2024 Annual Report

Rural Bank of Sta. Rosa (Laguna), Inc.

A Salmon Company

I. Corporate Policy

Founded in 1963, the Rural Bank of Sta. Rosa (Laguna), Inc. ("Bank", "STRLA", "RBSRLI") has long been a trusted financial institution, serving multiple generations of Filipinos across the Laguna and Cavite provinces. This legacy of trust and understanding of the local market was further strengthened on 8 January 2024 when Salmon Group Ltd acquired 59.69% of the Bank's outstanding voting shares. This acquisition marks a significant step towards our Vision and Mission of fostering financial inclusion and literacy throughout the country.

Vision: We aim to create a sustainable and profitable financial ecosystem with advanced technology, serving all Filipino consumers, especially the underserved and the underbanked, by providing diverse and accessible financial products. We are committed to financial inclusion and literacy, contributing to a more equitable financial system and better outcomes for all Filipinos.

Mission: Our mission is to achieve financial inclusion by empowering all Filipinos, particularly the underserved and the underbanked, with modern, secure, and fair financial services that simplify and make managing money more affordable, positively impacting millions of lives.

Aligning with the Bank's vision, the Bank offers a comprehensive suite of financial products, including:

Consumer Lending: The Bank offers a diverse range of loan products tailored to meet the needs of individual consumers. Our consumer lending portfolio includes salary-based general-purpose consumption loans ("Cash Loans") and will soon include vehicle loans and MSME loans, and, subject to regulatory approval, credit cards. These products are designed to support the financial needs of the communities we operate in.

Retail Deposits: Deposits from both Corporate and Individual clients form a significant part of our funding base. The Bank offers competitive interest rates and flexible terms through various deposit products such as checking, savings, and time deposits. These deposits are then mobilized to support the Bank's lending activities.

Branch and Telesales Operations: Our Bank has its head office in Sta. Rosa, Laguna and its one branch in Bacoor, Cavite. These offices serve as the primary touchpoints for our customers, providing them with access to our full range of financial products and services. In addition to our branch network, we have a dedicated Telesales team that reaches out to customers, offering personalized assistance and promotion of our financial products. This combination of branch and Telesales operations ensures that we remain accessible to our customers.

Our Bank sets itself apart through its deep-rooted commitment to community development and its evolving and innovative approach to financial services. Its long history has fostered strong customer relationships, enabling the Bank to address the unique financial needs of its community. Now as part of Salmon Group Ltd, the Bank can leverage the advanced technology of the group, and a broader range of financial products and services to enhance its offerings. The integration of Telesales with its established branch network ensures personalized and accessible financial solutions. This blend of tradition and innovation, coupled with a focus on financial inclusion and literacy, positions the Bank as a key driver of economic growth and financial stability within the communities it serves.

II. Financial Summary/Financial Highlights

Shown below are the highlights of the Bank's financial performance for 2024:

Rural Bank of Sta. Rosa (Laguna), Inc.		
amounts in Philipine Peso, ratios in percent (%)		
Account Description	December 2024	December 2023
BALANCE SHEET		
Liquid Assets	265,014,973	33,062,117
Loan Portfolio – Net	908,689,127	67,467,926
Total Assets	1,293,500,512	112,340,292
Deposit Liabilities	571,178,795	77,545,528
Total Equity	260,814,842	33,679,614
PROFITABLITY		
Total Net Interest Income	348,429,463	9,181,743
Total Non-Interest Income	270,861,474	3,260,723
Total Non-Interest Expense	152,090,418	9,966,712
Pre-Provision Profit	467,200,519	289,044
Allowance for Credit Losses	184,598,283	3,015,881
Net Income	213,074,667	1,681,246

SELECTED PROFITABILITY RATIOS	2024	2023
Return on Asset	26.56%	1.51%
Return on Equity	143.65%	5.13%

KEY RATIOS	2024	2023
Capital Adequacy Ratio (CAR)	19.20%	30.59%
Tier 1 Capital Ratio	18.62%	30.05%
Minimum Liquidity Ratio (MLR)	26.09%	61.48%
Past Due Ratio	10.01%	0.10%
NPL Ratio	4.09%	2.07%
NPL Coverage Ratio	174.40%	180.26%

In January 2024, the acquisition of a 59.69% equity stake by Salmon Group Ltd. of the Bank was completed. This strategic acquisition enabled the Bank to pursue loan portfolio purchases as an additional means of supporting asset growth and profitability.

As of 31 December 2024, the Bank's total assets soared to PHP 1.29 billion from PHP 112.34 million in the previous year, driven primarily by the expansion of its net loan portfolio to PHP 908.69 million. Liquid assets also saw a marked increase to PHP 265.01 million, reflecting the parent company's commitment to growing the Bank's capital, in addition to the effective loan collections and expanding the new customer deposit base. The growth in deposit liabilities to PHP 571.18 million, from PHP 77.55 million, was fueled in part by the successful launch of innovative deposit products such as the Salmon Time Deposit, which offered among the highest interest rates in the Philippine market of up to 8.88% per annum.

The Bank's capitalization was further strengthened with Salmon Group Ltd's capital injection of PHP 295 million as part of its subscription to the increase in authorized capital stock. In line with this, the Bank applied for the amendment of its Articles of Incorporation to raise its authorized capital to PHP 1.2 billion, to further fuel its continued growth and product expansion.

On profitability, the Bank posted a net income of PHP 213.07 million for the year, a significant improvement from PHP 1.68 million in 2023. This was supported by PHP 348.43 million in net interest income and PHP 270.86 million in non-interest income, reflecting robust revenue streams under the new business model of purchasing loans. To further manage its credit risk, the Bank provided PHP 184.60 million in allowance for credit losses which resulted in a pre-provision income of PHP 467.20 million.

Profitability ratios likewise reflected the Bank's strong performance, with Return on Assets (ROA) improving to 26.56% from 1.51%, and Return on Equity (ROE) increasing sharply to 143.65% from 5.13%, underscoring efficient utilization of capital and assets to drive earnings.

III. Financial Condition and Results of Operation

Dear Shareholders,

It is with great pride that I present the Bank's performance in 2024. This year has been a period of transformation, growth, and renewed ambition for our institution. We achieved significant milestones—marked by a change in ownership, financial expansion, strengthened governance, and the introduction of new products designed to better serve our customers.

The transition to new ownership brought a fresh strategic vision, emphasizing a long-term commitment to sustainable growth. Our new shareholders have demonstrated strong confidence in our potential, providing not only expertise but also significant capital support. In February 2024, the Group infused PHP20.0 million in capital, underscoring their immediate commitment to our development. In addition, a deposit for future stock subscription amounting to PHP 295.0 million was made last May 2024 and subsequently converted into equity last March 2025, further reinforcing their long-term alignment with our growth objectives.

Over the past year, the Bank has collaborated closely with the Bangko Sentral ng Pilipinas (BSP) and worked to build a strong foundation for promoting financial inclusion in the Philippines. In 2024, our efforts were guided by a strong commitment to community engagement and responsible financial practices. As we look ahead to 2025 and beyond, we remain focused on supporting responsible lending and improving access to quality financial services for the communities we serve in Sta. Rosa (Laguna) and across the country.

The year 2024 was also marked by strong financial progress. We delivered growth across key financial metrics while maintaining a disciplined approach to risk and profitability. Our balance sheet expanded significantly, with assets reaching PHP 1.29 billion—1051.4% higher than the prior year. This growth was fueled by an expansion in the Bank's loan portfolio, supported by a stronger deposit base. Total loans (net) increased by 1,247.8%, reaching PHP

908.7 million. On the funding side, deposits grew by 636.6%, reaching PHP 571.2 million by year-end, driven in large part by the strong community response to our new 8.88% deposit product.

Revenue reached PHP 619.3 million, supported by significant growth in both net interest and non-interest income. Net Interest Income rose to PHP 348.4 million, marking a 3,694.8% increase, while Non-Interest Income grew to PHP 270.9 million, up 8,206.8%. The Cost-to-Income ratio, excluding provisions, dropped significantly to 24.6% from 80.1% the prior year. As a result, net profit climbed to PHP 213.1 million, up from PHP 1.7 million—a substantial year-on-year improvement. This translated to a Return on Assets of 26.56% and a Return on Equity of 143.65%.

The Bank demonstrated sound asset quality, with a gross Non-Performing Loan (NPL) ratio of 4.09% and a strong NPL Coverage Ratio of 174.4%. These metrics outperformed the Rural Banking industry's average NPL ratio of 6.35% and coverage ratio of 82.19%, underscoring our prudent credit risk management. Moreover, the Bank maintained a solid liquidity and capital position. Our Minimum Liquidity Ratio (MLR) stood at 26.09%, and our Capital Adequacy Ratio (CAR) at 19.2%—both well above the minimum regulatory requirements of 20.0% and 10.0%, respectively.

Beyond financial performance, we also improved how we govern and operate the Bank, enhancing compliance, board oversight, and risk management. These efforts were made possible by the strong team we built last year, composed of experienced professionals across risk, operations, and retail banking who have played a key role in driving our progress.

As we look to the future, our focus is on building on this momentum, growing sustainably, and making a positive impact on the communities we serve. Thank you for being an integral part of our journey. We are honored to be your financial partner and look forward to achieving even greater milestones together in the years ahead.

Georgy Chesakov
President and CEO

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IV. Risk Management Framework Adopted

A. RISK MANAGEMENT CULTURE AND POLICY

The Bank embraces a disciplined, enterprise-wide approach to risk management that reflects its strategic priorities, operational resilience, and regulatory obligations. In 2024, the Bank recognizes technology as a main driver of growth and transformation, and as such, places renewed emphasis on strengthening risk controls and governance structures around technological assets and digital operations.

The Bank's risk culture is rooted in the belief that effective risk management is the responsibility of all employees. It is not merely a control function, but a fundamental part of business execution. The Bank fosters a culture of awareness, accountability, and transparency in managing risks, aligning individual and departmental actions with its overall mission to protect stakeholder interests, ensure operational sustainability, and uphold trust in the banking system.

Guided by its Board-approved Risk Management Policy, the Bank's risk philosophy is anchored on the following key principles:

- Risk management is embedded across all strategic and operational activities.
- Risk-taking decisions are aligned with defined risk appetite and the Bank's long-term business objectives.
- Independent oversight, objectivity, and challenge are ensured through a formal governance structure.
- Risk identification and escalation mechanisms are clear, timely, and responsive to emerging threats.
- Continuous improvement of internal controls, especially in areas of digital transformation, is prioritized.

As part of this philosophy, technology-related risks such as cybersecurity, data privacy, IT resiliency, and third-party IT risk have been incorporated into the Bank's risk landscape and are actively monitored by the Risk Management Team. These risks are treated not only as operational threats but also as strategic considerations in shaping future initiatives.

The Board of Directors, through the Risk Oversight Committee (ROC), provides top-level direction and oversight, ensuring that the Bank's risk appetite, governance structure, and frameworks remain responsive to internal developments and the external environment. This governance approach reinforces a culture where risk-informed decisions support innovation, compliance, and sustainable banking.

B. RISK APPETITE AND STRATEGY

The Bank defines its risk appetite as the degree and type of risk it is willing to accept in pursuit of its strategic and operational goals, with full consideration of its fiduciary responsibilities and long-term sustainability. The Bank's risk appetite is reviewed and approved by the Board of Directors, guided by recommendations from the Risk Oversight Committee (ROC), and is implemented through operational risk limits and thresholds monitored across all business units.

The risk appetite framework supports decision-making by aligning risk-taking activities with the Bank's growth strategy, stakeholder expectations, and regulatory requirements. It is designed to provide sufficient flexibility to pursue opportunities while maintaining robust control over risk exposures. The Bank applies differentiated risk tolerance levels across various domains, recognizing that some risks are inherent to the business and can be accepted to support the Bank's strategic objectives, while others must be minimized or avoided.

The Bank maintains:

- Zero to minimal tolerance for risks that can severely impact its reputation, regulatory compliance, or financial stability, such as capital adequacy shortfalls, liquidity breaches, major compliance violations, and significant fraud losses.
- Low tolerance for conduct risk, operational breakdowns, and technological failures that can undermine customer trust or business continuity.
- Moderate to high tolerance in strategic areas, including credit and operational initiatives that align with the Bank's core objective of promoting financial inclusion—particularly for the underbanked and underserved sectors—provided these are backed by strong controls, risk-reward analyses, and regular oversight.

Key risk areas covered under the Bank's Risk Appetite Statement include:

- Credit Risk: A higher risk tolerance is exercised in this area to support the Bank's development and financial inclusion agenda. While credit risk is actively managed, flexibility is granted to expand lending activities within defined risk-reward parameters, and controls are calibrated to the small and distributed nature of the Bank's loan portfolio.

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- **Liquidity and Capital Adequacy Risk**: The Bank enforces strict internal thresholds to ensure compliance with regulatory standards and to preserve its ability to meet financial obligations under normal and stressed conditions.
- **Operational and Compliance Risk**: A structured risk assessment process ensures that operational risks—whether process-based, system-driven, or people-related—are properly mitigated. The Bank has a low tolerance for significant process failures and regulatory breaches.
- **Technology and Cyber Risk**: In view of technology being a primary enabler of the Bank's strategic direction for 2024, a medium to low risk appetite is adopted for technology-related risks. The Bank is committed to building secure, scalable digital capabilities while instituting comprehensive governance, monitoring tools, and proactive controls to manage risks tied to information security, system resilience, and data privacy.
- **Strategic Risk**: The Bank recognizes that certain risks are necessary to achieve transformative outcomes. Therefore, it maintains a high-risk appetite for well-assessed strategic investments, product innovations, and digital transformation initiatives—so long as these align with long-term business goals and deliver measurable value.
- **Financial Crime and Fraud Risk**: A zero-to-low tolerance stance is taken against internal or external fraud and other financial crimes. The Bank continuously strengthens its preventive and detective mechanisms, including the deployment of automated monitoring tools.
- **ESG Risk**: The Bank integrates environmental, social, and governance considerations into its overall risk posture. While metrics are still evolving, the Bank is committed to aligning its operations and portfolio with sustainable development goals.

This diversified and balanced risk appetite allows the Bank to be agile and responsive to market changes while ensuring it remains within safe operating boundaries. The Risk Appetite Statement is reviewed annually or when material changes occur in the Bank's risk profile or strategic direction.

Managing Risks and the Bank's Key Controls

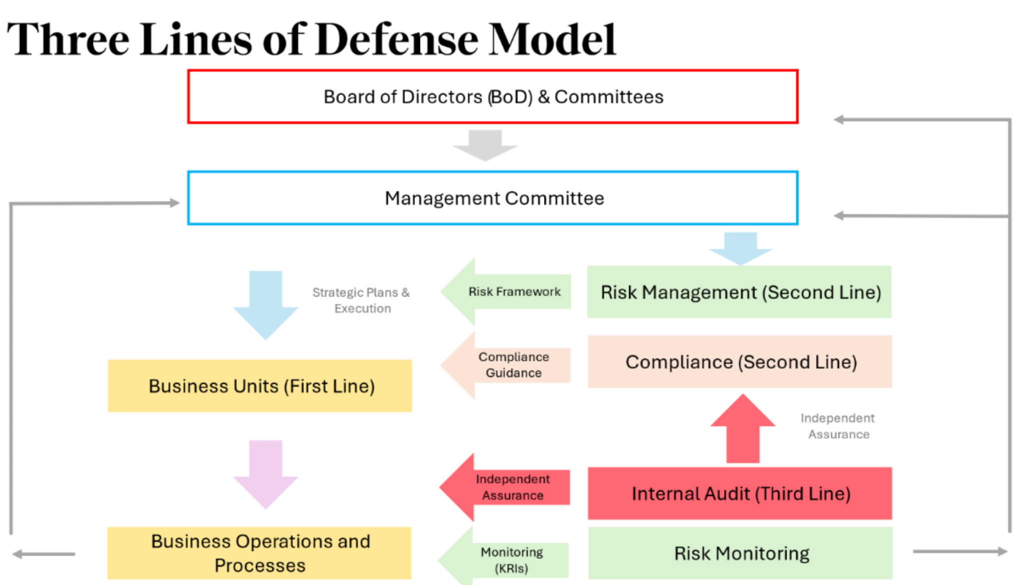
To operationalize its risk appetite, the Bank adopts a proactive approach to risk management by embedding controls across its financial and non-financial risk areas. These controls are integrated into business processes, supported by policy frameworks, and overseen by responsible units across all three lines of defense.

For **financial risks**—such as credit, liquidity, capital adequacy, and market —the Bank applies prudent risk evaluation methods and governance mechanisms that ensure exposures remain within acceptable parameters. Monitoring and escalation protocols are in place to identify emerging trends, validate performance against set thresholds, and enable timely intervention when necessary.

For **non-financial risks**, including operational, compliance, technology, cybersecurity, reputational, and strategic risks, the Bank emphasizes awareness, early detection, and process discipline. Risk ownership is embedded at the business level, with dedicated oversight functions providing independent challenge and assurance. Key risk and control activities—such as assessments, monitoring, and reporting—are conducted regularly to support accountability and continuous improvement.

These controls are continuously reviewed and enhanced in line with the Bank's evolving risk profile, regulatory expectations, and strategic direction, ensuring that risk-taking activities are aligned with its long-term objectives and organizational values.

