

Financial Statements of
OCCIDENTAL BANK (BARBADOS) LTD.
December 31, 2025
(With Independent Auditors' Report Thereon)

Occidental Bank (Barbados) Ltd.

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INDEPENDENT AUDITORS' REPORT

To the Shareholder of Occidental Bank (Barbados) Ltd.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Occidental Bank (Barbados) Ltd. (the "Bank"), which comprise the statement of financial position as at December 31, 2025, the statements of income, 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 financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2025, and its financial performance and its 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 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). We have 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.



INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Shareholder of Occidental Bank (Barbados) Ltd.

Other Information

Management is responsible for the other information. The other information comprises the unaudited information included on pages 39 to 40 but does not include other disclosures in the financial statements and our auditors' report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to 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.



INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Shareholder of Occidental Bank (Barbados) Ltd.

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 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 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 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 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.



INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Shareholder of Occidental Bank (Barbados) Ltd.

Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

A handwritten signature of the KPMG firm, written in black ink. The letters are slightly slanted and have a casual, cursive feel.

Chartered Accountants
Bridgetown, Barbados
April 30, 2026

Occidental Bank (Barbados) Ltd.

Statement of financial position

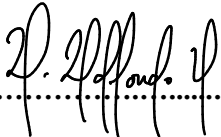
December 31, 2025

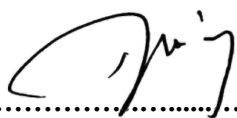
(In US dollars)

Assets	Note	2025	2024
Cash	6	48,296,771	57,454,348
Investment securities	7	102,338,868	107,960,954
Loans to customers at amortised cost	8	199,231,847	169,786,464
Property and equipment		272,449	305,219
Other assets:			
Deferred tax assets	14	24,520	12,972
Other accounts receivable	9	138,663	46,984
Other assets	10	821,324	502,232
Total other assets		<u>984,507</u>	<u>562,188</u>
Total assets		<u><u>351,124,442</u></u>	<u><u>336,069,173</u></u>
Liabilities and equity			
Liabilities			
Customer deposits	11	298,476,162	292,545,594
Other liabilities	12	<u>1,659,456</u>	<u>943,911</u>
Total liabilities		<u><u>300,135,618</u></u>	<u><u>293,489,505</u></u>
Equity			
Share capital and share premium	13	18,239,034	18,239,034
Reserves		6,785,286	3,642,868
Retained earnings		25,964,504	20,697,766
Total equity		<u><u>50,988,824</u></u>	<u><u>42,579,668</u></u>
Total liabilities and equity		<u><u>351,124,442</u></u>	<u><u>336,069,173</u></u>

The notes are an integral part of the financial statement.

Approved by the Board of Directors on April 30, 2026


..... Chairman


..... Director

Occidental Bank (Barbados) Ltd.

Statement of income

For the year ended December 31, 2025

(In US dollars)

	<u>Note</u>	<u>2025</u>	<u>2024</u>
Interest income:			
Loans to customers		10,168,330	10,597,266
Investment securities		5,176,921	4,601,332
Overnight funds		2,984,244	2,957,950
Total interest income calculated using the effective interest method		<u>18,329,495</u>	<u>18,156,548</u>
Interest expense on customer deposits		<u>(10,502,809)</u>	<u>(9,908,538)</u>
Total interest expense		<u>(10,502,809)</u>	<u>(9,908,538)</u>
Net interest income calculated using the effective interest method		7,826,686	8,248,010
Reversal (impairment) of losses on loans	5	55,658	(624,615)
Impairment losses on investment securities	5	(15,250)	(27,194)
Recoveries of amounts previously written off		19,696	9,116
Net interest income after impairment charges		<u>7,886,790</u>	<u>7,605,317</u>
Other operating income (expense):			
Fees and commissions income		615,667	624,508
Commissions expense		<u>(226,586)</u>	<u>(256,181)</u>
Net fee and commission income		<u>389,081</u>	<u>368,327</u>
Foreign exchange income/(loss)		14,883	(18,679)
Net gain on investment securities at FVOCI	7	564,991	27,567
Dividend income		77,658	70,618
Other income		164,322	16,624
Total other operating income		<u>1,210,935</u>	<u>464,457</u>
Total operating income, net		<u>9,097,725</u>	<u>8,069,774</u>
General and administrative expenses:			
Professional fees and services		(1,780,249)	(1,599,753)
Salaries and other employee benefits		(165,533)	(190,798)
Depreciation and amortization		(94,826)	(83,947)
Other expenses		<u>(880,652)</u>	<u>(792,990)</u>
Total general and administrative expenses		<u>(2,921,260)</u>	<u>(2,667,488)</u>
Profit before tax		6,176,465	5,402,286
Income tax expense	14	<u>(909,727)</u>	<u>(178,326)</u>
Profit for the year		<u>5,266,738</u>	<u>5,223,960</u>

The notes are an integral part of the financial statement.

Occidental Bank (Barbados) Ltd.**Statement of Comprehensive Income**
For the year ended December 31, 2025
(In US dollars)

	<u>Note</u>	<u>2025</u>	<u>2024</u>
Profit for the year		5,266,738	5,223,960
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Equity investments at FVOCI - net change in fair value	17	<u>-</u>	<u>(97,908)</u>
			<u>(97,908)</u>
Items that are or may be reclassified subsequently to profit or loss			
Movement in fair value reserve (FVOCI debt instruments):			
Debt investments at FVOCI - net change in fair value		3,707,409	(831,297)
Debt investments at FVOCI - net amount reclassified to profit or loss	7	<u>(564,991)</u>	<u>(27,567)</u>
		<u>3,142,418</u>	<u>(858,864)</u>
Other comprehensive income (loss)		<u>3,142,418</u>	<u>(956,772)</u>
Total comprehensive income of the year		<u><u>8,409,156</u></u>	<u><u>4,267,188</u></u>

The notes are an integral part of the financial statement.

Occidental Bank (Barbados) Ltd.

Statement of changes in equity

For the year ended December 31, 2025

(In US dollars)

	<u>Note</u>	Share Capital	Share Premium	Reserve Fund	Fair value Reserve	Total Reserves	Retained Earnings	Total
Balance at December 31, 2023		10,075,000	8,164,034	10,075,000	(5,475,360)	4,599,640	15,473,806	38,312,480
Comprehensive income comprised of:								
Profit for the year		-	-	-	-	-	5,223,960	5,223,960
Other comprehensive loss								
Net change in fair value of equity investments at FVOCI	17				(97,908)	(97,908)	-	(97,908)
Net change in fair value of investment securities					(831,297)	(831,297)	-	(831,297)
Net amount transferred to profit or loss		-	-	-	(27,567)	(27,567)	-	(27,567)
Other comprehensive loss		-	-	-	(956,772)	(956,772)	-	(956,772)
Total comprehensive income for the year		-	-	-	(956,772)	(956,772)	5,223,960	4,267,188
Balance at December 31, 2024		10,075,000	8,164,034	10,075,000	(6,432,132)	3,642,868	20,697,766	42,579,668
Comprehensive income comprised of:								
Profit for the year		-	-	-	-	-	5,266,738	5,266,738
Other comprehensive income								
Net change in fair value of investment securities					3,707,409	3,707,409	-	3,707,409
Net amount transferred to profit or loss		-	-	-	(564,991)	(564,991)	-	(564,991)
Other comprehensive loss		-	-	-	3,142,418	3,142,418	-	3,142,418
Total comprehensive income for the year		-	-	-	3,142,418	3,142,418	5,266,738	8,409,156
Balance at December 31, 2025		10,075,000	8,164,034	10,075,000	(3,289,714)	6,785,286	25,964,504	50,988,824

The notes are an integral part of the financial statements.

Occidental Bank (Barbados) Ltd.**Statement of cash flows****For the year ended December 31, 2025**

(In US dollar)

	<u>Note</u>	<u>2025</u>	<u>2024</u>
Cash flows from operating activities			
Profit for the year		5,266,738	5,223,960
Adjustments for:			
Net interest income		(7,826,686)	(8,248,010)
Dividend income		(77,658)	(70,618)
Impairment losses on investment securities		15,250	27,194
Impairment (reversal of) losses on loans		(55,658)	624,615
Depreciation and amortization		94,826	83,947
Net gain on investment securities at FVOCI	7	(564,991)	(27,567)
Income tax expense	14	909,727	178,326
		<u>(2,238,452)</u>	<u>(2,208,153)</u>
Changes in operating assets and liabilities			
Loans to customers		(29,351,516)	(30,125,061)
Other accounts receivable		(86,849)	117,096
Other assets		(330,640)	(324,926)
Customer deposits		5,435,662	59,463,521
Other liabilities		131,610	285,545
		<u>(24,201,733)</u>	<u>29,416,175</u>
Interest received		18,406,312	17,983,757
Dividend received		72,828	66,372
Interest paid		(10,007,903)	(11,125,333)
Income tax paid		(325,792)	(414,296)
Net cash (used in) provided by operating activities		<u>(18,294,740)</u>	<u>33,718,522</u>
Cash flows from investing activities			
Acquisition of investment securities	7	(81,786,831)	(77,612,132)
Sales and redemptions of investment securities	7	90,986,050	60,426,205
Acquisition of property and equipment		(62,056)	(107,934)
Net cash provided by/(used in) investing activities		<u>9,137,163</u>	<u>(17,293,861)</u>
(Decrease) increase in cash during the year		(9,157,577)	16,424,661
Cash, beginning of year		57,454,348	41,029,687
Cash, end of year	6	<u><u>48,296,771</u></u>	<u><u>57,454,348</u></u>

The notes are an integral part of the financial information.

Occidental Bank (Barbados) Ltd.

Notes to the financial statements For the year ended December 31, 2025 (In US dollars)

1. Reporting Entity

Occidental Bank (Barbados) Ltd. (hereinafter, “the Bank”) was incorporated under the laws of Barbados on May 16, 1991 and is licensed to carry on banking and trust businesses from and within Barbados. The registered office of the Bank is located at Chelsea House, Chelsea Road, St. Michael, Barbados. The Bank is a wholly owned subsidiary of Banco de Occidente, S. A. (hereinafter, “the parent Bank”) which is incorporated under the laws of the Republic of Colombia. The ultimate parent of the Bank is Grupo Aval Acciones y Valores, S.A., hereinafter, “Grupo Aval”, a company incorporated under the laws of the Republic of Colombia.

These financial statements present the financial position, the financial performance and cash flows of the Bank as a separate entity. These financial statements are included in the consolidated financial statements of Banco de Occidente, S. A.

2. Basis of Preparation

2.1 *Statement of compliance*

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

These financial statements were authorized for issuance by the Board of Directors on April 30, 2026.

2.2 *Basis of measurement*

The financial statements are prepared on a historical cost basis, except for investment securities which are carried at fair value.

2.3 *Functional and presentation currency*

These financial statements are presented in United States of America dollars, which is the Bank’s functional currency.

2.4 *Use of estimates and judgements*

The preparation of financial statements in conformity with IFRS Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation, uncertainty and critical judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following accounting policies:

Accounting policy 3 (a) Fair value measurement on Level 3 investment securities (see note 17)

Occidental Bank (Barbados) Ltd.

