



2021 ANNUAL REPORT
GOVERNMENT OF EL SALVADOR





El Salvador is living his best moment in the history. Por the first time in 200 years, we are leaving the past behind. That past that kept us immersed in hopelessness, misery and vulnerability is no longer our own.

After all we have been through, we are moving in the right direction. Today we breathe a different air. We are turning that inherited hopelessness into dreams, projects and goals.

We are transforming the country from its deepest foundations. Since before the pandemic, we have been investing in the comprehensive reconstruction of our health system. We are the country that has best managed an unprecedented health crisis.

We are eradicating 100% of the digital divide in the public education system.

We are turning our waves into dynamize the economy. We are achieving this with will, articulated work and strategic vision. In a short time, we have become a world reference in surfing.

Today our country is safer than ever, thanks to the success of our Territorial Control Plan.

And these are just some of the projects we are working on to transform our country.

This year we celebrate 200 years of Republic; but, for the first time, El Salvador is truly ours.

We will continue to write a new history.

Nayib Bukele
President of the Republic of El Salvador

Banco Hipotecario de El Salvador

January - December 2021



GOBIERNO DE
EL SALVADOR

**BANCO
HIPOTECARIO**





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**BANCO
HIPOTECARIO**





Relevant figures and indicators

\$1,639.0 million	Total Assets
\$1,008.1 million	Loan Portfolio
\$503.5 million	SME Loan Portfolio
\$182.7 million	Covid-19 Loan Portfolio
\$595.9 million	Loan Disbursements
\$1,337.5 million	Deposits
\$17.5 million	Net income
\$150.1 million	Equity
13.3%	Return on Equity
13.6%	Equity Solvency
41.2%	Net Liquidity Ratio
AA- Positive	Risk Classification Pacific Credit Rating
86	Years of History
203,052	Clients
840	Employees
	National Presence
29	Branches
3	Mini branches
14	Lockers
75	Automated Teller Machines



Corporate strategy

Vision

To promote economic development for a better El Salvador

We believe that it is possible to create the conditions that will lead us to be a more productive country, where opportunities are for everyone and where the efforts of every Salvadoran bear fruit, thus achieving a sustainable transformation.

Mission

Making a difference to see you grow

With our daily efforts we seek to make it clear that we are not just another bank and that our main objective is to support the sustainable growth of the country.

Institutional values

TRUST: What unites us is more valuable than what separates us and operating in a trustworthy manner is what will allow us to be confident that everything we do makes a positive difference in the future of our country.

INCLUSION: The new times force us to think differently and to look for solutions that positively impact all the people that banking has left aside, generating opportunities where no one else can reach.

COMMITMENT: To the country, to the communities, and to Salvadorans, wherever they are, because they deserve everything from us. Each and every one of us at Banco Hipotecario will serve as a pillar to create a better El Salvador.

INNOVATION: A new country needs a new banking system, more modern, more up-to-date, and the first to evolve will be us, to show everyone that we can be the example to follow in the Salvadoran financial system.

Banco Hipotecario's strategy contemplates that:

- The focus of our institution is to grow exponentially by focusing on our clients' experience.
- We recognize the arrival of new challenges, being necessary a palpable renovation to improve our positioning before stakeholders, without forgetting what makes us different.
- As a financial institution that participates in the market under private banking conditions, we must strive to be efficient in the use of resources and effective in achieving our mission.

Financial results





Financial results

The Bank's financial results in terms of financial performance have been more than satisfactory for fiscal year 2021, recording a net income of \$17.5 million, exceeding by \$1.8 million the projections established within the financial reprogramming and exceeding by \$11.9 million the figure reflected at the end of 2020, equivalent to an outstanding growth of 210.9% last year.

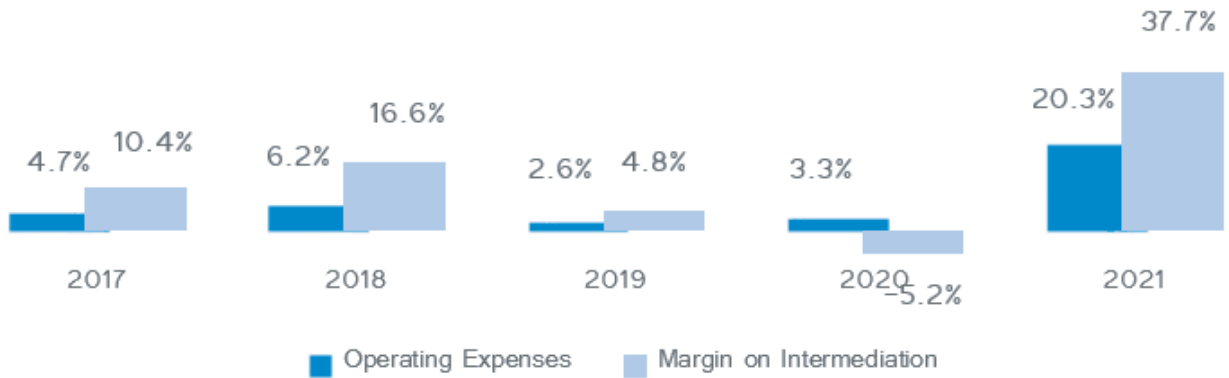
It is worth mentioning that the return on equity was influenced, firstly, by the improvement in the yield on treasury assets, by the growth in income from the loan portfolio, as well as the collection of its commissions, and also by the increase in income from other services provided by the Bank (including the new non-recourse factoring product). Additionally, an improvement resulting from the net income generated by the commercialization of extraordinary assets, the increase in non-operating income and the decrease in financial costs for loan liabilities. The above was mitigated by the increase in financial costs from deposits, as well as operating expenses, a higher loan loss provisioning reserve and finally by the increase in taxable income due to a higher taxable base.

As of December 31, 2021, the return on equity closed at 13.3%, higher than projected and by 4.6% compared to 2020. The net interest margin showed an improvement coming from the growth of assets with respect to net interest liabilities, generating income of \$104.2 million, higher by \$23.5 million compared to 2020, with an annual growth of 29.1%. This is derived from the growth of \$10.4 million in yields originated by financial investments and the liquidity reserve, followed by the interest generated from the loan portfolio, with a growth of \$7.7 million; also due to the increase of \$5.4 million in commissions for processing and services to third parties. Additionally, referring to intermediation costs, it is indicated that at the end of 2021 they reached \$40.1 million, higher than in 2020 by \$6.0 million, which translates into an annual increase of 17.5%.

Financial and Net Interest Margin

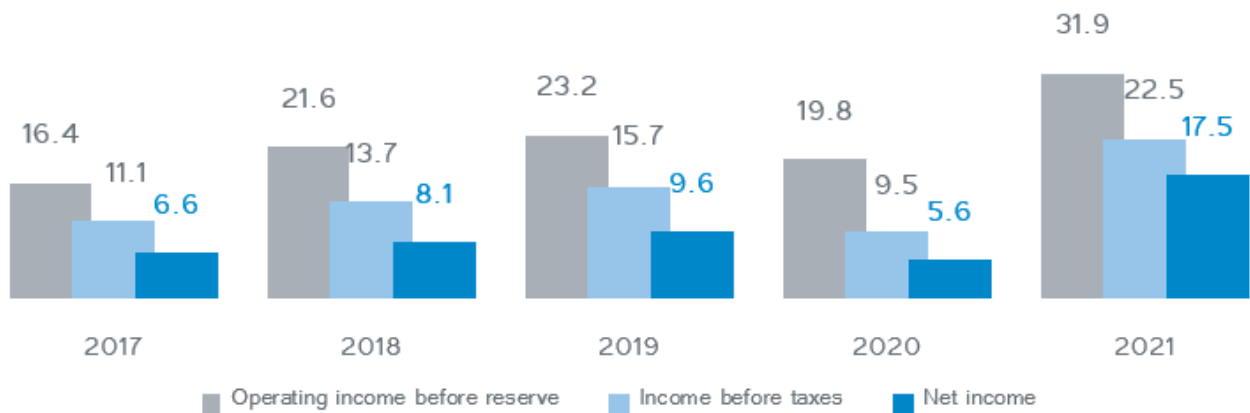


Annual Growth: Operating Expense vrs. Net Interest Margin



Earnings: Operating earnings before reserve, before income tax and net income

(Amounts in millions of \$)



For the year reported, operating expenses amounted to \$32.1 million, with an increase of \$5.4 million, equivalent to 20.3% with respect to the previous year; nevertheless, budgetary savings of \$195.8 thousand were obtained, achieving an optimization in the use of resources; and in percentage terms, net brokerage income grew more than the growth of operating expenses, implying an improvement in the operating efficiency indicator (50.1% at year-end), allowing the Bank to maintain its position compared to the average recorded by the financial system.

Additionally, the annual increase in operating expenses is concentrated in the general expenses item, with an increase of \$3,900.7 thousand corresponding to: contributions in the amount of \$1,689.6 thousand (donation of the center building according to its book value of \$1.7 million), tax and supervision obligations in the amount of \$629.4 thousand for the higher placement and fundraising volume during the year, technology expenses for innovation in different areas for \$458.5 thousand, expenses in advertising of products and services for \$375.2 thousand, infrastructure improvements for \$180.5 thousand (the latter as part of the digital transformation and change of institutional image), and in services for consumption of stationery, water, energy and fuel for \$158.5 thousand.

Next, the expense in the item of officers and employees increased by \$1.3 million as a result of the benefits to the personnel in concept of additional benefits to those provided by law by the Bank, which increased by \$1,009.0 thousand, being these: salaries, Christmas bonus, vacation bonus, medical insurance, training, travel allowances, bonuses, among other benefits; and finally, due to the increase in the provision for labor liabilities of \$268.7 thousand with respect to the previous year, resulting from the actuarial study carried out by a company specialized in such work. The contribution to State taxes from income tax during 2021, represented an increase of \$1,178.7 thousand.

Additionally, there was an increase in the cost of loan impairment reserves, from \$9.5 million in 2020 to \$10.8 million at the end of 2021, representing an increase of 13.2%; this value includes the constitution of mandatory and voluntary impairment reserves for the loan portfolio and in a lesser proportion to provide for possible losses due to credit exposure of the portfolio belonging to the coffee sector, with a cost of \$1,091.2 thousand. The loan loss provisions attributable to the portfolio managed by FICAFE, was \$273.8 thousand, an increase of \$2.3 thousand compared to the previous year.

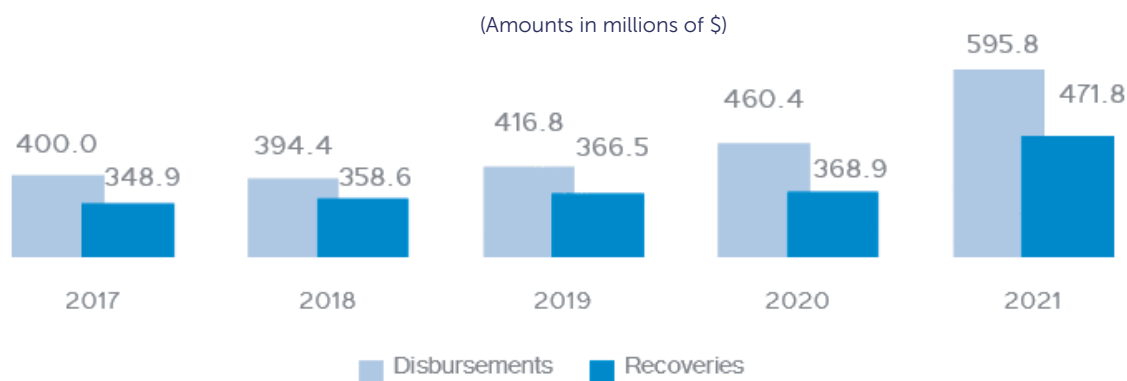
On the other hand, net non-operating income had a significant impact on earnings, with an increase of \$1,005.9 thousand, mainly due to: the increase in the recovery of written-off loans in the amount of \$800.2 thousand, other income \$260.6 thousand which includes the sale of fixed assets, the increase in the recognition of deferred tax income of \$80.6 thousand, and which was mitigated by the decrease of \$159.0 thousand due to the release of loan reserves compared to the previous year.

Finally, with respect to the management of the sale of extraordinary assets, their commercialization resulted in an increase in net income of \$1,323 thousand, as a result of a greater release of reserves and the decrease in the provision of written-off assets, totaling at year-end a value of \$3.7 million in sales, representing \$2.7 million more than the previous year.

Loan Placement

As part of the Bank's commitment to support the country's productive sectors, the client loan portfolio grew well above the financial system average, diversified in all economic sectors and driven by the placement of \$595.9 million in disbursed loans, growing \$135.3 million, equivalent to 29.4% annually; while loan recoveries were \$468.3 million, higher by \$99.4 million and equivalent to 26.9% with respect to the previous year.

Total Disbursements and Recoveries



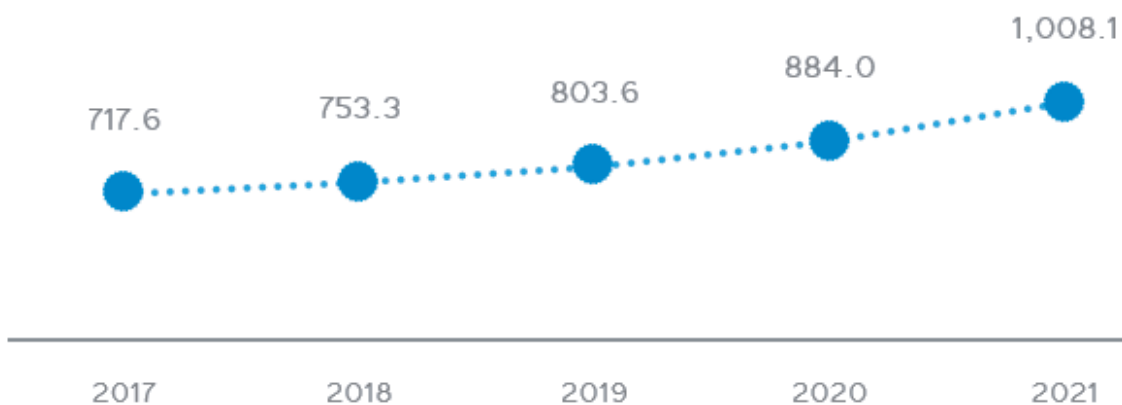
Of the total loans disbursed, \$259.4 million went to SMEs (43.5%), \$177.5 million to large companies (29.8%), \$72.9 million to municipalities and other state institutions (12.2%), \$46.2 million to individuals (7.8%), and \$39.8 million to microenterprises (6.7%). Similarly, the financial support to specific sectors was ratified, such as: coffee cultivation with \$49.1 million disbursed; collective passenger transportation amounting to \$53.3 million; and the sugar sector disbursing a total of \$29.7 million and the special line for the mayor's office of \$27.9 million. Regarding the distribution of disbursements by economic sectors, the concentration in productive activities corresponds to 90.2% for the year 2021.

In order to benefit the Salvadoran population, we continued to provide loan support for clients still affected by the COVID-19 crisis, and as of December 31, 2021, a total of \$21.2 million had been disbursed in lines of credit such as: COVID-19 Frontline Staff Line COVID-19 (\$20.6 million), COVID-19 Emergency Credit Line (\$0.2 million) and COVID-19 Food Safety (\$0.4 million), benefiting a total of 838 clients.

The above described led to an important growth in the loan portfolio that intensified at the end of the last quarter, closing at December 31, 2021 with a balance of \$1,008.1 million, which represents an increase of \$124.0 million equivalent to 14.0% compared to 2020; favoring the expansion in the client base of the loan portfolio (10,244 clients at the end of 2021), and the increase in the number of loans granted from 11,827 to 13,479. With respect to the loan portfolio balances marked as COVID-19, as of December 31, 2021, the portfolio was influenced by arrangements or grants reaching a value of \$182.7 million representing 18.1% of the total portfolio.

Gross Loan Portfolio

(Amounts in millions of \$)



Banco Hipotecario improved its position in the financial system from seventh to fifth in terms of loan portfolio size and is the fourth largest corporate lender at the end of 2021.

The Bank's loan portfolio diversification was maintained in all economic sectors, reaching a balance of \$103.2 million in the portfolio for the passenger transportation sector and \$42.2 million in the coffee growing sector, representing 56.0% and 63.9% of the financial system's total, respectively, positioning the Bank as a leader in financing for these two economic sectors.

Comparison of loan portfolio per economic sector

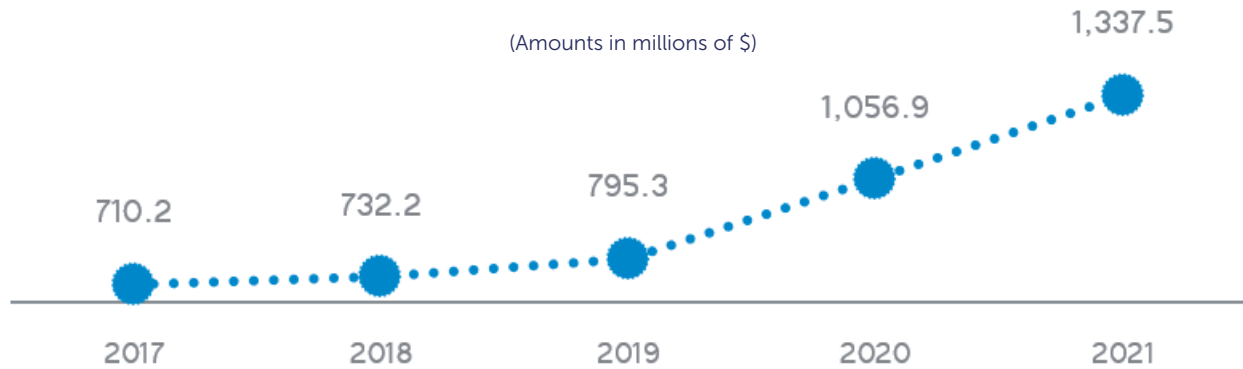
Sector	dec-20	dec-21	Var (\$)	Var (%)
Others	37.0	79.2	42.2	113.8%
Services	149.4	186.2	36.8	24.7%
Housing	101.1	117.3	16.2	16.1%
Consumption	23.9	36.8	12.9	53.9%
Manufacturing	75.1	85.1	10.0	13.3%
Trade	179.9	188.4	8.6	4.8%
Agriculture and Livestock	111.2	114.4	3.1	2.8%
Financial Institutions	41.1	44.1	3.0	7.3%
Construction	33.3	29.5	(3.8)	-11.3%
Transportation	132.0	127.1	(5.0)	-3.8%
Total	884.0	1,008.1	\$124.0	14.0%

Deposit gathering

For the Bank, deposits constitute its main source of funding to sustain the growth of the loan portfolio and other risk assets, with 93.3% of its leverage structure coming from deposits from the general public. Throughout the year, an impressive effort was made to achieve growth in the deposit portfolio and improve the deposit structure while simultaneously maximizing the financial margin, culminating on December 31, 2021, with a deposit portfolio balance of \$1,337.5 million, which translates into an exceptional growth of \$280.5 million with respect to the previous year, equivalent to 26.5%. As a result of the strategies implemented for demand deposits, these reached a balance of \$691.2 million, growing by \$167.3 million, equivalent to 31.9% with respect to the previous year; while time deposits had an annual growth of \$113.2 million, equivalent to 21.2%.

Deposit Portfolio

(Amounts in millions of \$)



The growth in public fund gathering expanded the client base of the deposit portfolio, from 180,298 to 202,739 clients; in addition, the deposit balances from the public sector increased by \$198.5 million, from individuals or retail clients by \$29.7 million, followed by small and medium-sized companies with an increase of \$43.1 million, and with a slight growth of \$9.1 million in the grouping of microenterprises together with large companies. In the reported year, the weighted average cost of deposits remained year-on-year at 2.68% for both years.

Deposit Balances per Product

(Amounts in millions of \$)

Deposit	Clients	2020	Structure	Clients	2021	Structure
Savings	169,490	249.9	23.6%	191,667	306.0	22.9%
Current	14,124	274.0	25.9%	14,443	385.3	28.8%
Deadline	8,385	533.0	50.4%	8,586	646.2	48.3%
Total		1,056.9	100.0%		1,337.5	100.0%

Treasury

At year-end 2021, the liquidity situation was influenced by the 26.5% year-on-year growth in deposits in all sectors, driven mainly by demand and time deposits from government entities, financial institutions and the general public.

The increase in deposits was driven especially by the trust that depositors have placed in the Bank, consolidating its position as a strategic partner with agile responses in accordance with our clients' demands.

The liquidity surpluses resulting from significant deposits were channeled to meet the demand for credit attention from clients, as well as a greater volume of investments in securities issued by the Salvadoran State, which generated an excellent profitability for the Bank's integral operation during the year. It is worth mentioning that, during the year 2021, the expectation of growth in deposits exceeded the results obtained, positioning the Bank as a reference to make our clients' investments profitable.

Funding providers

Throughout the year, Banco Hipotecario actively managed the availability of financing granted by multilateral organizations, investment funds, correspondent banks and second-tier banks. As of December 31, 2021, the Bank reached a quota of \$186.0 million and a balance of \$95.7 million, which decreased \$21.1 million year-on-year, equivalent to 18.1%, due to scheduled principal amortizations in accordance with contracts.

The Bank's good relations with its funding providers, its client service approach, and its environmental and social management model have enabled the Bank to consolidate its position as a benchmark financial institution in the region.

Loan Balances with Funding Providers

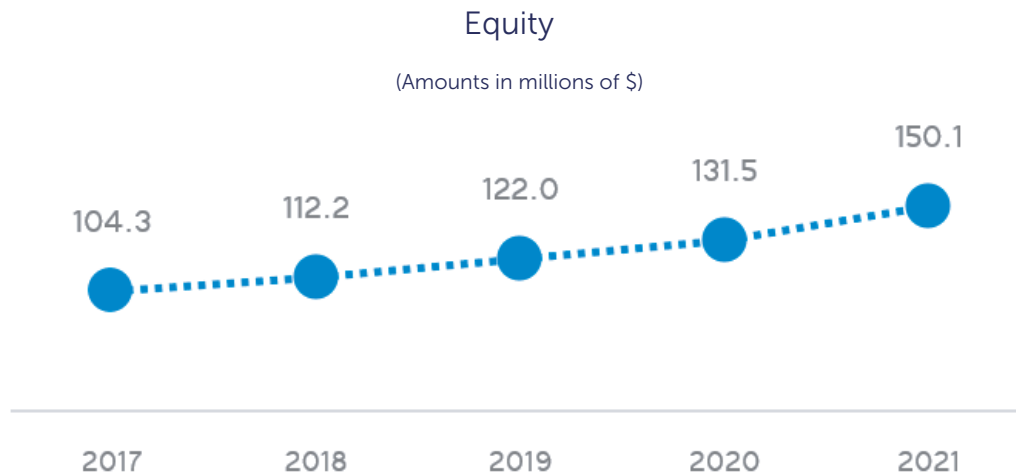
(Amounts in millions of US\$)

Loans	2017	2018	2019	2020	2021
Local Entities	57.7	55.8	53.9	37.8	21.3
Foreign Entities	103.4	63.3	72.1	78.9	74.3
Total	161.1	119.0	125.9	116.7	95.6

Equity and solvency

During the course of the year, the Bank has boosted its equity strengthening, reaching a balance at the end of 2021 of \$150.1 million, which represented an annual increase of its equity by \$18.6 million, equivalent to a 14.1% growth, mainly generated by the accumulation of profits for the year of \$17.5 million. At the end of the year, shareholders' equity consisted of a total of 12,239,049 shares, with earnings per share of \$1.43, which was \$0.46 higher than the previous year.

In compliance with local regulations, banks must maintain a ratio of equity over risk-weighted assets of at least 12.0% and a minimum ratio of 7.0% for liabilities and contingencies; in this sense, the evolution of the equity indicators shows a moderate performance, exposing the financial soundness that characterizes the Bank's management. The equity solvency indicator over risk assets at the end of the year was 13.6%, allowing for a growth capacity in risk assets of \$133.6 million, which will serve to cover the growth expectations and fulfillment of goals for the coming year.



At the Ordinary General Shareholders' Meeting held on February 23, 2021, it was agreed to transfer profits in voluntary capital reserves to restricted equity according to the calculation for fiscal year 2020 for the amount of \$3.4 million and considering that the restricted equity was not fully covered with the profits generated in fiscal year 2020, no payment of Preferred Stock dividends was declared.

