



**Banco de Credito e Inversiones, S.A.,
Miami Branch**

Financial Statements as of and for the years ended
December 31, 2025 and 2024, with Independent
Auditors' Report Thereon

BANCO DE CREDITO E INVERSIONES, S.A., MIAMI BRANCH

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Independent Auditors' Report

Board of Directors
Banco de Credito e Inversiones, S.A.:

Opinion

We have audited the financial statements of Banco de Credito e Inversiones, S.A., Miami Branch (the Branch), which comprise the statements of assets, liabilities, and Head Office equity as of December 31, 2025 and 2024, and the related statements of operations and comprehensive income, changes in Head Office equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Branch as of December 31, 2025 and 2024, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Branch and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

The Branch is part of Banco de Credito e Inversiones, S.A., whose Head Office is located in Chile, and as such, is not a separately incorporated legal entity. Because the Branch is part of the Head Office, its financial statements do not necessarily reflect all allocations or other financial matters that may be applicable to the Branch. Further, as discussed in Note 10 to the financial statements, the Branch has extensive transactions and relationships with its Head Office and affiliated entities. As a result of these relationships, it is possible that the terms of these transactions are not the same as those which would result from transactions among wholly unrelated parties. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Branch's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our



opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. 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. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- 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 Branch's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Branch's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

KPMG LLP

Miami, Florida
February 24, 2026

BANCO DE CREDITO E INVERSIONES, S.A., MIAMI BRANCH

STATEMENTS OF ASSETS, LIABILITIES, AND HEAD OFFICE EQUITY AS OF DECEMBER 31, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
ASSETS		
CASH AND DUE FROM BANKS	\$ 31,962,683	\$ 24,039,441
DUE FROM RELATED INSTITUTION	250,895,737	401,626,623
FEDERAL FUNDS SOLD AND OVERNIGHT INVESTMENTS	508,038,559	1,264,102,096
CASH AND TIME DEPOSITS DUE FROM RELATED INSTITUTIONS	<u>355,133,213</u>	<u>100,139,142</u>
Total cash, cash equivalents and restricted cash	1,146,030,192	1,789,907,302
TIME DEPOSITS DUE FROM HEAD OFFICE, BRANCHES, AND AFFILIATES WITH ORIGINAL MATURITIES IN EXCESS OF 90 DAYS	1,000,750,000	325,250,000
SECURITIES AVAILABLE FOR SALE	706,846,469	809,651,601
LOANS—Net	3,060,804,512	2,701,928,731
ACCRUED INTEREST RECEIVABLE	66,064,381	53,491,513
PREMISES AND EQUIPMENT—Net	4,074,969	4,889,940
DERIVATIVE INSTRUMENTS	18,013,473	61,188,002
DEFERRED TAX ASSET—Net	7,859,598	9,694,095
OTHER ASSETS	<u>96,964,838</u>	<u>87,589,740</u>
TOTAL ASSETS	<u>\$ 6,107,408,432</u>	<u>\$ 5,843,590,924</u>
LIABILITIES AND HEAD OFFICE EQUITY		
DEPOSITS:		
Demand:		
Noninterest bearing	\$ 279,502,015	\$ 254,523,778
Interest bearing	393,575,975	395,801,237
Time	<u>3,026,678,096</u>	<u>2,675,769,408</u>
Total deposits	3,699,756,086	3,326,094,423
AMOUNTS DUE TO HEAD OFFICE, BRANCHES, AND AFFILIATES	414,528,460	874,946,780
SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE	45,192,181	135,196,835
BORROWINGS	1,341,276,935	928,055,235
DERIVATIVE INSTRUMENTS	12,828,888	5,032,946
ACCRUED INTEREST PAYABLE	46,956,088	40,216,526
PURCHASED LOAN LIABILITIES	49,265,361	103,458,124
OTHER LIABILITIES	<u>91,187,391</u>	<u>78,566,193</u>
Total liabilities	<u>5,700,991,390</u>	<u>5,491,567,062</u>
COMMITMENTS AND CONTINGENCIES (Note 13)		
HEAD OFFICE EQUITY:		
Assigned capital	19,413,389	19,413,389
Accumulated earnings	372,137,420	329,023,597
Accumulated other comprehensive income	<u>14,866,233</u>	<u>3,586,876</u>
Total Head Office equity	<u>406,417,042</u>	<u>352,023,862</u>
TOTAL LIABILITIES AND HEAD OFFICE EQUITY	<u>\$ 6,107,408,432</u>	<u>\$ 5,843,590,924</u>

See accompanying notes to financial statements.

BANCO DE CREDITO E INVERSIONES, S.A., MIAMI BRANCH

STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
INTEREST INCOME:		
Loans	\$ 189,097,788	\$ 192,756,810
Federal funds sold and overnight investments	30,374,174	50,548,502
Securities	42,761,785	48,302,691
Time deposits due from banks, Head Office, branches and affiliates	<u>67,285,582</u>	<u>48,454,736</u>
Total interest income	<u>329,519,329</u>	<u>340,062,739</u>
INTEREST EXPENSE:		
Deposits	157,592,449	189,237,144
Borrowings	<u>72,286,157</u>	<u>62,084,892</u>
Total interest expense	<u>229,878,606</u>	<u>251,322,036</u>
NET INTEREST INCOME	99,640,723	88,740,703
PROVISION FOR CREDIT LOSSES	<u>2,242,074</u>	<u>5,945,001</u>
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES	<u>97,398,649</u>	<u>82,795,702</u>
NONINTEREST INCOME:		
Service fees and charges —net	5,371,170	3,038,892
Securities and derivative instruments gains (losses) —net	(1,345,722)	1,417,477
Other	<u>38,380</u>	<u>392,138</u>
Total noninterest income	<u>4,063,828</u>	<u>4,848,507</u>
NONINTEREST EXPENSE:		
Salaries and employee benefits	32,979,942	25,486,775
Occupancy	2,045,149	2,033,475
Depreciation and amortization	1,494,927	1,486,084
Communications	620,315	486,795
Professional fees—legal	875,896	748,597
Professional fees—other fees	5,179,129	4,613,642
Other operating	<u>11,053,446</u>	<u>5,037,566</u>
Total noninterest expense	<u>54,248,804</u>	<u>39,892,934</u>
NET INCOME BEFORE INCOME TAX EXPENSE (BENEFIT)	47,213,673	47,751,275
INCOME TAX EXPENSE (BENEFIT)	<u>4,099,850</u>	<u>(505,193)</u>
NET INCOME	<u>\$ 43,113,823</u>	<u>\$ 48,256,468</u>
OTHER COMPREHENSIVE INCOME:		
Change in net unrealized holding gain on securities available for sale	9,933,635	9,873,365
Reclassification adjustment for gain (loss) —net included in net income	<u>1,345,722</u>	<u>(1,417,477)</u>
Total other comprehensive income	<u>11,279,357</u>	<u>8,455,888</u>
COMPREHENSIVE INCOME	<u>\$ 54,393,180</u>	<u>\$ 56,712,356</u>

See accompanying notes to financial statements.

BANCO DE CREDITO E INVERSIONES, S.A., MIAMI BRANCH

STATEMENTS OF CHANGES IN HEAD OFFICE EQUITY FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

	<u>Assigned Capital</u>	<u>Accumulated Earnings</u>	<u>Accumulated Other Comprehensive Income</u>	<u>Total Head Office Equity</u>
BALANCE—December 31, 2023	\$ 19,413,389	\$ 280,767,129	\$ (4,869,012)	\$ 295,311,506
Net income	-	48,256,468	-	48,256,468
Other comprehensive income	<u>-</u>	<u>-</u>	<u>8,455,888</u>	<u>8,455,888</u>
BALANCE—December 31, 2024	19,413,389	329,023,597	3,586,876	352,023,862
Net income	-	43,113,823	-	43,113,823
Other comprehensive income	<u>-</u>	<u>-</u>	<u>11,279,357</u>	<u>11,279,357</u>
BALANCE—December 31, 2025	<u>\$ 19,413,389</u>	<u>\$ 372,137,420</u>	<u>\$ 14,866,233</u>	<u>\$ 406,417,042</u>

See accompanying notes to financial statements.