C. RISK GOVERNANCE, STRUCTURE AND PROCESS



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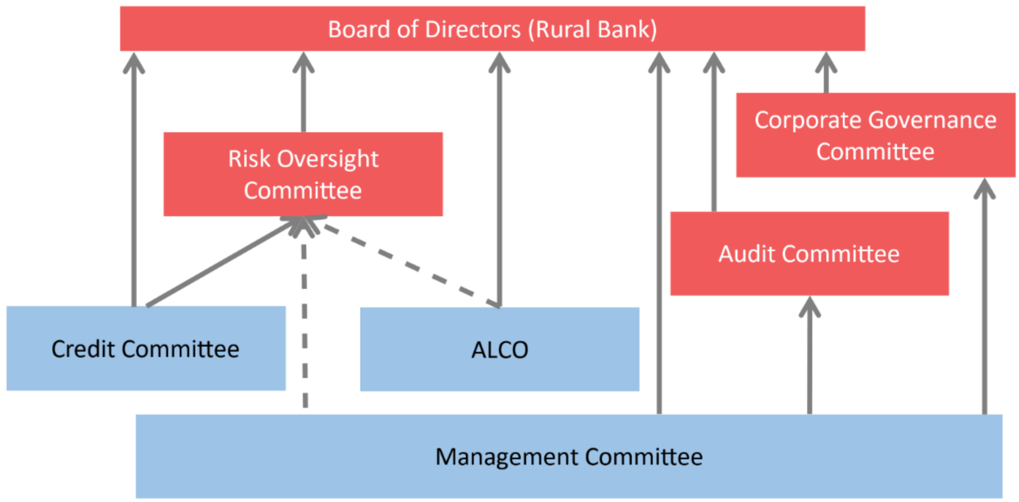
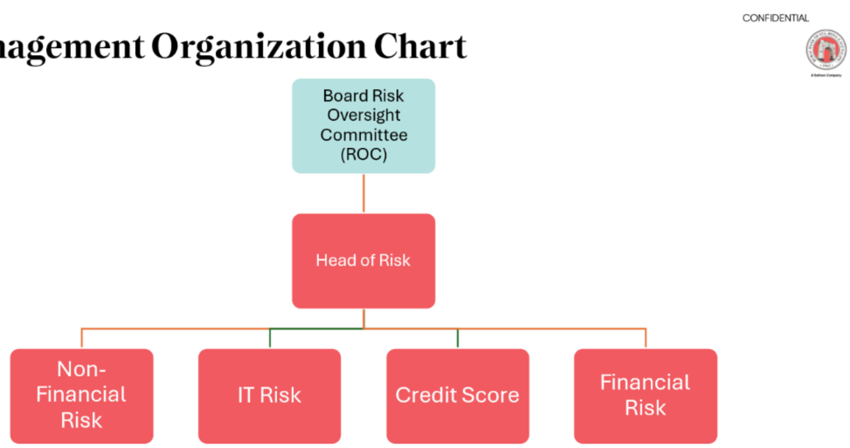
REPORTING / GOVERNANCE



Risk Management Organization Chart



The Bank maintains a comprehensive and layered governance structure to ensure effective enterprise-wide risk management. The Bank follows the Three Lines of Defense model, supported by dedicated risk and control functions, structured committees, and clear escalation protocols.

At the top of the governance hierarchy, the Board of Directors sets the strategic direction for risk governance. The Risk Oversight Committee (ROC), and Audit Committee provide specialized oversight on risk domains and ensure that key risk exposures remain within acceptable parameters. Senior Management executes risk strategies through the

Management Committee, Information Technology Steering Committee, Credit Committee, and Asset and Liability Committee (ALCO) cascading oversight and accountability across business units.

The First Line of Defense comprises the Bank's business units, which are responsible for identifying, assessing, and managing risks within their day-to-day operations. They are directly accountable for implementing controls and ensuring compliance with internal policies and risk limits.

The Second Line of Defense is composed of the Risk Management and Compliance functions. These units provide independent oversight, facilitate risk assessments, develop risk-related policies, and support the execution of the Risk Management Framework (RMF). The Risk Management Team also prepares reports for the Board and ROC, highlighting current and emerging risk exposures.

The Third Line of Defense is represented by the Internal Audit, which independently evaluates the effectiveness of risk management processes and internal controls. The function ensures that risk practices are aligned with the Bank's policies and regulatory expectations, reporting directly to the Board and Audit Committee.

Risk monitoring is conducted using structured processes, such as regular Key Risk Indicator (KRI) tracking, risk assessments, and incident reporting. This ensures timely detection of risk exposures and facilitates prompt remediation.

RISK TOOLS

The Bank leverages a suite of structured risk management tools that form the backbone of its risk monitoring and control environment. These tools enable business units and oversight functions to proactively manage exposures and ensure timely, risk-informed decision-making.

One of the primary tools is the Risk and Control Self-Assessment (RCSA). This structured and collaborative methodology empowers departments to identify their key risks, evaluate the effectiveness of existing controls, and implement remediation plans. Through RCSA, risk ownership is decentralized to the process owners, fostering a culture of accountability and enhancing transparency in risk reporting. It also enables departments to track progress on corrective action plans (CAPs) and refine their controls over time.

The Bank also employs Key Risk Indicators (KRIs) to monitor the early warning signs of potential risk events. KRIs are measurable metrics aligned with the Bank's risk appetite and thresholds. These are tracked regularly, with traffic light indicators:

- Green signals risk levels are within acceptable thresholds.
- Amber flags emerging risks requiring closer attention.
- Red denotes breaches that exceed the Bank's risk tolerance and necessitate immediate management action.

Additionally, Risk Incident Reporting is a vital process in the Bank's operational risk management framework. Risk incidents are unexpected events that could disrupt normal operations, cause financial loss, or impact regulatory or reputational standing. These may stem from human error, system failure, process breakdown, or external threats. When an incident occurs, it must be reported promptly—ideally within 24 hours of discovery—using a standardized format that captures the event description, cause, impact, affected unit, and remedial actions. This ensures effective root cause analysis, promotes continuous improvement, and supports compliance with regulatory expectations.

Together, RCSA, KRI monitoring, and incident reporting enable the Bank to maintain real-time visibility over its risk environment and ensure controls remain aligned with its business operations and risk appetite.

D. AML GOVERNANCE AND CULTURE

Pursuant to the regulatory requirements set forth in various AML regulations and to uphold zero tolerance for unlawful activities, the Bank has established a comprehensive Money Laundering (ML), Terrorist Financing (TF), and Proliferation Financing (PF) Prevention Program (MTPP) owned by the Bank's Compliance Unit. This document outlines the internal controls designed to mitigate ML/TF/PF risks arising from the Bank's operations and to prevent criminals from making the Bank a conduit for proceeds of unlawful activities. The Bank complies with the minimum provisions to be incorporated in the MTPP, viz:

(a) Risk management;
(b) Compliance management setup
(c) Screening procedures to ensure high standards when hiring employees;
(d) Continuing education and training program;
(e) Independent audit function;
(f) Details of implementation of CDD, record-keeping and reporting requirements;
(g) Compliance with freeze, bank inquiry and asset preservation orders, and all directives of the AMLC;
(h) Adequate safeguards on the confidentiality and use of information exchange, including safeguards to prevent tipping-off; and
(i) Cooperation with the AMLC and Supervising Authorities

In 2024, the Bank completed its Institutional Risk Assessment, which evaluated ML/TF/PF risks in various areas such as, customers, transactions, products and services, geographical area of operations, and delivery channels. Results thereof disclosed that the Bank has in place adequate controls, proportionate to its size, nature, and complexity, to effectively manage and mitigate ML/TF/PF risks.

V. Corporate Governance

Corporate governance is primarily the responsibility of the Board of Directors and Senior Management. The Board of Directors, composed of members with a wide variety of backgrounds, ensures that the highest standards of corporate governance are enforced, and uses the criteria set out in the Manual of Regulation for Banks ("MORB"). The Board defines the Bank's strategic vision, ensures that internal control functions are operating effectively and oversees the quality of the information provided to shareholders and regulators like the BSP. The Bank's Board retains full and effective control of the Bank's operations and is ultimately accountable and responsible for the performance of the Bank. This includes responsibility for reviewing and guiding corporate strategy, through the establishment of key policies and objectives, understanding the key risks faced by the Bank, determining the risk appetite, tolerance and preferences of the Bank and the processes in operation to mitigate these. The Bank's Board has overall responsibility for the management of the bank and for maximizing shareholder value. In discharging its responsibilities, the Board is supported by senior management, together with established committees.

A. GOVERNANCE POLICIES

CORPORATE GOVERNANCE MANUAL

The Corporate Governance Manual is intended to institutionalize the principles of good corporate governance in the Bank.

The Bank's Board, Management, officers, employees, stockholders and other stakeholders believe that good corporate governance is a necessary component of what constitutes sound strategic business management and as such, they will undertake every effort necessary to create awareness within the Bank of the rules and principles contained in the Corporate Governance Manual.

The Corporate Governance Manual covers, among others, the Bank's governance structure and standards, the responsibilities of the Board, and stockholders' rights and protection of minority stockholders' interests[1].

RELATED PARTY TRANSACTIONS (RPT)

The Bank shall observe the arm's length principle in all its related party transactions. Said principle is the condition or fact that the parties to a transaction are independent and on equal footing, free from any pressure or duress from the other party and when applied to related party transactions, it ensures that the transaction is conducted in the regular course of business (fair process) and not undertaken on more favorable economic terms to such related parties than similar transaction within non-related parties under similar circumstances (fair terms).

In the application of the arm's length principle, any of the following approaches can be observed:

- Conduct a vetting process which may include documented benchmarks or comparable pricing analysis of similarly situated unrelated transactions;
- As may be applicable, conduct a transfer pricing analysis based on industry methodologies or under BIR Regulation
- Determine the arm's length results, including whether the present logical and persuasive basis demonstrates that the terms set between related parties conform to the arm's length principle.

All transactions with the Bank's Related Parties shall undergo the regular transactions review and approval process and all Related Party transactions. Any director/member of the Board who has interest in the transaction must abstain from participation in the review and approval of any Related Party Transaction.

The Bank also encourages employees to communicate, confidentially and without risk of reprisal, legitimate concerns about illegal, unethical or questionable RPTs which may be reported in writing to the Bank's Chief Compliance Officer. Said officer with the Audit Committee and Head of Risk shall create an independent unit to conduct investigation on the reported transaction and report its findings and recommendations

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1 *The Bank's Board Manual was approved by the Board on 03 March 2025. Said Manual supplements and compliments the Bank's Articles of Incorporation, By-Laws and Corporate Governance Manual in line with the applicable provisions of the MORB and other relevant rules and regulations of the Revised Corporation Code, Securities and Exchange Commission, and other relevant laws.*

to the Board for decision.

The Bank's Related Party Transactions Committee was established on 31 January 2025 and the Bank's Related Party Transactions Policies and Procedures were revised on 03 March 2025.

Below is a summary of Material Related Party Transactions in 2024. Details have been disclosed through the submission of required periodic reports to the BSP:

Related Counterparty	Relationship between the Parties	Transaction Date	Type of Transaction	Amount/Contract Price (PHP)	Term	Rationale for entering into the transaction
Anna Liza M. Siongco and Family	Director	08 January 2024	Sale of Bacoor Property (Land and Building)	3,930,426.10	N/A	By selling the properties, the Bank can convert assets into cash, which can be reinvested into more productive areas that align with the strategic direction of the Bank.
Anna Liza M. Siongco and Family	Director	08 January 2024	Sale of Sta. Rosa Property (Land and Building)	2,056,000.00	N/A	
Anna Liza M. Siongco and Family	Director	08 January 2024	Lease of Building (Bacoor)	80,000	5 years	By leasing properties, the Bank is able to retain its base in locations already well known by its clients.
Anna Liza M. Siongco and Family	Director	08 January 2024	Lease of Building (Bacoor)	80,000	5 years	
Sunprime Finance Inc.	Affiliate	12 April 2024	Purchase of Loans and Receivables	200,486,711.86	N/A	To enhance the Bank's asset base by acquiring performing loans and receivables which can improve the Bank's earning potential through interest income and fees.
Sunprime Finance Inc.	Affiliate	29 April 2024	Purchase of Loans and Receivables	95,685,952.95	N/A	
FHL Financing Company, Inc.	Affiliate	07 May 2024	Purchase of Loans and Receivables	27,675,045.30	N/A	
Sunprime Finance Inc.	Affiliate	14 May 2024	Purchase of Loans and Receivables	69,616,934.94	N/A	
Sunprime Finance Inc.	Affiliate	05 June 2024	Purchase of Loans and Receivables	109,850,396.11	N/A	
Sunprime Finance Inc.	Affiliate	26 June 2024	Purchase of Loans and Receivables	110,568,032.97	N/A	
Sunprime Finance Inc.	Affiliate	30 April 2024	Administrative Fee Agreement	5% of 32,545,298.99 collection	N/A	These agreements aimed at covering the costs associated with the administration and management of loans and receivables ensuring efficient operations and service delivery.
Sunprime Finance Inc.	Affiliate	02 May 2024	Administrative Fee Agreement	5% of 3,000,000,00 collection	N/A	
Sunprime Finance Inc.	Affiliate	31 May 2024	Administrative Fee Agreement	5% of 92,222,609.18 collection	N/A	
Sunprime Finance Inc.	Affiliate	28 June 2024	Administrative Fee Agreement	5% of 90,000,000.00 collection	N/A	
Sunprime Finance Inc.	Related Interest	14 August 2024	Purchase of loans	278,642,405.40	N/A	To strengthen the Bank's revenue growth
Sunprime Finance Inc.	Related Interest	09 September 2024	Purchase of loans	192,048,160.45	N/A	

Sunprime Finance Inc.	Related Interest	30 September 2024	Purchase of loans	115,417,863.91	N/A	The administrative fee covers the costs associated in the customer service rendered by Sunprime in relation to the loans purchased by the Bank.
Sunprime Finance Inc.	Related Interest	31 July 2024	Payment of administrative fee	8,845,493.16	N/A	
Sunprime Finance Inc.	Related Interest	31 August 2024	Payment of administrative fee	7,412,769.83	N/A	
Sunprime Finance Inc.	Related Interest	30 September 2024	Payment of administrative fee	5,628,223.83	N/A	
Sunprime Finance Inc.	Related Interest	29 November 2024	Purchase of loans	256,674,921.99	N/A	To strengthen the Bank's revenue growth
Sunprime Finance Inc.	Related Interest	20 December 2024	Purchase of loans	244,345,465.96	N/A	
Sunprime Finance Inc.	Related Interest	27 December 2024	Purchase of loans	125,286,319.63	N/A	
Sunprime Finance Inc.	Related Interest	31 October 2024	Payment of administrative fee	10,656,680.60	N/A	The administrative fee covers the costs associated in the customer service rendered by Sunprime in relation to the loans purchased by the Bank.
Sunprime Finance Inc.	Related Interest	30 November 2024	Payment of administrative fee	11,395,656.08	N/A	
Sunprime Finance Inc.	Related Interest	31 December 2024	Payment of administrative fee	12,031,476.75	N/A	

Said Material Related Party Transactions, together with the Non-Material Related Party Transactions in Year 2024, were ratified by the Bank's stockholders during the Annual Stockholders' Meeting held on 31 January 2025.

ANTI-MONEY LAUNDERING GOVERNANCE

The Bank is cognizant of its obligations on financial crime compliance, which includes compliance with the Anti-Money Laundering Act, its Implementing Rules and Regulations and other related state laws. In this regard, it adopted a Board-approved Money Laundering (ML) / Terrorism Financing (TF) / Proliferation Financing (PF) Prevention Program ("MTPP") which outlines the Bank's controls and measures to combat ML/TF/PF and mitigate the risk of making the Bank a vehicle for illegal activities. The MTPP is owned by the Bank's Compliance Office who is responsible for ensuring the continuing relevance of the provisions contained therein. Material ML/TF/PF risks are reported to the Risk Oversight Committee.

WHISTLE BLOWING

The Bank is committed to upholding the highest standards of integrity, transparency, and accountability. A Whistleblowing Policy exists to provide a secure and confidential channel for employees, clients, and stakeholders to report illegal, unethical, or fraudulent activities without fear of retaliation. All reports are treated with strict confidentiality and investigated promptly and impartially. The Bank ensures protection for whistleblowers acting in good faith and prohibits any form of discrimination or harassment. Compliance with legal and regulatory requirements is strictly enforced in all whistleblowing procedures.

CODE OF CONDUCT

The Bank upholds the highest ethical standards in all its operations, guided by integrity, professionalism, and compliance with laws and regulations. The Code of Conduct outlines the expected behavior of directors, officers, employees, and representatives in fulfilling their duties with honesty, fairness, and accountability. The Bank prohibits bribery, fraud, and any form of discrimination or harassment. Employees are expected to act in the best interest of the Bank and its stakeholders, fostering a culture of trust and respect. Violations of the policy will result in disciplinary action, including termination and legal consequences where applicable. By adhering to these principles, the Bank ensures sustainable growth and maintains public confidence in its services.

SUCESSION PLANNING

The Bank ensures organizational continuity and leadership stability through a structured Succession Planning Policy. The policy identifies and develops qualified internal candidates for key positions, aligning with the Bank's long-term goals and regulatory requirements. Potential successors are assessed based on performance, competencies, and leadership potential. The Board and Management regularly review succession plans to maintain readiness for seamless transitions. By fostering talent growth, the Bank safeguards its operational resilience and sustainable growth.

PERFORMANCE MANAGEMENT

The Bank Performance Appraisal process evaluates performance based on business contributions and adherence to the Bank's policies. Constructive feedback and recognition of achievements empower employees to excel in their roles. Regular assessments foster a culture of continuous improvement, accountability, and career advancement. Through this approach, we strengthen both individual potential and the Bank's overall performance.

CAPACITY PLANNING

The Bank aligns its human resource capabilities with current and future business needs through recruitment, skills development, and succession planning. By fostering a culture of continuous learning and adaptability, we empower our employees to meet evolving business demands and regulatory requirements. Our goal is to build a resilient, motivated, and high-performing workforce that drives sustainable growth and exceptional customer service.

B. SELECTION PROCESS

Members of the Board are elected by stockholders and pass through rigid fit-and- proper test of the Bank using its Corporate Governance Manual. The Compliance Office, in coordination with the Legal Unit of the Bank, processes all BSP confirmation of all elected Directors. The BSP then scrutinizes the qualifications of each director to ensure that each director has all the qualifications and none of the disqualifications as stated in the MORB and other relevant laws and regulations.

In evaluating the suitability of director, the Board takes into account the relevant qualifications of every candidate nominated for election such as among others, physical/ mental fitness, relevant educational and professional background, personal track record, diversity of related experience/ training, commitment to contribute, willingness to serve and interest to remain engaged and involved. The same is true with the members of Senior Management, except that not all undergo BSP confirmation.

With the qualifications and minimum skills required for each key positions, the Bank encourages the formal, fair and transparent selection of a mix of competent directors and senior management in accordance with its policies and procedures, each of whom can add value and create independent judgement as to the formulation of sound corporate strategist and policies.

With the establishment of the Bank's Corporate Governance Committee on 31 January 2025, all future nominations for candidates for directors will be reviewed and evaluated by the said committee.

C. BOARD'S RESPONSIBILITY

The Board is primarily responsible for defining the Bank's vision and mission. The Board has the fiduciary responsibility to the Bank and all its shareholders, including minority shareholders. It shall approve and oversee the implementation of strategies to achieve corporate objectives. It shall also approve and oversee the implementation of the risk governance framework and the systems of checks and balances. It shall establish a sound corporate governance framework. The Board shall approve the selection of the President and key members of senior management and control functions and oversee their performance. Further, the Board shall define the Bank's corporate culture and values. It shall establish a code of conduct and ethical standards in the Bank and shall institutionalize a system that will allow reporting of concerns or violations to an appropriate body.

