances releases	(1,432.1)	-	-	-	-	-
(-) Transfers of allowances to foreclosed assets	(386.7)	-	-	-	-	(0.2)
(-) Loan write-offs	(4,634.3)	(3.8)	(3,363.2)	(421.5)	-	(97.0)
Balance as of December 31, 2024	US\$32,924.8	US\$1,217.5	US\$5,602.5	US\$3,151.7	US\$11,440.4	US\$157.1

Likewise, as of December 31, 2025 and 2024, recoveries of loans under judicial collection amounted to US\$592.4 and US\$268.7, respectively.

Banco Hipotecario de El Salvador, S. A.
Notes to the Financial Statements
As of December 31, 2025, and 2024
(Expressed in thousands of U.S. dollars)

23. Transferred financial assets that do not qualify for full derecognition.

As of December 31, 2025 and 2024, there is no outstanding balance from repurchase agreements.

24. Financial assets fully derecognized.

As of December 31, 2025 and 2024, the balance from purchases of repurchase agreements, which will be fully settled at maturity, amounts to US\$7,233.8 and US\$0.0, respectively.

As of December 31, 2025 and 2024, credit risk assets amounting to US\$8,273.6 and US\$8,519.8, respectively, were derecognized against the related allowance for loan losses.

25. Pending litigation

As of December 31, 2025, the Bank is involved in the following judicial or administrative proceedings, which do not represent a material impact on the Bank:

- a. Ordinary commercial proceeding No. 166/2022, filed before the Sixtieth Civil Court of Mexico City by Promoción y Operación, S.A. de C.V. against Banco Hipotecario de El Salvador, S.A. On November 15, 2022, the Bank was served with notice of the claim in which the plaintiff seeks a declaration that the credit and/or debit card transaction processing services agreement executed on October 31, 2003 has been duly performed and that the Bank be ordered, in abstract, to pay damages arising as a result of the breach of such agreement. On January 10, 2023, the Bank filed its response to the claim and in the same pleading requested that the plaintiff company pay Banco Hipotecario the amount of US\$838.3 in respect of transactions that occurred on June 9, 10, and 11, 2020. On August 6, 2025, Promoción y Operación, S.A. de C.V. was served with notice of the counterclaim, and the issuance of the corresponding resolution remains pending. On August 20, 2025, Prosa filed its response to the counterclaim brought by the Bank; Prosa raised new defenses and offered expert evidence regarding the alleged facts, with which it seeks to demonstrate that it was not responsible for the transactions. On November 19, 2025, the Bank filed, through its legal representatives, a response to the defenses raised by Prosa and its defense of the counterclaim, and its legal counsel recommended that, in order to refute Prosa's statements, it was necessary to offer expert evidence, for which the deadline is November 27, 2025. On November 24, 2025, the Bank received from Torres Legal a proposal for forensic information technology expert services for the preparation of an expert report, which must be submitted as evidence in the proceeding.
- b. On June 13, 2023, the Bank filed a claim for US\$5,000.0 before the Office of the Commissioner of Financial Institutions of Puerto Rico (OCIF) against Nodus International Bank, Inc., and on the 29th of the same month and year before the administrator appointed by OCIF. As of December 2023, the total amount of the transaction, corresponding to US\$5,000.0, was fully provisioned, of which US\$3,500.0 was charged to profit or loss under the line item "Other income and expenses, net" in the statement of income and US\$1,500.0 was charged to voluntary loan reserves. As of the end of September 2025, the receiver appointed by OCIF has published the Statement of Financial Position and Loan Report of Nodus International Bank, Inc., covering the period through August 2025. On December 22, 2025, Nodus International Bank, Inc. issued a communication regarding the current status of the case, stating that Nodus maintains approximately US\$9.3 million in funds blocked by the Office of Foreign Assets Control (OFAC), which limits the distribution process, as the Receiver would be required to transfer such funds to OFAC before making payments to depositors. To avoid unequal treatment among creditors, the Receiver submitted a request for these funds to receive the same treatment and proportional losses as the rest of the deposits, allowing for an equitable distribution in the event of their eventual release. To date, OFAC has not issued a response to such request. Consequently, the available funds must be reserved to cover this potential obligation, in accordance with the applicable regulations. The Bank is awaiting completion of the Voluntary Liquidation and Dissolution process.