BANCO DE CREDITO E INVERSIONES, S.A., MIAMI BRANCH

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 43,113,823	\$ 48,256,468
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of right of use assets under operating leases	1,468,574	1,465,042
Depreciation and amortization	1,494,927	1,486,084
Deferred tax expense (benefit)	2,344,531	(1,472,623)
Provision for credit losses	2,242,074	5,945,001
Provision for off-balance sheet credit losses	2,825,179	90,719
Securities and derivative instruments loss (gain) —net	1,345,722	(1,417,477)
Loss on sales of loans—net	250,870	187,239
Unrealized (gain) loss on derivatives	(3,061,256)	227
Loss on repurchase of liabilities	8,895	40,730
Net premium (accretion) amortization on securities	16,746	9,749,475
Amortization of discounts on borrowings	51,913,362	48,800,439
Net accretion of deferred loan fees and discounts	(5,777,303)	(13,945,673)
Changes in assets and liabilities:		
Accrued interest receivable	(12,572,868)	5,609,497
Derivative instruments	25,393,102	20,909,722
Other assets	(13,050,697)	(1,635,581)
Accrued interest payable	6,739,562	(2,691,013)
Other liabilities	3,643,854	(2,672,666)
Net cash provided by operating activities	<u>108,339,097</u>	<u>118,705,610</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Increase in time deposits due from related institutions	(675,500,000)	(146,814,125)
Purchases of securities available for sale	(190,973,666)	(466,133,308)
Maturities, sales, and calls of investment securities	340,230,163	308,164,439
Proceeds from sales of loans	52,435,700	114,979,304
Net increase in loans	(462,266,580)	(161,019,082)
Net decrease (increase) in customers' acceptance liability	2,253,719	(67,179,390)
Purchases of premises and equipment	(679,956)	(2,248,939)
Net cash used in investing activities	<u>(934,500,620)</u>	<u>(420,251,101)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase (decrease) in deposits	373,652,768	(352,522,897)
(Decrease) increase in amounts due to Head Office, branches, and affiliates	(460,418,320)	157,995,529
Net (decrease) increase in securities sold under agreements to repurchase	(90,004,654)	135,196,835
Net (decrease) increase in acceptances outstanding	(2,253,719)	67,179,390
Net change in short term borrowings with maturities less than 90 days	132,658,253	(118,386,619)
Short term borrowings:		
Proceeds from short term borrowings	2,343,436,835	1,441,341,923
Payments of short term borrowings	(2,114,786,750)	(1,411,333,000)
Long term borrowings:		
Proceeds from long term borrowings	-	104,925,000
Payments of long term borrowings	-	(173,000,000)
Net cash provided by (used in) financing activities	<u>182,284,413</u>	<u>(148,603,839)</u>
NET DECREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(643,877,110)	(450,149,330)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH:		
Beginning of year	<u>1,789,907,302</u>	<u>2,240,056,632</u>
End of year	<u>\$ 1,146,030,192</u>	<u>\$ 1,789,907,302</u>

(Continued)

BANCO DE CREDITO E INVERSIONES, S.A., MIAMI BRANCH

STATEMENTS OF CASH FLOWS (CONTINUED) FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Interest paid	<u>\$ 223,139,044</u>	<u>\$ 254,013,049</u>
Taxes paid	<u>\$ 2,805,000</u>	<u>\$ 2,250,000</u>
SUPPLEMENTAL SCHEDULE OF NON CASH INVESTING ACTIVITY:		
Loans sold pending payment	<u>\$ 10,442,477</u>	<u>\$ -</u>

See accompanying notes to financial statements.

BANCO DE CREDITO E INVERSIONES, S.A., MIAMI BRANCH

NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Banco de Credito e Inversiones, S.A., Miami Branch (the “Branch”) is a branch of Banco de Credito e Inversiones, S.A. (the “Head Office”), a commercial bank incorporated in Santiago, Chile. The Branch was originally licensed as an international banking agency by the Department of Banking and Finance of the State of Florida (the “Department”) on May 10, 1999, and began operations on May 17, 1999. On December 3, 2001, the Department approved the conversion of the existing international banking agency license to an international banking branch license. The rights of an international banking branch differ from an international agency, in that an international branch has the flexibility to receive qualified deposits from citizens and residents of the United States of America. The Branch is not a separately incorporated legal entity and conducts general banking business providing a range of banking services to domestic and foreign individuals and corporate customers principally from Latin America.

The following is a description of the significant accounting policies and practices followed by the Branch, which conform to U.S. generally accepted accounting principles (“U.S. GAAP”) and banking industry practices.

Basis of Presentation—The financial statements have been prepared from the records of the Branch, which contain evidence that transactions have been entered into and recorded locally. As the Branch is part of the Head Office, its financial statements do not necessarily reflect all allocations to or from the Head Office or other financial matters that may be applicable to the Branch. Further, because of the relationship with the Head Office, it is possible that the transactions recorded locally may not be the same as transactions among wholly unrelated parties.

Estimates—The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for credit losses (“ACL”), the valuation of certain securities available for sale (Level 3), and the valuation of derivative instruments. Management believes that these estimates are reasonable. Actual results could differ from these estimates.

Cash and Cash Equivalents—The Branch has defined cash equivalents as those highly liquid financial instruments purchased with a maturity of three months or less at the time of acquisition.

Securities Available for Sale and Allowance for Credit Losses—Securities to be held for unspecified periods of time, including securities that management intends to use as part of its asset/liability strategy or that may be sold in response to changes in interest rates, changes in prepayment risk, or other similar factors, are classified as securities available for sale and are carried at fair value. The appreciation or decline in value of these securities is included in accumulated other comprehensive income within Head Office equity.

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Premiums or discounts on securities available for sale are amortized or accreted over the life of the securities using the effective interest method as an adjustment to the yield.

For available for sale debt securities in an unrealized loss position, the Branch first assesses whether it intends to sell, or it is more likely than not that it will be required to sell the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through income.

For available for sale debt securities that do not meet the aforementioned criteria, the Branch evaluates at the individual security level whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers the extent to which fair value is less than amortized cost and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security is compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an ACL is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an ACL on available for sale securities is recognized in other comprehensive income.

Loans and Allowance for Credit Losses— Loans are stated at amortized cost reduced by an ACL. Amortized cost includes the amount of unpaid principal adjusted by unamortized deferred loan fees and costs on originated loans. Interest on loans is calculated using the interest method on the daily balances of the outstanding principal amount. Accrual of interest is typically discontinued on a loan when management believes, after considering economic and business conditions and the results of collection efforts, that the borrower's financial condition is such that collection of interest or principal is doubtful or when a loan becomes contractually past due 90 days or more with respect to interest or principal.

The ACL is a valuation account that is deducted from the amortized cost basis of loans to present the net amount expected to be collected. The Branch has elected to exclude accrued interest receivable from amortized cost for the purpose of estimating the ACL. At December 31, 2025 and 2024, accrued interest receivable totaled approximately \$27,145,000 and \$25,038,000, respectively.

For loans evaluated on a group basis, management segments the loan portfolio by identifying risk characteristics that are common to groups of loans. Expected credit losses are estimated over the contractual terms of the loans, adjusted for expected prepayments. Expected prepayments are generally estimated based on industry benchmark data. The contractual term excludes expected extensions, renewals, and modifications unless the extension or renewal options are included in the original or modified contract at the reporting date and are not unconditionally cancellable by the Branch.

For most portfolio segments, including commercial and industrial loans and commercial real estate loans, expected losses are estimated using econometric models. The models employ a loss rate methodology, leveraging data sets containing extensive historical loss and recovery information by industry, geography, product type, and collateral type, to estimate expected gross losses. Additional recovery rate benchmark assumptions are employed to reduce expected losses accordingly. Expected loss rates are then

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conditioned on one reasonable and supportable economic forecast, sourced from the Federal Open Market Committee. The commercial and industrial, commercial real estate, and construction segments utilize models that incorporate national unemployment, while the commercial and industrial model also considers national gross domestic product. Forecasted loss rates, determined based on pool level characteristics, are applied to each month for the life of the loan, considering the contractual term and payment structure of loans, adjusted for expected prepayments, to generate estimates of expected loss. The ACL estimate incorporates a reasonable and supportable economic forecast using externally developed macroeconomic scenarios applied in the models. The forecasts of future economic conditions are over a period of four quarters that has been deemed reasonable and supportable, and in periods where it can no longer develop reasonable and supportable forecasts, the Branch reverts to expected losses given long-term historical averages of the economic factors over the remaining life of the loans, calculated on a straight-line basis over a period of one year.

Loans that do not typically share similar risk characteristics with other loans are evaluated on an individual basis. Loans evaluated individually are not included in the collective evaluation. Collateral dependent loans are defined as those for which the borrower is experiencing financial difficulty and repayment is expected to be provided substantially through the operation or sale of the collateral. The Branch selected certain practical expedients such that estimates of expected credit losses for collateral dependent loans, whether or not foreclosure is probable, are based on the fair value of the collateral, adjusted for selling costs when repayment depends on sale of the collateral. When the discounted cash flow method is used to determine the ACL, the interest rate used to discount the cash flows is adjusted to incorporate expected repayments.

The ACL is established through a provision for credit losses. The provision for credit losses is the amount that is required to bring the ACL to a level that, in management's judgment, will be adequate to absorb expected losses on existing loans. If future events result in deterioration of the loan portfolio, additional provisions will be made as the facts become evident. Loans are charged off against the ACL when management believes that the collectability of the principal is unlikely. Recoveries of amounts previously charged off are credited to the ACL.

The effect of most modifications made to borrowers experiencing financial difficulty is already included in the ACL because of the measurement methodologies used to estimate the allowance. These modified terms may include rate reductions, extensions of contractual term, principal forgiveness, payment forbearance, among others.

Off-balance Sheet Credit Exposures—Expected credit losses related to off-balance sheet credit exposures are estimated over the contractual period for which the Branch is exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by the Branch. Expected credit losses are estimated using essentially the same methodologies employed to estimate expected credit losses of loans. The liability for credit losses on off-balance sheet credit exposures is presented within other liabilities on the statements of assets, liabilities and Head Office equity. Adjustments to the liability are included in other operating expenses in the statements of operations and comprehensive income.

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Premises and Equipment—Premises and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the related assets or the expected term of the leases, if shorter.