D. ROLES AND CONTRIBUTION

EXECUTIVE DIRECTORS

Executive directors are employees of the Bank. They have a thorough knowledge of the Bank's operations, and they manage the day-to-day operations of the Bank. In basic terms, the executive directors run the Bank and deal with the preparation of and implementation of the strategic plans and business plans of the Bank. Executive Directors perform operational and strategic business functions such as managing people, looking after business assets, hiring and firing staff, and entering into contracts.

NON-EXECUTIVE DIRECTORS, INCLUDING INDEPENDENT DIRECTORS

The non-executive directors have specialist knowledge that will help provide the Board with valuable insights, particularly in the field of rural banking. They are independent of the Bank's Management and as such, they bring a degree of objectivity to the Board's deliberations and play a valuable role in monitoring the Bank's Management. They bring to the Board independence, impartiality, wide experience, special knowledge, and personal qualities.

Independent Directors act as a guide to the bank. Their roles broadly include improving corporate credibility and governance standards functioning as a watchdog, and playing a vital role in risk management. Independent directors play an active role in the Board-level committees, particularly the Audit Committee, to ensure good governance.

In Year 2024, all of the Bank's Board-level committees were composed of non-executive directors (including independent directors) and the Chairperson of the Audit Committee and Risk Oversight Committee is an independent director[2].

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[2] As of 31 May 2025, all of the Bank's Board-level committees are composed of non-executive directors (including independent directors) and an independent director is the Chairperson of the following Board-level committees: Audit Committee, Risk Oversight Committee, Corporate Governance Committee and Related Party Transactions Committee. Moreover, the Bank

CHAIRMAN OF THE BOARD

The principal role of the Chairman of the Board is to manage and to provide leadership to the Board. The Chairman is accountable to the Board and acts as a direct liaison between the Board and the Management through the President. The Chairman acts as the communicator for Board decisions where appropriate.

The Chairman is different from the President of the Bank.

E. BOARD COMPOSITION

With the entry of Salmon Group Ltd as the Bank's major stockholder on 08 January 2024, a change was effected in the composition of the Board.

Directors prior to the entry of Salmon Group Ltd	Directors after the entry of Salmon Group Ltd
· Mercedes Isabel B. Rivera	· Ma. Isabelle S. Roque *(resigned on 16 July 2024)*
· Maria Adriana L. Ramos	· Anna Liza Corazon M. Siongco
· Joseph Fredric Henry Del Castillo	· Georgy Chesakov
· Victoria B. Alunan	· Rafael Luigi S. Montemayor
· Ramon Antonio S. Miras	· Pavel Fedorov
· Ma. Isabelle S. Roque	· Wilfredo Perry Morales
· Anna Liza Corazon M. Siongco	· Andres Bernal Reyes, Jr.
	· Eunice Zuleika N. Monsod *(starting 16 July 2024)*

The particulars of the Board composition are shown below.

Director	Type of Directorship	Principal stockholders, if a nominee	No. of years served as a director	Term Limit
Mercedes Isabel B. Rivera[1]	Non-Executive Director, Chairman	N/A	23	From the date of election to the regular annual meeting of the Bank's stockholders or until his/her successor shall have been elected and qualified.
Maria Adriana L. Ramos[1]	Executive Director	N/A	12	
Joseph Fredric Henry Del Castillo[1]	Non-Executive Director	N/A	1	
Victoria B. Alunan[1]	Independent Director (Non-Executive Director)	N/A	7	

has increased the number of its independent directors from two (2) to three (3) and the Related Party Transactions Committee is composed of the three (3) independent directors.

Ramon Antonio S. Miras[1]	Non-Executive Director	N/A	1	
Ma. Isabelle S. Roque[2]	Non-Executive Director	N/A	18	
Anna Liza Corazon M. Siongco[3]	Non-Executive Director (formerly, Executive Director)	N/A	26	
Georgy Chesakov[4]	Executive Director	Salmon Group Ltd	1	
Rafael Luigi S. Montemayor[4]	Non-Executive Director, Chairman	Salmon Group Ltd	1	
Pavel Fedorov[4]	Non-Executive Director	Salmon Group Ltd	1	
Wilfredo Perry Morales[4]	Independent Director (Non-Executive Director)	N/A	1	
Andres Bernal Reyes, Jr.[4]	Independent Director (Non-Executive Director)	N/A	1	
Eunice Zuleika N. Monsod[5]	Non-Executive Director	Salmon Group Ltd	0.46	

Director	Percentage of direct shares held to total outstanding shares of the Bank	Percentage of indirect shares held to total outstanding shares of the Bank	Percentage of direct and indirect shares held to total outstanding shares of the Bank
(Data as of 31 December 2024)			
Mercedes Isabel B. Rivera[1]	0%	0%	0%
Maria Adriana L. Ramos[1]	0%	0%	0%
Joseph Fredric Henry Del Castillo[1]	0%	0%	0%
Victoria B. Alunan[1]	0%	0%	0%
Ramon Antonio S. Miras[1]	0%	0%	0%
Ma. Isabelle S. Roque[2]	0%	0%	0%
Anna Liza Corazon M. Siongco[3]	25.48%	0%	25.48%
Georgy Chesakov[4]	0.001%	9.08%	9.081%
Rafael Luigi S. Montemayor[4]	0.001%	2.44%	2.441%
Pavel Fedorov[4]	0.001%	10.15%	10.151%
Wilfredo Perry Morales[4]	0.001%	0%	0.001%
Andres Bernal Reyes, Jr.[4]	0.001%	0%	0.001%
Eunice Zuleika N. Monsod[5]	0.001%	0%	0.001%

[1] The director was not elected as director in the Annual Stockholders Meeting held on 14 January 2024.

[2] Ms. Roque resigned as director. She ceased to be a director as of the 16 July 2024 regular meeting of the Board.

[3] Ms. Siongco used to be an Executive Director. Starting 14 January 2024, Ms. Siongco is a Non-Executive Director.

[4] The director was elected in the Annual Stockholders Meeting held on 14 January 2024.

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[5] Ms. Monsod is a director as of the 16 July 2024 regular meeting of the Board.

F. BOARD QUALIFICATIONS

Name	Educational Background	Previous Position in Other Company	Officership in Other Company	Age	Nationality
Mercedes Isabel B. Rivera[1]	• BS Business Management • BS in Fine Arts Major in Interior Design	• Quality Control Officer, Able Industrial Products, Inc.	N/A	59	Filipino
Anna Liza Corazon M. Siongco	• BS Accountancy	• Supervisor, Philippine Airlines	N/A	61	Filipino
Ma. Adriana L. Ramos[1]	• BA Psychology	• Junior Pre-School Teacher, Happy Heart Pre-School • Pre-School Teacher, Play School International	N/A	59	Filipino
Ma. Isabelle S. Roque[2]	• BS Accountancy	• Senior Manager, MayBank Philippines • Credit Officer, Wise Credit Corp • Credit Admin Officer, BA Savings	N/A	60	Filipino
Joseph Fredric Henry Del Castillo[1]	• BS Business Management	• Senior Membership, Plan Information and Regional Processing National Automobile Dealer • Financial and Life, Sun Life of Canada • Accounting Coordinator, Commission, Settlement Coordinator, Data Entry Specialist, Office Services Staff, Long and Foster Realtors	N/A	61	Filipino
Ramon Antonio S. Miras[1]	• BS Mechanical Engineering	• Project Manager, JV Angeles Corporation • Manager, Salmir Farms	• Admin Officer, Buenaventura Urban Properties • Partner, Pidsko Trading, Inc.	61	Filipino
Victoria B. Alunan[1]	• BSC Marketing, Entrepreneurship and Interior Design	• Customer Service Representative, Convergys • General Manager, Everybody's Boutique • Accounting Clerk, Martin's Manhattan • Sales and Marketing, Active Play, Inc.	N/A	64	Filipino
George Chesakov	· Diploma in Mathematics (Masters) · Master of Arts in Computer Science	• Executive Director, Tinkoff Global PT • Chairman of the Board of Directors, Tinkoff Bank • Chief Executive Officer, Tinkoff Mobile • Senior Vice President for New Markets, Tinkoff Bank	• Director, Salmon Group Ltd	52	Grenada

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		• President, OTP Bank (Russia) • Board Member, Tinkoff Insurance • Board Member, Tinkoff Capital • Board Member, Tinkoff Bank (at the time Tinkoff Credit Systems Bank) • Co-Founder and Chief Executive Officer, Revo Technology • Managing Partner, Iceberg Labs • Chief Operating Officer and Chairman of the Management Board, Tinkoff Bank (at the time Khimmashbank, then Tinkoff Credit Systems Bank) • Head of Business, Investberbank (Currently OTP Bank) • Manager, Russian Standard Bank • Project Manager, Roust Inc. • Consultant, Mckinsey & Company • Manager, British Petroleum			
Rafael Luigi S. Montemayor	• Bachelor of Science Management • Master's in Business Administration	• Director/President, Sunprime Finance Inc. • Director/President, FHL Financing Company Inc. • Treasurer/Director, Salmon Services Inc. (formerly FHL Services, Inc.) • Consultant, Self Employed • General Manager, Carousell Philippines • General Manager, OLX Philippine • Country Director, Agoda Philippines • Vice President-Credit Cards Portfolio Management, HSBC Philippines • Assistant Vice President-Marketing Alliances, HSBC Philippines • Manager, Cards Acquisition, HSBC Philippines • Key Accounts Specialist, Nestle Philippines	• Director, Salmon Group Ltd	43	Filipino
Pavel Fedorov	• BS Operations Research • MBA-Finance & Financial Management	• President, Salmon Services Inc. (formerly FHL Services Inc.) • CO/CEO/Board Member, TCS (Publicly-Listed Holding Company of Tinkoff Group of Companies) • Part-Time Advisor, "Oil Company" "Rosneft"	• Executive Chairman, Salmon Group Ltd	50	British

		• Executive Director-First, Norilsk Nickel • First Deputy CEO, OJSC "Oil Company" "Rosneft" • Managing Director, Morgan Stanley • Managing Director, UBS Investment Bank • Summer Associate, Morgan Stanley • First Deputy CEO (FDC), Ministry of Energy of the Russian Federation			
Wilfredo Perry Morales	· Bachelor of Science in Business Management · Bachelor of Laws	• Independent Director, FHL Financing Company • Independent Director, Sunprime Finance Inc. • Independent Director, DA Market Securities Inc. • Consultant, Xendit • Consultant, First Integrity Bank, Inc. • Chief Compliance Officer, Starpay Corp. • Chief Compliance Officer, Cathay United Bank Co. Ltd. Manila Branch • Chief Compliance Officer, Sterling Bank of Asia (A Savings Bank) • Finance Officer, Treasure Steelworks Inc. • Vice-President/ Division Head, Rizal Commercial Banking Corporation-Head Office • Management Trainee, FGU Insurance	N/A	66	Filipino
Andres Bernal Reyes, Jr.	· Liberal Arts Commerce · Bachelor of Science in Economics · Bachelor of Laws · Master of Public Administration · Master of Laws (Partial Units) · Masters in Public Safety Administration · Top Management Program	• Independent Director, Malayan Savings Bank • Director, Culinary Central, Inc. • Director, Culinary Institute of Aristocrat Inc. • Director, Alex and Engracia Legacy • Director, Aristocrat Franchise Corporation • Director, Aristocrat Inc. • Director, Aristore, Inc. • Director, Heirs of Alex and Engracia Reyes, Sr. • Director, Roxas Food Ventures, Inc. • Director, Bakerey, Inc. • Director, Tanglaw Realty Inc. • Member, Asean Law Association	• Independent Director, Basic Energy Corporation • Postulant Member, Knights of Rizal • Independent Director, Mabini Energy Corporation • Independent Director, Basic Renewables Inc. • Independent Director, Basic Biofuels Corporation • Independent Director, Basic	74	Filipino

		• Member, Legislative-Executive Relations • Member, The Special Committee to Review the Plantilla Positions and Salary grades of Officials and Employees in the Judiciary Supreme Court • Ex-Officio Member, Philja Board of Trustees • Secretary, PALS Board • President, Auditor, Person Relation Officer, Ateneo Law Alumni Foundation, Inc. • Vice President, Graduate School Students Association • Director, Philippine Federation of Former Students of LaSalle Schools • President, Region IV Judges Association • Member, General Service Committee Papal Visit to the World Youth Day 1995 • Director; Chairman (Sports); President, LSGH Alumni Association • President/Director; Vice President/Director, LSGH Alumni Association/LSGH Pals Board • President, Rizal RTC Judges Association • Member, Committee on the Fastest Gavel Philippine Judges Association • Director, Vice President, LSGH EPA Board/LSGH Alumni Association/PALS • Vice Chairman, Committee on Law and Judicial Associations, Integrated Bar of the Philippines • President, Parents Association of La Salle (PALS) • Member, Judiciary Planning Development and Implementation Panel Supreme Court of the Philippines • President, Metropolitan Trial Court Judges Association of the Philippines • Ex-Officio Director; President; Treasurer; President/Director; Director; Vice President, LSGH EPA Board/LSGH Alumni • Director, La Salle Green Hills	Diversified Industrial Holdings, Inc. • Independent Director, IBasic, Inc. • (Advisory) Technical Consultant, Cybercrime Investigation and Coordinating Center • Advisory Position, Philippine Chamber of Commerce and Industry • Honorary Member, San Beda Law Alumni Association • Chairman, LSGH Lawyers League Association • Council of Advisory, LSGH Alumni Association • President, LSGH Alumni Association • Member, Philippine Judges Association • Member, Philippine Bar Association • Member, Integrated Bar of the Philippines • Director, Rizal Judges Association • President Emeritus, Rizal RTC Judges • Commissioned Lieutenant Colonel (Reserve Force), Philippine Air Force		

		(LSGH) Elementary Parents Auxillary Board • Member, Pugad Lawin sa MIA • Associate Justice, Supreme Court of the Philippines • Member of the Board of Trustees, Philippine Judicial Academy • Chairman, Court of Appeals-1st Division • Presiding Justice, Court of Appeals • Chairman, Court of Appeals 2nd Divion, 3rd Divion, 4th Division, 5th Division, 6th Division, 7th Division, 8th Division, 9th Division, 10th Division, 17th Division • Associate Justice, Court of Appeals • Judge, Regional Trial Court, Designated Special Court for Forestry Law Violation • Judge, Regional Trial Court, Branch 75 • Judge, Metropolitan Trial Court, branch 61 • Special Prosecutor; Chief Legal Officer; Prosecutor, Office of the Tanodbayan • Private Secretary; Assistant Private Secretary; Court of Appeals			
Eunice Zuleika N. Monsod	• BS Economics • Juris Doctor	• Head of Compliance, FWD Life Insurance Corporation • Vice President/Head of AML Division, Metropolitan Bank & Trust Co. • Vice President/Head of Regulatory Affairs Division, Rizal Commercial Banking Corporation • Legal Counsel/Compliance Officer, Migo Entertainment Inc. • Associate, Batuhan Blando Concepcion, Trillana Law Offices • Legal Officer, Magsaysay People Resources Corporation • Associate, Batino Law Offices	• Chief Compliance Officer, Salmon Group Ltd	40	Filipino

1 The director was not elected as director in the Annual Stockholders Meeting held on 14 January 2024.
2 Ms. Roque ceased to be a director as of the 16 July 2024 regular meeting of the Board.

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G. BOARD MEETINGS

In Year 2024, the Board had a total of thirty meetings and the Non-Executive Directors had one meeting.

The particulars of the attendance at the said meetings are shown below:

Director	Type of Directorship	Board meetings		Non-Executive Directors meetings[1]		Board and Non-Executive Directors meetings	
		Attended	%	Attended	%	Attended	%
Mercedes Isabel B. Rivera[2]	Non-Executive Director, Chairman	1	100%	N/A	N/A	1	100%
Maria Adriana L. Ramos[2]	Executive Director	1	100%	N/A	N/A	1	100%
Joseph Fredric Henry Del Castillo[2]	Non-Executive Director	1	100%	N/A	N/A	1	100%
Victoria B. Alunan[2]	Independent Director (Non-Executive Director)	1	100%	N/A	N/A	1	100%
Ramon Antonio S. Miras[2]	Non-Executive Director	1	100%	N/A	N/A	1	100%
Ma. Isabelle S. Roque[3]	Non-Executive Director	20	100%	N/A	N/A	20	100%
Anna Liza Corazon M. Siongco[4]	Non-Executive Director	30	100%	1	100%	31	100%
Georgy Chesakov[5]	Executive Director	29	100%	N/A	N/A	29	100%
Rafael Luigi S. Montemayor[5]	Non-Executive Director, Chairman	29	100%	1	100%	29	100%
Pavel Fedorov[5]	Non-Executive Director	28	96.55%	1	100%	29	96.67%
Wilfredo Perry Morales[5]	Independent Director (Non-Executive Director)	29	100%	1	100%	30	100%
Andres Bernal Reyes, Jr.[5]	Independent Director (Non-Executive Director)	29	100%	1	100%	30	100%
Eunice Zuleika N. Monsod[6]	Non-Executive Director	10	100%	1	100%	11	100%

[1] The meeting of the Non-Executive Directors was held on 17 December 2024.

[2] The director was not elected as director in the Annual Stockholders Meeting held on 14 January 2024.

[3] Ms. Roque resigned as a director. She ceased to be a director as of the 16 July 2024 regular meeting of the Board.

[4] Ms. Siongco used to be an Executive Director. Starting 14 January 2024, Ms. Siongco is a Non-Executive Director.

[5] The director was elected in the Annual Stockholders Meeting held on 14 January 2024.

[6] Ms. Monsod is a director as of the 16 July 2024 regular meeting of the Board.

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H. BOARD-LEVEL COMMITTEES

AUDIT COMMITTEE

The Bank's Audit Committee provides independent and quality assurance on the adequacy, effectiveness, and efficiency of the internal control systems, risk management, and corporate governance, including financial reporting control and information technology security. Said committee provides oversight over the following; senior management activities; feedback and whistle blowing system on possible improprieties or malpractices; internal auditors and external auditors; quality of compliance with the corporate governance, laws, regulations and code of conduct; and review conducted by the BSP.

RISK OVERSIGHT COMMITTEE

The Bank's Risk Oversight Committee provides advice to and assists the Board in reviewing and recommending the Bank's Risk Appetite, Risk Management Statement, and Risk Management Framework.

COMPENSATION AND BENEFITS COMMMITTEE

The Bank's Compensation and Benefits Committee principally assists the Board in its oversight of the Bank's programs, policies, and practices related to the management of human capital resources including talent management, culture, diversity, and inclusion.