Banco Hipotecario de El Salvador, S. A.
Notes to the Financial Statements
 As of December 31, 2025, and 2024
 (Expressed in thousands of U.S. dollars)

26. Income tax expense (income)

Entities incorporated in El Salvador are subject to income tax on income earned within the country, as per the Income Tax Law, enacted through Legislative Decree No. 134, dated December 18, 1991, effective since January 1, 1992. However, tax reforms were introduced through Legislative Decree dated December 14, 2011, published in the Official Gazette No. 235, Volume 393, dated December 15, 2011, and Legislative Decree No. 762, dated July 31, 2014, increasing the corporate tax rate from 25% to 30%, except for taxpayers with taxable income below US\$150.0, who continue to be subject to the 25% rate.

As of December 31, 2025, income tax calculated in accordance with the provisions set forth in the aforementioned decrees is detailed as follows:

	<u>2025</u>
Taxable income for the year	US\$ 119,207.5
Less: Deductible costs and expenses	(161,724.1)
Subtotal	<u>(42,516.6)</u>
Add: Non-deductible costs and expenses	48,665.4
Taxable base	<u>6,148.8</u>
Income tax	<u>US\$ 1,844.6</u>

The tax authorities may review the income tax returns filed by the Bank for the years 2024, 2023, and 2022.

27. Related persons and significant shareholders

According to the Banking Law, related parties are those who hold three percent (3%) or more of the Bank's shares. For purposes of determining such percentage, shares held by the spouse and first-degree relatives by blood shall be considered as owned, as well as the proportional interest corresponding to them when they hold an ownership interest in shareholder companies of the Bank. Within the group of related parties, there is a category referred to by the Banking Law as significant shareholders, defined as those holding at least ten percent (10%) of the Bank's shares. Directors and officers of the Bank are also considered related parties.

The Financial Stabilization and Strengthening Fund (FOSAFFI) holds 96.72% of the Bank's shares but is not considered a related party under Article 205, third paragraph of the Banking Law, as it is an autonomous state institution.

In accordance with Articles 203, 204, 205, and 206 of the Banking Law, banks and their subsidiaries are prohibited from granting loans, credit facilities, guarantees, and endorsements to natural or legal persons that are directly or indirectly related to the ownership or directly involved in the administration of the entity. Additionally, banks may not acquire securities issued by related parties in an amount exceeding 5% of the paid-in capital and capital reserves of the institution.

As of December 31, 2025, the Bank's share capital and capital reserves amount to US\$170,009.5 (US\$151,754.7 as of December 31, 2024). Total related-party loans amount to US\$703.3 (US\$1,193.3 as of December 31, 2024), representing 0.41% (0.79% as of December 31, 2024) of the Bank's share capital and capital reserves; such amount is distributed among 16 borrowers (29 borrowers as of December 31, 2024).

During the periods reported, the Bank complied with the aforementioned provisions regarding related-party loans.

As of December 31, 2025, and 2024, the Bank does not have any outstanding loans with local or foreign subsidiaries.

Banco Hipotecario de El Salvador, S. A.**Notes to the Financial Statements**

As of December 31, 2025, and 2024

(Expressed in thousands of U.S. dollars)

Difference between the relevant Llegal framework and the disclosure framework in this note

The International Accounting Standard (IAS) 24 – Related Party Disclosures requires entities to disclose information regarding relationships between related parties, transactions, outstanding balances, including commitments, in the consolidated and separate financial statements of a parent entity or investors with joint control or significant influence over an investee.

In contrast, the Banking Law defines related parties as those holding 3% or more of the Bank's shares. When determining this percentage, the law considers shares held by the spouse and first-degree relatives, as well as the proportional interest in companies that are shareholders of the Bank. Additionally, within related parties, the Banking Law designates a subgroup called significant shareholders, referring to individuals or entities holding at least 10% of the Bank's shares. Directors and senior management of the Bank are also classified as related parties under this legal framework.

28. Credit granting limits

Article 197 of the Banking Law establishes that banks and their subsidiaries may not grant loans or participate in share capital for a total amount exceeding twenty-five percent (25%) of their own regulatory capital to a single person or group of persons with economic ties. It also establishes that any excess over fifteen percent (15%) in loans, with respect to their own regulatory capital, must be covered by sufficient real collateral or guarantees issued by local banks or first-tier foreign banks.