Leases—The Branch evaluates the classification of leases as operating or finance at inception. Leases that meet one or more of the following criteria are classified as finance leases:

- The lease agreement contains a provision where the lessee has the option to purchase the asset, and the option is reasonably certain to be exercised.
- The ownership of the leased asset is transferred to the Branch at the end of the lease period.
- The duration of the lease encompasses at least 75% of the useful life of the leased asset.
- The present value of the minimum lease payments under the lease represents at least 90% of the fair value of the leased asset.
- The asset is so specialized in nature that it provides no alternative use to the lessor after the lease term.

The Branch has determined all leases, under which it is the lessee, to be operating leases.

Operating lease right-of-use ("ROU") assets represent the Branch's right to use an underlying asset for the lease term, and lease liabilities represent the Branch's obligation to make lease payments arising from the lease, both of which are recognized based on the present value of the future minimum lease payments over the lease term at the commencement date. The Branch determines the lease term by assuming the exercise of renewal options that are reasonably certain. As most of the Branch's leases do not provide an implicit interest rate, the Branch uses its local incremental borrowing rate for financing over the period of the lease based on the information available at the commencement date in determining the present value of future payments. ROU assets are included in other assets, while operating lease liabilities are included in other liabilities in the accompanying statements of assets, liabilities, and Head Office equity (see Note 9).

The Branch made an accounting policy election to separate lease and non-lease components of a contract. Non-lease components include operating expenses, such as repairs and maintenance, real estate taxes, insurance and utilities. These expenses are recognized when incurred.

Leases with a lease term of 12 months or less at inception are not recorded on the Branch's statements of assets, liabilities, and Head Office equity, unless these are evergreen leases, and are expensed on a straight-line basis over the lease term in the Branch's statements of operations and comprehensive income.

Derivative Financial Instruments—The Branch manages its exposure to interest rate and foreign currency movements in investment securities and loans by seeking to match asset and liability balances within maturity categories, both directly and through the use of derivative financial instruments. The

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derivative instruments are interest rate swaps and cross-currency swaps (together, “swaps”) and forward foreign exchange contracts. While these instruments are subject to fluctuations in value, such fluctuations are generally offset by the change in value of the underlying exposures being hedged. The net interest received or paid on swaps is reflected as interest income or expense of the related hedged position.

These derivative financial instruments are designated as hedges against the changes in variable cash flows or fair value of identified assets as long as certain criteria are met. However, if the derivative financial instrument fails or ceases to qualify for hedge accounting, it is accounted for at fair value with changes in fair value recorded in noninterest income in the statements of operations and comprehensive income.

If the instrument qualifies for fair value hedge accounting, the market gains and losses of the derivative as well as the portion of the unrealized gains or losses of the hedged instrument that was attributable to the risk being hedged are recorded in noninterest income (loss). Gains and losses resulting from the termination of swaps are recognized over the shorter of the remaining contract lives of the swaps or the lives of the related hedged positions or, if the hedged positions are sold, are recognized in the current period as noninterest income.

If the instrument qualifies for cash flow hedge accounting, the change in fair value of the derivative is recorded in other comprehensive income and reclassified into earnings in the same period which the hedged transaction affects earnings and is reported in noninterest income in the statements of operations and comprehensive income.

If the instrument is an embedded derivative in a hybrid contract, the instrument is accounted for at fair value, with changes in the value of the instrument being recognized in noninterest income in the statements of operations and comprehensive income.

Income Recognition—Interest income is generally recognized on the accrual basis using the interest method. Deferred loan fees are amortized over the term of the related loan using the effective yield method. Commissions and fees on letters of credit are deferred and recognized using a method that approximates the level yield method.

Loan Fees—Nonrefundable fees for loan commitments and loan originations, net of expenses, are deferred and amortized using a method that approximates the level-yield method as an adjustment of loan yield over the term of the loan.

Foreign Currency Transactions—Substantially all operational financial instruments of the Branch are denominated in U.S. dollars. Foreign currencies are translated into U.S. dollars using year-end rates of exchange. Income and expense amounts are translated based on the rate in effect at the end of the month in which the individual transactions are recorded.

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Disclosure of Significant Concentrations of Credit Risk— Concentrations of credit risk arise when assets are concentrated in similar instruments, business activities, or activities in the same geographic region or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. The Branch has securities available for sale and loans primarily in the U.S. and Latin America (see Notes 2 and 3, respectively).

The Branch provides a range of banking services to foreign individuals and foreign and domestic financial institutions and corporations within the public, private, and financial sectors. Latin American and Caribbean deposits are an important component of the Branch's liquidity. Accordingly, the Branch's fundings are susceptible to changes in certain Latin American countries' economies.

Income Taxes—The Branch is subject to federal and state income taxes. The Branch utilizes an asset and liability approach to accounting for income taxes. The asset and liability approach requires recognition of deferred tax assets and liabilities for expected future tax consequences of temporary differences between the carrying amounts and tax bases of other assets and liabilities. Deferred tax assets are required to be reduced by a valuation allowance to the extent that, based on the weight of available evidence, it is more likely than not that the deferred tax assets will not be realized. In making such determinations, the Branch considers all positive and negative evidence, including future reversals of existing temporary differences, prior and projected future taxable income, and tax planning strategies.

For positions taken or expected to be taken in a tax return, the Branch recognizes the effect of such tax positions in its financial statements when it is more likely than not (i.e., a likelihood of more than 50%) that the position would be sustained upon examination by tax authorities. A recognized tax position is then measured at the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement.

Transfers of Financial Assets—Transfers of financial assets are accounted for as sales or purchases when control over the assets has been surrendered by the transferor. Control over transferred assets is deemed to be surrendered when the assets have been isolated from the transferor, the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and the transferor does not maintain effective control over the transferred assets through an agreement to repurchase them. If the above criteria are not met, the Branch accounts for the transfer as a secured borrowing.

Interest Rate Risk—The Branch's performance is dependent to a large extent on its net interest income, which is the difference between interest income on interest-earning assets and interest expense on interest-bearing liabilities. The Branch is affected by changes in general interest rate levels and by other economic factors beyond its control. Interest rate risk arises from mismatches between the dollar amount of repricing or maturing assets and liabilities and is measured in terms of the ratio of the interest-rate-sensitivity gap to total assets. More assets repricing or maturing than liabilities over a given time frame is considered asset sensitive or a positive gap and more liabilities repricing or maturing than assets over a given time frame is considered liability sensitive or a negative gap. An asset sensitive position will generally enhance earnings in a rising interest rate environment and will negatively affect earnings in a falling interest rate environment, while a liability sensitive position will generally enhance earnings in a

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falling interest rate environment and negatively affect earnings in a rising interest rate environment. Fluctuations in interest rates are not predictable or controllable.

Fair Value Measurements—Financial instruments are classified based on three-level valuation hierarchy required by U.S. GAAP. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1—Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Branch has the ability to access.

Level 2—Inputs are inputs (other than quoted prices included within Level 1) that are observable for the asset or liability, either directly or indirectly.

Level 3—Inputs are unobservable inputs for the asset or liability and rely on management’s assumptions that market participants would use in pricing the asset or liability (the unobservable inputs should be developed based on the best information available in the circumstances and may include the Branch’s own data).

Recently Issued Accounting Pronouncements—In December 2023, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2023-09, *Income Taxes (“Topic 740”): Improvements to Income Tax Disclosures* to enhance the transparency and decision usefulness of income tax disclosures. Under the new guidance, non-public entities will be required to include qualitative disclosure about specific categories of reconciling items and individual jurisdictions that result in a significant difference between the statutory tax rate and the effective tax rate and disclose disaggregated information about income tax paid by federal, state, and foreign jurisdictions. The new guidance is effective for the Branch for annual periods beginning after December 15, 2025. The Branch is evaluating the effects of the guidance on the Branch’s financial statements.

In July 2025, the FASB issued ASU 2025-05, *Measurement of Credit Losses for Accounts Receivable and Contract Assets* in response to challenges in applying guidance in Accounting Standards Codification (“ASC”) 326, *Financial Instruments—Credit Losses*, to current accounts receivable and current contract assets arising from transactions under ASC 606, *Revenue from Contracts with Customers*. The new guidance is effective for the Branch for annual periods beginning after December 15, 2025. The Branch is evaluating the effects of the guidance on the Branch’s financial statements.