BOARD-LEVEL COMMITTEES COMPOSITION

Director	Type of Directorship	Audit Committee	Risk Oversight Committee	Compensation and Benefits Committee
Mercedes Isabel B. Rivera[1]	Non-Executive Director, Chairman	N/A	N/A	N/A
Maria Adriana L. Ramos[1]	Executive Director	N/A	N/A	N/A
Joseph Fredric Henry Del Castillo[1]	Non-Executive Director	N/A	N/A	N/A
Victoria B. Alunan[1]	Independent Director (Non-Executive Director)	N/A	N/A	N/A
Ramon Antonio S. Miras[1]	Non-Executive Director	N/A	N/A	N/A
Ma. Isabelle S. Roque[2]	Non-Executive Director	N/A	N/A	N/A
Anna Liza Corazon M. Siongco[3]	Non-Executive Director	N/A	N/A	N/A
Georgy Chesakov[4]	Executive Director	N/A	N/A	N/A
Rafael Luigi S. Montemayor[4]	Non-Executive Director, Chairman	Member (until 23 October 2024)	N/A	Member, Chairman
Pavel Fedorov[4]	Non-Executive Director	N/A	Member (until 23 October 2024)	N/A
Wilfredo Perry Morales[4]	Independent Director (Non-Executive Director)	Member	Member, Chairman	N/A

Andres Bernal Reyes, Jr.[4]	Independent Director (Non-Executive Director)	Member, Chairman	Member	N/A
Eunice Zuleika N. Monsod[5]	Non-Executive Director	Member (starting 24 October 2024)	Member (starting 24 October 2024)	N/A

[1] The director was not elected as director in the Annual Stockholders Meeting held on 14 January 2024.

[2] Ms. Roque resigned as a director. She ceased to be a director as of the 16 July 2024 regular meeting of the Board.

[3] Ms. Siongco used to be an Executive Director. Starting 14 January 2024, Ms. Siongco is a Non-Executive Director.

[4] The director was elected in the Annual Stockholders Meeting held on 14 January 2024.

[5] Ms. Monsod is a director as of the 16 July 2024 regular meeting of the Board.

On 31 January 2025, two additional Board-level Committees were established namely the Corporate Governance Committee and Related Party Transactions Committee.

BOARD-LEVEL COMMITTEES ATTENDANCE

Director	Type of Directorship	Audit Committee		Risk Oversight Committee		Compensation and Benefits Committee	
		No. of meetings: 5		*No. of meetings: 3*		*No. of meetings: 2*	
		Attended	%	Attended	%	Attended	%
Rafael Luigi S. Montemayor[1]	Non-Executive Director, Chairman	3	100%	N/A	N/A	2*	100%
Pavel Fedorov[2]	Non-Executive Director	N/A	N/A	2	100%	N/A	N/A
Wilfredo Perry Morales	Independent Director (Non-Executive Director)	5	100%	3	100%	N/A	N/A
Andres Bernal Reyes, Jr.	Independent Director (Non-Executive Director)	5	100%	3	100%	N/A	N/A
Eunice Zuleika N. Monsod[3]	Non-Executive Director	2	100%	1	100%	N/A	N/A

[1] Mr. Montemayor is a member of the Audit Committee until 23 October 2024.

[2] Mr. Fedorov is a member of the Risk Oversight Committee until 23 October 2024.

[3] Ms. Monsod is a member of the Audit Committee and Risk Oversight Committee starting 24 October 2024.

* In the meeting held on 26 November 2024, Mr. Montemayor was not present and did not participate for the portion on the per diem of directors.

DIRECTORS' REMUNERATION

The directors/members of the Board do not receive compensation, except for reasonable per diems.

The Compensation and Benefits Committee approved on 26 November 2024 the following per diems for non-executive directors, including independent directors, as shown below:

Type of Directorship	Amount of Per Diem per meeting of the Board, Non-Executive Directors, and Board-level Committees
Executive Director	None
Non-Executive Director	Php 500.00
Independent Director	Php 1,500.00

The per diems for Year 2024 was paid to the directors in June 2025.

With the number of meetings of the Board, Non-Executive Directors, and Board-level Committees as stated above, the total amount of per diem for Year 2024 of the directors is Php181,000.00. This is within the 10% of net income before tax for Year 2023 as required under Section 29 of the Revised Corporate Code. The Bank's net income before tax for Year 2023 was Php1,970,290.00.

I. MANAGEMENT

SENIOR MANAGEMENT COMPOSITION

Name	Position	Age	Nationality	Relevant Qualifications/ Experience
Anna Liza Corazon M. Siongco	President (until 13 January 2024)	61	Filipino	She was the Bank's Chairman from Years 1998 to 2018, Administrative Officer from Years 1995 to 1998. Prior to joining the Bank, she was the Supervisor of PAL from Years 1986 to 1999. She holds a degree in BS in Commerce Major in Accounting from Assumption College wherein she graduated on year 1985. She attended various seminars and training including basic rural banking, operational risk management, strengthening

				credit risk management and other banking related topics.
Ma. Adriana Ramos	Vice-President (until 13 January 2024)	58	Filipino	Prior to joining the Bank, she was the Materials Management Supervisor of Hyatt Regency Manila from Years 1997 to 2007. She also served as a Junior Pre-School Teacher in Happy Hearts Pre-School and Playschool International. She holds a degree in Psychology from Dela Salle University-Bacolod and graduated in the year 1986. She attended banking related training and seminars including Corporate Governance and Risk Management for Rural Bank Directors and Officers.
Evelyn M. Cedillo	Chief Compliance Officer (until 15 January 2024)	74	Filipino	She was the Bank's Internal Audit Head for Years 2006 to 2012 and General Accounting Bookkeeper for Years 1973 to 1991. Prior to joining the Bank, she was the Savings Bookeeper of the Rural Bank of San Pedro for Years 1971 and 1972 and Auditor at G. Castasus Auditing Firm for Years 1970 and 1971. She is a highly experienced professional with BS in Commerce Major in Accounting, from the University of the East and graduated in the year 1971.
Syra A. Rey	Internal Auditor (24 August 2012 to 13	38	Filipino	She was the Bank's General Accounting Bookkeeper. Prior to joining the Bank, she

	August 2024 Dec 2024) Chief Compliance Officer (from 26 March 2024 to 13 August 2024)			was the Accounting Staff for other private institutions from Years 2006 to 2011. She holds a degree in BS in Commerce Major in Accounting from Lipa City Colleges and graduated in the year 2006.
Edward Daniel A. Dela Cruz	Operation Manager (until 13 January 2024)	26	Filipino	He was the Bank's Corporate Secretary for year 2022 to 2023, Loan Marketing Staff for Years 2018 to 2021, and Operations Manager for Years 2022 to 2023. He holds a BS in Business Administration, Major in Marketing Management, from PUP-Sta Rosa and graduated in the year 2018.
Cynthia D. Avenido	Treasurer/Cashier (until 2 May 2024)	69	Filipino	She was the Bank's Teller from Years 1978 to 2021. She holds a degree in BS in Associate in Commerce from PUP-Manila and graduated on year 1979. She attended training and seminars related to Signature and Forgery Detection.
Georgy Chesakov	President (starting 14 January 2024)	52	Grenada	He is the Director, President, and CEO of the bank appointed in January 2024. He has held senior leadership roles at major financial institutions, including CEO of Tinkoff Mobile, Chairman of Tinkoff Bank, and President of OTP Bank Russia. He also co-founded Revo Technology and held positions at

				McKinsey & Company, British Petroleum, and Russian Standard Bank. He earned a Diploma in Mathematics from Moscow State University and a Master of Arts in Computer Science from Princeton University.
Alpha Beth Santos Dimaranan	Financial Controller/Treasurer (starting 1 May 2024 until 15 April 2025)	39	Filipino	She previously served in key finance roles at Maybank Philippines, Inc., including Head of Financial Controller, Head of Accounting, and Head of Special Projects, as well as senior positions at SGV & Co., EY Cambodia, and Maxicare Healthcare Corporation. She earned her Bachelor of Science in Accountancy from Saint Louis University and is a Certified Public Accountant.
Mark B. Agbulos	Chief Compliance Officer pending BSP confirmation (from 14 August 2024 to 30 November 2024)	44	Filipino	He has extensive experience in compliance and anti-money laundering roles, having worked with G-Xchange, Inc. as Head of AML Policy and Advisory and Head of Compliance, as well as with Integreon Managed Solutions and MakatiSoft Inc. in senior AML positions. He holds a Bachelor of Arts in Political Science and a Bachelor of Laws from the University of Perpetual Help Rizal. Mark has completed numerous specialized trainings in anti-money laundering, corporate compliance, and financial crime, and holds a Certified

				Anti-Money Laundering Specialist designation.
Joseph Marcelo Medina III	Chief Compliance Officer (starting 25 November 2024)	37	Filipino	He has held compliance, audit, and risk-related roles across various financial institutions including CIMB Bank, ING Bank, Citibank, Bank of China, HSBC, Shell Business Operations, and Isla Lipana & Co. (PricewaterhouseCoopers) He earned his Bachelor of Science in Accountancy from the University of Santo Tomas and became a Certified Public Accountant in 2010. His professional development includes certifications in AML/CFT and Data Protection & Cybersecurity, reflecting a strong foundation in regulatory and risk management practices.
Muhammad Hamza D. Eshmael	Head of Risk (starting 1 May 2024)	37	Filipino	He previously held senior roles in risk and operational management at UnionDigital Bank, AIA Philippines, Citibank NA Philippines and ROHQ, Nimble Australia Pty Ltd, and ANZ GSO Manila, bringing over a decade of experience in the financial and banking sectors. He earned his Bachelor of Science in Accountancy from the Philippine School of Business Administration and pursued non-degree business studies at California State University, Dominguez Hills, USA; he is also completing a Master's in Business Administration at De La Salle University,

				Manila. His credentials include certification as a Certified Risk Manager (ISO 31000) and Civil Service Professional, with additional training in anti-money laundering and counter-terrorism financing.
Roman Dokuchaev	Chief Technology Officer (from 14 January 2024 to 14 December 2024)	39	Russian	He previously held key technology leadership roles at Fintech Holdings Ltd, Tinkoff Bank, and Qiwi.ru, serving in various positions such as Deputy Director, Software Architect, and Lead Software Developer across more than 15 years in the financial technology sector. Roman holds a Magister of Engineering degree from the Moscow State Institute of Radio Engineering, Electronics, and Automation. His career reflects deep expertise in software development, remote banking solutions, and executive-level tech management.
Yevhen Plotytsya	Chief Operating Officer (starting 14 January 2024) Interim Chief Technology Officer (from 14 December 2024 to 12 January 2025)	54	Ukranian	Prior joining the bank, he has held senior leadership roles in Tonik Digital Bank, FE Credit Vietnam, and several major banks in Ukraine. He earned a Master's in Computer Science from Kiev Polytechnic Institute and an MBA in International Economic Activities from the International Management Institute in Ukraine.
Loreto Lopez, Jr.	Head of Internal Unit (starting 16 December 2024)	41	Filipino	Currently serves as the Head of Internal Audit of the Bank, appointed in December 2024. He brings over 17 years of experience in internal

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				audit, risk management, and IT auditing from leadership roles at Xendit Philippines, Coins.ph, GCash, Philippine Veterans Bank, and several other institutions across the banking and fintech sectors. He holds a Bachelor of Science in Accountancy from Mindanao State University - General Santos City and has earned professional certifications as a Certified Internal Controls Auditor and Certified Forensic Accountant
Edwin Piedad	Chief Security Officer (16 September 2024)	34	Filipino	His professional background includes key roles in security and fraud management at Homecredit Consumer Finance PH Inc., and Metro Retail Stores Group Inc., where he led antifraud and security operations. He holds a Bachelor of Science in Business Administration major in Marketing from Antonio Pacheco Colleges Inc., completed in 2013. Edwin has also undergone specialized training in cybersecurity, private investigation, and industrial security, earning certification as a Certified Security Professional
Mon Alvin Galang	Chief Information Security Officer (starting 16 December 2024)	38	Filipino	He has held key cybersecurity and IT management positions in various organizations including GoTyme Bank Corporation, BCS Technology International Pty., SGS Gulf – ROHQ Limited, and Networld

				Capital Ventures, Inc., with a career spanning over 15 years. He earned a Bachelor of Science in Computer Science, major in Network Administration, from the University of Makati. Mon also holds several professional certifications including ISC2 Certified in Cybersecurity, Certified Security Professional (CSP), and ISC2 Certified Information Systems Security, and has undergone specialized training in risk management, operational resilience, and AML compliance

J. MANAGEMENT-LEVEL COMMITTEES

MANAGEMENT COMMITTEE

The Management Committee was established on 30 September 2024. It is responsible, among others, for developing, managing, implementing, and conducting the Bank's business in line with the Bank's vision, strategic initiatives, business plans, projects, and direction as approved by the Board, provided that the Committee shall not undertake the duties and responsibilities entrusted by laws and regulations and/or the Bank's charters, policies, manuals, and procedures to the Board, Board-level committees, and other management-level committees.

The composition of the Management Committee is shown below.

Name	Designation	Type of Membership
Georgy Chesakov	President and CEO	Voting Member, Chairperson
Yevhen Plotytsya	Chief Operating Officer Interim Technology Officer (14 December 2024 to 12 January 2025	Voting Member
Roman Dokuchaev (until 14 December 2024)	Chief Technology Officer	Voting Member
Alpha Beth S. Dimaranan	Financial Controller	Voting Member
Dennis Padiarov	Deposits Business Unit Head	Voting Member

*Vacant**	Loans Unit Head	Voting Member
Mark B. Agbulos (until 30 November 2024)	Chief Compliance Officer	Non-Voting Member
Joseph Marcelo Medina III (starting 25 November 2024)	Chief Compliance Officer	Non-Voting Member
Loreto Lopez, Jr. (starting 16 December 2024	Internal Audit Head	Non-Voting Member
Muhammad Hamza D. Eshmael	Risk Head	Non-Voting Member
Mayla S. Domingo	Legal Counsel	Non-Voting Member
Edwin Piedad (starting 16 September 2024)	Chief Security Officer	Non-Voting Member
Jaime Chong, Jr. (starting 1 October 2024	PMO Head	Non-Voting Member
Jewel Ann Aquino	HR Manager	Non-Voting Member
Mon Alvin Galang	Chief Information Security Officer	Non-Voting Member

** As of 31 December 2024, the position has not been filed.*

INFORMATION TECHNOLOGY (IT) STEERING COMMITTEE

The IT Steering Committee was established on 30 September 2024. It is responsible for the following: designing and implementing the Information Technology Risk Management System approved by the Board; monitoring IT performance and recommending appropriate actions to ensure achievement of desired results; providing the Board with adequate information on IT performance, status of major IT projects or other significant issues, to enable the Board to make well-informed decisions on the Bank's IT risks and IT operations; and designing, reviewing, regular monitoring, and recommending revisions to the Board of the Bank's IT strategic plan that is aligned with the Bank's business strategy.

The composition of the IT Steering Committee is the same as the Management Committee.

ASSET AND LIABILITY COMMITTEE

The Asset and Liability Committee was established on 14 August 2024. It is responsible for the following: Liquidity Risk Management – approve and oversee the Bank's liquidity contingency plans; manage risks related to funding mismatches, market-driven liquidity risks, and concentration risks; ensure the implementation of the liquidity contingency funding plan; Interest Rate Risk Management- set and monitor interest rate risk limits; conduct scenario analysis and stress testing to assess the impact of interest rate shocks; establish transfer pricing policies for assets and liabilities, as well as investment policies in line with the Bank's balance sheet strategy; Capital and Funding Strategy – monitor the Bank's capital adequacy ratios against regulatory and internal thresholds; optimize funding sources to achieve cost efficiency and diversification; recommend adjustments to the funding mix based on market conditions and the Bank's strategic goals; Policy Development and Compliance – develop and update Asset Liability Management policies, including risk limits, stress testing parameters, and escalation protocols; ensure compliance with regulatory guidelines and industry best practices; regularly review and update policies to reflect changes in market conditions and regulatory requirements; and Performance Monitoring – evaluate key balance sheet performance metrics including Return on Assets, Minimum Liquidity Ration, Common Equity Tier 1 Ratio, and Capital Adequacy Ratio, and monitor the Bank's financial performance and recommend corrective actions when necessary.

The composition of the Assets and Liability Committee is shown below.

Name	Designation	Type of Membership
Georgy Chesakov	President and CEO	Chairman
Yevhen Plotytsya	Chief Operating Officer	Member
Alpha Beth S. Dimaranan	Financial Controller	Member
Muhammad Hamza D. Eshmael	Head of Risk	Member

CREDIT COMMITTEE

The Credit Committee was established on 14 August 2024. It is responsible for the oversight and management of the Bank's credit-related activities, ensuring alignment with the Bank's risk appetite and compliance with BSP regulations. It also is tasked to provide direction, approving significant credit decisions, and monitoring credit risk exposures.

The composition of the Credit Committee is shown below.

Name	Designation	Type of Membership
Georgy Chesakov	President and CEO	Chairman
Yevhen Plotytsya	Chief Operating Officer Interim Technology Officer (14 December to 12 January 2025	Member
*Vacant**	Head of Loans	Member

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Roman Dokuchaev (until 14 December 2024)	Chief Technology Officer	Member

* *As of 31 December 2024, the position has not been filed.*

K. PERFORMANCE ASSESSMENT PROGRAM

BOARD OF DIRECTORS

A self-assessment is conducted with the members of the Board to appraise the individual effectiveness and collective performance of the Board, as well as to identify the areas for improvement. A 5-point scale rating system is used for the self-assessment, where the lowest score is 1, equivalent to "Critically Deficient", and the highest score is 5, equivalent to "Strong", as shown below.

Rating	Description
5	**Strong** – exceeds what is considered necessary given the size, risk profile and complexity of operations of the Bank. Deficiencies/weaknesses are considered to be minor and insignificant.
4	**Satisfactory** – meets what is considered necessary given the size, risk profile and complexity of operations of the Bank. Deficiencies/weaknesses are considered to be minor and insignificant.
3	**Less than Satisfactory** – does not meet what is considered necessary given the size, risk profile and complexity of operations of the Bank. However, the Board is committed (with ability and willingness) to correct the situation in a timely manner.
2	**Deficient** – deficient, in a material way, to meet what is considered necessary given the size, risk profile and complexity of operations of the Bank. Moreover, the ability of the Board to correct the situation in a timely manner is doubtful.
1	**Critically deficient** – critically deficient to meet what is considered necessary given the size, risk profile and complexity of operations of the Bank. The deficiencies/weaknesses pose an imminent threat to the safety and soundness of the Bank.