As of December 31, 2025, the Bank's regulatory capital amounts to US\$212,498.7 (US\$192,680.1 as of December 31, 2024). The maximum risk assumed in granting loans to a single person or group of persons with economic ties amounts to US\$35,013.3 (US\$35,305.7 as of December 31, 2024), representing 16.5% (18.3% as of December 31, 2024) of the Bank's regulatory capital.

As of December 31, 2025 and 2024, the Bank complied with the provisions of Article No. 197 of the Banking Law.

29. Contracts with related parties

In accordance with Article 208 of the Banking Law, the Superintendency has the authority to object to the execution of contracts between a bank and its related parties. Related parties are defined as individuals or entities directly or indirectly linked to the ownership structure of the Bank or directly involved in its administration.

As of December 31, 2025, and 2024, the Bank has not entered into any contracts with related parties

30. Operating segments

Under international accounting standards, the Bank must disclose information that enables financial statement users to evaluate the nature and financial impact of its business activities and the economic environments in which it operates.

The Bank operates as a financial intermediary, providing banking services permitted by national legislation within the domestic market.

31. Contingencies

As of December 31, 2024, and 2023, the amounts recorded under these accounts represent rights that may potentially become assets or liabilities upon the completion of the transaction cycle or the occurrence of a future and uncertain event. The balances of these accounts are as follows:

		<u>2025</u>		<u>2024</u>
Issuance of letters of credit	US\$	449.9	US\$	393.0
Endorsement, securities, and guarantees		12,429.7		17,135.2
Less: provision for risk		(9,200.3)		(11,440.4)
Total	US\$	<u>3,679.3</u>	US\$	<u>6 087.8</u>

Banco Hipotecario de El Salvador, S. A.
Notes to the Financial Statements
 As of December 31, 2025, and 2024
 (Expressed in thousands of U.S. dollars)

32. Risk rating

The Article 235 of the Banking Law requires the Bank to publish its credit rating as assessed by a risk rating agency registered with the Superintendency of the Financial System. The Bank's credit rating is presented below:

	<i>Rating</i>			
	<i>2025</i>		<i>2024</i>	
	Zumma Ratings, S.A. de C.V.	Pacific Credit Rating, S.A. de C.V.	Zumma Ratings, S.A. de C.V.	Pacific Credit Rating, S.A. de C.V.
Issuer /Long- term rating	EA+	AA	EA+	AA
Outlook	Stable	Stable	Stable	Stable
CIBHIPO\$02 CIBHIPO\$03 CIBHIPO\$04 <i>Short term with special guarantees</i>	N-1	N-1	N-1	N-1
CIBHIPO\$02 CIBHIPO\$03 CIBHIPO\$04 <i>Short term without special guarantee</i>	N-2	N-1	N-2	N-1
CIBHIPO\$02 CIBHIPO\$03 CIBHIPO\$04 Long term with special guarantee	AA-	AA+	AA-	AA+
CIBHIPO\$02 CIBHIPO\$03 CIBHIPO\$04 <i>Long term without special guarantee</i>	A+	AA	A+	AA
Outlook	Stable	Stable	Stable	Stable
Preferred shares		N-2		N-2

The risk rating remains unchanged from the previous period, both with a Stable outlook. The reference date for the risk ratings issued by Pacific Credit Rating is September 30, 2025 and September 30, 2024. The reference date for the risk rating issued by Zumma Rating, S.A. de C.V., is June 30, 2025 and June 30, 2024.

Banco Hipotecario de El Salvador, S. A.
Notes to the Financial Statements
 As of December 31, 2025, and 2024
 (Expressed in thousands of U.S. dollars)

The description of the ratings is detailed below:

For the issuer:

- AA Assigned to entities with a very high capacity to meet their financial obligations in the agreed terms and conditions. This capacity would not be significantly affected by potential changes in the entity, its industry, or the economy. Protective factors are strong, and risk is modest.
- A Assigned to entities with a good capacity to meet their financial obligations in the agreed terms and conditions, though this capacity is slightly susceptible to deterioration due to potential changes in the entity, its industry, or the economy. Protective factors are satisfactory.

For long-term investment certificates:

- AA Assigned to instruments where issuers have a very high capacity to meet principal and interest payments under the agreed terms and conditions. This capacity would not be affected by potential changes in the issuer, industry, or economy.
- A Assigned to instruments where issuers have a good capacity to meet principal and interest payments under the agreed terms and conditions. However, this capacity is slightly susceptible to deterioration due to potential changes in the issuer, industry, or economy.