Comprehensive risk management



Comprehensive risk management

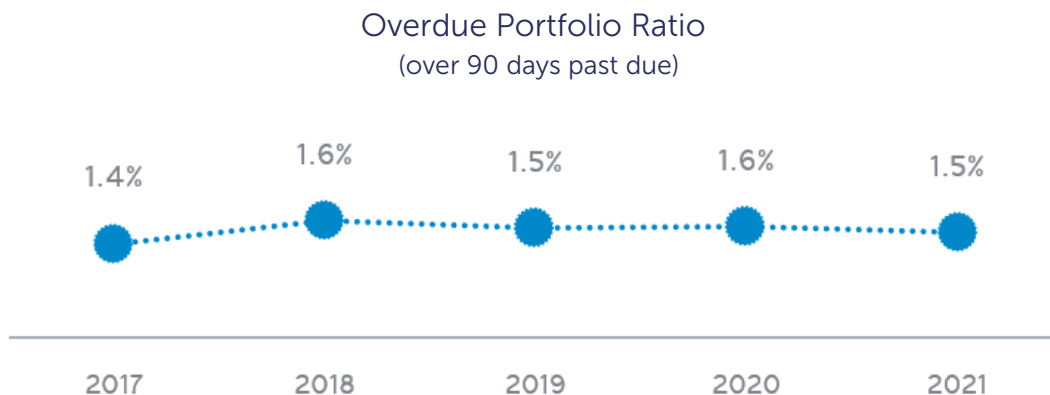
At Banco Hipotecario we measure, control, mitigate, monitor and communicate all types of risks to which the Bank is exposed due to its economic activity, whose process is known as Comprehensive Risk Management. This function is managed based on international standards and best practices, and in consistency with local regulatory compliance. In this sense, management can be divided into the following major areas:

1. CREDIT RISK

Credit risk management is key to identify those behaviors and factors that mitigate as much as possible the default of client payments. For this purpose, there are periodic measurements of key indicators and in a sectorized manner, as well as tools and practices that allow the simulation of scenarios that anticipate or detect unexpected behaviors early. The performance of the main indicators is summarized below:

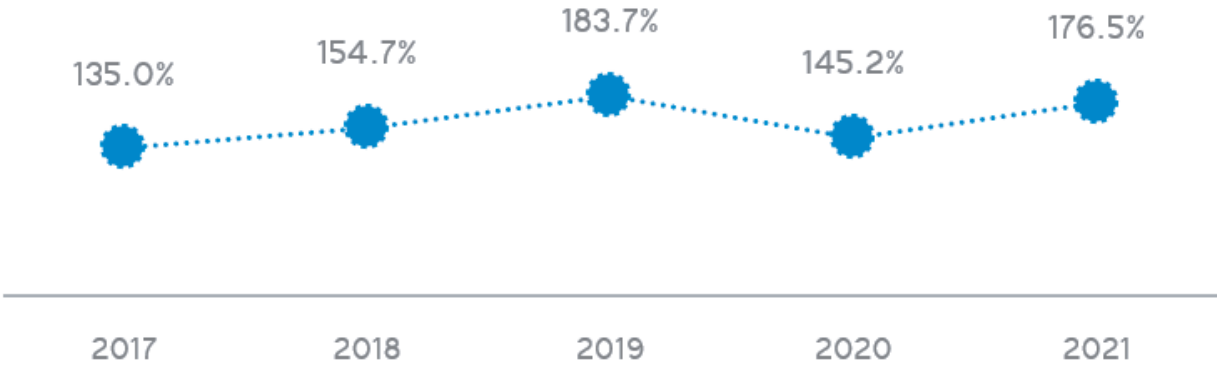
A. Key indicators

It is important to highlight that the increase in gross portfolio in 2021 was 14.0%, exceeding the representative figure of one billion dollars, specifically \$1,008.0 million; an outstanding event in the Bank's history. On the other hand, the past-due portfolio indicator, which measures the portion of the gross portfolio that is in default (>90 days past due or in judicial process), is below the average of the financial system and shows a slight decrease with respect to the previous year, going from 1.6% at the end of 2020 to 1.5% at the end of 2021, being the lowest indicator of the last 4 years. The portfolio over 90 days past due, which at the end of December 2021 reached a balance of \$15.2 million and is covered with mandatory loan loss reserves of \$19.2 million and \$7.7 million in voluntary reserves, reaching a total balance of loan reserves of \$26.8 million, i.e., there is a surplus, in case of default, of \$11.6 million.



The past-due loan portfolio coverage ratio of 176.5% returned to the second-best record of the last 5 years, indicating that for every dollar of past-due loans there is \$1.76 in loan loss reserves, thus demonstrating prudent management of this risk. The ratio of total reserves to assets and contingencies improved from 2.2% to 2.3%, indicating a growth in provisions to cover potential losses in loan portfolios, extraordinary assets, accounts receivable and contingencies.

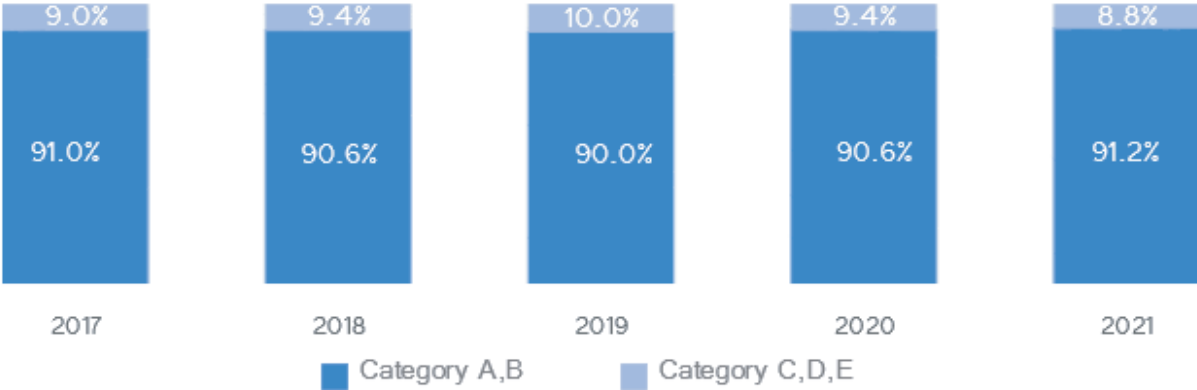
Overdue Portfolio Coverage



Quality of Risk Assets

The loans, most of which have A and B ratings, correspond to a percentage of 91.2% at the end of 2021, with a slight improvement over 2020 of 64 basis points.

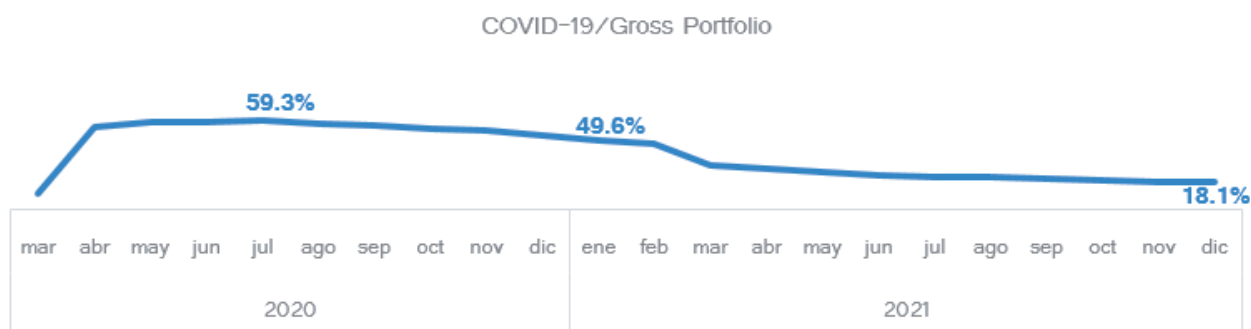
Structure of Risk Assets per Rating



As of December 31, 2021, the balance of the mortgage-backed portfolio amounted to \$737.8 million, which presented an increase of \$71.5 million with respect to 2020, followed by the pledged portfolio with a balance of \$125.0 million, with a growth of \$8.9 million, both representing 85.6% of the total loan portfolio, the rest of the portfolio corresponds to other types of collateral, which only represent 14.4%.

b. Portfolio Performance Monitoring COVID-19

2020 was marked by the impacts caused by the measures to cushion the COVID-19 pandemic on the national economy, which implied an extensive management during that year with satisfactory results but whose influence was maintained until 2021 to a lesser extent. The so-called portfolio of loans with benefits due to COVID-19 arrangements gradually decreased from a maximum of 59% in relation to the entire portfolio by August 2020 to a reduction of 18.1%, which amounts to \$182.7 million by the end of December 2021. This is due to the recovery of clients boosted by the NRP-25 and NRP-26 regulations issued by the Central Reserve Bank for this purpose. This behavior can be seen below:



This portfolio ended with an overdue indicator of \$3.3 million which implies a 1.79% indicator in relation to its gross portfolio; however, this segment is with a total exclusive write-off reserve of \$8.8 million for the closing of 2021, which corresponds to a coverage of 270.0%. One effect that helps visualize the recovery of the COVID-19 portfolio is through deferred interest, which was a measure to support clients. At the end of 2020, a total of \$2.3 million was accumulated, which was gradually recovered until closing with \$245.0 thousand, that is, only 10.8% of the maximum accumulated.

2. MARKET RISK

Market risk is the potential loss arising from adverse changes in market variables such as prices, interest rates and exchange rates that affect the products and markets in which BH operates.

For risk management purposes, the activities are segmented as follows:

- (a) Trading: Includes the Bank's trading and positioning activity in financial instruments, which involves inherent market risks derived from changes in the value of such assets or in their yields, (b) Structural risks: Comprised of the market risks inherent in the balance sheet excluding the trading portfolio, and (c)

Structural interest rate risk: Arises due to mismatches in the maturities and repricing of all assets and liabilities in the balance sheet.

Management decisions on these risks are made through the Bank's Risk and Assets and Liabilities Committees, in order to provide stability to the Bank's return on equity, while maintaining adequate levels of liquidity and solvency.

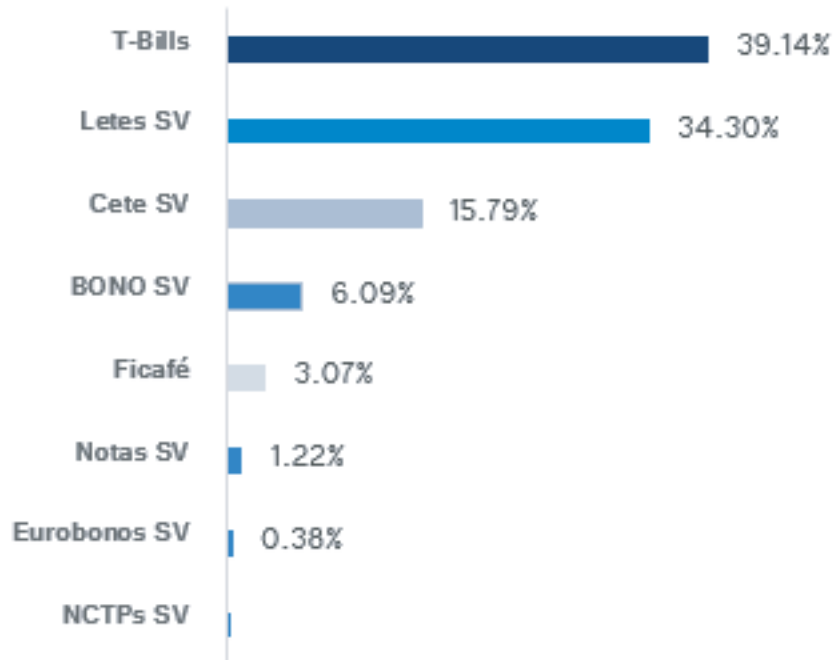
Ratio of market risk types with executed transactions 2021 (Millions of \$)

	Sheet	Principal Market Risk
Assets subject to market risk	1,614.7	
Funds available	248.02	Exchange rate
Investments	362.8	Price, Interest rate
Active Repurchase Agreements	4.5	Price, Interest rate
Loan Portfolio	993.3	Interest rate
Other Assets	6.1	Prices
Liabilities Subject to Market Risk	1,482.8	
Deposits	1,320.8	Interest rate
Reverse Repurchase Agreements	-	Price, Interest rate
Financing	96.1	Interest rate
Issuance of securities	-	Price, Interest rate
Other Liabilities	65.9	Price

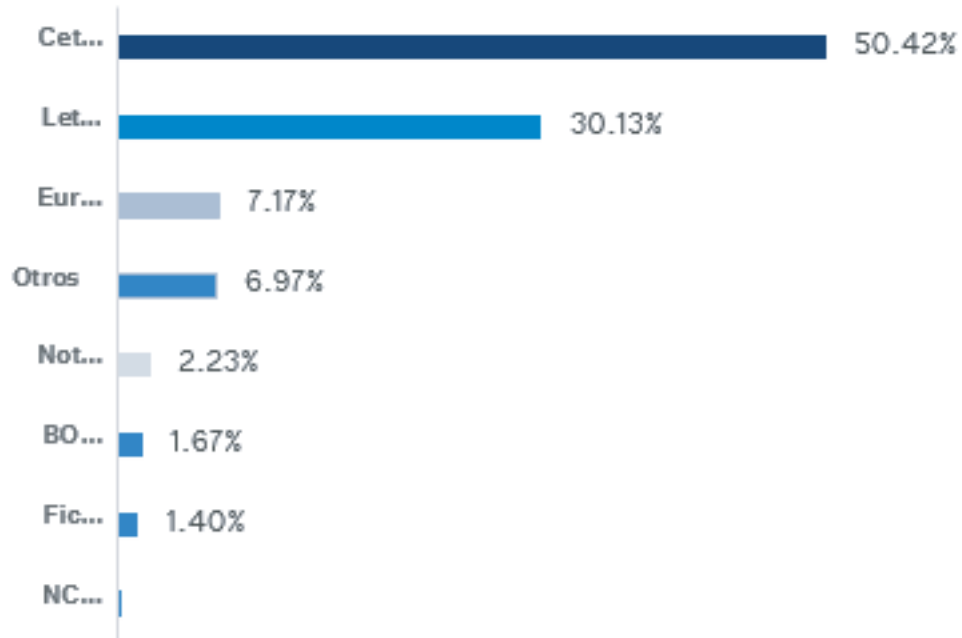
a. Market Risk Estimation

The Bank's investment portfolio is composed entirely of fixed-income securities issued by sovereign governments as well as by national and private institutions. At the end of 2021, the growth in government securities stands out, which make up 87.7% of the Bank's total portfolio, obtaining a notable growth in relation to December 2020 (56.1%). Within the current composition, only Cetes SV make up 50.4%, followed by Letes SV with 30.1% and in third place Eurobonds SV with 7.17%. Below is the composition of the investment portfolio for the end of December 2020 and 2021, in percentage terms and by type of financial investment.

2020 Investment Portfolio Composition



2021 Investment Portfolio Composition



The following methodologies are used to estimate the market risk in the securities portfolio on a monthly basis:

b. Procedures based on Basel II:

This methodology is applied to all securities that are part of the Bank's investment portfolio, allowing the estimation of a capital requirement for general and specific market risk, even for those financial instruments that do not experience significant movements in the secondary market, as is the case of the stock market in El Salvador.

- **Specific risk:** A percentage of capital requirement is defined for risk factors related to the issuer of each security in the portfolio.
- **General risk (duration method):** A percentage of capital requirement is defined for risk to changes assumed in the yield of each security depending on the modified duration of each instrument in the portfolio at the analysis date.
- **Foreign exchange risk:** A percentage of capital requirement is defined based on the volatility of the exchange rate for securities issued in currencies other than the U.S. dollar. However, for the time being, the securities portfolio is comprised solely of instruments issued in U.S. dollars and therefore this risk does not currently exist.

The market risk profile in the investment portfolio is reflected in the capital requirement estimates, under Basel II procedures, whose measurement for 2021 is \$3,938.5 thousand, increasing by \$3,122.4 thousand in a twelve-month period, and representing 2.8% of the Institution's equity fund at the end of the same year.



3. LIQUIDITY RISK

Liquidity risk is defined as the possibility of incurring losses as a result of not having sufficient resources to meet the obligations assumed, incurring excessive costs and not being able to develop the business as planned.

The objective of the Liquidity and Market Risk area is to identify, monitor and manage the different liquidity risks to which the Bank is exposed, in order to ensure the continuity of commercial operations and avoid high risks that could materialize in the event of not having sufficient resources to meet the obligations to which the institution is subject.

a. Liquidity risk measurement

Funding and liquidity decision making is based on a comprehensive analysis of the Bank and its environment, including strategy, balance sheet situation and business dynamics, which allows managing liquidity in the short, medium and long term, to ensure access, stability and diversification of funding sources.

Its objective is to ensure that the Bank maintains optimal levels of liquidity to cover contractual and non-contractual cash outflows in the short and long term with stable sources of funding, optimizing the impact of their cost on the income statement.

The latter requires monitoring the structure of the balance sheet, making short and medium-term liquidity projections, as well as establishing basic metrics and prudential limits. At the same time, different scenario analyses are performed to consider the additional needs that could arise in the event of different extreme, although possible, events that could have a different impact on the different balance sheet items and/or sources of funding (renewal rate of time deposits, outflow of demand deposits, impairment in the value of liquid assets, among others), either due to market conditions or specific to the Bank.

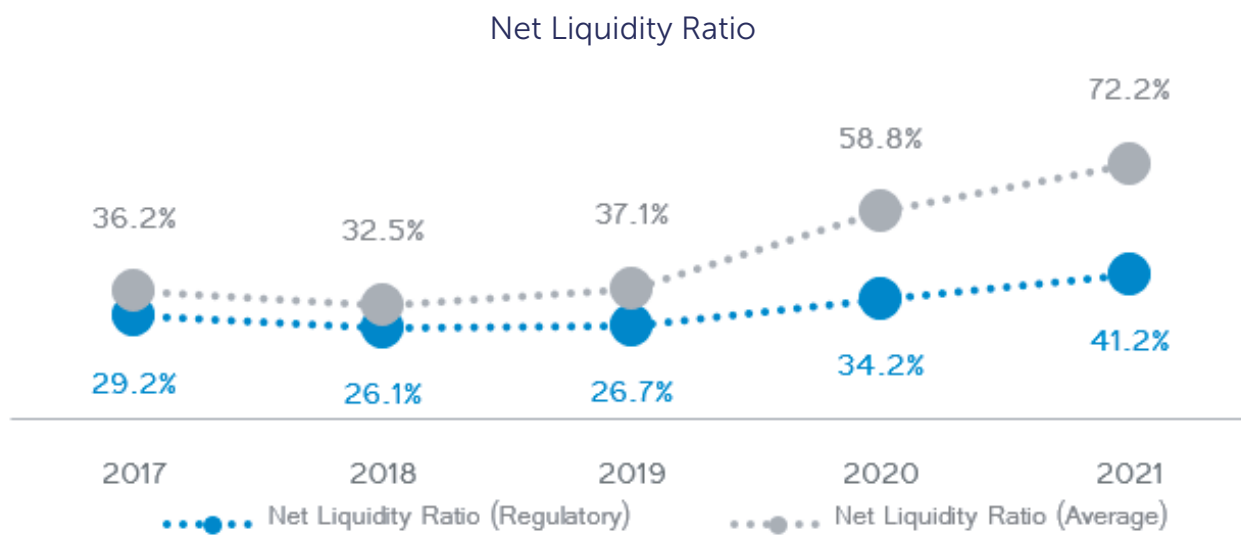
In order to achieve the objectives defined above, the Bank measures liquidity risk through the application of the following tools:

b. Maturity calculation

Maturity contrasting provides information on contractual and estimated cash inflows and outflows of assets and liabilities using assumptions for a given period. This methodology is based on Annex 1 of local standard NRP-05, which is submitted to the Superintendency of the Financial System within the first fifteen working days after the close of each month. There is also an internal version of the term matching using a measurement of the renewal of time deposits, as well as adjusting the contractual recovery of the loan portfolio based on statistical measurements of the payment history. Also, in compliance with annex 2 of NRP-05, the Bank submits to the Superintendency of the Financial System every six months (June and December) the results obtained from stress scenarios based on the methodology established in the aforementioned standard, thus complying with the requirements demanded.

The Bank has maintained a reasonable liquidity situation in recent years, obtaining by December 31, 2021, a net liquidity ratio of 41.2%, being the highest of the last seven years analyzed, highlighting that it has been a particularly atypical year due to the current context; on the other hand, there is an accumulated gap in the 60-day band of \$46.1 million. The above results in compliance with the

regulatory liquidity requirements demanded by the Superintendency. The evolution of the liquidity ratio is presented below:



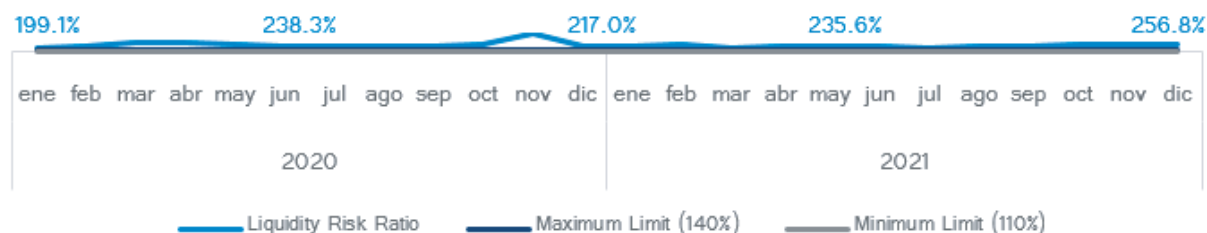
c. Liquidity Coverage Ratio (LCR)

The LCR, based on the Basel III Liquidity Coverage Ratio, measures the resilience of the Bank's stock of high quality liquid assets to meet the liquidity needs arising from a thirty-day stress scenario. This ratio is intended to ensure that the Bank has a level of liquid assets that is capable of covering the repayment of deposits and/or the payment of other obligations.

The calculation of the Liquidity Coverage Ratio is based on the estimation of cash inflows and outflows for a 30-day time horizon, which can be classified as contractual or non-contractual maturities. The accumulated 30-day difference of these flows makes up the Net Liquidity Ratio (NLR) to which the Bank would be subject at a given date.

The Liquidity Coverage Ratio (LCR) will be measured as the ratio between the Asset and Liability Management (ALM) and the Net Liquidity Ratio (NLR) at 30 days. This ratio is calculated monthly, and the minimum internal limits defined for this indicator are between 110% - 140%, and the results are presented to the Risk Committee and the Board of Directors. Below is the evolution of the Liquidity Coverage Ratio (LRI) for the 12 months of 2020 and 2021, as well as compliance with the limits defined by the bank's internal regulations:

LIQUIDITY COVERAGE RATIO (LCR)



At the end of 2021, the Bank's liquid assets fund totaled \$384.2 million, of which 61.2% is composed of the flow of reportable securities (investment in Letes and Cetes), while liquidity reserves of tranches I and II are in second place with 29.1% and in third place the available which represents 9.7% within said composition.

It is important to highlight that the main leverage is given by the investments with the State in securities such as Letes, Cetes and BCR Bonds, which have experienced a growth of \$163.02 million in relation to December 2020, which currently leads within the composition of the Bank's liquid assets fund. The definition of an Asset and Liability Management, strictly composed of the aforementioned on-balance sheet instruments, allows the Bank to maintain a solid liquidity position and to be able to face potential stress scenarios in the short term, covering the contractual obligations acquired in said time horizon.

d. Concentration of Deposits

One of the important aspects to be highlighted is the growth of the Bank's deposit portfolio within a context of economic crisis, which has experienced an increase of \$280.5 million in relation to the closing of December 2020, this dynamics could be strongly related in the first place to the precautionary behavior of clients and investors who have funds with the Bank, as well as the government's support to the banking sector with the temporary liquidity regulations through the Central Reserve Bank, where the growth of demand deposits in the last year, growing by \$167.3 million surpassing time deposits, which grew by \$113.2 million, the leverage of demand deposit accounts contributes to the funding strategy sought by the Bank, as this integrates low cost and diversified funds.

The Bank identifies the accumulated deposits by client through the consolidation of all deposit transactions that the client has with the Institution. In the case of these measurements, the following groupings are periodically monitored: largest depositor, second largest depositor and largest 10, 25 and 50 depositors. In the last year, the issue of concentration of groups of depositors experienced a slight growth, since in the last months of the current year there were important entries, especially from the public sector.

e. Solvency Measurement

The objective of managing solvency is to ensure that the Bank maintains optimum levels, since this will allow it to have sufficient resources, even if they are different from cash, to support the obligations acquired regardless of the term.

