

**Banco Latinoamericano
de Comercio Exterior, S.A.
and Subsidiaries**

Consolidated Financial Statements
as of December 31, 2025

(With the Independent Auditors' Report thereon)

Banco Latinoamericano de Comercio Exterior, S.A. and Subsidiaries

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INDEPENDENT AUDITORS' REPORT

To the Shareholders and Board of Directors
Banco Latinoamericano de Comercio Exterior, S. A.

Report on the Audit of the Consolidated Financial Statements

Opinion

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

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Bank in accordance with International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) applicable to the financial statement audits of public interest entities, together with the ethical requirements that are relevant to our audit of the consolidated financial statements of public interest entities in the Republic of Panama. We have also fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

Key audit matter is that matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Allowance for loan losses

Refer to Notes 3.4.K and 5.A to the consolidated financial statements

Key audit matter

The allowance for loan losses is considered one of the most significant matters, as its methodology requires management to apply judgments and use assumptions for the design and implementation of the expected credit loss (“ECL”) model. The loan portfolio measured at amortized cost represents 71% of the Bank’s total assets as of December 31, 2025.

The collective ALL is determined based on the Bank's assessment of the probability of default (PD), the loss given default (LGD) and the exposure at default (EAD) associated with the financial assets. The collective ALL considers the customer's credit risk rating and the country risk rating, which considers macroeconomic scenarios, historical loss rates and other assumptions. When the Bank determines that there has been a significant increase in credit risk (SICR) since initial recognition or when the financial asset is in default, lifetime ECL is recorded; otherwise, a 12-month ECL is recorded. When the financial asset is in default, the Bank determines the ECL individually, considering the expected cash flow recovery scenarios, the discount rates and the related collateral valuation.

We identify the assessment of the ALL as a key audit matter because it involves significant measurement uncertainty that requires substantial auditor judgment, as well as industry knowledge and experience.

How the matter was addressed in the audit

Our audit procedures, considering the use of specialists, included:

- Evaluate the methodology and key inputs used to determine the PD and LGD parameters produced by the models; as well as the country risk rating models. This includes considering projected macroeconomic scenarios based on publicly available information.
- Test certain internal controls over the Bank's ALL process relating to: (i) the review of significant assumptions and judgments used by the Bank to determine customer and country risk ratings, including projected macroeconomic scenarios; (ii) the identification of whether there has been SICR or an event of default; (iii) assessment of data inputs into the ALL models, including technology controls over data transfer through certain application systems and their processing; (iv) loan reviews to determine customer credit risk ratings, and (v) country risk rating reviews.
- Assess i) for a sample of clients, the quantitative and qualitative factors related to the customer's financial condition, its payment sources, and assumptions and judgments applied in determining the customer's credit risk ratings assigned by the Bank; ii) judgment on whether there has been a SICR or an event of default; and iii) the probable cash flow recovery scenarios and the collateral values used for assessing individual ECLs.
- Recalculate the ALL, in accordance with the Bank's ECL methodology.

Other Information

Management is responsible for the other information. The other information comprises the Annual Update Report required by the Superintendency of the Securities Market of Panama, but does not include the consolidated financial statements and our auditors' report thereon. The Annual Update Report is expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon as part of our engagement to audit the consolidated financial statements.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. When we read the Annual Update Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of 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 accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant 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 auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, 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.

Other legal requirements of information

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

- The direction, execution, and supervision of this audit engagement has been performed physically on the Panamanian territory.
- The engagement partner on the audit who has prepared this independent auditors' report is Alexis Muñoz Giroldi.
- The audit team that has participated in the audit to which this report refers to, is comprised by Alexis Muñoz Giroldi, Partner; Eddison Pérez, Director and Carolina Ortiz, Manager.

Panama, Republic of Panama
March 20, 2026

KPMG


Alexis Muñoz Giroldi
Partner
C.P.A. 702-2003

Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries

Consolidated statement of financial position

December 31, 2025

(In thousands of US dollars)

	Notes	2025	2024
Assets			
Cash and due from banks	5,7,8	1,923,731	1,965,145
Investment securities	5,7,9	1,428,990	1,201,930
Loans	5,7,10	9,141,668	8,383,829
Customers' liabilities under acceptances	5,7	161,597	245,065
Trading derivative - assets	5,7,13	1,569	—
Hedging derivative financial instruments - assets	5,7,13	69,837	22,315
Equipment, right-of-use assets and leasehold improvements, net	14	19,673	19,676
Intangible assets	15	10,744	3,663
Other assets	16	28,584	17,050
Total assets		12,786,393	11,858,673
Liabilities and Equity			
Liabilities:			
Customer deposits	5,7,17	6,640,290	5,461,901
Securities sold under repurchase agreements	5,7,9,18	130,509	214,035
Borrowings and debt	5,7,19	4,030,389	4,388,720
Lease liabilities	5,20	18,429	19,232
Acceptances outstanding	5,7	161,597	245,065
Trading derivative - liabilities	5,7,13	433	—
Hedging derivative financial instruments - liabilities	5,7,13	62,506	141,705
Provision for losses on loan commitments and financial guarantee contracts	5,7	12,130	5,375
Other liabilities	21	51,363	45,431
Total liabilities		11,107,646	10,521,464
Equity:			
Common stock	23	279,980	279,980
Treasury stock	23	(97,597)	(105,601)
Other equity instruments	23	197,976	—
Additional paid-in capital in excess of value assigned to common stock	23	125,151	124,970
Capital reserves	31	95,210	95,210
Regulatory reserves	31	159,093	149,666
Retained earnings		916,429	792,005
Other comprehensive income	24	2,505	979
Total equity		1,678,747	1,337,209
Total liabilities and equity		12,786,393	11,858,673

The accompanying notes are an integral part of these consolidated financial statements.

Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries

Consolidated statement of profit or loss

For the year ended December 31, 2025

(In thousands of US dollars, except per share data and number of shares)

	Notes	<u>2025</u>	<u>2024</u>	<u>2023</u>
Interest income:				
Deposits		71,009	92,549	80,622
Investment securities		65,435	50,806	32,426
Loans		632,020	641,677	566,212
Total interest income	26	<u>768,464</u>	<u>785,032</u>	<u>679,260</u>
Interest expense:				
Deposits		(289,567)	(300,890)	(217,042)
Securities sold under repurchase agreements	18	(8,485)	(11,675)	(9,232)
Borrowings and debt		(198,516)	(212,636)	(219,219)
Lease liabilities	20	(714)	(620)	(584)
Total interest expense	26	<u>(497,282)</u>	<u>(525,821)</u>	<u>(446,077)</u>
Net interest income		<u>271,182</u>	<u>259,211</u>	<u>233,183</u>
Other income (expense):				
Fees and commissions, net	25	59,013	44,401	32,519
Gain (loss) on financial instruments, net	12	8,231	(483)	(45)
Other income		1,144	507	462
Total other income, net	26	<u>68,388</u>	<u>44,425</u>	<u>32,936</u>
Total revenues		339,570	303,636	266,119
Impairment losses on financial instruments	5,26	(22,119)	(17,299)	(27,463)
Operating expenses:				
Salaries and other employee expenses	28	(55,420)	(51,923)	(47,232)
Depreciation and amortization of equipment, right-of-use and leasehold improvements	14	(2,854)	(2,499)	(2,280)
Amortization of intangible assets	15	(1,978)	(1,064)	(814)
Other expenses	29	(30,317)	(24,978)	(22,172)
Total operating expenses	26	<u>(90,569)</u>	<u>(80,464)</u>	<u>(72,498)</u>
Profit for the year		<u><u>226,882</u></u>	<u><u>205,873</u></u>	<u><u>166,158</u></u>
Per share data:				
Basic earnings per share (in US dollars)	22	<u>6.11</u>	<u>5.60</u>	<u>4.55</u>
Weighted average basic shares (in thousands of shares)	22	<u>37,152</u>	<u>36,740</u>	<u>36,481</u>

The accompanying notes are an integral part of these consolidated financial statements.

Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries**Consolidated statement of comprehensive income****For the year ended December 31, 2025**

(In thousands of US dollars)

	Note	2025	2024	2023
Profit for the year		226,882	205,873	166,158
Other comprehensive income:				
Items that are or may be reclassified subsequently to the consolidated statement of profit or loss:				
Change in fair value of financial instruments, net of hedging	24	5,755	(7,597)	286
Reclassification of gains on financial instruments to the consolidated statement of profit or loss	24	(4,229)	1,114	(949)
Other comprehensive income	24	1,526	(6,483)	(663)
Total comprehensive income for the year		<u>228,408</u>	<u>199,390</u>	<u>165,495</u>

The accompanying notes are an integral part of these consolidated financial statements.

Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries

Consolidated statement of changes in equity

For the year ended December 31, 2025

(In thousands of US dollars)

	Note	Common stock	Treasury stock	Other equity instruments	Additional paid-in capital in excess of value assigned to common stock	Capital reserves	Regulatory reserves	Retained earnings	Other comprehensive income	Total equity
Balance at January 1, 2023		279,980	(114,097)	—	120,498	95,210	136,019	543,612	8,125	1,069,347
Profit for the year		—	—	—	—	—	—	166,158	—	166,158
Other comprehensive income		—	—	—	—	—	—	—	(663)	(663)
Issuance of restricted stock (RSA)		—	1,148	—	(1,148)	—	—	—	—	—
Compensation cost - stock units plans		—	—	—	5,471	—	—	—	—	5,471
Stock units vested (RSU)		—	2,775	—	(2,775)	—	—	—	—	—
Dividends declared		—	—	—	—	—	—	(36,489)	—	(36,489)
Balances at December 31, 2023		<u>279,980</u>	<u>(110,174)</u>	<u>—</u>	<u>122,046</u>	<u>95,210</u>	<u>136,019</u>	<u>673,281</u>	<u>7,462</u>	<u>1,203,824</u>
Profit for the year		—	—	—	—	—	—	205,873	—	205,873
Other comprehensive income		—	—	—	—	—	—	—	(6,483)	(6,483)
Issuance of restricted stock (RSA)		—	1,038	—	(1,038)	—	—	—	—	—
Compensation cost - stock units plans		—	—	—	7,497	—	—	—	—	7,497
Stock units vested (RSU)		—	3,535	—	(3,535)	—	—	—	—	—
Regulatory credit reserve		—	—	—	—	—	4,549	(4,549)	—	—
Dynamic provision		—	—	—	—	—	9,098	(9,098)	—	—
Dividends declared		—	—	—	—	—	—	(73,502)	—	(73,502)
Balances at December 31, 2024		<u>279,980</u>	<u>(105,601)</u>	<u>—</u>	<u>124,970</u>	<u>95,210</u>	<u>149,666</u>	<u>792,005</u>	<u>979</u>	<u>1,337,209</u>
Profit for the year		—	—	—	—	—	—	226,882	—	226,882
Other comprehensive income		—	—	—	—	—	—	—	1,526	1,526
Issuance of restricted stock (RSA)		—	4,521	—	(4,521)	—	—	—	—	—
Issuance of other equity instruments, net	23	—	—	197,976	—	—	—	—	—	197,976
Compensation cost - stock units plans		—	—	—	8,185	—	—	—	—	8,185
Stock units vested (RSU)		—	3,483	—	(3,483)	—	—	—	—	—
Regulatory credit reserve		—	—	—	—	—	5	(5)	—	—
Dynamic provision		—	—	—	—	—	9,422	(9,422)	—	—
Dividends declared		—	—	—	—	—	—	(93,031)	—	(93,031)
Balances at December 31, 2025		<u>279,980</u>	<u>(97,597)</u>	<u>197,976</u>	<u>125,151</u>	<u>95,210</u>	<u>159,093</u>	<u>916,429</u>	<u>2,505</u>	<u>1,678,747</u>

The accompanying notes are an integral part of these consolidated financial statements.

Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries

Consolidated statement of cash flows
For the year ended December 31, 2025
(In thousands of US dollars)

	Notes	2025	2024	2023
Cash flows from operating activities				
Profit for the year		226,882	205,873	166,158
Adjustments to reconcile profit for the year to net cash provided by (used in) operating activities:				
Depreciation and amortization of equipment, right-of-use and leasehold improvements	14	2,854	2,499	2,280
Amortization of intangible assets	15	1,978	1,064	814
Gain on remeasurement of lease liabilities		—	—	(36)
Impairment losses on financial instruments	5	22,119	17,299	27,463
Realized gain on financial instruments	12	(4,934)	(319)	—
Loss on sale of financial instruments at amortized cost	12	436	—	3,858
Compensation cost - share-based payment	28,29	8,185	7,497	5,471
Net changes in hedging position and foreign currency		126,026	(33,701)	37,894
Loss on disposal of fixed assets and intangible assets	14,15	15	12	23
Interest income		(768,464)	(785,032)	(679,260)
Interest expense		497,282	525,821	446,077
Changes in operating assets and liabilities:				
Restricted and pledged deposits		62,954	(83,523)	(9,734)
Loans		(1,057,639)	(1,301,627)	(406,064)
Proceeds from the sale of loans		210,023	87,319	—
Other assets		(20,245)	(3,057)	(7,376)
Due to depositors		1,191,246	1,005,136	1,217,433
Other liabilities		5,150	(9,107)	26,691
Cash flows provided by (used in) operating activities		503,868	(363,846)	831,692
Interest received		778,985	773,839	642,862
Interest paid		(502,611)	(532,652)	(412,440)
Net cash provided by (used in) operating activities		780,242	(122,659)	1,062,114
Cash flows from investing activities:				
Acquisition of fixed assets and intangible assets	14,15	(2,796)	(3,935)	(2,096)
Proceeds from the sale of securities		101,935	—	59,432
Proceeds from the redemption of securities		389,963	298,655	377,029
Purchases of securities		(700,261)	(474,740)	(447,132)
Net cash used in investing activities		(211,159)	(180,020)	(12,767)
Cash flows from financing activities:				
(Decrease) increase in securities sold under repurchase agreements		(83,345)	(97,323)	9,699
Net decrease in short-term borrowings and debt	19	(149,687)	(58,529)	(500,650)
Proceeds from long-term borrowings and debt	19	587,857	1,191,695	496,342
Payments of long-term borrowings and debt	19	(1,006,585)	(826,432)	(221,306)
Issuance of other equity instruments	23	197,976	—	—
Payments of lease liabilities	20	(1,195)	(1,091)	(1,032)
Dividends paid		(91,827)	(72,778)	(36,268)
Net cash (used in) provided by financing activities		(546,806)	135,542	(253,215)
Net increase (decrease) in cash and cash equivalents		22,277	(167,137)	796,132
Cash and cash equivalents at beginning of the year		1,819,931	1,987,068	1,190,936
Cash and cash equivalents at end of the year	8	1,842,208	1,819,931	1,987,068

The accompanying notes are an integral part of these consolidated financial statements.

Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries

Notes to the consolidated financial statements

(Amounts expressed in thousands of U.S. dollars, unless otherwise indicated)

1. Corporate information

Banco Latinoamericano de Comercio Exterior, S. A. (“Bladex Head Office” together with its subsidiaries “Bladex” or the “Bank”), is domiciled in Panama City, Republic of Panama, and is a specialized multinational bank established to support the financing of foreign trade and economic integration in Latin America and the Caribbean (the “Region”). The Bank was established pursuant to a May 1975 proposal presented to the Assembly of Governors of Central Banks in the Region, which recommended the creation of a multinational organization to increase the foreign trade financing capacity of the Region. The Bank was organized in 1977, incorporated in 1978 as a corporation pursuant to the laws of the Republic of Panama, and began operations on January 2, 1979. Under a contract law signed in 1978 between the Republic of Panama and Bladex, the Bank was granted certain privileges by the Republic of Panama, including an exemption from payment of income taxes in Panama.

The Bank operates under a general banking license issued by the National Banking Commission of Panama, predecessor of the Superintendence of Banks of Panama (the “SBP”).

In the Republic of Panama, banks are regulated by the SBP through Executive Decree No. 52 of April 30, 2008, which adopts the unique text of Law Decree No. 9 of February 26, 1998, modified by Law Decree No. 2 of February 22, 2008. Banks are also regulated by resolutions and agreements issued by this entity. The main aspects of this law and its regulations include: the authorization of banking licenses, minimum capital and liquidity requirements, consolidated supervision, procedures for management of credit, liquidity and market risks, measures to prevent money laundering, the financing of terrorism and related illicit activities, and procedures for banking intervention and liquidation, among others.

Bladex Head Office’s subsidiaries are the following:

- Bladex Holdings Inc., is a wholly owned subsidiary, incorporated under the laws of the State of Delaware, United States of America (USA), on May 30, 2000. Bladex Holdings Inc. has ownership in Bladex Representação Ltda.
- Bladex Representação Ltda., incorporated under the laws of Brazil on January 7, 2000, acts as the Bank’s representative office in Brazil. Bladex Representação Ltda. is 99.999% owned by Bladex Head Office and the remaining 0.001% is owned by Bladex Holdings Inc.
- Bladex Development Corp., was incorporated under the laws of the Republic of Panama on June 5, 2014. Bladex Development Corp. is 100% owned by Bladex Head Office.

Bladex Head Office has an agency in New York City, USA (the “New York Agency”), which began operations on March 27, 1989. The New York Agency is principally engaged in financing transactions related to international trade, mostly the confirmation and financing of letters of credit for customers in the Region. The New York Agency also has authorization to book transactions through an International Banking Facility (“IBF”).

The Bank has representative offices in Buenos Aires, Argentina; in Mexico City, Mexico; and in Bogota, Colombia, and has a representative license in Lima, Peru.

These consolidated financial statements were authorized for issue by the Board of Directors on February 10, 2026.

Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries

Notes to the consolidated financial statements

(Amounts expressed in thousands of U.S. dollars, unless otherwise indicated)

2. Basis of preparation of the consolidated financial statements

2.1 Statement of compliance

The consolidated financial statements of Banco Latinoamericano de Comercio Exterior, S. A. and its subsidiaries have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

2.2 Functional and presentation currency

All amounts presented in the consolidated financial statements and notes are expressed in United States dollars (US dollars), which is the functional currency of the Bank.

2.3 Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for the following items:

Items	Basis of measurement
Securities and other financial instruments at FVOCI and FVTPL	Fair value
Financial assets and financial liabilities designated as hedged items in qualifying fair value hedging relationships	At amortized cost adjusted for the risk components associated with the hedging relationship
Trading derivatives	Fair value
Share-based payments	Fair value

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of Bladex and its subsidiaries. Bladex consolidates its subsidiaries from the date on which control is transferred to the Bank until the date on which control ceases. All intercompany balances and transactions have been eliminated for consolidation purposes and, when necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Bank's accounting policies.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Bank loses control over a subsidiary, it derecognizes the related assets, liabilities and other components of equity, while any resulting gain or loss is recognized in profit or loss. Any investment retained in the former subsidiary is recognized at fair value.

The Bank controls an investee if, and only if, the Bank has the following elements:

- Power over the investee. Existing rights that give it the current ability to direct the relevant activities of the investee;
- Exposure or rights to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Bank has less than the majority of the voting or similar rights of an investee, the Bank considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee;
- Rights arising from other contractual arrangements, and
- The Bank's voting rights and potential voting rights.

Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries

Notes to the consolidated financial statements

(Amounts expressed in thousands of U.S. dollars, unless otherwise indicated)

2. Basis of preparation of the consolidated financial statements (continued)

2.4 Basis of consolidation (continued)

The Bank re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

3. Material accounting policies

Material accounting policies that have been applied consistently by the Bank for all years presented in these consolidated financial statements, are presented as follows:

3.1 Foreign currency

Foreign currency transactions

The Bank determines the functional currency for each subsidiary. The items included in the consolidated financial statements are measured using the functional currency of the Bank.

Transactions and balances

Assets and liabilities of foreign subsidiaries, whose local currency is considered their functional currency, are translated into the reporting currency (US dollars), using month-end spot foreign exchange rates. The Bank uses the exchange rates effective at the date of the transaction to translate revenues and expenses from local functional currency into presentation currency. The net effects of those translation adjustments are reported as a component of other comprehensive income in the consolidated statement of changes in equity.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate effective at the date on which fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the exchange rate effective at the date of the transaction.

Transactions whose terms are denominated in a currency other than the functional currency, including transactions denominated in local currency of foreign subsidiaries whose functional currency is the US dollar, are recorded at the exchange rate effective at the date of the transaction. Assets and liabilities in foreign currency are translated into US dollars using month-end spot foreign exchange rates. The effects of translation of monetary assets and liabilities into US dollar are included in current year's earnings in the line item "gain (loss) on financial instruments, net" in the consolidated statement of profit or loss, except for those corresponding to monetary items that are designated as hedged items in qualifying cash flow or net investment hedges which are recognized in other comprehensive income until maturity or sale, at which time the carrying amount is reclassified to profit or loss, except for the carrying amount of equity instruments designated to be measured at fair value through other comprehensive income.

Tax charges and credits attributable to exchange differences on those monetary items are also recorded in accumulated other comprehensive income, if applicable.

When a foreign operation is disposed of in its entirety or partially such that control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

3.2 Interest

Effective interest rate

Interest income and expense are recognized in the consolidated statement of profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument measured at amortized cost.

3. Material accounting policies (continued)

3.2 Interest (continued)

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not the expected credit loss (ECL). For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL.

The calculation of the effective interest rate includes any amount directly attributable to the transaction such as origination fees (paid or received), premiums, discounts, and transaction costs.

Amortized cost and gross carrying amount

The ‘amortized cost’ of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any ECL allowance. The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any ECL allowance.

Methodology for calculation of interest income and expense

The effective interest rate is calculated on initial recognition for financial instruments measured at either amortized cost or fair value through other comprehensive income. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the financial instrument, when the asset is not credit-impaired, or to the amortized cost of the liability. The effective interest rate is revised as a result of periodic re-measurement of cash flows of floating-rate instruments to reflect movements in market interest rates.

For financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset. If the asset is no longer credit-impaired, the interest income calculation returns to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the asset. The calculation of interest income does not return to the gross basis, even when it shows an improvement in the credit risk of the financial asset.

Presentation

Interest income and expense calculated using the effective interest rate presented in the consolidated statement of profit or loss include:

- Interest on financial assets and financial liabilities measured at amortized cost;
- Interest on securities measured at FVOCI;
- Interest expense on lease liabilities, and
- The effective portion of the variability in interest flows from the hedge instruments, in the same period as the cash flows from the hedged item affect interest income or expense.

3.3 Fees and commissions

Fees that are an integral part of the effective interest rate on a financial asset or financial liability are described in Note 3.2.

Fees and commissions are determined based on considerations specified in a contract with the client. The Bank recognizes such income when control over the service is transferred to a customer.

Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries

Notes to the consolidated financial statements

*(Amounts expressed in thousands of U.S. dollars, unless otherwise indicated)***3. Material accounting policies (continued)****3.3 Fees and commissions (continued)**

The following table describes the services, other than financial intermediation, from which the Bank generates its income:

Type of services	Nature of performance obligations
Letters of credit	
Issuance	Guarantee to honor the stipulated amount agreed to in the terms and conditions entered with the customer, upon presentation of required documentation.
Negotiation	Review of the shipping documents, by the beneficiary, upon presentation and acceptance of payment on demand or on the day the reimbursement is made by the designated bank.
Acceptance	Commitment issued to the beneficiary to pay to a supplier at a future date, once all the shipping documents have been reviewed as to compliance with the terms and conditions of the letter of credit.
Confirmation	Commitment issued to the issuing bank and the beneficiary to honor or negotiate shipping documents.
Amendment	A request to amend the original letter of credit on behalf of the beneficiary modifying the original terms and conditions.
Syndications	
Structuring	Advise the borrower on structuring the terms and conditions of a credit facility and coordinating among the lenders' and the borrowers' legal counsel all legal aspects relating to the credit facility, among others.
Correspondent Banking	
Fund Transfer	Allocated for financial intermediation activities inherent to the correspondent banking business.
Other	Compliance investigations, refunds, inactivity, issuance of account statements, among others.
Other services	
Other	Assignment of rights, transferability, reimbursements, payments, discrepancies, courier charges and transfers.
Commitments	Firm commitments to provide future credit operations which may be subject to compliance and acceptance of certain previously agreed terms and conditions and the signing of the contract between the parties.

3.4 Financial assets and liabilities**A. Date of recognition and initial measurement**

The Bank initially recognizes loans, deposits, securities and financial liabilities on settlement date. Other financial instruments are recognized on trade date, the date on which the Bank becomes a party to the contractual provisions of the instrument.

Recognized financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and liabilities, not measured at fair value through profit or loss (FVTPL), are added to or deducted from the fair value of the financial assets or liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

Financial assets and liabilities designated as hedged items in qualifying fair value hedging relationships are measured at amortized cost adjusted for the hedge risk components associated with the hedging relationship.

3. Material accounting policies (continued)

3.4 Financial assets and liabilities (continued)

B. Classification of financial assets

The Bank classifies its financial assets as subsequently measured at amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL) based on the Bank's business model for managing the financial assets and the contractual cash flow characteristics of these financial assets.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payment of principal and interest (SPPI).

A financial asset is measured at fair value through other comprehensive income (FVOCI) only if it meets both of the following conditions and is not designated as at FVTPL:

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

Unrealized gains or losses for financial assets at FVOCI are reported as net increases or decreases in other comprehensive income until realized. Gains or losses realized on sale of financial assets are included in the line item Gain (loss) on financial instruments, net.

The remaining of financial assets are classified at FVTPL, when the assessment of the financial instrument's contractual terms and the cash flows derived from it determine that the SPPI criteria are not met for its classification at amortized cost or at FVOCI.

At initial recognition, the following irrevocable election / designation for measurement of a financial asset on an asset-by-asset basis may be made:

- It may irrevocably elect to present in other comprehensive income subsequent changes in fair value of an equity instrument that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination, and
- It may irrevocably designate a debt instrument that meets the amortized cost or FVOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

For an equity instrument designated as measured at FVOCI, the cumulative gain or loss previously recognized in other comprehensive income is not subsequently reclassified to profit or loss, but is transferred within equity to retained earnings.

C. Classification of financial liabilities

The Bank classifies all financial liabilities as subsequently measured at amortized cost, except for those liabilities designated as hedged items in qualifying fair value hedging relationships, which are measured at amortized cost adjusted for the hedge risk components associated to the hedging relationship.

3. Material accounting policies (continued)

3.4 Financial assets and liabilities (continued)

D. Business model assessment

The Bank assesses the objective of the business model at a level that reflects how the financial asset groups are managed to obtain a particular business objective and how information on those assets is provided to management. The assessment considers the following:

- The Bank's policies and objectives for the portfolio and the operation of those policies in practice. In particular, if management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated and reported to the Bank's management;
- The risks that affect the performance of the business model and how those risks are managed, and
- The frequency, volume and timing of sales in prior periods, the reason for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realized.

An assessment of the business model for managing financial assets is fundamental to the classification of a financial asset. The business model does not depend on management's intentions for an individual instrument; therefore, assessment of the business model is done at a higher level of aggregation rather than instrument by instrument.

At the initial recognition of a financial asset, it is determined whether the newly recognized financial asset is part of an existing business model or whether it reflects the start of a new business model.

E. Assessment whether contractual cash flows are solely payments of principal and interest (SPPI)

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding at a point in time and for other basic lending risks and costs as well as profit margin.

Contractual cash flows that are SPPI are consistent with a basic credit agreement. Contractual terms that originate risk exposure or volatility in the contractual cash flows that are not related to a basic credit agreement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI. An originated or an acquired financial asset can be a basic credit arrangement irrespective of whether it is a credit in its legal form.

In assessing whether the contractual cash flows are SPPI, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows, so that it would not meet this condition. In making the assessment, the Bank considers the following:

- Contingent events that would change the amount and timing of cash flows;
- Leverage features;
- Prepayment and extension terms, and
- Terms that limit the Bank's claim to cash flows from specified assets (e.g. non-recourse asset arrangements) and features that modify consideration of the time value of money (e.g. periodic reset of interest rates).

3. Material accounting policies (continued)

3.4 Financial assets and liabilities (continued)

The Bank measures its financial assets and liabilities at FVTPL, when the assessment of the financial instrument's contractual terms and the cash flows derived from it determines that the SPPI criteria are not met for its classification at amortized cost or at FVOCI.

F. Reclassification

If the business model under which the Bank holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying the Bank's financial assets.

G. Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired;
- The Bank has transferred its rights to receive cash flows from the asset and either has transferred substantially all risks and rewards of the asset or has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset;
- The Bank retains the right to receive cash flows from the asset but has assumed an obligation to pay the received cash flows in full without significant delay to a third party under a 'pass-through' arrangement, or
- When the Bank has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Bank's continuing involvement in the asset. In that case, the Bank also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the contractual rights and obligations that the Bank has retained.

The Bank assesses the transfer of risks and benefits by comparing the entity's exposure, before and after the transfer, with the variation in the amounts and timing of the net cash flows of the transferred asset. Additionally, the continued participation in a transferred financial asset is measured by the lowest value between the original carrying amount of the asset and the maximum amount of the consideration that the Bank could be required to pay.

In derecognizing the financial asset, the allowance for credit risk is deducted from the gross carrying amount of the financial asset. Any accumulated gain or loss that has been recognized in other comprehensive income is recognized in profit or loss.

Any accumulated gain or loss recognized in other comprehensive income regarding equity instruments designated at fair value through other comprehensive income is not recognized in the consolidated statement of profit or loss. Any interest in the transfer of a financial asset that qualifies for derecognition, booked or held by the Bank is recognized as a separate asset or liability.

The Bank enters into transactions whereby it transfers assets recognized on its consolidated statement of financial position but retains either all or substantially all the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognized. Examples of such transactions are securities and transactions under repurchase agreements.

3. Material accounting policies (continued)

3.4 Financial assets and liabilities (continued)

Financial liabilities

A financial liability is derecognized when the obligation under the liability is extinguished, when the obligation specified in the contract is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same counterparty on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as an extinguishment of the original liability and the recognition of a new liability.

The difference between the carrying value of the original financial liability and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

H. Modified financial asset or liability

Financial assets

A modified financial asset is an instrument whose borrower is experiencing financial difficulties and the renegotiation constitutes a concession to the borrower. A concession may include modification of terms such as an extension of maturity date, reduction in the stated interest rate, rescheduling of future cash flows, and reduction in the face amount of the financial asset or accrued interest, among others.

When a financial asset is modified, the Bank assesses whether this modification results in derecognition. In accordance with the Bank's policies a modification results in derecognition when it gives rise to substantially different terms. To determine if the modified terms are substantially different from the original contractual terms the Bank considers the following:

- Qualitative factors, such as contractual cash flows after modification that are no longer SPPI, change in currency or change of counterparty, the extent of change in interest rates, maturity or covenants. If these do not clearly indicate a substantial modification, then
- A quantitative assessment is performed to compare the present value of the remaining contractual cash flows according to the original terms with the contractual cash flows of the revised terms; both amounts discounted at the original effective interest rate.

When the contractual terms of a financial asset are modified, and the modification does not result in derecognition, the Bank determines if the financial asset's credit risk has increased significantly since initial recognition by comparing:

- The remaining lifetime probability of default estimated based on data at initial recognition and the original contractual terms; with
- The remaining lifetime probability of default at the reporting date based on the modified terms.

In the renegotiation or modification of the contractual cash flows of the financial asset, the Bank shall:

- Continue with its current accounting treatment for the existing financial asset that has been modified.
- Record a modification gain or loss by recalculating the gross carrying amount of the financial asset as the present value of the renegotiated or modified contractual cash flows, discounted at the financial asset's original effective interest rate.

3. Material accounting policies (continued)

3.4 Financial assets and liabilities (continued)

- Assess whether there has been a significant increase in the credit risk of the financial instrument, by comparing the risk of a default occurring at the reporting date (based on the modified contractual terms) and the risk of a default occurring at initial recognition (based on the original, unmodified contractual terms). The financial asset that is modified is not automatically considered to have a lower credit risk. The assessment should consider credit risk over the expected life of the asset based on historical and forward-looking information, including information about the circumstances that led to the modification. Evidence that the criteria for the recognition of lifetime expected credit losses are subsequently no longer met may include a history of up-to-date and timely payment in subsequent periods. If the credit quality of the financial asset no longer exhibits a credit impairment, it will return to a 12-month expected credit loss measurement.
- Make the appropriate quantitative and qualitative disclosures required for renegotiated or modified assets to reflect the nature and the effect of such modifications (including the effect on the measurement of expected credit losses) and how the Bank monitors these financial assets that have been modified.

When the modification of a financial asset results in the derecognition of an existing financial asset and the subsequent recognition of a modified financial asset, the modified asset is considered a new financial asset, at the time of derecognition, the ECL allowance is recalculated to determine the net carrying value of the asset at that date. The new financial asset will have an allowance for losses measured based on 12-month ECL except for rare cases where the new financial asset is considered to be impaired, because a high risk of default remains, which has not been reduced in the modification. The Bank monitors the credit risk of the modified or renegotiated financial assets by assessing qualitative and quantitative information, considering them in the same way as customers with expired status under new terms.

Financial Liabilities

The Bank derecognizes a financial liability when its terms are modified, and the cash flows of the modified liability are substantially different. The Bank considers that the terms of a modified financial liability are substantially different if the present value of the cash flows under the new terms, including any fees paid net of any fees received, discounted at the original effective interest rate presents a difference greater than 10% of the discounted present value of the cash flows still remaining from the original financial liability.

In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability derecognized, and the consideration paid, is recognized in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortized cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognized in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognized as an adjustment to the carrying amount of the liability and amortized over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

I. Offsetting

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Bank currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously. Generally, this is not the case with a contractual compensation agreement; therefore, related assets and liabilities are presented with their gross amounts in the consolidated statement of financial position.

Income and expenses are presented on a net basis only when permitted under IFRS Accounting Standards, or for gains or losses arising from a group of similar transactions.

3. Material accounting policies (continued)

3.4 Financial assets and liabilities (continued)

J. Fair value measurement

Fair value of an instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

When one is available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as “active” if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Bank uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received.

The Bank recognizes transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

K. Allowances for losses on financial instruments

The allowances for losses on financial instruments are accounted for losses, inherent in the loan portfolio, investment securities, bank deposits and loan commitments and financial guarantee contracts, using the ECL. Additions to the allowance for ECL for financial instruments are recognized in profit or loss or in other comprehensive income (loss) depending on classification of the instrument. Incurred credit losses are deducted from the allowance, and subsequent recoveries are added. The allowance is also decreased by reversals and/or recoveries of amounts previously written-off credit through to profit or loss. The allowance for ECL for financial instruments at amortized cost is reported as a deduction of financial assets and, the allowance for ECL on loan commitments and financial guarantee contracts, such as letters of credit and guarantees, is presented as a liability.

The Bank assigns to each exposure a risk rating which is defined using quantitative and qualitative factors that are indicative of the risk of loss. This rating is considered for purposes of identifying significant increases in credit risk. These factors may vary depending on the nature of the exposure and the type of borrower.

Each exposure will be assigned to a risk rating at the time of initial recognition based on the available information about the customer and the country. Exposures will be subject to continuous monitoring, which may result in the change of an exposure to a different risk rating.

The analysis of customer risk considers financial and operational factors, sector / industry and experience of borrowers' management, as well as the ratings of international rating agencies, quality of information and other elements of an objective nature, including projections on financial indicators.

In the analysis of the country risk, for the establishment of the rating, the assessment of quantitative and qualitative factors specific to the country under analysis is considered, as well as the regional and global macroeconomic environment, through historical and prospective information on certain relevant macroeconomic variables.

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(Amounts expressed in thousands of U.S. dollars, unless otherwise indicated)

3. Material accounting policies (continued)

3.4 Financial assets and liabilities (continued)

In general, there are three groups of quantitative factors that determine the analysis and that give rise to a quantitative rating of the country (changes in main economic indicators; external payment capacity and access to capital; performance of domestic credit and the financial system), which is later analyzed within the sociopolitical framework of the country (qualitative factors) and may consider added deterioration for the determination of the final country rating.

i) Measurement of ECL

Calculation of the allowance for ECL for financial instruments is made based on the risk rating resulting from the Bank's internal model and considers, generally (certain exceptions apply), the worst among the country risk rating of the transaction and the customer risk rating.

The table below provides a mapping of the Bank's internal credit risk grades to external ratings.

Internal rating	12 - Month average PD ⁽¹⁾ %	External rating ⁽²⁾	Description
1 - 4	0.09	Aaa – Ba1	Exposure in customers or countries with payment ability to satisfy their financial commitments.
5 - 6	2.26	Ba2 – B3	Exposure in customers or countries with payment ability to satisfy their financial commitments, but with more frequent reviews.
7	7.81	Caa1 - Caa3	Exposure in customers whose primary source of payment (operating cash flows) is inadequate, and who show evidence of deterioration in their working capital that does not allow them to satisfy payments on the agreed terms, or in countries where the operation carries certain risks.
8 - 9	34.52	Ca	Exposure in customers whose operating cash flows continuously show insufficiency to service the debt on the originally agreed terms, or in countries where the operation is limited or restricted to certain terms, structure and types of credits.
10	100	C	Exposure to customers with operating cash flows that do not cover their costs, are in suspension of payments, presumably will also have difficulties fulfilling possible restructuring agreements, are in a state of insolvency, or have filed for bankruptcy, among others.

⁽¹⁾ Probability of default

⁽²⁾ Credit rating by Moody's Investors Service.

In order to maintain periodic monitoring of the quality of the portfolio, customers and countries are reviewed within a time frequency ranging from 3 to 12 months, depending on the risk rating.

The Bank measures ECL in a way that reflects: a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; b) time value of money; and c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and prospective information on certain relevant macroeconomic variables.

The expected credit loss model reflects the general pattern of deterioration or improvement in the credit quality of the financial instrument. The amount of ECL recognized as a loss allowance or provision depends on the extent of credit deterioration since initial recognition. There are two measurement bases:

- Stage 1: 12-month ECL, which applies to all financial instruments (from initial recognition) as long as there is no significant increase in credit risk, and

3. Material accounting policies (continued)

3.4 Financial assets and liabilities (continued)

- Stage 2 and 3: Lifetime ECL, which applies when a significant increase in credit risk has occurred on an individual or collective basis. In Stages 2 and 3 interest income is recognized. Under Stage 2 (as under Stage 1), there is a full decoupling between interest recognition and impairment and interest income is calculated on the gross carrying amount. Under Stage 3, when a financial asset subsequently becomes credit impaired (when a credit event has occurred) interest income is calculated by applying the effective interest rate adjusted to the amortized cost of the impaired asset. In subsequent reporting years, if the credit quality of the financial asset improves so that the financial asset is no longer credit-impaired, and the improvement can be related objectively to the occurrence of an event (such as an improvement in the borrower's credit rating), then the Bank will once again calculate interest income on a gross basis.

The allowance for ECL includes an asset-specific component and a formula-based component. The asset-specific component, or specific allowance, relates to the provision for losses on credits considered impaired and measured individually case-by-case. A specific allowance is established when the value of the discounted cash flows (or observable fair value of collateral) of the credit is lower than its gross carrying amount. The formula-based component (collective assessment basis), covers the Bank's performing credit portfolio and it is established based on a process that estimates the probable loss inherent in the portfolio, based on statistical analysis and management's qualitative judgment. This assessment considers comprehensive information that incorporates not only days-past-due data, but other relevant credit information, such as forward looking macro-economic information.

ECL are a probability-weighted estimate of the present value of credit losses. These are measured as the difference in the present value of the cash flows due to the Bank under the contract and the cash flows that the Bank expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's effective interest rate (EIR). For undrawn loan commitments, the ECL is the difference between the present value of the contractual cash flows that are due to the Bank if the holder of the commitment draws down the loan and the cash flows that the Bank expects to receive if the loan is drawn down. For financial guarantee contracts, the ECL is the difference between the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the Bank expects to receive from the holder, the debtor or any other party.

The Bank determines ECL using two methodologies to determine if there is objective evidence of impairment for financial instruments:

- Individually assessed

The expected credit losses on individually assessed financial instruments are determined by an evaluation of the exposures on a case-by-case basis, for operations that maintain a credit rating of 7 or higher. This procedure is applied to all loans that are individually significant or not.

The impairment loss is calculated by comparing the present value of the future expected cash flows, discounted at the original effective rate of the loan, to its gross carrying amount and the amount of any loss is recognized as a provision for losses in the consolidated statement of profit or loss for those measured at amortized cost, and in equity for those operations measured at FVOCI.

- Collectively assessed

For a collective assessment of impairment, financial instruments are grouped according to similar credit risk characteristics. These characteristics are relevant to estimate cash flows for the groups of such assets, being indicative of the debtors' ability to pay the amounts owed according to the contractual terms of the assets being assessed.

3. Material accounting policies (continued)

3.4 Financial assets and liabilities (continued)

Future cash flows in a group of loans that are collectively assessed to determine whether there is impairment are estimated according to the contractual cash flows of the assets in the group, the historical loss experience for the relevant observation period for assets with similar credit risk characteristics, within each group, and management's views on whether the current economy and credit conditions can change the real level of historical inherent losses suggested.

ii) Definition of default

The Bank considers a financial asset to be in default when it presents any of the following characteristics:

- The borrower is past due for more than 90 days in any of its financial obligations, either in the principal payment or interest, or
- Impairment in the financial condition of the customer, or the existence of other factors allowing to estimate the possibility that the balance of principal and interest on customers' loans will not be fully recovered.

The above presumptions regarding past due loans may be rebuttable if the Bank has reasonable and supportable information that is available without undue cost or effort, that demonstrates that the credit risk has not increased significantly since initial recognition even though the contractual payments are more than 90 days past due.

In assessing whether a borrower is in default, the Bank considers qualitative and quantitative indicators based on data internally developed and obtained from external sources. Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

iii) Significant increase in credit risk

When assessing whether the credit risk on a financial instrument has increased significantly, the Bank considers the change in the risk of default occurring since initial recognition. For a financial instrument to be considered in default, management considers criteria used in the internal credit risk model and qualitative factors, such as financial covenants, where appropriate.

The Bank continuously assesses significant increases in credit risk based on the change in the risk of a default occurring over the expected life of the credit instrument. In order to make the assessment of whether there has been significant credit deterioration, the Bank considers reasonable and supportable information that is available without undue cost or effort by comparing:

- The risk of a default occurring on the financial instrument at the assessment date, and
- The risk of a default occurring on the financial instrument at initial recognition.

For loan commitments, the Bank considers changes in the risk of a default occurring on the 'potential' financial instrument to which a loan commitment relates, and for financial guarantee contracts, changes in the risk that the specified debtor will default are taken into consideration.

For financial instruments measured at FVOCI, the expected credit losses do not reduce the carrying amount in the consolidated statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the asset were measured at amortized cost would be recognized in profit or loss as the impairment amount. Impairment losses or recoveries are accounted for as an adjustment to the reserve in accumulated other comprehensive income in the consolidated statement of financial position, against profit or loss for the year.

3. Material accounting policies (continued)

3.4 Financial assets and liabilities (continued)

Additionally, to determine if there has been a significant increase in risk, the Bank applies an alert model considering the international economic environment, the specific financial situation by country and the economic analysis of the industry where the customer generates its income. The model defines a consolidated calculation of risk severity depending on the weighting of the risk severity for each scenario under analysis. Also, this model depends on the context of the variables or the ratings constructed for each one (by market, country and economic sector).

Impairment on a financial asset is assessed based on numerous factors and its relative importance varies on a case-by-case basis. Factors considered in determining whether there has been a negative impact on the estimated future cash flows of a financial asset include: significant financial difficulties of the issuer/debtor; high probability of default; granting a concession to the issuer/debtor; disappearance of an active market due to financial difficulties; breach of contract, such as defaults or delays in principal or interest; and observable data indicating that there is a measurable decrease in expected cash flows since initial recognition.

If a security is no longer publicly traded or the entity's credit rating is downgraded, this is not, by itself, evidence of impairment, but should be considered for impairment together with other information. A decline in the fair value of an investment security below its amortized cost is not necessarily evidence of impairment, as it may be due to an increase in market interest rates. Whether a decline in fair value below cost is considered significant or prolonged, must be assessed on an instrument-by-instrument basis and should be based on both qualitative and quantitative factors. However, the assessment of prolonged decline should not be compared to the entire period that the investment has been or is expected to be held.

In order to determine whether there has been a significant increase in the credit risk of a financial instrument, the assessment is based on quantitative and qualitative information.

The Bank considers the following factors, among others, when measuring significant increase in credit risk:

- Significant changes in internal indicators of credit risk as a result of a change in credit risk since inception;
- Significant changes in market indicators of credit risk for a particular financial instrument or similar financial instruments with the same expected life;
- An actual or expected significant change in the financial instrument's external credit rating;
- Existing or forecast adverse changes in business, financial or economic conditions;
- An actual or expected significant change in the operating results of the borrower;
- An actual or expected significant adverse change in the regulatory, economic, or technological environment of the borrower;
- Significant changes in the value of the collateral supporting the obligation;
- Significant changes, such as reductions in financial support from a parent entity or other affiliate or an actual or expected significant change in the quality of credit enhancements, among other factors incorporated into the Bank's ECL model.

Additionally, management may apply complementary judgment to capture elements of prospective nature or loss expectations based on risks identified in the environment that are not necessarily reflected in the historical data.

The allowance for ECL for credit exposures, are calculated applying the following formula:

$$ECL = \sum(E \times PD \times LGD); \text{ where:}$$

- Exposure (E) = the total outstanding balance at the end of the reporting period.

3. Material accounting policies (continued)

3.4 Financial assets and liabilities (continued)

- Probabilities of Default (PD) = one-year probability of default applied to the portfolio to account for 12-month ECL for loans in Stage 1 and lifetime probability of default to account for ECL for loans in Stage 2. Default rates are based on historical loss experience for the relevant observation period per rating category.
- Loss Given Default (LGD) = a factor is applied, considering historical and forward-looking information based on projections of relevant macroeconomic variables. Management applies judgment in the assessment of these inputs.

L. Write-offs

When the Bank has no reasonable expectation of recovering a financial asset, the carrying amount is written off either partially or in full. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate enough cash flows to repay the amounts subject to the write-off. Nevertheless, the financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

Recoveries of amounts previously written off are recognized when cash is received in the allowance for losses as mentioned in Note 3.4 (K).

3.5 Derivative financial instruments

3.5.1 Trading derivatives

Intermediation derivatives

The Bank enters into derivative contracts with customers in the ordinary course of its trading and intermediation activities.

The resulting market risks arising from customer derivatives are managed by the Risk Management function, which seeks to avoid maintaining open positions. Such risks are primarily managed through the execution of offsetting derivative financial instruments that economically hedge the exposures arising from customer derivative transactions.

Initial Recognition

Derivatives held for trading purposes are initially recognized in the consolidated statement of financial position at fair value on the trade date.

Subsequent Measurement

After initial recognition, derivatives are measured at fair value. Changes in fair value are recognized in profit or loss for the period within unrealized gains or losses on derivative financial instruments held for intermediation purposes. Such amounts are subsequently reclassified to realized gains or losses as the derivative instruments are settled, terminated, or otherwise realized.

The fair value of derivative instruments is determined using generally accepted valuation techniques that incorporate observable market inputs, including interest rate curves, foreign exchange rates, volatilities, and credit risk adjustments (CVA/DVA).

Derivatives with a positive fair value are presented as financial assets, while derivatives with a negative fair value are presented as financial liabilities in the consolidated statement of financial position.

3. Material accounting policies (continued)

3.5 Derivative financial instruments (continued)

Derivative Intermediation Margin

The Bank earns a derivative intermediation margin arising from pricing or rate differentials agreed with customers compared to the prices obtained when entering into offsetting derivative transactions with counterparties to manage the risks arising from customer derivative activities.

Other trading derivatives

In the normal course of business, the Bank enters into foreign exchange swap contracts to manage cash positions and foreign exchange risk. As these derivatives are not designated in hedge accounting relationships, changes in their fair value are recognized in profit or loss.

3.5.2 Derivative of hedging and risk management

Initial recognition

Derivatives held for risk management purposes include all derivative financial assets and liabilities that are not classified as derivatives held for trading and intermediation purposes. These derivatives are initially recognized at fair value in the consolidated statement of financial position on the date on which the derivative contract is entered into.

Subsequent Measurement

Subsequent to initial recognition, derivatives held for risk management purposes and hedge accounting are measured at fair value at each reporting date. The resulting gain or loss is recognized immediately in the consolidated statement of profit or loss, unless the derivative is designated and effective as a hedging instrument, in which case the timing and presentation of its recognition depend on the nature of the hedging relationship.

Applicable standards for all hedging relationships

On initial designation of the hedge, the Bank formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship. The Bank makes an assessment, both at inception of the hedging relationship and on an ongoing basis, of whether the hedging instrument(s) is(are) expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged item(s) during the period for which the hedge is designated.

The Bank uses derivative financial instruments for its management of interest rate and foreign currency risks. Interest rate swap contracts, cross-currency swap contracts and foreign exchange forward contracts have been used to manage interest rate and foreign exchange risks.

These derivatives contracts can be classified as fair value or cash flow hedges. In addition, foreign exchange forward contracts are used to hedge exposures to changes in foreign currency in subsidiary companies with functional currencies other than the US dollar. These derivatives contracts are classified as net investment hedges.

The accounting for changes in value of a derivative depends on whether the contract is for trading purposes or has been designated and qualifies for hedge accounting.

3. Material accounting policies (continued)

3.5 Derivative financial instruments (continued)

Derivatives for hedging purposes primarily include US dollar interest rate swaps, cross currency swaps and foreign exchange forward contracts. Derivative contracts designated and qualifying for hedge accounting are reported in the consolidated statement of financial position as derivative financial instruments used for hedging - assets and liabilities, as applicable; and hedge accounting is applied. In order to qualify for hedge accounting, a derivative must be considered highly effective at reducing the risk associated with the exposure being hedged. Each derivative must be designated as a hedge, with documentation of the risk management objective and strategy, including identification of the hedging instrument, the hedged item and the risk exposure, as well as how effectiveness will be assessed prospectively. Hedging instruments should be assessed qualitatively and quantitatively, assessed on a quarterly basis in order to determine their effectiveness at achieving offsetting changes in fair value or cash flows. Any ineffectiveness must be reported in current-year profit or loss.

i) Hedge accounting relationship

As the Bank enters into a hedge accounting relationship, the first requirement is that the hedging instrument and the hedged item must be expected to move in the opposite direction as a result of the change in the hedged risk. This should be based on an economic rationale, as could be the case if the relationship is based only on a statistical correlation. This requirement is fulfilled for many of the hedging relationships carried out by the Bank as the underlying of the hedging instrument matches or is closely aligned with the hedged risk. Even when there are differences between the hedged item and the hedging instrument, the economic relationship will often be capable of being demonstrated using a qualitative assessment. The assessment, whether qualitative or quantitative, considers the following: a) maturity; b) notional amount; c) cash flow dates; d) currency; and e) interest rate basis.

ii) Hedge ratio

The hedge ratio is the ratio between the amount of the hedged item and the amount of the hedging instrument. For most of the hedging relationships, the hedge ratio is 1:1 as the underlying of the hedging instrument perfectly matches the designated hedged risk. For a hedging relationship with a correlation between the hedged item and the hedging instrument that is not a 1:1 relationship, the hedge ratio is generally set so as to adjust for the type of relationship in order to improve effectiveness.

iii) Discontinuation of hedge accounting

The Bank discontinues hedge accounting prospectively in the following situations:

1. It is determined that the derivative is no longer effective in offsetting changes in the fair value or cash flows of a hedged item.
2. The derivative expires or is sold, terminated or exercised.
3. It is determined that designation of the derivative as a hedging instrument is no longer appropriate.

Fair value hedges

When a derivative is designated as the hedging instrument in a hedge of the change in fair value of a recognized asset or liability or a firm commitment that could affect profit or loss, changes in the fair value of the derivative are recognized in profit or loss together with changes in the fair value of the hedged item that are attributable to the hedged risk, except when the hedging instrument hedges an equity instrument designated at FVOCI in which case it is recognized in OCI. The carrying amount of a hedged item not already measured at fair value is adjusted in profit or loss for the fair value change attributable to the hedged risk. For financial instruments measured at FVOCI, the carrying amount is not adjusted as it is already at fair value, but the portion of the fair value on the hedged item associated with the hedged risk is recognized in profit or loss instead of OCI. When the hedged item is an equity instrument designated at FVOCI, the hedging gain/loss remains in OCI to match that of the hedging instrument.

3. Material accounting policies (continued)

3.5 Derivative financial instruments (continued)

If the hedge relationship is terminated or exercised, or the hedge no longer meets the criteria for fair value hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively and the fair value adjustment to the hedged item continues to be reported as part of the basis of the item and is amortized to earnings as an adjustment to the yield in profit or loss.

Cash flow hedges

When a derivative is designated as a hedging instrument for variability in cash flows attributable to a particular risk associated with a recognized asset or liability that could affect profit or loss, the effective portion of the change in fair value of the derivative is recognized in OCI and it is recognized in profit or loss when the hedged cash flows affect income. The ineffective portion is recognized in profit or loss in the line item gain (loss) on financial instruments, net.

If the cash flow hedge relationship is terminated or exercised, or the hedge no longer meets the criteria for fair value hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively and the related amounts recognized in OCI are reclassified to profit or loss when hedged cash flows occur.

The Bank recognizes the costs associated with foreign exchange forward contracts when the hedged item is an asset or liability, as interest income or expense, adjusting the yield of the underlying transaction in profit or loss, and accumulates a reserve in OCI in the consolidated statement of financial position, which is reclassified to profit or loss upon maturity.

3.6 Cash and due from banks

Cash equivalents include demand deposits in banks and interest-bearing deposits in banks with original maturities of three months or less, excluding restricted deposits.

3.7 Loans

Loans reported in the consolidated statement of financial position include loans at amortized cost and FVOCI.

Loans at amortized cost consider the principal outstanding amounts and interest receivable net of unearned interest, deferred fees and allowance for ECL. Loans recognized and designated as hedged items in qualifying fair value hedging relationships, are measured at amortized cost adjusted for the hedge risk components associated to the hedging relationship. Purchased loans are recognized at the acquisition cost. The difference between the outstanding amount and the cost related to the acquisition of loans, premiums and discounts, is amortized over the life of the loan as an adjustment to the yield. All other costs related to acquisition of loans are also reflected as an adjustment to the yield.

Loans measured at FVOCI consider the outstanding principal amount and accrued interest receivable, net of unearned interest, deferred fees, and the allowance for ECL. Subsequently, their fair value is updated on a recurring basis, with such adjustments recognized in other comprehensive income.

3.8 Securities

Securities presented in the consolidated statement of financial position include:

- Debt investment securities measured at amortized cost; these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortized cost using the effective interest rate method, except for those designated as hedged items in qualifying fair value hedging relationships which are measured at amortized cost adjusted for the hedged risk component associated with the hedging relationship.
- Debt instruments measured at FVOCI; these are initially measured at fair value plus incremental transaction costs, and subsequently their fair value is remeasured on a recurring basis, with such adjustment recognized in other comprehensive income, except for those designated as hedged items in relationships that qualify as fair value hedges where the portion attributable to the hedged risk is recognized in profit or loss.

3. Material accounting policies (continued)

3.9 Deposits, borrowings and repurchase agreements

Liability deposits, borrowings and debt are accounted for at amortized cost, except for those designated as hedged items in qualifying fair value hedging relationships, which are measured at amortized cost adjusted for the hedge risk components associated with the hedging relationship.

Repurchase agreements are transactions in which the Bank sells a security and simultaneously agrees to repurchase that security (or an asset that is substantially identical) at a fixed price on a future date. The Bank continues to recognize the securities in their entirety in the consolidated statement of financial position because it retains substantially all the risks and rewards of ownership. The cash consideration received is recognized as a financial asset and a financial liability is recognized for the obligation to pay the repurchase price.

3.10 Loan commitments and financial guarantee contracts

Letters of credit, stand-by letters of credit and guarantees

The Bank, on behalf of its clients base, issues, confirms and advises letters of credit to facilitate foreign trade transactions. When issuing, confirming and advising letters of credit, the Bank adds its own unqualified assurance that the Bank will pay upon presentation of complying documents as per the terms and conditions established in the letter of credit. The Bank also issues, confirms and advises stand-by letters of credit and guarantees, which are issued on behalf of institutional clients in connection with financing between its customers and third parties. The Bank applies the same credit policies used in its lending process, and once the commitment is issued, it becomes irrevocable and remains valid until its expiration upon the presentation of complying documents on or before the maturity date.