For short-term investment certificates:

- N-1 Assigned to instruments where issuers have the highest capacity to meet principal and interest payments under the agreed terms and conditions. This capacity would not be affected by potential changes in the issuer, industry, or economy.
- N-2 Assigned to instruments whose issuers have a good capacity to meet principal and interest payments under the agreed terms and conditions. However, this capacity is slightly susceptible to deterioration due to potential changes in the issuer, the industry to which it belongs, or the economy.

For shares:

- N-2 Assigned to shares that exhibit a very good combination of solvency and stability in the issuer's profitability, along with a moderate level of return volatility.

33. Scope of consolidation (investments in subsidiaries in the consolidated financial statements)

The Bank does not present consolidated financial statements as it operates as an individual entity.

34. Acquisitions (business combinations) and disposals (divestment of subsidiaries)

As of December 31, 2025, and 2024, the Bank has not conducted any business acquisitions or divestment of subsidiaries.

35. Relationship between foreign currency assets and liabilities

In accordance with Article 62 of the Banking Law, the Superintendence of the Financial System shall establish the rules governing the relationship between banks' foreign currency assets and liabilities, in order to ensure that foreign exchange risk remains within reasonable limits. For this purpose, the Superintendence of the Financial System has established that the absolute difference between foreign currency assets and liabilities may not exceed 10% of regulatory capital.

As of December 31, 2025, the Bank complied with the aforementioned provision by maintaining a ratio of 1.5% (0.6% as of December 31, 2024).

Banco Hipotecario de El Salvador, S. A.
Notes to the Financial Statements
As of December 31, 2025, and 2024
(Expressed in thousands of U.S. dollars)

36. Significant differences between International Financial Reporting Standards (IFRS) and the Accounting Standards issued by the Standards Committee of the Central Reserve Bank

The Bank's Management has identified the following initial differences:

1. FRS requires disclosure of fair values for each class or group of financial assets and liabilities. However, the accounting standards applicable to the Bank do not require this specific classification.
2. Securities issued or guaranteed by the Central Reserve Bank and other State entities, payable with funds from the National Budget, are recognized at acquisition cost net of brokerage fees, commissions, and other costs related to the purchase, which are considered risk-free in accordance with regulations issued by the Central Reserve Bank. IFRS 9 establishes that such financial assets shall be classified according to the business model and subsequently measured at amortized cost, fair value through other comprehensive income, or fair value through profit or loss.
3. Regarding to liquidity risk, IFRS require disclosure of all assets and liabilities according to relevant maturity groupings, based on the periods remaining between the reporting date and the contractual maturity date.
4. Allowances for credit risk are established based on regulations issued by the Superintendence of the Financial System. Under IFRS 9, an expected credit loss model is applied, whereby impairment losses are recognized when potential default events have been identified, even if they have not yet occurred. IFRS 9 establishes a three-stage approach for the recognition of impairment allowances, based on changes in the credit quality of financial assets since initial recognition.
5. Releases of allowances established in prior years are recorded as a credit to non-operating income; IFRS require that transactions of the same nature be recognized on a net basis.
6. Under IFRS, the establishment of voluntary reserves does not form part of profit or loss but represents appropriations of retained earnings. Under the accounting standards applied by the Bank, such reserves are recognized in profit or loss for the year.
7. Interest income generated on past-due loan portfolios is recorded in memorandum accounts when delinquency exceeds 90 days and is recognized as income when collected; IFRS require the recognition of interest income on all financial assets, as well as the corresponding impairment.
8. Revaluations of property and equipment are approved by the Superintendence of the Financial System upon the Bank's request and are not updated periodically; IFRS require that revaluations of property and equipment be updated periodically to reflect the fair market values of the revalued assets. The depreciation period of property and equipment is determined based on the periods permitted by tax regulations; IFRS establish that property and equipment must be depreciated based on the estimated useful life of the assets; likewise, IFRS revised the definition of residual value of assets.
9. Foreclosed assets must be treated in accordance with IFRS 5, under which an impairment loss must be recognized due to initial or subsequent reductions in the value of the asset to fair value less costs to sell; furthermore, under IFRS, statutory reserves established for foreclosed assets do not form part of profit or loss; they represent appropriations of retained earnings.
10. The accounting standards applicable to banks establish that gains from the sale of foreclosed assets with financing must result in a restriction of equity. IFRS do not establish such treatment.