In the last twelve months, a constant compliance with the required solvency levels was maintained, which reached a value of 13.56% by December 2021. The drop in the indicator is mainly explained by the relatively higher growth of risk-weighted assets compared to equity, which has also grown satisfactorily. In the last year, the solvency indicator has maintained acceptable levels at all times, complying with the minimum required (12%).

4. OPERATIONAL RISK

Strategies have been put in place for the development of operational risk management in the different organizational units, in compliance with the provisions of NPB4-50 "Standards for operational risk management in financial institutions".

In 2021, activities were carried out to strengthen the risk culture in the Bank, through virtual training to the personnel of the areas, induction to new personnel and through the sending of informative bulletins by institutional e-mail and internal network, with the objective that the collaborators know the regulatory and conceptual framework of operational risk.

The operational risk matrix was updated, in which the potential risks that may generate losses due to operational risk factors in the Bank's processes have been identified, as well as the identification of the controls that contribute to risk mitigation. For the process of escalation of materialized risk events, we had the support of the network of operational risk managers in all areas of the Bank, with timely follow-up of the risk appetite and monitoring by the Risk Committee and the Board of Directors. Additionally, support was provided to the areas that lead initiatives and projects for the identification of potential risks associated with the implementation and putting into production, as well as the establishment of controls with the support of different units of the Bank.

As part of the Business Continuity Management System, activities were carried out to update the Risk Analysis and Business Impact Analysis; review and functional tests to the business continuity plans for different processes of the Bank; training to personnel of the different units, participation in projects and initiatives related to Business Continuity. In response to the COVID-19 pandemic, sessions were held with the Business Continuity Committee in the event of a crisis, to evaluate the associated risks and to agree on the activities to be carried out to prevent contagion in the Bank's facilities, both for personnel, clients and users; to this end, the Business Continuity Plan for the COVID-19 health emergency was complied with.

5. INFORMATION SECURITY MANAGEMENT

With the entry into force of the Information Security Technical Standards (NRP-23) issued by the Central Reserve Bank and effective as of July 1, 2020, the Bank continues with the adaptation and updating of processes, policies and procedures in force for the Bank, considering cybersecurity aspects. In addition, with the entry into force of the Temporary Technical Standards on Cybersecurity

Measures and Client Identification in Digital Channels NPBT-06 issued by the Central Reserve Bank and effective as of August 23, 2021, the Bank strengthened the existing controls to digital channels, as well as the implementation of new security measures and procedures in accordance with the new regulation. New monitoring has been added to Information Security Management related to Office 365, security in mobile devices and advanced security controls for clients and users.

Information Security Management has been key in the identification of risks of the new products and services that the Bank has implemented, with emphasis on those electronic channels that mitigate the exposure to potential vulnerabilities, guaranteeing the operations of our clients, and as part of the Bank's organizational culture, the Virtual Courses on Information Security directed to all personnel and security warnings are actively maintained.

6. RIESGO DE FRAUDE

In order to strengthen Fraud Risk Management, the development of institutional investigations of internal and external fraud events has been coordinated with other areas of the bank, aimed at containing potential losses and managing the compensation of operating losses derived from these events, in addition to the individualization of responsibility for them.

Transaction monitoring of operations is one of the main services of Fraud Risk Management, for which this management is being strengthened with the use of new technological tools. In this sense, tools and controls were implemented to identify in real time and based on risk scores all transactions made with the Bank's debit cards.

As part of the management and improvement of processes and procedures, we updated the Fraud Risk Management System Policy, the Fraud Risk Assessment Matrix, and developed Fraud Risk Virtual Courses for all Bank personnel, in order to educate employees on the prevention of this type of crime.

7. ENVIRONMENTAL AND SOCIAL RISK MANAGEMENT

The objective of this pillar is to reduce the indirect negative impact caused by the bank's financing activities. This includes comparing the economic activities and investment projects of new and existing clients with the list of excluded activities (according to IFC's Exclusion List) in each financing request, conducting an in-depth evaluation, analysis and monitoring of the environmental and social compliance of the activities and projects of clients in which risks to health, social security, cultural heritage, vulnerable communities, among others, are also considered; We especially value the education and advice of our clients to improve their environmental performance and compliance with Salvadoran legislation, ensuring the non-financing of activities or projects that generate environmental deterioration in ecosystems and biodiversity, the violation of the rights of communities, their employees and the public in general.

The following is a summary of the composition of these standards:

Data at the end of 2021

Category	Amount	pp	Credits
High	63,514	6.3%	178
Medium	384,347	38.2%	3,411
Low	559,254	55.5%	9,855
Total	1,007,115	100.0%	13,444

Risk Classification

The Pacific Credit Rating Agency, in its periodic review, evaluates the main areas of the Bank's management with emphasis on financial information, asset quality, corporate governance, credit risk, market risk, liquidity, operational risk and capital adequacy.

As a result of this evaluation, it decided to ratify the financial strength risk rating at "EAA-" and "Level 2" for its shares, both with a "Positive" outlook, in the report issued in June 2021, and ratified again in December 2021 with figures as of September of the same year.

The rating is based on the payment capacity of its financial obligations, influenced by the growth of the loan portfolio with an adequate credit risk management, which generated an increase in intermediation income, benefiting the financial margin. Additionally, the entity has suitable liquidity levels, coming from the increase in financial investments. Finally, the rating considers the adequate solvency of the Bank as a result of the capitalization carried out during the analysis period and the support provided by the Government of the Republic of El Salvador.

The Bank's main strengths on which the rating is based are:

- The loan portfolio maintains an upward trend, with growth outpacing the system.
- The loan portfolio for the corporate sector shows greater dynamism.
- The quality of the loan portfolio has remained stable.
- Net interest margin favored by higher yields on its productive assets.

- Profitability shows recovery, which has been favored by a growth in revenues, originated by investments, new loan placements and greater cost control, as well as the stability in loan loss reserves.
- It shows strength in its liquidity, the Bank has a favorable liquidity position to face stress and uncertainty scenarios.
- Solvency is under pressure with the increase in risk-weighted assets.

ML/TF Compliance and prevention management



ML/TF Compliance and prevention management

The prevention of money laundering is a fundamental and continuous activity within a financial institution. It is a commitment acquired by all the Bank's collaborators, with the objective of preventing the institution from being used to legalize resources of dubious origin, receive funds from illicit activities or finance acts of terrorism.

In this context, we are aware that knowledge of our clients and counterparties is the cornerstone of our prevention work; this helps us to determine the risk profile of our clients and counterparties, understand their transactional behavior according to their economic activity, and helps us to design security and control measures that allow us to prevent money laundering in the institution. Therefore, in this year, the Compliance Officer's Office developed activities aimed at strengthening its management of money laundering and terrorist financing risks, among the main ones, we can mention the following:

- A. We updated internal policies and procedures.
- B. We implemented internal controls to mitigate money laundering and terrorist financing risks.
- C. We executed extended due diligence processes for clients and counterparties considered as high risk.
- D. We provided specialized training to business and other areas.
- E. We continuously monitored client transactions.
- F. We provided specialized advice on money laundering prevention to business and other areas.
- G. Improved the physical infrastructure of the Compliance Officer's area.
- H. Executed several projects related to Bitcoin with other areas of the Bank.

Sustainability report





Sustainability report

For 2021, Banco Hipotecario renewed its environmental and social strategy for its sustainability strategy, thus allowing it to provide its own governance to the subject, as part of the commitments acquired as an institution that believes in the environmental, social and economic impacts generated.

The sustainability strategy was defined based on the materiality analysis conducted in November 2020 and the impact analysis, which allowed us to identify the priority environmental, social and economic issues for the market in which Banco Hipotecario operates and, on the other hand, these priority issues can respond to the SDGs and generate impact on our operations and on those we can reach with our operations. Considering the above, the strategy was defined under 4 pillars that allow us to manage sustainability transversally in the institution and they are: Transparency and Ethics, Internal Environmental Management, Sustainable Finances and Social Responsibility and Gender, these pillars have their objectives and indicators to 2024 that allow us to measure the progress and compliance with the strategy. These objectives were approved by the Sustainability Committee at its first session in 2021.

The defined strategy seeks to provide specific actions to meet the specific goals of 11 of the Sustainable Development Goals (SDGs), defined in 2015 in the United Nations 2030 agenda.



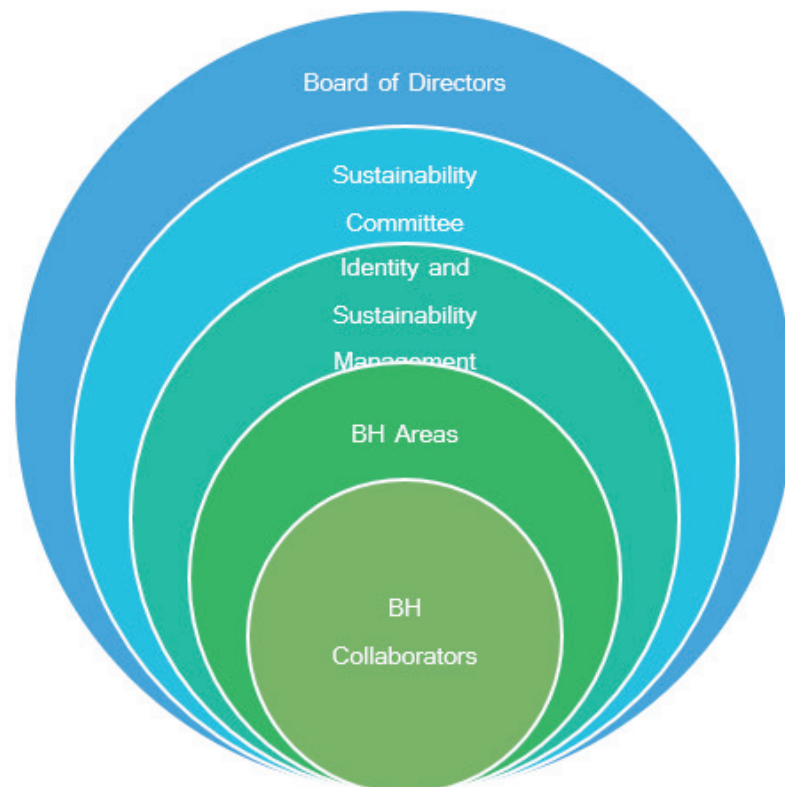
Transparency and Ethics

Governance seeks to ensure that an institution is as responsible, efficient and sustainable as possible for its stakeholders. Banco Hipotecario has transformed its environmental and social governance model to a sustainability model, where environmental and social risks are considered, corporate governance includes sustainability issues, and the internal culture also considers environmental and social issues.

Sustainability governance at Banco Hipotecario is structured as follows:

The sustainability committee has the authority to facilitate the work of sustainability and support the identity and sustainability management in its integration with the other areas; three sessions were held during the year.

An implementation structure has been worked during the year considering within the corporate governance the sustainability committee, applying environmental and social risk management in the lending process, internal communication of the strategy and internal culture and training work seeking to ensure that sustainability is integrated at all levels of the business and other areas.



Internal Environmental Management

Banco Hipotecario assumes its responsibility in the protection and care of the environment, through actions within its operations that allow it to be more efficient. Banco Hipotecario's efforts are nationwide, covering 12 departments of the country through our 32 branches, contemplating each of these branches within the internal environmental management actions. Based on the material environmental issues identified for Banco Hipotecario, in 2021 permanent programs were developed to monitor the use of resources, integral management of solid waste, measurement of the 2021 carbon footprint and the permanent program to strengthen the institutional culture on environmental issues.

a. Resource savings:

A documented control of water and electricity consumption is kept to monitor the behavior of each service center in order to take measures that will allow us to be more efficient in the use of water and electricity resources. Water consumption is measured per branch on a monthly basis; in addition, the faucets in the Senda Florida administrative building continued to be replaced with push-up faucets to measure water consumption in the restrooms.

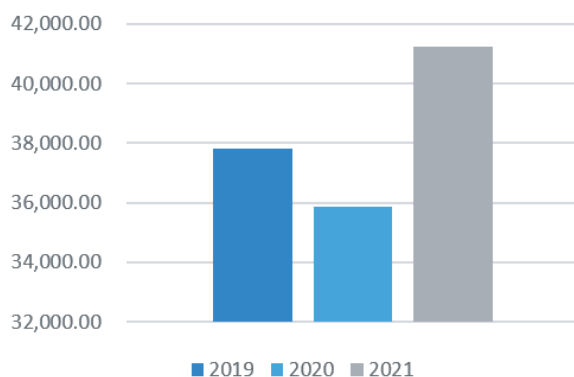
	Water (m3)	Variation (%)	Water/collaborator	Variation (%)
2019	16,426		-	
2020	13,856	-19%	37.6	-
2021	17,832	22%	36.97	-2%

As in the case of water consumption, for electric energy, energy consumption in our service centers has been monitored, and we continued to replace fluorescent lighting with LED lighting:

	Energy (kWh)	Variation (%)
2019	2,473,643	
2020	2,139,312	-14%
2021	2,686,579	9%

In addition to consumption control, in 2021, fluorescent lighting was replaced with LED lighting in La Libertad, Berlín, Merliot, Soyapango and San Vicente branches; high consumption equipment was replaced with efficient equipment, and 39 air conditioners with SEER 18 Inverter technology were installed.

The control of materials used in the bank's processes, such as paper consumption, is another measurement that has been carried out in 2021. The efficient use of paper, reducing its consumption and increasing electronic processes are some of the actions that we seek to implement with the bank's personnel, linked to permanent awareness through our internal channels.



Year	Total paper weight (lb)
2019	37,808.76
2020	35,878.30
2021	41,253.76

b) Comprehensive Solid Waste Management:

In 2021, the waste classification nomenclature was changed throughout the bank, according to the classification color recommendations provided by the Ministry of the Environment and Natural Resources (MARN), allowing the proper management of 25,2670 pounds of waste for recycling, 1,200 fluorescent lamp tubes properly managed and the destruction of 11 Atm 's managed with a company for final disposal.

	2020	2021
Paper (lb)	4,181	19,114
Carton (lb)	762	4,006
Plastic (lb)		1,346
Aluminum (lb)		652.5
Scrap (lb)		151
Waste from replacement of equipment and infrastructure (lb)		13,100

For each branch and administrative building there is a process of separation, transportation and final disposal according to the type of waste generated. Parallel to this process, there has been a permanent internal communication of the official nomenclature, as well as the types of waste that can be recycled and its proper placement in each of the designated stations in branches and areas of each administrative building. This waste is commercialized and enters a specific accounting account for use in activities of the bank's CSR program.

In the first half of 2021, a group of 51 employees called "Green Ambassadors" was appointed; these ambassadors were trained on integrated solid waste management and how it is applied in the Bank. They are a permanent liaison of each area with the Identity and Sustainability Management which coordinates all internal environmental management initiatives, also, communicate more easily the waste management, as well as accompany their colleagues in the proper placement of each waste for proper recycling, raise awareness about the reduction and use of single-use plastic.

In June 2021, the "Your SOS Kit" strategy was implemented, delivering 451 sets of reusable cutlery to the personnel of the main building, Senda Florida, and signing a letter of commitment with the building's food suppliers to reduce the use of disposable cutlery and the reduction of waste generated in the administrative building, obtaining positive results and raising awareness among the bank's employees.

In 2021, we began the transition to the production of cards from recycled material and as an initial strategy we purchased in October 2021 a batch of 10,000 cards for delivery to our clients for changes or opening of the product nationwide. It is expected that by 2022 we will achieve a global transition for all our card products.

c)Carbon Footprint

2021 marked the beginning of Banco Hipotecario's path towards the management of greenhouse gases arising from the bank's operations. To this end, with the support of the National Cleaner Production Center and using the Greenhouse Gas Protocol methodology and the ISO 14064-1 standard, a carbon footprint measurement was carried out during November 2021. The measurement was contemplated for the Senda Florida administrative building, defining the analysis period from January to December 2019 and contemplating scopes one, two and three, obtaining a carbon footprint for the building of 737.74 Ton CO2/year.

Scope 1

Direct emissions included the use of fossil fuels in emergency power generation plants, the use of fuel for BH's own fleet of vehicles, and fugitive refrigerant emissions from air conditioning maintenance.

Scope 2

Indirect emissions are emitted using electricity for the bank's operation.

Scope 3:

Emissions associated with paper consumption, flights, subcontracted transportation services, public water consumption and waste disposal.

Year	Scope 1	Scope 2	Scope 3	Total (Ton CO2/year)
2019	125.36	500.31	112.07	737.74

Based on the results obtained during 2022, actions will be defined to reduce the carbon footprint, as well as to start measuring the carbon footprint of the other service centers in order to define a carbon footprint reduction plan.

d) Supplier Management:

In 2021 we continued to apply the Environmental and Social Risk Management Agreement (ARAS, by its Spanish acronym) for suppliers, which is an agreement signed with any new or frequent supplier that signs a contract with the bank at the time of providing a good or service. With this we seek to mitigate any environmental or social risk that may be incurred by the bank and ensure that the product or good purchased meets ethical standards, quality and environmentally sound practices. Through the purchasing policy and the purchasing department, we ensure compliance with and follow-up on this agreement. During the year, the bank signed 27 ARAS agreements with 19 suppliers.

e) Business travel:

In order to adequately manage the relationship with our clients, provide them with our products and services and for the internal management of the institution's operations, the bank has a fleet of vehicles that allows the employees to travel to different parts of the country for the performance of their duties. As of 2021 we started to control the use of fuel through a digital form that allows us to know how much fuel is used to perform the functions of collaborators, having consumed in the year 3362.69 gallons. Due to the COVID-19 pandemic, international flights are not yet contemplated and for the year under report there were no international flights.

	Diesel (gal)	Super Gasoline (gal)	Regular Gasoline (gal)
2021	2392.921	956.96	12.8

f) Strengthening of our Environmental Culture:

In addition to each specific action, internally we seek that, hand in hand with the institutional culture, the environmental culture is permeated in each BH collaborator, for this purpose during 2021, dynamics and activities framed with environmental festivities were carried out to publicize its importance and awareness of the subject.

1. Commemorative dynamics:

In the months of March and June, a series of internal dynamics were carried out alluding to the care and protection of water and the environment; for the month in which we commemorate water, dynamics were carried out through the Yammer internal network, on how to take care of water and the factors that pollute it. For the month in which we commemorate the environment, a series of murals were made in the different levels of the Senda Florida administrative building; through materials used to create a mural alluding to a theme related to the environment. These dynamics allow the participation of the collaborators and through these they learn about its conservation and importance.

2. Celebration of Environment Month:

As every year, from June 3 to 5, we celebrate the Environment Month for a week, carrying out activities with employees to raise awareness of the date and its importance, sensitizing them to their contribution to the preservation of the environment and committing them to practices that help the issue. 1,300 aromatic plants were delivered to employees of the 3 administrative buildings and

branches, Santa Ana Centro, Santa Ana Héroes, Lourdes, Santa Tecla, Merliot, Santa Elena, Zacamil, Paseo, 25 Av. Norte, Soyapango, San Miguel Centro, to promote home gardens in their homes.

3. Permanent sensitization:

Through the internal e-mail network and the Yammer platform, we share informative articles, interesting data and environmental commemorations in order to inform our employees about environmental issues, educate them and, above all, make them aware of actions that they can implement inside and outside the institution to care for the environment.

4. Specialized training:

We provided training to 850 BH employees on sustainability, its strategy and implementation in BH, and 140 employees were trained on sustainability during induction sessions for new personnel.

Sustainable finance

To offer our clients the highest quality in our products and services focusing on our environment and society for their economic development. Sustainable financing is the essential pillar of the sustainability strategy to show the bank’s commitment to consider Environmental, Social and Governance (ESG) variables within the products and services offered to clients. On the other hand, as signatories of the UNEP-FI Principles for Responsible Banking, during 2021 we have worked on providing solutions to our clients that positively impact the impact areas known in the impact analysis conducted in 2020. We know that our portfolio relates to impact areas such as inclusive economies, climate, gender, biodiversity, strong institutions. Through the programs that encompass the sustainable finance pillar, we have offered financial products to support clients in their needs and have carried out activities that complement the products we offer.

Green Loans:

The BH Crédito Ecológico (BH Green Loan) program seeks to promote the development of markets with positive impacts on the environment, such as renewable energies, sustainable production, and energy efficiency. The goal set by BH with the program has been the placement of 50 million in green loans by 2024, during 2021 1% of the total loan portfolio corresponds to green loans, equivalent to \$10,037,387.19.

Type of investment:	Amount 2020:	%	Amount 2021:	%
Energy Efficiency	\$169,200.00	33%	\$8,697,906.86	87%
Renewable Energies	-		\$1,231,485.52	12%
Sustainable Production	\$329,400.00	67%	\$107,994.81	1%
Total	\$498,600.00	100%	\$10,037,387.19	100%

Type of investment:	# of loans 2020	%	# of loans 2021:	%
Energy Efficiency	4	33%	13.00	65%
Renewable Energies	-	-	3.00	15%
Sustainable Production	8	67%	4.00	20%
Total	12	100%	20.00	100%

Having a portfolio with environmental components, together with measurable technical criteria, allows us to contribute with positive environmental impacts and contribute to the mitigation of climate change and the conservation of the country's strategic ecosystems.

Women in Action:

The BH Mujer en Acción (BH Women in Action) program is a social program with a gender focus that allows us to offer differentiated products and services, with appropriate components to support Salvadoran women. In addition to a gender approach, we managed to promote financial inclusion in women and for that we launched our special line of women's inclusion that offers preferential rate versus conventional credits as well as improvements in terms and conditions, on the other hand, knowing specific needs for personal and professional development of women we designed the lines housing and study woman that has terms and amounts appropriate to the need you have.

Year	Type of product	Amount
2021	Inclusion of women	\$1,187,640
	Housing for women	\$209,000
	Women's studies	-

Financial Inclusion:

Financial inclusion is a topic of conversation and strategic work for Banco Hipotecario. A healthy and inclusive financial system benefits all sectors and stakeholders by providing access and benefits to clients for their businesses, ventures and savings.

Knowing that our impact analysis shows that in the area of inclusive and healthy economies we have

impacts and our operations contribute to the country's economy, we have defined objectives and actions that allow us to offer products and services for the country's inclusive sectors, aligning ourselves with the national policy of financial inclusion and concentrating efforts on working on priority issues such as:

- Expansion of means and channels of attention
- Suitable financial products
- Internal culture of financial inclusion
- Financial education

To serve low-income women, entrepreneurs and subsistence microenterprises, providing access to economic resources through financial services and mobile solutions.

To this end, we have defined specific objectives that will enable the bank to achieve medium and long-term results in the area of financial inclusion.

Increase and improve the use of the digital e-banking platform by 30% annually, achieving 28,000,000 transactions by 2024.

Increase the number of simplified bank accounts opened, obtaining 28,710 simplified accounts by 2024.

Expand service coverage through the opening of 15 BH service points by 2024.

By 2024, engage and train 2,000 people in financial and digital education programs in collaboration with institutional alliances.

Indicators:

Number, percentage and/or volume of transactions (total and per year) año)

Number of active clients with digital platform

Number of traditional accounts vs number of simplified accounts

Number of simplified accounts opened per branch per year

Number of service points opened annually, broken down per box office, mini-branch and branch.

Number of people trained per year.

On the other hand, the bank is a member of the National Council for Financial Inclusion and Education (CNIEF, by its Spanish acronym), which is a coordinating body to establish objectives, strategies and work plans for each member institution to contribute to the implementation of the National Financial Inclusion Policy. In 2021, we have participated in 6 sessions.

Actions that contribute to these objectives were carried out, such as: The creation of BH Pay, the payment link service which is a portal that allows our clients to generate payment links easily and quickly, to receive the money from their sales without the need to create a website. The client has access to a consultation and administration portal to check the status of their links and modify or update their account information. In addition, clients can request the Payment Gateway and/or POS service. The commission rate is lower than the market average, allowing us to offer an adequate and easily accessible service for our clients in Payment Gateway and Payment Link.

In September 2021, the payment gateway offer was consolidated with the contract between Banco Hipotecario and KOLAU, obtaining the exclusivity in El Salvador to offer a totally free website with an integrated payment gateway, the web page offered is designed so that the same client can make the development of its site through videos of the "know-how" of the site, the ease of the offer allows the client to create an online store ready for sale on the Internet.

Regarding actions to support entrepreneurs in the country, the image of the site <https://emprendete.com.sv/> was renewed and a financial credit simulator was made available to show applicants the financial conditions applicable to the business plan, blogs of interest, tools to support the management of a business plan, investment plan and templates for the accounting of enterprises are displayed on the site.

On the other hand, strengthening the support of savings through accounts with simplified requirements, 1,083 accounts were opened in 2021, promoting the use of banking products and savings among the financial inclusion public.