Credit commitments

Commitments to extend credit are binding legal agreements to lend to customers as long as the preceding conditions stipulated by the Bank are fulfilled. Commitments generally have fixed expiration dates or other termination clauses and require payment of a fee to the Bank. As some commitments expire without being drawn down, the total commitment amounts do not necessarily represent future cash requirements.

3.11 Leases

At inception of a contract, the Bank assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Bank assesses whether:

- The contract involves the use of an identified asset –this may be specified explicitly or implicitly; and should be physically distinct or represent substantially all of the capacity of a physically distinct asset.
- The Bank has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use.
- The Bank has the right to direct the use of the asset. The Bank has decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Bank has the right to direct the use of the asset if either:
 - The Bank has the right to operate the asset, or
 - The Bank designed the asset in a way that predetermines how and for what purpose it will be used.

3. Material accounting policies (continued)**3.11 Leases (continued)**

At inception or on reassessment of a contract that contains a lease component, the Bank allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for lease agreements of office spaces in buildings in which the Bank is a lessee, it chose not to separate the components of the contract that do not correspond to the lease and to account for all of them under a single lease component.

The details of the lease policy are described as follows:

A. Definition of a lease

The Bank determines at the beginning of the contract if an agreement is or contains a lease. The Bank assesses if a contract is or contains a lease based on the definition of a lease.

B. As a lessee

The Bank recognizes right-of-use assets and lease liabilities for most leases. These leases are presented in the consolidated statement of financial position. Lease liabilities are measured at the present value of the lease payments, discounted at the Bank's internal funding cost rate, for the weighted average term of the contract.

The right-of-use assets are recognized at cost from the initial measurement of lease liabilities, adjusted for any prepayment, incremental cost, dismantling cost and accumulated depreciation. Subsequently, it is depreciated using the straight-line method from the inception date until the end of the lease term. In addition, the right-of-use asset is reduced by impairment losses, if applicable, and is adjusted for certain new measurements of the lease liability. The Bank presents its right of use assets in the line item of equipment, leases and leasehold improvements and the liability as lease liabilities, both in the consolidated statement of financial position.

3.12 Equipment, right-of-use assets and leasehold improvements

Equipment, right-of-use assets and leasehold improvements are stated at cost excluding the costs of day-to-day maintenance, less accumulated depreciation, amortization and impairment losses, if applicable. Changes in the expected useful lives are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates.

Depreciation /amortization is calculated using the straight-line method over their estimated useful life, to write down the cost of assets and equipment to their residual values. The estimated useful lives are as follows:

	<u>Useful life in years</u>
Furniture and equipment	3 to 5 years
Hardware	3 years
Other equipment	2 to 4 years
Right-of-use assets and leasehold improvements	3 to 15 years or up to the lease term

Recognition and subsequent measurement for right-of-use assets and lease liabilities are set out in Note 3.11.

Leasehold improvements are amortized on a straight-line basis calculated without exceeding the length of the respective lease contracts.

Equipment, right-of-use assets and leasehold improvements are derecognized on disposal or when no future economic benefits are expected from their use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in other income or other expenses in profit or loss.

3. Material accounting policies (continued)

3.13 Intangible assets

An intangible asset is recognized only when its cost can be measured reliably, and it is probable that the expected future economic benefits that are attributable to it will flow to the Bank.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite useful lives are amortized using the straight-line method reducing the cost of the intangible asset to their residual value over the estimated useful lives of the assets. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and they are treated as changes in accounting estimates. Amortization is calculated using the straight-line method with a minimum of 2 years and a maximum of 7 years. The amortization expense on intangible assets with finite lives is presented as a separate line item in profit or loss.

Bank's intangible assets include the cost of computer software, licenses, among others. Gains or losses arising from the derecognition of an intangible asset are determined by the Bank as the difference between the proceeds from the sale or disposal and the net carrying amount of the intangible asset and recognized in profit or loss for the year in which the transaction occurs.

3.14 Impairment of non-financial assets

A non-financial asset is impaired when the Bank is not able to recover that asset's carrying value, either through its use or sale. If circumstances arise which indicate that a non-financial asset might be impaired, a review should be undertaken of its cash generating abilities through use or sale. This review will produce an amount which should be compared with the asset's carrying value, and if the carrying value is higher, the difference must be written off as impairment in profit or loss. On the other hand, if there is any indication that previously recognized impairment losses may no longer exist or may have decreased, the Bank makes an estimate of the recoverable amount. In that case, the carrying amount of the asset is increased to its recoverable amount. This increase cannot exceed the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss.

3.15 Provisions

Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in profit or loss, net of any reimbursement.

3.16 Equity

Reserves

Regulatory and capital reserves are established as appropriations from retained earnings and, as such, form part of retained earnings. Additions and reductions of regulatory and capital reserves require the approval of the Bank's Board of Directors and the SBP, as applicable.

Other capital reserves, presented as other comprehensive income include:

- Hedging reserve: The hedging reserve comprises the effective part of the cumulative net change in the fair value of the hedging instruments designated in a cash flow hedging relationship, as well as the offsetting effect of currency translation of the hedging items.
- Fair value reserve: The fair value reserve comprises the cumulative net change in the fair value of investment securities measured at FVOCI, less the ECL allowance recognized in profit or loss, and less the risk hedged when an underlying was designated in a fair value hedging relationship.

Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries

Notes to the consolidated financial statements

(Amounts expressed in thousands of U.S. dollars, unless otherwise indicated)

3. Material accounting policies (continued)

3.16 Equity (continued)

Treasury stock

The own equity instruments of the Bank which are acquired by it or by any of its subsidiaries (treasury stock) are deducted from equity and accounted for at weighted average cost. Consideration paid or received on the purchase, sale, issue or cancellation of the Bank's own equity instruments is recognized directly in equity.

No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of own equity instruments; such amounts are recognized directly in equity.

Other equity instruments

The Bank classifies the issuance of financial instruments as either financial liabilities or equity instruments in accordance with the substance of the contractual terms of such instruments. The Bank's other equity instruments are not redeemable at the option of the holders and grant rights solely at the discretion of the Board of Directors. Accordingly, they are presented within equity. Distributions related to these instruments are recognized in equity. Based on the Bank's assessment of the terms of the instruments, coupon payments meet the definition of dividends.

Equity issuance costs

Incremental costs that are directly attributable to the issuance of an equity instrument are deducted from the initial measurement of the equity instruments.

3.17 Share-based payment transactions

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is recognized as employee compensation expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as expense is adjusted to reflect the number of awards for which the related service conditions and non-market performance conditions are expected to be satisfied, so that the amount ultimately recognized is based on the number of awards that satisfy such service and non-market performance conditions at the vesting date.

3.18 Earnings per share

Basic earnings per share is computed by dividing the profit for the year (the numerator) by the weighted average number of common shares outstanding (the denominator) during the year. Diluted earnings per share measure performance incorporating the effect that potential common shares would have. The computation of diluted earnings per share is similar to the computation of basic earnings per share, except for the denominator, which is increased to include the number of additional common shares that would have been issued if the beneficiaries could exercise their stock purchase options.

3.19 Taxes

Income taxes

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to tax authorities. Tax laws and regulations used to compute those amounts are those enacted or substantively enacted by the reporting date:

- Bladex Head Office is exempted from payment of income taxes in Panama in accordance with the contract law signed between the Republic of Panama and the Bank.
- Bladex Representacao Ltda. is subject to income taxes in Brazil.
- Bladex Development Corp. is subject to income taxes in Panama.
- The New York Agency and Bladex Holdings, Inc., incorporated in the USA are subject to federal and local taxation in USA based on the portion of income that is effectively connected with their operations in that country.

3. Material accounting policies (continued)

3.19 Taxes (continued)

Current and deferred tax

The current tax at the reporting date as well as for the deferred tax, result in an immaterial amount, whereby the changes are presented in the consolidated statement of financial position as other assets/other liabilities and in the consolidated statement of profit or loss as other income/expenses.

The Bank performs an annual assessment of laws and regulations in its different jurisdictions together with its tax experts to determine uncertainty regarding income tax treatments, concluding that there is no uncertainty about tax treatments applied in each tax legislation.

3.20 Segment reporting

The Bank's activities are managed and executed in two business segments: Commercial and Treasury. Information related to each reportable segment is set out below. Business segment results are based on the Bank's managerial accounting process, which assigns assets, liabilities, revenue and expense items to each business segment on a systematic basis. The maximum decision-making operating authority of the Bank is represented by the Chief Executive Officer and the Executive Committee, who periodically review the internal management reports for each of the two divisions. Segment profit, as included in the internal management reports is used to measure performance as management believes that this information is the most relevant in evaluating the results of the respective segments relative to other entities that operate within the same industry.

The Bank's net interest income represents the main driver of profits; therefore, the Bank presents its interest-earning assets by business segment, to give an indication of the size of business generating net interest income. Interest-earning assets also generate gains and losses on sales, mainly from financial instruments at FVOCI and financial instruments at FVTPL, which are included in other income, net. The Bank also discloses its other assets and other liabilities by business segment, to give an indication of the size of business that generates net fees and commissions, also included in other income, net.

The Commercial Business Segment encompasses the Bank's core business of financial intermediation and fee generating activities developed to cater to corporations, financial institutions and investors in Latin America. These activities include the origination of bilateral short-term and medium-term loans, structured and syndicated credits, loan commitments, and financial guarantee contracts such as issued and confirmed letters of credit, stand-by letters of credit, guarantees covering commercial risk, and customers' liabilities under acceptances.

Profits from the Commercial Business Segment include (i) net interest income from loans; (ii) fees and commissions from the issuance, negotiation, acceptance, confirmation and amendment of letters of credit, guarantees and loan commitments, and through loan structuring and syndication activities; (iii) gain on sale of loans generated through loan intermediation activities, such as infrequent sales in the secondary market; (iv) gain (loss) on sale of financial instruments measured at FVTPL and FVOCI; (v) reversal of allowance for loans losses, (vi) gain (loss) on other non-financial assets, net; (vii) direct and allocated operating expenses and (viii) funding cost.

The Treasury Business Segment focuses on managing the Bank's investment portfolio, and the overall structure of its assets and liabilities to achieve more efficient funding and liquidity positions for the Bank, mitigating the traditional financial risks associated with the consolidated statements of financial position, such as liquidity, interest rate and currency rate. Interest-earning assets managed by the Treasury Business Segment include liquidity positions in cash and cash equivalents, as well as highly liquid corporate debt securities rated above 'A-', and financial instruments related to the investment management activities, consisting of securities at FVOCI and securities at amortized cost (the "Credit Investment Portfolio"). The Treasury Business Segment also manages the Bank's interest-bearing liabilities, which constitute its funding sources, mainly deposits, securities sold under repurchase agreements and borrowings and debt, net.

Profits from the Treasury Business Segment include (i) net interest income derived from the above mentioned treasury assets and liabilities, (ii) gain (loss) on derivative financial instruments and foreign currency exchange, (iii) gain (loss) on financial instruments at FVOCI, (iv) intermediation margin in derivatives with clients, (v) reversal of (provision) for credit losses on such instruments and (vi) direct and allocated operating expenses.

3. Material accounting policies (continued)

3.21 Judgments, estimates and significant accounting assumptions

The preparation of the consolidated financial statements requires management to make estimates and use assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the reporting date and the reported amounts of revenues and expenses during the year.

Significant estimates that are particularly susceptible to significant changes relate to the determination of the allowances for expected credit losses, impairment of securities, and the fair value of financial instruments. Actual results could differ from those estimates. Management believes these estimates are adequate.

A. Judgments

In the process of applying the Bank's accounting policies, Management has made the following judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Determining the allowance for ECL

The Bank individually assesses all credit impaired loans at amortized cost at each reporting date to assess whether an impairment loss is required to be recognized. Management's judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about several factors and actual results that may vary, resulting in future changes to the allowance. Loans at amortized cost that do not give rise to credit impairment individually are assessed in groups of assets with similar credit risk characteristics. This is to determine whether a provision should be made due to expected loss events for which there is objective evidence, but which effects are not yet evident.

The collective assessment takes into account data from the loan portfolio (such as levels of arrears, credit utilization, loan-to-collateral ratios, among others), and judgments on the effect of concentrations of risks and economic data (including levels of unemployment, real estate price indices, country risk and the performance of various individual groups).

When establishing ECL, judgment is applied by management in order to assess the amount and timing of the future cash flows with the purpose of evaluating whether credit risk has significantly increased since initial recognition, taking into account the characteristics of the financial asset and the former patterns pre-established for similar financial assets. The changes in risk of default occurring within the next 12 months can be a reasonable approach of the changes in the risk measure according to the lifetime of the instrument. The Bank uses the changes in risk of default occurring within the next 12 months to determine if the credit risk has significantly increased since initial recognition, unless the circumstances indicate an assessment during the lifetime of the instrument is necessary.

i. Significant increase in credit risk

For the financial assets in stage 1, ECL are measured as an allowance equal to 12-month ECL and lifetime ECL on stage 2 or stage 3 assets. An asset moves to stage 2 or stage 3 when its credit risk has increased significantly since initial recognition. In assessing whether the credit risk of an asset has significantly increased, the Bank takes into account reasonable and supportable forward-looking qualitative and quantitative information.

ii. Establishing groups of assets with similar credit risk characteristics

When ECL are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics.

The Bank monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that when credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that reflects the similar credit risk characteristics of that group of assets. Re-segmentation of portfolios and movement between portfolios is more common when there is a significant increase in credit risk (or when that significant increase reverses) and so assets move from 12-month ECL to lifetime ECL, or vice versa, but it can also occur within portfolios that continue to be measured on the same basis of 12-month ECL or lifetime ECL but the amount of ECL changes because the credit risk of the portfolios differs.

3. Material accounting policies (continued)

3.21 Judgments, estimates and significant accounting assumptions (continued)

Determining the fair value of financial instruments

i. Models and assumptions used

The Bank uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgment is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.

ii. Fair value measurement

When the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but if this is not available, judgment is required to establish fair values. The judgments include considerations of liquidity and model inputs such as volatility for longer-dated derivatives and discount rates, prepayment rates and default rate assumptions for asset-backed securities. The valuation of financial instruments is described in more detail in Note 7.

Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Bank determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgment reflecting all relevant evidence including how the assets' performance is evaluated and their performance is measured, and the risks that affect the performance of the assets and how they are managed. The Bank monitors financial assets measured at amortized cost or fair value through other comprehensive income that are derecognized prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held.

B. Estimates and assumptions

In preparing these consolidated financial statements management has made estimates, judgments and assumptions at the reporting date that affect the carrying amounts of assets and liabilities. Existing circumstances and assumptions about future developments, however may change due to market changes or circumstances beyond the control of the Bank. Such changes are reflected when they occur.

Going concern

The Bank's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Therefore, the consolidated financial statements were prepared on a going concern basis.

4. New accounting standards and amendments issued but not yet effective

Certain new accounting standards and amendments to accounting standards are effective for the years 2026 and 2027 and earlier application is permitted. The Bank has not early adopted any of these new accounting standards or amendments in preparing these consolidated financial statements.

January 1, 2026: Classification and measurement of financial instruments - Amendments to IFRS 9 and IFRS 7: The specific amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures include new requirements not only for financial institutions but also for corporate entities. These amendments:

- a. clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system;
- b. clarify and add further guidance for assessing whether a financial asset meets the solely payments-of-principal-and-interest (SPPI) criterion;

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Notes to the consolidated financial statements

(Amounts expressed in thousands of U.S. dollars, unless otherwise indicated)

4. New accounting standards and amendments issued but not yet effective (continued)

- c. add new disclosures for certain instruments with contractual terms that may change cash flows (such as some financial instruments with features linked to the achievement of environmental, social and governance objectives); and
- d. update disclosures for equity instruments designated at fair value through other comprehensive income (FVOCI).

The Bank is currently assessing the impact of the new amendments and, based on the evaluation performed to date, has not identified any material impact on its consolidated financial statements.

January 1, 2027: Presentation and disclosure in financial statements - IFRS 18: This new standard on presentation and disclosure in financial statements, which replaces IAS 1, focuses on updates to the statements of profit or loss.

Key new concepts introduced in IFRS 18 relate to:

- a. the structure of the statement of profit or loss with defined subtotals;
- b. requirement to determine the most useful summary structure for presenting expenses in the statement of profit or loss disclosures
- c. required disclosures in a single note within the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (i.e., performance measures defined by management, "MPMs"); and
- d. enhanced principles on aggregation and disaggregation that apply to the primary financial statements and notes generally.

The Bank is still in the process of assessing the impact of the new standard, particularly with respect to the structure of the consolidated statement of profit or loss, the statement of cash flows and the additional disclosures required for MPMs. The Bank is also assessing the impact on how information is grouped in the consolidated financial statements, including for items currently labelled as "other".

January 1, 2027: Subsidiaries without Public Accountability - IFRS 19: This new standard allows for certain eligible subsidiaries that report under IFRS accounting standards apply reduced disclosure requirements of IFRS 19. These reduced disclosure requirements are expected to balance the information needs of users of eligible subsidiaries' financial statements with cost savings for preparers. IFRS 19 is a voluntary standard for eligible subsidiaries. A subsidiary is eligible if:

- a. it has no public accountability, and
- b. it has an ultimate or intermediate parent company that produces consolidated financial statements available for public use that comply with IFRS Accounting Standards.

The Bank does not anticipate that IFRS 19 will be applied for purposes of the Bank's consolidated financial statements.

Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries

Notes to the consolidated financial statements

*(Amounts expressed in thousands of U.S. dollars, unless otherwise indicated)***5. Financial risk review**

This note presents information about the Bank's exposure to financial risks.

A. Credit risk*i. Credit quality analysis*

The following tables set out information about the credit quality of financial assets measured at amortized cost, and debt instruments at FVOCI. Unless specifically stated, for financial assets the amounts in the table represent the outstanding gross balances. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively. Explanation of the terms 'Stage 1', 'Stage 2' and 'Stage 3' is included in Note 3.4 (K).

Bank deposits

December 31, 2025					
	PD Ranges	Stage 1	Stage 2	Stage 3	Total
Grades 1 - 4	0.05 - 0.38	1,923,151	—	—	1,923,151
Grades 5 - 6	0.39 - 3.81	660	—	—	660
Grades 7 - 8	3.82 - 34.52	75	—	—	75
		1,923,886	—	—	1,923,886
Loss allowance		(155)	—	—	(155)
Total		1,923,731	—	—	1,923,731

December 31, 2024					
	PD Ranges	Stage 1	Stage 2	Stage 3	Total
Grades 1 - 4	0.05 - 0.41	1,964,543	—	—	1,964,543
Grades 5 - 6	0.42 - 3.81	593	—	—	593
Grades 7 - 8	3.82 - 34.52	9	—	—	9
		1,965,145	—	—	1,965,145
Loss allowance		—	—	—	—
Total		1,965,145	—	—	1,965,145

Loans, at amortized cost⁽¹⁾

December 31, 2025					
	PD Ranges	Stage 1	Stage 2	Stage 3	Total
Grades 1 - 4	0.05 - 0.38	5,399,585	—	—	5,399,585
Grades 5 - 6	0.39 - 3.81	3,412,140	78,892	—	3,491,032
Grades 7 - 8	3.82 - 34.52	125,507	102,127	—	227,634
Grades 9 - 10	34.53 - 100	—	—	39,985	39,985
		8,937,232	181,019	39,985	9,158,236
Loss allowance		(31,660)	(33,169)	(28,979)	(93,808)
Total		8,905,572	147,850	11,006	9,064,428

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Notes to the consolidated financial statements

*(Amounts expressed in thousands of U.S. dollars, unless otherwise indicated)***5. Financial risk review (continued)****A. Credit risk (continued)**

December 31, 2024					
	PD Ranges	Stage 1	Stage 2	Stage 3	Total
Grades 1 - 4	0.05 - 0.41	2,971,709	—	—	2,971,709
Grades 5 - 6	0.42 - 3.81	4,704,760	299,292	—	5,004,052
Grades 7 - 8	3.82 - 34.52	397,049	71,664	—	468,713
Grades 9 - 10	34.53 - 100	—	—	17,513	17,513
		8,073,518	370,956	17,513	8,461,987
Loss allowance		(45,635)	(20,040)	(12,483)	(78,158)
Total		8,027,883	350,916	5,030	8,383,829

⁽¹⁾ Loans at amortized cost include interest and commission receivable.Loans at FVOCI

December 31, 2025					
	PD Ranges	Stage 1	Stage 2	Stage 3	Total
Grades 1 - 4	0.05 - 0.38	15,627	—	—	15,627
Grades 5 - 6	0.39 - 3.81	61,613	—	—	61,613
		77,240	—	—	77,240
Loss allowance - FVOCI		(468)	—	—	(468)

As of December 31, 2024, no loans were classified at FVOCI.

Loan commitments, financial guarantees issued and customers' liabilities under acceptances

December 31, 2025					
	PD Ranges	Stage 1	Stage 2	Total	
Commitments and contingencies					
Grades 1 - 4	0.05 - 0.38	876,482	—	876,482	
Grades 5 - 6	0.39 - 3.81	676,044	365	676,409	
Grades 7 - 8	3.82 - 34.52	287,766	—	287,766	
		1,840,292	365	1,840,657	
Customers' liabilities under acceptances					
Grades 1 - 4	0.05 - 0.38	64,761	—	64,761	
Grades 5 - 6	0.39 - 3.81	31,284	—	31,284	
Grades 7 - 8	3.82 - 34.52	65,552	—	65,552	
		161,597	—	161,597	
		2,001,889	365	2,002,254	
Provision		(12,128)	(2)	(12,130)	
Total		1,989,761	363	1,990,124	

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Notes to the consolidated financial statements

(Amounts expressed in thousands of U.S. dollars, unless otherwise indicated)

5. Financial risk review (continued)
A. Credit risk (continued)

	December 31, 2024			
	PD Ranges	Stage 1	Stage 2	Total
Commitments and contingencies				
Grades 1 - 4	0.05 - 0.41	545,855	—	545,855
Grades 5 - 6	0.42 - 3.81	630,648	6,099	636,747
Grades 7 - 8	3.82 - 34.52	226,278	5,500	231,778
		1,402,781	11,599	1,414,380
Customers' liabilities under acceptances				
Grades 1 - 4	0.05 - 0.41	204,421	—	204,421
Grades 5 - 6	0.42 - 3.81	1,155	—	1,155
Grades 7 - 8	3.82 - 34.52	39,489	—	39,489
		245,065	—	245,065
		1,647,846	11,599	1,659,445
Provision		(4,815)	(560)	(5,375)
Total		1,643,031	11,039	1,654,070

Securities at amortized cost⁽¹⁾

	December 31, 2025			
	PD Ranges	Stage 1	Stage 2	Total
Grades 1 - 4	0.05 - 0.38	1,294,293	—	1,294,293
Grades 5 - 6	0.39 - 3.81	55,550	10,654	66,204
		1,349,843	10,654	1,360,497
Loss allowance		(918)	(65)	(983)
Total		1,348,925	10,589	1,359,514

	December 31, 2024			
	PD Ranges	Stage 1	Stage 2	Total
Grades 1 - 4	0.05 - 0.41	1,020,297	—	1,020,297
Grades 5 - 6	0.42 - 3.81	72,976	10,482	83,458
		1,093,273	10,482	1,103,755
Loss allowance		(1,133)	(178)	(1,311)
Total		1,092,140	10,304	1,102,444

Securities at FVOCI⁽¹⁾

	December 31, 2025			
	PD Ranges	Stage 1	Stage 2	Total
Grades 1 - 4	0.05 - 0.38	69,476	—	69,476
Loss allowance - FVOCI		(16)	—	(16)

	December 31, 2024			
	PD Ranges	Stage 1	Stage 2	Total
Grades 1 - 4	0.05 - 0.41	99,486	—	99,486
Loss allowance - FVOCI		(23)	—	(23)

⁽¹⁾ Securities at amortized cost and FVOCI include interest receivable.

Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries

Notes to the consolidated financial statements

*(Amounts expressed in thousands of U.S. dollars, unless otherwise indicated)***5. Financial risk review (continued)****A. Credit risk (continued)**

The loss allowance for loans and investment securities at FVOCI does not affect the carrying value of the assets. These allowances are included in equity in the consolidated statement of financial position in the line Other comprehensive income.

The following table presents information on the current and past due balances of loans:

	December 31,	
	2025	2024
Current	9,195,491	8,444,474
Past due ⁽¹⁾	39,985	17,513
Total	9,235,476	8,461,987

⁽¹⁾ Past due loans are classified in Stage 3.

The following table presents an analysis of counterparty credit exposures arising from derivative transactions. The Bank's derivative fair values are generally secured by cash.

	December 31, 2025		
	Notional value USD	Derivative financial instruments - fair value assets	Derivative financial instruments - fair value liabilities
	Interest rate swaps	1,754,481	27,644
Cross-currency swaps	1,317,295	43,762	(57,027)
Foreign exchange forwards	7,039	—	(44)
Total	3,078,815	71,406	(62,939)

	December 31, 2024		
	Notional value USD	Derivative financial instruments - fair value assets	Derivative financial instruments - fair value liabilities
	Interest rate swaps	1,132,827	10,805
Cross-currency swaps	1,391,715	11,510	(139,038)
Total	2,524,542	22,315	(141,705)

ii. Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are in place covering the acceptability and valuation of each type of collateral.

5. Financial risk review (continued)

A. Credit risk (continued)

Derivatives and repurchase agreements

In the ordinary course of business, the Bank enters into derivative financial instrument transactions and securities sold under repurchase agreements under industry standard agreements. Depending on the collateral requirements stated in the contracts, the Bank and counterparties can receive or deliver collateral based on the fair value of the financial instruments transacted between parties. Collateral typically consists of pledged cash deposits and securities. The master netting agreements include clauses that, in the event of default, provide for close-out netting, which allows all positions with the defaulting counterparty to be terminated and net settled with a single payment amount.

The International Swaps and Derivatives Association master agreement (“ISDA”) and the Global Master Repurchase Agreement (“GMRA”) do not meet the criteria for offsetting in the consolidated statement of financial position. This is because they create for the parties to the agreement a right of set-off of recognized amounts that is enforceable only following an event of default, insolvency or bankruptcy of the Bank or the counterparties or following other predetermined events.

Such arrangements provide for single net settlement of all financial instruments covered only by the agreements in the event of default on any one contract. Master netting arrangements do not normally result in an offset of balance-sheet assets and liabilities unless certain conditions for offsetting are met.

Although master netting arrangements may significantly reduce credit risk, it should be noted that:

- Credit risk is eliminated only to the extent that amounts due to the same counterparty will be settled after the assets are realized.
- The extent to which overall credit risk is reduced may change substantially within a short period because the exposure is affected by each transaction subject to the arrangement.

Loans

The main types of collateral obtained for commercial loans are as follows:

- Liens on real estate property and trade receivables.

The Bank also obtains guarantees from parent companies for loans to their subsidiaries. Management monitors the market value of collateral and will request additional collateral in accordance with the underlying agreement. It is the Bank’s policy to dispose of repossessed property in an orderly manner. The proceeds are used to reduce or repay the outstanding claim. In general, the Bank does not occupy repossessed or property received in lieu of payment for business use.

The Bank holds guarantees and other financial credit enhancements against certain exposures in the loan portfolio. As of December 31, 2025, and 2024, the coverage ratio to the carrying amount of the loan portfolio was 4% and 9% respectively.

iii. Incorporation of forward-looking information

The Bank incorporates information about forward-looking economic environment, when assessing whether the credit risk of a financial instrument has significantly increased since initial recognition applying customer and country risk rating models which include projections of the inputs under analysis.

Supplementary, for the ECL measurement, the results of the “alert model” can be considered, through the assessment of a severity indicator of total risk resulting from the estimates and assumptions of several macroeconomic factors. These estimates and assumptions are supported by a base scenario. Other scenarios represent upside and downside results. The implementation and interpretation of the outcomes of the alert model are based on Management’s expert judgment, giving consideration to areas such as Credit Risk, Economic Studies and Loan Recovery of the Bank.