Banco Hipotecario de El Salvador, S. A.
Notes to the Financial Statements
As of December 31, 2025, and 2024
(Expressed in thousands of U.S. dollars)

11. IFRS require the recognition of impairment estimates for assets based on future cash flows related to the asset, discounted at an appropriate interest rate. This process must be carried out when indicators of impairment are identified. The accounting standards applicable to banks do not require such estimates.
12. IFRS require the disclosure of qualitative and quantitative information regarding exposure to risks arising from financial instruments, including credit, liquidity, and market risks. Likewise, disclosure of a sensitivity analysis for each type of market risk to which the entity is exposed is required, as well as the methods and assumptions used. The accounting standards currently in use do not encompass all such disclosures.
13. Under IFRS, preferred shares with a non-discretionary dividend contain a liability component that must be recognized separately. The accounting standards applicable to the Bank do not require this separation.
14. There are differences in the presentation and certain disclosures of the financial statements between IFRS and those established under the approved regulation for the preparation and publication of financial statements.

The effect of these differences on the Bank's financial statements has not been determined by Management.

37. Events after the reporting period.

No materially significant events have been identified subsequent to the reporting periods.

38. Significant events

The most relevant events that occurred during the reporting period are summarized below:

Period ended December 31, de 2025

1. On November 28, 2024, the Superintendence was informed of the definitive closure of the banking outlet known as Taquilla San Ignacio, located within the facilities of the Territorial Office of the National Executive Directorate of Plan Trifinio El Salvador, effective January 31, 2025. The Superintendent of the Financial System acknowledged receipt and expressed her concurrence in a letter dated December 9, 2024.
2. On January 24, 2025, the Standards Committee of the Central Reserve Bank of El Salvador, in session CNBCR-01/2025, issued and approved the Technical Standards for the Liquid Asset Requirement of Deposit-Taking Financial Institutions, with the objective of strengthening the stability of the financial system through the requirement of liquid assets, which entered into force on February 8, 2025.
3. On January 24, 2025, the Standards Committee of the Central Reserve Bank of El Salvador, in session CNBCR-01/2025, issued and updated the Temporary Technical Standards for the Calculation of the Liquidity Reserve on Deposits and Other Obligations, with the objective of establishing new temporary parameters for the Liquidity Reserve requirement, in order to strengthen the liquidity of the financial system and promote its stability, entering into force on January 29, 2025.

Banco Hipotecario de El Salvador, S. A.**Notes to the Financial Statements**

As of December 31, 2025, and 2024

(Expressed in thousands of U.S. dollars)