	Female	Male	Total
Simplified accounts opened in 2021	829	254	1083

Financial education:

Along with the financial inclusion strategy, the financial education program promotes and fosters a financial culture through knowledge, skills and aptitudes so that the population can make appropriate decisions regarding their finances, benefiting different stakeholders such as employees, clients and communities.

To implement the program, we have a cooperation alliance with the German Sparkassen Foundation, joining efforts to strengthen actions in financial education. In 2021, 36 employees graduated and were certified as facilitators in the following topics: Facilitation Techniques, Financial Education and Interactive Simulator "Know your numbers". In order to increase our group of facilitators, 36 more employees from the eastern and western part of the country are being trained for their certification process with the workshop on facilitation techniques. The financial education facilitators have provided 41 workshops for 693 women participating in the programs of UN Women El Salvador, Ministry of Local Development.



As part of "Global Money Week", we participated with 24 informative capsules that promote the culture of saving and budgeting in all our social networks.

In order to strengthen the internal culture on financial education during the year, activities were carried out to encourage their participation in dynamics, as well as training for the management of their personal finances:

- On-line workshop "Financial culture and health", with 97% of employees participating.
- Campaign "Taking care of my finances: I want to, I can" by sharing weekly capsules in the different internal communication channels.
- Dynamic "Your goals can be achieved by saving", which consisted of each employee sharing their different methods of saving, either personally or as a family.

This year, the "Financial Health" program was made available to the Salvadoran population, which consists of providing confidential online advice on possible alternatives and solutions to reduce debt levels and learn about the use of the budget as a tool for managing income and expenses. Ninety-seven appointments were attended (52% women, 48% men), the main consultation being about debt management.



Social Responsibility and Gender:

The Social Responsibility program seeks to contribute to improving the quality of life of our employees and their families, promoting the sustainable development of communities through the support and management of social and environmental programs. The main actions of the CSR program are carried out through each of its pillars:

a) Employment Practices Pillar:

To provide quality of work life for personal development and family well-being, guaranteeing additional benefits, committed to each of the employees, who are recognized in their workplace as key players and a fundamental part of the bank in the generation of the banking business. Part of the benefits offered to the employees is a health program that includes medical insurance and medical attention in the bank's business clinic for the 836 employees. Among the services offered by the clinic to employees are the following:

- Routine and emergency medical check-ups
- General examinations
- Preventive health days
- Nutritional consultations, under the nutritional program "Restar para sumar" (Subtract to add), which seeks to promote a healthy lifestyle among employees who seek to develop eating habits and improve their quality of life.

In 2021, the corporate clinic attended 1,062 general consultations, 1,116 nutritional consultations through the "Restar para sumar" program with 372 employees, permanent internal campaigns on covid 19 prevention measures and 859 preventive health days.



Human talent is essential for the bank to operate, and for them to be committed to it, and part of the actions to recognize this dedication is the award for their years of service. In 2021, a total of 78 employees, 46 women and 32 men, received recognition for reaching 10, 15, 20, 20, 25 and 35 years of service, showing professionalism in all they do, committed and identified with the BH DNA, which is reflected in their permanence and in addition to this award, every year on their birthdays, each employee is given the benefit of an afternoon off.

Another of the benefits provided to employees are scholarships for studies in order to foster and support their professional growth, in 2021 two scholarships were awarded to employees who completed their studies, now they have professional tools to continue growing in their professional life. In addition to scholarships, mortgage and personal loans are granted at preferential rates; in 2021, 160 employees have benefited, 89 women and 71 men for a total amount of \$2,584,675.00.

There is a comprehensive continuous training program for employees. Throughout the year there were 13,732 participations with an average of 16 participations per employee. The program consists of: BH learning, Innova, Our Culture, Client Experience and Reaching New Hights.

68% of the participations are carried out from the self-management digital platform called BH learning, in which each employee has at their disposal different learning topics to strengthen knowledge and skills that allow them to perform their functions within the bank; the digital tool allows them to develop learning with flexibility of time and at their own pace. This year the Innova program was launched, with the participation of 138 employees who become pioneers of innovation, allowing them to strengthen technological competencies, proposing and developing improvements in the different processes that the bank has.

The BH Home Office program, implemented since the end of 2019, continues to promote the reconciliation of work and personal life of employees, now 124 employees from the administrative buildings perform their work on alternate days and schedules. On the other hand, in order to promote recreational spaces for employees, this year two play and rest areas were inaugurated in the Senda Florida building for the use of all employees in the building.

In addition to benefits, we adhere to compliance with national legislation by having an Occupational Health and Safety program (OHS) that provides adequate management of occupational risks associated with the activities carried out in the institution. Banco Hipotecario's 33 service centers comply with the regulations and have accredited committees. Also, during the year, 95 employees were trained as brigade members in first aid, evacuation and fire prevention, strengthening biosecurity measures and Covid-19 prevention, and workshops to strengthen the program:

Workshop:	Quantity:	Participating public:
Coexistence Protocol To Prevent the Contagion of COVID-19	79	Suppliers
Sexual Harassment and Harassment Focusing on Violence Against Women with New Technologies	79	Suppliers
First Aid	60	Collaborators
Training of OHS committees and prevention delegates	36	Collaborators
Evacuation Techniques	18	Collaborators
Fire prevention and control	17	Collaborators
Risk prevention in work at heights	16	Suppliers

b) Clients:

Our work with our clients goes beyond the granting of a financial product, we seek to support their professional and economic development and for that, we carry out actions that allow us to show our commitment to them. In January 2021 we developed the concept of a "business school" called "Desarrollate" to offer different topics of interest through workshops, webinars and training to our businessmen, micro-entrepreneurs and SMEs.



Activity	Type of activity	Audience reached
Specialized Diploma in Electronic Commerce	Webinar	81
Financial Health for UJMD and ESEN Students	Webinar	32
How to use Digital Tools for the growth of your Business?	Webinar	170
Change in Tax Forms	Webinar	92
Specialized Diploma in Electronic Commerce II	Webinar	89
Monterrosa - Family Businesses	Webinar	40
Chamber of Commerce - constantly innovating and improving results - FACTORING	Webinar	110
Business Formalization	Webinar	54
How to do e-commerce successfully in a highly competitive market?	Webinar	78
Your dreams are important, achieve them by saving money	Webinar	21
Profitability and leadership in complex times	Ponencia	47
How to use digital tools to grow your business?	Webinar	287
Financial health for OPAMSS event	Ponencia	100

In addition to webinars and lectures, our clients participated in events, with the support of the Eco Business Fund, 5 clients who develop sustainable practices on their farms were selected to participate in the XXV Latin American Symposium on Coffee Growing, allowing them to expand their knowledge for the adaptation of new technologies and counteract the impact of the adversities of climate change, agronomic management and crop nutrition, as well as aspects of harvesting, marketing and the opportunity to diversify their business. ecotourism.

c) Community:

Our nationwide presence allows us to generate development in different areas of the country and provide continuous support to our clients and the general public.

1. BH Volunteering:

Through the volunteer program, which has 130 volunteers and a participation of 90 of them, we contribute with different activities in the communities. In 2021, 452 hours were performed, in activities such as:

- Recycling day "My waste, my responsibility", employees, clients and the general public were invited to participate, providing them with collection centers, collecting 65 pounds of plastic, 14 pounds of cans, 110 pounds of paper, 20 pounds of cardboard and 425 pounds of electronic waste, which were delivered to a recycling company for proper treatment.
- Two reforestation campaigns were carried out in conjunction with the Ministry of the Environment and Natural Resources, called "Trees for El Salvador", with the planting of more than 200 trees, the first in the municipality of El Carmen, La Unión, and the second in the Santa Clara protected natural area, Cordillera del Bálsamo, San Luis Talpa, La Paz.

2. Donations:

- In addition to the volunteer support, 20 containers were donated for the collection of municipal solid waste from El Refugio in Ahuachapán and Chalchuapa in Santa Ana, some for public use in the central parks and others as collection equipment for municipal employees, as well as 7 recycling stations for schools in the municipality of El Refugio as a contribution to the municipal environmental education program that promotes recycling and proper management of solid waste in students.
- A lot of computer equipment was donated to Fundación Luz y Esperanza (FUNLES, by its Spanish acronym), which will enable them to provide more computer workshops to develop the skills of adolescents in the municipalities of Ilopango and San Martín in San Salvador.

Genre:

BH actively promotes the empowerment of women at all levels, seeking equality throughout the institution, changes have been made in the traditional structure of the institution, this year there was a board of directors formed by 67% women. We have participated in workshops and events with a gender focus, such as "Emblematic Women", where the president Celina Padilla was nominated in the business leader category, recognizing her work and efforts together with a group of exceptional women leaders in the country.

We manage permanent communication through internal campaigns through our communication channels, providing gender information, recognizing female employees and clients, highlighting the participation of women in leadership positions and management of work groups, disseminating success stories of our female employees and clients who have taken their companies to another level.

The women's inclusion line was launched in March, which seeks to strengthen the economic autonomy of women in El Salvador, who through their micro-businesses are the economic pillar of their families; this special line of credit is part of the Women in Action Program. In alliance with the Ministry of Local Development and UN Women El Salvador, we have accompanied women who are part of the economic autonomy programs carried out in all Ciudad Mujer offices: Morazán, San Miguel, Usulután, Colón, Santa Ana, San Martín, informing more than 500 women about products, services and financial education.



In addition to this launch, the bank promoted its dissemination and application opportunities through events organized at Ciudad Mujer's headquarters and in municipalities as a result of the alliances the bank has with the Ministry of Local Development, UN Women and different municipalities. The participants were 850 women beneficiaries of the programs implemented by these institutions.

BH strengthened the "Ethics Line" communication channel by updating the new form for reporting any complaints that may arise such as harassment at work, improper acts among employees, clients, bank assets, among others, so that everyone can freely expose the different situations and can have the appropriate follow-up and effective resolution of cases through the ethics committee.

In addition, the company signed an agreement with the Salvadoran Institute for the Development of Women (ISDEMU, by its Spanish acronym) and adhered to the Women's Empowerment Principles (WEPs) of the Global Compact of the United Nations and UN Women. The purpose of these alliances is to strengthen gender equality in the institution, as well as to define strategic objectives to promote gender equality among employees and improve products and services for women and their equal participation in the financial system.

Participation in commitments and initiatives:

We seek to affirm our commitment to good practices and participation in commitments and initiatives in which Banco Hipotecario participates, as detailed below.

National Council on Financial Inclusion and Education:

In October 2019, by executive decree, the National Council for Financial Inclusion and Education was created as a mechanism to promote financial inclusion and education at the national level. The council is formed by different government branches that seek to establish goals, action plans and follow up on them for the fulfillment of the national financial inclusion policy.

Green Protocol of the Financial System of El Salvador:

It is an agreement between the state bank and the central government through the Ministry of Environment and Natural Resources (MARN, by its Spanish acronym) to facilitate the convergence of efforts in four thematic areas: eco-efficiency, environmental and social risk management, sustainable business, and promotion and dissemination.

Salvadoran Institute for the Development of Women (ISDEMU):

Agreement signed between ISDEMU and BH to guarantee equality, a life free of violence and non-discrimination for women, in order to provide advice and technical assistance to raise awareness on the issue of gender equality for employees, in compliance with the criteria for the application of the principle of equality and a life free of violence, as well as the accompaniment of BH in strengthening the economic autonomy of women who are part of their projects.

Women's Empowerment Principles (WEPs):

Established by the United Nations Global Compact and UN Women, which seeks gender equality and equity within institutions and companies through 7 principles, which provide a guiding framework on how to promote gender equality and women's empowerment in the workplace, marketplace and community.

United Nations Environment Programmed Finance Initiative (UNEP-FI):

UNEP-FI is a partnership between the United Nations Environment and the global financial sector, which seeks to own declarations where financial institutions are signatories to develop and promote linkages between the environment, sustainability and the financial sector. Banco Hipotecario has been a member of UNEP-FI since 2018.

Collective Commitment to Health and Financial Inclusion:

Signed in December 2021 along with 28 other banks globally, the commitment seeks to promote universal financial inclusion and foster a banking sector that supports clients' financial health. This marks the beginning of a collective journey to accelerate action on financial health and inclusion, which is one of the top three sustainability challenges identified by the RBB signatory banks in the Collective Progress Report.

Collective Commitment to Climate Action:

Banco Hipotecario is a member of the collective commitment together with 37 other banks worldwide that seek to align with the Paris goal of limiting global warming to a level well below 2°C, aiming to reach 1.5°C above pre-industrial levels by 2100. As first actions towards meeting the commitment the bank has an exclusion list within the environmental and social risk management system, categorizing the portfolio and identifying sectors with negative activity on the environment or society. The use of a defined exclusion list allows for alignment with international standards, such as the IFC performance standards.

Principles for Responsible Banking (PRB):

There are six principles launched in September 2019 that provide a roadmap for the financial sector to embed sustainability in its business strategies and contribute to economic and social development while protecting the environment.

In 2021, technical assistance was provided by Eco Business Fund to hire the services of the company SITAWI, with which a diagnosis of the implementation of the principles was carried out. The diagnosis yielded a satisfactory result and showed the pending gaps for compliance with the PBR. Based on this diagnosis, a work plan has been defined for the next 3 years to achieve compliance with the PRB.

Branches, mini branches and ATMs





Branches, mini-branches and ticket offices

Branches	Address	Phone
Soyapango Plaza Mundo Branch	km. 4.5 Boulevard del Ejercito nacional y calle Montecarmelo Centro comercial Plaza Mundo local com-01-152, Soyapango San Salvador	2299-6489
Centro Branch	Calle Rubén Darío entre 11a y 13 Avenida Sur, San Salvador San Salvador.	2231-6010
Senda Florida Branch	Colonia Escalón, Pasaje Senda Florida Sur, San Salvador.	2250-7000
Autopista Sur Branch	Boulevard Los Próceres, Prolongación Norte y Avenida Las Palmeras, San Salvador.	2248-8018
Sonsonate Branch	Barrio el Centro 1a Calle Poniente y 1a Avenida Norte, Sonsonate.	2451-0173
Santa Ana Centro Branch	2a Calle Poniente y 2a Avenida Norte, Santa Ana.	2441-1273
Santa Ana Los Héroes Branch	Parque Comercial Los Héroes, Polígono 1, Lote 7-B, Cantón Loma Alta, Santa Ana.	2525-1272
Chalchuapa Branch	2a Calle Oriente y Avenida 2 de abril Norte, Chalchuapa, Santa Ana.	2231-4641
Ahuachapán Branch	Avenida Francisco Menéndez y Calle Gerardo Barrios, Ahuachapán.	2443-0232
Usulután Branch	2a. Calle Oriente y 2a. Avenida Norte, Usulután.	2662-0607
San Miguel Centro Branch	2a. Calle Poniente No. 192, San Miguel	2661-7420
San Miguel Roosevelt Branch	Avenida Roosevelt Norte y 6a. Calle Poniente, Barrio San Felipe, San Miguel.	2525-1269

Branches	Address	Phone
Ciudad Barrios Mini Branch	Entre 1° Calle Poniente y 3° Avenida Norte No. 9, Barrio El Centro, Ciudad Barrios, San Miguel.	2665-8135
Zacatecoluca Branch	1a. Calle Poniente y Avenida José Matías Delgado, Zacatecoluca, La Paz	2334-0060
San Vicente Branch	1a. Calle Oriente No. 2, San Vicente, Barrio El Centro San Vicente.	2231-4630
Airport Branch	Centro Comercial Aero Centro, Local 4, ubicado en Parqueo Aeropuerto Internacional de El Salvador, La Paz.	2339-9903
Nueva Concepción Branch	4a. Calle Poniente, Barrio El Centro, No.386 Nueva Concepción, Chalatenango.	2231-4655
El Coyolito Mini Branch	Carretera Troncal del Norte, Kilometro 48 1/2, Centro Comercial Don Yon No. 2 Tejutla, Chalatenango	2231-4660
25a. Avenida Norte Branch	25 avenida Norte y 27 Calle Poniente, Barrio San José, No. 1429, San Salvador.	2231-4665
Metapan Branch	3a. Calle Poniente y Avenida Isidro Menéndez, No. 14, Metapán, Santa Ana.	2402-3824
Lourdes Branch	Centro Comercial Unicentro Lourdes, local 1-9, Carretera Panamericana, La Libertad	2231-4695
Santa Rosa de Lima Branch	1a. Avenida Sur, Barrio La Esperanza, Santa Rosa de Lima, La Unión.	2641-3624
Merliot Branch	Calle Chiltiupán y 17 Avenida Norte, Santa Tecla, La Libertad.	2231-4607
Paseo Branch	Paseo General Escalón, No. 4130, San Salvador.	2231-4601
Santa Elena Branch	Urbanización Bosques de Santa Elena, No. 9 y 10, block "B", Antiguo Cuscatlán, La Libertad.	2209-8190
Unicentro Soyapango Mini Branch	Centro Comercial Unicentro, Locales No. 54 C, 55C y 56C, Soyapango, San Salvador.	2231-4648

Branches	Address	Phone
Puerto La Libertad Branch	2º. Calle Poniente, Local 4, Barrio El Centro, Centro Comercial Miramar Plaza, La Libertad. (Frente el Malecón).	2248-8081
Zacamil Branch	Centro Comercial Zacamil II, Local No. 6, en la esquina Sur Oeste de la 29 Avenida Norte y Calle Zacamil, Mejicanos, San Salvador.	2248-8087
Cara Sucia Branch	Barrio San Rafael, Centro de Cara Sucia No. 14, San Francisco Menéndez, Ahuachapán.	2231-6026
Santa Tecla Branch	Centro Comercial Santa Tecla, 2a. Calle Poniente y 5a. Avenida Sur, Local 2, Santa Tecla, La Libertad.	2132-7961
LNB Santa Ana Cashier's Booth	Entre Avenida Independencia y la 2a Avenida Sur y la 3a y 5a Calle Poniente, Condominio Comercial Tomás Regalado, Locales B1 y B3, Santa Ana. Oficinas de la LNB, Santa Ana.	2447-0293
LNB Apopa Cashier's Booth	3ª. Avenida Sur, Barrio San Sebastián #22, Apopa, San Salvador.	2132-7943
CNR Cashier's Booth	1º Calle Poniente y 43 Avenida Norte, No.2310, San Salvador.	2299-6301
CNR II Cashier's Booth	1º Calle Poniente y 43 Avenida Norte, No.2310, San Salvador.	2299-6389
CNR San Miguel Cashier's Booth	10a. Av. sur y 13a. Calle Ote, Centro de Gobierno San Miguel	2299-6390
CNR Santa Tecla Cashier's Booth	8a. Calle poniente y 2a. Av. Sur No 4-5, Santa Tecla, La Libertad	2299-6391
CNR Santa Ana Cashier's Boothoffice	5a. Av. Sur entre 27a. Y 33a. Calle oriente, urbanización San miguelito, Santa Ana	2299-6392
Candelaria de la Frontera Municipal Mayor's Office Cashier's Booth	Barrio San Antonio, Avenida Domingo Peñate Sur y Calle 3 Poniente, Edificio de Alcaldía Municipal, Candelaria de la Frontera, Santa Ana.	2132-7967
Santa Elena Usulután Municipal Mayor's Office Cashier's Booth	2ª Calle Poniente y 5ª Avenida Sur, BarrioEl Calvario, Santa Elena, Usulután.	2132-7969

Branches	Address	Phone
Tonacatepeque, Municipal Market Cashier's Booth	4ª. Avenida Sur y 1ª. Calle Poniente, costado norte al Mercado Municipal, frente a Parque Central de Tonacatepeque, San Salvador.	2132-7968
San Ignacio Cashier's Booth	km 84 1/2 carretera Troncal del Norte. Municipio de San Ignacio, Cantón El Carmen, Chalatenango	2231-4698
Berlin Branch	1º Calle Poniente y Avenida José Simeón Cañas, frente al Parque Central de Berlín, Usulután.	2132-7972
San Francisco Gotera Branch	4a Calle Poniente, 1a y 3a Avenida Sur, Barrio La Soledad, San Francisco Gotera, Morazán.	2525-1201
Vice Ministry of Transportation Cashier's Booth	Av. Jerusalén y carretera Panamericana, Plaza Soho Nivel 2, local 206, Antiguo Cuscatlán, La Libertad	2525-1231
Ministry of Public Works Cashier's Booth	Ministerio de Obras Públicas, Transporte, Vivienda y Desarrollo Urbano Plantel La Lechuza, Carretera a Santa Tecla Km. 5 1/2, San Salvador	2525-1221
Hospital El Salvador Cashier's Booth	Colonia San Benito, Avenida la Revolución No. 222, Hospital Nacional El Salvador, San Salvador	2299-6382



Location of ATMs

ATM	Address
PLAZA MUNDO SOYAPANGO BRANCH	Boulevard del Ejercito Soyapango
SONSONATE METROCENTRO	Carretera hacia Acajutla CA-12, Centro Comercial Metrocentro Sonsonate

ATM	Address
SENDA FLORIDA BRANCH	Final 4ta. Calle Oriente Juayua, Sonsonate
AGENCIA SENDA FLORIDA	Col. Escalón Pje. Senda Florida Sur
TEXACO ATEOS	Km 30 carretera a Sonsonate cantón Ateos, Sacacoyo La Libertad
SELECTOS SAN LUIS	Calle a San Antonio Abad. Centro Comercial San Luis.
METRO SANTA ANA FOOD COURT	Food Court Metrocentro Santa Ana
AUTOPISTA SUR BRANCH	Boulevard los Proceres, Prolongación Nte y Av. Las Palmeras
SONSONATE I BRANCH	B° El Centro 1a Calle Pte Y 1a Avenida Norte
C.C UNICENTRO LOURDES	Carretera nueva a Santa Ana Centro Comercial Unicentro Lourdes
SANTA ANA BRANCH	2a Calle poniente y 2a Av. Norte
CHALCHUAPA BRANCH	2a Calle poniente y Av. 2 de abril.
AHUACHAPAN BRANCH	Avenida Francisco Menéndez Sur No. 3-0 Calle Gerardo Barrios
SUPER SELECTOS SAN BENITO	Av. Las Magnolias, San Salvador
METROCENTRO SAN MIGUEL	Colonia San Pablo, Carretera Panamericana, 30 Av. sur y calle el Jute, San Miguel, San Miguel, El Salvador
CANDELARIA LA FRONTERA MAYOR'S OFFICE	Calle 2 de febrero y Av. Domingo Péñate Norte, Barrio San José
USULUTAN BRANCH	2a Calle Oriente Y 2a Avenida Norte
ZACATECOLUCA BRANCH	1a. Calle Poniente y Av. Jose Matías Delgado
AIRPORT BRANCH	Avenida Principal Boulevard Las Pavas. Centro Comercial Aerocentro. San Luis Talpa
SAN VICENTE BRANCH	Barrio el Centro 1ra. Calle Oriente No. 2.
C.C MULTIPLAZA	Carretera a Santa Tecla centro comercial Multiplaza
C.C METROCENTRO SAN SALVADOR	Boulevard de Los Héroeos centro comercial Metrocentro por Cine Mark

ATM	Address
PLAZA MERLIOT	17 AV NORTE LA CHILTIUPAN PLAZA MERLIOT
NATIONAL DIRECTORATE OF MEDICINES (DNM)	Calle Chiltiupan Av. Jayaque, Ciudad Merliot. Santa Tecla
CAPRES	Alameda Manuel Enrique Araujo 5500, San Salvador
C.C LAS CASCADAS	Unión Avenida Jerusalén y Carretera Panamericana, Centro Comercial Las Cascadas 1er. Nivel.
25 AVENIDA NORTE BRANCH.	25 Av Norte y 27 Calle Poniente N° 1429, San Salvador.
PLAZA MUNDO SOYAPANGO	Boulevard del Ejercito Soyapango
NUEVA CONCEPCION CHALATENANGO BRANCH	Barrio el Centro 4a. Calle Pter No. 386.
UNICENTRO SOYAPANGO BRANCH	Centro Comercial Unicentro Soyapango, local n°33
C.C ALTAVISTA	Avenida Principal Boulevard Las Pavas
UNICENTRO METROPOLIS	Calle Principal. Col. Zacamil
VIDUC SAN JACINTO	10a Avenida Sur y Calle México, Barrio San Jacinto
C.C. LA GRAN VIA	Centro Comercial la Gran Vía Nivel 1, edificio No. 3, espacio para cajero AN-4
SAN MIGUEL CENTRO BRANCH	11av. Nte. y Av. Roosevelt #303
METAPAN BRANCH	3ra. Calle pte. Y Av. Isidro Menéndez #14
SANTA ROSA DE LIMA BRANCH	1ra. Avenida Sur. Santa Rosa de Lima
ISDEM	en 4ta. Calle poniente entre 41 y 43 Av. Sur No.2223, Colonia Flor Blanca, San Salvador
SAN MARCOS MAYOR'S OFFICE	Calle Rigoberto Alvayero, calle principal, colonia Jardines de San Marcos 1, Mercado Municipal, municipio de San Marcos
EL TUNCO BEACH	Carretera Litoral Km. 42 Playa el Tunco La Libertad
MERLIOT BRANCH	Condominio Centro Comercial Chiltiupan 17 av. nte. Calle Chiltiupan, Sta Tecla, la Libertad
CIUDAD BARRIOS BRANCH	1ª calle poniente y 3ª Av. norte No 9 Barrio el centro
PLAZA MUNDO APOPA	San Salvador, Centro Comercial Plaza Mundo Apopa
MOP	Kilómetro 5.5, Alameda Manuel Enrique Araujo, San Salvador 2112
PASEO ESCALON BRANCH	Paseo General Escalón block 72 # 4122 entre 79 y 81 Av. norte