Notes to the financial statements For the year ended December 31, 2025 (In US dollars)

3. Material Accounting Policies

The Bank has consistently applied the following accounting policies to all periods presented in the financial statements, except if mentioned otherwise.

(a) Fair value measurement

Fair value 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 in the principal 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 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 enough 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 the factors that market participants would consider in pricing a transaction.

The best evidence of the fair value of a financial instrument is a quoted price in an active market. If a market for a financial instrument is not active, then the Bank establishes fair value using a valuation technique. The decision of whether a market is active may include, but is not limited to, consideration of factors such as the volume and frequency of trading activity, and the availability of price and volume of the offers and sales. In markets that are not active, the assurance that the transaction price provides evidence of fair value or to determine that adjustments to transaction prices are necessary to measure the fair value of the instrument, requires additional work during the valuation process.

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

(b) Impairment of non-financial assets

The carrying amounts of the Bank's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

(c) Financial assets and financial liabilities

I. Classification of financial assets

On initial recognition, a financial asset is classified as measured, i.e. either at amortised cost (AC), fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL).

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

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

Occidental Bank (Barbados) Ltd.

Notes to the financial statements For the year ended December 31, 2025 (In US dollars)

3. Material Accounting Policies, continued

(c) Financial assets and financial liabilities, continued

I. Classification of financial assets, continued

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

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

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment by investment basis if applicable.

In addition, on initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at AC or at FVOCI as FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. The Bank has not used this option for the current and prior years.

A financial asset is classified in one of the aforementioned categories at the time of its initial recognition.

A derivative embedded in contracts - where the host is a financial asset under the scope of IFRS 9 - is not separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Business model assessment

The Bank assesses the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, 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 realising 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 the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons 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 realised.

Occidental Bank (Barbados) Ltd.

Notes to the financial statements For the year ended December 31, 2025 (In US dollars)

3. Material Accounting Policies, continued

(c) Financial assets and financial liabilities, continued

I. Classification of financial assets, continued

Financial assets that are held or are managed for trading and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

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 during a particular period and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

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

- contingent events that would change the amount and timing of cash flows
- leverage features;
- prepayment and extension terms
- 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. periodical reset of interest rates.

Interest rates on certain retail loans made by the Bank are based on standard variable rates (SVRs) that are set at the discretion of the Bank. SVRs are generally based on a central bank rate in a particular jurisdiction and include a discretionary spread. In these cases, the Bank will assess whether the discretionary feature is consistent with the SPPI criterion by considering several factors, including whether:

- the borrowers can prepay the loans without significant penalties;
- the market competition ensures that interest rates are consistent between banks; and
- any regulatory or customer protection framework is in place that requires banks to treat customers fairly.

All the Bank's retail loans, and certain fixed-rate corporate loans contain prepayment features.

A prepayment feature is consistent with the SPPI criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination of the contract.

In addition, a prepayment feature is treated as consistent with this criterion if a financial asset is acquired or originated at a premium or discount to its contractual per amount, the prepayment amount substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable compensation for early termination), and the fair value of the prepayment feature is insignificant on initial recognition.

Occidental Bank (Barbados) Ltd.

Notes to the financial statements For the year ended December 31, 2025 (In US dollars)

3. Material Accounting Policies, continued

(c) Financial assets and financial liabilities, continued

I. Classification of financial assets, continued

The following accounting policies are applied to the subsequent measurement of the financial assets.

Financial assets at amortised cost (AC), these assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced due to losses derived from impairment. Revenues from interests, foreign exchange profits and losses and impairment are recorded in profits or losses. Any profits or losses in de-recognition are recorded in profit and loss.

Debt investments at fair value through other comprehensive income (FVOCI), these assets are subsequently measured at fair value. Revenue derived from calculated interests using the effective interest method, earnings derived from difference in exchange rate, are recorded in profit and loss. Other net earnings and losses due to valuation are recorded in other comprehensive income (OCI). In de-recognition, accumulated profits and losses in OCI are reclassified in profit and loss due to realization of OCI.

Equity investments with changes in other comprehensive income (FVOCI), these assets are subsequently measured at fair value. Dividends are recorded as income in profit and loss unless such dividends clearly represent recovery of any portion of the investment cost. Any cumulative gain or loss recognised in OCI is not reclassified to profit or loss on derecognition.

II. Impairment of financial assets

The Bank recognises loss allowances for expected credit losses (ECL) on the following financial instruments that are not measured at FVTPL:

- Debt instruments
- Other accounts receivable
- Loans portfolio
- Deposits in banks
- Stand-by letters of credit

IFRS 9 requires recognizing provision due to impairment of financial assets for an amount equal to an expected impairment loss in a period of twelve months subsequent to the cut-off date of the financial statements or during the remaining life of the instruments. The expected loss during the remaining life of the instruments refers to the expected losses resulting from all the possible impairment events over the expected life of the financial instruments, while the expected losses in the period of twelve months refer to the portion of expected losses that would result from possible impairment events within the twelve months following the reporting date of the financial statements.

Reserves for losses will be recognised for an amount equal to lifetime ECL, except in the following cases where the amount recognised is equal to the 12 months ECL subsequent to the measurement date:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments (other than lease receivables) on which credit risk has not increased significantly since its initial recognition.

Occidental Bank (Barbados) Ltd.

Notes to the financial statements For the year ended December 31, 2025 (In US dollars)

3. Material Accounting Policies, continued

(c) Financial assets and financial liabilities, continued

II. Impairment of financial assets, continued

The impairment requirements of IFRS 9 are complex and require estimates and assumptions by management, particularly in the following areas:

- To assess if the credit risk has significantly increased since its initial recognition; and
- To include forward-looking information at the time of measuring expected losses due to impairment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive).
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows.
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Bank expects to recover.

Definition of default

The Bank will consider a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held); or
- the borrower is more than 90 days past due on any credit obligation to the Bank. Overdrafts are considered past due once the customer has breached an advised limit or been advised of a limit that is smaller than the current amount outstanding.

Objective evidence of impairment in fixed income instruments includes the following concepts, among other:

- contractual payments are not made when due or within the term or grace period stipulated.
- there is virtual certainty of suspension of payments.
- it is becoming probable that the borrower will restructure the assets as a result of bankruptcy due to the borrower's inability to pay its credit obligations.
- the financial asset does not fit in any active market given its financial difficulties.

In assessing whether a borrower is in default, the Bank will consider indicators that are:

- qualitative: e.g. breaches of covenant.
- quantitative: e.g. overdue status and non-payment of another obligation of the same issuer to the Bank; and
- based on data developed internally and obtained from external sources.

Occidental Bank (Barbados) Ltd.

Notes to the financial statements For the year ended December 31, 2025 (In US dollars)

3. Material Accounting Policies, continued

(c) *Financial assets and financial liabilities, continued*

II. Impairment of financial assets, continued

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Significant increase in credit risk

When determining whether the credit risk (i.e. risk of default) on a financial instrument has increased significantly since initial recognition, the Bank will consider reasonable and supportable information that is relevant and available without undue cost or effort, including both quantitative and qualitative information and analysis based on the Bank's historical experience, expert credit assessment and forward-looking information.

The Bank will primarily identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated on initial recognition of the exposure.

The threshold, when calibrated, turned out to be 0.02. The difference between the PD lifetime follow-up and the PD lifetime granting is 0.015, which is less than 0.02. It will only pass due to an increase if the difference is greater than 0.02. To calibrate the thresholds, historical information of the clients is considered.

Assessing whether credit risk has increased significantly since initial recognition of a financial instrument requires identifying the date of initial recognition of the instrument. For certain revolving facilities (e.g. credit cards and overdrafts), the date when the facility was first entered into could be a long time ago. Modifying the contractual terms of a financial instrument may also affect this assessment, which is discussed below.

Credit risk grades

The Bank will allocate each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. The Bank will use these grades in identifying significant increases in credit risk. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default. These factors may vary depending on the nature of the exposure and the type of borrower.

Each exposure will be allocated to a credit risk grade on initial recognition based on available information about the borrower. Exposures will be subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade.

Occidental Bank (Barbados) Ltd.

Notes to the financial statements For the year ended December 31, 2025 (In US dollars)

3. Material Accounting Policies, continued

(c) Financial assets and financial liabilities, continued

II. Impairment of financial assets, continued

The Bank uses the following credit rating grades:

- AA – Normal: Loans paid on time or less than thirty (30) days in arrears. A loan is considered normal when the debtor's operating cash flow is sufficient or exceeds the amount required to service the debt until its cancellation.
- A – Acceptable: Loans classified within this category are those having some weaknesses. Additionally, the general status of his/her business and the collateral supporting his/her financial commitments require special attention for the recovery of the loan, avoiding damage to the debtor's payment capacity.
- BB - B – Acceptable: A loan must be classified within this category when the operating cash flow or another payment source classified as a primary payment source is inadequate and jeopardizes the recovery of debt balances. The Bank must evaluate the seizure of the collateral, taking into consideration its marketable value, if the loan deficiencies are not corrected on time.
- CC - D – Appreciable: Loans grouped within this category are those that are very hard to recover due to the fact that the debtor has a very deteriorated financial and economic situation. Normally, the Bank has already started legal action because the debtor's income sources, constituted collateral or capital will only permit the bank to recover a part of the loan.
- E – Bad: Loans belonging to this category are all those whose impossibility of recovery is so evident that they cannot justify being considered financial assets and must be promptly written off, irrespective of the possibility that the Bank may recover the owed sums either partially or totally. Also included in this category are loans granted to companies whose ability to generate resources depends on other companies that are also in a precarious financial position in facing their commitments due to their own indebtedness, their operational incapacity, or the situation of the economic sector to which the business belongs.

Generating the term structure of PD

The Bank's approach to incorporating forward-looking information into this assessment is discussed as follows.

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Bank collects performance and default information about its credit risk exposures analysed by jurisdiction or region and by type of product and borrower as well as by credit risk grading.

For some portfolios, information purchased from external credit reference agencies is also used.

The Bank employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

This analysis includes the identification and calibration of relationships between changes in default rates and changes in key macro-economic factors as well as in-depth analysis of the impact of certain other factors (e.g. forbearance experience) on the risk of default. For most exposures, key macro-economic indicators include GDP growth, benchmark interest rates and unemployment.

For exposures to specific industries and/or regions, the analysis may extend to relevant commodity and/or real estate prices.

Occidental Bank (Barbados) Ltd.

Notes to the financial statements For the year ended December 31, 2025 (In US dollars)

3. Material Accounting Policies, continued

(c) *Financial assets and financial liabilities, continued*

II. Impairment of financial assets, continued

The Bank has set forth a general framework that includes both quantitative and qualitative information in order to determine if the credit risk of a financial asset has significantly increased since its initial recognition.

The initial framework is aligned to the internal process of the Bank in order to manage the credit risk.

The corresponding criteria in order to determine if the credit risk has significantly increased will vary depending on each portfolio and shall include limits based on defaults.

The Bank assesses if the credit risk of a particular exposure has significantly increased since its initial recognition if, based on the quantitative modelling of the Bank, the probability of expected impairment during the remaining life should increase according to the rating level of the customer (if increase is significant, the same will exceed the threshold). When determining the increase of the credit risk, the expected impairment loss during the remaining life is adjusted by changes in maturities.