The members of the Board were tasked to independently evaluate the collective performance of the Board of Directors and the individual contributions of its members, with the aim of strengthening corporate governance, strategic oversight, and Board effectiveness in alignment with the Bank's size, risk profile, and operational complexity.

Based on the results of the self-assessment, the Board of Directors of the Bank assessed their collective performance to be highly effective and commendable, as reflected in an average rating of 4.71. This score suggests that, in the view of the Directors, the Board not only meets but, in many areas, exceeds the standards expected of a bank with its current profile and operational environment.

Board members also assessed themselves to consistently uphold and integrate the principles of good corporate governance, ensuring that actions and decisions are made ethically, legally, and in line with applicable policies and regulations. The individual responses further indicated a shared view that the Board has articulated a clear strategic direction, supported by robust policies and oversight mechanisms to guide and monitor implementation.

Each individual director's performance, as reflected by an average rating of 4.78, indicates a strong and highly commendable level of engagement and effectiveness in fulfilling Board responsibilities. This score suggests that Directors consistently exceed expectations in both attendance and participation, contributing meaningfully to the governance and oversight functions of the Board.

MANAGEMENT

The management team's performance is assessed annually to ensure alignment with organizational goals and objectives. This evaluation process includes a review of key business outcomes, leadership competencies, and strategic contributions. Feedback is provided to identify strengths, areas for improvement, and opportunities for professional development. The assessment supports accountability, continuous improvement, and informed decision-making for future leadership planning. Results are documented and used to guide individual and team growth initiatives.

L. ORIENTATION EDUCATION PROGRAM

The Bank is steadfast in its commitment to ensuring that all employees, senior management, and members of the Board of Directors consistently meet the standards of qualifications and competencies required for their esteemed roles. To reinforce this commitment, the Bank has partnered with a distinguished external training provider to deliver a curated suite of regular programs, designed to address critical governance topics. These include Corporate Governance, Related Party Transactions (RPT), DOSRI regulations, Ethics, Anti-Bribery, Fraud and Corruption, Data Privacy, the Compliance Function, and Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT).

Further elevating our dedication to excellence, the Bank is in the advanced stages of onboarding an additional training provider specializing in risk-related education, ensuring the continuous enhancement of our risk management framework.

In adherence to the regulatory training mandates, the Bank actively engages in programs facilitated by leading industry associations, including BAIPHIL and RBAP, which encompass a comprehensive spectrum of topics pertinent to both employees and executive leadership.

M. RETIREMENT AND SUCESSION POLICY

BOARD OF DIRECTORS

The Bank’s Amended By-Laws provide the term of the directors/members of the Board, as well as the processes in case of vacancies and removal.

As stated above, the term limit of the directors/members of the Board is from the date of election to the regular annual meeting of the Bank's stockholders or until his/her successor is elected and qualified. Unless a director shall sooner resign, be removed from office, or become unable by reason of death, disqualification, or otherwise, he shall hold office during the terms of which elected and until his/her successor is elected and qualified. With this, the age of a director/member of the Board is not a primal nor a determining factor.

A director/member of the board may be removed in the manner provided for by law at a regular or special meeting called for that purpose, by a vote of the Bank's stockholders holding or representing the two-thirds (2/3) of the subscribed stock entitled to vote.

For any vacancy in the Board, the remaining directors constituting a quorum shall, be a majority vote, elect persons, to fill such vacancies for the unexpired term.

In case of resignation or death of all or a majority of the directors, any stockholder of the Bank may call such meeting in the same manner that the President may call such meeting and the directors for the unexpired term may be elected at any special meeting in the manner provided their election at annual meetings.

For Independent Directors, the Bank shall comply with the requirements of law and regulation on term limit of independent directors. In 2024, all of the Bank's independent directors have been independent directors of the Bank for less than the nine (9)-year period required under BSP Memorandum No. M-2021-025, as shown below.

Name of Independent Director	No. of years served as independent director
Victoria B. Alunan	7
Wilfredo Perry Morales	1
Andres Bernal Reyes, Jr.	1

MANAGEMENT

The Retirement Policy establishes a framework for the provision of retirement, disability, and death benefits to regular full-time employees of the Bank.

Eligibility and Retirement Options:

- Normal Retirement: Employees may retire at age 60, provided they have completed a minimum of 10 years of service.
- Optional Early Retirement: Retirement is permissible from age 50, subject to the

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same 10-year service requirement.
- Late Retirement: Employees may extend service until age 65, contingent upon formal Bank approval.

Retirement Benefits:

Upon qualifying retirement, employees shall receive a lump sum payment, calculated as one month's salary for each year of credited service.

Forfeiture and Partial Entitlement:
- Employees terminated for cause shall be ineligible for any retirement benefits.
- Employees who voluntarily resign after completing at least 10 years of service may be entitled to a prorated retirement benefit, ranging from 50% to 100%, proportionate to their years of service.

This policy underscores the Bank's commitment to rewarding long-term dedication while maintaining prudent governance in benefit administration.

N. REMUNERATION POLICY

BOARD OF DIRECTORS

As stated above, the directors/members of the Board do not receive compensation, except for reasonable per diems.

The Compensation and Benefits Committee approved on 26 November 2024 the following per diems for non-executive directors, including independent directors, as shown below:

Type of Directorship	Amount of Per Diem per meeting of the Board, Non-Executive Directors, and Board-level Committees
Executive Director	None
Non-Executive Director	Php 500.00
Independent Director	Php 1,500.00

MANAGEMENT

The Bank's Remuneration Policy for senior management is designed to align with BSP MORB regulations, competitive market practices, and long-term performance.

Compensation is determined by the Board's Compensation & Benefits Committee, which benchmarks pay against industry peers, evaluates performance (financial, strategic, and risk-adjusted metrics), and ensures a balanced structure of both monetary and non-monetary components.

The policy is reviewed annually—or as regulatory updates demand—to uphold governance, competitiveness, and accountability. By linking rewards to sustainable success, the Bank reinforces a culture of performance-driven yet responsible leadership.

O. SELF-ASSESSMENT FUNCTIONS

The Bank's Compliance Office (CO) was established to support the Bank's strategic goals by ensuring that compliance risks inherent to the operations of the Bank, which could potentially damage its franchise value and ultimately undermine its viability, are properly identified, assessed, mitigated, and monitored. As a second line of defense, it is responsible for the effective management of the Bank's compliance risks through the establishment of a robust compliance risk management system. The management of compliance risk is supported by a Board-approved Compliance Program ("Work Plan") which sets out the planned activities of the compliance function including, among others, the review and implementation of policies, procedures, and standards; assessment and monitoring of compliance risk exposures through compliance testing; dissemination of, and monitoring of the Bank's compliance with new regulatory issuances; fostering of a strong compliance culture and educating employees and officers on compliance matters through advisory and periodical training; and reporting to the Board of Directors and the Audit Committee, Management-level Committees, and regulatory bodies. The CO, headed by the Chief Compliance Officer (CCO), is an independent unit that has a direct reporting line to the Board of Directors through the Audit Committee. The CCO is mainly responsible for overseeing the identification and management of the Bank's compliance risk and shall supervise the Compliance Unit. The CCO is supported by a Compliance Manager who is mainly responsible for the day-to-day compliance activities and execution of the Board-approved Work Plan.

Internal Audit is an independent unit within the Bank that provides objective assurance and consulting services aimed at adding value and improving the Bank's operations. Internal Audit evaluates the effectiveness of the Bank's risk management, governance, and internal control processes, providing reasonable assurance that these controls are sound, effective, and consistently applied. Using a risk-based approach, Internal Audit conducts regular audits of the Bank's key units and systems in accordance with the International Standards for the Professional Practice of Internal Auditing (ISPPIA) established by The Institute of Internal Auditors (IIA).

Internal Audit has full, free, and unrestricted access to the Bank's records, systems, and relevant personnel in the conduct of any audit engagement. It also maintains open and unrestricted access to the Board of Directors through the Audit Committee.

Internal Audit, through the Head of Internal Audit, reports functionally to the Audit Committee and administratively to the President/Chief Executive Officer. The Head of Internal Audit regularly reports to both Management and the Audit Committee on the function's purpose, authority, responsibilities, plans, activities, and performance relative to its established plans. These reports also cover significant risk exposures and control issues, including fraud risks, governance concerns, and other matters as needed or as requested by Senior Management and the Audit Committee.

The Board of Directors, as the prime governing body of the Bank, is responsible for the establishment and maintenance of the effectiveness and adequacy of the internal control system.

The Board is responsible in the establishment as well as overseeing the risk management framework and internal control systems that are designed to manage the risks appetite within the acceptable level of tolerance set by the Board and Management, rather than eliminate totally the risks of failure, to achieve the goals and objectives in generating potential returns to shareholders. The Board periodically reviews the effectiveness and adequacy of the framework and systems.

P. DIVIDEND POLICY

The Bank does not have a dividend policy in place.

During the Annual Stockholders' Meeting held on 31 January 2025, the stockholders were informed that the Bank may consider creating a Dividend Policy and the current stockholders of the Bank signified their long-term strategic investment in the Bank.

Q. CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Bank had no CSR activities in 2024.

R. CONSUMER PROTECTION PRACTICES

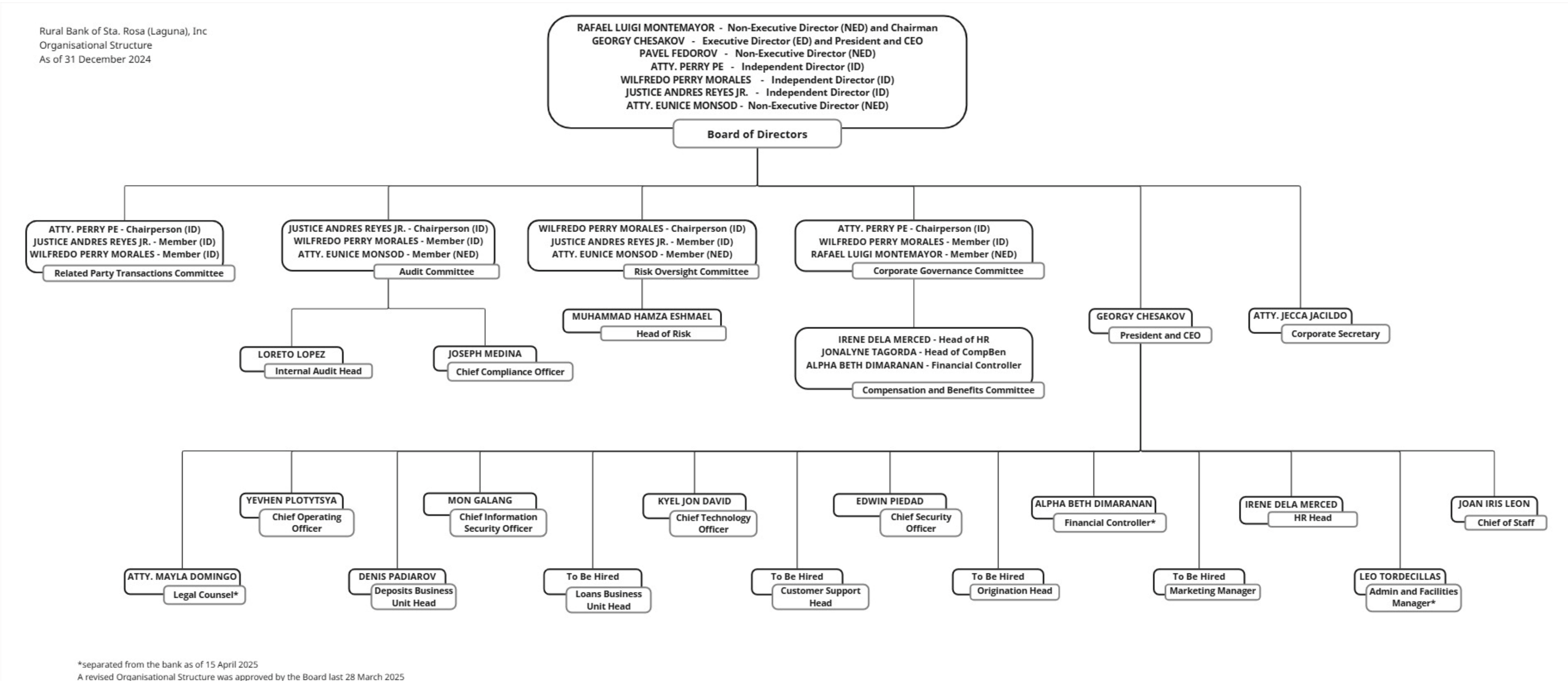
The Board of Directors and Senior Management of the Bank are responsible for setting the tone for consumer protection by embedding it into the Bank's corporate governance and overall risk management system. They ensure that consumer protection is treated as a strategic priority and that mechanisms are in place for transparency, accountability, and fairness. The Board formally approves the consumer protection program and delegates implementation oversight to executive leadership who are tasked with ensuring that consumer protection risks are identified, monitored, and mitigated across the bank's operations.

The Bank's consumer protection risk management system involves proactive identification, measurement, monitoring, and control of risks that affect customers. The Bank integrates consumer protection into its overall risk framework by evaluating how its operations might result in financial harm to consumers and ensuring those risks are addressed in line with regulatory standards. Key controls include full disclosure of product terms, fair marketing practices, secure handling of customer data, and a compliance mechanism that tracks and analyzes complaints to detect systemic issues. The Bank's adherence to the BSP's Financial Consumer Protection Framework ensures that consumer protection risks are managed alongside legal, operational, and reputational risks.

The Bank's consumer assistance management system is built around structured policies and a defined process for handling inquiries and complaints. Customers can lodge issues via multiple channels including in-person, email, SMS, and phone. All complaints are logged through a ticketing system integrated with the bank's CRM, which ensures prompt acknowledgement within 24 hours and resolutions within 7 days for simple complaints and 30 days for complex ones. If timelines are exceeded, customers are informed of delays and reasons. Complaints are analyzed for trends and systemic issues, and the outcomes feed into continuous process improvements. The Bank also prioritizes claims involving fraud and enforces strict data privacy protections.

VI. Corporate Information

a. Corporate Organizational Structure



**The Chief Technology Officer and the Chief of Staff were hired in January 2025.*

b. Major Stockholders

With the entry of Salmon Group Ltd as the Bank's major stockholder on 08 January 2024, a change was effected in the major stockholders of the Bank, as shown below.

Major stockholders prior to the entry of Salmon Group Ltd

Name of Stockholder	Nationality	Shareholding	Voting status
Anna Liza Corazon M. Siongco	Filipino	25.48%	Active
Marie Christine Daria M. Del Castillo	Filipino	19.77%	Active
Ma. Paz Matilda M. Diaz De Rivera	Filipino	19.67%	Active
Manuel S. Melencio	Filipino	19.68%	Active
Maria Paz S. Melencio	Filipino	8.19%	Active
Ramon Antonio S. Miras	Filipino	1.62%	Active
Digna Roxas	Filipino	0.93%	Active
Mercedes S. Miras	Filipino	0.82%	Active
Lourdes Catherine S. Miras	Filipino	0.81%	Active
Aurora Teodora S. Miras	Filipino	0.81%	Active

Major stockholders after the entry of Salmon Group Ltd and as of 31 December 2024

Name of Stockholder	Nationality	Shareholding	Voting status
Salmon Group Ltd	UAE	59.69%	Active
Anna Liza Corazon M. Siongco	Filipino	25.48%	Active
Ma. Paz Matilda M. Diaz De Rivera	Filipino	14.51%	Active

Performance assessments are conducted annually through a combination of self-evaluations and peer reviews. Feedback is aggregated by HR, which then presents findings to the Board and/or senior management. The outcomes inform individual development plans, succession plans, and governance enhancements to drive continuous improvement.

c. Bank Products and Services

Products

Deposit

1. **Salmon Savings:** an interest-bearing deposit account which offers convenient access to funds whilst earning interest.

Key Features:

- Earns gross interest at a rate of 3.0% per annum;
- Provides easy access to funds through over-the-counter transactions upon presentation of a Passbook;
- No maintaining balance; and

- Suitable for everyday savings and transactional needs.

2. **Checking Account:** a non-interest-bearing deposit account designed for transactional purposes.

Key Features:

- Facilitates efficient and convenient transactions through check issuance and over-the-counter withdrawal;
- Average maintaining balance requirement of PHP 5,000.00
- Ideal for businesses and individuals with high transaction volumes.

3. **Salmon Time Deposit Accounts:** a fixed-term deposit account designed for customers seeking higher interest earnings.

- Competitive interest rates, tiered based on deposit amount and tenor;
- Minimum initial deposit amount of PHP 50,000.00;
- Fixed-term placement; and
- Ideal for maximizing savings with long-term investment horizon.

Services

The bank offers Real-Time Gross Settlement (RTGS) - a high-value funds transfer system that processes transactions in real-time. Each transaction is settled individually and immediately, ensuring finality and irrevocability. Ideal for large-value interbank transfers, RTGS enhances the efficiency and security of financial transactions.

Bank website: https://salmon.ph/ruralbankofstarosalaguna

List of banking units

	Head Office Sta. Rosa, Laguna	Branch Bacoor, Cavite
Address	F. Gomez St. Poblacion Barangay Malusak, Sta. Rosa City, 4026 Laguna,	141 General Evangelista St. Barangay Poblacion, Bacoor City, 4102 Cavite
Contact	049-5341126	046-4346197
Email	rbsr.customerservice@salmon.ph.	

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VII. Sustainable Finance

The Bank has in place Sustainable Finance Framework which was reviewed in 2024 and was further refined in 2025. In December 2024, the Board of Directors approved the revised Sustainable Finance Plan which enumerated the specific activities to be implemented in relation to the integration of sustainability principles in the Bank's culture, risk management, corporate governance, and operations.

While it took place in 2025, the Board approved the amendments to the Sustainable Finance Framework which incorporates the Bank's Sustainability Agenda. Among the focus areas identified are the following:

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The foregoing focus areas will be achieved through (1) institution and implementation of non-discrimination policies in the workplace which includes the hiring of people based on competencies regardless of sexual orientation, gender identity, and expression. This also includes the creation of credit scoring models that will not discriminate against borrowers based on their gender; (2) offering financial products that will support financial inclusion and will serve those unbanked and underbanked communities; (3) providing a comprehensive healthcare package, which extends coverage to two dependents for each employee as part of the employee compensation package; and (4) advancing the Bank's digitalization efforts to reduce paper usage, minimize carbon emissions, and decrease waste.

In terms of risk appetite, while the Bank already integrated E&S risk into its overall risk posture, metrics and appetite are still evolving and are expected to be refined in 2025.