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2. SECURITIES AVAILABLE FOR SALE

The amortized cost and estimated fair value of securities available for sale, with gross unrealized gains and losses, at December 31, 2025 and 2024, are summarized as follows:

	2025			Fair Value
	Amortized Cost	Gross Unrealized		
		Gains	Losses	
Available for sale:				
Corporate debt securities	\$ 49,199,889	\$ 1,900,069	\$ (457,295)	\$ 50,642,663
Chilean government debt securities	392,917,956	10,639,625	(11,394,011)	392,163,570
U.S. Treasury bonds	<u>257,883,245</u>	<u>6,170,444</u>	<u>(13,453)</u>	<u>264,040,236</u>
	<u>\$ 700,001,090</u>	<u>\$ 18,710,138</u>	<u>\$ (11,864,759)</u>	<u>\$ 706,846,469</u>

	2024			Fair Value
	Amortized Cost	Gross Unrealized		
		Gains	Losses	
Available for sale:				
Corporate debt securities	\$ 89,365,418	\$ 225,935	\$ (4,186,021)	\$ 85,405,332
Corporate capital equivalency deposit debt securities	69,174,550	-	(6,690,239)	62,484,311
Chilean government debt securities	495,792,223	633,741	(39,461,801)	456,964,163
U.S. Treasury bonds	<u>206,801,465</u>	<u>-</u>	<u>(2,003,670)</u>	<u>204,797,795</u>
	<u>\$ 861,133,656</u>	<u>\$ 859,676</u>	<u>\$ (52,341,731)</u>	<u>\$ 809,651,601</u>

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Securities available for sale with unrealized losses less than and greater than 12 months at December 31, 2025 and 2024, are as follows:

2025	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Available for sale:						
Corporate debt securities	\$ 2,977,615	\$ (17,714)	\$ 12,360,351	\$ (439,581)	\$ 15,337,966	\$ (457,295)
Chilean government debt securities	-	-	91,515,904	(11,394,011)	91,515,904	(11,394,011)
U.S. Treasury bonds	20,230,197	(13,453)	-	-	20,230,197	(13,453)
	<u>\$ 23,207,812</u>	<u>\$ (31,167)</u>	<u>\$ 103,876,255</u>	<u>\$ (11,833,592)</u>	<u>\$ 127,084,067</u>	<u>\$ (11,864,759)</u>

2024	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Available for sale:						
Corporate debt securities	\$ 14,313,451	\$ (154,943)	\$ 53,683,177	\$ (4,031,078)	\$ 67,996,628	\$ (4,186,021)
Corporate capital equivalency deposit debt securities	-	-	62,484,311	(6,690,239)	62,484,311	(6,690,239)
Chilean government debt securities	204,688,783	(4,513,174)	230,796,307	(34,948,627)	435,485,090	(39,461,801)
U.S. Treasury bonds	204,797,795	(2,003,670)	-	-	204,797,795	(2,003,670)
	<u>\$ 423,800,029</u>	<u>\$ (6,671,787)</u>	<u>\$ 346,963,795</u>	<u>\$ (45,669,944)</u>	<u>\$ 770,763,824</u>	<u>\$ (52,341,731)</u>

The Branch reviewed available for sale debt securities that had an unrealized loss position and evaluated whether the decline in fair value of a debt security resulted from credit losses or other factors under ASU 2016-13, *Measurement of Credit Losses on Financial Instruments* ("Topic 326"). It is more likely than not the Branch will not be required to sell the securities before recovery of the securities' amortized cost basis. This conclusion is based upon considering the Branch's cash and working capital requirements and contractual and regulatory obligations, none of which the Branch believes would cause the sale of the securities. Management considers these declines in values to be temporary in nature. In reaching this decision, management considered factors, including the severity of the declines below cost, recent trends in fair values, and the existence of guarantees behind the underlying collateral of the instruments. Based on this review, management believes that the unrealized losses have resulted from other factors not deemed credit-related and no ACL was recorded.

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Contractual maturities of corporate debt securities, corporate capital equivalency deposit debt securities, Chilean government debt securities and U.S. Treasury bonds classified as available for sale at December 31, 2025, are as follows:

	<u>Amortized Cost</u>	<u>Fair Value</u>
Due within one year	\$ -	\$ -
Due within one and five years	32,004,429	30,499,912
Due within five and ten years	370,709,488	368,374,690
Due after 10 years	297,287,173	307,971,867
	<u>\$ 700,001,090</u>	<u>\$ 706,846,469</u>

The Branch manages its exposure to interest rate and foreign currency movements for its portfolio of securities available for sale through the use of derivative financial instruments. At December 31, 2025 and 2024, securities available for sale totaling \$669,132,831 and \$844,149,756, respectively, are hedged by derivative financial instruments. Unrealized gains (losses) related to hedged available for sale securities totaled \$1,178,045 and (\$221,878) for the years ended December 31, 2025 and 2024, respectively, and are included in noninterest income – other in the accompanying statements of operations and comprehensive income.

During the years ended December 31, 2025 and 2024, the Branch sold securities available for sale with aggregate gross proceeds of approximately \$340,230,000 and \$308,164,000, respectively. The Branch recognized gross realized losses on these sales of approximately \$24,943,000 and \$19,172,000 for the years ended December 31, 2025 and 2024, respectively.

At December 31, 2025 and 2024, there are no securities available for sale pledged as collateral to secure potential borrowing capacity with the Federal Reserve Bank.

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3. LOANS AND ALLOWANCE FOR CREDIT LOSSES

At December 31, 2025, the Branch had loans outstanding as follows:

Commercial and industrial	\$ 2,504,706,902
Commercial real estate	66,031,178
Construction	59,164,612
Financial institutions	397,000,000
Others	<u>71,760,504</u>
	3,098,663,196
Less:	
Allowance for credit losses	(32,725,809)
Deferred loan fees	(7,457,343)
Premiums—net	<u>2,324,468</u>
	<u>\$ 3,060,804,512</u>

At December 31, 2024, the Branch had loans outstanding as follows:

Commercial and industrial	\$ 2,203,851,135
Commercial real estate	67,009,217
Construction	95,166,131
Financial institutions	295,400,000
Others	<u>75,890,250</u>
	2,737,316,733
Less:	
Allowance for credit losses	(29,649,258)
Deferred loan fees	(6,739,842)
Premiums—net	<u>1,001,098</u>
	<u>\$ 2,701,928,731</u>

At December 31, 2025 and 2024, the Branch's loan portfolio consists mainly of working capital loans, trade financing loans, personal loans, syndicated loans, and discounted acceptances.

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At December 31, 2025, the Branch had loans outstanding with risk in the following countries:

	<u>Commercial and Industrial</u>	<u>Commercial Real Estate</u>	<u>Construction</u>	<u>Financial Institutions</u>	<u>Other</u>	<u>Total</u>
Chile	\$ 980,441,216	\$ 2,588,958	\$ 15,150,000	\$ -	\$ 6,011,289	\$ 1,004,191,463
United States	839,303,136	63,442,220	44,014,612	-	3,841,300	950,601,268
Peru	559,595,527	-	-	-	15,857,915	575,453,442
Brazil	-	-	-	120,000,000	-	120,000,000
Anguilla	-	-	-	96,000,000	-	96,000,000
Panama	-	-	-	71,000,000	13,500,000	84,500,000
Guatemala	10,166,980	-	-	40,000,000	32,550,000	82,716,980
Canada	50,519,383	-	-	-	-	50,519,383
Colombia	-	-	-	50,000,000	-	50,000,000
Denmark	45,000,000	-	-	-	-	45,000,000
Spain	-	-	-	20,000,000	-	20,000,000
Luxembourg	19,680,660	-	-	-	-	19,680,660
	<u>\$ 2,504,706,902</u>	<u>\$ 66,031,178</u>	<u>\$ 59,164,612</u>	<u>\$ 397,000,000</u>	<u>\$ 71,760,504</u>	<u>\$ 3,098,663,196</u>

At December 31, 2024, the Branch had loans outstanding with risk in the following countries:

	<u>Commercial and Industrial</u>	<u>Commercial Real Estate</u>	<u>Construction</u>	<u>Financial Institutions</u>	<u>Other</u>	<u>Total</u>
Chile	\$ 898,792,535	\$ 2,893,542	\$ 20,000,000	\$ -	\$ 41,923,000	\$ 963,609,077
United States	658,624,033	64,115,675	75,166,131	-	-	797,905,839
Peru	554,594,355	-	-	-	7,357,250	561,951,605
Anguilla	-	-	-	76,400,000	-	76,400,000
Guatemala	10,579,600	-	-	30,000,000	26,610,000	67,189,600
Colombia	-	-	-	50,000,000	-	50,000,000
Panama	-	-	-	49,000,000	-	49,000,000
Denmark	45,000,000	-	-	-	-	45,000,000
Dominican Republic	-	-	-	40,000,000	-	40,000,000
Brazil	-	-	-	40,000,000	-	40,000,000
Canada	29,944,823	-	-	-	-	29,944,823
Spain	-	-	-	10,000,000	-	10,000,000
Switzerland	6,315,789	-	-	-	-	6,315,789
	<u>\$ 2,203,851,135</u>	<u>\$ 67,009,217</u>	<u>\$ 95,166,131</u>	<u>\$ 295,400,000</u>	<u>\$ 75,890,250</u>	<u>\$ 2,737,316,733</u>

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Risk Management—The Branch has certain lending policies and procedures in place that are designed to maximize loan income within an acceptable level of risk. Management reviews and approves these policies and procedures on a regular basis. A reporting system supplements the review process by providing management with frequent reports related to loan production, loan quality, concentrations of credit, loan delinquencies, and nonperforming and potential problem loans. Diversification in the loan portfolio is a means of managing risk associated with fluctuations in economic conditions.

Loans are subject to underwriting standards that are designed to promote relationship banking. Once it is determined that the borrower’s management possesses sound ethics and solid business acumen, the loans are underwritten and submitted for approval. For loans that are underwritten by the Head Office, the Head Office’s management examines the relevant information for each respective loan and presents the loan for approval within the loan review committee at Head Office, and the loans are subsequently ratified by the Branch’s management before booking. For loans that are underwritten by the Branch, the Branch’s management examines the relevant information for each respective loan and presents to the Head Office for approval for substantially all of these.

Loans are primarily approved based on the identified cash flows of the borrower and secondarily on the guarantees provided by the borrower. Loans are secured by the assets being financed or other business assets, such as accounts receivable, inventory or real estate, and the Branch may incorporate a personal guarantee. In the case of loans secured by an operating asset, the availability of funds for the repayment of these loans may be substantially dependent on the ability of the borrower to collect amounts due from its customers.