In certain circumstances, using judgment of experts in credit and whenever relevant historic information should be available, the Bank may determine that any exposure has suffered a significant increase in credit risk if particular qualitative factors (social situations, payment record, collateral security/guarantees received, credit bureau reports, debt collection processes, breaches of non-financial covenants, consideration of external factors, including local, regional and national, as well as economic factors) and analysis performed based on the Bank's historical experience, expert credit assessment and forward-looking information, may indicate the aforementioned and these factors may not be completely captured by its quantitative analysis carried out periodically. As a limit, and as required by IFRS 9, the Bank will assume that a significant increase of credit risk occurs not later than when the asset has been in default for more than 30 days. The Bank will determine days of default by counting the days since the last date on which a full payment has not been received.

The Bank will monitor the effectiveness of the criteria used to identify significant increases in the credit risk based on regular reviews in order to confirm that:

- Criteria can identify significant increases in the credit risk before any exposure should fall in impairment.
- Criteria do not align with the point in time when an asset becomes 30 days past due.
- Average time in order to identify any significant increase in credit risk and default seem to be reasonable.
- Exposures are not generally transferred directly 12-month ECL measurement to credit impaired.
- There is no unjustified volatility in the provision for impairment of transfers among groups with probability of expected loss during the following twelve months and the probability of expected loss during the remaining life of the credits.

Derecognition

Financial assets

The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Occidental Bank (Barbados) Ltd.

Notes to the financial statements For the year ended December 31, 2025 (In US dollars)

3. Material Accounting Policies, continued

(c) *Financial assets and financial liabilities, continued*

II. Impairment of financial assets, continued

Derecognition, continued

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

Financial liabilities

The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Modified financial assets

The contractual terms of a loan may be modified for several reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit impairment of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value in accordance with the accounting policy.

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

- its remaining lifetime PD at the reporting date based on the modified terms; with
- the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms.

The Bank renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities') to maximise collection opportunities and minimise the risk of default. Under the Bank's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

For financial assets modified as part of the Bank's forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Bank's ability to collect interest and principal and the Bank's previous experience of similar forbearance action. As part of this process, the Bank evaluates the borrower's payment performance against the modified contractual terms and considers various behavioural indicators.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Group first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, 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 or fees incurred, and modification fees received adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

Restructured

Generally, forbearance is a qualitative indicator of default and credit impairment and expectations of forbearance are relevant to assessing whether there is a significant increase in credit risk. Following forbearance, a customer needs to demonstrate consistently good payment behaviour over a period of 6 months before the exposure is no longer considered to be in default/credit-impaired or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month period ECLs.

Occidental Bank (Barbados) Ltd.

Notes to the financial statements For the year ended December 31, 2025 (In US dollars)

3. Material Accounting Policies, continued

(c) Financial assets and financial liabilities, continued

II. Impairment of financial assets, continued

Inputs in measurement of ECLs

The key inputs into the measurement of ECLs are the term structure of the following variables:

- Probability of default (PD)
- Loss given default (LGD)
- Exposure at default (EAD)

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

PD estimates are estimates at a certain date, which are calculated based on statistical rating models and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models will be based on internally collected data comprising both qualitative and quantitative factors. If a counterparty or exposure migrates among the several rankings, this shall result in a change in the estimated PD. PDs will be estimated considering the expiration in contractual terms of the exposures and estimated prepayment rates.

LGD is the magnitude of the likely loss if there is a default. The Bank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For loans secured by retail property, LTV (*loan to value*) ratios are a key parameter in determining LGD.

LGD estimates are recalibrated for different economic scenarios and, for real estate lending, to reflect possible changes in property prices. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its carrying amount. For lending commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For some financial assets, EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Bank measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Bank considers a longer period. The maximum contractual period extends to the date at which the Bank has the right to require repayment of an advance or terminate a loan commitment or guarantee.

Occidental Bank (Barbados) Ltd.

Notes to the financial statements For the year ended December 31, 2025 (In US dollars)

3. Material Accounting Policies, continued

(c) Financial assets and financial liabilities, continued

II. Impairment of financial assets, continued

For retail overdrafts and credit card facilities that include both a loan and an undrawn commitment component, the Bank measures ECL over a period longer than the maximum contractual period if the Bank's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Bank's exposure to credit losses to the contractual notice period. These facilities do not have a fixed term or repayment structure and are managed on a collective basis. The Bank can cancel them with immediate effect, but this contractual right is not enforced in the normal day-to-day management, but only when the Bank becomes aware of an increase in credit risk at the facility level. This longer period is estimated considering the credit risk management actions that the Bank expects to take and that serve to mitigate ECL. These include a reduction in limits, cancellation of the facility and/or turning the outstanding balance into a loan with fixed repayment terms.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped based on shared risk characteristics that include:

- instrument type
- credit risk ranking
- guarantee
- initial recognition date
- remaining term for expiration
- industry
- geographic location of borrower

The groupings are subject to regular review to ensure that exposures within a group remain appropriately homogeneous.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- *financial assets measured at AC*: as a deduction from the gross carrying amount of the assets;
- *where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component*: the Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- *debt instruments measured at FVOCI*: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in statement of comprehensive income.

Write-off

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. 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. This assessment is carried out at the individual asset level.

Occidental Bank (Barbados) Ltd.

Notes to the financial statements For the year ended December 31, 2025 (In US dollars)

3. Material Accounting Policies, continued

(c) Financial assets and financial liabilities, continued

II. Impairment of financial assets, continued

Recoveries of amounts previously written off are recognised when cash is received and are included in “impairment losses on financial instruments” in the statement of income on an independent line.

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.

Forecast of forthcoming economic conditions

The Bank will include information with forecasts of forthcoming economic conditions, both in order to assess if the credit risk of an instrument has significantly increased since its initial recognition, as well as in order to measure the ECL. Based on the recommendations of the Market Risk Committee of the Group, using economic experts, and considering a variety of external current and projected information, the Bank will draft a “base case” of the forecast of the relevant economic variables, as well as a range representative of other projected potential scenarios. This process involves the development of two or more additional economic scenarios and considers the probabilities related to each result.

External information may include economic data and publication of forecasts by governmental committees and monetary authorities in the countries where the Bank operates, supranational organizations such as OECD and the International Monetary Fund, and academic forecasts, as well as forecasts of the private sector.

It is expected that the base case represents the most probable result and aligned with the information used by the Bank for other purposes, such as strategic planning and budgeting. The other scenarios would represent more optimistic and pessimistic results. The Bank intends also to carry out periodic stress testing in order to calibrate the determination of these other representative scenarios.

(d) Interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating-rate instruments to reflect movements in market rates of interest.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts 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 amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

Presentation

Interest income calculated using the effective interest method presented in the statement of income includes:

- interest on financial assets measured at amortised cost;
- interest on debt instruments measured at FVOCI.

Occidental Bank (Barbados) Ltd.

Notes to the financial statements For the year ended December 31, 2025 (In US dollars)

3. Material Accounting Policies, continued

(e) Recognition of income, costs and expenses

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate. Fees and commissions mainly arise from retail and corporate banking services, other than loan origination.

Other costs and expenses are recognised on an accrual basis.

Performance obligations and revenue recognition policies

Fee and commission income from contracts with customers are measured based on the consideration specified in a contract with a customer.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Type of services	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition
Retail and corporate banking services	<p>The Bank provides banking services to retail and corporate customers, including account management, overdraft facilities, foreign currency transactions and servicing fees.</p> <p>Fees for ongoing account management are charged to the customer's account on a monthly basis. The Bank sets the rates separately for retail and corporate banking customers in each jurisdiction on an annual basis.</p> <p>Transaction-based fees for interchange, foreign currency transactions and overdrafts are charged to the customer's account when the transaction takes place.</p> <p>Servicing fees are charged on a monthly basis and are based on fixed rates reviewed annually by the Bank.</p>	<p>Revenue from account service and servicing fees is recognised over time as the services are provided.</p> <p>Revenue related to transactions is recognised at the point in time when the transaction takes place.</p>

(f) Dividend income

Dividends on equity instruments are recognised in the statement of income as 'Dividend income' when the Bank's right to receive payment is established.

(g) Cash

For purposes of the statement of cash flows, cash and cash equivalents are comprised of cash and deposits in banks with original maturities of less than three months, held for the purposes of short term cash commitments.

Occidental Bank (Barbados) Ltd.

Notes to the financial statements For the year ended December 31, 2025 (In US dollars)

3. Material Accounting Policies, continued

(h) Income Tax

Current tax - comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Deferred tax - The taxation charge is determined based on tax effect accounting and is provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred income tax.

The Bank evaluates the realization over time of deferred income tax assets. Deferred tax assets represent income taxes recoverable through future deductions of taxable profits and are recorded in the statement of financial position. Deferred tax assets are recoverable to the extent that the realization of the related tax benefits is probable.

Future tax income and the amount of tax benefits that are probable in the future are based on medium-term plans prepared by management. The business plan is based on management's expectations, which are believed to be reasonable under the current circumstances.

As of December 31, 2025, and 2024, the Bank estimates that the deferred income tax asset items would be recoverable based on their estimates of future taxable profits.

(i) Fair value reserve

The fair value reserve comprises:

- the cumulative net change in the fair value of equity securities measured at FVOCI; and
- the cumulative net change in the fair value of debt securities measured at FVOCI until the assets are derecognised or reclassified. This amount is increased by the amount of loss allowance.

(g) Standards issued but not yet effective

New standards, interpretations, and amendments to IFRS Accounting Standards are effective for annual periods beginning on or after 1 January 2026, the Bank has not early adopted any other new or amended accounting standards.

<u>Effective date</u>	<u>New accounting standards or amendments</u>
1 January 2026	<i>Classification and measurement of financial instruments – Amendments to IFRS 9 and IFRS 7</i>
1 January 2027	<i>IFRS 18 Presentation and disclosure in financial statements</i>

The Bank has not early adopted the Amendments to IFRS 9 and IFRS 7 and is currently assessing the impact of these on the financial statements.

IFRS 18 will replace IAS 1 and applies for annual reporting periods beginning on or after January 1, 2027. This introduces new categories in the statement of profit or loss, requiring the classification of income and expenses into

Occidental Bank (Barbados) Ltd.

Notes to the financial statements For the year ended December 31, 2025 (In US dollars)

3. Material Accounting Policies, continued

(g) *Standards issued but not yet effective, continued*

operating, investing, and financing categories. Entities are also required to present a newly-defined operating profit or loss subtotal. Entities' net profit will not change

The primary objective of this new structure is to enhance comparability across entities and improve users' understanding of financial statements by reducing diversity in the presentation of the statement of profit or loss.

The Bank has not early adopted IFRS 18 and is currently assessing the potential impact of its implementation on the financial statements, including possible effects on comparative figures from prior periods. As of the date of issuance of these financial statements, such effects have not been quantified. The Bank will disclose this information once reasonably quantifiable.