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Notes to the consolidated financial statements

(Amounts expressed in thousands of U.S. dollars, unless otherwise indicated)

5. Financial risk review (continued)

A. Credit risk (continued)

The external information could include economic data and projections published by governmental committees, monetary agencies (for example, the U.S. Federal Reserve and banking authorities from countries where the Bank operates), supranational organizations (International Monetary Fund, The World Bank, World Trade Organization), private sector, academic projections, credit rating agencies, among others.

The review of both each country and the region incorporates a large number of variables. The historical and prospective information on these variables allows for the estimation of possible macroeconomic effects on the Bank's portfolio. In any case, the main variables used in the model as inputs are:

Variables	Description
GDP Growth (Var. %)	% Variation in the growth of the Gross Domestic Product (GDP)
ComEx Growth Index (Var. %)	% Variation in foreign trade growth (Export + Import)

The model uses macroeconomic variables in levels and variations as main inputs to understand and project the behavior of the different economies. This historical and projected information, over a period of five years, allows management to estimate the macroeconomic effects on the Bank's portfolio.

Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries

Notes to the consolidated financial statements

*(Amounts expressed in thousands of U.S. dollars, unless otherwise indicated)***5. Financial risk review (continued)****A. Credit risk (continued)**

The table below lists the alert model's macroeconomic assumptions for countries representing the higher exposures, for the base, upside and downside scenarios over the five-year forecasted average available for each reporting period.

	Scenario	Variable			
		GDP Growth (Var.%)		ComEx Growth Index (Var.%)	
		December 31,		December 31,	
		2025	2024	2025	2024
Brazil	Base	5.3%	2.3%	5.3%	5.3%
	Upside	3.2%	3.3%	8.8%	8.8%
	Downside	0.8%	0.9%	1.3%	1.3%
Colombia	Base	3.8%	2.6%	3.8%	3.0%
	Upside	3.8%	3.7%	6.8%	6.0%
	Downside	1.4%	1.3%	0.3%	-0.5%
Mexico	Base	3.7%	1.8%	3.7%	2.8%
	Upside	2.5%	2.8%	7.7%	6.8%
	Downside	0.3%	0.6%	-0.8%	-1.7%
Chile	Base	4.4%	2.3%	4.4%	4.4%
	Upside	3.3%	3.4%	7.9%	7.9%
	Downside	1.0%	1.1%	0.4%	0.4%
Dominican Republic	Base	5.5%	4.8%	5.5%	4.5%
	Upside	6.0%	6.0%	9.0%	8.0%
	Downside	3.5%	3.5%	1.5%	0.5%
Guatemala	Base	5.4%	3.5%	5.4%	5.8%
	Upside	4.8%	4.5%	8.4%	8.8%
	Downside	2.6%	2.3%	1.9%	2.3%
Panama	Base	2.7%	3.6%	2.7%	1.2%
	Upside	5.5%	5.1%	5.7%	4.2%
	Downside	2.6%	2.2%	-0.8%	-2.3%
Costa Rica	Base	6.2%	3.4%	6.2%	6.2%
	Upside	4.5%	4.4%	9.7%	9.7%
	Downside	2.2%	2.1%	2.2%	2.2%

iv. Loss allowances

The following tables show reconciliations from the opening to the closing balances of the loss allowance by class of financial instrument. The basis for determining transfers due to changes in credit risk is set out in our accounting policy in Note 3.4 (K).

Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries

Notes to the consolidated financial statements

*(Amounts expressed in thousands of U.S. dollars, unless otherwise indicated)***5. Financial risk review (continued)****A. Credit risk (continued)**Bank deposits

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
Allowance for expected credit losses as of December 31, 2024	—	—	—	—
Net effect of changes in allowance for expected credit losses	155	—	—	155
Impairment losses on financial instruments	155	—	—	155
Allowance for expected credit losses as of December 31, 2025	155	—	—	155

Loans at amortized cost

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
Allowance for expected credit losses as of December 31, 2024	45,635	20,040	12,483	78,158
Transfer to lifetime expected credit losses	(176)	(10,151)	10,327	—
Net effect of changes in allowance for expected credit losses	(2,762)	14,536	5,548	17,322
Financial instruments that have been derecognized during the year	(35,330)	(6,640)	—	(41,970)
New financial instruments originated or purchased	24,293	15,384	—	39,677
Impairment losses on financial instruments	(13,975)	13,129	15,875	15,029
Recoveries	—	—	621	621
Allowance for expected credit losses as of December 31, 2025	31,660	33,169	28,979	93,808

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
Allowance for expected credit losses as of December 31, 2023	34,778	17,734	6,898	59,410
Transfer to lifetime expected credit losses	(235)	(1,237)	1,472	—
Net effect of changes in allowance for expected credit losses	(1,007)	6,013	2,978	7,984
Financial instruments that have been derecognized during the year	(23,723)	(5,807)	—	(29,530)
New financial instruments originated or purchased	35,822	3,337	—	39,159
Impairment losses on financial instruments	10,857	2,306	4,450	17,613
Recoveries	—	—	1,135	1,135
Allowance for expected credit losses as of December 31, 2024	45,635	20,040	12,483	78,158

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Notes to the consolidated financial statements

(Amounts expressed in thousands of U.S. dollars, unless otherwise indicated)

5. Financial risk review (continued)
A. Credit risk (continued)
Loans at FVOCI

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
Allowance for expected credit losses as of December 31, 2024	—	—	—	—
New financial instruments originated or purchased	468	—	—	468
Impairment losses on financial instruments	468	—	—	468
Allowance for expected credit losses as of December 31, 2025	468	—	—	468

Loan commitments, financial guarantee contracts and customers' liabilities under acceptances

The allowance for expected credit losses on loan commitments and financial guarantee contracts reflects the Bank's management is estimate of expected credit losses of customers' liabilities under acceptances and contingent liabilities such as: confirmed letters of credit, stand-by letters of credit, guarantees, and credit commitments.

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
Allowance for expected credit losses as of December 31, 2024	4,815	560	—	5,375
Net effect of changes in reserve for expected credit losses	(284)	(5)	—	(289)
Financial instruments that have been derecognized during the year	(3,369)	(553)	—	(3,922)
New financial instruments originated or purchased	10,966	—	—	10,966
Impairment losses on financial instruments	7,313	(558)	—	6,755
Allowance for expected credit losses as of December 31, 2025	12,128	2	—	12,130
	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
Allowance for expected credit losses as of December 31, 2023	3,905	1,154	—	5,059
Transfer to lifetime expected credit losses	(84)	84	—	—
Net effect of changes in reserve for expected credit losses	(154)	312	—	158
Financial instruments that have been derecognized during the year	(2,671)	(1,136)	—	(3,807)
New financial instruments originated or purchased	3,819	146	—	3,965
Impairment losses on financial instruments	910	(594)	—	316
Allowance for expected credit losses as of December 31, 2024	4,815	560	—	5,375

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Notes to the consolidated financial statements

(Amounts expressed in thousands of U.S. dollars, unless otherwise indicated)

5. Financial risk review (continued)
A. Credit risk (continued)
Securities at amortized cost

	Stage 1	Stage 2	Stage 3	Total
Allowance for expected credit losses as of December 31, 2024	1,133	178	—	1,311
Transfer to lifetime expected credit losses	(19)	19	—	—
Net effect of changes in allowance for expected credit losses	(2)	(85)	—	(87)
Financial instruments that have been derecognized during the year	(387)	—	—	(387)
New financial instruments originated or purchased	193	—	—	193
Impairment reversals on financial instruments	(215)	(66)	—	(281)
Write-offs	—	(47)	—	(47)
Allowance for expected credit losses as of December 31, 2025	918	65	—	983
	Stage 1	Stage 2	Stage 3	Total
Allowance for expected credit losses as of December 31, 2023	1,230	402	—	1,632
Transfer to lifetime expected credit losses	(21)	21	—	—
Net effect of changes in allowance for expected credit losses	(55)	(7)	(331)	(393)
Financial instruments that have been derecognized during the year	(392)	(238)	—	(630)
New financial instruments originated or purchased	371	—	—	371
Impairment reversals on financial instruments	(97)	(224)	(331)	(652)
Recoveries	—	—	331	331
Allowance for expected credit losses as of December 31, 2024	1,133	178	—	1,311

Securities at FVOCI

	Stage 1	Stage 2	Stage 3	Total
Allowance for expected credit losses as of December 31, 2024	23	—	—	23
Financial instruments that have been derecognized during the year	(14)	—	—	(14)
New financial instruments originated or purchased	7	—	—	7
Impairment reversals on financial instruments	(7)	—	—	(7)
Allowance for expected credit losses as of December 31, 2025	16	—	—	16

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Notes to the consolidated financial statements

*(Amounts expressed in thousands of U.S. dollars, unless otherwise indicated)***5. Financial risk review (continued)****A. Credit risk (continued)**

	Stage 1	Stage 2	Stage 3	Total
Allowance for expected credit losses as of December 31, 2023	1	—	—	1
Financial instruments that have been derecognized during the year	1	—	—	1
New financial instruments originated or purchased	21	—	—	21
Impairment losses on financial instruments	22	—	—	22
Allowance for expected credit losses as of December 31, 2024	23	—	—	23

The following table provides a summary of impairment losses on financial instruments presented in the consolidated statement of profit or loss:

	December 31,		
	2025	2024	2023
Cash and due from banks	155	—	—
Loans at amortized cost	15,029	17,613	25,354
Loans at FVOCI	468	—	—
Loan commitments, financial guarantee contracts and customers' liabilities under acceptances	6,755	316	1,431
Securities at amortized cost	(281)	(652)	687
Securities at FVOCI	(7)	22	(9)
Total	22,119	17,299	27,463

Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries

Notes to the consolidated financial statements

*(Amounts expressed in thousands of U.S. dollars, unless otherwise indicated)***5. Financial risk review (continued)****A. Credit risk (continued)***v. Credit-impaired financial assets*

Credit-impaired loans and advances are graded 9 and 10 in the Bank's internal credit risk grading system.

The following table sets out a reconciliation of changes in the carrying amount of the allowance for credit losses for credit-impaired financial assets:

	December 31,	
	2025	2024
<u>Loans at amortized cost:</u>		
Credit-impaired loans at beginning of the year	12,483	6,898
Classified as credit-impaired during the year	10,327	1,472
Change in allowance for ECL	4,720	2,832
Interest income	828	146
Recoveries	621	1,135
Credit-impaired loans at end of year	<u>28,979</u>	<u>12,483</u>

	December 31,	
	2025	2024
<u>Securities at amortized cost:</u>		
Credit-impaired securities at the beginning of the year	—	—
Change in allowance for ECL	—	(331)
Recoveries	—	331
Credit-impaired securities at end of year	<u>—</u>	<u>—</u>

Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries

Notes to the consolidated financial statements

(Amounts expressed in thousands of U.S. dollars, unless otherwise indicated)

5. Financial risk review (continued)
A. Credit risk (continued)
vi. Concentrations of credit risk

The Bank monitors concentrations of credit risk by sector, industry and country. An analysis of concentrations of credit risk from loans at amortized cost, loan commitments, financial guarantees and securities at amortized cost is as follows.

Concentration by sector and industry

	Loans at amortized cost		Loan commitments, financial guarantee contracts and acceptances outstanding		Securities at amortized cost	
	December 31,		December 31,		December 31,	
	2025	2024	2025	2024	2025	2024
Carrying amount - principal	9,158,236	8,461,987	161,597	245,065	1,360,497	1,103,755
Amount committed/guaranteed	—	—	1,840,657	1,414,380	—	—
Concentration by sector						
Corporations:						
Private	5,158,895	4,410,940	1,357,884	913,266	723,976	613,629
State-owned	1,194,949	974,470	254,122	82,241	45,516	12,039
Financial institutions:						
Private	2,427,179	2,567,264	126,824	140,287	335,039	357,891
State-owned	257,479	426,469	263,424	523,651	65,038	28,650
Sovereign	119,734	82,844	—	—	190,928	91,546
Total	9,158,236	8,461,987	2,002,254	1,659,445	1,360,497	1,103,755
Concentration by industry						
Financial institutions	2,684,658	2,993,733	390,248	663,938	400,077	403,257
Manufacturing	2,864,918	2,370,275	448,860	555,844	403,603	369,999
Oil and petroleum derived products	1,264,187	963,161	707,990	95,878	98,876	89,047
Agricultural	330,621	454,285	28,950	32,229	—	—
Services	686,726	636,000	251,670	163,396	152,037	114,764
Mining	387,599	271,186	60,914	51,413	20,014	14,866
Sovereign	119,734	82,843	—	—	190,928	54,517
Other	819,793	690,504	113,622	96,747	94,962	57,305
Total	9,158,236	8,461,987	2,002,254	1,659,445	1,360,497	1,103,755

Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries

Notes to the consolidated financial statements

*(Amounts expressed in thousands of U.S. dollars, unless otherwise indicated)***5. Financial risk review (continued)****A. Credit risk (continued)**Concentration by sector and industry at FVOCI

	Loans at FVOCI		Securities FVOCI	
	December 31,		December 31,	
	2025	2024	2025	2024
Carrying amount - principal	77,240	—	69,476	99,486
Concentration by sector				
Corporations:				
Private	52,691	—	—	—
Financial institutions:				
Private	19,424	—	—	—
State-owned	5,125	—	69,476	99,486
Total	77,240	—	69,476	99,486
Concentration by industry				
Financial institutions	24,549	—	69,476	99,486
Agricultural	15,627	—	—	—
Mining	37,064	—	—	—
Total	77,240	—	69,476	99,486

Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries

Notes to the consolidated financial statements

(Amounts expressed in thousands of U.S. dollars, unless otherwise indicated)

5. Financial risk review (continued)
A. Credit risk (continued)
Concentration by country

	Loans at amortized cost		Commitments, financial guarantee contracts and acceptances outstanding		Securities at amortized cost	
	December 31,		December 31,		December 31,	
	2025	2024	2025	2024	2025	2024
Carrying amount - principal	9,158,236	8,461,987	161,597	245,065	1,360,497	1,103,755
Amount committed/ guaranteed	—	—	1,840,657	1,414,380	—	—
Concentration by country						
Argentina	198,905	113,226	169,695	248	—	—
Australia	—	—	—	—	9,936	9,906
Belgium	—	17,859	—	—	15,696	15,181
Bolivia	—	—	—	1,000	—	—
Brazil	1,130,060	1,257,185	135,428	188,125	7,009	24,281
Canada	—	11,718	26,591	26,413	47,743	44,828
Chile	501,107	454,602	67,887	50,976	29,986	37,713
China	14,917	14,995	—	—	—	—
Colombia	1,080,071	920,975	84,837	82,225	14,898	15,143
Costa Rica	461,965	357,112	61,212	55,263	8,141	8,128
Dominican Republic	919,673	855,539	135,214	122,057	—	—
Ecuador	183,502	223,461	206,845	269,369	—	—
El Salvador	100,756	71,716	29,084	20,000	—	—
United Arab Emirates	—	—	—	—	3,521	—
Finland	—	—	—	—	13,365	—
France	68,555	95,577	72,443	46,573	15,011	14,985
Germany	—	—	15,000	15,000	29,998	29,737
Guatemala	1,537,176	1,011,790	117,786	113,028	—	—
Honduras	108,137	219,527	22,862	1,625	—	—
Ireland	—	—	—	—	14,408	14,407
Italy	23,375	1,747	1,442	—	—	—
Jamaica	57,969	43,503	—	—	—	—
Japan	—	9,446	—	—	60,402	61,834
Korea	—	—	—	—	34,704	14,448
Kuwait	—	—	—	—	20,159	—
Mexico	1,116,825	1,015,738	205,726	184,208	1,269	27,898
Multilateral	—	—	—	—	28,143	—
Netherlands	—	—	4,500	25,764	9,933	—
Norway	—	—	—	—	24,577	10,092
Panama	571,207	455,288	35,989	22,243	75,494	71,552
Paraguay	210,047	196,674	250	230	—	—
Peru	173,441	418,460	212,219	356,978	9,971	30,878
Puerto Rico	6,632	20,762	15,000	10,000	—	—
Qatar	—	—	—	—	30,103	—
Saudi Arabia	—	—	—	—	49,919	—
Singapore	131,154	282,311	5,507	6,514	—	—
Spain	—	—	—	8	—	—
Suriname	3,627	—	146,401	—	—	—
Sweden	—	—	—	—	14,932	14,832
Trinidad and Tobago	171,001	167,522	43,000	—	—	—
United States of America	219,563	137,642	39,198	7,114	740,864	618,680
United Kingdom	103,665	74,985	141,696	—	50,315	39,232
Uruguay	64,906	12,627	6,442	54,484	—	—
Total	9,158,236	8,461,987	2,002,254	1,659,445	1,360,497	1,103,755

Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries

Notes to the consolidated financial statements

(Amounts expressed in thousands of U.S. dollars, unless otherwise indicated)

5. Financial risk review (continued)
A. Credit risk (continued)
Concentration by country for financial instruments at FVOCI

	Loans at FVOCI		Securities at FVOCI	
	December 31,		December 31,	
	2025	2024	2025	2024
Gross amount	77,240	—	69,476	99,486
Concentration by country				
Dominican Republic	37,064	—	—	—
El Salvador	24,549	—	—	—
Guatemala	15,627	—	—	—
Multilateral	—	—	69,476	99,486
Total	77,240	—	69,476	99,486

vii. Offsetting financial assets and liabilities

The following tables include financial assets and liabilities that are offset in the consolidated financial statements or subject to an enforceable master netting arrangement:

Derivative financial instruments – assets

	December 31, 2025					
	Gross amounts of assets	Gross amounts offset in the consolidated statement of financial position	Net amount of assets presented in the consolidated statement of financial position	Gross amounts not offset in the consolidated statement of financial position		Net amount
				Financial instruments	Cash collateral received	
Derivative financial instruments used for hedging	69,837	—	69,837	—	(49,266)	20,571
Total	69,837	—	69,837	—	(49,266)	20,571
	December 31, 2024					
	Gross amounts of assets	Gross amounts offset in the consolidated statement of financial position	Net amount of assets presented in the consolidated statement of financial position	Gross amounts not offset in the consolidated statement of financial position		Net amount
				Financial instruments	Cash collateral received	
Derivative financial instruments used for hedging	22,315	—	22,315	—	(6,410)	15,905
Total	22,315	—	22,315	—	(6,410)	15,905

Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries

Notes to the consolidated financial statements

(Amounts expressed in thousands of U.S. dollars, unless otherwise indicated)

5. Financial risk review (continued)

A. Credit risk (continued)

Securities sold under repurchase agreements and derivative financial instruments – liabilities

December 31, 2025						
	Gross amounts of liabilities	Gross amounts offset in the consolidated statement of financial position	Net amount of liabilities presented in the consolidated statement of financial position	Gross amounts not offset in the consolidated statement of financial position		Net amount
				Financial instruments	Cash collateral received	
Securities sold under repurchase agreements at amortized cost	(130,509)	—	(130,509)	147,480	—	16,971
Derivative financial instruments used for hedging at FVTPL	(62,506)	—	(62,506)	—	51,353	(11,153)
Total	(193,015)	—	(193,015)	147,480	51,353	5,818

December 31, 2024						
	Gross amounts of liabilities	Gross amounts offset in the consolidated statement of financial position	Net amount of liabilities presented in the consolidated statement of financial position	Gross amounts not offset in the consolidated statement of financial position		Net amount
				Financial instruments	Cash collateral received	
Securities sold under repurchase agreements at amortized cost	(214,035)	—	(214,035)	239,046	564	25,575
Derivative financial instruments used for hedging at FVTPL	(141,705)	—	(141,705)	—	116,743	(24,962)
Total	(355,740)	—	(355,740)	239,046	117,307	613

B. Liquidity risk

i. Exposure to liquidity risk

The key measure used by the Bank for managing liquidity risk is the ratio of net liquid assets to deposits from customers and funding with a remaining tenor of 30 days. For this purpose, ‘net liquid assets’ include cash and cash equivalents which consist of deposits from banks and customers, as well as corporate debt securities with investment grade.

Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries

Notes to the consolidated financial statements

*(Amounts expressed in thousands of U.S. dollars, unless otherwise indicated)***5. Financial risk review (continued)****B. Liquidity risk (continued)**

The following table details the Bank's liquidity ratios:

	December 31,	
	2025	2024
At the end of the year	159.26 %	264.58 %
Year average	129.49 %	181.75 %
Maximum of the year	212.53 %	335.28 %
Minimum of the year	103.63 %	107.20 %

The following table includes the Bank's liquid assets by country risk:

<i>(in millions of US dollars)</i>	December 31, 2025			December 31, 2024		
	Cash and due from banks	Securities FVOCI	Total	Cash and due from banks	Securities FVOCI	Total
United States of America	1,784	—	1,784	1,650	—	1650
Other O.E.C.D countries	3	—	3	41	—	41
Latin America	5	—	5	3	—	3
Multilateral	50	69	119	125	99	224
Total	1,842	69	1,911	1,819	99	1,918

The following table includes the Bank's demand deposits from customers and its ratio to total deposits from customers:

<i>(in millions of US dollars)</i>	December 31,	
	2025	2024
Demand and "overnight" deposits	879	694
Demand and "overnight" deposits to total deposits	13.31 %	12.82 %

The liquidity requirements resulting from the Bank's demand deposits from customers is satisfied by the Bank's liquid assets as follows:

<i>(in millions of US dollars)</i>	December 31,	
	2025	2024
Total liquid assets	1,911	1,918
Total liquid assets to total liabilities	28.94 %	35.45 %
Total liquid assets in the Federal Reserve of the United States of America	90.74 %	53.21 %

Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries

Notes to the consolidated financial statements

*(Amounts expressed in thousands of U.S. dollars, unless otherwise indicated)***5. Financial risk review (continued)****B. Liquidity risk (continued)**

Even though the average term of the Bank's assets exceeds the average term of its liabilities, the associated liquidity risk is diminished by the short-term nature of a material portion of the loan portfolio, since the Bank is primarily engaged in financing foreign trade.

The following table includes the carrying amount for the Bank's loans and securities short-term portfolio with maturity within one year based on their original contractual term along with its average remaining term:

<i>(in millions of US dollars)</i>	December 31,	
	2025	2024
Loan portfolio at amortized cost and investment portfolio less than/equal to 1 year according to its original terms	5,247	5,127
Average term (days)	180	187

The following table includes the carrying amount for the Bank's loans and securities medium term portfolio with maturity over one year based on their original contractual terms along with their average remaining term:

<i>(in millions of US dollars)</i>	December 31,	
	2025	2024
Loan portfolio at amortized cost and investment portfolio greater than/equal to 1 year according to its original terms	5,349	4,438
Average term (days)	1409	1388

Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries

Notes to the consolidated financial statements

(Amounts expressed in thousands of U.S. dollars, unless otherwise indicated)

5. Financial risk review (continued)
B. Liquidity risk (continued)
ii. Maturity analysis for financial liabilities and financial assets

The following table details the future undiscounted cash flows of financial assets and liabilities grouped by their remaining maturity with respect to the contractual maturity:

	December 31, 2025						
	Up to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	More than 5 years	Gross inflows (outflows)	Carrying amount
Assets							
Cash and due from banks	1,906,085	18,379	—	—	—	1,924,464	1,923,731
Securities	103,225	134,775	203,340	1,079,046	31,792	1,552,178	1,428,990
Loans	2,711,751	1,651,349	2,003,457	3,417,682	331,015	10,115,254	9,141,668
Customers' liabilities under acceptances	102,576	36,206	22,815	—	—	161,597	161,597
Trading derivative - assets	—	—	—	—	1,569	1,569	1,569
Derivative assets held for risk management purposes	7,989	189	3,685	54,654	3,320	69,837	69,837
Total	4,831,626	1,840,898	2,233,297	4,551,382	367,696	13,824,899	12,727,392
Liabilities							
Customer deposits	(5,153,930)	(745,511)	(503,687)	(263,845)	—	(6,666,973)	(6,640,290)
Securities sold under repurchase agreements	(7,800)	(68,015)	(58,631)	—	—	(134,446)	(130,509)
Borrowings and debt	(1,093,223)	(550,119)	(447,676)	(2,246,182)	(49,796)	(4,386,996)	(4,030,389)
Lease liabilities	(361)	(363)	(737)	(6,096)	(10,872)	(18,429)	(18,429)
Acceptances outstanding	(102,576)	(36,206)	(22,815)	—	—	(161,597)	(161,597)
Trading derivative - liabilities	—	—	—	—	(433)	(433)	(433)
Derivatives liabilities held for risk management purposes	(7,888)	—	(16,755)	(37,459)	(404)	(62,506)	(62,506)
Total	(6,365,778)	(1,400,214)	(1,050,301)	(2,553,582)	(61,505)	(11,431,380)	(11,044,153)
Subtotal net position	(1,534,152)	440,684	1,182,996	1,997,800	306,191	2,393,519	1,683,239
Off-balance sheet contingencies							
Confirmed letters of credit	141,926	74,009	24,185	—	—	240,120	
Stand-by letters of credit and guarantees	301,972	169,182	255,763	109,517	—	836,434	
Loans and letter of credit commitments	59,206	139,204	134,631	397,491	33,571	764,103	
Total	503,104	382,395	414,579	507,008	33,571	1,840,657	
Total net position	(2,037,256)	58,289	768,417	1,490,792	272,620	552,862	

Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries

Notes to the consolidated financial statements

(Amounts expressed in thousands of U.S. dollars, unless otherwise indicated)

5. Financial risk review (continued)
B. Liquidity risk (continued)

	December 31, 2024						
	Up to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	More than 5 years	Gross inflows (outflows)	Carrying amount
Assets							
Cash and due from banks	1,944,338	5,286	15,710	—	—	1,965,334	1,965,145
Securities	84,980	66,341	109,616	1,036,660	44,522	1,342,119	1,201,930
Loans	2,759,031	2,018,051	1,557,065	2,583,263	247,238	9,164,648	8,383,829
Customers' liabilities under acceptances	153,091	53,466	38,508	—	—	245,065	245,065
Derivative assets held for risk management purposes	1,218	9,484	951	10,592	70	22,315	22,315
Total	4,942,658	2,152,628	1,721,850	3,630,515	291,830	12,739,481	11,818,284
Liabilities							
Customer deposits	(4,413,516)	(597,055)	(354,883)	(93,369)	—	(5,458,823)	(5,461,901)
Securities sold under repurchase agreements	(101,528)	—	(23,268)	(89,355)	—	(214,151)	(214,035)
Borrowings and debt	(1,138,907)	(688,359)	(675,517)	(2,274,040)	(47,425)	(4,824,248)	(4,388,720)
Lease liabilities	(244)	(276)	(684)	(5,592)	(12,437)	(19,233)	(19,232)
Acceptances outstanding	(153,091)	(53,466)	(38,508)	—	—	(245,065)	(245,065)
Derivative liabilities held for risk management purposes	(9,379)	(70)	(1,192)	(129,609)	(1,455)	(141,705)	(141,705)
Total	(5,816,665)	(1,339,226)	(1,094,052)	(2,591,965)	(61,317)	(10,903,225)	(10,470,658)
Subtotal net position	(874,007)	813,402	627,798	1,038,550	230,513	1,836,256	1,347,626
Off-balance sheet contingencies							
Confirmed letters of credit	358,624	141,422	36,304	—	—	536,350	
Stand-by letters of credit and guarantees	141,843	133,149	178,798	66,495	—	520,285	
Credit commitments	60,341	39,900	40,350	208,868	8,286	357,745	
Total	560,808	314,471	255,452	275,363	8,286	1,414,380	
Total net position	(1,434,815)	498,931	372,346	763,187	222,227	421,876	

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Notes to the consolidated financial statements

*(Amounts expressed in thousands of U.S. dollars, unless otherwise indicated)***5. Financial risk review (continued)****B. Liquidity risk (continued)**

The amounts in the tables above have been compiled as follows:

Type of financial instrument	Basis on which amounts are compiled
Financial assets and liabilities	Undiscounted cash flows, which include estimated interest payments.
Issued financial guarantee contracts, and loan commitments	Earliest possible contractual maturity. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.
Derivative financial assets and financial liabilities	Contractual undiscounted cash flows. The amounts shown are the gross notional inflows and outflows for derivatives that simultaneously settle gross or net amounts.

Future undiscounted cash flows presented in the table above for some financial assets and financial liabilities vary materially from contractual cash flows. The principal difference is that the undiscounted future cash flows of floating rate assets and liabilities are calculated using projected market rates.

iii. Liquidity reserves

As part of the management of liquidity risk arising from financial liabilities, the Bank holds liquid assets comprising cash and cash equivalents.