Credit Quality Indicators—In order to monitor the Branch’s credit quality, a credit-grading system has been developed. The credit grades classify the level of risk for various categories.

All new loans are assigned a credit grade from “1” to “6” at the time of consideration for approval. Existing loans are reviewed, and the credit grade is changed if necessary.

Loans graded “3” or worse are included on the Branch’s criticized and classified asset report and are subject to enhanced monitoring and management in accordance with Branch policy.

The Branch’s credit grades are defined as follows:

- **Pass (credit grade “1”)**
Loans to borrowers with strong financial condition, stable earnings and cash flows, conservative leverage, and demonstrated ability to meet contractual debt obligations. These loans present minimal credit risk.
- **Acceptable (credit grade “2”)**
Loans to borrowers with acceptable financial condition and repayment capacity. While these loans may be subject to normal industry or economic risks, they do not exhibit material adverse trends, well-defined weaknesses, or repayment concerns.

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Pass-rated loans are performing in accordance with contractual terms and are subject to standard credit monitoring procedures.

The Branch's credit grades "3" to "6" conform to the classifications and their definitions as set forth in the Federal Reserve Commercial Bank Examination Manual. The standard classifications and their definitions are as follows:

- Other assets especially mentioned/other loans especially mentioned ("OLEM") (credit grade "3")
Assets in this category are performing, but are potentially weak. These assets constitute an undue and unwarranted credit risk, but not to the point of justifying a classification of substandard. The credit risk may be relatively minor yet constitutes an unwarranted risk in light of the circumstances surrounding a specific asset.

This category is not used to list assets that bear risks usually associated with the particular type of financing. Any type of asset regardless of collateral, financial stability, and responsibility of the obligor involves certain risks. Assets in which actual, not potential, weaknesses are evident and significant are considered for more serious criticism.

- Substandard (credit grade "4")
A substandard asset is inadequately protected by the creditworthiness and paying capacity of the obligor or of the collateral pledged, if any. Assets so classified must have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the Branch will sustain some loss if the deficiencies are not corrected. Loss potential, while existing in the aggregate amount of substandard assets, does not have to exist in individual assets classified as substandard.
- Doubtful (credit grade "5")
An asset classified as doubtful has all the weaknesses inherent in one classified as substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable. The possibility of loss is extremely high, but because of certain important and reasonably specific pending factors that may work to the advantage and strengthening of the asset, its classification as an estimated loss is deferred until its more exact status may be determined.
- Loss (credit grade "6")
Assets classified as loss are considered uncollectible and of such little value that their continuance as bankable assets is not warranted. This classification does not mean that the asset has absolutely no recovery or salvage value, but rather it is not practical or desirable to defer writing off the asset even though partial recovery may be effected in the future. Losses should be taken in the period in which they are incurred.

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The Branch's loans, grouped by classification and segmented by the class of loans, at December 31, 2025 and 2024, are as follows:

2025	Commercial and Industrial	Commercial Real Estate	Construction	Financial Institutions	Other	Total
Classification:						
Not criticized	\$ 2,445,635,933	\$ 66,031,178	\$ 59,164,612	\$ 397,000,000	\$ 71,760,504	\$ 3,039,592,227
OLEM	-	-	-	-	-	-
Substandard	59,070,969	-	-	-	-	59,070,969
Doubtful	-	-	-	-	-	-
Loss	-	-	-	-	-	-
	<u>\$ 2,504,706,902</u>	<u>\$ 66,031,178</u>	<u>\$ 59,164,612</u>	<u>\$ 397,000,000</u>	<u>\$ 71,760,504</u>	<u>\$ 3,098,663,196</u>
2024	Commercial and Industrial	Commercial Real Estate	Construction	Financial Institutions	Other	Total
Classification:						
Not criticized	\$ 2,162,128,627	\$ 67,009,217	\$ 95,166,131	\$ 295,400,000	\$ 75,890,250	\$ 2,695,594,225
OLEM	12,128,787	-	-	-	-	12,128,787
Substandard	28,217,377	-	-	-	-	28,217,377
Doubtful	1,376,344	-	-	-	-	1,376,344
Loss	-	-	-	-	-	-
	<u>\$ 2,203,851,135</u>	<u>\$ 67,009,217</u>	<u>\$ 95,166,131</u>	<u>\$ 295,400,000</u>	<u>\$ 75,890,250</u>	<u>\$ 2,737,316,733</u>

Nonaccrual and Past-Due Loans—Loans are considered past due if the required principal and interest payments have not been received as of the date such payments were due. Loans are placed on nonaccrual status when management believes the borrower may be unable to meet payment obligations as they become due, which is typically when loans are 90 days past due, as well as when required by regulatory provisions.

Loans may be placed on nonaccrual status regardless of whether or not such loans are considered past due. When interest accrual is discontinued, all unpaid accrued interest is reversed. Interest income is subsequently recognized only to the extent cash payments are received in excess of principal due. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

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At December 31, 2025, the Branch did not have any nonaccrual loans. Nonaccrual loans segregated by class of loans at December 31, 2024, are as follows:

	<u>Nonaccrual loans</u>	<u>Nonaccrual Loans With No Related Allowance for Credit Losses</u>
Commercial and industrial	\$ 1,376,344	\$ -

The Branch did not recognize interest income on nonaccrual loans during the years ended December 31, 2025 and 2024.

An analysis of past due loans, segregated by class of loans, at December 31, 2025 and 2024, is as follows:

	<u>Loans 30-89 Days Past Due</u>	<u>Loans 90 or More Days Past Due</u>	<u>Total Past Due Loans</u>	<u>Current Loans</u>	<u>Total Loans</u>	<u>Accruing Loans 90 or More Days Past Due</u>
December 31, 2025						
Commercial and industrial	\$ -	\$ -	\$ -	\$ 2,504,706,902	\$ 2,504,706,902	\$ -
Commercial real estate	-	-	-	66,031,178	66,031,178	-
Construction	1,181,914	-	1,181,914	57,982,698	59,164,612	-
Financial Institutions	-	-	-	397,000,000	397,000,000	-
Other	-	-	-	71,760,504	71,760,504	-
	<u>\$ 1,181,914</u>	<u>\$ -</u>	<u>\$ 1,181,914</u>	<u>\$ 3,097,481,282</u>	<u>\$ 3,098,663,196</u>	<u>\$ -</u>

	<u>Loans 30-89 Days Past Due</u>	<u>Loans 90 or More Days Past Due</u>	<u>Total Past Due Loans</u>	<u>Current Loans</u>	<u>Total Loans</u>	<u>Accruing Loans 90 or More Days Past Due</u>
December 31, 2024						
Commercial and industrial	\$ 13,305,468	\$ 2,680,692	\$ 15,986,160	\$ 2,187,864,975	\$ 2,203,851,135	\$ 1,304,348
Commercial real estate	-	-	-	67,009,217	67,009,217	-
Construction	-	-	-	95,166,131	95,166,131	-
Financial Institutions	-	-	-	295,400,000	295,400,000	-
Other	-	-	-	75,890,250	75,890,250	-
	<u>\$ 13,305,468</u>	<u>\$ 2,680,692</u>	<u>\$ 15,986,160</u>	<u>\$ 2,721,330,573</u>	<u>\$ 2,737,316,733</u>	<u>\$ 1,304,348</u>

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Allowance for Credit Losses —Transactions affecting the ACL by class of loans during the years ended December 31, 2025 and 2024, are as follows:

2024	Commercial and Industrial	Commercial Real Estate	Construction	Financial Institutions	Other	Total
Allowance for credit losses:						
Beginning balance	\$ 26,939,819	\$ 359,400	\$ 1,958,701	\$ 88,720	\$ 548,760	\$ 29,895,400
Provision for credit losses	5,259,378	(87,564)	1,108,774	52,143	(387,730)	5,945,001
Recoveries	-	-	-	-	-	-
Charge-offs	(6,191,143)	-	-	-	-	(6,191,143)
Ending balance	<u>\$ 26,008,054</u>	<u>\$ 271,836</u>	<u>\$ 3,067,475</u>	<u>\$ 140,863</u>	<u>\$ 161,030</u>	<u>\$ 29,649,258</u>
2025	Commercial and Industrial	Commercial Real Estate	Construction	Financial Institutions	Other	Total
Allowance for credit losses:						
Beginning balance	\$ 26,008,054	\$ 271,836	\$ 3,067,475	\$ 140,863	\$ 161,030	\$ 29,649,258
Provision for credit losses	3,759,260	39,237	(1,490,755)	30,877	(96,545)	2,242,074
Recoveries	698,318	-	136,159	-	-	834,477
Charge-offs	-	-	-	-	-	-
Ending balance	<u>\$ 30,465,632</u>	<u>\$ 311,073</u>	<u>\$ 1,712,879</u>	<u>\$ 171,740</u>	<u>\$ 64,485</u>	<u>\$ 32,725,809</u>

Loan Modifications—The Branch modifies loans to borrowers in financial distress by providing term extensions, interest rate reductions, principal forgiveness or other-than insignificant payment delays. The Branch closely monitors the performance of loans that are modified to borrowers experiencing financial difficulty to assess the effectiveness of the modification efforts. There were no loans modified to borrowers with financial difficulty during the years ended December 31, 2025 and 2024.