New currently effective requirements

Effective date

1 January 2025

New accounting standards or amendments

Lack of Exchangeability – Amendments to IAS 21

The Bank has assessed the impact of requirements relating to Lack of Exchangeability – Amendments to IAS 21. As the Bank does not operate in any jurisdiction currently affected by restrictions on currency exchangeability, these requirements have not had an impact on the Bank's financial statements for the reporting period. The Bank will continue to monitor developments in relevant jurisdictions and will update its disclosures should circumstances change.

4. Financial assets and financial liabilities

Classification of financial assets and financial liabilities

The following table provides a reconciliation between line items in the statement of financial position and categories of financial instruments:

	<u>2025</u>	<u>Note</u>	<u>AC</u>	<u>FVOCI</u>	<u>Total carrying amount</u>
Cash		6	48,296,771	-	48,296,771
Investment securities		7	-	102,338,868	102,338,868
Loans to customers at amortized cost		8	199,231,847	-	199,231,847
Total financial assets			<u>247,528,618</u>	<u>102,338,868</u>	<u>349,867,486</u>
Deposits		11	298,476,162	-	298,476,162
Total financial liabilities			<u>298,476,162</u>	<u>-</u>	<u>298,476,162</u>
	<u>2024</u>	<u>Note</u>	<u>AC</u>	<u>FVOCI</u>	<u>Total carrying amount</u>
Cash		6	57,454,348	-	57,454,348
Investment securities		7	-	107,960,954	107,960,954
Loans to customers at amortized cost		8	169,786,464	-	169,786,464
Total financial assets			<u>227,240,812</u>	<u>107,960,954</u>	<u>335,201,766</u>
Deposits		11	292,545,594	-	292,545,594
Total financial liabilities			<u>292,545,594</u>	<u>-</u>	<u>292,545,594</u>

Occidental Bank (Barbados) Ltd.

Notes to the financial statements For the year ended December 31, 2025 (In US dollars)

5. Financial risk management

The Bank has exposure to the following risks from financial instruments: credit, liquidity, market, operational and capital risk.

5.1. Credit risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Bank's loans and advances to customers and other banks, and investment debt securities. For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk).

For risk management purposes, credit risk arising on trading assets is managed independently. The market risk in respect of changes in value in trading assets arising from changes in market credit spreads applied to debt securities is managed as a component of market risk.

Credit quality analysis

The following table sets out information about the credit quality of the investment securities, based on ratings reported by risk rating agencies:

	2025			2024		
	Stage 1 12 month ECL	Stage 2 12 Months ECL	Total	Stage 1 12 month ECL	Stage 2 12 Months ECL	Total
Debt securities at FVOCI						
AAA	-	-	-	12,096,390	-	12,096,390
AA+	9,150,780	-	9,150,780	-	-	-
A	19,990,682	-	19,990,682	18,769,169	-	18,769,169
A-	5,144,002	-	5,144,002	6,067,624	-	6,067,624
BBB+	-	-	-	2,521,125	-	2,521,125
BBB	11,003,910	-	11,003,910	6,648,040	-	6,648,040
BBB-	14,345,661	-	14,345,661	14,548,817	-	14,548,817
BB+	503,300	-	503,300	39,714,198	-	39,714,198
BB	40,009,525	1,050,540	41,060,065	4,004,447	-	4,004,447
B+			-	2,450,736		2,450,736
	<u>100,147,860</u>	<u>1,050,540</u>	<u>101,198,400</u>	<u>106,820,546</u>	<u>-</u>	<u>106,820,546</u>

The equity investments for \$1,140,468 (2024: \$1,140,408) are not included in this analysis.

As of December 31, 2025, the Bank maintains deposits in banks for \$48,296,771 (2024: \$57,454,348). The deposits are held in financial institutions applying the limits established in the counterparty risk policy, with the credit risk ratings between A- and BBB+ granted by Standard and Poor's and Moodys.

Occidental Bank (Barbados) Ltd.

Notes to the financial statements For the year ended December 31, 2025 (In US dollars)

5. Financial risk management, continued

5.1. Credit risk, continued

The following table sets out information about the loans at AC impaired and not impaired according to category risk:

<u>Loans at AC</u>	2025			Total
	Stage 1 12 months ECL	Stage 2 Lifetime ECL not credit impaired	Stage 3 Lifetime ELC credit impaired	
AA – Normal	197,045,895	-	-	197,045,895
A – Normal	1,005,178	-	-	1,005,178
B – Acceptable	171,412	-	-	171,412
E – Bad	-	-	2,924,224	2,924,224
Gross carrying amount	198,222,485	-	2,924,224	201,146,709
Loss allowance	(365,490)	-	(1,549,372)	(1,914,862)
Total	197,856,995	-	1,374,852	199,231,847

<u>Loans at AC</u>	2024			Total
	Stage 1 12 months ECL	Stage 2 Lifetime ECL not credit impaired	Stage 3 Lifetime ELC credit impaired	
AA – Normal	164,563,699	2,825,692	-	167,389,391
A – Acceptable	1,000,401	112,549	-	1,112,950
D – Appreciable	-	-	320,630	320,630
E – Bad	-	-	2,934,013	2,934,013
Gross carrying amount	165,564,100	2,938,241	3,254,643	171,756,984
Loss allowance	(411,053)	(337)	(1,559,130)	(1,970,520)
Total	165,153,047	2,937,904	1,695,513	169,786,464

The following tables show reconciliation from the opening to the closing balance of the loss allowance by class of financial instruments:

Investment securities at FVOCI	2025		TOTAL
	Stage 1 12 Months ECL	Stage 2 12 Months ECL	
Balance at the beginning of the year	108,751	-	108,751
Transfer to stage 2	(1,337)	1,337	-
New financial assets originated or purchased	27,986	-	27,986
Financial assets that have been derecognised	(53,848)	-	(53,848)
Net remeasurement of loss allowance	35,285	5,827	41,112
Balance at December 31, 2025	116,837	7,164	124,001

Occidental Bank (Barbados) Ltd.

Notes to the financial statements For the year ended December 31, 2025 (In US dollars)

5. Financial risk management, continued

5.1. Credit risk, continued

Credit quality analysis, continued

Investment securities at FVOCI	2024			TOTAL
	Stage 1	Stage 2		
	12 Months ECL	12 Months ECL		
Balance at the beginning of the year	81,557	-		81,557
New financial assets originated or purchased	46,969	-		46,969
Financial assets that have been derecognised	(27,449)	-		(27,449)
Net remeasurement of loss allowance	7,674	-		7,674
Balance at December 31, 2024	108,751	-		108,751

Loans to customers at AC	2025			Total
	Stage 1	Stage 2	Stage 3	
	12 Months ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	
Balance at the beginning of the year	411,053	337	1,559,130	1,970,520
Stage 1 to Stage 3	-	-	-	-
Stage 3 to Stage 1	-	-	-	-
Stage 2 to Stage 1	337	(337)	-	-
New financial assets originated or purchased (*)	264,959	-	-	264,959
Net remeasurement of loss allowance (*)	(65,983)	-	(4,924)	(70,907)
Financial assets that have been derecognised (*)	(244,876)	-	(4,834)	(249,710)
Balance at the end of the year	365,490	-	1,549,372	1,914,862

Loans to customers at AC	2024			Total
	Stage 1	Stage 2	Stage 3	
	12 Months ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	
Balance at the beginning of the year	513,691	-	977,234	1,490,925
Stage 1 to Stage 3	(7,088)	762	6,326	-
Stage 3 to Stage 1	-	-	-	-
Stage 2 to Stage 1	-	-	-	-
New financial assets originated or purchased (*)	279,944	-	-	279,944
Net remeasurement of loss allowance (*)	(127,027)	(425)	575,570	448,118
Financial assets that have been derecognised (*)	(103,447)	-	-	(103,447)
Write off	(145,020)	-	-	(145,020)
Balance at the end of the year	411,053	337	1,559,130	1,970,520

(*) The decrease in the ECL allowance for losses on loans is \$55,658 (2024: \$624,615)

As of December 31, 2025 there has not been a significant change in the ECL allowance attributed by significant changes in the gross carrying amounts of the loan portfolio. The gross balance of loans has not had significant variance between stages and the variance in gross carrying amounts were mainly to loans that were cancelled by the clients and new loans.

The contractual amount outstanding on financial assets that were written of that are still subject to enforcement activity is \$400,000 (2024: \$400,000).

Occidental Bank (Barbados) Ltd.

Notes to the financial statements For the year ended December 31, 2025 (In US dollars)

5. Financial risk management, continued

5.1. Credit risk, continued

The main macroeconomic variables and scenarios used as of December 31, 2025, are as follows:

Macroeconomic variables used in ECL calculation

	2026			2025		
	Unfavourable	Base	Favourable	Unfavourable	Base	Favourable
Inflation (*)	4.43%	4.62%	4.63%	5.11%	5.22%	5.32%
GDP Growth (*)	1.46%	2.75%	3.23%	2.59%	2.86%	2.96%
Unemployment rate (*)	9.83%	8.72%	7.83%	9.41%	8.74%	8.40%
Fixed term deposit (*)	8.17%	9.26%	8.51%	8.71%	8.80%	9.02%
Interest rate (*)	8.50%	9.25%	8.50%	9.25%	9.25%	9.25%

(*) The variables presented correspond to the macroeconomic variables of the Republic of Colombia. For the determination of the forward-looking information factor incorporated in the calculations of the allowance for ECL of loans to AC, the main macroeconomic variables are used for the Republic of Colombia since the cash flows of loans come mainly from that country.

Below is the allowance for ECL details for loans at AC:

<u>Portfolio</u>	<u>2025</u>	<u>2024</u>
Commercial	<u>1,914,862</u>	<u>1,970,520</u>

The Bank continues to permanently monitor the information that allows identifying on time the possible impacts on ECL.

5.1.1 Credit exposure policy

Credit exposure is assessed at the level of the client and not just at the level of the sector that the client operates in. Maximum exposure limits are determined in accordance with the scale of the client's financial and operational situation.

When an indebtedness credit level is approved, the maximum exposure level is defined as well as any special conditions affecting the client. However, if the Bank detects unfavourable changes in the client's financial condition, environment, or any other issue involving increased in credit risk, the Bank has the option to cease making additional disbursements to the client and perform a reassessment of the client's indebtedness level, either to maintain the commercial relationship with no change, or to reduce risk exposure, or even to totally cease extending credit to the client.

5.1.2 Policy to grant loans

Indebtedness levels are approved by the Board of Directors. Once the documentation to conduct the credit evaluation is available, the documents are submitted to Banco de Occidente Credit Division to be in turn submitted to the Credit Committee of the Director General. As a result of the above, a recommendation is made to allow the Board of Directors of parent Bank to make the final decision to approve or reject the loan.

Before granting any loan, the credit risk level of each client is determined by applying rating models. The Bank reviews credit limits granted to clients annually. A 90-day term is used in assessing operations capability. A financial and operational risk analysis is conducted on the client and its co-obligors, using financial information and qualitative and quantitative non-financial information (behaviour). A profitability analysis evaluation is also performed by the Bank.

Occidental Bank (Barbados) Ltd.