ATM	Address
EL COYOLITO MINI BRANCH	Plaza don Jon Km 48 1/2 carretera Troncal del norte
CARA SUCIA BRANCH	Barrio San Rafael, Centro de Cara Sucia No. 14, San Francisco Menéndez, Ahuachapán
SANTA ELENA BRANCH	Urbanización Bosques de Santa Elena, # 9 y 10 block B, Antiguo Cuscatlán, La Libertad.
GOTERA BRANCH	4ta calle poniente y 1ra y 3ra Avenida Sur, Barrio la Soledad, San Francisco Gotera, Morazán
EX CAPRES	Calle los diplomáticos, ex casa presidencial, contiguo a Centro comercial San Jacinto
TEXACO CONSTITUCION	Boulevard Constitución y calle antigua a Zacamil, Mejicanos.
SELECTOS SAN BARTOLO	Bulevar del Ejercito Nacional, San Salvador
GUAZAPA MAYOR'S OFFICE	Avenida 14 de diciembre, Barrio El Centro. Guazapa. San Salvador. Frente al parque municipal
PUERTO DE LA LIBERTAD	2º Calle Poniente, Local 4, Barrio el Centro, Centro Comercial Miramar Plaza, La Libertad
CHIRILAGUA MAYOR'S OFFICE	1a Calle Poniente, Barrio El Centro, Municipio de Chirilagua. San Miguel
BERLIN BRANCH	1ª Calle Poniente y Avenida Jose Simeón Cañas, Frente al parque.
ZACAMIL BRANCH	Local No. 6 en la esquina Sur Oeste de la 29 Avenida Norte y Calle Zacamil.
GEO BERLIN	Km 106 departamento de Usulután Berlín Complejo volcánico Tecapa, cantón el Zapotillo
SAN MIGUEL ROOSEVELT BRANCH	2ª CALLE PONIENTE Nª 192, SAN MIGUEL
TEXACO NAVARRA	Carretera a Comalapa, Texaco Navarra
LA JOYA	Km 12 Carretera al Puerto de la Libertad, Centro Comercial La Joya, La Libertad, Santa Tecla El Salvador, C.A.
TORRE FUTURA	87 avenida Norte, San Salvador
PLAZA SANTA ELENA	Plaza Santa Elena, Boulevard Santa Elena y Calle Alegría, Antiguo Cuscatlán La Libertad
C.C SANTA ROSA	Calle Real, Santa Tecla
SANTA TECLA BRANCH	Centro Comercial Santa Tecla, 2º Calle Poniente y 5ª Avenida Sur Local 2, Santa Tecla, La Libertad
SANTA ANA LOS HEROES BRANCH	Parque Comercial Los Héroes, Polígono 1, Lote 7-B, Cantón Loma, Santa Ana.
CENTRO SAN SALVADOR BRANCH	San Salvador
AIRPORT	Carretera Comalapa, San Luis Talpa, La Paz. Aeropuerto Oscar Arnulfo Romero y Galdámez

CIFCO HOSPITAL	Salón Centro Americano, Avenida De La Revolución 222, San Salvador
NAHUIZALCO MAYOR'S OFFICE	3 avenida Sur, Nahuizalco frente al parque central
NEJAPA MAYOR'S OFFICE	Distrito 1, Alcaldía Municipal de Nejapa. Lotificación Las Américas 1. Polígono 1, Nejapa
MIRADOR PLANES DEL RENDERO	Calle Principal a Panchimalco, Km 10, Plaza Municipal El Mirador, Planes de Renderos, Panchimalco. San Salvador
TUDO SANTA ANA	Kilómetro 68.5 Carretera Panamericana, El Portezuelo, Santa Ana.
SÚPER SAN LUIS TALPA	3ra. Calle Poniente y Carretera El Litoral Lotificación Narvárez, San Luis Talpa. La Paz

Financial Statements

December 31, 2021 and 2020

(With the Independent Auditor's Report)

Banco Hipotecario de El Salvador, S.A.

Financial Statements

December 31, 2021 and 2020

(With the Independent Auditors' Report)

Independent Auditors' Report

To the General Shareholders' Meeting of Banco Hipotecario de El Salvador, S.A.

Opinion

We have audited the financial statements of Banco Hipotecario de El Salvador, S.A., which comprise the balance sheet as of December 31, 2021, the income statement, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of Banco Hipotecario de El Salvador, S.A. (the Bank), have been prepared, for all purposes, in accordance with the regulatory accounting framework issued by the Superintendency of the Financial System of El Salvador for Banks, as described in note 2 to the financial statements.

Basis for opinion

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

Emphasis of matter - Basis of accounting

Without qualifying our opinion, we draw attention to note 2 to the financial statements that describes the basis of accounting, which are based on the Accounting Standards for Banks in force in El Salvador, according to the provisions issued by the Standards Committee of the Central Reserve Bank of El Salvador and the International Financial Reporting Standards, prevailing the regulations approved by the Standards Committee of the Central Bank, when there is a conflict with the International Financial Reporting Standards, in force as of October 2003. The financial statements have been prepared to comply with legal requirements and those of the Superintendency of the Financial System of El Salvador. Consequently, the financial statements may not be suitable for other purposes.

Other information included in the management's annual report

Other information consists of information included in the management report other than the financial statements and our auditors' report thereon. Management is responsible for further information.

The Bank's annual report is expected to be available to us after the date of this audit report. Our opinion on the financial statements does not cover the other information and we will not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read such other information as soon as it becomes available and, in doing so, consider whether there is a material misstatement between that other information and the financial statements, or to our knowledge obtained in the course of the audit, or otherwise appears to contain a material misstatement.

To the General Shareholders' Assembly of
Banco Hipotecario de El Salvador, S.A.

Page 2

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Accounting Standards for Banks in El Salvador issued by the Superintendency of the Financial System of El Salvador, as described in note 2 to the financial statements, 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 also responsible for assessing the Bank's ability to continue operating, disclosing, as appropriate, matters related to operations and using the business basis of accounting, except if management either intends to liquidate the Bank or to terminate its operations, or if there is no realistic alternative but to do so.

Those in charge of the Bank's management are responsible for the supervision of the Bank's financial reporting process.

Auditor's responsibilities in relation to the audit of the financial statements

Our goals are to obtain reasonable assurance about whether the financial statements taken as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion. Reasonable assurance is a high level of assurance, but 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 when, individually or altogether, 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 during the audit.

Likewise, we as auditors, 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 due to fraud is higher than for a material misstatement due to error because fraud may involve collusion, forgery, intentional omissions, intentional misstatements, or the circumvention of internal control.
- We 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.

To the General Shareholders' Assembly of
Banco Hipotecario de El Salvador, S.A.

Page 3

- We conclude on the appropriate use of the accounting basis by management 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 business. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to express a modified opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Bank not to continue as an on-going enterprise.
- We assessed the appropriateness of the accounting policies used and the reasonableness of accounting estimates and disclosures made by management.

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

We also provided those charged with governance of the Bank with a statement that we have complied with applicable ethical requirements regarding independence and communicated with them about all relationships and other matters that may reasonably be expected to affect our independence, and where appropriate, related safeguards.

Ernst & Young El Salvador, S.A. de C.V.
Registration No. 3412



René Alberto Arce Barahona
Partner
Registration No. 1350

February 15, 2022
Futura World Trade Center Tower 11-05
San Salvador, El Salvador



A-008-2022

Banco Hipotecario de El Salvador, S. A.

Balance sheets

As of December 31, 2021 and 2020

(Expressed in thousands of dollars of the United States of America)

ASSETS		2021	2020
Intermediation assets			
Cash and banks (Note 3)	US\$	248,016.5	266,874.3
Repurchase agreements and other securities, net (Note 4)		4,488.0	6,216.4
Financial investments, net (Note 5)		362,778.9	173,026.0
Loan portfolio, net (Notes 6, 7 and 8)		993,288.9	882,915.2
		<u>1,608,572.3</u>	<u>1,329,031.9</u>
Other assets			
Assets received in lieu of payment, net (Note 9)		7,941.2	7,822.1
Equity investments (Note 10)		114.3	114.3
Miscellaneous, net		6,132.3	7,704.0
		<u>14,187.8</u>	<u>15,640.4</u>
Fixed assets			
Property, plant, and equipment - net (Note 11)		16,220.3	16,997.6
Total assets	US\$	<u>1,638,980.4</u>	<u>1,361,669.9</u>
LIABILITIES AND EQUITY			
Intermediation liabilities			
Customer deposits (Note 12)	US\$	1,339,791.3	1,059,104.8
Loans from Banco de Desarrollo de El Salvador (Notes 8 and 14)		21,458.3	38,033.7
Loans from other banks (Note 15)		74,627.1	79,372.0
Repurchase agreements and other stock market obligations (Note 16)		-	-
Miscellaneous		32,402.2	35,856.9
		<u>1,468,278.9</u>	<u>1,212,367.4</u>
Other liabilities			
Accounts payable		7,956.3	6,822.7
Provisions		5,287.3	3,829.0
Miscellaneous		7,375.9	7,132.4
		<u>20,619.5</u>	<u>17,784.1</u>
Total liabilities		<u>1,488,898.4</u>	<u>1,230,151.5</u>
Equity			
Paid-in capital stock		73,434.3	73,434.3
Capital reserve, retained earnings and unearned equity		76,647.7	58,084.1
Total equity		<u>150,082.0</u>	<u>131,518.4</u>
Total liabilities plus equity	US\$	<u>1,638,980.4</u>	<u>1,361,669.9</u>

Signed by:

Celina María Padilla de O'Byrne
Chairman

José Raúl Cienfuegos Morales
Director of Operations and Finance

Nathanael Antonio Siciliano
General Accountant

Omar Chavez Portal
Vice-President Director

Sandra Yanira Peña Amaya
Director Secretary

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

Banco Hipotecario de El Salvador, S. A.**Income statements****For the years ended December 31, 2021 and 2020***(Expressed in thousands of dollars of the United States of America)*

	2021	2020
Operating income		
Interest on loans	US\$ 74,027.2	66,358.4
Commissions and other loan income	6,101.7	4,496.9
Interest on investments	16,804.9	5,326.4
Gain on sale of securities	343.9	3.9
Repurchase and reverse repurchase agreements	152.6	114.8
Interest on deposits	226.8	1,297.9
Transactions in foreign currencies	392.7	700.7
Other services and contingencies	6,130.2	2,381.4
	104,180.0	80,680.4
Operating costs		
Interest and other deposit costs	31,274.3	25,321.1
Interest on loans	4,437.2	5,764.3
Loss on sale of securities	95.6	27.3
Transactions in foreign currencies	51.2	6.2
Other services and contingencies	4,290.7	3,054.5
	40,149.0	34,173.4
Write-off reserves (Note 7)	11,117.4	9,803.8
	52,913.6	36,703.2
Income before expenses		
Operating expenses (Note 26)		
Officers and employees	16,488.5	15,210.6
General	13,771.8	9,871.0
Depreciation and amortization	1,847.5	1,602.7
	32,107.8	26,684.3
Operating income	20,805.8	10,018.9
Other (expenses) and net income	1,696.9	(560.5)
Income before taxes	22,502.7	9,458.4
Direct taxes		
Income taxes (Note 25)	(5,010.2)	(3,403.7)
Contributions		
Citizen Security Plan for Large Taxpayers	0.0	(427.9)
Net income	US\$ 17,492.5	5,626.8

Signed by:

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Vice-President DirectorSandra Yanira Peña Amaya
Director Secretary

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Banco Hipotecario de El Salvador, S. A.
Statements of changes in equity
For the years ended December 31, 2021 and 2020
(Expressed in thousands of dollars of the United States of America)

	Balances as of December 31, 2019	Increases	Decreases	Balances as of December 31, 2020	Increases	Decreases	Balances as of December 31, 2021
Equity							
Paid-in capital stock (1)	US\$ 45,029.5	28,404.8	-	73,434.3	0.0	-	73,434.3
Legal reserve (Note 23)	11,257.4	903.0	-	12,160.4	2,250.3	-	14,410.7
Voluntary reserves (Note 44)	38,763.4	7,701.4	26,400.0	20,064.8	0.0	3,433.9	16,630.9
Distributable income (Note 24)	7,790.3	5,626.8	13,417.1	0.0	21,448.8	6,206.5	15,242.3
Results of prior years	25.0	7,790.3	7,790.3	25.0	3,956.2	0.3	3,980.9
	<u>US\$ 102,865.6</u>	<u>50,426.3</u>	<u>47,607.4</u>	<u>105,684.5</u>	<u>27,655.3</u>	<u>9,640.7</u>	<u>123,699.1</u>
Restricted assets							
Non-distributable income (Note 24)	13,723.6	4,723.8	-	18,447.4	3,433.9	3,956.3	17,925.0
Revaluation of fixed assets	4,962.3	-	-	4,962.3	-	-	4,962.3
Write-off of written-off assets (Note 20)	401.9	2,087.1	64.8	2,424.2	1,241.0	169.6	3,495.6
	<u>US\$ 19,087.8</u>	<u>6,810.9</u>	<u>64.8</u>	<u>25,833.9</u>	<u>4,674.9</u>	<u>4,125.9</u>	<u>26,382.9</u>
Total equity	<u>US\$ 121,953.4</u>	<u>57,237.2</u>	<u>47,672.2</u>	<u>131,518.4</u>	<u>32,330.2</u>	<u>13,766.6</u>	<u>150,082.0</u>
Book value of shares (figures expressed in United States dollars)	<u>US\$ 16.25</u>			<u>10.75</u>			<u>12.26</u>

(1) In 2021 and 2020 the Bank's capital stock is represented by 11,992,232 common shares and 246,817 preferred shares (7,258,092 common shares and 246,817 preferred shares, in 2019), all registered with an absolute value of six dollars each, which are fully subscribed and paid.

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

Signed by:

Celina María Padilla de O'Byrne
Chairman

José Raúl Cienfuegos Morales
Director of Operations and Finance

Nathanael Antonio Siciliano
General Accountant

Omar Chavez Portal
Vice-President Director

Sandra Yanira Peña Amaya
Director Secretary

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Banco Hipotecario de El Salvador, S. A.
Statement of Cash Flows
For the years ended December 31, 2021 and 2020
(Expressed in thousands of dollars of the United States of America)

	2021	2020
Operating activities:		
Net income	US\$ 17,492.5	5,626.8
Adjustments to reconcile net income to net cash provided by (used in) operating activities.		
Allowance for loan and product receivables write-offs	10,670.8	9,161.8
Other reserves	(273.7)	(276.0)
Reserve for extraordinary assets	1,142.4	1,420.2
Country risk reserve	(0.3)	-
Gain on sales of extraordinary assets and fixed assets	(393.8)	(416.8)
Donations of fixed assets	1,703.6	-
Recovered assets (Note 20)	1,071.4	2,022.3
Depreciation and amortization	1,847.5	1,602.7
Interest and commissions receivable	3,427.2	(8,986.9)
(Decreases) increase in interest and commissions payable	(69.4)	125.3
Increase in loan portfolio	(129,890.6)	(96,884.6)
(Decreases) increase in other assets	1,571.7	(1,829.3)
Increase in public deposits	280,517.2	261,643.7
(Decreases) increase in other liabilities	(345.6)	6,433.9
Net cash provided by operating activities	<u>188,470.9</u>	<u>179,643.1</u>
Investment activities:		
Acquisition of investments in financial instruments	(186,350.6)	(95,011.2)
Decrease (increase) in repurchase/resell agreements and stock exchange operations	1,728.4	(4,739.6)
Acquisition of fixed assets (Note 11)	(2,787.9)	(1,986.5)
Cash received from sale of fixed assets	62.4	25.1
Cash received from sale of extraordinary assets	1,100.6	824.6
Net cash used in investing activities	<u>(186,247.1)</u>	<u>(100,887.6)</u>
Financing activities:		
Increase in capital stock	-	2,004.8
Dividend payments	-	(88.9)
Loan payments	(21,081.6)	(9,263.0)
(Decrease) increase in repurchase/resell agreements and stock market operations	-	(13,511.4)
Net cash used for financing activities	<u>(21,081.6)</u>	<u>(20,858.5)</u>
Net (decrease) increase in cash and cash equivalents	(18,857.8)	57,897.0
Cash at beginning of year	266,874.3	208,977.3
Cash at end of year (Note 3)	<u>US\$ 248,016.5</u>	<u>266,874.3</u>

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

Signed by:

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

Banco Hipotecario de El Salvador, S. A.

Notes to the financial statements

December 31, 2021 and 2020

(Expressed in thousands of dollars of the United States of America)

1. Operations

The Bank was founded on January 29, 1935, in accordance with the Laws of the Republic of El Salvador, whose purpose is to commonly engage in commercial banking activity, making calls to the public to obtain funds through demand, savings and time deposits, the issuance and placement of securities or any other passive credit operation, the Bank being obliged to cover the principal, interest and other accessories of such funds, for placement to the public in active credit operations.

Special Provisions Referring to Banco Hipotecario de El Salvador, Sociedad Anónima approved on August 16, 2012, the Banking Law, the Organic Law of the Central Reserve Bank of El Salvador and the Law of Supervision and Regulation of the Financial System, the Law of the Financial System for the Promotion of Development and other laws of general application, including those related to agreements and instructions issued by the Central Reserve Bank of El Salvador and the Superintendency of the Financial System.

The financial statements are expressed in thousands of dollars of the United States of America.

The Bank is domiciled in the city of San Salvador, El Salvador, but branches or offices may be established, transferred and closed anywhere in the Republic of El Salvador.

2. Main accounting policies

The Accounting Standards for Banks used for the drafting of the Bank's financial statements were issued by the former Superintendency of the Financial System prior to the entry into force of Legislative Decree No. 592 of January 14, 2011, published in the Official Gazette No. 23 Volume 390 of February 2, 2011, which contains the Law of Regulation and Supervision of the Financial System; In said law, a new Superintendence of the Financial System was created, and the powers to approve, modify and repeal the technical regulations issued by the former Superintendence of the Financial System were transferred to the Central Reserve Bank of El Salvador, keeping in force the accounting regulations issued by the former Superintendence.

2.1. Technical standards and accounting principles

The financial statements have been prepared by the Management of Banco Hipotecario de El Salvador, S.A., in accordance with the Accounting Standards for Banks (NCB, due to its name in Spanish) applicable to it, issued by the former Superintendency of the Financial System and the International Accounting Standards IAS – currently incorporated in the International Financial Reporting Standards - IFRS, prevailing the Standard issued by the Superintendency when there is a conflict with the IFRS. In addition, the Superintendency of the Financial System required that when the IFRS has different options to account for the same event, the most conservative one should be adopted. The main differences between the accounting standards used and IFRS are presented in note (39).

The presentation of financial statements, their notes, and their content are established in NCB-017 Norms for the Preparation of Financial Statements of Banks, issued by the Superintendency of the Financial System of El Salvador. The publication of financial statements is based on NCB-018 Norms for the Publication of Financial Statements of Banks, issued by the Superintendence of the Financial System of El Salvador.

Banco Hipotecario de El Salvador, S. A.

Notes to the financial statements

December 31, 2021 and 2020

(Expressed in thousands of dollars of the United States of America)

Financial investments

The investment portfolio is valued at market value in the case of instruments traded regularly in the Salvadoran stock market, securities issued by entities located in the country without a listing in the Salvadoran stock market, based on the risk category assigned by a risk rating agency registered with the Superintendency of the Financial System, and securities without a listing in the Salvadoran stock market and without a risk rating are valued at present value.

Securities issued or guaranteed by the Central Reserve Bank of El Salvador and other government entities, payable with funds from the national budget, are stated at acquisition cost.

2.3. Interest provisioning and suspension of provisioning

Interest receivable is recorded in equity accounts on an accrual basis. The provision for interest on loans is suspended when loans are more than ninety days past due.

Fixed assets

Real estate is recorded at a value determined by independent appraisals performed in 1992 and 1995. Subsequent additions are valued at acquisition cost. The appraisals have been approved by the Superintendency of the Financial System, the resulting differences between the book value of the real estate and those determined by the independent appraisals are recorded as a charge or credit to the surplus account for revaluation of fixed assets in restricted equity, which cannot be capitalized according to the Banking Law if they have not been realized.

Depreciation is calculated under the straight-line method based on the estimated useful lives of the assets. The revaluation value of depreciable fixed assets is depreciated over the estimated remaining useful lives of the assets. Gains or losses resulting from retirements or sales, as well as maintenance and repair expenses, which do not significantly extend the useful life of the asset, are expensed in the year in which they are incurred.

The useful lives of the assets owned by the Bank are summarized below:

Type of asset	Useful life
Buildings	20 years
Facilities	5 years
Office furniture and equipment	3 to 5 years
Vehicles	4 years
Depreciable	5 years

2.5. Severance payments and voluntary retirement

According to the Labor Code of El Salvador, employees dismissed without just cause must receive a severance payment equivalent to a basic salary of 30 days (up to a maximum of four times the legal daily minimum wage in force for each year of employment, and the proportional part if applicable).

The internal labor regulations approved in July 1998, by the Bank's Management, establish that for those employees who resign from their jobs and who meet minimum times established in the same regulations, they are entitled to a voluntary retirement benefit; such policy has remained unchanged in internal regulations, whose amendments were approved in September 2015.

Banco Hipotecario de El Salvador, S. A.

Notes to the financial statements

December 31, 2021 and 2020

(Expressed in thousands of dollars of the United States of America)

In addition, during 2014, the Legislative Assembly approved Decree No. 592, which contains the Law Regulating the Economic Benefit for Voluntary Resignation, which entered into force on January 1, 2015, establishing an economic benefit for resignation after two years, equivalent to fifteen days of basic salary for each year of service. Such salary may not exceed twice the legal minimum daily wage in force corresponding to the sector of the employer's economic activity.

The defined benefit plan that covers the economic benefit for voluntary retirement established in the internal regulations and the law, uses the Actuarial Method of Projected Unit Credit Costing, considering a discount rate: 3.07% (3.33%, in 2020) per year and Salary increase rate: 1.0% (1.04%, in 2020) per year.

Taking into account the benefits established in the Internal Labor Regulations and the Law Regulating the Economic Benefit for Voluntary Resignation, mentioned above, the current actuarial studies, required by the International Accounting Standard IAS-19, have estimated that the labor liability required to settle the obligations in favor of the employees as of December 31, 2021 and 2020, is US\$3,377.6 and US\$2,763.4, respectively.

The labor liability originated is accrued in favor of the employees according to the length of service, in accordance with the above provisions, and are cancelled in the event of dismissal without just cause or voluntary retirement.

The Bank's policy is to record a provision to cover expenses of this nature, which is established on a fixed monthly basis based on the amounts estimated in the current actuarial study. Expenditures of this nature are charged to the provision and any surplus, if any, is recognized as an expense for the year in which it is incurred.

The amounts related to labor liabilities during the years reported are as follows:

		2021	2020
Policy-related labor liabilities:			
Provision as of December 31 for voluntary retirement debt.	US\$	3,377.6	2,763.4
Other data on labor liabilities in general			
Severance and voluntary retirement payments.	US\$	396.9	351.3

2.6. Sanitation reserves

Allowances for loan loss provisions, interest receivable and other risk assets have been established in accordance with the instructions issued by the Superintendency of the Financial System, which allow for the evaluation of the risks of each debtor of the institution, based on the following criteria: business and payment capacity, responsibility, financial situation, and collateral coverage.

Increases in these provisions or reserves may be due to an increase in the risk of each debtor in particular; decreases may be caused by a decrease in risk, by withdrawals from assets of balances due from debtors up to the provisioned value; when the value withdrawn from assets exceeds the corresponding provision, the difference is applied to expenses.