The following table sets out the components of the Bank's liquidity reserves:

	December 31, 2025		December 31, 2024	
	Amount	Fair value	Amount	Fair value
Balances with Federal Reserve of the United States of America	1,734,177	1,734,177	1,020,858	1,020,858
Cash and due from banks ⁽¹⁾	108,031	108,031	799,073	799,073
Total	1,842,208	1,842,208	1,819,931	1,819,931

⁽¹⁾ Excludes pledged deposits.

iv. Financial assets available to support future funding

The following table sets out the Bank's financial assets available to support future funding:

	December 31, 2025		December 31, 2024	
	Guaranteed	Available as collateral	Guaranteed	Available as collateral
Cash and due from banks	80,954	1,842,208	143,907	1,819,931
Notional of investment securities	510,029	929,898	558,981	665,715
Loans at amortized cost - outstanding principal balance	—	9,104,725	—	8,375,172
Total	590,983	11,876,831	702,888	10,860,818

The total financial assets recognized in the statement of financial position that had been pledged as collateral for liabilities as of December 31, 2025, and 2024, are shown in the table above.

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Notes to the consolidated financial statements

*(Amounts expressed in thousands of U.S. dollars, unless otherwise indicated)***5. Financial risk review (continued)****C. Market risk**

The Bank manages market risk by considering the consolidated financial position of the Bank.

For the definition of market risk and information on how the Bank manages the market risks of financial instruments, see Note 6.

i. Interest rate risk

The table below details the Bank's exposure based on interest rate repricing/maturity date for the notional amount of interest bearing financial assets and liabilities:

	December 31, 2025						
	Up to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	More than 5 years	Non interest rate risk	Total
Assets							
Cash and due from banks	1,890,450	18,000	—	—	—	14,712	1,923,162
Securities - principal	268,495	132,025	195,048	797,495	21,571	—	1,414,634
Loans - principal balance	5,441,055	2,170,978	1,263,048	301,109	5,111	—	9,181,301
Total	7,600,000	2,321,003	1,458,096	1,098,604	26,682	14,712	12,519,097
Liabilities							
Customer deposits	(5,136,030)	(792,898)	(426,691)	(244,735)	—	(3,862)	(6,604,216)
Securities sold under repurchase agreements - principal	(129,698)	—	—	—	—	—	(129,698)
Borrowings and debt	(2,794,546)	(674,844)	(106,834)	(416,874)	—	—	(3,993,098)
Total	(8,060,274)	(1,467,742)	(533,525)	(661,609)	—	(3,862)	(10,727,012)
Net effect of derivative financial instruments held for interest rate risk management	5,138	371	(1,041)	4,043	—	—	8,511
Total interest rate sensitivity	(455,136)	853,632	923,530	441,038	26,682	10,850	1,800,596

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Notes to the consolidated financial statements

*(Amounts expressed in thousands of U.S. dollars, unless otherwise indicated)***5. Financial risk review (continued)****C. Market risk (continued)**

	December 31, 2024						
	Up to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	More than 5 years	Non interest rate risk	Total
Assets							
Cash and due from banks	1,940,840	5,000	15,000	—	—	2,998	1,963,838
Securities - principal	83,294	64,955	104,954	907,612	28,510	—	1,189,325
Loans - principal balance	5,053,040	2,025,688	1,039,106	248,045	9,293	—	8,375,172
Total	7,077,174	2,095,643	1,159,060	1,155,657	37,803	2,998	11,528,335
Liabilities							
Customer deposits	(4,404,015)	(645,546)	(336,377)	(24,130)	—	(2,656)	(5,412,724)
Securities sold under repurchase agreements - principal	(133,898)	—	(58,636)	(20,397)	—	—	(212,931)
Borrowings and debt	(2,932,280)	(801,575)	(460,355)	(158,106)	—	—	(4,352,316)
Total	(7,470,193)	(1,447,121)	(855,368)	(202,633)	—	(2,656)	(9,977,971)
Net effect of derivative financial instruments held for interest risk management	(8,159)	9,414	(242)	(119,018)	(1,385)	—	(119,390)
Total interest rate sensitivity	(401,178)	657,936	303,450	834,006	36,418	342	1,430,974

Interest rate risk management is complemented by monitoring the sensitivity of the Bank's financial assets and liabilities, considering several standard interest rate scenarios. The standard scenarios considered monthly include a parallel decline or increase of 50 bps, 100 bps, and 200 bps across all yield curves, which are evaluated based on market behavior.

The Bank performs a sensitivity analysis of the most likely increase or decrease in market interest rates at the reporting date, assuming non-asymmetric movements in the yield curves and a constant financial situation to assess the effect on profit or loss.

Interest rate sensitivity analysis affects reported equity in the following ways:

- Retained earnings: increases or decreases in net interest income and in fair values of derivatives reported in profit or loss;
- Fair value reserve: increases or decreases in fair values of financial assets at FVOCI reported directly in equity; and
- Hedging reserve: increases or decreases in fair values of hedging instruments designated in qualifying cash flow hedge relationships.

This sensitivity provides an analysis of changes in interest rates, considering the previous year's interest rate volatility.

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5. Financial risk review (continued)
C. Market risk (continued)

Additionally, the Bank measures the sensitivity of the equity value (EVE) following the methodology described by the Basel Committee on Banking Supervision, which measures the interest rate risk embedded in the equity value, which for interest rate risk purposes is defined as the difference between the net present value of assets less the net present value of liabilities due, based on the impact of a change in interest rates on such present values.

The following table presents the sensitivity analysis performed for the Bank:

	Change in interest rate	Effect on profit or loss	Effect on equity	Effect on equity value (EVE)
December 31, 2025	+50 bps	<u>1,592</u>	<u>5,215</u>	<u>(9,823)</u>
	-50 bps	<u>(1,773)</u>	<u>(5,320)</u>	<u>9,911</u>
December 31, 2024	+50 bps	<u>343</u>	<u>9,586</u>	<u>(14,709)</u>
	-50 bps	<u>(668)</u>	<u>(9,770)</u>	<u>14,714</u>

ii. Foreign exchange risk

The following table presents the maximum exposure amount in foreign currency of the Bank's carrying amount of total assets and liabilities, except for hedging relationships.

	December 31, 2025						
	Brazilian Real	European Euro	Japanese Yen	Colombian Peso	Mexican Peso	Other Currencies⁽¹⁾	Total
Exchange rate	5.49	1.17	156.74	3,773.58	18.01		
Assets							
Cash and due from banks	60	1,847	8	50	2,309	80	4,354
Loans	—	27,472	—	—	415,704	25,175	468,351
Total	60	29,319	8	50	418,013	25,255	472,705
Liabilities							
Borrowings and debt	—	(28,910)	—	—	(417,953)	(25,175)	(472,038)
Total	—	(28,910)	—	—	(417,953)	(25,175)	(472,038)
Net currency position	60	409	8	50	60	80	667

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*(Amounts expressed in thousands of U.S. dollars, unless otherwise indicated)***5. Financial risk review (continued)****C. Market risk (continued)**

	December 31, 2024						
	Brazilian Real	European Euro	Japanese Yen	Colombian Peso	Mexican Peso	Other Currencies⁽¹⁾	Total
Exchange rate	6.17	1.04	157	4,405.29	20.89		
Assets							
Cash and due from banks	110	242	1	34	1,210	19	1,616
Loans	—	25,886	—	—	310,630	—	336,516
Total	110	26,128	1	34	311,840	19	338,132
Liabilities							
Borrowings and debt	—	(25,748)	—	—	(311,562)	—	(337,310)
Total	—	(25,748)	—	—	(311,562)	—	(337,310)
Net currency position	110	380	1	34	278	19	822

⁽¹⁾ It includes other currencies such as: Argentine pesos, Australian dollar, Swiss franc, Pound sterling, Costa Rican colones and Peruvian soles.

6. Financial risk management

The risk is inherent to the Bank's activities. Risks are classified into two categories: financial and non-financial risks. Financial risks are those associated within the Bank's business model, with impact in the Bank's consolidated statements of financial position and profit or loss, as follows: country risk, credit risk, market risk and liquidity risk. Non-financial risks are those related to the Bank's operating model and the regulatory environment that may affect the integrity of the information, the Bank's reputation and also its profit or loss accounts, as follows: operational, technological, cybersecurity, compliance (know your customer, money laundering, terrorism financing), environmental, fraud, among others.

Lead by the Head of Integrated Risk Management, an ongoing process of identification, measurement, monitoring, control, mitigation and reporting to all operating areas within the Bank is carried out continuously, considering the different types of risks to which the Bank is exposed, according to the size and complexity of its operations, products and services.

The Bank has in place policies, standards and procedures, structures, and manuals relating to integrated risk management, designed to identify potential events that may affect it, all of which are consistent with the risk profile of the business, considering the complexity and the volume of its operations.

The Board of Directors is responsible for establishing the Bank's acceptable risk profile, for which it has the knowledge and understanding of the risks to which the Bank is exposed. The Board of Directors designate the members of the Risk Policy and Assessment Committee (CPER, for its acronym in Spanish), which is responsible for overseeing the overall risk process within the Bank.

CPER oversees the assessment and recommendation for approval of the Board of Directors of all the policies relating to a prudent Integrated Risk Management. Furthermore, the Committee also reviews and assesses the exposure, within the risk levels stated in its policies, by which the Bank is willing to assume the various risks it faces through business management.

6. Financial risk management (continued)

The Head of Integrated Risk Management directly reports to the CEO and the CPER, and has as its main duty to ensure the integrated risk management of the Bank's operating model and IT platform, as well as the financial and credit related risks, being responsible for implementing and maintaining risk-related procedures in place to ensure that an independent control process is kept, monitoring compliance of the risk principles, policies and limits at all levels throughout the Bank. The Head of Integrated Risk Management works closely with CPER to ensure that procedures are consistent with the integrated risk management governance framework.

Risk Management Committees:

- Operational Risk Committee.
- Country Risk Committee.
- Credit Committee (Management Credit Committee / Board of Directors' Delegated Credit Committee / CPER).
- Management and Monitoring Committee.
- Asset and Liability Committee (ALCO).
- Technological Risk and Information Security Committee

The Bank emphasizes the awareness of its employees, promoting a Risk Management culture that has continuity over time and that allows them to understand and assimilate the importance of this concept from each of the processes that are executed within their areas. This is done throughout the training of all employees on an annual basis to raise their awareness in general terms of operational risks, which includes updates on applicable laws and regulations as required.

A. Credit risk

As part of the embedded risk, the Bank will incur losses and/or its assets will be impaired as a result of the failure of its borrowers to comply in a timely manner or to meet the terms of credit agreements.

The Bank's customer base consists primarily of corporations, large companies, local and regional financial institutions, as well as state-owned enterprises. The Bank focuses its risk assessment on an in-depth analysis of the entity or economic group that involves: the nature of the business, the countries where it operates, types of products offered, duration of the relationship, track record and reputation, among others.

Credit risk management comprises two main stages: origination and monitoring. The credit origination process involves the activities of identifying and analyzing the customer's creditworthiness and approving the terms and conditions for credit extensions. The monitoring process consists of annual credit reviews of existing exposures, "ad hoc" reviews on a case-by-case basis when conditions so require, and portfolio reviews by the Bank's credit committees. The objective is to maximize the risk-adjusted rate of return by keeping credit risk exposures within acceptable parameters. This process involves the Risk and Business Units, as well as the Risk Policy and Assessment Committee (CPER).

The Bank determines the appropriate level of allowances for expected credit losses based on a forward-looking process that estimates the probable loss inherent in its credit portfolio and is the result of a statistical analysis supported by the Bank's historical portfolio performance, external sources, and the judgment of the Bank's Management. This level of allowance reflects assumptions and estimations made in the context of changing political and economic conditions in the region, in which the Bank operates.

The Bank periodically assesses the adequacy and the validity of the allowance for expected credit losses calculation model. When assessing if the calculation model remains valid, characteristics and behavior of the loan portfolio are considered as a fundamental factor, as well as periodic economic analysis that contribute to the active management of the portfolio.

6. Financial risk management (continued)

A. Credit risk (continued)

The Bank's business model holds a low-risk portfolio, which focuses on financial institutions and large leading corporations in the region, including "quasi-sovereign" entities in strategic sectors, with whom it mainly conducts foreign trade operations.

Climate risk, like any other risk in general, implies the presence of an extreme natural event, but unpredictable, resulting in a human activity that may be damaged by such event. Consequently, the Bank incorporates into its risk assessment the possible impacts of climate risk that may affect its credit portfolio.

Individually assessed reserves

The Bank individually assesses the appropriate reserves for certain financial assets, by considering interest payment delays, credit rating downgrading or any breach of the original contractual terms. Factors considered when determining a reserve include the sustainability of the counterparty's business plan, its ability to improve performance when facing a difficult financial situation, projected payments and expected results in the event of bankruptcy, the availability of other financial support, the realizable value of collateral, and the timing of expected cash flows. Impairment loss is assessed at each reporting date, unless unforeseen circumstances require special attention on other dates.

Collectively assessed reserves

Reserves are separately assessed at each reporting date for each portfolio. The collective assessment is made for groups of assets with similar risk characteristics, to determine whether it is appropriate to provide for, due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident in individual loan assessments. The collective assessment considers both portfolio information (e.g. historical losses in the portfolio, delinquency levels, credit utilization, loan-to-collateral ratios and expected collections and recoveries after impairment) and economic data (such as current economic conditions, unemployment, local or industry-specific situations).

The Bank generally supports its assessment on historical experience and forward-looking information. However, when significant market, regional and/or global events occur, the Bank includes these macroeconomic factors in its assessments. Depending on the characteristics of the individual or collective assessment, these factors include: unemployment rates, current levels of impaired debt, changes in law, changes in regulation, bankruptcy trends and other consumer data. The Bank may use the above factors, as appropriate, to adjust for impairment.

The time elapsed since a loss is incurred and a specific individual reserve requirement is identified should be taken into consideration for the assessment. The impairment reserve is reviewed by credit risk management to ensure alignment with the Bank's general policy.

Financial guarantees and letters of credit are assessed in a similar manner to loans at amortized cost.

A supplemental qualitative review may result in adjustments to the level of provisions, based on prospective reviews of potential risk scenarios for businesses or loans not yet captured in the Bank's historical information.

The Bank has developed internal customer, counterparty and country rating models, which allow for proactive risk management in terms of exposure limits, transaction typology and time limits, among others.

Derivative financial instruments

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recognized in the consolidated statement of financial position at fair value. With derivatives that are settled gross, the Bank is also exposed to settlement risk, which is the risk that the Bank will honor its obligation, but the counterparty will be unable to deliver the value of the consideration.

6. Financial risk management (continued)

A. Credit risk (continued)

Credit Commitments

The Bank makes available to its customers guarantees that may require the Bank to make payments on behalf of these customers and to take on commitments to issue lines of credit to ensure their liquidity needs. Letters of credit and guarantees (including standby letters of credit) commit the Bank to make payments on behalf of customers for a specific event, usually related to the import or export of goods. Such commitments expose the Bank to risks similar to those for loans which are mitigated by the same controls established in processes and policies.

B. Liquidity risk

Liquidity risk is the possibility of an economic loss to the Bank due to the difficulty in liquidating assets or obtaining financial resources on normal terms.

The Bank conducts daily reviews of the Liquidity Coverage Ratio (LCR). The LCR methodology follows local standards and guidelines recommended by the Basel Committee. The Bank also monitors the Net Stable Funding Ratio (NSFR), to maintain an adequate funding structure over the long term.

Liquidity is controlled through the periodic review of:

- The maturity schedule to identify maturity “gaps” in the various timeframes.
- Deposit concentration report to identify possible increases in amounts and maturities that may affect the Bank’s liquidity.

The Bank has a Liquidity Contingency Plan in place, which is designed to monitor a series of indicators that could trigger a liquidity event, with potential impact on the Bank’s operations and establishes an action plan so that the Bank’s liquidity is always assured.

C. Market risk

Market risk is the risk that the value of the Bank’s assets and liabilities will decline due to changes in market conditions that may adversely affect its income. The risk is inherent in the financial instruments associated with the Bank’s operations and activities, including: loans, securities, borrowings and debt, derivatives, among others. The main risks include: interest rate risk and foreign exchange risk, which can affect asset prices and result in losses for the Bank.

With respect to interest rate risk management, the Bank’s policy requires Management to assess the asset and liability positions in order to reduce potential adverse impacts on net interest income due to market interest rate fluctuations.

The Bank manages interest rate risk by closely monitoring the appreciation and decline in value of the assets and liabilities through hedging to reduce potential negative impacts on profit or loss for the period and equity.

Management conducts periodic sensitivity analyses simulating market changes in interest rates to determine potential impacts on net interest income (both upward and downward). In addition, the Bank monitors the DV01 limit, for which a parallel 1-base point shock is applied to the interest rate curve and assesses if there is any impact on equity. At the same time, the Bank’s Management measures equity sensitivity following the methodology described by the Basel Committee on Banking Supervision (Basel III) to measure the interest rate risk implicit in the notional value.

Foreign exchange risk is the risk of change in the market value of a financial instrument due to fluctuations in the exchange rate of a given currency. The Bank operates primarily in U.S. dollars, so exposure to this type of risk is minimized. For transactions in currencies other than the US dollar, the Bank manages the exchange rate risk by arranging derivative instruments for hedging purposes, or by establishing natural hedges matching assets and liabilities expressed in the same currency. For liquidity positions, the Bank has established thresholds in order to limit the maximum level of exposure.

6. Financial risk management (continued)

D. Operational risk

Operational risk is the possibility of incurring losses due to deficiencies, failures or inadequacies in human resources, processes, technology, infrastructure, management information, models used, or the occurrence of external events. If this occurs, it can damage the Bank's reputation and result in regulatory sanctions, which can lead to financial losses. The Bank, like any other financial institution, is exposed to operational risks.

The main objective with Operational Risk Management is to reduce losses generated from operational risk and maintain an adequate administration thereof through the use of established management tools such as: risk profile, risk mapping, global and specific limits, operational risk indicators, as well as the analysis of events and incidents recorded in a database in order to monitor action plans on actual or potential risks.

As part of an adequate operational risk management, the Bank maintains a Business Continuity Plan to provide effective responses that guarantee the continuity of services and the banking business activities upon the occurrence of events that may create an interruption or instability in its operations.

E. Fraud risk

Fraud is any intentional act or omission designed to deceive others, resulting in a loss for the victim and/or a gain for the perpetrator.

Identification of fraud risk considers both internal and external factors, and their impact on the achievement of the Bank's objectives. Internal fraud is related to losses arising from any type of action, involving Bank employees, aimed at defrauding, misappropriating property or violating regulations, laws or internal policies. External fraud is related to losses arising from any type of action by a third party aimed at defrauding, misappropriating property or infringing the law.

To manage this risk, the Bank has a general fraud risk management program in place, which includes: establishing fraud risk governance policies, evaluating fraud risk, designing and developing control activities to prevent and detect fraud, and investigating fraud, including monitoring and evaluating the fraud risk management program.

F. Cybersecurity risk

Cybersecurity or information technology security refers to the procedures designed, and measures implemented to protect technological appliances, networks, programs and data against cyber-attacks, in other words, unauthorized access or attacks aimed at operating, or misusing, the Bank's technology platform to access the financial system.

The Bank has approved policies and implemented procedures defining roles and responsibilities for managing information security as part of the IT security and technology risk management framework. These policies and procedures apply throughout the Bank and cover all relationships between the workforce, customers and suppliers, as well as any other individual who, on a permanent or temporary basis with the Bank, has some form of access to data, resource management and IT systems.

To counter the risk arising from cyber attacks, the Bank maintains a comprehensive monitoring program of the main attack vectors: emails and end-user devices, as well as the continuous frequency of scans and vulnerability management. To address the risks arising under the hybrid model, the Bank maintains security platforms that provide an adequate level of protection, in order to keep the same security posture, regardless of the physical location of the employees. Additionally, for the risk related to cyber-resilience, the Bank continuously executes internal and external penetration tests in order to have the ability to respond, resist and/or recover from cyber attacks or incidents.

The Bank's Information Security Officer is responsible for ensuring compliance with policies and procedures by anyone with access to the Bank's systems. The Bank also commits to independent third-party reviews of its cybersecurity program. The Bank's cybersecurity program has been developed with a holistic approach, allowing the Bank to encompass both technical and strategic measures in a single framework. This program is based on five fundamental pillars: Perimeter Security, Services and Infrastructure Security, User Security, Data Security, and Security in service providers.

7. Fair value of financial instruments

The Bank determines the fair value of its financial instruments using the fair value hierarchy, which requires the Bank to maximize the use of observable inputs (those that reflect the assumptions that market participants would use in pricing the asset or liability developed based on market information obtained from sources independent of the reporting entity) and to minimize the use of unobservable inputs (those that reflect the reporting entity's own assumptions about the inputs that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances) when measuring fair value. Fair value is used on a recurring basis to measure assets and liabilities in which fair value is the primary basis of accounting. Additionally, fair value is used on a non-recurring basis to assess assets and liabilities for impairment or for disclosure purposes. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Depending on the nature of the asset or liability, the Bank uses some valuation techniques and assumptions when estimating fair value.

The Bank applied the following fair value hierarchy:

Level 1 – Assets or liabilities for which an identical instrument is traded in an active market, such as publicly-traded instruments or futures contracts.

Level 2 – Assets or liabilities valued based on observable market data for similar instruments, quoted prices in markets that are not active; or other observable inputs that can be corroborated by observable market data for substantially the full term of the asset or liability.

Level 3 – Assets or liabilities for which significant valuation inputs are not readily observable in the market; instruments measured based on the best available information, which might include some internally-developed data, and considers risk premiums that a market participant would require.

When determining the fair value measurements for assets and liabilities that are required or permitted to be recorded at fair value, the Bank considers the principal or most advantageous market in which it would transact and considers the inputs that market participants would use when pricing the asset or liability.

A. Measured at fair value

When identical assets and liabilities are not traded in active markets, the Bank uses observable market information for similar assets and liabilities. However, certain assets and liabilities are not actively traded in observable markets and the Bank must use alternative valuation techniques to determine the fair value measurement. The frequency of transactions, the size of the bid-ask spread, and the size of the investment are factors considered in determining the liquidity of markets and the relevance of observed prices in those markets.

When there has been a significant decrease in the valuation of the financial asset or liability, or in the level of activity for a financial asset or liability (provided it is not due to impairment), the Bank uses the present value technique which considers market information to determine a representative fair value under usual market conditions.

A description of the valuation methodologies used for assets and liabilities measured at fair value on a recurring basis, including the general classification of such assets and liabilities under the fair value hierarchy is presented below:

Financial instruments at FVTPL or FVOCI

For financial instruments at FVTPL or FVOCI, fair value is based upon quoted market prices, when available, or if quoted market prices are not available on discounted expected cash flows including interest rate yield curves and other market rates.

When quoted prices are available in an active market, financial instruments at FVTPL and financial instruments at FVOCI are classified in level 1 of the fair value hierarchy. If quoted market prices are not available or they are available in markets that are not active, then fair values are estimated based upon quoted prices for similar instruments, or where these are not available, by using internal valuation techniques, principally discounted cash flow models. Such securities are classified within levels 2 and 3 of the fair value hierarchy.

7. Fair value of financial instruments (continued)

A. Measured at fair value (continued)

Derivative financial instruments and hedged items that qualify as a fair value hedging relationship

The valuation techniques and inputs depend on the type of derivative and the nature of the underlying instrument. Exchange-traded derivatives that are valued using quoted prices are classified within level 1 of the fair value hierarchy.

For those derivative contracts without quoted market prices, fair value is based on internal valuation techniques using inputs that are readily observable and that can be validated by information available in the market. The principal technique used to value these instruments is the discounted cash flow model and the key inputs considered in this technique include interest rate yield curves and foreign exchange rates. These derivatives are classified within level 2 of the fair value hierarchy.

The fair value adjustments applied by the Bank to its derivative carrying amounts include credit valuation adjustments ("Credit and Debit Value Adjustment" CVA / DVA), which are applied to OTC derivative instruments, in which the base valuation generally discounts expected cash flows using the Overnight Index Swap interest rate curves. Because not all counterparties have the same credit rating, valuation adjustments are necessary to incorporate the market view of both the counterparty's credit risk and the Bank's own credit risk.

Own-credit and counterparty (DVA and CVA) are determined using a fair value curve consistent with the Bank's or counterparty credit rating. These adjustments are designed to incorporate a market view of the credit risk inherent in the derivative portfolio. However, most of the Bank's derivative instruments are negotiated bilateral contracts and are not commonly transferred to third parties. Derivative instruments are normally settled contractually, or if terminated early, are terminated at a value negotiated bilaterally between the counterparties. Therefore, the CVA or DVA (both counterparty and own-credit) may not be realized upon a settlement or termination in the normal course of business. In addition, all or a portion of these adjustments may be reversed or otherwise adjusted in future periods in the event of changes in the credit risk of the Bank or its counterparties or due to the anticipated termination of the transactions.

Financial instruments assets and liabilities recognized and designated as hedged items that qualify as a fair value hedging relationship are measured at amortized cost and adjusted for the effect of the risks covered in the hedging relationship.

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*(Amounts expressed in thousands of U.S. dollars, unless otherwise indicated)***7. Fair value of financial instruments (continued)****A. Measured at fair value (continued)**

Financial instruments measured at fair value by caption on the consolidated statement of financial position using the fair value hierarchy are described below:

	December 31, 2025			Total
	Level 1	Level 2	Level 3	
Assets				
Loans at FVOCI	—	77,240	—	77,240
Securities and other financial assets:				
Securities at FVOCI - Corporate debt	—	69,476	—	69,476
Total securities and other financial assets	—	146,716	—	146,716
Derivative financial instruments - assets:				
For trading				
Interest rate swaps	—	1,569	—	1,569
For hedging				
Interest rate swaps	—	26,075	—	26,075
Cross-currency swaps	—	43,762	—	43,762
Total derivative financial instrument assets	—	71,406	—	71,406
Total assets at fair value	—	218,122	—	218,122
Liabilities				
Derivative financial instruments - liabilities:				
For trading				
Interest rate swaps	—	(433)	—	(433)
For hedging				
Interest rate swaps	—	(5,435)	—	(5,435)
Cross-currency swaps	—	(57,027)	—	(57,027)
Foreign exchange forwards	—	(44)	—	(44)
Total derivative financial instruments - liabilities	—	(62,939)	—	(62,939)
Total liabilities at fair value	—	(62,939)	—	(62,939)

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*(Amounts expressed in thousands of U.S. dollars, unless otherwise indicated)***7. Fair value of financial instruments (continued)****A. Measured at fair value (continued)**

	December 31, 2024			
	Level 1	Level 2	Level 3	Total
Assets				
Securities and other financial assets:				
Securities at FVOCI - Corporate debt	—	99,486	—	99,486
Total securities and other financial assets	—	99,486	—	99,486
Derivative financial instruments - assets:				
For hedging				
Interest rate swaps	—	10,805	—	10,805
Cross-currency swaps	—	11,510	—	11,510
Total derivative financial instrument assets	—	22,315	—	22,315
Total assets at fair value	—	121,801	—	121,801
Liabilities				
Derivative financial instruments - liabilities:				
For hedging				
Interest rate swaps	—	2,667	—	2,667
Cross-currency swaps	—	139,038	—	139,038
Total derivative financial instruments - liabilities	—	141,705	—	141,705
Total liabilities at fair value	—	141,705	—	141,705

Fair value calculations are provided only for a limited portion of assets and liabilities. Due to the wide range of valuation techniques and the degree of subjectivity used for estimates, comparisons of fair value information disclosed by the Bank with those of other companies may not be meaningful for comparative analysis.

B. Not measured at fair value

The following methods and inputs were used by the Bank's management in estimating the fair values of financial instruments not measured at fair value:

Financial instruments with carrying value that approximates fair value

The carrying value of certain financial assets, including cash and due from banks, customers' liabilities under acceptances and certain financial liabilities including customer demand and time deposits, securities sold under repurchase agreements and acceptances outstanding, due to their short-term nature, is considered to approximate their fair value. These instruments are classified in Level 2.