Notes to the financial statements For the year ended December 31, 2025 (In US dollars)

5. Financial risk management, continued

5.1.2. *Policy to grant loans, continued*

In order to establish the maximum exposure limits, the client's estimated risk level is considered using the rating models and the maximum amount to be granted, which is considered an indication of the maximum amount recommended to service the need to client's short term requirement.

5.1.3 *Risk limit control and mitigation policies*

The Bank manages, limits and controls concentrations of credit risk wherever they are identified, to individual counterparties and banks, and to industries and countries.

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or group of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and are subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by product, industry sector and country are approved quarterly by the Board of Directors.

The exposure to any one borrower including banks and brokers is further restricted by sub-limits covering on- and off-balance sheet exposures, and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily.

Lending limits are reviewed in the light of changing market and economic conditions and periodic credit reviews and assessments of probability of default.

Some other specific control and mitigation measures are outlined in the following paragraphs.

5.1.4 *Management policy and collateral management*

Collateral must be chosen according to liquidity, i.e., based on the ability to negotiate the property pledge. Collateral evaluation is based on technical appraisals made by experts. The majority of the collateral consists of Time Deposits. These instruments belong to the same client, who holds both a deposit and a loan. Meanwhile, the other clients secure their operations through Promissory Notes.

Collateral and other credit enhancements, by themselves, are not enough support to grant any loan. An exception may be made when dealing with securities from foreign banks.

	Stage 3 2025	Stage 3 2024
Loans at book value	2,924,224	2,934,013
Less collateral	(1,738,451)	(1,481,351)
Net exposure	1,185,773	1,452,662

	2025	2024
Loans at book value	201,146,709	171,756,984
Less collateral	(13,612,468)	(14,363,778)
Net exposure	187,534,241	157,393,206

Occidental Bank (Barbados) Ltd.

Notes to the financial statements For the year ended December 31, 2025 (In US dollars)

5. Financial risk management, continued

5.1.5 Maximum exposure to credit risk before collateral held or other credit enhancements

The credit risk exposure related to the assets in the statement of financial position is as follows:

	<u>Maximum exposure</u>	
	<u>2025</u>	<u>2024</u>
Cash	48,296,771	57,454,348
Investment securities	101,198,400	106,820,546
Loans to customers	201,146,709	171,756,984
Other accounts receivables	138,663	46,984
Total	350,780,543	336,078,862

The preceding table represents the most critical scenario of exposure to credit risk of the Bank at December 31, 2025 without considering credit guarantees or other increases thereof.

As previously indicated, 71% of the total maximum exposure stems from loans to customers and cash (2024: 68%); and 29% represents its investment securities (2024: 32%).

Management trusts its ability to continue maintaining the exposure level to risk under control, based on the following:

- As of December 31, 2025, 99% financial assets at amortised cost (2024: 99%) were classified in the first two categories of the internal classification system, that is, AA and A.
- As of December 31, 2025, 99% (2024: 99%) financial assets at amortised cost are not past due nor impaired.

5.1.6 Concentration of risk of financial assets with credit risk exposure

The following table breaks down the Bank's credit exposure at their carrying amounts (without considering any collateral held or other credit support) as categorized by industry and geographical regions:

	<u>Cash</u>		<u>Investments Securities</u>		<u>Loans to customer at AC</u>	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
Industry concentration						
Corporate	-	-	1,514,203	2,650,123	199,231,847	169,786,464
Financial institutions	48,296,771	57,454,348	20,564,501	30,480,699	-	-
Government	-	-	80,260,164	74,830,132	-	-
Customers	-	-	-	-	-	-
	<u>48,296,771</u>	<u>57,454,348</u>	<u>102,338,868</u>	<u>107,960,954</u>	<u>199,231,847</u>	<u>169,786,464</u>
Geographical sectors						
Colombia	-	-	35,035,956	39,590,036	15,002,984	15,445,468
Latin American, the Caribbean and other	-	-	46,283,982	35,759,465	132,355,273	111,952,738
United States	43,757,675	53,677,495	1,514,595	2,082,480	4,412,002	3,932,154
United Kingdom	924,637	707,315	-	-	8,077,169	10,381,406
Barbados	3,614,459	3,069,538	-	-	2,948,461	3,931,710
Brazil	-	-	1,871,140	4,982,037	-	-
Panama	-	-	16,110,648	8,929,181	13,056,713	13,018,438
	<u>48,296,771</u>	<u>57,454,348</u>	<u>102,338,868</u>	<u>107,960,954</u>	<u>199,231,847</u>	<u>169,786,464</u>

Occidental Bank (Barbados) Ltd.

Notes to the financial statements For the year ended December 31, 2025 (In US dollars)

5. Financial risk management, continued

5.1.6 *Concentration of risk of financial assets with credit risk exposure, continued*

With regard to the geographical concentration of the loans, these are grouped by the country of incorporation or fiscal address; however, the source of repayment or of the cash flows of the loans come mainly from the Republic of Colombia.

5.1.7 *Loans*

(a) *Re-negotiated loans*

Renegotiation of a credit means any exceptional mechanism implemented by the Bank to modify the terms of the loan originally agreed with the debtor, in order to allow the debtor to cancel the obligation, considering its actual ability to pay.

As part of its policy, the Bank classifies loans re-negotiated in the same category as those debts that have been previously restructured or debts with high risk. At December 31, 2025 and 2024, the Bank has no renegotiated loans to customers.

5.2.1 *Liquidity risk management process*

Liquidity risk is the risk that the Bank may become unable to meet its obligations when they fall due as a result of customer deposits being withdrawn, cash requirements from contractual commitments, or other cash outflows, such as debt maturities or margin calls for derivatives. Such outflows would deplete available cash resources for client lending, trading activities and investments. In extreme circumstances, lack of liquidity could result in reductions in the statement of financial position and sale of assets, or potentially the inability to fulfil lending commitments. The risk that the Bank will be unable to do so is inherent in all banking operations and can be affected by a range of institution-specific and market-wide events including, but not limited to, credit events, merger and acquisition activity, systemic shocks and natural disasters.

The Bank has in place a policy framework contained within the liquidity risk management system (SARL, as per its Spanish acronym); the SARL includes, in addition to the policies defined, the limits to be monitored, as well as the measurement methodologies necessary for the efficient management of the liquidity risk to which the entity is exposed to.

Occidental Bank (Barbados) Ltd.

Notes to the financial statements For the year ended December 31, 2025 (In US dollars)

5. Financial risk management, continued

5.2.1 Liquidity risk management process, continued

In order to measure the liquidity risk, the Bank calculates, on a monthly basis, the maturity gap pertaining to the assets and liabilities. The results of the model do not consider, for the cash flow forecasts, statistics such as prepayments and renewal percentages, but only the contractual conditions. As an exception to the aforementioned, concerning financial liabilities without contractual expiration date, the percentage share of the deposits' stability is calculated pursuant to historical behavior, by means of a statistic model.

As part of the liquidity risk analysis, the bank carries out internal measurements which are the basis in order to evaluate, under normal and stressed conditions, the liquidity behavior of the entity in the short and medium term; furthermore, the deposits' stability is measured (based on statistical analysis which enable to quantify, with a predetermined confidence level, the stability of the deposits both with and without contractual expiration), the indebtedness levels, the structure of assets and liabilities, the liquidity level of the assets, the availability of financing facilities and the overall effectiveness of the management of assets and liabilities; the aforementioned, intended to maintain the sufficient liquidity (including liquid assets, guarantees and collateral) in order to face potential own or systemic stress scenarios.

On a monthly basis, and in addition to the liquidity profile analysis through the gap, the system provides early warning indicators with respect to deposits' concentration which enable to determine the degree of dependence on liquidity consistent with the revenue sources.

Through the risks committee and the board of the directors, senior management of the entity becomes aware of the liquidity situation and adopts the pertinent decisions taking into account the high quality liquidity assets which should be maintained, the tolerance concerning liquidity management or minimum liquidity, the strategy for loans granting and deposits taking, the policies involving placement of liquidity surplus, the changes in the existing products' characteristics, as well as new products, the diversification of the funding sources in order to avoid concentrations of deposits in few investors or savers, the results of the bank, and the changes in the balance structure.

Occidental Bank (Barbados) Ltd.

Notes to the financial statements For the year ended December 31, 2025 (In US dollars)

5. Financial risk management, continued

5.2.1 Liquidity risk management process, continued

Hereinafter, in the charts below, you may find the regulatory liquidity gap using undiscounted contractual cashflows as of December 31, 2025 and 2024 (in thousands of \$).

	Demand up to 7 days	Over 8 days to 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 12 months	Over 1 year to 2 years	Over 2 years to 5 years	Over 5 years	Total
2025									
Assets									
Deposits in banks	48,297	-	-	-	-	-	-	-	48,297
Investments	-	5,374	4,096	6,771	3,550	32,827	22,833	47,836	123,287
Loans	1,336	15,629	58,643	44,734	27,850	28,323	30,060	1,124	207,699
Total assets	49,633	21,003	62,739	51,505	31,400	61,150	52,893	48,960	379,283
Liabilities									
Demand deposits	8,050	-	-	-	-	-	-	58,208	66,258
Time deposits	7,977	35,358	140,158	29,820	19,714	1,989	-	-	235,016
Total liabilities	16,027	35,358	140,158	29,820	19,714	1,989	-	58,208	301,274
gap measures									
RSA - RSL (gap) (*)	33,606	(14,355)	(77,419)	21,685	11,686	59,161	52,893	(9,248)	
Cumulative gap	33,606	19,251	(58,168)	(36,483)	(24,797)	34,364	87,257	78,010	
2024									
Assets									
Deposits in banks	57,454	-	-	-	-	-	-	-	57,454
Investments	-	2,177	3,890	6,292	6,268	19,422	55,764	40,194	134,007
Loans	4	2,162	16,083	37,847	35,196	48,237	41,910	-	181,439
Total assets	57,458	4,339	19,973	44,139	41,464	67,659	97,674	40,194	372,900
Liabilities									
Demand deposits	9,967	-	-	-	-	-	-	69,265	79,232
Time deposits	9,301	24,095	130,512	33,620	17,223	2,012	361	-	217,124
Total liabilities	19,268	24,095	130,512	33,620	17,223	2,012	361	69,265	296,356
gap measures									
RSA - RSL (gap) (*)	38,189	(19,756)	(110,539)	10,519	24,241	65,647	97,313	(29,071)	
Cumulative gap	38,189	18,433	(92,106)	(81,587)	(57,346)	8,301	105,614	76,543	

(*) RSA: all the assets that mature or are repriced within the gapping period (maturity bucket)

RSL: all the liabilities that mature or are repriced within the gapping period (maturity bucket)

Since the information showed in the above table is based on a regulatory requirement, it does not tie out with the statement of financial position.

The previous liquidity calculations are prepared assuming a normal liquidity situation in accordance with the contractual cash-flows and historical experiences of the Bank. For cases of extreme liquidity events derived from withdrawal of deposits, the Bank has contingency plans in place that include the existence of credit facility lines of other entities, other special deposits-taking and support rendered through resources provided by the parent Bank. During the years ended on December 31, 2025 and 2024, the Bank did not need to make use of such credit lines of last resort.

Occidental Bank (Barbados) Ltd.