Purchase and Sale of Loans— During 2025, the Branch purchased and sold approximately \$456,676,000 and \$62,925,000 of loans held for investment, respectively, from and to nonrelated entities. During 2024, the Branch purchased and sold approximately \$320,031,000 and \$99,876,000 of loans held for investment, respectively, from and to nonrelated entities. During 2025, the Branch did not purchase or sell loans held for investment from and to affiliates. During 2024, the Branch purchased and sold approximately \$52,665,000 and \$0 of loans held for investment, respectively, from and to affiliates. During 2025 and 2024, the Branch did not sell any loans that were originated or purchased with the intention to sell. Purchased loan liabilities represent purchases of loans for which the rights of the loan have transferred to the Branch, but for which the Branch has not remitted payment.

During 2025 and 2024, no loans were transferred between the Branch and Head Office.

At December 31, 2025 and 2024, there are no loans pledged as collateral to secure potential borrowing capacity with the Federal Reserve Bank.

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4. PREMISES AND EQUIPMENT, NET

At December 31, 2025 and 2024, premises and equipment, net, included the following:

	<u>2025</u>	<u>2024</u>
Furniture, fixtures, and equipment	\$ 12,480,041	\$ 11,800,085
Leasehold improvements	<u>2,901,223</u>	<u>2,901,223</u>
	15,381,264	14,701,308
Less accumulated depreciation and amortization	<u>(11,306,295)</u>	<u>(9,811,368)</u>
	<u>\$ 4,074,969</u>	<u>\$ 4,889,940</u>

Depreciation and amortization expense amounted to \$1,494,927 and \$1,486,084 for the years ended December 31, 2025 and 2024, respectively.

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5. TIME DEPOSITS

Time deposits at December 31, 2025 and 2024, are comprised of the following:

	<u>2025</u>	<u>2024</u>
Time	\$ 2,538,746,919	\$ 2,224,270,520
Yankee CD	<u>487,931,177</u>	<u>451,498,888</u>
	<u>\$ 3,026,678,096</u>	<u>\$ 2,675,769,408</u>

The amounts of scheduled maturities of time deposits at December 31, 2025 are as follows:

2026	\$ 3,017,178,096
2027	<u>9,500,000</u>
	<u>\$ 3,026,678,096</u>

Interest expense on deposits for the years ended December 31, 2025 and 2024, includes the following:

	<u>2025</u>	<u>2024</u>
Demand—interest bearing	\$ 20,224,124	\$ 32,950,560
Time	<u>137,368,325</u>	<u>156,286,584</u>
	<u>\$ 157,592,449</u>	<u>\$ 189,237,144</u>

6. DERIVATIVE INSTRUMENTS

The Branch uses derivative financial instruments for the purpose of managing its exposure to adverse fluctuations in fair value arising from certain investment securities, loans as well as general balance sheet management purposes. Under the interest rate swaps, the Branch agrees to exchange at specified intervals the difference between fixed-rate and floating-rate interest amounts calculated by reference to an agreed notional amount. Under the cross-currency swaps, the Branch agrees to exchange at specified intervals the difference between changes in currency fluctuations calculated by reference to an agreed notional amount. Under forward foreign exchange contracts, the Branch agrees to exchange a specific amount of currency at a predetermined exchange rate at a future date. The Branch does not enter into derivatives for speculative or trading purposes.

For the derivatives designated as hedged instruments, the Branch remained effectively hedged as of December 31, 2025 and 2024. The Branch also had certain derivative instruments that were not designated or did not qualify for hedge accounting. The objective and purpose for all of the Branch's derivatives are the same whether they are designated as a hedge instrument or not.

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At December 31, 2025 and 2024, derivative instruments included the following:

2025	Fair Value Hedges (FV)	Notional Amount	Fair Value Asset	Notional Amount	Fair Value (Liability)
Derivative instruments not designated as hedging instruments:					
Interest rate swaps		\$ 120,817,548	\$ 2,656,085	\$ 120,817,548	\$ (2,656,081)
Cross-currency swaps		3,396,667	594,461	3,396,667	(593,709)
Forward foreign exchange contract		-	-	2,247,191	(140,729)
			3,250,546		(3,390,519)
Derivative instruments designated as hedging instruments:					
Interest rate swaps	FV	412,600,000	5,063,211	376,000,000	(7,909,056)
Cross-currency swaps	FV	87,008,951	8,519,700	23,523,880	(1,529,313)
Cross-currency swaps		-	-	-	-
Forward foreign exchange contract		23,796,776	1,180,016	-	-
			14,762,927		(9,438,369)
Total			\$ 18,013,473		\$ (12,828,888)

2024	Fair Value Hedges (FV)	Notional Amount	Fair Value Asset	Notional Amount	Fair Value (Liability)
Derivative instruments not designated as hedging instruments:					
Interest rate swaps		\$ 108,283,091	\$ 4,340,395	\$ 108,283,091	\$ (4,341,934)
Cross-currency swaps		4,681,666	105,932	4,681,667	(105,987)
Forward foreign exchange contract		2,143,336	31,319	-	-
			4,477,646		(4,447,921)
Derivative instruments designated as hedging instruments:					
Interest rate swaps	FV	729,635,000	38,775,078	39,000,000	(72,821)
Cross-currency swaps	FV	103,436,958	17,927,130	-	-
Cross-currency swaps		-	-	18,553,367	(512,204)
Forward foreign exchange contract		2,654,985	8,148	-	-
			56,710,356		(585,025)
Total			\$ 61,188,002		\$ (5,032,946)

As of December 31, 2025 and 2024, certain interest rate swaps and cross-currency swaps qualify for fair value hedge accounting, while certain cross-currency swaps and forward foreign exchange contracts qualify for cash flow hedge accounting, as described in Note 1.

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The effect of the Branch's derivative instruments not designated as a hedging instrument recorded within the Branch's statements of operations and comprehensive income for the years ended December 31, 2025 and 2024, is summarized as follows:

Derivatives Not Designated as Hedging Instruments:	Location in Statements of Operations and Comprehensive Income	Amount of Gain (Loss) Recognized in Earnings	
		2025	2024
Interest rate swaps	Loan—interest income—net	\$ 188,366	\$ (321,690)
Interest rate swaps	Other—noninterest income	\$ (2,346)	\$ 224
Cross-currency swaps	Loan—interest income—net	\$ 327,997	\$ 707,496
Forward foreign currency contract	Other—noninterest income	\$ 172,049	\$ (102,607)

The amount of the Branch's derivative instruments designated as fair value hedging instruments recorded within the Branch's statements of operations and comprehensive income for the years ended December 31, 2025 and 2024 is not significant. The Branch's derivative instruments designated as cash flow derivative instruments recorded within the Branch's statements of operations and comprehensive income for the years ended December 31, 2025 and 2024 were as follows:

Derivatives Designated as Cash Flow Hedging Instruments:	Amount of Gain Recognized in Comprehensive Income	
	2025	2024
Cross-currency swaps	-	\$ 512,204
Forward foreign currency contract	\$ 135,220	\$ 44,452

A summary table detailing the financial instruments hedged and derivative financial instruments used in hedge accounting as of December 31, 2025 and 2024, is as follows:

Financial instruments hedged	2025	2024
Securities available for sale (par value)	\$ 669,132,831	\$ 844,149,756
Time deposits	160,000,000	22,000,000
Loans	23,796,776	2,654,985
Borrowings	70,000,000	-
Total	<u>\$ 922,929,607</u>	<u>\$ 868,804,741</u>
Hedging derivatives		
Interest rate swaps	788,600,000	768,635,000
Cross-currency swaps	110,532,831	97,514,756
Forward foreign currency contracts	23,796,776	2,654,985
Total	<u>\$ 922,929,607</u>	<u>\$ 868,804,741</u>

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7. SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

Repurchase agreements as of and for the years ended December 31, 2025 and 2024, consist of the following:

	<u>2025</u>	<u>2024</u>
Securities sold under agreements to repurchase at year-end	\$ 45,192,181	\$ 135,196,835
Maximum amount of outstanding agreements at any month-end during the year	344,132,695	135,196,835
Average amount outstanding during the year	74,651,418	45,704,378
Weighted average interest rate at year-end	4.33%	4.93%

8. BORROWINGS

At December 31, 2025 and 2024, borrowing instruments included the following:

	<u>2025</u>	<u>2024</u>
Commercial paper (CP)	\$ 1,181,340,476	\$ 813,134,763
Financial institutions	<u>159,936,459</u>	<u>114,920,472</u>
	<u>\$ 1,341,276,935</u>	<u>\$ 928,055,235</u>

Borrowings with original maturities of one year or less are considered short term borrowings.

The CP program is primarily a short-term funding source for the Branch. The issuing of CP may be done on a daily basis with maturities ranging from one day to one year with an expected volume no greater than \$2,000,000,000. Each transaction is based on prevailing market rates at the time the contract is entered into. At December 31, 2025, the weighted-average interest rate on the CP program was 4.22% and maturities ranged from January 2026 through October 2026.

Previously, the Branch entered into a borrowing agreement with a financial institution. The borrowing's contractual rate was based on Secured Overnight Financing Rate ("SOFR") plus a spread. At December 31, 2025, the weighted-average interest rate on the borrowings was 4.83% and maturities ranged from January 2026 through February 2029. At December 31, 2024, the weighted-average interest rate on the borrowings was 5.67% and maturities ranged from March 2027 through February 2029.

At December 31, 2025 and 2024, the Branch had not pledged any assets as collateral in connection with this borrowing facility with the financial institution, and there were no outstanding borrowings under the agreement as of those dates.