Generic reserves are established when there are information deficiencies that, in the Superintendency's opinion, affect the financial statements.

Banco Hipotecario de El Salvador, S. A.

Notes to the financial statements

December 31, 2021 and 2020

(Expressed in thousands of dollars of the United States of America)

Write-off reserves for excess of related loans are established in compliance with the requirement of the Superintendency based on article 206 of the Banking Law, which regulates presumptively related loans. The amount of these provisions corresponds to the excess of related loans determined by the Superintendency, which will be reduced with a credit to income as the corresponding excess is eliminated.

Reserves for debtor rating risk are established when, as a result of a verification by the Superintendency, it is determined that a number of debtors exceeding fifteen percent of the sample examined must be reclassified to higher risk categories.

The amount of these reserves is increased based on the results of the evaluations performed by the Superintendency and is decreased with the authorization of the Superintendency when, in its judgment, the Bank has improved its debtor rating procedures.

Write-off reserves in excess of the minimum requirements established by the Superintendency, which appear under the denomination of voluntary reserves, are created by order of the Bank's Management when it is deemed necessary to create such reserves.

Write-off reserves for potential uncollectible losses are determined based on the Bank's empirical data and are established by the Bank's management.

2.7. Loans and overdue interest

Past due loans are considered to be the total principal balances of those loans with principal or interest installments in arrears for more than ninety (90) days or when the Bank has taken the decision to collect them through the judicial process, even if there is no delinquency as indicated above. The criterion for the transfer of loans and interest from current to past due is in accordance with the rules established by the Superintendency of the Financial System.

2.8. Equity investments

Investments in shares of subsidiaries and joint ventures are recorded using the cost method.

When the value of the acquisition is greater than the book value of the issuing entity, the Bank transfers the value of the excess to a deferred charge account, which is amortized annually over a period of up to three years from the date of acquisition of the investment.

2.9. Extraordinary assets

Assets received in payment of loans granted are recorded at the lower of cost or market value. For these purposes, the market value of non-monetary assets is considered to be the expert appraisal of the assets performed by an expert registered with the Superintendency of the Financial System.

The extraordinary assets acquired must be liquidated within five years from the date of acquisition, in compliance with NCB-013 "Standards for the Accounting of Extraordinary Assets of Banks", a provision of 100% of the value recorded in the period of 4 years is performed.

Gains on the sale of extraordinary assets with financing are recognized until received.

Banco Hipotecario de El Salvador, S. A.

Notes to the financial statements

December 31, 2021 and 2020

(Expressed in thousands of dollars of the United States of America)

2.10. Transactions in foreign currency

The value of asset and liability transactions in foreign currency are presented in U.S. dollars valued at the prevailing exchange rate.

Adjustments for exchange rate fluctuations are applied to expense or income accounts, as appropriate.

2.11. Charges for general banking risks

Banco Hipotecario de El Salvador, S. A. during the reported periods has not made any charge for future losses, since there are no contingencies that require such recognition.

2.12. Interest payable

Interest on deposits, securities issued, loans and other obligations is recognized on an accrual basis.

2.13. Revenue recognition

Accrued income is recognized on an accrual basis. When a loan is more than ninety days past due, the provision for interest is suspended and interest is recognized as income until it is paid in cash. Interest not accrued for over 90 days past due is recorded in memorandum accounts.

Commissions derived from loans or contingent transactions with terms of up to 30 days are recognized as income on the date they are collected or provisioned. Commissions derived from loans or contingent operations with terms of more than 30 days are recorded in deferred income, net of direct costs for granting such loans or contingent operations. Deferred income is recognized periodically, according to the form of payment originally established under the effective interest method, using the internal rate of return.

Amortization of commissions for contingent operations and services are made monthly on a pro rata basis over the term stipulated for the granting of guarantees, surety bonds, sureties and other services, net of direct costs for granting them. The recognition of deferred income is suspended when loans or contingent operations are reclassified to non-performing loans and are recognized until such balances are recovered.

Interest that becomes an asset as a result of granting a refinancing is recorded as a deferred liability and is recognized as income until it is received.

2.14. Provision for country risk

The Bank sets up country risk provisions for the activities of placing funds abroad. This risk is attributable to the country where the debtor or obligor is domiciled and from which the return of invested funds must be obtained, unless the parent company acts as joint and several debtor and/or when the guarantor is domiciled in a country with an investment grade rating.

Institutions that place or commit their resources in other countries use to determine the degree of country risk, the sovereign risk ratings of the countries, issued by internationally recognized risk rating agencies, for long-term obligations.

Increases in provisions will cause a debit in the income statement account – prior years' earnings and a credit in the restricted equity account - prior years' earnings. Decreases in provisions will cause a reversal of the accounting application of constitution.

Banco Hipotecario de El Salvador, S. A.

Notes to the financial statements

December 31, 2021 and 2020

(Expressed in thousands of dollars of the United States of America)

2.15. Recognition of losses on loans and accounts receivable

The Bank recognizes the following cases as losses in the loan portfolio:

- a) Balances secured by collateral that have not reported capital recoveries for more than twenty-four months, provided that they are not in judicial foreclosure proceedings;
- b) Unsecured balances that have not reported capital recoveries for more than twelve months, provided they are not in the process of judicial execution;
- c) Balances without an executory document to initiate judicial recovery;
- d) Balances that after twenty-four months from the initiation of the legal action have not been possible to seize;
- e) Cases in which a first instance ruling has been issued in favor of the debtor;
- f) When there is no evidence that the debtor acknowledged his debt in the last five years; and
- g) When, in the opinion of the Bank, there is no possibility of recovery.

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

The drafting of financial statements requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities at the date of the financial statements, and the reported amounts of revenues and expenses for the reported periods. Assets and liabilities are recognized in the financial statements when it is probable that future economic benefits will flow to or from the entity and that the various items have a cost or value that can be reliably measured. If, in the future, these estimates and assumptions, which are based on management's best judgment at the date of the financial statements, should be changed from current circumstances, the original estimates and assumptions are appropriately modified in the year in which such changes occur .

Cash and banks

This item consists of cash in both local and foreign currency and amounts to US\$248,016.5 (US\$266,874.3, in 2020), of which US\$215,912.7(US\$266,400.3 in 2020), corresponds to deposits in local currency and US\$917.4(US\$474.0, in 2020), corresponds to deposits in foreign currency. A summary of the integration of this account is presented below:

	2021	2020
Cash	US\$ 27,166.9	21,885.6
Deposits in the Central Reserve Bank of El Salvador	208,529.8	230,089.3
Documents to be charged to other banks	4,019.5	10,862.4
Deposits in local banks	3,704.9	179.0
Deposits in foreign banks	4,595.4	3,858.0
TOTAL	<u>US\$ 248,016.5</u>	<u>266,874.3</u>

Banco Hipotecario de El Salvador, S. A.
Notes to the financial statements
December 31, 2021 and 2020

(Expressed in thousands of dollars of the United States of America)

At December 31, 2021 and 2020, the liquidity reserve requirement on deposits is US\$185,157.0 and US\$100,065.0, respectively, of which, in both years, 100% is deposited in an account with the Central Reserve Bank of El Salvador; there is no restricted balance of foreign currency.

4. Repurchase agreements and stock market operations

As of December 31, the balance of repurchase agreements and other stock market operations amounted to US\$4,488.0 (US\$6,216.4 in 2020).

Financial investments and their provisions

This item represents securities and other investments in monetary instruments, acquired for prudential or speculative purposes or by order of the monetary authorities. Financial investments and their provisions as of December 31, 2021 and 2020 present a balance of US\$362,778.9 and US\$173,026.0, respectively, which are detailed below:

	2021	2020
Marketable securities		
Issued by the Central Reserve Bank	US\$ 6,001.7	9,954.2
Issued by the State	319,020.2	83,215.4
Issued by others	27,850.1	66,771.7
	<u>352,872.0</u>	<u>159,941.3</u>
Securities held to maturity	2,141.7	2,141.7
Available-for-sale securities	1,419.8	8,000.0
	<u>356,433.5</u>	<u>170,083.0</u>
Provisioned interest	6,345.4	2,943.0
Gross portfolio	US\$ <u>362,778.9</u>	<u>173,026.0</u>

As of December 31, 2021 and 2020, the Bank does not maintain a valuation allowance for investments, due to the quality of its investments.

As of December 31, 2021 and 2020, an amount of US\$620.0 is partially guaranteeing loans with the Central American Bank for Economic Integration (CABEI) (See note 15).

The average annual rate of return is 5.98% (4.30% in 2020).

The average rate of return is the percentage resulting from dividing the income (including interest and commissions) of the investment portfolio by the average balance of the gross investment portfolio for the reporting period.

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Loan portfolio - net

The Bank's loan portfolio is diversified in the following sectors of the economy:

		2021	2020
Loans outstanding:			
Private companies	US\$	640,102.3	587,035.4
Acquisition of housing		114,011.4	96,214.0
Consumption		40,656.8	28,734.0
Other entities of the Financial System		44,100.2	41,108.1
State-owned entities		67,390.3	26,335.5
		<u>906,261.0</u>	<u>779,427.0</u>
Refinanced or rescheduled loans:			
Private companies		79,140.9	81,717.3
Consumption		7,468.9	9,116.7
		<u>86,609.8</u>	<u>90,834.0</u>
Past due loans			
Private companies		14,048.1	11,864.2
Acquisition of housing		488.1	872.7
Consumption		669.2	1,029.7
		<u>15,205.4</u>	<u>13,766.6</u>
Interest on loans		12,046.3	18,875.9
Sanitation reserves		(26,833.6)	(19,988.3)
Net portfolio	US\$	<u><u>993,288.9</u></u>	<u><u>882,915.2</u></u>

Average rate of return: 8.56% (8.50% in 2020).

The average rate of return is the percentage that results from dividing the loan portfolio income (including interest and fees) by the average balance of the gross loan portfolio for the reporting period.

Adjustable rate loans represent 100.0% (100.0% in 2020) and the fixed rate loan portfolio represents 0.00% (0.0% in 2020).

Interest accrued on the loan portfolio and not recognized as income in the reported period amounted to US\$1,560.3 (US\$1,795.7 in 2020).

Sanitation reserves

As of December 31, 2021 and 2020, the Bank maintains loan loss reserves of US\$32,908.7 and US\$25,856.4, respectively.

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The changes in provisions in the reported period are as follows:

a. Reserves for accounts receivable from private companies:

	Loans	Contingencies	Total
Balance as of December 31, 2020	US\$ 11,611.8	US\$ 5,868.1	US\$ 17,479.9
Plus: Establishment of reserves	8,500.0	273.7	8,773.7
Volunteer transfers	931.9	-	931.9
Reclassification of Ext. Act	-	-	-
Minus: Release of reserves	-	-	-
Transfers	(329.9)	-	(329.9)
Write-off of loans	(2,820.7)	(66.7)	(2,887.4)
Balance as of December 31, 2021	US\$ 17,893.1	US\$ 6,075.1	US\$ 23,968.2
Balance as of December 31, 2019	US\$ 13,862.5	US\$ 5,592.1	US\$ 19,454.6
Plus: Establishment of reserves	4,464.0	279.2	4,743.2
Volunteer transfers	1,990.9	-	1,990.9
Reclassification of Ext. Act	123.8	-	123.8
Minus: Release of reserves	(98.9)	(3.2)	(102.1)
Transfers	(1,219.0)	-	(1,219.0)
Write-off of loans	(7,511.5)	-	(7,511.5)
Balance as of December 31, 2020	US\$ 11,611.8	US\$ 5,868.1	US\$ 17,479.9

Hedge rate: 0.37% (2.40% in 2020).

b. Reserves for home loan debtors:

	2021	2020
Beginning balance	US\$ 941.0	815.8
Plus: Constitution of reserves	33.0	171.8
Volunteer transfers	195.9	-
Minus: Releases	-	(41.7)
Transfers	(165.5)	-
Write-off of loans	(0.1)	(4.9)
Ending balance	US\$ 1,004.3	941.0

Hedge rate: 0.88% (0.97% in 2020).

c. Reserves for consumer loans receivable:

	2021	2020
Starting balance	US\$ 83.8	293.8
Plus: Establishment of reserves	241.7	-
Minus: Write-off of loans	(104.5)	(26.2)
Releases	-	(164.7)
Transfers	-	(19.1)
Ending balance	US\$ 221.0	83.8

Hedge rate: 0.44% (0.21% in 2020).

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- d. Reserves for excess of related receivables:

As of the date of reference of the financial statements, the Bank has no excess in related credits, therefore there is no reserve constituted for such purpose.

- e. Voluntary reserves:

		2021	2020
Beginning balance	US\$	7,351.7	7,832.5
Plus: Establishment of reserves		1,896.2	4,831.3
Transfer of mandatory ones		-	-
		(404.9)	
Minus: Contingency			(3,298.3)
Transfers to mandatory ones		(1,127.8)	(2,013.8)
Ending balance	US\$	<u>7,715.2</u>	<u>7,351.7</u>

The hedge rate determined for each type of reserves is the quotient expressed as a percentage resulting from dividing the amount of provisions by the amount of assets.

Contingency reserves are shown under miscellaneous liabilities.

As of December 31, 2021 and 2020, the write-off reserve costs of US\$11,117.4 and US\$9,803.8, respectively, include the constitution of the indicated reserves in the amount of US\$ 10,944.5 and US\$9,746.3.

8. Pledged portfolio

The Bank has obtained collateral from the loan portfolio as described below:

- a) Loans received from Banco de Desarrollo de El Salvador for US\$3,4864.0 (US\$57,653.1 in 2020). As of December 31, the balance of principal plus interest is US\$21,458.3 (US\$38,033.7 in 2020), which is guaranteed with the balance of the active loan portfolio of BANDESAL for US\$20,327.5 (US\$44,173.6 in 2020). In addition, an additional guarantee has been granted for an amount of US\$23,137.6 (US\$22,941.9, in 2020), made up of category "A1", "A2" and "B" loans, which corresponds to 30% of the amount of the line approved in May 2015, for US\$76,500.0.
- b) Loans received from Banco Centroamericano de Integración Económica (CABEI) for US\$65,683.4 (US\$57,109.7 in 2020). As of December 31, the balance of principal plus interest is US\$43,566.4 (US\$36,121.5 in 2020), and the guarantee is US\$61,418.7 (US\$50,356.3 in 2020), which is made up of category "A1" and "A2" loans.
- c) Loan received from Banco Internacional de Costa Rica, S.A., (BICSA) in the amount of US\$9,000.0 (US\$9,000.0 in 2020), as of December 31, the principal balance plus interest is US\$9,002.6 (US\$9,019.6, in 2020), and the total guarantee is US\$11,434.3 (US\$11,260.8, in 2020), which consists of category "A1" and "A2" loans.

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- d) Loan from ECO BUSINESS FUND in the amount of US\$15,000.0 (US\$30,000.0 in 2020), as of December 31, the principal balance plus interest is US\$9,403.8 (US\$16,185.3, in 2020) and the total guarantee is US\$12,378.3 (US\$20,183.5, in 2020), which is constituted by credits category "A1" and "A2".
- e) Loan received from BLUE ORCHARD in 2017, for the amount of US\$15,000.0, which was repaid on July 28, 2021. As of December 31, 2020, the principal balance plus interest is US\$3,832.0 and the total collateral is US\$4,772.5, which is constituted by category "A1" and "A2" credits.
- f) Loan received from MICROFINANCE ENHANCEMENT FACILITY, in 2017 in the amount of US\$5,000.0, which was repaid in October 2021. As of December 31, 2020, the principal balance plus interest is US\$1,250.7 and the total collateral is US\$1,582.9, which is constituted by category "A1" and "A2" credits.

The aforementioned credits are recorded in registries that allow their full identification, in order to respond to creditors for the legal liabilities derived from the respective contracts.

9. Goods received in payment (extraordinary assets)

As of December 31, 2021 and 2020, the Bank maintains extraordinary asset balances of US\$7,941.2 and US\$7,822.1, respectively.

Changes in extraordinary assets, recorded during the reported periods, are summarized below:

	Value of the assets	Value of reserves	Net value of reserves
Balances as of December 31, 2020	US\$ 13,775.1	5,953.0	7,822.1
Plus: Acquisitions and incorporations	3,862.4	1,142.4	2,720.0
Reserves transfer	-	530.8	(530.8)
Minus: Withdrawals	(3,886.9)	(1,816.8)	(2,070.1)
Balances as of December 31, 2021	US\$ 13,750.6	5,809.4	7,941.2
Balances as of December 31, 2019	US\$ 9,555.6	4,338.4	5,217.2
Plus: Acquisitions and incorporations	5,816.7	1,420.2	4,396.5
Reserves transfer	-	1,286.8	(1,286.8)
Minus: Withdrawals	(1,597.2)	(1,092.4)	(504.8)
Balances as of December 31, 2020	US\$ 13,775.1	5,953.0	7,822.1

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As of December 31, 2021 and 2020, the Bank had assets on its records with more than five years of holding, as described below:

Location	2021	2020
Cantón Miraflores, San Miguel	37.7	37.7
Cantón El Mojon, Tepecoyo, La Libertad	269.1	269.1
Cantón Santa Anita, Mercedes Umaña, Usulután	89.1	89.1
Cantón Santa Barbara, Lotes 1, 3 & 4, Guazapa, San Salvador.	98.1	97.1
Cantón Cutumay, Santa Ana	0.0	60.7
TOTAL	US\$ 494.0	553.7

As of December 31, 2021 and 2020, extraordinary sales assets were derecognized, as described below:

Periods	Price of sale	Acquisition Cost	Provision made	Net income
2021	US\$ 3,706.6	3,886.9	(1,816.8)	1,636.5
2020	US\$ 1,049.9	1,597.2	(1,092.4)	545.1

As of December 31, 2021, there were no asset retirements applied against the write-off reserve. As of December 31, 2020, there was a withdrawal of assets applied against the write-off reserve, property located in La Joya, Coatepeque, Santa Ana.

As of December 31, 2021 and 2020, there were no extraordinary asset transfers to the Bank's property, plant and equipment.

As of December 31, 2021, two extraordinary asset donations were made, the first one located in cantón la Joya, Coatepeque, Santa Ana and the second one located in canton el Botoncillal, Colón, La Libertad. As of December 31, 2020, no asset donations were made.

In the reported period, no assets were written off due to destruction.

Equity investments

The Bank's equity investments in joint ventures are summarized below:

Description of the company	Line of Business	participation %		Initial investment		Investment according to books		Results of the year	
		2021	2020	Date	Amount	2021	2020	2021	2020
Guarantees and Services, SGR, S.A. de C. V.	Granting of financial guarantees	2.37	2.36	February 17, 2004	US\$114.3	US\$114.3	US\$114.3	US\$40.3	US\$72.7

The investment is recorded at acquisition cost .

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Fixed Assets (Property, Plant and Equipment)

Movable and immovable property is detailed below:

		2021	2020
Cost			
Buildings	US\$	8,556.7	10,316.1
Furniture and equipment		11,986.6	11,722.5
Minus: Accumulated depreciation		<u>(14,227.1)</u>	<u>(14,646.5)</u>
		6,316.2	7,392.1
Plus:			
Land		4,362.9	4,874.0
Depreciables		1,897.9	1,135.3
Construction in progress		<u>48.5</u>	<u>1.4</u>
		12,625.5	13,402.8
Revaluations			
Buildings		1,367.5	1,367.5
Accumulated depreciation revaluations		<u>(1,367.5)</u>	<u>(1,367.5)</u>
Land		3,594.8	3,594.8
Total	US\$	<u>16,220.3</u>	<u>16,997.6</u>

During the periods reported as of December 31, 2021 and 2020, no asset revaluation was performed.

Changes in property, plant and equipment during the reported periods are detailed below:

		2021	2020
Beginning balance	US\$	16,997.6	16,613.8
Plus - Acquisitions		2,787.9	1,986.5
Minus - Depreciation and amortization		(1,847.5)	(1,602.7)
Withdrawals		<u>(1,717.7)</u>	<u>(0.0)</u>
Ending balance	US\$	<u>16,220.3</u>	<u>16,997.6</u>

Customer deposits

The Bank's deposit portfolio is distributed as follows:

		2021	2020
Public deposits	US\$	758,568.9	676,642.9
Deposits from state-owned entities		562,242.5	366,752.1
Restricted and inactive deposits		<u>18,979.9</u>	<u>15,709.8</u>
Total	US\$	<u>1,339,791.3</u>	<u>1,059,104.8</u>

The Bank's different types of deposits are as follows:

		2021	2020
Current account deposits	US\$	385,253.4	274,040.9
Savings account deposits		305,977.5	249,919.5
Time deposits		<u>648,560.4</u>	<u>535,144.4</u>
Total	US\$	<u>1,339,791.3</u>	<u>1,059,104.8</u>

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Average cost rate is 2.58% (2.62% in 2020).

The average cost rate of the deposit portfolio is the percentage resulting from dividing the Cost of Deposits by the average balance of the deposit portfolio.

13. Loans from the Central Reserve Bank

During the year ended December 31, 2021 and 2020, the Bank did not make use of loans to cover liquidity impairment, as regulated in article 49-A of the Organic Law of the Central Reserve Bank.

14. Loans from Banco de Desarrollo de El Salvador (BANDESAL)

As of December 31, the Bank has loans granted by BANDESAL of US\$34,864.0 (US\$57,653.1, in 2020) with an outstanding balance of US\$21,458.3 (US\$38,033.7, in 2020).

The detail of loans with BANDESAL is as follows:

Loan with principal balance of US\$2,022.5 (US\$3,095.2, in 2020), intended for investment credits, accrued interest of US\$6.1 (US\$10.2, in 2020), at 6.1% (6.1%, in 2020) annual interest, secured by loan portfolio, which matures on May 9, 2039.

Loan with principal balance of US\$103.0 (US\$166.7, in 2020), earmarked for environmental credit fund, accrued interest of US\$0.7 (US\$1.1, in 2020), at 2.0% (2.0% in, 2020) annual interest, secured by loan portfolio, which matures on August 30, 2025.

Loan with a principal balance of US\$3,916.6 (US\$5,381.6, in 2020), for coffee farm investment lines, accrued interest of US\$58.1 (US\$73.8, in 2020), at 3.0% (3.0% in 2020) annual interest, secured by loan portfolio, which matures on November 12, 2029.

Loan with a principal balance of US\$2,624.5 (US\$7,364.4, in 2020), for a line of credit to finance the productive development of MSMEs-IDB Funds, accrued interest of US\$9.2 (US\$20.9, in 2020), at 5.5% (5.5%, in 2020) annual interest, secured by loan portfolio, which matures on February 13, 2034.

Loan with a principal balance of US\$108.7 (US\$365.1 in 2020), for a line of credit for women entrepreneurs, accrued interest of US\$0.3 (US\$1.1 in 2020), at 5.99% (6.0% in 2020) annual interest, secured by loan portfolio, which matures on November 17, 2025.

Loan with a principal balance of US\$6,535.6 (US\$21,332.4, in 2020), for special credit lines for the housing and education sector, accrued interest of US\$ 36.0 (US\$102.3, in 2020), at 3.87% (3.7%, in 2020) annual interest, secured by loan portfolio, which matures on November 30, 2042.

Loan with principal balance of US\$88.6 (US\$116.0, in 2020), for energy efficiency and renewable energy program lines, accrued interest of US\$2.9 (US\$2.9, in 2020), at 6.0% (6.0%, in 2020) annual interest, secured by loan portfolio, which matures on January 9, 2025.

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Loan with a principal balance of US\$923.0 (US\$0.0, in 2020), for the Energy Efficiency Program for Small and Medium-Sized Enterprises, accrued interest of US\$2.1 (US\$0.0, in 2020), at 3.17% (0.0%, in 2020) annual interest, secured by loan portfolio, which matures on September 30, 2031.

Loan with a principal balance of US\$5,000.0 (US\$0.00, in 2020), destined to program lines in support of the economic reactivation of Salvadoran companies, accrued interest of US\$20.5 (US\$0.0, in 2020), at 6.3% (0.0%, in 2020) annual interest, guaranteed with loan portfolio, which matures on December 8, 2028.

15. Loans from other banks

As of December 31, 2021 and 2020, the Bank's financial statements present loan obligations with foreign banks amounting to US\$74,627.1 and US\$79,372.0, respectively, including principal plus interest.