Notes to the financial statements For the year ended December 31, 2025 (In US dollars)

5. Financial risk management, continued

5.2.1 Liquidity risk management process, continued

As a supplement, the Bank carried out a maturity analysis for financial assets and liabilities containing the following undiscounted remaining contractual maturities (in thousands of \$):

	<u>Less than 1 Month</u>	<u>1-3 Months</u>	<u>3-6 months</u>	<u>6-12 months</u>	<u>1-5 years</u>	<u>More than 5 years</u>	<u>Gross Nominal Inflow / (Outflow)</u>	<u>Carrying Amount</u>
2025								
Assets								
Deposits in banks	48,297	-	-	-	-	-	48,297	48,297
Investments	5,374	4,096	6,771	3,550	55,660	47,836	123,287	102,339
Loans	16,965	58,643	44,734	27,850	58,383	1,124	207,699	199,232
Total assets	<u>70,637</u>	<u>62,739</u>	<u>51,505</u>	<u>31,400</u>	<u>114,043</u>	<u>48,960</u>	<u>379,283</u>	<u>349,868</u>
Liabilities								
Demand deposits	(66,257)	-	-	-	-	-	(66,257)	(66,257)
Time deposits	(43,336)	(140,158)	(29,820)	(19,714)	(1,989)	-	(235,018)	(232,219)
Total liabilities	<u>(109,593)</u>	<u>(140,158)</u>	<u>(29,820)</u>	<u>(19,714)</u>	<u>(1,989)</u>	<u>-</u>	<u>(301,275)</u>	<u>(298,476)</u>
2024								
Assets								
Deposits in banks	57,454	-	-	-	-	-	57,454	57,454
Investments	2,177	3,890	6,292	6,268	75,186	40,194	134,007	107,961
Loans	2,166	16,083	37,847	35,196	90,147	-	181,439	169,786
Total assets	<u>61,797</u>	<u>19,973</u>	<u>44,139</u>	<u>41,464</u>	<u>165,333</u>	<u>40,194</u>	<u>372,900</u>	<u>335,201</u>
Liabilities								
Demand deposits	(79,232)	-	-	-	-	-	(79,232)	79,232
Time deposits	(33,396)	(130,512)	(33,620)	(17,223)	(2,373)	-	(217,124)	213,314
Total liabilities	<u>(112,628)</u>	<u>(130,512)</u>	<u>(33,620)</u>	<u>(17,223)</u>	<u>(2,373)</u>	<u>-</u>	<u>(296,356)</u>	<u>292,546</u>

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

Occidental Bank (Barbados) Ltd.

Notes to the financial statements For the year ended December 31, 2025 (In US dollars)

5. Financial risk management, continued

5.3 Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's / issuer's credit standing) will affect the Bank's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

5.3.1. Market Risk Management

The Bank in its international business vocation, within the performance of its operations, for securities portfolio and liquidity management trades in international investment markets.

Any definition of market risk policies and limits should be consulted, in the first instance, in Barbados effective Laws, and the guidelines given from the parent Bank.

The maximum exposures to be defined for each type of risk should be consistent with the Bank's technical capital. Established limits shall be revised periodically and timely, to recognize the changing markets and their effect on market participants.

The Bank monitors negotiations of financial instruments entered into to ensure proper diversification of the portfolio and efficiently operate in the financial system.

The process undertaken by the Bank to manage market risk starts with achieving and receiving information concerning exchange rates, indices, stocks prices and transactions, which are supplied by different areas or information structures such as investment managers, operational areas and technological applications.

5.3.1.1 Market Risk Measurement Techniques

The Bank measures and quantifies the expected losses from exposure to market risk from treasury operations and cash operations, through the Department of Market Risk Management at parent Bank. The main features of the standard methodology used in the Bank are set out below:

- Standardized model of Value at Risk (VaR) in blocks as suggested by the Basel Committee.
- Calculation of sensitivities to changes in interest rates and their control.
- Implementation of systems for the quantitative measurement of market risk (FINAC-VAR application).

Once the information managed by these three techniques is available, the following reports are prepared for presentation to the Board and other Corporate Governance units of the Bank:

1. The Bank Portfolio Composition:
 - a. Present value of portfolio by type of classification, mainly portfolio at FVOCI.
 - b. Present value of fixed-term deposits.
 - c. Assessment of current portfolio (purchased IRR, IRR and maturing market).
2. The Bank Portfolio VaR:
 - a. Value at Risk per paper.
 - b. Participation of VaR by issuer.
 - c. Historical performance of VaR and its relation to the present value.
 - d. Sensitivity of portfolio by applying 50, 100, 150 and 200 bp.

Occidental Bank (Barbados) Ltd.

Notes to the financial statements For the year ended December 31, 2025 (In US dollars)

5. Financial risk management, continued

5.3.1.2 Software

The VaR software for the Bank portfolio runs on a model developed by FINAC (Finanzas y Actuaría), through the FINAC-VAR application.

FINAC-VAR is a tool which allows a daily estimation regarding VaR of the portfolio in a clear, simple and timely mode. It is able to collect the necessary information from sources in order to carry out a reliable VaR calculation by estimating volatilities with respect to the risk factors of any and all securities as defined by the Bank. The above-mentioned volatilities are estimated at 99% confidence level and multiplied by the present value of each security in order to obtain its corresponding VaR. Total VaR corresponds to the aggregate of the latter.

Although VaR is an important tool for measuring market risk, the assumptions on which the model is based give rise to some limitations, including the following.

- A 99% confidence level does not reflect losses that may occur beyond this level. Even within the model used, there is a 1% probability that losses could exceed the VaR.
- VaR is calculated on an end-of-day basis and does not reflect exposures that may arise on positions during the trading day.

5.3.1.3 VaR summary

The following table summarizes the VaR of the portfolio at December 31:

	<u>2025</u>	<u>2024</u>
High	461,639	431,815
Average	312,840	296,397
Low	215,852	203,138

5.3.1.4 Sensitivity Analysis

The following table summarizes the December 31, 2025 securities portfolio's exposure over its net present value taking into consideration an increase in the fluctuation of the market reference interest rate from 25 to 200 basis points:

<u>Type</u>	<u>Present value</u>	<u>25 BP</u>	<u>50 BP</u>	<u>75 BP</u>	<u>100 BP</u>	<u>150 BP</u>	<u>200 BP</u>
Investment securities	101,198,400	-785,927	-1,559,848	-2,322,007	-3,072,640	-4,540,253	-5,964,475
	101,198,400	-785,927	-1,559,848	-2,322,007	-3,072,640	-4,540,253	-5,964,475

The following table summarizes the securities portfolio exposition over its net present value taking into consideration a decrease in the fluctuation of the market reference interest rate from 25 to 200 basis points:

<u>Type</u>	<u>Present value</u>	<u>25 PB</u>	<u>50 PB</u>	<u>75 PB</u>	<u>100 PB</u>	<u>150 PB</u>	<u>200 PB</u>
Investment securities	101,198,400	798,183	1,608,876	2,432,343	3,268,851	4,982,100	6,750,910
	101,198,400	798,183	1,608,876	2,432,343	3,268,851	4,982,100	6,750,910

Occidental Bank (Barbados) Ltd.

Notes to the financial statements For the year ended December 31, 2025 (In US dollars)

5. Financial risk management, continued

5.3.1.4 Sensitivity Analysis, continued

The following table summarizes the December 31, 2024 securities portfolio's exposure over its net present value taking into consideration an increase in the fluctuation of the market reference interest rate from 25 to 200 basis points:

<u>Type</u>	<u>Present value</u>	<u>25 BP</u>	<u>50 BP</u>	<u>75 BP</u>	<u>100 BP</u>	<u>150 BP</u>	<u>200 BP</u>
Investment securities	106,820,546	-823,118	-1,634,007	-2,432,921	-3,220,108	-4,760,266	-6,256,344
	<u>106,820,546</u>	<u>-823,118</u>	<u>-1,634,007</u>	<u>-2,432,921</u>	<u>-3,220,108</u>	<u>-4,760,266</u>	<u>-6,256,344</u>

The following table summarizes the securities portfolio exposition over its net present value taking into consideration a decrease in the fluctuation of the market reference interest rate from 25 to 200 basis points:

<u>Type</u>	<u>Present value</u>	<u>25 PB</u>	<u>50 PB</u>	<u>75 PB</u>	<u>100 PB</u>	<u>150 PB</u>	<u>200 PB</u>
Investment securities	106,820,546	835,610	1,683,979	2,545,384	3,420,107	5,210,677	7,058,106
	<u>106,820,546</u>	<u>835,610</u>	<u>1,683,979</u>	<u>2,545,384</u>	<u>3,420,107</u>	<u>5,210,677</u>	<u>7,058,106</u>

5.3.2 Foreign exchange risk

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

For the foreign currency exposure, the Bank performs a daily conversion at the reference rate provided by the stock market information systems, which is applied to the respective instrument, recording the daily currency variation. On certain occasions, the Bank has acquired currency futures contracts to mitigate the effects of foreign currency changes on its assets.

The following table summarizes the Bank's exposure to the foreign exchange risk:

	<u>BBD</u>	<u>Euro</u>	<u>Total</u>
2025			
Assets			
Cash	124,636	<u>924,637</u>	<u>1,049,273</u>
Total	124,636	<u>924,637</u>	<u>1,049,273</u>
Liabilities			
Customer deposits		0 894,793	<u>894,793</u>
		0 894,793	<u>894,793</u>
Net financial position on statement of financial position	124,636	<u>29,844</u>	<u>154,480</u>
		<u>Euro</u>	<u>Total</u>
2024			
Assets			
Cash		<u>707,315</u>	<u>707,315</u>
Total		<u>707,315</u>	<u>707,315</u>
Liabilities			
Customer deposits		684,548	<u>684,548</u>
		684,548	<u>684,548</u>
Net financial position on statement of financial position		<u>22,767</u>	<u>22,767</u>

Occidental Bank (Barbados) Ltd.

Notes to the financial statements For the year ended December 31, 2025 (In US dollars)

5. Financial risk management, continued

5.3.2 *Foreign exchange risk, continued*

The Bank has established foreign currency exposure limits, with the goal of achieving minimum exposure. When the above-mentioned exposure is over the minimum established value, the Bank may contract some derivatives to mitigate the risks in foreign currency. The Bank's exposure to foreign currency risk is not material.

5.4 *Operational risk*

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risk arises from all the Bank operations.

The Basel Committee on Bank Regulations defines operational risk management as "the risk of loss", resulting from inadequate or incorrect internal processes, persons and systems, or due to external events.

In order to carry-out an adequate management of the operational risk, comply with Central Bank of Barbados regulations and create added value for the Bank, an Operational Risk Management System has been implemented, which methodology includes the processes description, identification of the main risks, definition of criterion to evaluate risks and controls, qualification of inherent risk (gross or without controls), of controls and residual risks (net or after controls), construction of the risk maps and prioritize risks, elaboration of action plans to mitigate risks, among others. This methodology allows permanently managing operations through monitoring, self-management, consolidation of risks and event recording and assessment.

In order to manage the information of processes, risks, controls, risk indicators, progress of action plans, among others, in an integral manner, the parent Bank has carried out the implementation of ORM - Operational Risk Manager, a technology tool which carries out the above function and makes possible the proper functioning of Operational Risk Management System.