4. The General Shareholder's meeting, held on February 19, 2025 resolved the following matters:
 - a. To approve the Annual Report, the Statement of Financial Position, the Statement of Profit or Loss, the Statement of Changes in Equity, and the other Financial Statements corresponding to the 2024 fiscal year.
 - b. To approve the engagement of the audit firm Integrity Auditing Group Limitada de C.V. as the Bank's Primary External Auditors for the 2025 Financial Audit Service. Corpeño y Asociados, S.A. de C.V. was also approved as Alternate External Auditors.
 - c. To approve the engagement of the audit firm Integrity Auditing Group Limitada de C.V. as the Bank's Primary Tax Auditors for the 2025 Tax Report and Tax Opinion. Corpeño y Asociados, S.A. de C.V. was also approved as Alternate Tax Auditors.
 - d. To declare the payment of dividends on preferred shares from 2024 earnings, equivalent to 6% of their par value, or US\$0.36 per share, totaling US\$88.9, with payment to be made as of March 24, 2025.
 - e. To declare the payment of dividends on common shares from 2024 earnings, at US\$0.17 per share, totaling US\$2,038.7, with payment to be made as of March 24, 2025
 - f. To approve an amount of US\$80.0 corresponding to the Country Risk Reserve, US\$300.0 for finance leases, and US\$911.9 to cover the Provision for Write-offs of Assets Received in Payment for the year 2025, to be recorded in retained earnings from prior years.
 - g. To approve an increase in share capital of US\$23,984.5 through the capitalization of earnings by increasing the par value of common shares from US\$10.00 to US\$12.00 each, using US\$9,035.6 from voluntary capital reserves and US\$14,948.9 from available earnings at year-end 2024 after dividend payments, maintaining the shareholding structure and number of issued shares.
5. On February 28, 2025, the Superintendence was informed of the relocation of the banking outlet known as Agencia Berlín, to be located at 3rd West Street and North Simón Bolívar Avenue, Berlín District, Municipality of Usulután Norte, Department of Usulután, effective May 2 of the current year. The Superintendent of the Financial System acknowledged receipt and expressed her concurrence in a letter dated March 17, 2025.
6. On March 6, 2025, the Superintendence was informed of the definitive closure of the banking outlet known as Mini Agencia Unicentro Soyapango, located at Unicentro Soyapango Shopping Center, effective April 30 of the current year. The Superintendent acknowledged receipt and expressed her concurrence in a letter dated March 11, 2025.
7. On March 27, 2025, the recovery of loans previously written off since May 29, 2024 was applied, recording a customer payment of US\$183.5 applied directly to income accounts, thereby canceling the obligations with the Bank.
8. On May 15, 2025, the sale of a foreclosed asset was applied, originating from a recovery executed on March 23, 2020 related to loans written off on May 26, 2011, generating a gain of US\$705.3 and a release of restricted equity of US\$1,923.6.
9. On May 29, 2025, the Superintendence was informed of the definitive closure of the banking outlet known as Taquilla Candelaria de la Frontera, located at the Municipal Mayor's Office of Candelaria de la Frontera, Santa Ana, effective July 31 of the current year. The Superintendent acknowledged receipt and expressed her concurrence in a letter dated June 6, 2025.
10. On June 1, 2025, the increase in the minimum wage for different economic sectors became effective, as approved in Executive Decree No. 11 dated May 22, 2025 and published in Official Gazette No. 95, Volume No. 447, dated May 23, 2025.

Banco Hipotecario de El Salvador, S. A.
Notes to the Financial Statements
 As of December 31, 2025, and 2024
 (Expressed in thousands of U.S. dollars)

11. On June 2, 2025, authorization was received from the Superintendence of the Financial System regarding the amendment to the articles of incorporation due to the capital increase of US\$23,984.5. Said amendment was registered with the National Registry Center on July 7, 2025 and the capital increase was recorded on July 8, 2025.
12. The General Shareholders' Meeting held on August 19, 2025 approved the appointment of directors to serve on the Board of Directors as of that date, which was structured as follows:

Position	Director
Chairman of the Board	Ingeniero Rodrigo de Jesús Solórzano Arévalo
Vice Chariman of the Board	Licenciado Miguel Antonio Chorro Serpas
Secretary of the Board	Licenciada Karen Elizabeth González de Girón
First Alternate Director	Licenciado Julián Seledonio Mendoza
Second Alternate Director	Licenciada Claudia Yadira Majano de García
Third Alternate Director	Licenciado José Wilberto Hernández Portillo

With the aforementioned appointment, the previous Board of Directors, whose term was two years from the date of registration, ceased to have effect.

13. On July 22, 2025, the sale of a foreclosed asset was applied, originating from a recovery executed on October 27, 2021 related to loans written off on July 22, 2020, generating a loss of US\$415.7 and a release of restricted equity of US\$1,095.7.
14. In compliance with the description of the account Recoveries of Written-off Assets contained in Section III (Manual of Accounting Applications of Equity) of NCF-01, the Bank recorded income from in-kind recoveries of written-off assets. As of December 31, 2025, the balance of these transactions amounts to US\$2,973.0.
15. On August 29, 2025, the Superintendence was informed of the definitive closure of the banking outlet known as Taquilla Tonacatepeque, located at 4th South Avenue and 1st West Street, north side of the municipal market, in front of Tonacatepeque Central Park, San Salvador East District, San Salvador, effective October 31, 2025. The Superintendent acknowledged receipt and expressed her concurrence in a letter dated September 10, 2025.
16. On October 28, 2025, the recovery of loans previously written off since March 19, 2025 was applied, recording a customer payment of US\$494.6 applied directly to income accounts, thereby canceling the obligations with the Bank.
17. On December 12 and 19, 2025, two foreclosed assets were sold, which had been received as dation in payment on October 18, 2024 and July 5, 2017, from which the Bank obtained net gains of US\$161.0 and US\$315.0, respectively, resulting from the release of reserves less accumulated expenses.