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9. OPERATING LEASES

The Branch rents its office space and parking lot facilities from an affiliated company through an operating lease expiring in 2026 with one renewal option of five years. The Branch believes that this renewal option will be exercised and there are no plans to terminate the lease; therefore, the renewal option is reflected in the ROU asset. The Branch is obligated to pay a portion of the property taxes, insurance and maintenance for the lease.

Operating lease assets and liabilities as of December 31, 2025 and 2024 are as follows:

	<u>2025</u>	<u>2024</u>
Operating lease ROU asset	\$ 7,896,554	\$ 9,365,128
Current portion of operating lease liability	\$ 1,491,724	\$ 1,443,844
Non-current portion of operating lease liability	<u>7,045,181</u>	<u>8,537,210</u>
Operating lease liability	<u>\$ 8,536,905</u>	<u>\$ 9,981,054</u>

Operating lease ROU asset is included in other assets, while operating lease liability is included in other liabilities in the accompanying statements of assets, liabilities, and Head Office equity.

Total operating lease costs were approximately \$1,839,000 and \$1,861,000 for the years ended December 31, 2025 and 2024, respectively. Cash amounts included in the measurement of the operating lease liability were approximately \$1,467,000 and \$1,424,000 for the years ended December 31, 2025 and 2024, respectively.

Information associated with the measurement of the remaining operating lease obligations as of December 31, 2025, is as follows:

Weighted average remaining lease term in years	5.33
Weighted average discount rate for operating leases	0.25%

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Estimated future minimum lease payments, exclusive of taxes and other charges, are as follows:

Years ending December 31:

2026	\$	1,511,160
2027		1,556,495
2028		1,603,190
2029		1,651,286
2030		1,700,824
Thereafter		<u>571,580</u>
Total undiscounted cash flows		8,594,535
Less: imputed interest		<u>(57,630)</u>
Total operating lease liabilities	\$	<u>8,536,905</u>

The Branch subleases office space and parking lot facilities to an affiliated company through an operating agreement expiring in 2026. Rental income of approximately \$182,000 and \$181,000 was recognized for the years ended December 31, 2025 and 2024, respectively, and is included in noninterest income in the accompanying statements of operations and comprehensive income.

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10. TRANSACTIONS WITH HEAD OFFICE, BRANCHES, AND AFFILIATES

Balances with the Head Office, branches, and affiliates as of and for the years ended December 31, 2025 and 2024, are as follows:

	<u>2025</u>	<u>2024</u>
Assets:		
Cash and due from related institution—pledged (Note 15)	\$ 250,000,000	\$ 250,000,000
Cash and due from related institution—unpledged (Note 15)	895,737	151,626,623
	<u>250,895,737</u>	<u>401,626,623</u>
Cash and due from banks	133,213	139,142
Time deposits due from related institutions	355,000,000	100,000,000
	<u>355,133,213</u>	<u>100,139,142</u>
Time deposits due from related institutions with original maturity in excess of 90 days	1,000,750,000	325,250,000
Accrued interest receivable	27,723,891	15,551,544
Derivative instruments	16,903,186	60,782,581
Other assets	686,233	373,788
	<u>1,046,063,310</u>	<u>401,957,913</u>
Total assets	<u>1,652,092,260</u>	<u>903,723,678</u>
Liabilities:		
Derivative instruments	10,689,402	990,477
Accrued interest payable	15,366,328	11,908,062
Amounts due to Head Office, Branches and Affiliates	414,528,460	874,946,780
Other liabilities	427,186	477,130
	<u>441,011,376</u>	<u>888,322,449</u>
Head Office equity	<u>406,417,042</u>	<u>352,023,862</u>
Total liabilities and Head Office equity	<u>847,428,418</u>	<u>1,240,346,311</u>
Net asset (liability) position	<u>\$ 804,663,842</u>	<u>\$ (336,622,633)</u>
Interest income	\$ 75,074,203	\$ 66,283,372
Interest expense	\$ 13,784,814	\$ 22,570,640
Noninterest (loss) income	\$ (34,125,413)	\$ 13,154,485
Noninterest expense - occupancy and professional fees	\$ 3,489,223	\$ 3,330,374

The Branch records certain expenses of the international area of the Head Office that are related to the operations of the Branch. Expenses from the international area of the Head Office amounted to \$5,086,701 and \$5,048,303, respectively, during the years ended December 31, 2025 and 2024.

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The net income from derivative instruments with Head Office amounted to \$7,788,620 and \$17,889,010 for the years ended December 31, 2025 and 2024, respectively.

The Branch has entered into swaps with its Head Office. The nominal values of these instruments as of December 31, 2025 and 2024 total approximately \$1,016,251,000 and \$1,048,017,000, respectively (see Note 6).

Time deposits due from the Head Office amounted to approximately \$1,355,750,000 and \$425,250,000 as of December 31, 2025 and 2024, respectively. These time deposits have original maturities ranging from 3 months to 5 years and earn interest at a weighted average rate of 4.49% and 4.93% for the years ended December 31, 2025 and 2024, respectively.

Borrowings from the Head Office amounted to approximately \$60,000,000 and \$120,000,000 as of December 31, 2025 and 2024, respectively, and are included within amounts due to Head Office, branches, and affiliates within the accompanying statements of assets, liabilities, and Head Office equity. These borrowings are short term and bear interest at a weighted average rate of 4.52% and 4.94% for the years ended December 31, 2025 and 2024, respectively.

Demand deposits from the Head Office and affiliates amounted to approximately \$354,528,460 and \$754,947,000 as of December 31, 2025 and 2024, respectively, and are included within amounts due to Head Office, branches, and affiliates within the accompanying statements of assets, liabilities, and Head Office equity.

During 2019, the Branch entered into a networking agreement with an affiliate which was amended in 2024. During the years ended December 31, 2025 and 2024, the Branch recognized approximately \$946,000 and \$898,000, respectively, from the affiliate for commissions related to this agreement.

During 2021, the Branch entered into an expense sharing agreement with an affiliate which is amended annually. During the years ended December 31, 2025 and 2024, the Branch recognized an allocation of common expenses to its affiliate of approximately \$337,000 and \$354,000, respectively, as a reduction of its operating expenses.

During 2023, the Branch entered into a revenue sharing agreement with an affiliate. During the years ended December 31, 2025 and 2024, the Branch paid \$5,675,000 and \$6,292,000, respectively, to the affiliate for fees related to this agreement.

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11. INCOME TAXES

The components of income tax expense (benefit) for the years ended December 31, 2025 and 2024, were as follows:

	<u>2025</u>	<u>2024</u>
Current:		
Federal	\$ 1,403,974	\$ 773,944
State	<u>351,345</u>	<u>193,486</u>
Total current	<u>1,755,319</u>	<u>967,430</u>
Deferred:		
Federal	2,733,489	(1,228,315)
State	<u>(388,958)</u>	<u>(244,308)</u>
Total deferred	<u>2,344,531</u>	<u>(1,472,623)</u>
Income tax expense (benefit)	<u>\$ 4,099,850</u>	<u>\$ (505,193)</u>

The major permanent differences between the results of operations and U.S. taxable income are non-effectively connected and related party income and the corresponding disallowance of interest expense and operating expense. Effectively connected securities that create the deferred tax liabilities for unrealized appreciation of securities available for sale—hedged, are being hedged by derivatives with a related party (see Note 10). Therefore, the value of the associated derivatives is not included in the net deferred tax assets and represents a major permanent difference.

At December 31, 2025 and 2024, the Branch had a federal income tax receivable of approximately \$8,644,000 and \$7,900,000, respectively, which is included in other assets in the accompanying statements of assets, liabilities, and Head Office equity. At December 31, 2025 and 2024, the Branch had no federal income tax payable.

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The total deferred tax assets and liabilities at December 31, 2025 and 2024, are as follows:

	<u>2025</u>	<u>2024</u>
Deferred tax assets:		
Lease liability	\$ 2,164,105	\$ 2,530,197
Unrealized depreciation of available for sale securities—hedged	2,981,771	4,330,513
Deferred loan fees and discounts—net	279,379	1,087,381
Allowance for credit losses	3,335,821	2,776,774
Market premiums—net	1,090,647	613,010
Net operating loss carryforward	-	1,964,883
Other	<u>1,467,202</u>	<u>1,084,906</u>
Total deferred tax assets	<u>11,318,925</u>	<u>14,387,664</u>
Deferred tax liabilities:		
Operating lease ROU asset	(2,001,808)	(2,374,091)
IRC Section 481(a) adjustment	(518,269)	(777,404)
Depreciation	<u>(473,259)</u>	<u>(566,049)</u>
Total deferred tax liabilities	<u>(2,993,336)</u>	<u>(3,717,544)</u>
Net deferred tax assets before unrealized appreciation of investments in securities available for sale	<u>8,325,589</u>	<u>10,670,120</u>
Unrealized appreciation of securities available for sale—non-hedged	<u>(465,991)</u>	<u>(976,025)</u>
Net deferred tax assets	<u>\$ 7,859,598</u>	<u>\$ 9,694,095</u>

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not, based on an evaluation of both positive and negative evidence as defined in FASB ASC 740, *Income Taxes*, that some portion or all of the deferred tax assets will not be realized. Although management believes that these deferred tax assets will ultimately be realized, it must recognize that such realization is dependent on the generation of future taxable income during periods in which the temporary differences are deductible.