5.4.1 *Management of risk of asset laundering and financing of terrorism (Unaudited)*

The Bank has been fully executing the "SARLAFT" (Asset Laundering and Financing of Terrorism Management System) based on the international COSO ERM methodology. The SARLAFT developed by the Bank contains the proper internal controls which allow it to mitigate risks of both Asset Laundering and the Financing of Terrorism, as well as legal, reputational, operational and contagion risks, exercising due control, monitoring and timely reporting, seeking to satisfy the expectations of supervising authorities, as well as foreign correspondent banks.

It further merits highlighting that the Bank has the commitment of its employees and management; it fully complies with the timely forwarding of sundry reports and information to oversight entities; it exhibits a proper compliance structure duly trained in Risk Management with emphasis on the prevention of Asset Laundering and Financing of Terrorism; it has an advanced monitoring scheme; it has a functional and interactive education program for the Prevention of Asset Laundering and Financing of Terrorism targeted to all employees; and likewise it has a widely acknowledged methodology for the scoring of various risks, generating agents and focusing on the prevention of Asset Laundering and Financing of Terrorism.

5.4.2 *Risk-Based Focus (Unaudited)*

The SARLAFT risk management system is structured under the international COSO ERM methodology and is made effective through systematic and procedural tools adapted to international standards.

This methodology identifies AL/FT risks in each one of the susceptible processes and provides procedures and controls for the Bank to protect itself from being used in direct or indirect fashion as an instrument for asset laundering and/or channelling of resources toward the performance of terrorist activities.

Occidental Bank (Barbados) Ltd.

Notes to the financial statements For the year ended December 31, 2025 (In US dollars)

5. Financial risk management, continued

5.4.3 Know your Customer (KYC) and Commercial Relationships (Unaudited)

The Bank encourages its employees to comply with the policy of client documentation and to apply the procedures for the Prevention of Asset Laundering and Financing of Terrorism, as well as the process of due diligence in their enrolment of clients, “Know your customer” (KYC).

The KYC policy has procedures for procuring effective, efficient, and timely knowledge of current customers and potential customers, as well as for verifying other information and supporting documentation as necessary.

5.4.4 Monitoring of operations and customer analysis (Unaudited)

The Bank analyses all the operations performed by customers. It has specific conditions by type of economic activity, historical data on transactions and type of operations in validating whether such operations are related to their economic activity and financial information. In its detailed analysis customer knowledge is considered, as well as the market analysis on its economic activity.

5.4.5 Validation from the OFAC and UN lists (Unaudited)

The Bank complies with customer control under the OFAC and UN lists.

Due to the foregoing, whoever is reported in those lists cannot be considered as potential clients or cannot be mentioned in any sort of contractual relationship. These instructions apply to customers, vendors, employees, users, legal representatives, and persons authorized in accounts, partners and contributors.

5.4.6 Politically Exposed Persons (PEPS) (Unaudited)

The Bank has implemented, for persons categorized as PEPS, a policy duly approved by the Board of Directors. Essentially, prior to being enrolled as a customer, extended due diligence checks are carried out on these individuals. In addition, after becoming a customer, such checks are continuously performed to manage and track the specific risk that these individuals produce to the Bank.

5.6 Capital risk management

The Bank manages its capital to ensure:

- Compliance with the requirements established by the Central Bank of Barbados (CBB).
- The continuation as a going concern while maximizing returns to the shareholder through the optimization of the debt and equity balance.
- Maintenance of a capital base, strong enough to withstand the performance of its business.

The Bank as an entity regulated by the CBB, is required to maintain a minimum paid-in capital based on its risk weighted assets.

The adequacy of capital and the use of regulatory capital are monitored by the Bank’s management, based on guidelines and techniques developed by the Central Bank of Barbados. The information requirements are sent to the regulatory entity on a quarterly basis.

The CBB requires that capital funds may not be less than 8% of its risk weighted assets. For these purposes, assets should be considered net of their respective allowances or reserves and with the specified considerations of the CBB. The Financial Superintendence of Colombia requires that capital funds may not be less than 9% of its risk weighted assets.

Occidental Bank (Barbados) Ltd.

Notes to the financial statements For the year ended December 31, 2025 (In US dollars)

5. Financial risk management, continued

The table below summarizes the composition of the paid-in capital required by the CBB as at December 31:

	2025	2024
Primary capital (Tier 1)		
Share capital	10,075,000	10,075,000
Premium per share and reserve fund	18,239,034	18,239,034
Retained earnings	20,697,766	15,473,806
Total	<u>49,011,800</u>	<u>43,787,840</u>
Primary capital (Tier 2)		
Collective allowance for impairment	489,493	520,141
Total	<u>489,493</u>	<u>520,141</u>
Total Tier 1 + Tier 2	<u>49,501,293</u>	<u>44,307,981</u>
Risk-weighted assets and contingencies	<u>292,621,100</u>	<u>274,255,794</u>
Paid-in capital		
Total regulatory capital Tier 1 expressed in percentage over risk-weighted assets	16.75%	15.97%
Total regulatory capital Tier 1 and Tier 2 expressed in percentage over risk-weighted assets	16.92%	16.16%
Regulatory paid-in required	8.00%	8.00%
Internal paid-in required	9.00%	9.00%

Reserve fund

The International Financial Services Act of 2002 requires that a reserve fund must be established not less than 25% of earnings of the year before any dividend is paid, until the amount of the reserve is equal to the amount paid in capital.

The reserve fund for December 31, 2025 is \$10,075,000 (2024: \$10,075,000).

6. Cash

Cash is detailed below:

	2025	2024
Due from banks - Demand deposits	48,296,771	57,454,348
Total	<u>48,296,771</u>	<u>57,454,348</u>

7. Investment securities

Details of investment securities are as follow:

	2025	2024
Securities at FVOCI		
Debt securities – Listed	101,198,400	106,820,546
Equity investment – Unlisted	1,140,468	1,140,408
Total	<u>102,338,868</u>	<u>107,960,954</u>

Occidental Bank (Barbados) Ltd.

Notes to the financial statements For the year ended December 31, 2025 (In US dollars)

7. Investment securities, continued

Debt securities are composed of government bonds by \$80,260,164; corporate bonds by \$1,514,203 and financial institution by \$ 19,424,033(2024: \$74,830,132, \$2,650,123 and \$30,480,699 respectively).

The Bank maintains equity investment securities at FVOCI in a related company Fiduciaria de Occidente, S. A. for strategic purpose, represented by 111,678 (2024: 111,678) ordinary shares representing 0.581% ownership in this company, with a carrying value at December 31, 2025 of \$1,140,408 (2024: \$1,140,408). See note 15.

As of December 31, 2025, the Bank acquired an equity investment in the related company AVAL Fiduciaria S. A. for strategic purpose, represented by 98 ordinary shares representing 0.000255% ownership in this company, with a carrying value of \$60

Annual interest yield rates in investment securities as of December 31, 2025 fluctuated 2.85 % and 6.98 % (2024: 2.85% and 10.26%).

During 2025, the Bank sold and redeemed investments securities at FVOCI of \$90,986,050 (2024: \$60,426,205), which generated a net realized gain of \$564,991 (2024: \$27,567). Additionally, the unrealised loss on investments securities at FVOCI as of December 31, 2025 amounts to \$3,413,716 (2024: unrealised loss \$6,540,885) which is presented in the statement of changes in equity, which includes the allowance for credit losses.

During 2025, the Bank acquired investments for \$81,786,831 (2024: \$77,612,132).

As of December 31, 2025 and 2024, investments in securities are not guaranteeing other operations.

8. Loans to customer at amortised cost

The following is a summary of loans to customers at AC:

	<u>2025</u>	<u>2024</u>
Loans	198,800,333	169,448,817
Accrued interest receivable	2,346,376	2,308,167
Allowance for expected credit losses	<u>(1,914,862)</u>	<u>(1,970,520)</u>
Total	<u><u>199,231,847</u></u>	<u><u>169,786,464</u></u>

9. Other accounts receivable

The following is a summary of other accounts receivable:

	<u>2025</u>	<u>2024</u>
Other account receivable debt securities	102,335	16,710
Other interest receivable syndicate	20,481	14,355
Dividend receivable	15,697	15,651
Commissions receivable	<u>150</u>	<u>268</u>
Total	<u><u>138,663</u></u>	<u><u>46,984</u></u>

Occidental Bank (Barbados) Ltd.

Notes to the financial statements For the year ended December 31, 2025 (In US dollars)

10. Other assets

The following is a summary of other assets:

	<u>2025</u>	<u>2024</u>
Prepaid tax	666,440	352,197
Software advance	81,687	61,958
Prepaid expenses	68,367	83,247
Guarantee deposits	2,913	2,913
Advances expenses	1,917	1,917
Total	<u>821,324</u>	<u>502,232</u>

11. Customer deposits

A summary of customer deposits is as follows:

	<u>Average interest rate 2025</u>	<u>Average interest rate 2024</u>	<u>Payable on notice</u>	<u>Payable fixed date</u>	<u>2025</u>	<u>2024</u>
Interest bearing checking account	0.16%	0.25%				
Individuals			3,303,101	-	3,303,101	3,779,321
Corporate			62,954,114	-	62,954,114	75,452,646
Subtotal			<u>66,257,215</u>	-	<u>66,257,215</u>	<u>79,231,967</u>
Term deposits	4.14%	4.60%				
Individuals			-	24,346,277	24,346,277	21,952,900
Corporate			-	207,872,670	207,872,670	191,360,727
Subtotal			<u>-</u>	<u>232,218,947</u>	<u>232,218,947</u>	<u>213,313,627</u>
Total					<u>298,476,162</u>	<u>292,545,594</u>

12. Other liabilities

The following is a summary of other liabilities:

	<u>2025</u>	<u>2024</u>
Income tax	1,235,028	313,752
Checks used unpaid	370,989	368,944
Auditor fees	39,375	25,770
Other liabilities	19,721	194,244
Director's fees	(5,657)	-
Supplier's provision	-	20,921
Risk rating provision	-	20,280
Total	<u>1,659,456</u>	<u>943,911</u>

Occidental Bank (Barbados) Ltd.

Notes to the financial statements For the year ended December 31, 2025 (In US dollars)

13. Share capital and share premium

The share capital and the premium per share as of December 31 is shown below:

	<u>2025</u>	<u>2024</u>
Shares issued	2,015	2,015
Authorised - Par value per share	5,000	5,000
Share capital	10,075,000	10,075,000
Premium per share	8,164,034	8,164,034
Total	18,239,034	18,239,034

14. Provision for taxes

The Bank is a valid licensee under the provisions of Financial Institution Act.

Amounts recognised in profit or loss <i>(In US dollars)</i>	<u>2025</u>	<u>2024</u>
Current tax expense		
Current year:	921,276	179,620
- Corporate income tax	561,474	179,620
- Global minimum top-up tax	359,802	-
Changes in estimates related to prior years	-	-
	921,276	179,620
Deferred tax expense	(11,549)	(1,295)
Origination and reversal of temporary differences	(11,549)	(1,295)
Reduction in tax rate	-	-
Recognition of previously unrecognised tax losses	-	-
	(11,549)	(1,295)
Total income tax expense	909,727	178,326

Effective January 1, 2024, the statutory tax rate was changed as stipulated by the Income Tax (Amendment and Validation) Act, 2024-15 whereby tax payable by a company upon its taxable income shall be at a tax rate of 9%.