Banco Hipotecario de El Salvador, S. A.**Notes to the Financial Statements**

As of December 31, 2025, and 2024

(Expressed in thousands of U.S. dollars)

Year Ended December 31, 2024

1. On December 12 and 22, 2023, authorization was requested from the Superintendencia for the banking outlet named Agencia Cojutepeque, to be located at Avenida General Briosos and 3rd East Street No. 1, Cojutepeque, Department of Cuscatlán, with an opening date of January 9, 2024. The Deputy Superintendent of Banks, Insurance Companies and Other Financial Institutions notified her approval regarding the opening of such outlet in a letter dated January 8, 2024.
2. The General Shareholder's meeting held on February 22, 2024 resolved the following matters:
 - a. To approve the Annual Report, the Statement of Financial Position, the Statement of Profit or Loss, the Statement of Changes in Equity, and the other Financial Statements corresponding to the 2023 fiscal year.
 - b. To approve the engagement of the audit firm Integrity Auditing Group Limitada de C.V. (CROWE) as the Bank's Primary External Auditors for the 2024 Financial Audit Service. Corpeño y Asociados, S.A. de C.V. was also approved as Alternate External Auditors.
 - c. To approve the engagement of the audit firm Integrity Auditing Group Limitada de C.V. (CROWE) as the Bank's Primary Tax Auditors for the 2024 Tax Opinion and Tax Report. Corpeño y Asociados, S.A. de C.V. was also approved as Alternate Tax Auditors.
 - d. To declare the payment of dividends on preferred shares from 2023 earnings, equivalent to 6% of their par value, or US\$0.36 per share, totaling US\$88.9, with payment to be made as of March 25, 2024.
 - e. To declare the payment of dividends on common shares from 2023 earnings, at US\$0.16 per share, totaling US\$1,918.8, with payment to be made as of March 25, 2024.
 - f. To approve an amount of US\$100.0 corresponding to the Country Risk Reserve and an additional US\$1,000.0 to cover the Provision for Write-offs of Assets Received in Payment corresponding to the year 2024, to be recorded in retained earnings from prior years.
 - g. To transfer the remaining amount of US\$7,323.0 to Voluntary Capital Reserves, which will amount to US\$9,035.6.
3. On February 21 and 26, 2024, authorization was requested from the Superintendencia for the banking outlet named Taquilla CNR Chalatenango, to be located within the facilities of the Centro Nacional de Registro, at Calle Vieja a San Salvador CA 3E, Centro Comercial Plaza Recreativa, San Antonio Chalatenango, with an opening date of March 19, 2024. The Deputy Superintendent of Banks, Insurance Companies and Other Financial Institutions notified her approval regarding the opening of such outlet in a letter dated March 5, 2024.
4. On March 1, 2024, authorization was requested from the Superintendencia for the banking outlet named Taquillas Alcaldía Municipal de Ilopango, with an opening date of April 1. The Deputy Superintendent of Banks, Insurance Companies and Other Financial Institutions notified her approval regarding the opening of such outlet in a letter dated March 7, 2024.
5. On March 21, 2024, a debt issuance of up to US\$102,000.0 was approved through the placement of Investment Certificates denominated CIBHIPO\$03, which was approved by the Superintendencia of the Financial System and by the Bolsa de Valores de El Salvador for registration
6. On April 24, 2024, the recovery of loans that had been written off since June 24, 2022 was applied, recording the customer's payment in the amount of US\$1,000.0 directly to income, thereby canceling the obligations with the Bank.

Banco Hipotecario de El Salvador, S. A.**Notes to the Financial Statements**

As of December 31, 2025, and 2024

(Expressed in thousands of U.S. dollars)

7. On June 19, 2024, a debt issuance of up to US\$100,000.0 was approved through the placement of Investment Certificates denominated CIBHIPO\$04, which was approved by the Superintendence of the Financial System and by the Bolsa de Valores de El Salvador for registration.
8. On July 4, 2024, the recovery of loans that had been written off since November 8, 2002 was applied, recording the customer's payment in the amount of US\$148.0 directly to income, thereby canceling the obligations with the Bank.
9. On September 11, 2024, the recovery of loans that had been written off since May 24, 2013 was applied, recording payments totaling US\$826.0 directly to income, thereby canceling the obligations with the Bank.