In 2024, the Bank had no products/services aligned with internationally recognized sustainability standards and practices. In 2025, the Bank is set to identify its E&S risk exposures and their impact on the Bank.

VIII. Compliance with Part V of Appendix 62 of the MORB

Capital Structure and Regulatory Compliance Updates

Approval of Share Transfer to Salmon Group Ltd (previously Fintech Holdings, Ltd.)
On 21 December 2023, the BSP through Monetary Board Resolution No. 1663, approved the sale and transfer of 84,801 common shares of STRLA from its individual stockholders to Fintech Holdings, Ltd. (now Salmon Group Ltd). This transaction represents 59.69% of the total outstanding shares of the Bank.

Capital Infusions and Equity Transactions
February 2024: The Bank received a capital infusion of ₱20.06 million from its Parent Company. This amount was recognized under Additional Paid-In Capital in the Bank's 2024 Statement of Financial Position.

May 2024: The Parent Company remitted ₱295.00 million as a Deposit for Future Stock Subscription, corresponding to 2,950,000 preferred shares of the Bank. This deposit is reflected under the same account in the 2024 Statement of Financial Position and will be reclassified to equity upon approval by the BSP and Securities and Exchange Commission (SEC) for the Bank's application to increase its authorized capital.

Increase in Authorized Capital Stock
On November 8, 2024, the Bank's Board of Directors and stockholders approved an increase in the authorized capital stock from ₱20.00 million to ₱1.20 billion. This increase of ₱1.18 billion comprises 11,800,000 preferred shares with a par value of ₱100 each.

Regulatory Compliance with BSP Capital Requirements
In August 2022, the BSP issued Circular No. 1151, amending Section 121 of the Manual of Regulations for Banks (MORB), thereby increasing the minimum capitalization requirements for rural banks. Under this circular:

Rural banks with a head office located outside the National Capital Region (NCR) must maintain a minimum capitalization of ₱50.0 million.
The Bank has fully complied with the revised minimum capitalization requirement as of December 31, 2024, and 2023.

Furthermore, as of the same reporting dates, the Bank remained compliant with BSP regulations regarding the required ratio of combined capital accounts to risk-weighted assets.

The table below shows the actual figures of the Bank based on the disclosure requirements set forth in Part V of Appendix 62 of the MORB:

Account	Amount in Million Php
a. Tier 1 capital and breakdown of its components	
Paid up common stock	14.21
Additional paid-in capital	20.06
Retained Earnings	232.17
Adjustment: Deferred Tax Asset	-20.39
Total Tier 1 Capital	246.05
b. Tier 2 capital and breakdown of its components	
General Loan Loss Provision (1% of total credit risk-weighted asset)	7.72
Total Tier 2 Capital	7.72
c. Deductions from Tier 1 fifty percent (50%) and Tier 2 fifty percent (50%) capital;	0.00

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d. Total Qualifying Capital	253.77
e. Capital Requirements for Credit Risk	
Total Credit Risk-Weighted Asset	1,305.55
Multiply by 10% - Capital Requirement 10%	10.00%
Total Capital Requirement – Credit Risk	130.55
f. Capital Requirements for Market Risk	
Total Credit Risk-Weighted Asset	0.00
Multiply by 10% - Capital Requirement 10%	0.10
Total Capital Requirement – Market Risk	0.00
g. Capital Requirements for Operational Risk	
Total Operational Risk-Weighted Asset	16.04
Multiply by 10% - Capital Requirement 10%	10.00%
Total Capital Requirement – Operational Risk	1.60
Total Risk-Weighted Asset	1,321.59
h.1. Risk Based Capital Adequacy Ratio	19.20%
h.2. Tier 1 Capital Adequacy Ratio	18.62%

IX. 2024 Audited Financial Statements (AFS) with Auditor's Opinion

Kindly refer to Annex A for the Bank's 2024 Audited Financial Statements.

Punongbayan & Araullo
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Report of Independent Auditors

The Board of Directors
Rural Bank of Sta. Rosa (Laguna), Inc.
F. Gomez Street, Barangay Malusak
Santa Rosa City, Laguna

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Rural Bank of Sta. Rosa (Laguna), Inc. (the Bank), which comprise the statement of financial position as at December 31, 2024, and statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2024, and its financial performance and its cash flows for the year then ended in accordance with Philippine Financial Reporting Standards (PFRS Accounting Standards).

Basis for Opinion

We conducted our audit in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audits of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements of the Bank as at and for the year ended December 31, 2023 were audited by other auditors whose report, dated April 12, 2024, expressed unqualified opinion on those financial statements. We were not engaged to audit, review or apply any procedures to the 2023 financial statements of the Bank. Accordingly, we do not express an opinion or any other form of assurance on the 2023 financial statements of the Bank taken as a whole.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

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

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

Report on Other Legal and Regulatory Requirements

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the year ended December 31, 2024 required by the Bangko Sentral ng Pilipinas and the supplementary information for the year ended December 31, 2024 as required by the Bureau of Internal Revenue as disclosed in Notes 23 and 24, respectively, to the financial statements are presented for purposes of additional analysis and are not required parts of the basic financial statements prepared in accordance with PFRS Accounting Standards. Such supplementary information are the responsibility of management. The supplementary information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PUNONGBAYAN & ARAULLO

By: Yusoph A. Maute
Partner

CPA Reg. No. 0140306
TIN 415-417-641
PTR No. 10465908, January 2, 2025, Makati City
BIR AN 08-002551-046-2023 (until January 24, 2026)
BOA/PRC Cert. of Reg. No. 0002/P-018 (until August 12, 2027)

April 14, 2025

RURAL BANK OF STA. ROSA (LAGUNA), INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2024
(With Comparative Figures as at December 31, 2023)
(Amounts in Thousands of Philippine Pesos)

	Notes	2024	2023
RESOURCES			
CASH AND OTHER CASH ITEMS	8	**P 1,484**	P 2,015
DUE FROM BANGKO SENTRAL NG PILIPINAS	8	**5,568**	2,517
DUE FROM OTHER BANKS	8	**257,963**	28,530
LOANS AND OTHER RECEIVABLES - Net	9	**908,689**	63,499
DUE FROM RELATED PARTIES	17	**69,970**	-
BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT - Net	10	**10,276**	2,427
INVESTMENT PROPERTIES - Net	11	**3,496**	3,567
DEFERRED TAX ASSETS - Net	21	**20,790**	-
OTHER RESOURCES	12	**15,265**	9,785
TOTAL ASSETS		**P 1,293,501**	P 112,340
LIABILITIES AND CAPITAL FUNDS			
DEPOSIT LIABILITIES	13	**P 571,179**	P 77,546
OTHER LIABILITIES			
Accrued expenses and other liabilities	14	**66,067**	861
Due to related parties	17	**16,851**	-
Deposit for future stock subscription	15	**295,000**	-
Income tax payable		**78,751**	253
Retirement benefit obligation	20	**4,837**	-
Total Liabilities		**1,032,685**	78,660
EQUITY			
Capital stock	16	**14,206**	14,206
Additional paid-in capital	16	**20,060**	-
Revaluation reserves	20, 21	**(1,201)**	-
Retained earnings		**227,751**	19,474
Total Equity		**260,816**	33,680
TOTAL LIABILITIES AND EQUITY		**P 1,293,501**	P 112,340

See Notes to Financial Statements.

RURAL BANK OF STA. ROSA (LAGUNA), INC.
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2024
(With Comparative Figures for the Year Ended December 31, 2023)
(Amounts in Thousands of Philippine Pesos)

	Notes	2024	2023
INTEREST INCOME			
Loans and other receivables	9	**P 361,394**	P 8,992
Due from other banks	8	**1,428**	237
		362,822	9,229
INTEREST EXPENSE	13, 14	**(14,392)**	(505)
NET INTEREST INCOME		**348,430**	8,724
IMPAIRMENT LOSSES	9, 12	**(184,598)**	-
NET INTEREST INCOME AFTER IMPAIRMENT LOSSES		**163,832**	8,724
OTHER OPERATING INCOME	18	**270,863**	3,261
OTHER OPERATING EXPENSES	19	**(152,091)**	(9,967)
PROFIT BEFORE TAX		**282,604**	2,018
TAX EXPENSE	21	**(69,528)**	(337)
NET INCOME		**213,076**	1,681
OTHER COMPREHENSIVE LOSS			
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of post-employment defined benefit plan	20	**(1,601)**	-
Tax income	21	**400**	-
		(1,201)	-
TOTAL COMPREHENSIVE INCOME		**P 211,875**	P 1,681

See Notes to Financial Statements.

RURAL BANK OF STA. ROSA (LAGUNA), INC.
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2024
(With Comparative Figures for the Year Ended December 31, 2023)
(Amounts in Thousands of Philippine Pesos)

	Paid-in-capital (Note 16)	Additional Paid in capital (Note 16)	Revaluation Reserves (Notes 20 and 21)	Retained earnings Appropriated	Retained earnings Unappropriated	Retained earnings Total	Total
Balance at January 1, 2024	P 14,206	P -	P -	P 4,799	P 14,675	P 19,474	P 33,680
Additional issuance during the year	-	20,060	-	-	-	-	20,060
Reclassification of appropriation	-	-	-	(4,799)	-	(4,799)	(4,799)
Total comprehensive income (loss) for the year	-	-	(1,201)	-	213,076	213,076	211,875
Balance at December 31, 2024	**P 14,206**	**P 20,060**	**(P 1,201)**	**P -**	**P 227,751**	**P 227,751**	**P 260,816**
Balance at January 1, 2024	P 14,206	P -	P -	P 4,711	P 12,994	P 17,705	P 31,911
Appropriation during the year	-	-	-	88	-	88	88
Total comprehensive income for the year	-	-	-	-	1,681	1,681	1,681
Balance at December 31, 2024	P 14,206	P -	P -	P 4,799	P 14,675	P 19,474	P 33,680

See Notes to Financial Statements.

RURAL BANK OF STA. ROSA (LAGUNA), INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2024
(With Comparative Figures for the Year Ended December 31, 2023)
(Amounts in Thousands of Philippine Pesos)

	Notes	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		P 282,604	P 2,018
Adjustments for:			
Interest income	8, 9	(362,822)	(9,229)
Impairment losses	9	184,598	-
Interest expense	13, 14	14,392	505
Gain on sale of fixed asset	10	(3,684)	-
Depreciation and amortization	10, 11	2,700	287
Operating profit (loss) before working capital changes		117,788	(6,419)
Increase in loans and other receivables		(983,338)	(11,799)
Increase in due from related parties		(69,970)	-
Decrease (increase) in other resources		(5,363)	565
Increase (decrease) in deposit liabilities		493,633	(895)
Increase in due to related parties		16,179	-
Increase in accrued expenses and other liabilities		42,846	409
Cash used in operations		(388,225)	(18,139)
Interest received		316,926	9,229
Interest paid		(689)	(519)
Cash paid for taxes		(11,420)	(84)
Net Cash Used in Operating Activities		(83,408)	(9,513)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of fixed asset	10	(3,526)	(211)
Proceeds from sale of fixed assets	10	5,987	-
Net Cash From (Used in) Investing Activities		2,461	(211)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from deposit for future stock subscription	15	295,000	-
Proceeds from capital infusion of Parent Company	16	20,060	-
Repayment of lease liabilities	14	(2,160)	-
Net Cash From Financing Activities		312,900	-
NET INCREASE (DECREASE) IN CASH AND AND CASH EQUIVALENTS		231,953	(9,724)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			
Cash and other cash items		2,015	2,101
Due from BSP		2,517	2,534
Due from other banks		28,530	38,151
		33,062	42,786
CASH AND CASH EQUIVALENTS AT END OF YEAR	8		
Cash and other cash items		1,484	2,015
Due from BSP		5,568	2,517
Due from other banks		257,963	28,530
		P 265,015	P 33,062

Supplemental Information on Non-cash Investing and Financing Activity –

1) In 2024, the Bank entered into new lease transactions recognizing right-of-use assets and lease liabilities amounting to P9.26 million (see Notes 10 and 14). There was no similar transaction in 2023.

See Notes to Financial Statements.

RURAL BANK OF STA. ROSA (LAGUNA), INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024
(With Comparative Figures as of and for the Year Ended December 31, 2023)
(Amounts in Thousands of Philippine Pesos)

1. GENERAL INFORMATION

1.1 Incorporation

Rural Bank of Sta. Rosa (Laguna), Inc. (the Bank) was incorporated in the Philippines on November 20, 1963 with the Philippine Securities and Exchange Commission (SEC) to engage in the business of extending rural credits to small farmers and tenants and deserving rural industries or enterprises, to have and exercise all authority and powers, to do and perform all acts, and to transact all business which may legally be had or done by rural banks organized under and in accordance with Republic Act (RA) No. 7353, *Rural Banks Act of 1992*, as it exists or may be amended, and to do all other things incident thereto and necessary and proper in connection with said purpose within such territory, as may be determined by the Monetary Board of the Bangko Sentral ng Pilipinas (BSP).

In January 2024, the Bank was formally acquired by Salmon Group Ltd, formerly Fintech Holdings Ltd., (the Parent Company), a wholly foreign entity incorporated and domiciled in the United Arab Emirates, and owns 59.7% of the Bank. The Parent Company's main business is to perform the activities of holding companies.

The Bank's registered Head Office, which is also its principal place of business, is located at F. Gomez Street, Barangay Malusak, Santa Rosa City, Laguna. The Bank has one branch located at 141 General Evangelista Street, Barangay Poblacion, Bacoor City, Cavite.

The Parent Company's registered office address and principal place of business is located at Cloud Bubble B01, Level 14, Al Sarab Tower, Abu Dhabi Global Market Square, Al Maryah Island, Abu Dhabi, United Arab Emirates.

1.2 Status of Operations

As of December 31, 2023, the Bank's capital amounted to P33.68 million and was not able to comply with the BSP required capitalization for rural banks in 2023. The BSP's Rural Bank Strengthening Program (RBSP) provided options to non-compliant rural bank such as merger, consolidation, acquisition, third party investment, voluntary surrender of banking license, and capital building program. The Bank selected the "Third Party Investment" option to meet the BSP capital requirement (see Note 7.2).

On December 21, 2023, the BSP, granted by its Monetary Board in its Resolution No. 1663, approved the sale and transfer of 84,801 common shares of the Bank from its individual stockholders to the Parent Company, representing 59.7% of the total stockholdings of the Bank.

In 2024, the Bank filed a request to change the Bank's name to "Salmon Bank" and applied with the BSP for an increase of authorized capital stock from P20.00 million to P1.20 billion (see Note 16.1). The Bank is yet to apply for an increase in authorized capital stock with the SEC as of December 31, 2024. As of December 31, 2024, the Bank also has a pending application with the BSP for an Electronic Payment and Financial Service (EPFS) license to enable it to offer online banking services.

1.3 Approval of Financial Statements

The financial statements of the Bank as of and for the year ended December 31, 2024 (including the comparative financial statements as of and for the year ended December 31, 2023) were authorized for issue by the Bank's Board of Directors (BOD) on April 14, 2025.

2. MATERIAL ACCOUNTING POLICY INFORMATION

The following are the material accounting policy information that have been used in the preparation of these financial statements. These policies have been consistently applied to all years presented, unless otherwise stated.

2.1 Basis of Preparation of Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The financial statements of the Bank have been prepared in accordance with Philippine Financial Reporting Standards (PFRS Accounting Standards). PFRS Accounting Standards are adopted by the Financial and Sustainability Reporting Standards Council (FSRSC) from the pronouncements issued by the International Accounting Standards Board and approved by the Philippine Board of Accountancy.

The financial statements have been prepared using the measurement bases specified by PFRS Accounting Standards for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies in the succeeding pages.

(b) Presentation of Financial Statements

The financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Bank presents all items of income, expense and other comprehensive income or loss in a single statement of comprehensive income.

Certain accounts in the 2023 statement of financial position were reclassified to conform to the current year presentation, which did not result in a material impact on the Company's financial statements. Accordingly, a third statement of financial position is not required to be presented.

(c) Functional and Presentation Currency

These financial statements are presented in Philippine pesos, the Bank's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the financial statements of the Bank are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Bank operates.

2.2 Adoption of Amended PFRS Accounting Standards

(a) Effective in 2024 that are Relevant to the Bank

The Bank adopted for the first time the following amendments to PFRS Accounting Standards, which are mandatorily effective for annual periods beginning on or after January 1, 2024:

PAS 1 (Amendments)	:	Presentation of Financial Statements – Classification of Liabilities as Current or Non-current
PAS 7 and PFRS 7 (Amendments)	:	Statement of Cash Flows, and financial Instruments: Disclosures – Supplier Finance Arrangements
PFRS 16 (Amendments)	:	Leases – Lease Liability in a Sale and Leaseback

Discussed below and in the succeeding page are the relevant information about these pronouncements.

(i) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current.* The amendments provide guidance on whether a liability should be classified as either current or non-current. The amendments clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and that the classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability. The application of these amendments had no significant impact on the Bank's financial statements.

(ii) PAS 1 (Amendments), *Presentation of Financial Statements – Non-current Liabilities with Covenants*. The amendments specifies that if the right to defer settlement for at least 12 months is subject to an entity complying with conditions after the reporting period, then those conditions would not affect whether the right to defer settlement exists at the end of the reporting period for the purposes of classifying a liability as current or non-current. For non-current liabilities subject to conditions, an entity is required to disclose information about the conditions, whether the entity would comply with the conditions based on its circumstances at the reporting date and whether and how the entity expects to comply with the conditions by the date on which they are contractually required to be tested. The application of these amendments had no significant impact on the Bank's financial statements.

(iii) PAS 7 and PFRS 7 (Amendments), *Statement of Cash Flows, Financial Instruments: Disclosures – Supplier Finance Arrangements*. The amendments add a disclosure objective to PAS 7 stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, PFRS 7 is amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk. The application of these amendments had no significant impact on the Bank's financial statements.

(iv) PFRS 16 (Amendments), *Leases – Lease Liability in a Sale and Leaseback*. The amendments requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognize any amount of the gain or loss that relates to the right of use it retains. In addition, the new requirements do not prevent a seller-lessee from recognizing in profit or loss any gain or loss relating to the partial or full termination of a lease. The application of these amendments had no significant impact on the Bank's financial statements.

(b) Effective Subsequent to 2024 but not Adopted Early

There are new standards and amendments to existing standards effective for annual periods subsequent to 2024, which are adopted by the FSRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Bank's financial statements.