Financial instruments measured at amortized cost

The fair value of financial instruments measured at amortized cost is valued using quoted market prices. If quoted market prices are not available, then fair values are estimated based upon quoted prices for similar instruments. When prices for similar instruments are not available, then fair values are estimated by using discounted cash flow models using interest rate yield curves and other market rates. Such instruments are classified in levels 2 and 3.

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(Amounts expressed in thousands of U.S. dollars, unless otherwise indicated)

7. Fair value of financial instruments (continued)

B. Not measured at fair value (continued)

The following table provides information on the carrying value and the estimated fair value of the Bank's financial instruments that are not measured at fair value:

	December 31, 2025				
	Carrying value	Fair value	Level 1	Level 2	Level 3
Assets					
Cash and deposits in banks	1,923,731	1,923,731	—	1,923,731	—
Securities at amortized cost ⁽¹⁾	1,359,514	1,375,788	—	1,375,788	—
Loans at amortized cost ⁽²⁾	9,064,428	9,319,038	—	9,319,038	—
Customers' liabilities under acceptances	161,597	161,597	—	161,597	—
Liabilities					
Customer deposits	6,640,290	6,640,290	—	6,640,290	—
Securities sold under repurchase agreements	130,509	130,509	—	130,509	—
Borrowings and debt, net	4,030,389	4,071,789	—	4,071,789	—
Acceptances outstanding	161,597	161,597	—	161,597	—
December 31, 2024					
	Carrying value	Fair value	Level 1	Level 2	Level 3
Assets					
Cash and deposits in banks	1,965,145	1,965,145	—	1,965,145	—
Securities at amortized cost ⁽¹⁾	1,102,444	1,102,386	—	1,102,386	—
Loans at amortized cost ⁽²⁾	8,383,829	8,573,655	—	8,573,655	—
Customers' liabilities under acceptances	245,065	245,065	—	245,065	—
Liabilities					
Customer deposits	5,461,901	5,461,901	—	5,461,901	—
Securities sold under repurchase agreements	214,035	214,035	—	214,035	—
Borrowings and debt, net	4,388,720	4,421,770	—	4,421,770	—
Acceptances outstanding	245,065	245,065	—	245,065	—

⁽¹⁾ The carrying value of securities at amortized cost is net of accrued interest receivable of \$14.8 million and the allowance for ECL of \$1 million as of December 31, 2025 (accrued interest receivable of \$13.2 million and the allowance for expected credit losses of \$1.3 million as of December 31, 2024).

⁽²⁾ The carrying value of loans at amortized cost is net of accrued interest receivable of \$87.8 million, the allowance for expected credit losses of \$93.8 million and unearned interest and deferred fees of \$34.3 million as of December 31, 2025 (accrued interest receivable of \$117.9 million, the allowance for expected credit losses of \$78.2 million and unearned interest and deferred fees of \$31.1 million as of December 31, 2024).

Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries

Notes to the consolidated financial statements

*(Amounts expressed in thousands of U.S. dollars, unless otherwise indicated)***8. Cash and due from banks**

The following table presents the details of interest-bearing deposits in banks and restricted deposits:

	December 31,	
	2025	2024
Demand deposits ⁽¹⁾	1,767,208	1,694,931
Time deposits under three months	75,000	125,000
Total cash and cash equivalents	1,842,208	1,819,931
Time deposits with original maturity over 90 days and other restricted deposits ⁽²⁾	80,954	143,907
Total cash and due from banks	1,923,162	1,963,838
Interest receivable deposits	724	1,307
Total cash and due from banks and interest	1,923,886	1,965,145
Less: Loss allowance	(155)	—
Total cash and due from banks, net	1,923,731	1,965,145

The following table presents the pledged and restricted deposits classified by country risk:

	December 31,	
	2025	2024
Country:		
Chile ⁽²⁾	28,000	20,000
Germany	12,114	29,263
Japan	15,860	18,120
Panama	1,600	1,600
Spain	—	10,300
United Kingdom	—	254
United States of America ⁽²⁾	23,380	64,370
Total	80,954	143,907

(1) Demand deposits includes \$1,734 million (December 31, 2024: \$1,021 million) at Federal Reserve of United States of America.

(2) As of December 31, 2025 includes restricted deposits of \$28 million (2024: \$25 million), with the New York State Department of Financial Services under March 1994 legislation.

The following table shows cash and deposits in local and foreign banks, based on the ratings assigned by the rating agencies:

	December 31,	
	2025	2024
Credit rating:		
Aaa-Aa3	1,739,387	1,418,861
A1-A3	94,735	414,903
Baa1-Baa3	77,952	129,362
Ba1-Ba3	200	110
B1-B3	—	5
Caa1-Caa3	75	—
No rating	10,813	597
	1,923,162	1,963,838

Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries

Notes to the consolidated financial statements

(Amounts expressed in thousands of U.S. dollars, unless otherwise indicated)

9. Investment securities

Investment securities are presented as follows:

	December 31, 2025	Amortized cost	FVOCI ⁽¹⁾	Total
Principal		1,345,742	68,892	1,414,634
Interest receivable		14,755	584	15,339
Gross amount		1,360,497	69,476	1,429,973
Loss allowance ⁽¹⁾		(983)	—	(983)
Total		1,359,514	69,476	1,428,990
	December 31, 2024	Amortized cost	FVOCI ⁽¹⁾	Total
Principal		1,090,577	98,748	1,189,325
Interest receivable		13,178	738	13,916
Gross amount		1,103,755	99,486	1,203,241
Loss allowance ⁽¹⁾		(1,311)	—	(1,311)
Total		1,102,444	99,486	1,201,930

⁽¹⁾ As of December 31, 2025 and 2024, the loss allowance for securities at FVOCI for \$16 thousand and \$23 thousand, respectively are included in equity in the consolidated statement of financial position in the line Other comprehensive income.

Securities by contractual maturity are shown in the following table:

	December 31, 2025	Amortized cost	FVOCI	Total
Due within 1 year		372,910	55,540	428,450
After 1 to 5 years		951,261	13,352	964,613
After 5 to 10 years		21,571	—	21,571
Balance - principal		1,345,742	68,892	1,414,634
	December 31, 2024	Amortized cost	FVOCI	Total
Due within 1 year		223,174	30,029	253,203
After 1 to 5 years		838,893	68,719	907,612
After 5 to 10 years		28,510	—	28,510
Balance - principal		1,090,577	98,748	1,189,325

The following table includes the securities pledged to secure repurchase transactions (see Note 18):

	December 31,	
	2025	2024
Securities pledged to secure repurchase transactions	147,480	239,046
Securities sold under repurchase agreements	(130,509)	(214,035)

During the year ended December 31, 2025, investment securities with a significant increase in their credit risk through the period were sold by \$19.9 million. These sales resulted in a charge against loss allowances of \$47 thousand and losses on sale of \$541 thousand, attributable to market risk. During 2024, no sales of investments classified at amortized cost were carried out.

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Notes to the consolidated financial statements

*(Amounts expressed in thousands of U.S. dollars, unless otherwise indicated)***10. Loans**

The following table presents the loan portfolio according to its classification and subsequent measurement:

	December 31, 2025		
	Amortized cost	FVOCI ⁽¹⁾	Total
Loans - principal balance	9,104,725	76,576	9,181,301
Interest receivable	87,837	982	88,819
Unearned interest and deferred fees	(34,326)	(318)	(34,644)
Gross balance	9,158,236	77,240	9,235,476
Loss allowances	(93,808)	—	(93,808)
Loans, net	9,064,428	77,240	9,141,668
	December 31, 2024		
	Amortized cost	FVOCI ⁽¹⁾	Total
Loans - principal balance	8,375,172	—	8,375,172
Interest receivable	117,931	—	117,931
Unearned interest and deferred fees	(31,116)	—	(31,116)
Gross balance	8,461,987	—	8,461,987
Loss allowances	(78,158)	—	(78,158)
Loans, net	8,383,829	—	8,383,829

⁽¹⁾ As of December 31, 2025, the loss allowance for loans at FVOCI for \$468 thousand are included in equity in the consolidated statement of financial position in the line Other comprehensive income.

As of December 31, 2025, the Bank sold loans measured at FVTPL for \$142 million, realizing a gain of \$1.8 million; \$50 million measured at FVOCI, realizing a gain of \$765 thousand; and \$15 million measured at amortized cost with a gain of \$105 thousand, all recognized under the line item Gain (loss) on financial instruments, net.

The fixed and floating interest rate distribution of the loan portfolio is as follows:

	December 31,	
	2025	2024
Fixed interest rate	5,065,160	4,932,569
Floating interest rates	4,170,316	3,529,418
Total	9,235,476	8,461,987

As of December 31, 2025, 70% (2024: 75%) of the loan portfolio at fixed interest rates has remaining maturities of less than 180 days. Interest rates on loans range from 3.70% to 16.28% (2024: 4.63% to 16.28%).

Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries

Notes to the consolidated financial statements

*(Amounts expressed in thousands of U.S. dollars, unless otherwise indicated)***11. Loan commitments and financial guarantee contracts**

In the normal course of business, to meet the financing needs of its customers, the Bank is party to loan commitments and financial guarantee contracts. These instruments involve, to varying degrees, elements of credit and market risk in excess of the amount recognized in the consolidated statement of financial position. Credit risk represents the possibility of loss resulting from the failure of a customer to perform in accordance with the terms of a contract.

The Bank's outstanding loan commitments and financial guarantee contracts are as follows:

	December 31,	
	2025	2024
Documentary letters of credit	240,120	536,350
Stand-by letters of credit and guarantees - commercial risk	836,434	520,285
Loans commitments	720,435	348,223
Letters of credit commitments	43,668	9,522
Total	1,840,657	1,414,380

The remaining maturity profile of the Bank's outstanding loan commitments and financial guarantee contracts is as follows:

	December 31,	
	2025	2024
Up to 1 year	1,331,002	1,160,323
From 1 to 2 years	213,223	145,127
Over 2 to 5 years	262,861	100,643
More than 5 years	33,571	8,287
Total	1,840,657	1,414,380

Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries

Notes to the consolidated financial statements

*(Amounts expressed in thousands of U.S. dollars, unless otherwise indicated)***12. Gain (loss) on financial instruments, net**

The amounts that were recognized in the consolidated statement of profit or loss related to the results of financial instruments are detailed below:

	December 31,		
	2025	2024	2023
Realized gain (loss) on sale of financial instruments			
Loans			
At amortized cost	105	—	24
At fair value through profit and loss	1,777	251	—
At fair value through other comprehensive income	765	69	—
Investment Securities			
At amortized cost	(541)	—	(3,882)
At fair value through profit and loss	(220)	63	2,325
At fair value through other comprehensive income	2,392	—	—
Trading derivatives			
Realized gain on trading derivatives	3	—	—
Other financial instruments			
Gain (loss) on derivative financial instruments and foreign currency exchange, net	2,393	(455)	1,501
Total realized gain (loss) on financial instruments	6,674	(72)	(32)
Unrealized gain (loss) on financial instruments			
Trading derivatives	1,134	—	—
Other trading financial instruments	423	(411)	(13)
Total unrealized gain (loss) on financial instruments	1,557	(411)	(13)
Total gain (loss) on financial instruments, net	8,231	(483)	(45)

During the year ended December 31, 2025, the Bank executed specific sales of investments and loans classified at amortized cost as a result of a significant deterioration in the credit risk profile of such instruments, which no longer met the eligibility criteria established in the Bank's investment and risk management policies.

Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries

Notes to the consolidated financial statements

*(Amounts expressed in thousands of U.S. dollars, unless otherwise indicated)***13. Derivative financial instruments****A. Trading derivatives financial instruments**

The following table details quantitative information on the notional amount and carrying amount of trading derivative instruments:

	December 31, 2025	
	Notional amount	Carrying amount of trading derivative
		Asset
Interest Rate Swap	536,716	1,569 (433)
	536,716	1,569 (433)

	December 31, 2025		
		Interest rate swap	Total
		Over 2 to 5 years	286,716
More than 5 years	250,000	250,000	
Total	536,716	536,716	

As of December 31, 2024, the entity did not hold any trading derivative instruments.

B. Hedging derivative financial instruments

The following table details quantitative information on the notional amounts and carrying amounts of the derivative instruments used for hedging by type of risk hedged and type of hedge:

	December 31, 2025	
	Notional amount ⁽²⁾	Carrying amount of hedging instruments
		Asset ⁽¹⁾
Interest rate risk		
Fair value hedges	1,217,765	26,075 (5,435)
Interest rate and foreign exchange risk		
Fair value hedges	204,032	13,012 (9,730)
Cash flow hedges	1,113,263	30,750 (47,297)
Foreign exchange risk		
Cash flow hedges	7,039	— (44)
	2,542,099	69,837 (62,506)

Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries

Notes to the consolidated financial statements

*(Amounts expressed in thousands of U.S. dollars, unless otherwise indicated)***13. Derivative financial instruments (continued)****B. Hedging derivative financial instruments (continued)**

	December 31, 2024		
	Notional amount ⁽²⁾	Carrying amount of hedging instruments	
		Asset ⁽¹⁾	Liability ⁽¹⁾
Interest rate risk			
Fair value hedges	1,132,827	10,805	(2,667)
Interest rate and foreign exchange risk			
Fair value hedges	186,288	—	(13,196)
Cash flow hedges	1,205,427	11,510	(125,842)
	2,524,542	22,315	(141,705)

(1) Included in the consolidated statement of financial position under the line Hedging derivative financial instruments - assets or liabilities.

(2) At December 31, 2025 the notional amounts of derivative financial instruments include \$1,234.5 million (2024: \$639.6 million) of interest rate swaps and cross currency interest rate swaps, which were designated in aggregate exposure hedges hedging underlying assets totaling \$1,217.4 million (2024: \$307.8 million).

As part of financial risk management, the Bank has used the following hedging relationships:

- Fair value hedges;
- Cash flow hedges, and
- Net investment hedges.

For control purposes, derivative instruments are recorded at their notional amount in control accounts. Interest rate swaps are made either in a single currency or cross currency for a prescribed period to exchange a series of interest rate flows, which involve fixed for floating interest payments, and vice versa. The Bank also engages in certain foreign exchange forward contracts to serve customers' transaction needs and to manage foreign currency risk. All such positions are hedged with an offsetting contract for the same currency.

The Bank manages and controls the risks on these foreign exchange hedges by establishing counterparty credit limits by customer and by adopting policies that do not allow maintaining open positions in excess of the limits established by Management. The Bank also has used foreign exchange forward contracts to hedge the foreign exchange risk associated with the Bank's equity investment in a non-U.S. dollar functional currency foreign entity. Derivative and foreign exchange forward instruments negotiated by the Bank are executed mainly over-the-counter (OTC). These contracts are executed between two counterparties that negotiate specific agreement terms, including notional amount, exercise price and maturity.

Fair value hedges

This type of hedge is used to mitigate the risk of changes in foreign exchange currency rates, as well as changes in interest rate risk. Within the derivative financial instruments used by the Bank for fair value hedging are interest rate swap contracts whereby a series of interest rate flows in a single currency are exchanged over a prescribed period and cross currency swaps contracts that generally involve the exchange of both interest and principal amounts in two different currencies.

Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries

Notes to the consolidated financial statements

*(Amounts expressed in thousands of U.S. dollars, unless otherwise indicated)***13. Derivative financial instruments (continued)****B. Hedging derivative financial instruments (continued)**

The Bank's exposure to interest rate risk is disclosed in Note 5(C)(i). Interest rate risk to which the Bank applies hedge accounting arises from fixed and floating open positions, whose fair value fluctuates when benchmark interest rates change. The Bank hedges interest rate risk only to the extent of benchmark interest rates because the changes in fair value of a fixed-rate note or loan are significantly influenced by changes in the benchmark interest rate (USD LIBOR or SOFR). Hedge accounting is applied where economic hedging relationships meet the hedge accounting criteria.

Before fair value hedge accounting is applied by the Bank, the Bank determines whether an economic relationship between the hedged item and the hedging instrument exists based on an assessment of the qualitative characteristics of these items and the hedged risk that is supported by quantitative analysis. The Bank considers whether the critical terms of the hedged item and hedging instrument closely align when assessing the presence of an economic relationship. The Bank assesses whether the fair value of the hedged item and the hedging instrument respond similarly to similar risks. The Bank further supports this qualitative assessment by using sensitivity analysis applying a dollar-offset methodology to assess whether the hedging instrument is expected to be and has been highly effective in offsetting changes in the fair value of the hedged item. The sources of ineffectiveness mainly come from forward rates, discount rates and cross currency basis (cost of the operation).

The Bank maintains as part of its risk management, second level fair value hedges composed of combined derivative and non-derivative exposures (aggregate exposures). The components comprising such aggregate exposures are previously designated under cash flow hedging relationships.

The following table details the notional amounts and carrying amounts of derivative instruments used in fair value hedges by type of risk and hedged item, along with the changes during the years used to determine and recognize the ineffectiveness of the hedge:

	December 31, 2025				
	Notional amount	Carrying amount of hedging instruments		Changes in fair value used to calculate hedge ineffectiveness ⁽²⁾	Ineffectiveness recognized in profit or loss ⁽²⁾
		Asset ⁽¹⁾	Liability ⁽¹⁾		
Interest rate risk					
Loans	25,000	—	(644)	(636)	(29)
Securities at amortized cost	164,600	—	(4,383)	(2,932)	655
Customer deposits	60,000	270	—	384	(7)
Repurchase agreements	60,485	147	(395)	9	(65)
Borrowings and debt	907,680	25,658	(13)	14,279	263
Interest rate and foreign exchange risk					
Loans	11,938	—	(742)	(648)	74
Borrowings and debt	192,094	13,012	(8,988)	16,553	(431)
Total	1,421,797	39,087	(15,165)	27,009	460

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Notes to the consolidated financial statements

(Amounts expressed in thousands of U.S. dollars, unless otherwise indicated)

13. Derivative financial instruments (continued)
B. Hedging derivative financial instruments (continued)

December 31, 2024					
	Notional amount	Carrying amount of hedging instruments		Changes in fair value used to calculate hedge ineffectiveness ⁽²⁾	Ineffectiveness recognized in profit or loss ⁽²⁾
		Asset ⁽¹⁾	Liability ⁽¹⁾		
Interest rate risk					
Customer deposits	131,000	1,235	(164)	(127)	(142)
Repurchase agreements	68,985	210	(592)	71	14
Borrowings and debt	932,842	9,360	(1,911)	(5,911)	(516)
Interest rate and foreign exchange risk					
Borrowings and debt	186,288	—	(13,196)	(28,571)	1,074
Total	1,319,115	10,805	(15,863)	(34,538)	430

⁽¹⁾ Included in the consolidated statement of financial position under the line Hedging derivative financial instruments - assets or liabilities.

⁽²⁾ Included in the consolidated statement of profit or loss under the line Gain (loss) on financial instruments, net.

The following table details the carrying amounts of the fair value hedged items by type of risk and hedged item, along with the changes during the period used to determine and recognize the ineffectiveness of the hedge:

December 31, 2025					
	Carrying amount of hedged items		Line in the consolidated statement of financial position that includes the carrying amount of the hedged items	Accumulated amount of fair value hedge adjustments included in the carrying amount of the hedged items	Change in fair value of the hedged items used to calculate hedge ineffectiveness ⁽¹⁾
	Asset	Liability			
Interest rate risk					
Loans	25,938	—	Loans, net	607	607
Securities at amortized cost	169,643	—	Securities, net	3,587	3,587
Customer deposits	—	(60,477)	Customer deposits	(273)	(391)
Repurchase agreements	—	(61,027)	Securities sold under	(168)	(74)
Borrowings and debt	—	(301,065)	Borrowings and debt, net	(10,171)	(14,016)
Interest rate and foreign exchange risk					
Loans	12,117	—	Loans, net	722	722
Borrowings and debt	—	(196,801)	Borrowings and debt, net	(2,669)	(16,984)
Total	207,698	(619,370)		(8,365)	(26,549)

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Notes to the consolidated financial statements

(Amounts expressed in thousands of U.S. dollars, unless otherwise indicated)

13. Derivative financial instruments (continued)

B. Hedging derivative financial instruments (continued)

December 31, 2024					
	Carrying amount of hedged items		Line in the consolidated statement of financial position that includes the carrying amount of the hedged items	Accumulated amount of fair value hedge adjustments included in the carrying amount of the hedged items	Changes in fair value of the hedged items used to calculate hedge ineffectiveness ⁽¹⁾
	Asset	Liability			
Interest rate risk					
Customer deposits	—	(132,667)	Customer deposits	(26)	(15)
Repurchase agreements	—	(69,443)	Securities sold under	(57)	(57)
Borrowings and debt	—	(319,174)	Borrowings and debt, net	3,860	5,395
Interest rate and foreign exchange risk					
Borrowings and debt	—	(173,469)	Borrowings and debt, net	14,316	29,645
Total	—	(694,753)		18,093	34,968

⁽¹⁾ Included in the consolidated statement of profit or loss under the line Gain (loss) on financial instruments, net.

The following table details the maturity of the notional amount for the derivative instruments used in fair value hedges:

December 31, 2025			
	Interest rate swaps	Cross currency swaps	Total
Up to 1 year	374,769	19,882	394,651
From 1 to 2 years	298,293	122,176	420,469
Over 2 to 5 years	515,435	51,849	567,284
More than 5 years	29,268	10,125	39,393
Total	1,217,765	204,032	1,421,797

December 31, 2024			
	Interest rate swaps	Cross currency swaps	Total
Up to 1 year	115,263	—	115,263
From 1 to 2 years	383,268	19,882	403,150
Over 2 to 5 years	605,028	156,281	761,309
More than 5 years	29,268	10,125	39,393
Total	1,132,827	186,288	1,319,115

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Notes to the consolidated financial statements

*(Amounts expressed in thousands of U.S. dollars, unless otherwise indicated)***13. Derivative financial instruments (continued)****B. Hedging derivative financial instruments (continued)**

The following table details the ineffectiveness recognized in profit or loss for the derivative instruments used in fair value hedges:

	December 31, 2025		
	Current	Matured	Total
Ineffectiveness recognized in profit or loss			
Interest rate risk			
Loans	(29)	—	(29)
Securities at amortized cost	655	—	655
Customer deposits	(7)	—	(7)
Repurchase agreements	(65)	(28)	(93)
Borrowings and debt	263	144	407
Interest rate and foreign exchange risk			
Loans	74	—	74
Borrowings and debt	(431)	—	(431)
Total	460	116	576
December 31, 2024			
	Current	Matured	Total
Ineffectiveness recognized in profit or loss			
Interest rate risk			
Loans	—	4	4
Securities at amortized cost	—	(58)	(58)
Customer deposits	(142)	(10)	(152)
Repurchase agreements	14	—	14
Borrowings and debt	(516)	6	(510)
Interest rate and foreign exchange risk			
Loans	—	(1)	(1)
Borrowings and debt	1,074	127	1,201
Total	430	68	498

Cash flow hedges

This type of hedge is used to mitigate the risk of changes in foreign exchange currency rates, as well as changes in interest rate risk, that could include variability in the future cash flows. Within the derivative financial instruments used by the Bank for cash flow hedging are interest rate swaps contracts whereby a series of interest rate flows in a single currency are exchanged over a prescribed period, cross currency swaps contracts that generally involve the exchange of both interest and principal amounts in two different currencies, and foreign exchange forward contracts, which are agreements to purchase or sell foreign currency at a future date at agreed-upon terms.

The Bank's exposure to market risk is disclosed in Note 5 (C) (i) and (ii). The Bank determines the amount of the exposure to which it applies hedge accounting by assessing the potential impact of changes in interest rates and foreign currency exchange rates on the future cash flows. This assessment is performed using analytical techniques, such as cash flow sensitivity analysis. As noted above for fair value hedges, by using derivative financial instruments to hedge exposures to changes in interest rates and foreign currency exchange rates, the Bank exposes itself to credit risk of the counterparties to the derivatives, which is not offset by the hedged items. This exposure is managed similarly to that of fair value hedges.

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Notes to the consolidated financial statements

(Amounts expressed in thousands of U.S. dollars, unless otherwise indicated)

13. Derivative financial instruments (continued)

B. Hedging derivative financial instruments (continued)

- (1) Included in the consolidated statement of financial position under the line Hedging derivative financial instruments - assets or liabilities.
- (2) Included in equity in the consolidated statement of financial position under the line Other comprehensive income (loss).
- (3) Hedge ineffectiveness attributable to matured hedges included in the consolidated statement of profit or loss in the line Gain (loss) on financial instruments, net.
- (4) Hedging reserve attributable to expired hedges reclassified to the consolidated statement of profit or loss in the line Gain (loss) on financial instruments, net.

The following table details the carrying amounts of the cash flow hedged items by type of risk and hedged item, along with the changes during the period used to determine and recognize the ineffectiveness of the hedge:

December 31, 2025					
	Carrying amount of hedged items		Line in the consolidated statement of financial position that includes the carrying amount of the hedged items	Changes in the fair value of the hedged items used to calculate the hedge ineffectiveness	Cash flow hedge reserve
	Asset	Liability			
Interest rate and foreign exchange risk					
Loans	21,191	—	Loans, net	1,810	61
Borrowings and debt	—	(1,101,787)	Borrowings and debt, net	(100,248)	(1,332)
Foreign exchange risk					
Loans	7,077	—	Loans, net	44	(29)
Total	28,268	(1,101,787)		(98,394)	(1,300)
December 31, 2024					
	Carrying amount of hedged items		Line in the consolidated statement of financial position that includes the carrying amount of the hedged items	Changes in the fair value of the hedged items used to calculate the hedge ineffectiveness	Cash flow hedge reserve
	Asset	Liability			
Interest rate and foreign exchange risk					
Loans	19,964	—	Loans, net	(1,256)	37
Borrowings and debt	—	(1,087,247)	Borrowings and debt, net	163,797	(895)
Total	19,964	(1,087,247)		162,541	(858)

Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries

Notes to the consolidated financial statements

*(Amounts expressed in thousands of U.S. dollars, unless otherwise indicated)***13. Derivative financial instruments (continued)****B. Hedging derivative financial instruments (continued)**

The following table details the maturity of the derivative instruments used in cash flow hedges:

	December 31, 2025		
	Foreign exchange forward contract	Cross currency swaps	Total
Up to 1 year	7,039	324,098	331,137
From 1 to 2 years	—	116,762	116,762
Over 2 to 5 years	—	643,135	643,135
More than 5 years	—	29,268	29,268
Total	7,039	1,113,263	1,120,302

	December 31, 2024		
	Foreign exchange forward contract	Cross currency swaps	Total
Up to 1 year	—	454,581	454,581
From 1 to 2 years	—	303,441	303,441
Over 2 to 5 years	—	418,137	418,137
More than 5 years	—	29,268	29,268
Total	—	1,205,427	1,205,427

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Notes to the consolidated financial statements

*(Amounts expressed in thousands of U.S. dollars, unless otherwise indicated)***13. Derivative financial instruments (continued)****B. Hedging derivative financial instruments (continued)**

The following table details the ineffectiveness recognized in profit or loss for the derivative instruments used in cash flow hedges:

	December 31, 2025		
	Current	Overdue	Total
Ineffectiveness recognized in profit or loss			
Interest rate and foreign exchange risk			
Loans	—	(44)	(44)
Borrowings and debt	554	(466)	88
Foreign exchange risk			
Loans	—	(278)	(278)
Customer deposits	—	3	3
Borrowings and debt	—	22	22
Total	554	(763)	(209)
December 31, 2024			
Ineffectiveness recognized in profit or loss			
Interest rate and foreign exchange risk			
Loans	2	24	26
Borrowings and debt	(621)	99	(522)
Total	(619)	123	(496)

14. Equipment, right-of-use assets and leasehold improvements, net

The following table provides a summary of the items included in equipment, right-of-use and leasehold improvements:

	December 31,	
	2025	2024
Equipment and leasehold improvements, net	5,326	4,509
Right-of-use assets	14,347	15,167
	19,673	19,676

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Notes to the consolidated financial statements

(Amounts expressed in thousands of U.S. dollars, unless otherwise indicated)

14. Equipment, right-of-use assets and leasehold improvements (continued)

Equipment, right-of-use assets and leasehold improvements are detailed as follows:

	IT equipment	Furniture and fixtures	Leasehold improvements	Other equipment	Right-of-use assets	Total
Cost:						
Balance as of January 1, 2023	3,941	1,808	8,301	717	17,503	32,270
Additions and reclassifications	369	92	124	176	1,388	2,149
Disposals	(28)	(83)	(117)	(49)	(1,216)	(1,493)
Effect of movement in exchange rates	5	3	5	—	—	13
Balance as of December 31, 2023	4,287	1,820	8,313	844	17,675	32,939
Additions and reclassifications	632	274	768	139	3,623	5,436
Disposals	(157)	(50)	(72)	(3)	(36)	(318)
Effect of movement in exchange rates	(15)	(13)	(35)	—	—	(63)
Balance as of December 31, 2024	4,747	2,031	8,974	980	21,262	37,994
Additions and reclassifications	604	594	1,070	178	506	2,952
Disposals	(158)	(101)	—	(7)	(113)	(379)
Effect of movement in exchange rates	8	8	26	—	—	42
Balance as of December 31, 2025	5,201	2,532	10,070	1,151	21,655	40,609
Accumulated depreciation:						
Balance as of January 1, 2023	3,142	1,636	4,906	642	4,662	14,988
Depreciation and amortization for the year	449	54	589	69	1,119	2,280
Disposals	(25)	(83)	(117)	(49)	(859)	(1,133)
Effect of movement in exchange rates	4	1	5	—	—	10
Balance as of December 31, 2023	3,570	1,608	5,383	662	4,922	16,145
Depreciation and amortization for the year	456	84	684	72	1,203	2,499
Disposals	(161)	(53)	(55)	(1)	(30)	(300)
Effect of movement in exchange rates	(8)	(7)	(11)	—	—	(26)
Balance as of December 31, 2024	3,857	1,632	6,001	733	6,095	18,318
Depreciation and amortization for the year	477	166	882	116	1,213	2,854
Disposals	(154)	(91)	—	(6)	—	(251)
Effect of movement in exchange rates	4	2	9	—	—	15
Balance as of December 31, 2025	4,184	1,709	6,892	843	7,308	20,936
Carrying amounts as of:						
December 31, 2025	1,017	823	3,178	308	14,347	19,673
December 31, 2024	890	399	2,973	247	15,167	19,676
December 31, 2023	717	212	2,930	182	12,753	16,794

The Bank leases office spaces in buildings. The lease of head office space typically runs for a period of 15 years, and for the representative offices from 3 to 5 years. Some leases include an option to renew the lease for a similar additional period after the end of the contract term.