The detail of loans with foreign banks is as follows:

As of December 31, 2021:

Bank	Destination		Lump sum line amount	Balance	Average rate	Expiration	Warranty
The Export-Import Bank of the Republic of China	Foreign trade	US\$	5,000.0	108.3	1.44%	12/06/2022	No collateral
BNDES	Brazilian Exports		14,000.0	558.5	3.12%	05/02/2025	Nocollateral
Banco Centroamericano de Integración Económica (CABEI)	Promuni and Change		65,683.4	43,566.4	4.87%	07/23/2028	Salvadoran Government Bonds and Loan Portfolio
Banco de Costa Rica, S.A.(BICSA)	Working Capital		9,000.0	9,002.7	4.90%	10/28/2022	Loan portfolio
Eco Business Fund	Working Capital		15,000.0	9,403.8	3.99%	09/24/2024	Loan portfolio
OFID for International Development	Working capital		12,000.0	11,987.4	4.93%	06/24/2022	No collateral
TOTAL		US\$	120,683.4	74,627.1			

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As of December 31, 2020:

Bank	Destination		Lump sum line amount	Balance	Average rate	Expiration	Warranty
The Export-Import Bank of the Republic of China	Foreign trade	US\$	5,000.0	213.9	3.24%	06/12/2022	No collateral
BNDES	Brazilian Exports		14,000.0	764.5	2.62%	02/05/2025	No collateral
Banco Centroamericano de Integración Económica (CABEI)	Promuni and Change		57,109.7	36,121.5	4.98%	23/07/2028	Salvadoran Government Bonds and Loan Portfolio
Banco de Costa Rica, S.A.(BICSA)	Working Capital		9,000.0	9,019.6	4.90%	29/10/2021	Loan portfolio
Eco Business Fund	Working Capital		30,000.0	16,185.3	4.07%	24/09/2024	Loan portfolio
Blue Orchard Microfinance Fund	Working Capital		15,000.0	3,832.0	6.35%	28/07/2021	Loan portfolio
Microfinance Enhancement Facility	Working Capital		5,000.0	1,250.7	4.40%	20/10/2021	Loan portfolio
OFID for International Development	Working capital		12,000.0	11,984.5	2.98%	24/06/2021	No collateral
TOTAL		US\$	147,109.7	79,372.0			

16. Repurchase agreements and other securities transactions

As of December 31, 2021 and 2020, there are no balances in repurchase and resale agreements.

17. Own-issued securities.

As of December 31, 2021 and 2020, the Bank had no negotiable obligations issued in accordance with article 53 of the Banking Law.

18. Bonds convertible into shares.

As of December 31, 2021 and 2020, there are no bonds convertible into shares in accordance with article 43 of the Banking Law.

19. Loans convertible into shares

As of December 31, 2021 and 2020, the Bank has no loans convertible into shares in accordance with article 78 of the Banking Law.

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20. Recoveries of written-off assets

As of December 31, 2021, recoveries in kind of assets that were written off in prior years amounted to US\$1,241.0, corresponding to a real estate property for US\$1,095.7, under the name of Eduardo Domingo Call Imberton, three real estate properties, the first for USD \$50.0, the second for USD \$50.0 and the third for USD \$10.7, under the name of Hector Antonio Diaz Flores, and personal property for USD \$34.6 under Mayoreo Ferretero, S. A. de C.V.A. de C.V. As of December 31, 2020, recoveries in kind, of assets that were written off in previous years amounted to US\$2,087.1, corresponding to a real estate for US\$1,923.6, under the name of Mario Oscar Menendez Rivas and two personal property, the first for US\$12.6, under the name of Ramón José Manuel Castillo Funes and the second for US\$150.9 in the name of the company Jubis, S.A. de C.V.

21. Maturities of lending and borrowing transactions

The maturities agreed upon in asset and liability transactions for the next 5 years and subsequent years are detailed below:

Concept	2022	2023	2024	2025	2026	More than 5 years	Total
Assets							
Financial investments	US\$ 297,415.3	7,799.0	-	12,924.2	-	44,640.4	362,778.9
Reports	4,488.0	-	-	-	-	-	4,488.0
Loans (*)	133,708.4	25,032.4	53,149.8	44,033.7	58,022.0	679,342.6	993,288.9
Total assets	435,611.7	32,831.4	53,149.8	56,957.9	58,022.0	723,983.0	1,360,555.8
Liabilities							
Deposits	1,313,647.7	26,143.6	-	-	-	-	1,339,791.3
Loans	21,098.4	-	9,403.8	862.7	-	64,720.5	96,085.4
Reports	-	-	-	-	-	-	-
Total liabilities	1,334,746.1	26,143.6	9,403.8	862.7	-	64,720.5	1,435,876.7
Net amount	US\$ (899,134.4)	6,687.8	43,746.0	56,095.2	58,022.0	659,262.5	(75,320.9)

(*) Presented net of reserves.

For purposes of this disclosure, savings deposits and checking accounts of US\$691,230.9 that do not have a defined maturity are included as part of the first year's maturities, and cash on hand and in banks with a balance of US\$248,016.5 is not included.

22. Earnings per share

Earnings per share expressed in absolute values in U.S. dollars for the reported periods are detailed below:

	2021	2020
Earnings per share	US\$ 1.43	0.75

The above value has been calculated considering the net income shown in the income statement and an average number of shares outstanding of 12,239,049 (7,530,850 in 2020).

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23. Legal reserve

Based on Article 39 of the Banking Law, the Bank must set aside ten percent (10%) of its annual profits until reaching an amount equal to twenty-five percent (25%) of its paid-in capital stock. As of December 31, 2021, the value destined to constitute the required legal reserve amounts to US\$2,250.3. As of December 31, 2020, the value destined to constitute the required legal reserve amounts to US\$903.0.

24. Distributable and non-distributable income

Pursuant to the first paragraph of Article 40 of the Banking Law, banks must retain from their profits, after deducting the legal reserve, an amount equal to the proceeds (income) pending collection, therefore, these values are determined as follows:

Concepts		2021		2020	
		Partial	Total	Partial	Total
Profit for the year	US\$		17,492.5		5,626.8
Legal Reserve			(2,250.3)		(903.0)
Transfer of voluntary reserves			3,433.8		-
Unappropriated retained earnings of prior years			18,447.4		13,723.6
Total available income	US\$		37,123.4		18,447.4
Restricted earnings					
Interest, commissions, and surcharges receivable	US\$		(17,924.9)		(21,881.2)
On banks		(11.5)		(8.6)	
On investments		(6,345.3)		(2,943.0)	
On loans		(10,811.6)		(18,211.9)	
On accounts receivable		(756.5)		(717.7)	
Distributable income at end of period	US\$		19,198.5		1/(3,433.8)

1/ In order to comply with the requirement of article 40 of the Banking Law, at the end of 2020, authorization was requested from the General Shareholders' Assembly to transfer US\$3,433.8 from voluntary capital reserves to restricted equity, having been registered on March 18, 2021.

25. Income tax

Entities incorporated in El Salvador pay income tax on income obtained in the country, according to the Income Tax Law, contained in Legislative Decree No. 134 dated December 18, 1991, in force since January 1, 1992., No. 134 dated December 18, 1991, in force since January 1, 1992; however, reforms were made according to the Legislative Decree dated December 14, 2011, published in the Official Gazette No. 235 Volume 393 dated December 15, 2011 and Legislative Decree No. 762 dated July 31, 2014, which consist of increasing the tax rate from 25% to 30%, with the exception of taxpayers with taxable income under US\$150.0, which apply 25%.

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As of December 31, 2021 and 2020, the income tax calculated in accordance with the provisions of the aforementioned decrees is detailed below:

	2021	2020
Taxable income for the year	US\$ 92,875.9	77,099.2
Minus: Costs and expenses for the year	(87,153.8)	(73,967.0)
Subtotal	5,722.1	3,132.2
Plus: Non-deductible costs and expenses	10,978.7	8,213.3
Taxable income	16,700.8	11,345.5
Income tax	US\$ 5,010.2	3,403.7

As of December 31, 2021 and 2020, the Bank has a balance of deferred income tax related to the labor reserve of US\$1,013.3 and US\$934.4, respectively.

The tax authorities may review the income tax returns filed by the Bank for the years 2021, 2020 and 2019.

The net tax payable using the rights related to the provision amounts to US\$3,149.8 (US\$1,798.5, in 2020).

26. Operating expenses

Operating expenses as of December 31, 2021 and 2020 are detailed below:

	2021	2020
Expenses of officers and employees		
Salaries	US\$ 10,370.0	10,073.3
Employee benefits	4,605.0	4,003.6
Personnel severance indemnities	1,100.0	800.6
Board of Directors' expenses	95.6	96.5
Other personnel expenses	317.9	236.6
	16,488.5	15,210.6
Overhead	13,771.8	9,871.0
Depreciation and amortization	1,847.5	1,602.7
Total	US\$ 32,107.8	26,684.3

27. Trusts

As of December 31, 2021, the Bank manages two trusts with total assets of US\$2,997.4, which have generated income for the Bank of US\$31.3. As of December 31, 2020, the Bank managed one trust for which only the contract had been signed, but as of the reported date the assets to be managed had not been delivered.

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28. Indicators related to human resource load

As of December 31, 2021 and 2020, the Bank has maintained an average of 830 and 811 employees, respectively. Of that number 68.9% (68.3%, in 2020) are engaged in the Bank's business and 31.1% (31.7%, in 2020) are support staff.

29. Contingent operations

As of December 31, 2021 and 2020, the values recorded in these accounts are those rights that will potentially be converted into assets or liabilities at the closing of the transaction cycle or upon the occurrence of the uncertain future event. The balances of these accounts are as follows:

	2021	2020
Opening of letters of credit	US\$ 908.4	12,815.9
Surety bonds and guarantees	15,998.1	16,942.1
Minus: provision for risk	<u>(6,075.1)</u>	<u>(5,868.1)</u>
Total	US\$ <u>10,831.4</u>	<u>23,889.9</u>

30. Pending litigation

As of December 31, 2021 the Bank has the following judicial or administrative litigations, which do not constitute a significant material impact for the Bank:

- a. Administrative process reference 619-2016 initiated ex officio by the Municipal Council of Santa Ana; in which it was determined on August 12, 2016 that Banco Hipotecario de El Salvador S.A., should pay off in concept of taxes the amount of US\$327.9, corresponding to the periods 2014, 2015 and 2016. On the other hand, the Bank on December 22, 2016, has filed a lawsuit against such resolution before the Contentious Administrative Chamber, by virtue of considering that the resolution issued by the Municipal Council of the City of Santa Ana is illegal. The Contentious Administrative Chamber by resolution dated May 11, 2017, admitted the claim and in the same resolution orders to suspend the effects of the appealed resolution. In December 2018, the opening of evidence within the referred process was notified, whose term expired on January 3, 2019. Currently, the process is awaiting resolution after the evaluation of the evidence presented.
- b. Criminal proceeding reference 151- 2018-ACUM187-2018-5/14-2019-6/2, notified to the Bank on July 27, 2020, which has currently been transferred to the Eighth Court of Instruction, by means of which the Attorney General's Office of the Republic files criminal charges against former officer of Banco Hipotecario de El Salvador, S.A., and against the latter claims special subsidiary civil liability. The Bank has been a party and has presented legal arguments by means of which it rejects the responsibility attributed to it. The proceeding is in the investigation stage, and the date for the Preliminary Hearing has been set for February 4, 2022.

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31. Related parties and significant shareholders

According to the Banking Law, related persons are those who own three percent or more of the Bank's shares. In order to determine this percentage, the shares of the spouse and relatives within the first degree of consanguinity, as well as the proportion that corresponds to them when they hold shares in companies that are shareholders of the Bank, will be considered as their own shares. Within the related persons there is a group that the Banking Law calls relevant shareholders, since they hold at least ten percent of the Bank's shares. The Bank's directors and managers are also related persons.

The Fondo de Saneamiento y Fortalecimiento Financiero (FOSAFFI) owns 96.72% of the Bank's shares, but is not considered a related person based on the third paragraph of article 205 of the Banking Law, since it is a state institution of an autonomous nature.

32. Related credits

Pursuant to Articles 203, 204, 205 and 206 of the Banking Law, banks and their subsidiaries are prohibited from granting loans, credits, guarantees and endorsements to individuals or legal entities directly or indirectly related to the ownership or directly to the management of the institution, or from acquiring securities issued by them in an aggregate amount exceeding 5% of the paid-in capital and capital reserves of the institution.

The Bank's capital stock and capital reserves as of December 31 is US\$104,475.9 (US\$105,659.5, in 2020) and total related receivables are US\$1,335.4 (US\$1,490.5, in 2020), representing 1.3% (1.4%, in 2020) of the Bank's capital stock and capital reserves; such amount is distributed among 23 (26 in 2020) debtors.

During the reporting period, the Bank complied with the provisions on related credits referred to above.

33. Loans to foreign subsidiaries

Pursuant to Article No. 23 of the Banking Law, the maximum credit limit that banks may grant to their subsidiaries incorporated abroad may not exceed fifty percent (50%) of the equity fund or ten percent (10%) of the loan portfolio, whichever is less, both parameters of the grantor.

As of December 31, 2021 and 2020, the Bank has no foreign subsidiaries.

34. Loans to domestic subsidiaries.

Pursuant to Article No. 24 of the Banking Law, the maximum credit limit that banks may grant to their subsidiaries incorporated in El Salvador may not exceed fifty percent (50%) of the endowment fund or ten percent (10%) of the loan portfolio, whichever is less, both parameters of the grantor.

As of December 31, 2021 and 2020, the Bank has no domestic subsidiaries.

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35. Limits on the granting of loans

Article No. 197 of the Banking Law establishes that banks and their subsidiaries may not grant credits or participate in the capital stock for a global amount exceeding twenty-five percent (25%) of their own equity, to the same person or group of persons with economic ties. It also establishes that the excess of fifteen percent (15%) in credits with respect to its own equity fund must be covered by sufficient collateral or guarantees from local banks or first class foreign banks.

As of December 31, 2021 and 2020, the Bank complied with the provisions of Article No. 197 of the Banking Law.

36. Contracts with related parties

Pursuant to Article 208 of the Banking Law, the Superintendency may object to the execution of contracts between a bank and persons related to it. Related persons are understood to be those who are directly or indirectly related to the bank's share ownership or directly related to the bank's management.

As of December 31, 2021 and 2020, the Bank has not entered into any contracts with related parties.

37. Relationships between asset and liability transactions in foreign currencies

According to Article No. 62 of the Banking Law, the Superintendency of the Financial System shall determine the rules regarding the relationship between banks' asset and liability operations, in order to ensure that the foreign exchange risk is kept within reasonable ranges. In order to comply with such purpose, the Superintendency of the Financial System has established that the absolute difference between assets and liabilities in foreign currency may not exceed 10% of the equity fund.

As of December 31, 2021 and 2020, the Bank complied with the aforementioned provision by maintaining a ratio of 0.7% (0.5%, in 2020).

38. Net worth or net equity requirement

According to Article No. 41 of the Banking Law, in order to constantly maintain their solvency, banks must, at all times, present the following minimum ratios:

- a) 12.0% or more between its endowment fund and the sum of its weighted assets, as established by the aforementioned law.
- b) 7.0% or more between its endowment fund and its total obligations or liabilities to third parties, including contingencies.
- c) 100% or more between the equity fund and the paid-in capital stock referred to in Article 36 of the Banking Law.

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As of December 31, 2021 and 2020, the ratios showing the Bank's position are as follows:

	2021	2020
Ratio of endowment to weighted assets	13.8%	14.6%
Ratio of endowment fund to liabilities and contingencies	9.4%	10.4%
Ratio of endowment fund to paid-in capital stock	192.7%	179.0%

39. Summary of significant differences between international financial reporting standards and accounting standards issued by the Superintendency of the Financial System.

The Bank's Management has initially established the following main differences between International Financial Reporting Standards (IFRS) and the accounting standards issued by the Superintendency of the Financial System:

1. Investments are not recorded and valued according to the classification established by IFRS, which are as follows: financial instruments at fair value through profit or loss, loans and receivables originated by the company, available-for-sale investments, and held-to-maturity investments; IFRS require that investments be classified to determine the corresponding valuation method.
2. IFRS establish that interim financial information must include as minimum information, in addition to the balance sheet and statement of income, the statement of cash flows and statement of changes in equity. Likewise, the balance sheet is presented in comparative form with the balance sheet of the immediately preceding annual accounting period.
3. In relation to liquidity risk, IFRS require disclosure of all assets and liabilities according to significant maturity groupings, based on the periods remaining between the balance sheet date and the contractual maturity date of the assets and liabilities.
4. IFRS require disclosure of information about the fair values of each class or group of its financial assets and liabilities.
5. Provisions for credit risk have been established based on regulations issued by the Superintendency of the Financial System; according to IFRS, in the preparation of the financial statements the credit risk profile of the portfolio must be considered, taking into account variables such as the behavior of the economy, historical trends of delinquency, geographic location, economic activity, etc., in order to establish reserves appropriate to the recovery risks of these loans. IFRS suggest that the analysis for the establishment of reserves be performed based on future cash flows, including the fair value of the collateral.
6. Releases of reserves established in prior years are recorded with a credit to other non-operating income; IFRS require that transactions of the same nature be shown net.
7. In accordance with IFRS, the establishment of voluntary reserves is not part of the results, but are appropriations of retained earnings.

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8. The accounting policy for interest recognition indicates that when a loan is more than ninety days past due, the provision for interest is suspended and interest is recognized as income until it is paid in cash. IAS 39 Financial Instruments: Recognition and Measurement requires the accounting recognition of interest on all financial assets. IFRS allows the deferral of expenses related to deferred fees.
9. The fixed asset revaluations performed are approved by the Superintendency of the Financial System at the Bank's request and are not updated periodically; IFRS require that fixed asset revaluations be updated periodically to reflect the fair market values of the revalued assets.
10. Extraordinary assets should be treated under IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations, according to which an impairment loss should be recognized for any asset derecognized at initial or subsequent time at fair value less costs to sell. Under IFRS, reserves established by law for extraordinary assets do not form part of the results for the year; they are appropriations of retained earnings.
11. The current standards provide that the gain on the sale of extraordinary assets with financing is recognized as income until such gain has been received, which is not in accordance with IFRS.
12. IFRS require that estimates for impairment of assets be recorded based on future cash flows related to the asset, discounted at an appropriate interest rate.

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

40. Risk rating

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

	Rating	
	2021	2020
	Pacific Credit Rating, S.A. de C.V.	Pacific Credit Rating, S.A. de C.V.
Issuer /Long-term	AA-	AA-
Preferred stock	N-2	N-2
Perspective	Positive	Stable

The risk rating is maintained with respect to the previous rating, with a change in the outlook from "Stable" to "Positive". The reference date of the risk ratings is September 30, 2021 and September 30, 2020.

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The description of the qualifications is detailed below:

For the issuer:

AA. Corresponds to those entities that have a very high capacity to pay their obligations under the agreed terms and deadlines, which would not be affected by possible changes in the entity, in the industry to which it belongs or in the economy.

Protective factors are strong, risk is modest.

N-2. Corresponds to those shares that present a very good combination of solvency and stability in the issuer's profitability, and volatility of its returns.

41. Treasury stock

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

These shares must be used, with the authorization of the Superintendency of the Financial System, to be offered first to the Bank's shareholders and then to the public, in order to correct deficiencies in the Bank's equity fund.

Treasury shares that have not been subscribed and paid do not confer any equity or corporate rights.

As of December 31, treasury stock amounted to US\$131,415.2 (US\$120,217.7, in 2020). In the reported period the Bank did not make use of treasury stock.

42. Segment information

The Bank is basically engaged in providing banking services in the national territory.

43. Integrated Risk Management and Corporate Governance

For Integral Risk Management, the Bank's Board of Directors has defined an organizational structure duly segregated in its functions and hierarchical level of the operational support, business and control areas involved in the institution's processes.

As part of the Support Committees, and in compliance with Corporate Governance regulations, the Bank's Board of Directors has created the Risk Committee, whose purpose is to ensure that the Bank's activities comply with the regulatory requirements of the Central Reserve Bank, the Superintendency of the Financial System and the risk management manuals and policies that have been approved.

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The Risk Committee is the highest risk control body in Banco Hipotecario, with authority over the operating areas to support the work of the Integral Risk Management Department and is the liaison between the latter and the Board of Directors. The main function of this committee is to support the approval, follow-up and control of strategies and policies for risk management, including the setting of action limits for the different areas. Additionally, it supports the Board of Directors and the Bank's Presidency in the knowledge and understanding of the risks assumed by the Bank and the capital required to support them.

The development of activities related to Integral Risk Management is assigned to the Integral Risk Management Department, which has defined, among other activities, to verify compliance with risk exposure limits, tolerance levels, propose models and methodologies, parameters and scenarios that allow monitoring and controlling the risk that the institution is willing to assume.

In compliance with international standards, Corporate Governance practices are strengthened through training for the members of the Board of Directors and the Bank's Senior Management. Training has also been carried out for all personnel, and a Corporate Governance scheme has been established for the Bank that responds to the fulfillment of the Bank's strategic objectives.

Banco Hipotecario controls market, liquidity, credit, legal, reputational, environmental, operational, fraud and information security risks in accordance with the requirements of the Prudential Banking Standards issued by the Superintendency of the Financial System and the Central Reserve Bank of El Salvador: NPB4-49, NPB4-50, NRP- 05, NRP-17, NRP-20, NRP-23 and NRP-24. Additionally, it has developed a specific manual for each of the following risks: market, liquidity, credit, operational (including legal), technological and reputational.

On the other hand, the Corporate Governance Code includes the best practices of good governance; the main aspects included in the Code deal with the following:

1. Structure under which Corporate Governance is developed.
2. A culture based on principles, ethical values and transparency.
3. To ensure that in its relations with its stakeholders, the Bank respects the laws and regulations, in addition to complying in good faith with its obligations and contracts.
4. Ongoing process of review and updating of the main organizational and operational recommendations.
5. Corporate social responsibility is one of the Bank's action components.

The Bank's Board of Directors has adopted the Corporate Governance Code and the Manuals mentioned above.

Market risk.

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

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In order to carry out a timely identification, the Bank has defined a matrix of the factors, both internal and external, that are generators of market risk and that would have an impact on the operations and positions in the Bank's Balance Sheet. Additionally, the Integral Risk Management Department constantly monitors the national and international economy in order to detect the emergence of any external factor that may materialize in a market risk.

Banco Hipotecario measures its exposure to market risk through the methodologies described below:

1. **General and Specific Risk:** methodology that allows generating an amount, attributable to the intrinsic market risk of the investment portfolio, when there are no significant movements in the secondary market, specific case of the local securities held by the Bank.
2. **One-Year Interest Rate Gap:** allows measuring the sensitivity of the institution's financial margin (for the next twelve months) to certain movements in interest rates in the local and international markets.
3. **Value at Risk (VaR):** methodology defined as the maximum expected loss in a given period of time and confidence level. Banco Hipotecario applies this practice to securities listed in international markets and which, therefore, mark prices daily in the secondary markets.

The measurements of the main market risk indicators, as well as the deviations from the established limits, are a fundamental part of the Market Risk Exposure Report, which is communicated monthly to the Risk Committee and quarterly to the Institution's Board of Directors.

Liquidity risk.

Banco Hipotecario defines liquidity risk as the probability of incurring losses due to not having sufficient liquid resources to meet the payment obligations committed in the determined time horizon, after considering the possibility that the entity will be able to liquidate its assets under reasonable conditions of time and price.

The Bank measures its exposure to liquidity risk through the methodologies described below:

1. **Term Matching:** methodology that revolves around the establishment of liquidity gaps through the comparison of maturity flows of assets and liabilities at different time bands. The Integral Risk Management Department, through the market and liquidity risk management area, constantly monitors the Bank's liquidity position, estimated through this model, performing a daily, monthly, half-yearly and projected follow-up (as required).
2. **Liquidity Indicators:** Method that involves measuring the institution's liquidity levels through the estimation of indicators such as: net liquidity ratio, concentration of depositors (10,25 and 50), dependence on short-term liabilities and liabilities with financial entities.
3. **Deposit Concentration Indicators:** Quantification of the liquidity risk derived from the concentration of the Bank's fund gathering in a specific economic group, individual or legal entity, or group of depositors.

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4. **Value at Risk (VaR) in demand deposits:** Liquidity risk measurement that consists of estimating the expected outflow in demand accounts through volatility, for a given time horizon and confidence level. This methodology allows calculating the intensity and probability that this type of deposits may be withdrawn based on the historical behavior that these deposits have experienced in the Bank.
5. **Time Deposit Renewal Ratio:** Indicator that allows quantifying liquidity risk through the calculation of the percentage of balances in time deposit accounts that remain in the Bank (renewal) after their maturity date.
6. **Stress Scenarios:** methodology that involves the simulation of liquidity risk behavior in the event of adverse scenarios. Banco Hipotecario applies this method by performing a regulatory scenario (based on annex 2 of NRP-05) and its own scenario (based on internal assumptions and the Liquidity Risk Index or IRL methodology).
7. **Liquidity Risk Ratio:** Measures the resilience of the Bank's pool of high-quality liquid assets to meet the liquidity needs arising from a stress scenario with a duration of thirty days.