(i) PAS 21 (Amendments), *The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability* (effective from January 1, 2025)

(ii) PFRS 9 and PFRS 7 (Amendments), *Financial Instruments, and Financial Instruments: Disclosures – Amendments to the Classification and Measurement of Financial Instruments* (effective from January 1, 2026)

(iii) PFRS 18, *Presentation and Disclosure in Financial Statements* (effective from January 1, 2027). The new standard impacts the classification of profit or loss items (i.e., into operating, investing and financing categories) and the presentation of subtotals in the statement of income (i.e., operating profit and profit before financing and income taxes). The new standard also changes the aggregation and disaggregation of information presented in the primary financial statements and in the notes. It also introduces required disclosures about management-defined performance measures. The amendments, however, do not affect how an entity recognizes and measures its financial condition, financial performance and cash flows.

2.3 Financial Instruments

(a) Financial Assets

(i) Classification, Measurement and Reclassification of Financial Assets

All the Bank's financial assets are measured at amortized cost. The Bank's financial assets at amortized cost are presented in the statement of financial position as Cash and Other Cash Items, Due from BSP, Due from Other Banks, Loans and Other Receivables, Due from Related Parties and Other Resources account (specifically for Sales contract receivable, Sinking fund and Other receivables).

(ii) Effective Interest Rate Method and Interest Income

Interest income on financial assets measured at amortized cost is recognized using the effective interest rate method.

The Bank calculates interest income by applying the effective interest rate to the gross carrying amount of the financial assets, except for those that are subsequently identified as credit-impaired and or are purchased or originated credit-impaired assets. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial assets (after deduction of the loss allowance). The interest earned is recognized as Interest Income in the statement of comprehensive income.

(iii) Impairment of Financial Assets

The Bank assesses its ECL on a forward-looking basis associated with its financial assets carried at amortized cost.

The Bank measures loss allowances at an amount equal to lifetime ECL, except for the following financial instruments which are measured as 12-month ECL:

- all current loan accounts, except restructured loans;
- other financial instruments on which credit risk has not increased significantly since their initial recognition.

For these financial instruments, the allowance for credit losses is based on 12-month ECL associated with the probability of default of a financial instrument in the next 12 months (referred to as 'Stage 1' financial instruments). Unless there has been a significant increase in credit risk subsequent to the initial recognition of the financial asset, a lifetime ECL (which are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial asset) will be recognized (referred to as 'Stage 2' financial instruments).

'Stage 2' financial instruments also include the following characteristics:

- performing accounts but with occurrence of loss event;
- accounts with missed payments but not yet classified as defaulted;
- current restructured loans

A lifetime ECL shall be recognized for 'Stage 3' financial instruments, which include financial assets considered as credit-impaired, purchased or originated credit-impaired assets, and those classified as Past Due Non-performing and Items in Litigation based on the ECL methodology of the Bank.

The Bank's definition of credit risk and information on how credit risk is mitigated by the Bank are disclosed in Note 4.1.

(iv) Measurement of ECL

The Bank also recognizes impairment losses based on the BSP methodology as described in BSP Circular 1011. This method is promulgated by the BSP to align the Bank's practice of recognizing impairment based on the ECL method mandated by PFRS 9. The BSP issued Circular 1011 to align its financial reporting requirements with standards and practices that are widely accepted internationally. This promotes fairness, transparency, and accountability in the financial industry and ensures compliance with the provisions of PFRS 9.

(v) Derecognition of Financial Assets

Modification of Loans

When the Bank renegotiates or otherwise modifies the contractual cash flows of loans to customers, the Bank assesses whether or not the new terms are substantially different to the original terms. The Bank considers, among others:

- if the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay;
- whether any substantial new terms are introduced that will affect the risk profile of the loan;
- significant extension of the loan term when the borrower is not in financial difficulty;
- significant change in the interest rate; and/or,

- insertion of collateral, other security or credit enhancements that will significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Bank derecognizes the financial asset and recognizes a "new" asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation, including for the purpose of determining whether an significant increase in credit risk (SICR) has occurred.

However, the Bank also assesses whether the new financial asset recognized is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are as gain or loss on derecognition of financial assets in profit or loss.

(b) Financial Liabilities

Financial liabilities include deposit liabilities and other liabilities (except for post-employment benefit obligation and tax-related payables).

2.4 Bank Premises, Furniture, Fixtures and Equipment

Bank premises, furniture, fixtures and equipment are carried at acquisition cost less accumulated depreciation and amortization and any impairment in value.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Furniture and fixtures	3 months to 3 years
Transportation equipment	3 to 5 years

Leasehold improvements are amortized over the remaining term of the lease or the estimated useful lives of the improvements of ten years, whichever is shorter.

2.5 Investment Properties

Investment properties represent properties that were foreclosed by the Bank from defaulted borrowers and held either to earn rental income or for capital appreciation or for sale or for both. This also includes the foreclosed properties of the bank as required by the Manual of Regulations for Banks (MORB) and available for sale after redemption period in the ordinary course of business.

The Bank adopted the cost model in measuring its investment properties; hence, these are stated at cost less accumulated depreciation and any impairment in value. The initial cost of Real and Other Properties Acquired (ROPA) shall be booked initially at the carrying amount of the loan (i.e., outstanding loan balance adjusted for any unamortized premium or discount less allowance for credit losses). Direct operating expenses such as repairs and maintenance and real estate taxes are normally charged against current operations during the period in which these costs are incurred.

In case the collateral of a defaulted loan that was foreclosed has depreciable improvements, the booking of ROPA is divided into the accounts ROPA-Land and ROPA-Building. The allocation of initial recognized costs is based on the market value at the time of foreclosure.

Depreciation is computed using the straight-line method over the estimated useful lives of the depreciable assets. The Bank's regulations provide that the depreciation shall not exceed ten years.

2.7 Deposit for Future Stock Subscription

Based on the requirements of the SEC, the Bank recognizes a deposit for future stock subscription as part of equity if all of the following criteria are met as at the end of the reporting period:

(a) Lack or insufficiency of authorized unissued shares of stock to cover for the deposit;

(b) Approval by the Bank's BOD and stockholders for the increase in authorized capital stock to cover the shares corresponding to the amount of the deposit; and,

(c) Application for the approval of the increase in authorized capital stock has been filed or presented for filing with the SEC.

If any or all of the foregoing elements are not present, the transaction should be recognized as of liability. The amount of deposits for future stock subscription will be reclassified to equity account when the Bank meets the foregoing criteria.

2.8 Other Operating Income and Expense Recognition

A contract with a customer that results in a recognized financial instrument in the Bank's financial statements may partially be within the scope of PFRS 9 and partially within the scope of PFRS 15, *Revenue from Contracts with Customers*. In such case, the Bank first applies PFRS 9 to separate and measure the part of the contract that is in-scope of PFRS 9, and then applies PFRS 15 to the residual part of the contract.

The Bank also assesses its revenue agreements against the specific criteria enumerated below in order to determine if it is acting as principal or agent. Both the legal form and the substance of the agreement are considered to determine each party's respective roles in the agreement. Revenue is recorded at gross when acting as a principal while only net revenues are considered if only an agency service exists. The Bank concluded that it is acting as a principal in all its revenue arrangements.

The Bank also earns commissions in various banking services, and gains on sale of properties, which are supported by contracts approved by the parties involved.

For revenues arising from these various banking services which are to be accounted for under PFRS 15, the following provides information about the nature and timing of satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies:

(a) *Commission and fees* – these income arising from loans, deposits, and other banking transactions are recognized as income based on agreed terms and conditions with customers, which are generally when the services have been performed.

(b) *Late payment fees* – these are billed on late payments of loans and are recognized as income upon occurrence of the late payment event.

For other income outside the scope of PFRS 15, the following provides information about the nature and the related revenue recognition policies.

(a) *Gains or losses on sale of non-financial assets* – Gains on sale of properties under Other Operating Income include net gains or losses from the disposals of bank premises, furniture, fixtures and equipment and investment properties. The Bank recognizes the gain on sale at the time the control of the assets is transferred to the buyer, when the Bank does not retain either continuing managerial involvement to the degree usually associated with ownership, or effective control over the assets sold, and when the collectability of the entire sales price is reasonably assured. Thus, revenue is recognized at a point in time.

(b) *Recovery on charged-off assets* – Income arising from collections on accounts or recoveries from impairment of items previously written off are recognized in the year of recovery. This is included in profit or loss as part of Other Operating Income in the statements of comprehensive income.

Costs and expenses are recognized in profit or loss upon utilization of the goods or services or at the date they are incurred. All finance costs reported in profit or loss on an accrual basis and considering the effective yield of the related financial liability.

2.9 Leases – Bank as a Lessee

Subsequent to initial recognition, the Bank depreciates the right-of-use asset on a straight line basis from the lease commencement date to the earlier of the end of the useful life or the end of the lease term which is from 2 to 5 years.

The Bank has elected to account for any short-term leases (less than 12 months) using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the lease payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, right-of-use asset and lease liability have been presented under Bank Premises, Furniture, Fixtures and Equipment, and Accrued Expenses and Other Liabilities accounts, respectively.

2.10 Impairment of Non-financial assets

The Bank's premises, furniture, fixtures and equipment (including right-of-use assets), investment properties, and other resources and other non-financial assets are subject to impairment testing whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

2.11 Employee Benefits

The Bank's post-employment defined benefit pension plan covers all regular full-time employees. The post-employment plan is not tax qualified, non-contributory.

The defined benefit obligation is calculated on a regular basis by an independent actuary using the projected unit credit method.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Bank's financial statements in accordance with PFRS requires management to make judgments and estimates that affect the amounts reported in the financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates. Unless specifically indicated to apply to either year, the policies that follow apply to both years.

3.1 Critical Management Judgments in Applying Accounting Policies

In the process of applying the Bank's accounting policies, management has made the following judgments, apart from those involving estimation, which have the most significant effect on the amounts recognized in the financial statements:

(a) *Application of ECL to Financial Assets*

The Bank has established a policy to perform an assessment, at the end of each reporting period, whether a financial instrument's credit risk has significantly increased since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. The Bank also considers the quantitative criteria based on the BSP MORB Section 143 (Appendix 15), as amended by BSP Circular 1011, *Guidelines on the Adoption of PFRS 9*, in classifying the status of loan.

(b) *Evaluation of Business Model Applied and Testing the Cash Flow Characteristics of Financial Assets in Managing Financial Instruments*

The Bank manages its financial assets based on business models that maintain adequate level of financial assets to match its expected cash outflows, largely its core deposit funding arising from customers' withdrawals and continuing loan disbursements to borrowers.

The Bank developed business models which reflect how it manages its portfolio of financial instruments. The Bank's business models need not be assessed at entity level or as a whole but shall be applied at the level of a portfolio of financial instruments (i.e., group of financial instruments that are managed together by the Bank) and not on an instrument-by-instrument basis (i.e., not based on intention or specific characteristics of individual financial instrument).

In determining the classification of a financial instrument, the Bank evaluates in which business model a financial instrument or a portfolio of financial instruments belong to taking into consideration the objectives of each business model established by the Bank (e.g., generating accrual income, direct matching to a specific liability) as those relate to the Bank's investment and lending strategies.

If more than an infrequent sale is made out of a portfolio of financial assets carried at amortized cost, an entity should assess whether and how such sales are consistent with the objective of collecting contractual cash flows. In making this judgment, the Bank considers certain circumstances documented in its business model to assess that an increase in the frequency or value of sales of financial instruments in a particular period is not necessary inconsistent with a held-to-collect business model if the Bank can explain the reasons for those sales and why those sales do not reflect a change in the Bank's objective for the business model.

(c) Testing the Cash Flow Characteristics of Financial Assets

In determining the classification of financial assets, the Bank assesses whether the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal outstanding, with interest representing time value of money and credit risk associated with the principal amount outstanding. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual term that changes the timing or amount of cash flows (unless it is a variable interest rate that represents time value of money and credit risk) does not meet the amortized cost criteria. In cases where the relationship between the passage of time and the interest rate of the financial instrument may be imperfect, known as modified time value of money, the Bank assesses the modified time value of money feature to determine whether the financial instrument still meets the SPPI criterion. The objective of the assessment is to determine how different the undiscounted contractual cash flows could be from the undiscounted cash flows that would arise if the time value of money element was not modified (the benchmark cash flows). If the resulting difference is significant, the SPPI criterion is not met. In view of this, the Bank considers the effect of the modified time value of money element in each reporting period and cumulatively over the life of the financial instrument.

(d) Distinction Between Investment Properties and Owner- Occupied Properties

The Bank determines whether a property qualifies as investment property.
In making this judgment, the Bank considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to properties but also to other assets used in the production or supply process.

The Bank classifies its acquired properties (foreclosed properties) as Bank Premises, Furniture, Fixtures and Equipment if used in operations, as other acquired assets presented under Other Resources, if the Bank expects that the properties, which are other than land and building, will be recovered through sale rather than use, and as Investment Properties if the Bank intends to hold the properties, which could be land and/or building, to earn rental or for capital appreciation.

Some properties may comprise a portion that is held to earn rental or for capital appreciation and another portion that is held for use in providing services or for administrative purposes. If these portions can be sold separately (or leased out separately under finance lease), the Bank accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in providing services or for administrative purposes.

Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Bank considers each property separately in making its judgment.

(e) *Determination of Lease Term of Contracts with Renewal and Termination Options*

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The Bank did not include renewal options as part of the lease term of as the terms are renewable upon mutual agreement. The lease term is reassessed if an option is actually exercised or not exercised or the Bank becomes obliged to exercise or not exercise it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the Bank.

(f) *Recognition of Provisions and Contingencies*

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events.

Judgment is exercised by management to distinguish between provisions and contingencies. Disclosures on relevant contingencies are presented in Note 22.

3.2 Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period:

(a) Estimation of allowance for ECL on Financial Assets at Amortized Cost

When measuring allowance for ECL for relevant categories of financial assets, management applies judgment in defining the criteria in assessing whether a financial asset has experienced significant increase in credit risk (SICR) since initial recognition, and in the estimation of the contractual cash flows due from counterparty and those that the Bank would expect to receive, taking into account the cash flows from the realization of collateral and integral credit enhancements.

Explanation of the inputs, assumptions and estimation used in measuring ECL, and the analysis of the allowance for ECL on various groups of financial instruments is further detailed in Notes 4.1.2 and 4.1.5, respectively.

(b) Estimation of Useful Lives of Bank Premises, Furniture, Fixtures and Equipment (Including Right-of-use Asset) and Investment Properties

The Bank estimates the useful lives of its bank premises, furniture, fixtures and equipment (including right-of-use asset), and investment properties based on the period over which the assets are expected to be available for use. The estimated useful lives of bank premises, furniture, fixtures and equipment, and investment properties are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

The carrying amounts of bank premises, furniture, fixtures and equipment, and investment properties are presented in Notes 10 and 11, respectively.

Based on management's assessment as of December 31, 2024 and 2023, there is no change in estimated useful lives of bank premises, furniture, fixtures and equipment, and investment properties during those years.

Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(c) Estimating Fair Value Disclosure of Investment Properties

The Bank's investment properties are composed of parcels of land and buildings which are held for capital appreciation, and are measured using cost model. The estimated fair value of investment properties disclosed in Note 6.3 are determined on the basis of the appraisals conducted by independent and qualified professional appraiser applying the relevant valuation methodologies.

(d) Determination of Realizable Amount of Deferred Tax Assets

The Bank reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. The carrying value of deferred tax assets, which management has assessed to be fully recoverable, as of December 31, 2024 is disclosed in Note 21.

(e) Impairment of Non-financial Assets

Bank premises, furniture, fixtures and equipment, investment properties and other non-financial assets are subject to impairment testing.

In assessing impairment, management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

Though management believes that the assumptions used in the estimation of fair values of non-financial assets are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable amount and any resulting impairment loss could have a material adverse effect on the Bank's results of operations.

Based on management's evaluation, there are no impairment losses on investment properties necessary to be recognized in 2024 and 2023.

(f) Valuation of Post-employment Defined Benefit Obligation

The determination of the Bank's obligation and cost of post-employment defined benefit is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rates and salary rate increase. A significant change in any of these actuarial assumptions may generally affect the recognized expense, other comprehensive income or losses and the carrying amount of the post-employment benefit obligation in the next reporting period.

The amounts of post-employment benefit obligation and expense and an analysis of the movements in the estimated present value of post-employment defined benefit obligation, as well as the significant assumptions used in estimating such obligation, are presented in Note 20.

4. RISK MANAGEMENT OBJECTIVES AND POLICIES

The BOD, through the Risk Oversight Committee (ROC), provides top-level direction and oversight, ensuring that the Bank's risk appetite, governance structure, and frameworks remain responsive to internal developments and the external environment. This governance approach reinforces a culture where risk-informed decisions support innovation, compliance, and sustainable banking.

The Bank maintains a comprehensive and layered governance structure to ensure effective enterprise-wide risk management. The Bank follows the Three Lines of Defense model, supported by dedicated risk and control functions, structured committees, and clear escalation protocols.

At the top of the governance hierarchy, the Board of Directors sets the strategic direction for risk governance. The ROC, Audit Committee, Credit Committee, and Asset and Liability Committee (ALCO) provide specialized oversight on risk domains and ensure that key risk exposures remain within acceptable parameters. Senior Management executes risk strategies through the Management Committee, cascading oversight and accountability across business units.

The First Line of Defense comprises the Bank's business units, which are responsible for identifying, assessing, and managing risks within their day-to-day operations. They are directly accountable for implementing controls and ensuring compliance with internal policies and risk limits.

The Second Line of Defense is composed of the Risk Management and Compliance functions. These units provide independent oversight, facilitate risk assessments, develop risk-related policies, and support the execution of the Risk Management Framework (RMF). The Risk Management Team also prepares reports for the Board and ROC, highlighting current and emerging risk exposures.

The Third Line of Defense is represented by the Internal Audit, which independently evaluates the effectiveness of risk management processes and internal controls. The function ensures that risk practices are aligned with the Bank's policies and regulatory expectations, reporting directly to the Board and Audit Committee.

Risk monitoring is conducted using structured processes, such as regular Key Risk Indicator (KRI) tracking, risk assessments, and incident reporting. This ensures timely detection of risk exposures and facilitates prompt remediation.

For financial risks—such as credit, liquidity, capital adequacy, and market—the Bank applies prudent risk evaluation methods and governance mechanisms that ensure exposures remain within acceptable parameters. Monitoring and escalation protocols are in place to identify emerging trends, validate performance against set thresholds, and enable timely intervention when necessary.

4.1 Credit Risk

Credit risk is the risk that a counterparty fails to discharge an obligation to the Bank. It arises from lending and other activities undertaken by the Bank. Managing credit risk involves defining the principles and parameters governing credit activities at various levels (i.e., strategic level, portfolio level, down to individual transaction or account level).