During the period ended December 31, 2025, disposals of fixed assets and leasehold improvements were made for a net amount of \$15 thousand (2024: \$12 thousand). Additionally, during the period 2024, a lease contract was closed that generated an adjustment in the right-of-use assets and the lease liability for a net amount of \$6 thousand.

During the period 2025, an amount of \$1.1 million (2024: \$1 million) was reclassified from Other assets to Equipment, leases and leasehold improvements, corresponding to projects under development that met the capitalization criteria and were therefore capitalized in accordance with the Bank's accounting policies.

Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries

Notes to the consolidated financial statements

*(Amounts expressed in thousands of U.S. dollars, unless otherwise indicated)***15. Intangible assets**

A breakdown of software cost, accumulated amortization, additions, sales and disposals of intangible assets is as follows:

Costs:	2025	2024	2023
Balance as of January 1	14,163	12,041	10,856
Additions and reclassifications	9,059	2,122	1,335
Disposals	—	—	(150)
Balance as of December 31	23,222	14,163	12,041
 Accumulated amortization:			
Balance as of January 1	10,500	9,436	8,752
Amortization	1,978	1,064	814
Disposals	—	—	(130)
Balance as of December 31	12,478	10,500	9,436
 Net carrying amounts	10,744	3,663	2,605

The expenses related to the amortization of intangible assets are recognized as amortization of intangible assets in the consolidated statement of profit or loss.

During the period 2025, an amount of \$7.5 million (2024: \$1.6 million) was reclassified from Other assets to Intangible assets, corresponding to projects under development that met the capitalization criteria and were therefore capitalized in accordance with the Bank's accounting policies.

16. Other assets

Following is a summary of other assets:

	December 31,	
	2025	2024
Accounts receivable financial instruments	5,480	2,996
Prepaid expenses	1,173	3,342
Prepaid fees and commissions	567	468
IT projects under development	9,755	5,113
Improvement project under development	1,710	709
Severance fund	2,934	2,508
Other	6,965	1,914
Total	28,584	17,050

Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries

Notes to the consolidated financial statements

(Amounts expressed in thousands of U.S. dollars, unless otherwise indicated)

17. Customer deposits

Following is a summary of customer deposits:

	December 31,	
	2025	2024
Demand deposits	698,570	440,029
Time deposits	5,905,646	4,972,695
	6,604,216	5,412,724
Interest payable	36,074	49,177
Total	6,640,290	5,461,901

The remaining and contractual maturity profile of the Bank's deposits, excluding interest payable, is as follows:

	Remaining Term		Original Term	
	December 31,		December 31,	
	2025	2024	2025	2024
Demand	698,570	440,029	698,570	440,029
Up to 1 month	3,110,156	2,797,904	2,033,327	1,793,178
From 1 to 3 months	1,331,165	1,162,833	1,291,076	999,506
From 3 to 6 months	732,639	585,542	1,420,130	1,092,876
From 6 months to 1 year	487,901	342,460	824,770	901,145
From 1 to 2 years	217,045	73,642	303,104	158,621
From 2 to 5 years	26,740	10,314	33,239	27,369
Total	6,604,216	5,412,724	6,604,216	5,412,724

The following table presents additional information regarding the Bank's deposits:

	December 31,	
	2025	2024
Aggregate amount of \$100,000 or more	6,603,585	5,411,881
Aggregate amount of deposits in the New York Agency	1,891,001	1,581,865
	December 31,	
	2025	2024
Interest expense on deposits made in the New York Agency	75,285	88,668
	2023	2022
	53,885	53,885

18. Securities sold under repurchase agreements

The following table details the financing transactions under repurchase agreements and the associated interest expense:

	December 31,		
	2025	2024	2023
Financing under repurchase agreement	129,698	212,931	310,197
Interest payable	811	1,104	4,237
Total financing under repurchase agreement	130,509	214,035	314,434
Interest expense related to repurchase agreements	8,485	11,675	9,232

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Notes to the consolidated financial statements

*(Amounts expressed in thousands of U.S. dollars, unless otherwise indicated)***18. Securities sold under repurchase agreements (continued)**

Financing contracts under repurchase agreements generate interest ranging from 4.20% to 5.36% (December 31, 2024: 4.49% to 5.36%) with several maturities up to October 16, 2026.

As indicated in Note 9, as of December 31, 2025, the repurchase agreements were secured by investments classified as amortized cost by the amount of \$147 million (2024: \$239 million).

19. Borrowings and debt

Borrowings consist of bilateral funding and syndicated loans obtained from international banks. Debt instruments consist of public and private issuances under the Bank's Euro Medium-Term Notes ("EMTN") Program, as well as the Short-and Long-Term Notes ("Certificados Bursatiles") Program (the "Mexican Program") in the Mexican local market as well as a Revolving Corporate Bond Program in Panama for the issuance of short and long term notes.

Under the "EMTN" program, the Bank is authorized to issue notes up to a maximum equivalent of \$2.25 billion Mexican pesos, with maturities from 7 days up to a maximum of 30 years, at fixed or floating interest rates, or at a discount, and in various currencies. The notes are generally issued in bearer or registered form through one or more authorized financial institutions. The Short-and Long-Term Notes ("Certificados Bursatiles") Program (the "Mexican Program") in the Mexican local market, registered with the Mexican National Registry of Securities administered by the National Banking and Securities Commission of Mexico ("CNBV", for its acronym in Spanish) allows for the issuance of the equivalent of \$35 billion Mexican pesos with maturities from 1 day to 30 years and a limit of \$2 billion Mexican pesos for issues with a maturity of less than one year. Additionally, the Rotating Corporate Bond Program for Short- and Long-Term Notes is authorized in the local market of Panama for a maximum amount of \$300 million.

Some borrowing agreements include various events of default and covenants relating to minimum capital adequacy ratios, incurrence of additional liens, and asset sales, as well as other customary covenants, representations and warranties. As of December 31, 2025, the Bank was in compliance with all those covenants.

Carrying amount of borrowings and debt is detailed as follows:

	December 31, 2025				
	Short-Term		Long-term		Total
	Borrowings	Debt	Borrowings	Debt	
Principal	1,508,959	1,750	757,775	1,732,286	4,000,770
Transaction costs	(48)	(2)	(2,952)	(4,670)	(7,672)
Interest payable	9,095	5	7,787	20,404	37,291
	1,518,006	1,753	762,610	1,748,020	4,030,389

	December 31, 2024				
	Short-Term		Long-term		Total
	Borrowings	Debt	Borrowings	Debt	
Principal	1,652,536	835	877,842	1,830,751	4,361,964
Transaction costs	—	(1)	(3,764)	(5,883)	(9,648)
Interest payable	9,677	7	5,337	21,383	36,404
	1,662,213	841	879,415	1,846,251	4,388,720

Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries

Notes to the consolidated financial statements

*(Amounts expressed in thousands of U.S. dollars, unless otherwise indicated)***19. Borrowings and debt (continued)****Short-term borrowings and debt**

The breakdown of short-term (original maturity of less than one year) borrowings and debt, along with contractual interest rates, plus prepaid commissions, is as follows:

	December 31,	
	2025	2024
Short-term borrowings:		
At fixed interest rates	1,508,959	1,353,048
At floating interest rates	—	299,488
Principal	1,508,959	1,652,536
Less: Transaction costs	(48)	—
Interest payable	9,095	9,677
Total short-term borrowings, net	1,518,006	1,662,213
Short-term debt:		
At fixed interest rates	1,750	835
Principal	1,750	835
Less: Transaction costs	(2)	(1)
Interest payable	5	7
Total short-term debt, net	1,753	841
Total short-term borrowings and debt	1,519,759	1,663,054
Range of fixed interest rates on borrowings and debt in U.S. dollars	<u>3.75% to 4.77%</u>	<u>4.50% to 5.87%</u>
Range of floating interest rates on borrowings in U.S. dollars	<u>—</u>	<u>5.13% to 5.24%</u>
Range of fixed interest rate on borrowings in Mexican pesos	<u>7.68% to 7.72%</u>	<u>11.15%</u>
Range of floating interest rates on borrowings and debt in Mexican pesos	<u>—</u>	<u>10.69% to 10.74%</u>
Range of fixed interest rates on borrowings and debt in Euros	<u>2.52% to 2.63%</u>	<u>3.39% to 3.87%</u>

The outstanding balances of short-term borrowings and debt by currency, excluding prepaid commissions, are as follows:

	December 31,	
	2025	2024
US dollar	1,455,149	1,404,690
Mexican peso	26,650	172,368
Euro	28,910	76,313
Total	1,510,709	1,653,371

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Notes to the consolidated financial statements

*(Amounts expressed in thousands of U.S. dollars, unless otherwise indicated)***19. Borrowings and debt (continued)****Long-term borrowings and debt**

The breakdown of long-term borrowings and debt (original maturity of more than one year), along with contractual interest rates, plus prepaid commissions are as follows:

	December 31,	
	2025	2024
Long-term borrowings:		
At fixed interest rates	64,244	60,308
At floating interest rates	693,531	817,534
Principal	757,775	877,842
Less: Transaction costs	(2,952)	(3,764)
Interest payable	7,787	5,337
Total long-term borrowings, net	762,610	879,415
Long-term debt:		
At fixed interest rates	737,148	1,293,378
At floating interest rates	995,138	537,373
Principal	1,732,286	1,830,751
Less: Transaction costs	(4,670)	(5,883)
Interest payable	20,404	21,383
Total long-term debt, net	1,748,020	1,846,251
Total long-term borrowings and debt, net	2,510,630	2,725,666
Range of fixed interest rates on borrowings and debt in U.S. dollars	<u>4.75% to 6.15%</u>	<u>2.38% to 6.15%</u>
Range of floating interest rates on borrowings and debt in U.S. dollars	<u>4.80% to 5.66%</u>	<u>5.44% to 6.31%</u>
Range of fixed interest rates on borrowings and debt in Mexican pesos	<u>6.50% to 10.78%</u>	<u>6.50% to 10.78%</u>
Range of floating interest rates on borrowings and debt in Mexican pesos	<u>7.66% to 8.61%</u>	<u>10.62% to 11.52%</u>
Range of floating interest rates on borrowings and debt in Costa Rican colones	<u>6.28%</u>	<u>— %</u>
Range of fixed interest rates on debt in Japanese yen	<u>0.95% to 1.90%</u>	<u>0.77% to 1.54%</u>
Range of fixed interest rates on debt in Euros	<u>0.90% to 3.16%</u>	<u>0.90%</u>
Range of fixed interest rates on debt in Australian dollars	<u>6.81%</u>	<u>6.81%</u>
Range of fixed interest rate on debt in Pound sterling	<u>1.50%</u>	<u>1.50%</u>
Range of fixed interest rate on debt in Peruvian soles	<u>7.00%</u>	<u>7.00 %</u>

Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries

Notes to the consolidated financial statements

*(Amounts expressed in thousands of U.S. dollars, unless otherwise indicated)***19. Borrowings and debt (continued)****Long-term borrowings and debt (continued)**

The outstanding balances of long-term borrowings and debt by currency, excluding prepaid commissions, are as follows:

	December 31,	
	2025	2024
US dollar	786,949	1,355,773
Mexican peso	1,480,905	1,170,304
Japanese yen	125,167	112,671
Euro	29,326	31,063
Peruvian soles	27,961	25,020
Australian dollar	9,599	9,133
Pound sterling	4,979	4,629
Costa Rican colones	25,175	—
Carrying amount - principal	<u>2,490,061</u>	<u>2,708,593</u>

Future payments of long-term borrowings and debt outstanding as of December 31, 2025, are as follows:

Year	Outstanding
2026	414,945
2027	890,133
2028	832,376
2029	290,696
2030	19,000
2031	33,312
2034	9,599
Carrying amount - principal	<u>2,490,061</u>

The following table presents the reconciliation of movements of borrowings and debt arising from financing activities, as presented in the consolidated statement of cash flows :

	2025	2024	2023
Balance as of January 1,	<u>4,388,720</u>	<u>4,396,969</u>	<u>4,458,912</u>
Cash transactions			
Net decrease in short-term borrowings and debt	(149,687)	(58,529)	(500,650)
Proceeds from long-term borrowings and debt	587,857	1,191,695	496,342
Decrease of long-term borrowings and debt	(1,006,585)	(826,432)	(221,306)
Non-cash transactions			
Change in foreign currency rates	200,808	(307,035)	159,407
Fair value adjustment due to hedge accounting relationship	9,486	(3,369)	2,126
Other adjustments	1,587	448	1,525
Liability-related			
Interest expense	235,316	197,831	152,081
Interest paid	(237,113)	(202,858)	(151,468)
Balance as of December 31,	<u>4,030,389</u>	<u>4,388,720</u>	<u>4,396,969</u>

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Notes to the consolidated financial statements

*(Amounts expressed in thousands of U.S. dollars, unless otherwise indicated)***20. Lease liabilities**

Maturity analysis of contractual undiscounted cash flows of the lease liabilities is detailed below:

	December 31,	
	2025	2024
Up to 1 year	2,126	1,931
From 1 to 5 years	8,134	8,213
After 5 to 10 years	12,179	13,827
Total undiscounted lease liabilities	22,439	23,971
Short-term	1,461	1,217
Long-term	16,968	18,015
Lease liabilities included in the consolidated statement of financial position	18,429	19,232

Amounts recognized in the consolidated statement of cash flows:

	December 31,		
	2025	2024	2023
Payments of lease liabilities	1,195	1,091	1,032

Amounts recognized in the consolidated statement of profit or loss:

	December 31,		
	2025	2024	2023
Interest on lease liabilities	(714)	(620)	(584)

21. Other liabilities

Following is a summary of other liabilities:

	December 31,	
	2025	2024
Accruals and other accumulated expenses	26,901	31,806
Accounts payable	8,751	6,236
Unearned commissions	15,628	7,305
Others	83	84
Total	51,363	45,431

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Notes to the consolidated financial statements

*(Amounts expressed in thousands of U.S. dollars, unless otherwise indicated)***22. Earnings per share**

The following table presents a reconciliation of profit and share data used in the basic earnings per share (“EPS”) computations for the dates indicated:

	December 31,		
	2025	2024	2023
<i>(Thousands of US dollars)</i>			
Profit for the year	226,882	205,873	166,158
<i>(US dollars)</i>			
Basic earnings per share	6.11	5.60	4.55
<i>(Thousands of shares)</i>			
Weighted average of common shares outstanding applicable to basic EPS	37,152	36,740	36,481

Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries

Notes to the consolidated financial statements

*(Amounts expressed in thousands of U.S. dollars, unless otherwise indicated)***23. Capital and Reserves****A. Common stock and additional paid-in capital**Common stock

The Bank's common stock is divided into four categories:

- 1) "Class A"; shares may only be issued to Latin American Central Banks or banks in which the state or other government agency is the majority shareholder.
- 2) "Class B"; shares may only be issued to banks or financial institutions.
- 3) "Class E"; shares may be issued to any person whether a natural person or a legal entity.
- 4) "Class F"; may only be issued to state entities and agencies of non-Latin American countries, including, among others, central banks and majority state-owned banks in those countries, and multilateral financial institutions either international or regional institutions.

The holders of "Class B" shares have the right to convert or exchange their "Class B" shares, at any time, and without restriction, for "Class E" shares, exchanging one share for another share.

The following table provides detailed information on the movement of the shares by class for each of the years ended December 31, 2025, 2024 and 2023:

<i>(Share units)</i>	"Class A"	"Class B"	"Class E"	"Class F"	Total
Authorized	40,000,000	40,000,000	100,000,000	100,000,000	280,000,000
Outstanding at January 1, 2023	6,342,189	2,089,075	27,893,290	—	36,324,554
Restricted stock issued – directors	—	—	63,000	—	63,000
Restricted stock units – vested	—	—	152,305	—	152,305
Outstanding at December 31, 2023	6,342,189	2,089,075	28,108,595	—	36,539,859
Restricted stock issued – directors	—	—	57,000	—	57,000
Restricted stock units – vested	—	—	193,959	—	193,959
Outstanding at December 31, 2024	6,342,189	1,712,034	28,736,595	—	36,790,818
Conversions	—	(884,460)	884,460	—	—
Repurchased common stock	—	(1)	1	—	—
Restricted stock issued – directors	—	—	63,000	—	63,000
Restricted stock issued - executives	—	—	185,217	—	185,217
Restricted stock units – vested	—	—	191,173	—	191,173
Outstanding at December 31, 2025	6,342,189	827,573	30,060,446	—	37,230,208

Additional paid-in capital

As of December 31, 2025, 2024 and 2023, additional paid-in capital consists of additional cash contributions to the common capital paid by shareholders.

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Notes to the consolidated financial statements

(Amounts expressed in thousands of U.S. dollars, unless otherwise indicated)

23. Capital and Reserves (continued)

B. Treasury stock

The following table presents information regarding shares repurchased but not retired by the Bank and accordingly classified as treasury stock:

	"Class A"		"Class B"		"Class E"		Total	
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount
Outstanding at January 1, 2023	318,140	10,708	689,367	18,711	4,647,774	84,678	5,655,281	114,097
Restricted stock issued - directors	—	—	—	—	(63,000)	(1,148)	(63,000)	(1,148)
Restricted stock units - vested	—	—	—	—	(152,305)	(2,775)	(152,305)	(2,775)
Outstanding at December 31, 2023	318,140	10,708	689,367	18,711	4,432,469	80,755	5,439,976	110,174
Repurchase of common stock	—	—	—	—	(1)	—	(1)	—
Restricted stock issued - directors	—	—	—	—	(57,000)	(1,038)	(57,000)	(1,038)
Restricted stock units - vested	—	—	—	—	(193,959)	(3,535)	(193,959)	(3,535)
Outstanding at December 31, 2024	318,140	10,708	689,367	18,711	4,181,509	76,182	5,189,016	105,601
Restricted stock issued - directors	—	—	—	—	(63,000)	(1,148)	(63,000)	(1,148)
Restricted stock issued - executives	—	—	—	—	(185,217)	(3,373)	(185,217)	(3,373)
Restricted stock units - vested	—	—	—	—	(191,173)	(3,483)	(191,173)	(3,483)
Outstanding at December 31, 2025	318,140	10,708	689,367	18,711	3,742,119	68,178	4,749,626	97,597

C. Other equity instruments

During the period, the Bank issued perpetual non-cumulative subordinated instruments, which qualify as Additional Tier 1 capital instruments ("AT1"), as described below.

	December 31,	
	2025	2024
Perpetual Non-Cumulative Fixed to Fixed Subordinates Notes to 7.5% annual, net of issuance costs of \$2 million	197,976	—

The principal terms and conditions of the AT1 instruments (the "Notes") are described below:

- The Notes constitute unsecured and subordinated obligations of the Bank, ranking junior to all senior debt and other preferred liabilities of the Bank, including any other existing or future subordinated debt. In a liquidation or resolution scenario, holders of the Notes will absorb losses prior to senior creditors and depositors.
- The Notes are perpetual instruments, with no contractual maturity date and no contractual obligation to repay principal, except in the regulatory circumstances expressly provided for in the issuance documentation and solely at the option of the Bank. Holders of the Notes have no automatic right to demand early repayment of principal.
- The Bank may redeem the Notes, in whole or in part, subject to the satisfaction of the minimum contractual periods and prior regulatory approval.
- The Notes bear a fixed interest rate until the first reset date, scheduled for September 18, 2032. Thereafter, the interest rate will be reset every five years, based on a United States Treasury reference rate plus a fixed contractual margin. Interest payments, if declared, will be made semi-annually on March 18 and September 18 of each year, at the sole discretion of the Bank.

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Notes to the consolidated financial statements

(Amounts expressed in thousands of U.S. dollars, unless otherwise indicated)

23. Capital and Reserves (continued)

- e. Interest on the Notes is non-cumulative and may be paid, in whole or in part, at the discretion of the Bank or subject to regulatory restrictions. Any interest not paid shall not accumulate nor give rise to any future payment entitlement. The non-payment of interest does not constitute a breach or an event of default.
- f. Upon the occurrence of certain regulatory or resolution events, the Notes are subject to loss-absorption mechanisms, which may result in the reduction or write-off of principal and/or interest, in accordance with the contractual terms and applicable prudential regulations.

On August 29, 2025, the Superintendence of Banks of Panama authorized the issuance of the Notes as Additional Tier 1 capital, in accordance with the provisions of Banking Rule No. 1-2015.

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Notes to the consolidated financial statements

(Amounts expressed in thousands of U.S. dollars, unless otherwise indicated)

24. Other comprehensive income

The breakdown of other comprehensive income (loss) relating to financial instruments at FVOCI and derivative financial instruments, is as follows:

	Financial instruments FVOCI	Financial Instruments CFH	Total
Balance as of January 1, 2023	(862)	8,987	8,125
Change in fair value on financial instruments, net of hedging	876	(590)	286
Reclassification of loss on financial instruments to profit or loss ⁽¹⁾	(11)	(938)	(949)
Other comprehensive income gain (loss) for the year	865	(1,528)	(663)
Balance as of December 31, 2023	3	7,459	7,462
Change in fair value on financial instruments, net of hedging	138	(7,735)	(7,597)
Reclassification of gain (loss) on financial instruments to profit or loss ⁽¹⁾	(21)	1,135	1,114
Other comprehensive income (loss) gain for the year	117	(6,600)	(6,483)
Balance as of December 31, 2024	120	859	979
Change in fair value on financial instruments, net of hedging	4,259	1,496	5,755
Reclassification of loss on financial instruments to profit or loss ⁽¹⁾	(3,156)	(1,073)	(4,229)
Other comprehensive income gain for the year	1,103	423	1,526
Balance as of December 31, 2025	1,223	1,282	2,505

⁽¹⁾ Reclassification adjustments include amounts recognized in profit or loss of the year that had been part of other comprehensive income in this and prior years.

The following table presents amounts reclassified from other comprehensive income to profit or loss:

Details about other comprehensive income components	Amounts reclassified from other comprehensive income			Line item affected in the consolidated statement of profit or loss
	December 31,			
	2025	2024	2023	
Securities at FVOCI:	(3,156)	(21)	(11)	Impairment losses on financial instruments
	<u>(3,156)</u>	<u>(21)</u>	<u>(11)</u>	
Derivative financial instruments:				
Interest rate swaps	—	—	(1,793)	Gain (loss) on financial instruments, net
Interest rate and cross- currency swaps	(1,073)	1,135	855	Gain (loss) on financial instruments, net
	<u>(4,229)</u>	<u>1,114</u>	<u>(949)</u>	

Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries

Notes to the consolidated financial statements

*(Amounts expressed in thousands of U.S. dollars, unless otherwise indicated)***25. Fee and commission income**

Fee and commission income from contracts with customers broken down by main types of services, are detailed as follows:

	December 31,		
	2025	2024	2023
Structured services	17,706	10,220	7,427
Letters of credit and guarantees	31,847	26,542	21,463
Credit commitments	11,568	7,710	4,675
Other commissions	812	1,011	—
Total fee and commission income	61,933	45,483	33,565
Fee and commission expenses	(2,920)	(1,082)	(1,046)
Total	59,013	44,401	32,519

The following table presents accrued but unearned commissions to be deferred from outstanding contracts.:

	December 31, 2025
Up to 1 year	9,386
From 1 to 2 years	1,359
More than 2 years	1,691
Total	12,436

Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries

Notes to the consolidated financial statements

*(Amounts expressed in thousands of U.S. dollars, unless otherwise indicated)***26. Business segment information**

The following table provides certain information regarding the Bank's operations by segment:

	December 31, 2025		
	Commercial	Treasury	Total
Interest income	632,020	136,444	768,464
Interest expense	(571)	(496,711)	(497,282)
Inter-segment net interest income	(388,997)	388,997	—
Net interest income	242,452	28,730	271,182
Other income (expense), net	62,767	5,621	68,388
Total revenues	305,219	34,351	339,570
Impairment losses on financial instruments	(22,251)	132	(22,119)
Operating expenses	(71,377)	(19,192)	(90,569)
Profit	211,591	15,291	226,882
Assets	9,327,239	3,430,570	12,757,809
Liabilities	188,470	10,867,813	11,056,283
	December 31, 2024		
	Commercial	Treasury	Total
Interest income	641,677	143,355	785,032
Interest expense	(496)	(525,325)	(525,821)
Inter-segment net interest income	(410,222)	410,222	—
Net interest income	230,959	28,252	259,211
Other income (expense), net	45,436	(1,011)	44,425
Total revenues	276,395	27,241	303,636
Impairment losses on financial instruments	(17,930)	631	(17,299)
Operating expenses	(63,983)	(16,481)	(80,464)
Profit	194,482	11,391	205,873
Assets	8,649,283	3,192,339	11,841,622
Liabilities	265,826	10,210,207	10,476,033

Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries

Notes to the consolidated financial statements

*(Amounts expressed in thousands of U.S. dollars, unless otherwise indicated)***26. Business segment information (continued)**

	December 31, 2023		
	Commercial	Treasury	Total
Interest income	566,212	113,048	679,260
Interest expense	(467)	(445,610)	(446,077)
Inter-segment net interest income	(361,997)	361,997	—
Net interest income	203,748	29,435	233,183
Other income (expense), net	33,792	(856)	32,936
Total revenues	237,540	28,579	266,119
Impairment losses on financial instruments	(26,785)	(678)	(27,463)
Operating expenses	(57,324)	(15,174)	(72,498)
Profit	153,431	12,727	166,158
Assets	7,498,230	3,231,534	10,729,764
Liabilities	279,853	9,206,381	9,486,234

The following table shows the reconciliation of information by business segments:

	December 31,		
	2025	2024	2023
Profit for the year	226,882	205,873	166,158
Assets:			
Assets from reportable segments	12,757,809	11,841,622	10,729,764
Other assets - unallocated	28,584	17,051	14,028
Total	12,786,393	11,858,673	10,743,792
Liabilities:			
Liabilities from reportable segments	11,056,283	10,476,033	9,486,234
Other liabilities - unallocated	51,363	45,431	53,734
Total	11,107,646	10,521,464	9,539,968

Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries

Notes to the consolidated financial statements

*(Amounts expressed in thousands of U.S. dollars, unless otherwise indicated)***26. Business segment information (continued)****Geographic information**

The Bank analyzes its revenues and non-current assets by geographic location. In presenting the geographic segment information detailed below, total revenues are based on the client's country of risk and non-current assets are based on the client's geographic location.