In order to allow the Bank to perform financial intermediation operations within reasonable magnitudes of liquidity risk assumption, the internal regulations have defined limits under three main areas: general liquidity, which involves the daily cash inflows and outflows that the Bank experiences and that may have an impact on its liquidity position, concentrations that derive in a liquidity risk originated by the high dependence it may have on a certain source of funding, and capital adequacy, which basically consists of the Bank's capacity to respond to its obligations regardless of the term.

The results of liquidity and solvency risk management are obtained through the generation of a series of liquidity risk reports that are communicated daily to the Bank's Senior Management; monthly to the Risk Committee; and quarterly to the Board of Directors.

Deviations from the established limits, which could generate an excessive exposure to Liquidity and Solvency Risk, are mitigated according to two main tools:

1. **Liquidity Contingency Plan:** which defines the broad financial strategies to be used, as well as the roles and responsibilities to be performed by the areas involved in liquidity management, in the event of different scenarios of liquidity stress or deficiency.
2. **Voluntary Liquidity Reserves:** an additional measure to the regulatory liquidity requirements, which consists of an estimate of a requirement (backed by liquid assets) that will allow the Bank to cover its liquidity needs for the next thirty days, as of the calculation date.
3. **Capital adequacy.**
Capital adequacy is the ability of an entity to have sufficient resources, even if other than cash, to support its obligations regardless of the term.

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In order to ensure that the Bank has a minimum level of capital that allows it to cover the risks assumed in its operations at all times, the Integral Risk Management Department monitors the main solvency indicators on a daily basis, which are submitted to Senior Management and the President's Office; these include: the Solvency Ratio (Equity Ratio), which must be higher than 12% at all times, the amount of the Equity Fund, the Risk Weighted Assets, as well as the Surplus or Equity Deficiency.

Credit Risk.

Banco Hipotecario adopts a comprehensive approach with respect to credit risk; therefore, its policies, methodologies, and other relevant measures implemented are in accordance with local regulations, as well as the business segment served. Credit risk management begins with the correct identification of the factors that may cause default in the payments of our borrowers, so it is necessary to see them in advance, in order to manage them adequately and in a timely manner.

The level of risk exposure is quantified, both individually, i.e., for each of our clients, as well as globally in the loan portfolio and its segments. For this purpose, different methodologies are used, ranging from the analysis of the financial situation of customers, to determine the maximum limit of their payment capacity, in order not to compromise the good performance of their business. Additionally, there are estimates of expected loss, which quantify the amount of possible loss. Likewise, in order to have a graphic view of the rate of deterioration of each loan placement made, loan vintage analysis is performed, which allows us to observe changes over time and in specific segments.

As part of the Credit Risk management, the Bank performs impact measurements, through analysis of the aftereffects of events that directly or indirectly affect our loan portfolio, mainly in the agricultural area, which tends to be affected by weather conditions, in order to minimize possible losses for both the institution and its customers.

Starting in 2019, emphasis has been placed on early delinquency management, in order to minimize the impact of deterioration of the loan portfolio, considering the personalized attention factor that the bank offers to our customers, through the business area and the network of agencies nationwide, it is possible to know the financial situation first hand and attend in a timely manner, offering the product, term and credit conditions that best fit the current situation of our customers.

The Bank has comprehensive recovery methodologies aimed at minimizing the impact on those customers who are likely to default. As a last resort, the bank has a strong backup of reserves, in addition to those required by regulations, to face any factor that may impair the payment capacity of our borrowers. The amount of these reserves responds to a statistical estimate of expected loss for specific customers and sectors. This positions Banco Hipotecario as one of the institutions with the highest reserve coverage in the Financial System.

Operational risk.

Banco Hipotecario has established strategies for the development of operational risk management in the different organizational units, in compliance with the provisions of NPB4-50 "Rules for operational risk management in financial institutions".

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During the year 2021, certain activities were carried out to strengthen the risk culture in the Bank, through virtual training to the personnel of the areas, induction to new personnel and through the sending of informative bulletins by institutional e-mail and internal network, with the objective that the collaborators know the regulatory and conceptual framework of operational risk.

The operational risk matrix was updated, in which the potential risks that may generate losses due to operational risk factors in the Bank's processes have been identified, as well as the identification of the controls that contribute to risk mitigation. For the process of escalation of materialized risk events, we had the support of the network of operational risk managers in all areas of the Bank, with a timely follow-up of the risk appetite and monitoring by the Risk Committee and the Board of Directors.

Support was provided to the areas that lead initiatives and projects for the identification of potential risks associated with the implementation and production start-up, as well as the establishment of controls with the support of different units of the Bank.

As part of the Business Continuity Management System, activities were carried out to update the Risk Analysis and Business Impact Analysis; review and functional tests to the business continuity plans for different processes of the Bank; training to personnel of the different units, participation in projects and initiatives related to Business Continuity. In response to the Covid-19 pandemic, sessions were held with the Business Continuity Committee in the event of a crisis, to evaluate the associated risks and to agree on the activities to be carried out to prevent contagion in the Bank's facilities, both for personnel, clients and users; to this end, the Business Continuity Plan for the Covid-19 health emergency was complied with.

Legal Risk.

Banco Hipotecario evaluates the legal risk by managing the various legal events that affect it. The goal of this risk is to identify, measure, assess and control potential legal contingencies through the definition of policies, methodologies and follow-up indicators that allow knowing the main sources of risk, implementing preventive control measures and reducing its exposure.

As part of the Bank's Legal Risk Management, tools adopted for the formalization of legal contracts are used, in which the rules for the coordination of actions and executions of the intervening parties are ruled for the review of legal aspects when entering into contracts or acts in which the Bank participates, taking into account the objective conditions of the Entity and the protection of its interests.

In order to comply with the above, the Legal Risk Management Policy allows managing this type of risk, considering its detection, measurement and mitigation, based on best practices and minimization of its exposure.

Reputational Risk.

In relation to Reputational Risk, the Bank conducts its daily business in compliance with applicable laws and regulations in order to maintain its image with customers, shareholders, financial correspondents and main suppliers.

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Fraud Risk.

In order to strengthen Fraud Risk Management, we have coordinated with other areas of the bank the development of institutional investigations of Internal and External Fraud events, aimed at containing potential losses and managing the recovery of operating losses arising from these events, in addition to the individualization of responsibility for such events.

Transactional monitoring of operations is one of the main services of Fraud Risk Management, for which this management is being strengthened with the use of new technological tools.

In this regard, the VISA Risk Manager tool was acquired, which allows identifying in real time and based on risk scores all transactions made with the Bank's debit cards.

Fraud Risk Management has been involved in the identification of fraud risks in the bank's new product and service projects.

As part of the management and improvement of processes and procedures, the Fraud Risk Management System Policy and the Fraud Risk Assessment Matrix were updated, and Fraud Risk Virtual Courses were developed for all bank personnel, in addition to the participation in inductions for new personnel on the subject of Fraud, in order to educate employees on the prevention of this type of crime.

Information Security Management.

With the coming into force of the Information Security Technical Standards (NRP-23) issued by the Central Reserve Bank and effective as of July 1, 2020, we continue with the adaptation and updating of processes, policies and procedures in force for the bank, taking into account cybersecurity aspects.

In addition, the Temporary Technical Standards on Cybersecurity Measures and Customer Identification in Digital Channels NPBT-06 issued by the Central Reserve Bank and in force as of August 23, 2021, the bank strengthened the existing controls to the digital channels offered by the bank, in addition to adapting new security measures and procedures in accordance with the new regulation.

New monitoring has been added to Information Security Management related to Office 365, mobile device security and advanced security controls for customers and users.

Information Security Management has participated in the issuance of technical opinions on the bank's new product and service projects.

As part of the bank's organizational culture, it actively maintains the Information Security Virtual Courses for all staff and security notices, as well as the Annual Statement of Controls Compliance requested by Swift, as well as other relevant works.

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44. Relevant and subsequent events

Significant events are considered to be those events that can be quantified and that affect net income or loss for the period by at least five percent. Aspects that are significant for the entity, but which by their nature cannot be disclosed through figures in the financial statements or are not sufficiently disclosed in other notes, should also be considered.

Those occurring during the reporting period or in subsequent periods, up to one day prior to the issuance of the financial statements, must be disclosed in this note.

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

2021

1. On January 27, 2021, financial factoring operations with and without recourse began, which was approved by the Central Reserve Bank on October 28, 2020, to be incorporated into the product portfolio and offered to customers as a new alternative for short-term financing; as of the date of the report, income of US\$ 2,974.2 has been generated.
2. The General Shareholders' Meeting held on February 23, 2021 resolved the following items:
 - a. Approve the Annual Report, Balance Sheet, Income Statement, Statement of Changes in Equity and other Financial Statements for the fiscal year 2020.
 - b. Approve the hiring of the auditing firm ERNST & YOUNG EL SALVADOR, S.A. DE C.V., as the Bank's Proprietary External Auditors for the Financial Auditing Service for the year 2021. BAKER TILLY AUDITORES Y CONSULTORES DE NEGOCIOS, S.A. DE C.V. was also approved as Alternate External Auditors.
 - c. Approve the hiring of the auditing firm ERNST & YOUNG EL SALVADOR, S.A. DE C.V. as the Bank's Proprietary Tax Auditors, for the Tax Report and Opinion for the year 2021. BAKER TILLY AUDITORES Y CONSULTORES DE NEGOCIOS, S.A. DE C.V. was also approved as Alternate Tax Auditors.
 - d. To approve the election of Mr. Rubén Nicolas Echegoyén Torres as first alternate director in substitution of Mrs. María de los Angeles Palomo de Valiente, for the remainder of the term for the election of directors to the Board of Directors of the Bank, which ends on February 21, 2022.
 - e. Approve the proposed transfer of profits in voluntary capital reserves to restricted equity as calculated for fiscal year 2020 in the amount of US\$ 3,433.9.
3. On February 25, 2021, the Central Reserve Bank of El Salvador, approves the Temporary Technical Norms to Incentivize the granting of credits, which will be effective until June 22, 2021. The objective of this norm is to face the economic crisis derived from the COVID-19 pandemic, so that the entities have more resources available for the granting of productive credits, through incentives for which additional temporary provisions are established in the calculation of the liquidity reserve requirement.

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4. On February 25, 2021, the Central Reserve Bank of El Salvador, approves the Technical Norms for the Gradual Application in the Constitution of Write-off Reserves of Credits affected by COVID-19, which will be in force for 60 months (5 years) as of March 14, 2021. The purpose of this rule is to establish the gradualness in the constitution of the write-off reserves that the financial institutions to which these Rules apply must constitute on a monthly basis with respect to the loan portfolio to which the Temporary Technical Rules to Confront Defaults and Contractual Obligations (NTTEIOC) and the Temporary Rules Temporary Technical Rules for the Treatment of Loans Affected by COVID-19 (NPBT-01) were applied.
5. On March 30, 2021, Banco Hipotecario opened the Banco Hipotecario's Box Office in the food court area of the National Hospital of El Salvador, located on Avenida la Revolución N. 222, Colonia San Benito, San Salvador. The Deputy Superintendent of Banks, Insurance Companies and Other Financial Entities notified her conformity with respect to the opening of said Box Office in a letter dated June 4, 2021.
6. On June 4, 2021, authorization was requested to the Superintendency for the opening of four banking establishments named: Taquillas CNR II San Salvador, Taquilla CNR San Miguel, Taquilla CNR Santa Tecla and Taquilla CNR Santa Ana with opening dates of June 10, 11 and 14, respectively. The Deputy Superintendent of Banks, Insurance Companies and Other Financial Entities notified her conformity with respect to the opening of said Taquillas in a letter dated June 9, 2021.
7. On June 16, 2021, the Central Reserve Bank of El Salvador approves the Technical Norms for the calculation and use of the Liquidity Reserve on deposits and other obligations (NRP-28), which will be effective as of June 23, 2021. The purpose of this regulation is to provide the parameters for the calculation of the Liquidity Reserve requirement that must be maintained by the obligated entities, as well as the provisions for its use, repealing the "Rules for the Calculation and Use of the Liquidity Reserve on Deposits and other Obligations" (NPB3-06) as of its entry into force.
8. Notification was received from UBS Financial Services Inc, dated June 4, 2021, informing the closure of securities custody services as of June 30, 2021, maintaining the business relationship for the rest of the financial services between both institutions. UBS's decision responds to its corporate strategy of withdrawing operations in Latin America.
9. On August 23, 2021, the Central Reserve Bank of El Salvador, approves the Temporary Technical Standards on Cybersecurity Measures and Customer Identification in Digital Channels (NPBT-06), which will be effective as of August 23, 2021. The objective of this norm is to reinforce cybersecurity measures in the computer systems of financial institutions through which information on financial products and services offered by financial institutions to their clients is collected, processed, transmitted and stored, as well as the implementation of measures for the correct identification of clients.

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10. On August 24, 2021, the Board of Directors approved the signing of the Administration Trust Agreement between Banco Hipotecario, who will act as trustee, and the National Commission for Micro and Small Enterprises (CONAMYPE, due to its name in Spanish), whose purpose is to administer the Fund for Entrepreneurship and Working Capital (FECAMYPE, due to its name in Spanish), to finance new projects of existing micro and small enterprises in all productive sectors, with emphasis on technology, the environment and the promotion of gender equality for a term of 25 years.
11. On September 7, 2021, the "Bitcoin Law" approved by Legislative Decree No. 57, dated June 8, 2021, published in the Official Gazette No. 110, Volume 431, became effective. The purpose of the law is to regulate bitcoin as legal tender, unrestricted with unlimited liberatory power in any transaction and under any title that natural or legal persons, public or private, may need to carry out.
12. On September 7, 2021, the Central Reserve Bank of El Salvador approves the Technical Norms to facilitate the participation of Financial Entities in the Bitcoin Ecosystem (NRP-29), which shall be effective as of September 7, 2021. The purpose of this rule is to regulate the subjects that offer bitcoin-based services to their customers, whether natural or legal persons, and these services may be offered directly or through a Bitcoin Service Provider.
13. On November 10, 2021, the recovery of credits that had been written off since July 29, 2020 was performed, recording the customer's payment for an amount of \$750.0 directly to products, thus cancelling the obligations with the Bank.
14. On November 9, 2021, the Board of Directors approved, at the request of the Ministry of Culture, the donation of the Banco Hipotecario Center Building, located on Avenida Cuscatlán, between fourth and sixth streets east of San Salvador, which shall be used for the construction of the new National Library of El Salvador. The donation of the building according to its book value (building and land) as of October 31, 2021 is for an amount of \$1,703.6.
15. On December 10, 2021, Ms. Patricia Carolina Guevara Rodriguez resigned from her position as Second Alternate Director of the Bank's Board of Directors as of that date.
16. On December 16, 2021 the Plaza Mundo Branch in Soyapango was inaugurated, located on km 4 ½, Boulevard del Ejército Nacional and Montecármelo Street, Centro Comercial Plaza Mundo Soyapango, Local COM-01-152, Etapa III, first floor, Soyapango, Department of San Salvador. The Deputy Superintendent of Banks, Insurance Companies and Other Financial Entities notified her conformity with respect to the opening of said branch in a letter dated December 15, 2021.
17. On December 22, 2021, the Central Reserve Bank communicated the agreement of the Board of Directors in session N. CD-42/2021 held on December 20 of the same year, authorizing Banco Hipotecario to provide services to its customers by enabling the use of Bitcoin for the payment of loans and collectors through branches, mini-agencies, and ticket offices through an external provider.

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2020

1. The General Shareholders' Meeting held on February 21, 2020 resolved the following items:
 - f. To approve the Annual Report, Balance Sheet, Income Statement, Statement of Changes in Equity and other Financial Statements for the fiscal year 2019.
 - g. To decree the payment of dividends to the preferred shares, from the profits of fiscal year 2019, equivalent to 6% of their nominal value, which corresponds to the amount of US\$ 88.9, establishing the payment date as of March 17, 2020.
 - h. To approve the transfer of the Unappropriated Retained Earnings for fiscal year 2019 equivalent to US\$ 7,701.4 to Voluntary Capital Reserves.
 - i. To approve the hiring of the auditing firm ERNST & YOUNG EL SALVADOR, S.A. DE C.V., as the Bank's Proprietary External Auditors for the Financial Auditing Service for the year 2020. The firm PÉREZ MEJÍA NAVAS, S.A. DE C.V. was also approved as Alternate External Auditors.
 - j. To approve the hiring of the auditing firm ERNST & YOUNG EL SALVADOR, S.A. DE C.V. as the Bank's Proprietary Tax Auditors, for the Fiscal Report and Opinion for the year 2020. The firm PÉREZ MEJÍA NAVAS, S.A. DE C.V. was also approved as Alternate Tax Auditors.
 - k. The appointment of the directors to occupy the positions on the Board of Directors for the new two-year term as of the date of their election, being conformed and restructured as follows:

Position	Director
President Director	Celina María Padilla de O'Byrne
Vice-President Director	Omar Chávez Portal
Director Secretary	Sandra Yanira Peña Amaya
First Alternate Director	María de los Angeles Palomo de Valiente
Second Alternate Director	Patricia Carolina Guevara Rodríguez
Third Alternate Director	Marcela Guadalupe Luna Uceda

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With the aforementioned appointment, the previous Board of Directors, which was in effect until June 19, 2020 and which was made up as follows, was terminated:

Cargo	Director
President Director	Celina María Padilla de O'Byrne
Vice-President Director	Engineer Omar Chávez Portal
Director Secretary	Sandra Yanira Peña Amaya
First Alternate Director	María de los Angeles Palomo de Valiente

- I. Approve the capital stock increase, through the capitalization of Voluntary Capital Reserves equivalent to US\$ 26,400.0 divided and represented by 4,400,000 common shares with a par value of US\$ 6.0 (six dollars) each.
 - m. Approve the capital stock increase, by means of a capital contribution in cash made by the shareholders of up to US\$2,100.0, or the amount effectively subscribed, divided and represented by 350,000 common shares with a par value of US\$6.0 (six dollars) each.
2. On March 14, 2020, the Legislative Assembly approved Legislative Decree No. 593, establishing the "State of National Emergency due to the COVID-19 Pandemic", published in the Official Gazette No. 52, Volume No. 426, and in Article 9 it states: "The legal terms and deadlines granted to individuals and entities of the Public Administration in the administrative and judicial proceedings in which they participate, whatever their subject matter and the instance in which they are, with respect to the natural and legal persons that are affected by the measures within the framework of this decree, shall be suspended for a term of thirty days, counted as of the effectiveness of this decree. All those persons who are unable to comply with their obligations because they are directly affected by the measures applied in compliance with this decree will not incur in non-compliance of contractual obligations and will not incur in civil and mercantile penalties.

Regarding the financial system, the standards committee of the Central Reserve Bank of El Salvador will issue the corresponding regulations. In accordance with the above, the Bank approved a Temporary Credit Policy, whose objectives were to establish guidelines to regularize the credit situation of clients affected by the crisis generated by COVID-19 and to support both current and new clients requesting financing to continue operating during the crisis, with credits of up to 1 year term and with a grace period of up to 6 months, focusing on the following destinations: payment of payroll and/or labor benefits, payment of basic services, merchandise transportation and/or customs expenses, financing of accounts receivable/payable or any expense related to the operation of the company.

The Bank, in order to serve customers in the face of the national emergency caused by COVID-19 and in accordance with the approved internal policies and the temporary rule issued by the Central Reserve Bank, provided support to the productive sectors, in order to maintain the operability of the businesses during the established periods of confinement. At the close of December 31, the portfolio influenced by COVID-19 arrangements or grants amounted to US\$ 438,856.1 thousand, equivalent to 49.6% of the total portfolio, including the granting of emergency support loans for working capital of US\$ 35,041.6, which is benefiting 714 clients, granted with CABEL's own resources and resources from CABEL.

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Given the circumstances of the crisis and its uniqueness, the Bank has made estimates based on the current conditions of the country, establishing levels of confidence, severity, and probability of repayment. Likewise, a recovery scheme for the extended portfolio has been designed based on the economic reactivation phases of the different sectors, and to give the adaptation period for the generation of cash flows of each of the clients. Consequently, and as a prudential measure, a model has been developed for the constitution of voluntary loan reserves to mitigate the impact of the projected deterioration of the portfolio, which as of the date of the report has accumulated US\$ 3,350.0 specifically for loans affected by the pandemic.

3. On March 18, 2020, the Central Reserve Bank of El Salvador approves the Temporary Technical Norms to face defaults and contractual obligations, which would be effective for 180 days from the following day of its approval. The purpose of this norm is to encourage the search for mechanisms to support the credit situation of debtors that may present payment difficulties in their loans or to the subjects contractually obligated with financial entities to which these apply, as a consequence of the economic crisis derived from the effects of COVID-19, which was declared a pandemic by the World Health Organization.
4. On March 18, 2020, the Central Reserve Bank of El Salvador approved the Temporary Technical Norms for the granting of loans, which will be in force until September 15, 2020. The purpose of this regulation is to address the emergency derived from COVID-19, so that institutions have more resources available for granting productive loans, through incentives, for which temporary provisions are established in the calculation of the liquidity reserve requirement.
5. On March 24, 2020, the Central Reserve Bank of El Salvador approved the Temporary Technical Norms for the Calculation of the Liquidity Reserve on Deposits and other Obligations, which would be effective from March 27, 2020 until September 23, 2020. The purpose of this regulation is to temporarily reduce the Liquidity Reserve requirement, in order to provide institutions with greater financial resources to face the emergency derived from COVID-19.
6. On April 14, 2020, the Legislative Assembly approved Decree No. 638, which repeals Articles 1 and 2 of Decree 537 dated December 8, 2004 and its amendments to Article 2 of the latter, contained in Legislative Decrees 165 dated November 30, 2006 and 529 dated December 2, 2010; Article 2 of Decree 537 established that the Bank may not grant loans or assume risks for more than 5% of its equity fund, in relation to the same natural or legal person, including state institutions and companies of an autonomous nature. As from May 14, 2020, effective as from this repeal, the Bank may grant credits and assume risks up to 25%, under the conditions set forth in article 197 of the Banking Law.
7. On September 10, 2020, the Central Reserve Bank of El Salvador, approves the Temporary Technical Norms for the Treatment of credits affected by Covid-19, which would come into effect from September 15, 2020 until March 13, 2021. The objective of the present norm is to enable support mechanisms for the credit situation of debtors that present or have presented payment difficulties in their loans with financial entities to which the present Norms apply, as a consequence of the economic crisis derived from the effects of the COVID-19 pandemic, which was declared by the World Health Organization.

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8. On September 21, 2020, the Central Reserve Bank of El Salvador, approves the Temporary Technical Norms to Incentivize the granting of credits, which would be effective from September 21, 2020 until March 16, 2021. The objective of this norm is to face the economic crisis derived from the COVID-19 pandemic, so that the entities have more resources available for the granting of productive credits, through incentives for which additional temporary dispositions are established in the calculation of the liquidity reserve requirement.
9. On September 21, 2020, the Central Reserve Bank of El Salvador approves the Temporary Technical Norms for the calculation of the Liquidity Reserve, which would be effective from September 21, 2020 until March 16, 2021. The purpose of these Technical Norms is to temporarily reduce the Liquidity Reserve requirement, in order to provide entities with greater financial resources to face the economic crisis derived from the effects of COVID-19, which was declared pandemic by the World Health Organization.
10. On December 8, 2020, Ms. María de los Angeles Palomo de Valiente resigned from her position as Alternate Director of the Bank's Board of Directors as of that date.
11. On December 28, 2020, an extraordinary asset called Elba del Carmen León de Dueñas was sold, from which the Bank obtained a net profit of US\$ 304.0, resulting from the release of reserves less accrued expenses.
12. On December 29, 2020, authorization was received from the Superintendency of the Financial System regarding the amendment of the articles of incorporation for a capital increase of US\$28,404.8, consisting of US\$26,400.0 for the capitalization of voluntary capital reserves and US\$2,004.8 for the increase of capital stock in cash represented by 4,734,140 new shares with a par value of US\$6.0 each. 2,004.8 for increase of capital stock in cash represented by 4,734,140 new shares with a par value of US\$6.0 each; going from a capital stock of US\$45,029.5 to one of US\$73,434.3. Said amendment was registered in the National Registry Center on the same date and recorded on December 30, 2020.

45. Date of approval of the financial statements

The financial statements as of December 31, 2021 were approved for issuance by the Management of Banco Hipotecario de El Salvador, S.A., on January 6, 2022.