A new corporate tax law was enacted in Barbados. Consequently, as of January 1, 2024, the corporate tax rate in Barbados should still be taxed at 5.5 – 1% in 2024; however, they will be subject to corporate tax at 9% in 2025.

An Act to establish an effective tax rate of 15 per cent for qualifying entities through the imposition of a top-up tax. This tax law resulted in a expense of \$359,802 recognized during the year ended December 31, 2025.

During 2025, a current income tax was generated for \$921,276, corresponding to a provision on the profit before tax (2024: \$179,620). At December 31, 2025, the Bank recognised deferred tax assets by \$24,520 (2024: \$12,972) which generated a credit to the income tax expense.

Occidental Bank (Barbados) Ltd.

Notes to the financial statements For the year ended December 31, 2025 (In US dollars)

14. Provision for taxes, continued

Reconciliation of effective tax rate

	<u>2025</u>		<u>2024</u>	
	<u>USD</u>	<u>BBD</u>	<u>USD</u>	<u>BBD</u>
Profit before tax	6,176,465		5,402,286	
Non-deductible expenses	18,516,387		3,957,051	
	<u>24,692,852</u>		<u>9,359,337</u>	
Deductible expenses	18,454,253		3,790,771	
Taxable income	<u>6,238,599</u>		<u>5,568,566</u>	
Conversion to BBD		<u>12,414,812</u>		<u>11,081,446</u>
Taxable income not exceeding USD 500,000 BBD \$1,000,000 5.50%			27,638	55,000
Taxable income exceeding USD 500,000 but not exceeding 1,000,000 / BBD \$1,000,000 but not exceeding BBD \$20,000,000 3%			151,983	302,443
Tax using the Bank's domestic tax rate	561,474	1,117,333	-	
Current tax expense related to global minimum top-up tax rate	359,802	716,006	-	
Deferred tax asset	<u>(11,549)</u>	<u>(22,983)</u>	<u>(1,295)</u>	<u>(2,576)</u>
Income tax expense	<u>909,727</u>	<u>1,810,356</u>	<u>178,326</u>	<u>354,867</u>

The effective tax rate for December 31, 2025 is 14.73% (2024: 3.30%).

At end of the year, the Bank does not maintain accumulated tax losses.

The table below details the deferred taxes by type deductible temporary difference.

	<u>Net Balance December 31, 2024</u>	<u>Recognised as income</u>	<u>Recognised in OCI</u>	<u>Balance at December 31, 2025</u>
Property and equipment	<u>12,972</u>	<u>11,549</u>	<u>-</u>	<u>24,520</u>
Total deferred tax asset	<u>12,972</u>	<u>11,549</u>	<u>-</u>	<u>24,520</u>

Occidental Bank (Barbados) Ltd.

Notes to the financial statements For the year ended December 31, 2025 (In US dollars)

14. Provision for taxes, continued

	<u>Balance at December 31, 2025</u>	<u>Net Balance December 31, 2024</u>
Deferred Tax Asset		
Deferred tax assets recoverable after 12 months	11,549	1,295
Total deferred tax asset	<u>11,549</u>	<u>1,295</u>

	<u>Net Balance December 31, 2023</u>	<u>Recognised as income</u>	<u>Recognised in OCI</u>	<u>Balance at December 31, 2024</u>
Property and equipment	11,677	1,295	-	12,972
Total deferred tax asset	<u>11,677</u>	<u>1,295</u>	<u>-</u>	<u>12,972</u>

	<u>Balance at December 31, 2024</u>	<u>Net Balance December 31, 2023</u>
Deferred Tax Asset		
Deferred tax assets recoverable after 12 months	1,295	9,145
Total deferred tax asset	<u>1,295</u>	<u>9,145</u>

15. Related party transactions

The Bank has engaged in transactions in the ordinary course of business with certain related parties such as companies, directors, and key management personnel. At the end of the year, the following were the aggregated asset and liability balances regarding transactions with related parties:

As of December 31, 2025, no impairment provisions have been recognized in relation to loans granted to related parties.

	<u>Key management personnel</u>		<u>Fellow subsidiaries</u>	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
Assets				
Investment securities	-	-	1,140,468	1,140,408
Loans to customers (secured)	106,207	202,500	169,533	169,533
Dividends receivable	-	-	20,481	15,651
Account receivable	1,102	2,404	1,879	1,731
Other assets	-	-	2,913	2,913
Liabilities				
Deposits	378,836	8,114	64,923	40,549
Time deposits	<u>666,463</u>	<u>318,030</u>	<u>35,903,027</u>	<u>34,279,072</u>

Occidental Bank (Barbados) Ltd.

Notes to the financial statements For the year ended December 31, 2025 (In US dollars)

15. Related party transactions, continued

The following categories of income and expenses are included in the aggregated amounts resulting from the transactions mentioned above:

	Key management personnel		Fellow subsidiaries	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
Profit or loss				
Interest income:				
Loans to customers (secured)	8,546	9,931	9,049	9,101
Dividends	-	-	77,658	70,618
Interest expense:				
Customer deposits	20,647	16,600	1,744,425	140,103
General and administrative expenses:				
Employee benefits, short-term	45,844	47,596	-	-
Expenses outsourcing services	-	-	1,016,704	916,529
Director's fee	-	-	-	-

Loans to customers-related parties had been granted under market conditions. No loans have been written off.

As of December 31, 2025 and 2024, loan portfolio with related parties guaranteed by pledged deposits in the same Bank is presented

Only short-term benefits are applicable to key management personnel.

During 2025, the Bank maintained with its parent Bank the following balances and transactions: Dividends receivable \$20,481 (2024: \$15,651) and dividends income \$77,658(2024: US\$70,618), outsourcing expenses by US\$1,016,704(2024: US\$916,529).

All the transactions mentioned above are at arms' length.

16. Securities received in custody

At December 31, 2025, the Bank held securities received in custody for \$22,638,599 (2024: \$23,657,989).

17. Fair values of financial instruments

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Bank determines fair values using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Occidental Bank (Barbados) Ltd.

Notes to the financial statements For the year ended December 31, 2025 (In US dollars)

17. Fair values of financial instruments, continued

The Bank measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

- Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which market observable prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free interest rates, credit spreads and other premises used in estimating discount rates and equity prices.

The table below summarizes the carrying value and fair value of the financial asset and liabilities:

	2025		2024	
	<u>Carrying amount</u>	<u>Fair Value</u>	<u>Carrying amount</u>	<u>Fair Value</u>
Assets				
Investment securities	102,338,868	102,338,868	107,960,954	107,960,954
Loans to customers at amortised cost	199,231,847	204,770,375	169,786,464	174,917,133
Liabilities				
Time deposits	232,218,947	229,277,116	213,313,627	211,890,562

Except above items for other financial instruments the carrying value approximates fair value.

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
December 31, 2025				
Investment securities at FVOCI:				
Listed securities	9,150,780	92,047,620	-	101,198,400
Unlisted securities	-	-	1,140,468	1,140,468
Total				102,338,868
December 31, 2024				
Investment securities at FVOCI:				
Listed securities	12,096,390	94,724,156	-	106,820,546
Unlisted securities	-	-	1,140,408	1,140,408
Total				107,960,954

Occidental Bank (Barbados) Ltd.

Notes to the financial statements For the year ended December 31, 2025 (In US dollars)

17. Fair values of financial instruments, continued

For investments in securities included in level 2, fair value is determined by the reference price of similar instruments published in the stock market that are considered less than active, published in electronic systems of market information or prices provided by price vendors. Unlisted securities are classified in level 3.

During 2025 and 2024, there have been no transfers of investment securities between levels.

Reconciliation

The following table shows a reconciliation from the beginning balance to the ending balances for fair value measurements in Level 3 of the fair value hierarchy.

	<u>Investment securities at FVOCI unlisted securities</u> <u>2025</u> \$	<u>Investment securities at FVOCI unlisted securities</u> <u>2024</u> \$
Balance at January 1	1,140,408	1,238,316
Total gains or losses:		
in profit or loss		-
in OCI		(97,908)
Purchases	60	-
Balance at December 31	1,140,468	1,140,408

The following table sets out information about significant unobservable inputs used at December 31, 2025 and 2024 in measuring financial instruments categorised as Level 3 in the fair value hierarchy.

Level 3 Fair value measurements

<u>Type of financial instrument</u>	<u>Fair Value at December 31, 2025</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>
Investment securities at FVOCI unlisted securities	1,140,468	Discounted cash flow	Expected net cash flows derived from the entity and discount rate.

Level 3 Fair value measurements

<u>Type of financial instrument</u>	<u>Fair Value at December 31, 2024</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>
Investment securities at FVOCI unlisted securities	1,140,408	Discounted cash flow	Expected net cash flows derived from the entity and discount rate.

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17. Fair values of financial instruments, continued

Range of estimates for unobservable input	Fair value measurement sensitivity to unobservable inputs
Investment based	A significant increase in expected net cash flows would result in a higher fair value.

The following table sets out the fair values of financial instruments not measured at fair value. These instruments are classified into different levels of the fair value hierarchy considering the input and valuation techniques used.

	Measurement of fair value			
	2025		2024	
	<u>Level 3</u>	<u>Total</u>	<u>Level 3</u>	<u>Total</u>
Financial assets				
Loans to customers at AC	204,770,375	204,770,375	174,917,133	174,917,133
	<u>204,770,375</u>	<u>204,770,375</u>	<u>174,917,133</u>	<u>174,917,133</u>
Financial liabilities				
Time deposits	229,277,116	229,277,116	211,890,562	211,890,562
	<u>229,277,116</u>	<u>229,277,116</u>	<u>211,890,562</u>	<u>211,890,562</u>

The table below describes the valuation techniques and inputs used in determining the fair value of financial liabilities and assets not measured at fair value categorized as Level 2 and Level 3:

Type of financial instrument	Valuation technique and significant inputs
Loans to customers at AC	Fair value of loans is estimated using discounted cash flow techniques, applying current market interest rates for new loans with similar remaining maturities and terms.
Time deposits	Fair value of time deposits is estimated using discounted cash flow techniques, applying current market interest rates that are offered for deposits of similar maturities and terms.

18. General and administrative expenses

	<u>2025</u>	<u>2024</u>
Professional fees and services	1,780,249	1,599,753
Computer software and licenses maintenance	499,656	426,779
Salaries and other employee benefits	165,533	190,798
Other expenses	143,233	154,783
Occupancy and related expense	115,097	112,925
Depreciation and amortization	94,826	83,947
Banking licence	62,813	50,042
Insurance	37,721	28,774
Repair and maintenance	22,132	19,687
Total general and administrative expenses	<u>2,921,260</u>	<u>2,667,488</u>

The Bank incurred expenses in Barbados in the amount of \$582,060 (2024: \$601,672)

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19. Subsequent events

There are no events occurring after the reporting date and before the date of approval of these financial statements by the Board of Directors of the Bank that require adjustment to or disclosure in these financial statements.