	December 31,					
	2025		2024		2023	
	Total revenues	Non- current assets ^(*)	Total revenues	Non- current assets ^(*)	Total revenues	Non- current assets ^(*)
Argentina	12,205	279	7,595	48	4,748	80
Brazil	36,453	395	30,093	461	25,630	292
Chile	12,878	—	11,563	—	11,273	—
Colombia	25,802	64	35,487	118	32,584	181
Costa Rica	16,576	—	12,694	—	10,358	—
Dominican Republic	30,218	—	22,773	—	20,164	—
Ecuador	18,866	—	17,402	—	15,107	—
El Salvador	3,586	—	2,837	—	2,209	—
Guatemala	45,376	—	28,775	—	24,061	—
Honduras	6,626	—	7,370	—	6,312	—
Jamaica	3,704	—	4,073	—	3,337	—
Mexico	41,621	608	44,570	831	35,442	400
Panama	8,335	28,739	6,449	21,668	6,753	18,119
Paraguay	5,079	—	2,724	—	2,734	—
Peru	15,182	—	25,317	—	20,501	—
Puerto Rico	1,143	—	577	—	—	—
Suriname	13,875	—	—	—	—	—
Trinidad and Tobago	7,288	—	6,978	—	6,832	—
Uruguay	3,404	—	1,877	—	1,208	—
Other countries ⁽¹⁾	31,353	332	34,482	213	36,866	327
Total revenues	339,570	30,417	303,636	23,339	266,119	19,399

⁽¹⁾ Other countries consist of total income per country in the Region in which total income did not exceed \$1 million for any of the periods indicated above and top-rated countries outside of Latin America.

^(*) Include equipment and leasehold improvements, net and intangible assets.

Information about the main clients

As of December 31, 2025, 2024, and 2023, the Bank has no customer, either individually or as a group of companies, that represents more than 10% of total revenues.

Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries

Notes to the consolidated financial statements

*(Amounts expressed in thousands of U.S. dollars, unless otherwise indicated)***27. Related party transactions**

Related parties of the Bank comprise of directors and key management personnel. Total compensation paid to them is as detailed below:

	December 31,		
	2025	2024	2023
Expenses:			
Compensation costs to directors	2,854	2,391	1,910
Compensation costs to key management personnel	13,801	11,461	8,067

Compensation costs of Bank's directors and key management personnel include annual cash retainers and the cost of granted restricted stock and restricted stock units, as detailed in the Stock Incentive Plan, see Note 28.

Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries

Notes to the consolidated financial statements

*(Amounts expressed in thousands of U.S. dollars, unless otherwise indicated)***28. Salaries and other employee expenses**

The following table details salaries and other employee expenses:

	December 31,		
	2025	2024	2023
Wages and salaries	28,024	23,755	20,837
Payroll taxes	4,446	3,207	2,809
Personnel benefits	16,572	18,827	19,047
Share-based payments	6,378	6,134	4,539
Total	55,420	51,923	47,232

A. 2015 Stock Incentive Plan

In February 2008, the Board of Directors of the Bank approved an incentive plan for directors and executives allowing the Bank to grant restricted stock, restricted stock units, stock purchase options, and/or other similar compensation instruments and established service requirements as the sole condition of vesting. The maximum aggregate number of shares which may be granted under this plan is three million "Class E" common shares. The Stock Incentive Plan is administered by the Board of Directors who has the authority at its discretion to select the directors and executives to whom the awards may be granted to attract, retain, motivate, and compensate them for their contribution to the growth and profitability of the Bank; to determine whether and to what extent awards are granted, and to amend the terms of any outstanding award under this plan.

Restricted stocks are issued at the grant date but are withheld by the Bank until the vesting date. Restricted stock is entitled to receive dividends.

A restricted stock unit is a grant valued in terms of the Bank's stock, but no stock is issued at the grant date. Restricted stock units are not entitled to dividends.

The Bank issues or disposes of treasury stock and delivers common stock on the date on which the restricted stock units become unrestricted.

During 2025, 2024 and 2023, the Board of Directors approved the grant of restricted stocks and stock options and restricted stock units to directors, executives and employees of the Bank, as follows:

Restricted stock

The Board of Directors granted the directors "Class E" common shares for 63 thousand, 57 thousand and 63 thousand during the years 2025, 2024 and 2023, respectively. Beginning in 2025, the scope of the plan was expanded to include executives and employees, who will be granted 89,000 and 97,000 "Class E" common shares, respectively.

Restricted stock loses their restriction from the year following the anniversary date, as follows: 35% in the first and second years, and 30% in the third year. For executives and employees, their restriction is lost at the rate 25% vested the month after the date of its granting, and 25% on the grant date's anniversary during three years.

28. Salaries and other employee expenses (continued)

A. 2015 Stock Incentive Plan (continued)

A summary of restricted stock granted is presented below:

	Shares				Weighted average grant date fair value	
	Directors	Executives	Employees	Total	Directors	Executives and employees
Outstanding at January 1, 2023	105,450	—	—	105,450	14.15	—
Granted	63,000	—	—	63,000	17.69	—
Vested	(53,100)	—	—	(53,100)	13.75	—
Outstanding at December 31, 2023	115,350	—	—	115,350	16.31	—
Granted	57,000	—	—	57,000	29.18	—
Vested	(68,700)	—	—	(68,700)	16.05	—
Outstanding at December 31, 2024	103,650	—	—	103,650	23.56	—
Granted	63,000	88,741	97,462	249,203	39.38	38.02
Forfeited	—	—	(986)	(986)	—	38.02
Vested	(51,300)	(30,703)	(24,376)	(106,379)	21.36	38.02
Outstanding at December 31, 2025	115,350	58,038	72,100	245,488	33.18	38.02
Expected to vest	115,350	58,038	72,100	245,488		

During the years 2025, 2024 and 2023 the fair value of vested stock was \$3.2 million, \$1,1 million and \$730 thousand, respectively.

The movement of compensation costs during the period is described below:

	Directors	Executives	Employees	Total
Outstanding at January 1, 2023	638	—	—	638
Granted ⁽²⁾	1,114	—	—	1,114
Compensation cost ⁽¹⁾	(931)	—	—	(931)
Outstanding at December 31, 2023	821	—	—	821
Granted ⁽²⁾	1,663	—	—	1,663
Compensation cost ⁽¹⁾	(1,363)	—	—	(1,363)
Outstanding at December 31, 2024	1,121	—	—	1,121
Granted ⁽²⁾	2,481	3,374	3,706	9,561
Provision	—	(1,053)	(927)	(1,980)
Forfeited	—	—	(26)	(26)
Compensation cost ⁽¹⁾	(1,807)	(1,256)	(1,430)	(4,493)
Outstanding at December 31, 2025	1,795	1,065	1,323	4,183

⁽¹⁾ Total expenditure on restricted stock includes the cost of shares granted during the period \$3.7 million, \$735 thousand and \$474 thousand during 2025, 2024 and 2023, respectively.

Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries

Notes to the consolidated financial statements

(Amounts expressed in thousands of U.S. dollars, unless otherwise indicated)

28. Salaries and other employee expenses (continued)

A. 2015 Stock Incentive Plan (continued)

Restricted stock units

The Board of Directors approved the grant of restricted stock units with a grant date fair value of \$7.2 million in 2024 and \$4.6 million in 2023. The distribution of the fair value was in restricted stock units. No restricted stock units were granted for the 2025 period.

Beginning with the grant awarded in 2023, the restriction period for the issuance of the restricted stock units was modified as follows: 25% vested in the month following the date of the grant, and 25% each year on the grant date's anniversary for the following three years. Previously, the restriction period for the issuance of the restricted stock units was: 25% vested each year on the grant date's anniversary for the following four years.

A summary of the restricted stock units granted is presented below:

	Shares			Weighted average grant date fair value	
	Executives	Employees	Total	Executives	Employees
Outstanding at January 1, 2023	134,175	—	134,175	13.80	—
Granted	160,330	138,621	298,951	15.36	15.36
Forfeited	—	(346)	(346)	—	14.95
Vested	(112,968)	(39,337)	(152,305)	15.26	16.40
Outstanding at December 31, 2023	181,537	98,938	280,475	14.28	14.95
Granted	165,561	173,250	338,811	21.36	21.36
Forfeited	—	(1,484)	(1,484)	—	14.95
Vested	(110,896)	(83,063)	(193,959)	17.01	18.70
Outstanding at December 31, 2024	236,202	187,641	423,843	17.96	19.20
Forfeited	—	(1,162)	(1,162)	—	28.22
Vested	(117,608)	(73,565)	(191,173)	17.22	18.60
Outstanding at December 31, 2025	118,594	112,914	231,508	18.69	19.50
Expected to vest	118,594	112,914	231,508		

During the years 2025, 2024 and 2023 fair value of vested stock is \$3.4 million, \$3.4 million, and \$2.4 million, respectively.

The fair value of these restricted shares granted and the total expense recorded in consolidated statement of profit or loss are presented below:

	Executives	Employees	Total
Outstanding at January 1, 2023	666	—	666
Granted	2,523	2,070	4,593
Provision	(641)	(600)	(1,241)
Forfeited	—	(5)	(5)
Compensation cost	(1,483)	(916)	(2,399)
Outstanding at December 31, 2023	1,065	549	1,614
Granted	3,536	3,700	7,236
Provision	(884)	(716)	(1,600)
Forfeited	—	(22)	(22)
Compensation cost	(2,358)	(2,046)	(4,404)
Outstanding at December 31, 2024	1,359	1,465	2,824
Forfeited	—	(24)	(24)
Compensation cost	(983)	(1,031)	(2,014)
Outstanding at December 31, 2025	376	410	786

Banco Latinoamericano de Comercio Exterior, S. A. and Subsidiaries

Notes to the consolidated financial statements

*(Amounts expressed in thousands of U.S. dollars, unless otherwise indicated)***28. Salaries and other employee expenses (continued)**

Compensation costs of the restricted stock units are amortized during the period of restriction by the accelerated method.

A. 2015 Stock Incentive Plan (continued)*Reserve restricted shares*

As of December 31, 2025, the Bank's management maintains a equity reserve for share-based compensation of \$1.5 million (2024: \$1.7 million), recognized in the consolidated statement of profit or loss, which will be granted in the first quarter of 2026.

B. Other plans - Expatriate Top Executives Plan

The Bank sponsors a defined contribution plan for its expatriate top executives based in Panama, which are not eligible to participate in the Panamanian social security system. The Bank's contributions are determined as a percentage of the annual salaries of top executives eligible for the plan, each contributing an additional amount withheld from their salary. Contributions to this plan are managed by a fund manager through a trust. The executives are entitled to the Bank's contributions after completing at least three years of service in the Bank. During 2025, 2024 and 2023, the Bank charged to salaries expense \$95 thousand, \$50 thousand and \$58 thousand, respectively, that correspond to the Bank's contributions to this plan.

29. Other expenses

The following table details other expenses:

	December 31,		
	2025	2024	2023
Administrative	7,545	7,113	6,165
Professional services	8,589	6,737	5,522
Maintenance and repairs	7,190	5,481	4,731
Share-based payments to directors	1,807	1,363	931
Regulatory fees	1,695	1,558	1,321
Operating lease of spaces and equipment	1,110	883	691
Advertising and marketing	1,304	987	1,012
Other	1,077	856	1,799
Total	30,317	24,978	22,172

30. Litigation

As of December 31, 2025, the Bank is involved in a legal proceeding in which a payment of approximately \$ 3.5 million is being claimed. Such proceeding is ongoing and had not been resolved as of the date of these consolidated financial statements. Based on management's assessment and the opinion of external legal counsel, it is not considered probable that the resolution of this proceeding will result in an outflow of economic resources for the Bank. Accordingly, no provision has been recognized in the consolidated financial statements in respect of this matter.

31. Applicable laws and regulations

Liquidity index

Rule No. 2-2018 issued by the Superintendence of Banks of Panama (SBP) establishes that every general license or international license bank must guarantee, with a higher level of confidence, that it is in the position to face its intraday liquidity obligations in a period when liquidity pressure may affect the lending market. For that purpose, the SBP has established a short-term liquidity coverage ratio known as “Liquidity Coverage Ratio or LCR”. This ratio is measured through the quotient of two amounts, the first one corresponds to the high-quality liquid assets and the second one corresponds to the net cash outflows in 30 days.

As of December 31, 2025, and 2024, the minimum LCR to be reported to the SBP is 100% for both years. The Bank’s LCR as of December 31, 2025 and 2024 was 159.3% and 264.6%, respectively.

Rule No. 4-2008 issued by the SBP establishes that every general license or international license bank must always maintain a minimum balance of liquid assets equivalent to 30% of the gross total of its deposits in the Republic of Panama or overseas up to 186 days, counted from the reporting date. The formula is based on the following parameters:

$$\frac{\text{Liquid assets}}{\text{Liabilities (Deposits received)}} \times 100 = X\% \text{ (Liquidity index)}$$

The liquidity index reported by the Bank to the regulator as of December 31, 2025 was 60.7% (2024: 47.2%).

Capital adequacy

The Banking Law in the Republic of Panama and Rules No. 01-2015, 03-2016 and 05-2023 require that the general license banks maintain a total capital adequacy index. The Bank’s capital, in accordance with current banking regulations, is separated into Ordinary Primary Capital: which consists of paid-in capital in shares, excess paid-in capital, declared reserves, retained earnings, minority interest shares and other accumulated comprehensive income items, less regulatory adjustments; and Additional Primary Capital: which consists of instruments issued by the Bank or consolidated subsidiaries that meet the requirements for inclusion, issue premiums, less regulatory adjustments applicable to additional primary capital.

As of December 31, 2025, the capital adequacy index may not be less, at any time, than 9.25% (including the capital conservation buffer of 1.25% required for 2025, according to Agreement No. 05-2023) of total assets and off-balance sheet irrevocable contingency transactions, weighted according to their risks; and ordinary primary capital plus conservation buffer that shall not be less than 5.75% of its assets and off-balance sheet transactions that represent an irrevocable contingency, weighted based on their risks; and a total primary capital plus conservation buffer that shall not be less than 7.25% of its assets and off-balance sheet transactions that represent an irrevocable contingency, weighted based on their risks.

Capital Conservation Calculation

As of July 2024, Agreement No. 05-2023, issued by the Superintendence of Banks of Panama, came into force, which establishes rules on the creation of a capital conservation buffer, whose objectives are:

- (i) ensure that banks accumulate reserves that can be used in case of incurring losses,
- (ii) that banks do not fail to comply with the established minimum requirements, without considering the conservation buffer, in episodes of deterioration in solvency.

As established in the Agreement, banking entities must establish a capital conservation buffer of 2.5%, (established in a phased manner starting with 0.50% as of July 1, 2024, 0.75% for July 1, 2025 and 1.25% for July 1, 2026) of risk-weighted assets (credit, market and operating), made up of capital ordinary primary and in addition to all the minimum regulatory capital requirements that are established, for which the total minimum regulatory capital will be 8.5% for 2024, 9.25% for 2025 and 10.5% for 2026, (before the modification of the Rule 8%).

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Notes to the consolidated financial statements

*(Amounts expressed in thousands of U.S. dollars, unless otherwise indicated)***31. Applicable laws and regulations (continued)**

The primary objectives of the Bank's capital management policy are to ensure that the Bank complies with capital requirements imposed by local regulators and maintains strong credit ratings and healthy capital ratios to support its business and to maximize shareholder value.

The Bank manages its capital structure and adjusts it according to changes in economic conditions and the risk characteristics of its activities. To maintain or adjust the capital structure, the Bank may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities.

No changes have been made to the objectives, policies and processes from previous periods. However, they are under constant review by the Board.

The information corresponding to the total capital adequacy index is as follows:

	December 31,	
	2025	2024
Ordinary primary capital, net of adjustments	1,322,970	1,195,914
Capital funds	1,675,484	1,341,031
Risk-weighted assets	10,822,730	9,873,772
Ordinary capital index	12.2%	12.1%
Ordinary capital total	14.1%	12.1%
Capital adequacy index	15.5%	13.6%

Leverage ratio

Article No. 17 of the Rule No. 1-2015 establishes the leverage ratio of a regulated entity by means of the quotient between the ordinary primary capital and the total exposure for non-risk-weighted assets inside and outside the consolidated statement of financial position as established by the SBP. For the determination of the exposure of off-balance-sheet transactions, the criteria established for credit and counterparty credit risk positions will be used. The exposure of the derivatives will be the fair value at which they are recorded in the Bank's assets.

The leverage ratio cannot be lower, at any time, than 3%. The Bank will inform to the SBP as often as compliance with the leverage ratio is determined.

The table below presents the Bank's leverage ratio in compliance with Article No.17 of Rule No. 1-2015:

	December 31,	
	2025	2024
Ordinary capital	1,322,970	1,195,914
Non-risk-weighted assets	13,402,426	12,220,660
Leverage ratio	9.88%	9.79%

Regulatory reserves

Below is a list of the regulatory reserves that the Bank maintains in accordance with the Prudential Standards of the SBP:

	December 31,	
	2025	2024
Dynamic provision	154,538	145,117
Regulatory reserve for individual credits	4,555	4,549
Total regulatory reserves	159,093	149,666

31. Applicable laws and regulations (continued)

Credit risk coverage - dynamic provision

The SBP by means of Rule No. 4-2013, establishes the compulsory constitution of a dynamic provision in addition to the specific credit provision as part of the total provisions for the credit risk coverage.

The dynamic provision is an equity item associated to the regulatory capital but does not replace or offset the capital adequacy requirements established by the SBP. This allocation is restricted for dividend distribution purposes.

Methodology for the constitution of the regulatory credit reserve

The SBP by means of the General Resolution of the Board of Directors SBP-GJD-0003-2013 of July 9, 2013, establishes the accounting methodology for differences that arise between the application of IFRS and the application of prudential regulations issued by the SBP; as well as the additional disclosures required to be included in the notes to the consolidated financial statements.

The parameters established in this methodology are the following:

- The calculations of accounting balances in accordance with IFRS and the prudential standards issued by the SBP will be carried out and the respective figures will be compared.
- When the calculation made in accordance with IFRS results in a higher reserve or provision for the bank compared to the one resulting from the use of the prudential standards issued by the SBP, the Bank will record the IFRS figures.
- When the impact of the use of prudential standards results in a higher reserve or provision for the Bank, the effect of the application of IFRS will be recognized in profit or loss, and the difference between IFRS calculation compared to the prudential standards calculation will be appropriated from retained earnings as a regulatory credit reserve. If the Bank does not have sufficient retained earnings, the difference will be presented in an accumulated deficit account.
- The regulatory credit reserve mentioned in paragraph 3 of this Rule may not be reversed against retained earnings as long as there are differences between IFRS and the prudential standards.

Considering that the Bank presents its consolidated financial statements under IFRS, specifically for its expected credit reserves under IFRS 9, the line "Regulatory credit reserve" established by the SBP has been used to present the difference between the application of the accounting standard used and the prudential regulations of the SBP to comply with the requirements of Rule No. 4-2013.

Capital reserve

In addition to capital reserves required by regulations, the Bank maintains a capital reserve of \$95.2 million, which was voluntarily established. Pursuant to Article No. 69 of the Banking Law, reduction of capital reserves requires prior approval of the SBP.

Regulatory reserve for individual credits

Rule No. 11-2019, amended by Rule No. 4-2013, indicates that all loans classified as unrecoverable must be written off within a period of no more than one year. For corporate loans with real estate collateral, the Bank will write off all loans classified as unrecoverable within a period of no more than two years, from the date on which it was classified in that category. After two years, if the Bank has not made the write-off, it must create a reserve in the equity account, through the appropriation of retained earnings, which will be charged to the value of the loan net of the provisions already established, according to the percentages established in the following table:

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Notes to the consolidated financial statements

*(Amounts expressed in thousands of U.S. dollars, unless otherwise indicated)***31. Applicable laws and regulations (continued)**

Period	Percentage applicable
At the beginning of the third year	50%
At the beginning of the fourth year	50%

In accordance with the provisions of Rule No. 11-2019 and 4-2013, the bank recognized regulatory provisions for individual loans for \$4,555 million as of December 31, 2025 (2024: \$4,549 million).

Specific provisions

SBP Rule No. 4-2013, modified by Rule No. 8-2014, states that the specific credit provisions are originated from the objective and concrete evidence of impairment. These provisions must be established for credit facilities classified according to the risk categories denominated as: special mention, substandard, doubtful, or unrecoverable, both for individual credit facilities as for a group of such facilities. In the case of a group, it corresponds to circumstances that indicate the existence of deterioration in credit quality, although individual identification is still not possible.

Banks must calculate and maintain at all times the amount of the specific credit provisions determined by the methodology specified in this Rule, which takes into account the balance owed of each credit facility classified in any of the categories subject to provision, mentioned in the paragraph above; the present value of each guarantee available in order to mitigate risk, as established by type of collateral; and a weighting table that applies to the net exposure balance subject to loss for such credit facilities.

Article No. 34 of this Rule establishes that all credits must be classified in the following five (5) categories, according to their default risk and loan conditions, and establishes a minimum reserve for each classification: normal 0%, special mention 20%, substandard 50%, doubtful 80%, and unrecoverable 100%.

If there is an excess in the specific credit provision, calculated in accordance with this Rule, compared to the provision calculated in accordance with IFRS, this excess will be accounted for as a regulatory credit reserve in equity and will increase or decrease with appropriations from/to retained earnings. The balance of the regulatory credit reserve will not be considered as capital funds for calculating certain ratios or prudential indicators mentioned in the Rule.

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Notes to the consolidated financial statements

(Amounts expressed in thousands of U.S. dollars, unless otherwise indicated)

31. Applicable laws and regulations (continued)

Based on the classification of risks, collateral and in compliance with SBP Rule No. 4-2013, the Bank classified the loan portfolio as follows:

	December 31, 2025					
	Normal	Special mention	Substandard	Doubtful	Unrecoverable	Total
Loans at amortized cost						
Corporations	6,195,013	101,333	—	26,933	11,775	6,335,054
Financial institutions:						
Private	2,401,466	—	—	—	—	2,401,466
State-owned	250,036	—	—	—	—	250,036
	<u>2,651,502</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,651,502</u>
Sovereign	118,169	—	—	—	—	118,169
Total	<u>8,964,684</u>	<u>101,333</u>	<u>—</u>	<u>26,933</u>	<u>11,775</u>	<u>9,104,725</u>
Loans at FVOCI						
Corporations	52,261	—	—	—	—	52,261
Financial institutions:						
Private	19,363	—	—	—	—	19,363
State-owned	4,952	—	—	—	—	4,952
Total	<u>76,576</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>76,576</u>
Total loans	<u>9,041,260</u>	<u>101,333</u>	<u>—</u>	<u>26,933</u>	<u>11,775</u>	<u>9,181,301</u>
Specific Provision	<u>—</u>	<u>20,267</u>	<u>—</u>	<u>21,546</u>	<u>7,220</u>	<u>49,033</u>
Allowance for loan losses under IFRS (*):	<u>34,406</u>	<u>30,891</u>	<u>—</u>	<u>20,126</u>	<u>8,853</u>	<u>94,276</u>
	December 31, 2024					
	Normal	Special mention	Substandard	Doubtful	Unrecoverable	Total
Loans at amortized cost						
Corporations	5,294,002	46,959	—	6,933	10,107	5,358,001
Financial institutions:						
Private	2,521,065	—	—	—	—	2,521,065
State-owned	413,775	—	—	—	—	413,775
	<u>2,934,840</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,934,840</u>
Sovereign	82,331	—	—	—	—	82,331
Total	<u>8,311,173</u>	<u>46,959</u>	<u>—</u>	<u>6,933</u>	<u>10,107</u>	<u>8,375,172</u>
Specific provision	<u>—</u>	<u>9,392</u>	<u>—</u>	<u>5,546</u>	<u>5,558</u>	<u>20,496</u>
Allowance for loan losses IFRS ⁽¹⁾ :	<u>51,427</u>	<u>14,248</u>	<u>—</u>	<u>5,441</u>	<u>7,042</u>	<u>78,158</u>

⁽¹⁾ As of December 31, 2025, and 2024, there is no excess in the specific provision calculated in accordance with Rule No. 8-2014 of the SBP, over the provision calculated in accordance with IFRS.

As of December 31, 2025, the restructured loans are \$51.2 million, (2024: the restructured loans are \$67.5 million).

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(Amounts expressed in thousands of U.S. dollars, unless otherwise indicated)

31. Applicable laws and regulations (continued)

Rule No.4-2013 defines as Past Due any credit facility for which payment of contractually agreed amounts present more than thirty (30) days in arrears, up to ninety (90) days; and as Delinquent, any credit facility for which payment of contractually agreed amounts is more than ninety (90) days in arrears, except for single-payment transactions and overdrafts, which will be considered Delinquent when payment exceeds thirty (30) days in arrears from the contractual payment date.

Below is the classification of the loan portfolio by maturity profile based on Rule No. 4-2013 and modified by Rule No. 8-2014:

	December 31, 2025			
	Current	Past due	Delinquent	Total
Loans at amortized cost				
Corporations	6,298,014	20,000	17,040	6,335,054
Financial institutions:				
Private	2,401,466	—	—	2,401,466
State-owned	250,036	—	—	250,036
	<u>2,651,502</u>	<u>—</u>	<u>—</u>	<u>2,651,502</u>
Sovereign	118,169	—	—	118,169
Total	<u>9,067,685</u>	<u>20,000</u>	<u>17,040</u>	<u>9,104,725</u>
Loans at FVOCI				
Corporations	52,261	—	—	52,261
Financial institutions:				
Private	19,363	—	—	19,363
State-owned	4,952	—	—	4,952
	<u>76,576</u>	<u>—</u>	<u>—</u>	<u>76,576</u>
Total loans	<u>9,144,261</u>	<u>20,000</u>	<u>17,040</u>	<u>9,181,301</u>
	December 31, 2024			
	Current	Past due	Delinquent	Total
Loans at amortized cost				
Corporations	5,347,894	—	10,107	5,358,001
Financial institutions:				
Private	2,521,065	—	—	2,521,065
State-owned	413,775	—	—	413,775
	<u>2,934,840</u>	<u>—</u>	<u>—</u>	<u>2,934,840</u>
Sovereign	82,331	—	—	82,331
Total	<u>8,365,065</u>	<u>—</u>	<u>10,107</u>	<u>8,375,172</u>

In accordance with Rule No. 4-2013, as amended by Rule No. 8-2014, non-accruing loans are presented by category as follows:

	December 31, 2025					
	Normal	Special mention	Substandard	Doubtful	Unrecoverable	Total
Loans at amortized cost						
Impaired loans	—	—	—	26,933	11,775	38,708
Total	<u>—</u>	<u>—</u>	<u>—</u>	<u>26,933</u>	<u>11,775</u>	<u>38,708</u>

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*(Amounts expressed in thousands of U.S. dollars, unless otherwise indicated)***31. Applicable laws and regulations (continued)**

	December 31, 2024					Total
	Normal	Special mention	Substandard	Doubtful	Unrecoverable	
Loans at amortized cost						
Impaired loans	—	—	—	6,933	10,107	17,040
Total	<u>—</u>	<u>—</u>	<u>—</u>	<u>6,933</u>	<u>10,107</u>	<u>17,040</u>
				December 31,		
				<u>2025</u>	<u>2024</u>	
Non-accrual loans:						
Private corporations				<u>38,708</u>	<u>17,040</u>	
Interest that would have been reversed had the loans not been classified as non-accrual.				<u>1,302</u>	<u>474</u>	

As of December 31, 2025, and 2024, no interest income was collected on loans in non-accrual status.

32. Subsequent events*Dividends declared*

At the Board of Directors' meeting held on February 10, 2026, the declaration of a quarterly cash dividend of US\$0.6875 per common share, corresponding to the fourth quarter of 2025, was approved. Such dividend was paid on March 12, 2026, to shareholders of record as of February 25, 2026. At the same meeting, the payment of the first coupon on the Bank's Additional Tier 1 (AT1) capital instruments was also approved, which was paid on March 18, 2026.