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Under FASB ASC 740, management must consider the scheduled reversal of deferred tax assets, projected future taxable income, and tax-planning strategies in making this assessment. Management evaluated all available evidence, both positive and negative, and based on consideration of this evidence, which included earnings/loss history and anticipated future pretax income, as well as the reversal period for the items giving rise to the deferred tax assets and liabilities, and management concluded that it was more likely than not that its net deferred tax asset would be realized as of December 31, 2025 and 2024. Based on these factors, management has recorded no valuation allowance as of December 31, 2025 and 2024.

The Branch accounts for uncertainty in income taxes by recognizing in its financial statements the tax effects of a position only if it is more likely than not to be sustained based solely on its technical merits; otherwise, no benefits of the position are to be recognized. Moreover, the more-likely-than-not threshold must continue to be met in each reporting period to support continued recognition of a benefit. As of December 31, 2025 and 2024, the Branch has not recorded any unrecognized tax benefits in the accompanying statements of assets, liabilities, and Head Office equity. Management does not expect that unrecognized tax benefits will increase within the next 12 months. In the event the Branch was to recognize interest and penalties related to uncertain tax positions, they would be recognized in the financial statements as income tax expense. The Branch's tax years subject to federal and state examinations are 2021 through 2025.

12. EMPLOYEE BENEFIT PLAN

The Branch has implemented a 401(k) retirement plan. Employees who are 21 years of age and who have completed three months of service are eligible to participate as of the first day of the calendar month following the completion of three months of service. The Branch made total matching contributions of approximately \$803,000 and \$649,000 during 2025 and 2024, respectively.

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13. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Branch is a party to financial instruments with off-balance-sheet risk to meet the financing needs of its customers. These financial instruments include unused lines of credit commitments, standby letters of credit, issued or confirmed commercial letters of credit, and overdraft facilities. Those instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amounts recognized in the statements of assets, liabilities, and Head Office equity. The contract amounts of those instruments reflect the extent of involvement the Branch has in particular classes of financial instruments. The total contractual amounts of the off-balance-sheet risk at December 31, 2025 and 2024, are as follows:

	<u>2025</u>	<u>2024</u>
Standby letters of credit	\$ 214,934,000	\$ 100,243,000
Commitment to extend credit, including overdraft facilities	\$ 663,327,000	\$ 391,876,000
Issued or confirmed commercial letters of credit	\$ 1,897,000	\$ 1,980,000

Standby letters of credit are conditional commitments issued by the Branch to guarantee the performance of a customer to a third party. Standby letters of credit have fixed maturity dates, and since many of them expire without being drawn, they do not generally present a significant liquidity risk to the Branch. As of December 31, 2025, the Branch's standby letters of credit range in term from 0 to 37 months.

The Branch's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for standby letters of credit and guarantees is represented by the contractual amounts of those instruments. The Branch uses the same credit policies in establishing conditional obligations as it does for on-balance-sheet instruments.

The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. Collateral held varies, but may include cash, accounts receivable, inventory, equipment, marketable securities, and property. Since certain letters of credit are expected to expire without being drawn upon, they do not necessarily represent future cash requirements.

Contingencies—The Branch is involved in various legal actions arising in the ordinary course of business. In the opinion of management, the outcome of these proceedings will not have a significant effect on the Branch's financial position or results of operations.

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14. FAIR VALUE MEASUREMENTS

Recurring—The Branch’s fair value hierarchy for those assets measured at fair value on a recurring basis at December 31, 2025 and 2024, is as follows:

	December 31, 2025		
	Quote Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Securities available for sale:			
Corporate debt securities	\$	-	\$ 50,642,663
Chilean government debt securities		-	392,163,570
U.S. Treasury bond		-	264,040,236
Derivative instruments:			
Derivative assets		-	18,013,473
Derivative liabilities		-	(12,828,888)

	December 31, 2024		
	Quote Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Securities available for sale:			
Corporate debt securities	\$	-	\$ 85,405,332
Corporate capital equivalency deposit debt securities		-	62,484,311
Chilean government debt securities		-	456,964,163
U.S. Treasury bond		-	204,797,795
Derivative instruments:			
Derivative assets		-	61,188,002
Derivative liabilities		-	(5,032,946)

Level 2 Valuation Techniques—The valuation of the securities available for sale is performed through a monthly pricing process using data of independent pricing providers. These pricing providers collect, use, and incorporate descriptive market data from various sources, quotes, and indicators from leading broker-dealers to generate independent and objective valuations. The valuation of the derivatives is performed through a discounted cash flow model using forward SOFR curves and the contractual terms of the derivative instrument.

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The valuation techniques and the inputs used in our financial statements to measure the fair value of our recurring financial instruments include, among other things, the following:

- Similar securities actively traded that are selected from recent market transactions.
- Observable market data that includes spreads in relationship to SOFR, swap curve, and prepayment speed rates, as applicable.
- The captured spread and prepayment speed are used to obtain the fair value for each related security.

The methods described above may produce a fair value calculation that may differ from the net realizable value or may not be reflective of future fair values. Furthermore, while the Branch believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of its available-for-sale securities portfolios could result in a different estimate of fair value at the reporting date.

Level 3 Valuation Techniques—Financial instruments are considered Level 3 when their values are determined using pricing models, discounted cash flow methodologies, or similar techniques and at least one significant model assumption or input is unobservable. The fair value of the student loan asset-backed security is estimated using proprietary valuation models that utilize both market observable and unobservable parameters. The valuation technique and inputs used in the financial statements to measure the fair value include discounting the weighted-average cash flow for each period back to present value at the determined discount rate for the instrument.

The table below includes a roll-forward of the amounts related to the financial instrument classified by the Branch within Level 3 of the valuation hierarchy on the statements of assets, liabilities, and Head Office equity as of and for the year ended December 31, 2024, including the change in fair value. There were no financial instruments classified by the Branch within Level 3 of the valuation hierarchy on the statements of assets, liabilities, and Head Office equity as of and for the year ended December 31, 2025. When a determination is made to classify a financial instrument within Level 3, it is due to the use of significant unobservable inputs. However, Level 3 financial instruments typically include, in addition to the unobservable or Level 3 components, observable components (that is, components that are actively quoted and can be validated with external sources).

At December 31, 2025 and 2024, the Branch had no Level 3 financial assets measured on a recurring basis.

During June 2024, the Branch sold its investment in a student loan asset-backed security. The gains and losses in the table below include changes in the fair value due, in part, to observable factors that are part of the valuation methodology:

	<u>Available for Sale</u>
Balance—December 31, 2023	\$ 3,757,995
Change in unrealized gain included in statements of other comprehensive income	292,005
Amortized cost of securities sold	(4,050,000)
Balance—December 31, 2024	<u>\$ -</u>

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Interest income for the year ended December 31, 2024, for the student loan asset-backed security that is measured on a recurring basis using significant unobservable inputs is approximately \$155,000, and is included within securities interest income in the accompanying statements of operations and comprehensive income.

Nonrecurring—Under certain circumstances, the Branch makes adjustments to fair value for its assets and liabilities although these are not measured at fair value on an ongoing basis.

Adjustments of individually evaluated loans are estimated using the present value of expected cash flows or the appraised value of the underlying collateral discounted as necessary due to management's estimates of changes in economic conditions. The Branch's individually evaluated loans are classified in Level 3 of the fair value hierarchy since the valuation technique requires inputs that are both significant and unobservable.

At December 31, 2024, the Branch recorded a nonrecurring change in fair value on one loan, as follows:

	Valuation Technique	Total	December 31, 2024		
			Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Loans	Discounted cash flows	\$ 1,376,344	\$ -	\$ -	\$ 1,376,344

There were no liabilities measured at fair value on a nonrecurring basis at December 31, 2025 and 2024.

15. REGULATORY MATTERS

The Florida Department of Financial Services (the "Department of Financial Services") requires international banking branches to maintain assets, excluding accrued income and amounts due from affiliates, equal to 107% of liabilities, as defined by the Department of Financial Services ("Asset Maintenance Requirement"). As an alternative, the Department of Financial Services may, by rule, permit an international banking branch to maintain dollar deposits or investment securities in an amount specified by the Department of Financial Services in a state bank. The amount of such dollar deposits or investment securities shall equal, at a minimum, the greater of \$4,000,000 or 7% of the international banking branch's total liabilities, as defined by the Department of Financial Services ("Capital Equivalency Requirement"). The Branch has elected to comply with the Capital Equivalency Requirement. A deposit was placed with a related institution (see Note 10) that is pledged to the Department of Financial Services in order to be in compliance with this regulatory requirement. On December 30, 2024, the Branch received notice of authorization to release \$150,000,000 in cash pledged to the Florida Office of Financial Regulation held at a related institution. As of December 31, 2025 and 2024, \$250,000,000 was held at the related institution and pledged for this purpose. At December 31, 2025 and 2024, the Branch was in compliance with the Capital Equivalency Requirement.

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16. SUBSEQUENT EVENTS

In January 2026, Head Office announced its plans to adapt its corporate structure through the creation of a Holding Company, Bci Group, that will act as the parent entity for all of Head Office's operations in Chile and abroad. The reorganization represents a transaction among entities under common control. The transaction is subject to regulatory approval.

The Branch has not identified any other events that would require disclosure or have a material impact on the financial position, results of operations and comprehensive income, or cash flows of the Branch as of and for the year ended December 31, 2025.

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