The Bank is exposed to credit risk from its operating activities and financing activities, which consist of cash, loans, and receivables. To manage credit risk, the Bank assesses the creditworthiness of its counterparties and continuously monitors their financial health and status. This ensures that receivables from these counterparties are substantially collected on due dates. Credit risk on receivables is assessed on an ongoing basis.

The Credit Committee (CC) reviews the Bank's loan portfolio in line with the Bank's policy of not having significant unwarranted concentrations of exposure to individual counterparties, in accordance with the BSP's prohibitions on maintaining a financial exposure to any single person or group of connected persons in excess of 25% of its net worth. The CC also ensures that the Bank is compliant with the 30% limit on industry concentration based on Bank's total portfolio.

4.1.1 Credit Risk Assessment

The Bank has established a policy to perform an assessment, at the end of each reporting period, whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. In making this assessment, the Bank assesses on a quarterly basis both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information as appropriate. These may include macroeconomic conditions, economic sector and geographical region relevant to the counterparty or borrower and other factors that are counterparty specific. As the Bank holds various arrays of financial instruments, the extent of assessment may depend on the materiality of the financial instrument, or the complexity of the portfolio being assessed.

Loan classification are an integral part of the Bank's management of credit risk. On an annual basis, loans are reviewed, classified and rated based on internal and external factors that affect its performance. On a quarterly basis, loan classifications of impaired accounts are assessed and the results are used as basis for the review of loan loss provisions. The Bank's definition of its loan classification are (a) Pass/Unclassified, (b) Loans Especially Mentioned (LEM), (c) Substandard, (d) Doubtful and (e) Loss.

(a) *High Grade/Standard Grade*

These are individual credits that do not have a greater-than-normal risk and do not possess the characteristics of adversely classified loans. These are credits that have the apparent ability to satisfy their obligations in full and therefore no loss in ultimate collection is anticipated. These are adequately secured by readily marketable collateral or other forms of support security or are supported by sufficient credit and financial information of favorable nature to assure repayment as agreed. For Standard grade, since early identification of troublesome or potential accounts is vital in portfolio management, a Watchlisted classification of credit accounts is maintained. These accounts are not adversely classified but they require more than normal attention to prevent these accounts from deteriorating to said category.

Past due or individually impaired financial assets are consisting of accounts under the following classification:

(b) *Loans Especially Mentioned*

Accounts classified as LEM are individual credits that have potential weaknesses particularly on documentation or credit administration that deserve management's close attention. These potential weaknesses, if left uncorrected, may affect the repayment prospects of the loan and thus heighten the credit risk to the Bank.

A credit may also be classified as LEM if there is evidence of weakness in the borrower's financial condition or credit worthiness, or the credit is subject to an unrealistic repayment program or inadequate source of funds.

(c) *Substandard*

Accounts classified as Substandard are individual credits or portions thereof, which appear to involve a substantial and unreasonable degree of risk to the Bank because of unfavourable record or unsatisfactory characteristics. There exists in such accounts the possibility of future loss to the Bank unless given closer supervision. Those classified as Substandard must have a well-defined weakness or weaknesses that jeopardize their liquidation. Such well-defined weaknesses may include adverse trends or development of financial, managerial, economic or political nature, or a significant weakness in collateral.

(d) *Doubtful*

Accounts classified as Doubtful are individual credits or portions thereof which have the weaknesses inherent in those classified as Substandard, with the added characteristics that existing facts, conditions, and values make collection or liquidation in full highly improbable and in which substantial loss is probable. Positive and vigorous action is required to avert or minimize losses.

(e) *Loss*

Accounts classified as Loss are individual credits or portions thereof which are considered uncollectible or worthless and of such little value that their continuance as bankable assets are not warranted although the loans may have some recovery or salvage value. The amount of recovery or salvage value is difficult to measure and it is not practical or desirable to defer writing off the entire amount of these basically worthless assets even though partial recovery may be obtained in the future.

In addition, credit portfolio review is another integral part of the Bank's credit risk management. This activity involves the conduct of periodical post approval review of individual credits with main objective to help monitor and maintain sound and healthy risk asset portfolio. The parameters of the credit portfolio review are structured so as to reflect both sides of the risk management equation such as credit quality and process. This function actuates the philosophy that credit quality is derived from sound risk management process. The credit quality of financial assets is managed by the Bank using internal credit ratings.

The Bank's ECL methodology follows a three-stage impairment approach in determining the loss allowance to be recognized in the financial statements:

(i) Stage 1 – comprises of all credit exposures that are considered performing and with no observed SICR since initial recognition. These include those financial instruments with low credit risk.

(ii) Stage 2 – comprises of all financial instruments assessed to have SICR since initial recognition based on the Bank's quantitative and qualitative criteria, though not yet deemed to be credit-impaired. With reference to the Bank's credit risk assessment, Stage 2 includes credit exposures that are considered as under-performing in which risk ratings were downgraded by at least three notches and/or downgraded to Especially Mentioned. Stage 2 financial instruments may also include those financial instruments where the credit risk has improved and have been reclassified from Stage 3 subject to the Bank's observation period on the creditworthiness of the counterparty. A lifetime ECL is recognized for these financial instruments.

(iii) Stage 3 – comprises credit exposures which are assessed as credit-impaired, thus considered by the Bank as non-performing, which is assessed consistently with the Bank's definition of default for each loan portfolio. Generally, this includes accounts that are classified as Substandard, Doubtful and Loss. The Bank recognizes a lifetime ECL for all credit-impaired financial assets.

4.1.2 Expected Credit Loss Measurement Inputs

(a) Significant Increase in Credit Risk

The Bank's credit risk measurement is performed on different segments of financial asset portfolio such as purchased loan portfolio and consumer, which include agricultural loans, agrarian loans, microfinance, small and medium entity (SME) loans, and other loans such as barangay and teacher's loans.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Bank assesses the change in the risk of a default occurring over the remaining life of the financial instrument. In making this assessment, the Bank assesses on a periodic basis both quantitative and qualitative information that is reasonable and supportable, including historical experience.

The Bank considers a financial instrument to have experienced a SICR when certain criteria have been met. The Bank's criteria are guided by PFRS 9 three-stage model impairment based on changes in credit quality since initial recognition. All current account which has no history of default payment is classified into Stage 1. All past due accounts are classified into Stage 2 except those accounts that already exceed 60 days past due which will be classified into Stage 3 for the unsecured loans.

In addition, an account or borrower possess an SICR whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, such as where the borrower is unlikely to pay its obligations and is deemed to be in significant financial difficulty, which include cases of long-term forbearance, borrower's death, insolvency, breach of financial covenant/s, disappearance of active market for that financial instrument because of financial difficulties, and bankruptcy.

The tables below summarize loan classification per BSP Revised Appendix 15 aligned with the PFRS 9 three-stage model impairment based on changes in credit quality since initial recognition:

General Rule

Stage 1	Stage 2	Stage 3
Pass	Especially Mentioned Substandard – Unimpaired*	Substantial – Impaired Doubtful Loss
(Performing)	(Underperforming)	(Non-performing)**

**Substandard accounts that are unpaid or with missed payment of less than 90 days.*
***Exposures that exhibit the characteristics for classified accounts described under BSP MORB Section 143.*

Individually Assessed Credit Exposures (Unsecured)

Days Unpaid/with Missed Payment	Appendix 15 Classification	PFRS 9 Stage
31 – 90 days	Substandard (unimpaired)	2
91 – 120 days	Substandard (impaired)	3
121 – 180 days	Doubtful	3
181 days and over	Loss	3

Individually Assessed Credit Exposures (Secured)

Days Unpaid/with Missed Payment	Appendix 15 Classification	PFRS 9 Stage
31 – 90 days	Substandard (unimpaired)	2
91 – 180 days	Substandard (impaired)	3
181 – 365 days	Substandard (impaired)	3
Over 1 year – 5 years	Doubtful	3
Over 5 years	Loss	3

Collectively Assessed Credit Exposures (Unsecured)

Days Unpaid/with Missed Payment	Appendix 15 Classification	PFRS 9 Stage
1 – 30 days	Especially mentioned	2
31 – 60 days / 1st restructuring	Substandard	2 or 3***
61 – 90 days	Doubtful	3
91 days and over / 2nd restructuring	Loss	3

****Depends on whether the account is classified as underperforming (Stage 2) or non-performing (Stage 3)*

Collectively Assessed Credit Exposures (Secured)

Days Unpaid/with Missed Payment	Appendix 15 Classification	PFRS 9 Stage
31 – 90 days	Substandard (unimpaired)	2
91 – 120 days	Substandard (impaired)	3
121 – 365 days	Substandard (impaired)	3
Over 1 year – 5 years	Doubtful	3
Over 5 years	Loss	3

A grouping of exposures for collective assessment is performed on the basis of shared credit risk characteristics, such that risk exposures within a group are homogeneous.

Certain qualitative criteria are also being considered by the Bank in assessing SICR. These are but not limited to: actual or expected short-term delays in payments, extension to the terms granted, previous arrears within the last 12 months and significant adverse changes in business, financial and/or economic conditions in which the borrowers operate (e.g., calamities requiring BSP relief program), and other backstop indicators.

(b) Inputs, Assumptions and Estimation Techniques

The ECL is measured on a lifetime basis giving due consideration on whether a SICR has occurred since initial recognition or whether an asset is considered to be credit impaired. To measure the ECL, loans and receivables have been grouped on shared credit risk characteristics and the days past due (age buckets). The expected loss rates are based on the collection profiles of the Bank's loans and receivables, taking into consideration the prescribed loss rates of the BSP under Appendix 15 of MORB, and the corresponding historical credit losses. The Bank's management intends to regularly calibrate these historical loss rates.

4.1.3 Write-off

The Bank writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery of the financial asset. Indicators that there is no reasonable expectation of recovery includes ceasing enforcement activity; and, where the Bank's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

The Bank may write-off financial assets that are still subject to enforcement activity. There were write-offs amounting to P105.80 million in 2024 (nil in 2023) (see Note 9).

4.1.3.1 Concentration of Credit Risk

The Bank monitors concentrations of credit risk by sector. An analysis of concentrations of credit risk (gross of allowance and discounts) at the reporting date is shown below.

(Amounts in thousands of PHP)	Cash and Cash Equivalents and Time Deposits	Loans Receivables	Other Resources	Due from related parties	Total
December 31, 2024					
Financial intermediaries*	**257,963**	**-**	**4,206**	**-**	**262,169**
Government	**5,568**	**-**	**-**	**-**	**5,568**
Real estate activities	**-**	**28,494**	**3,272**	**-**	**31,766**
Agricultural, forestry and fishing	**-**	**245**	**-**	**-**	**245**
Wholesale and retail trade, repair of motor vehicles and motorcycles	**-**	**16,031**	**-**	**-**	**16,031**
Other service activities	**-**	**-**	**589**	**69,970**	**70,559**
Loans to individuals primarily for personal use	**-**	**945,477**	**-**	**-**	**945,477**
	263,531	**990,247**	**8,067**	**69,970**	**1,331,815**
December 31, 2023					
Financial intermediaries*	28,530	-	5,403	-	35,957
Government	2,517	-	-	-	2,517
Real estate activities	-	35,637	3,969	-	39,606
Agricultural, forestry and fishing	-	246	-	-	246
Wholesale and retail trade, repair of motor vehicles and motorcycles	-	15,140	-	-	15,140
Other service activities	-	2,067	36	-	2,103
Accommodation and food service activities	-	5,824	-	-	5,824
Human health and social work activities	-	1,853	-	-	1,853
Loans to individuals primarily for personal use	-	5,748	-	-	5,748
	31,047	66,515	9,408	-	108,985

**Excludes cash on hand*

4.1.4 Exposure to Credit Risk

The Bank's exposure to credit risk is limited to the carrying amount of financial assets recognized at the end of each reporting period as shown in the statements of financial position.

Maximum credit exposure

The following table contains an analysis of the credit risk exposure as of December 31, 2024 and 2023 of financial instruments at amortized cost for which an ECL allowance is recognized. The gross carrying amount of financial assets below also represent the Bank's maximum exposure to credit risk on these assets without taking into account the value of any collateral obtained.

(Amounts in thousands of PHP)	ECL Staging			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
December 31, 2024				
Cash and other cash items	1,484	-	-	1,484
Due from BSP	5,568	-	-	5,568
Due from other banks	257,963	-	-	257,963
Loans and receivables	825,790	80,713	83,744	990,247
Due from related parties	69,970	-	-	69,970
Other accounts receivables	589	-	-	589
Sales contract receivables	1,590	1,935	-	3,525
Sinking fund	4,206	-	-	4,206
Gross carrying amount	1,167,160	82,648	83,744	1,333,552
Allowance for credit losses	(8,876)	(20,820)	(52,115)	(81,811)
	1,158,284	**61,828**	**31,629**	**1,251,741**

	ECL Staging			
	Stage 1	Stage 2	Stage 3	Total
December 31, 2023				
Cash and other cash items	2,015	-	-	2,015
Due from BSP	2,517	-	-	2,517
Due from other banks	28,530	-	-	28,530
Loans and receivables	65,079	66	1,370	66,515
Other accounts receivables	36	-	-	36
Sales contract receivables	3,969	-	-	3,969
Sinking fund	5,403	-	-	5,403
Gross carrying amount	107,549	66	1,370	108,985
Allowance for credit losses	(1,629)	(17)	(1,370)	(3,016)
	105,920	49	-	105,969

Due from BSP account represents the aggregate balance of deposit accounts in local currency maintained by the Bank with the BSP primarily to meet reserve requirements and to serve as a clearing account for any interbank claims. Hence, no significant credit risk is anticipated for this account. The Bank is able to manage the credit risk arising from due from other banks by ensuring that the banks where these financial assets are invested are of high reputation and good credit standing. These placements are secured by the lower of the aggregate maximum insurance coverage of P0.50 million and the balance of the deposit account, as provided for under RA No. 9576, *Amendment to Charter of Philippine Depository Insurance Corporation.*

The Bank is able to manage the credit risk arising from loans and receivables to individuals through adherence to a set of policies, the most notable features of which, in this context, are: (a) credit approving authority is not exercised by a single individual but rather, through a hierarchy of limits, is effectively exercised collectively; (b) an independent credit risk assessment, summarized into a borrower risk rating, is provided as input to the credit decision-making process; and (c) borrower credit analysis is performed at origination and at least annually thereafter.

Other Credit enhancements

The Bank holds collateral against certain loans and receivables in the form of mortgage interests over property, other registered securities over assets, hold-out agreements and guarantees. Estimates of fair value (for determining loanable amount) are based on the value of collateral assessed at the time of borrowing, and generally not updated except when a loan is individually assessed as impaired.

The carrying amount of financial assets recorded in the financial statements represents the Bank's maximum exposure to credit risk without taking into account the value of any collateral obtained.

(Amounts in thousands of PHP)	**Gross Maximum Exposure**	**Fair Value of Collaterals**	**Net Exposure**	**Financial Effect of Collaterals**
2024				
Loans and discounts	990,247	58,323	931,924	990,247
Sales contracts receivables	3,525	7,000	-	3,525
	993,772	**65,323**	**931,924**	**993,772**
2023				
Loans and discounts	66,615	6,621	59,994	66,615
Sales contracts receivables	3,969	6,700	-	3,969
	70,584	13,321	59,994	70,584

An analysis of the maximum credit risk exposure relating to Stages 2 and 3 financial assets as of December 31, 2024 and 2023 is shown below.

(Amounts in thousands of PHP)		Gross Maximum Exposure	Fair Value of Collaterals	Net Exposure	Financial Effect of Collaterals
2024					
	Loans and discounts	164,457	6,366	158,091	164,457
	Sales contracts receivables	1,935	4,000	-	1,935
		166,392	**10,366**	**158,091**	**166,392**
2023					
	Loans and discounts	1,436	1,100	336	1,436

The information about the credit exposures on the Bank's loans and receivables by stages of impairment as of December 31, 2024 and 2023 shown at their gross carrying amounts with the corresponding allowance for ECL are presented below.

	Stage 1	Stage 2	Stage 3	Total
December 31, 2024				
Credit Quality				
High grade/ standard grade	886,012	82,335	-	968,347
Doubtful	-	-	35,868	35,868
Loss	-	-	49,509	49,509
Gross carrying amount	886,012	82,335	85,377	1,053,724
Unearned interest	(60,222)	(1,622)	(1,633)	(63,477)
Allowance for ECL	(8,860)	(20,583)	(52,115)	(81,558)
	816,930	**60,130**	**31,629**	**908,689**
December 31, 2023				
Credit Quality				
High grade/ standard grade	65,079	-	-	65,079
Substandard	-	66	-	66
Loss	-	-	1,370	1,370
Gross carrying amount	65,079	66	1,370	66,515
Allowance for ECL	(1,629)	(17)	(1,370)	(3,016)
	63,450	49	-	63,499

In addition, the information about the Bank's allowance for ECL by stages of impairment as of December 31, 2024 and 2023 are shown below.

	Stage 1	Stage 2	Stage 3	Total
December 31, 2024				
Credit Quality				
High grade/ standard grade	**(8,860)**	**-**	**-**	**(8,860)**
Doubtful	**-**	**(20,583)**	**-**	**(20,583))**
Loss	**-**	**-**	**(52,115)**	**(52,115)**
	(8,860)	**(20,583)**	**(52,115)**	**(81,558)**
December 31, 2023				
Credit Quality				
High grade/ standard grade	(1,629)	-	-	(1,629)
Doubtful	-	(17)	-	(17)
Loss	-	-	(1,370)	(1,370)
	(1,629)	(17)	(1,370)	(3,016)

The Bank is not permitted to sell or pledge the collateral held in the absence of default by the owner of the collateral. The Bank's manner of disposing the collateral for impaired loans and receivables is normally through sale of these assets after foreclosure proceedings have taken place. The Bank does not generally use the non-cash collateral for its own operations. There were no changes in the Bank's collateral policies in 2024 and 2023.

4.1.5 Allowance for ECL

The following table shows the reconciliation of the loss allowance for ECL by class of financial instruments at the beginning and end of 2024 and 2023.

(Amounts in thousands of PHP)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
December 31, 2024				
Loans and Receivables:				
Balance at January 1	(1,629)	(17)	(1,370)	(3,016)
New financials purchased				
Accrual	(24,326)	(12,009)	(148,010)	(184,345)
Transfers from:				
Stage 1 to Stage 2	8,557	(8,557)	-	-
Stage 1 to Stage 3	8,538	-	(8,538)	-
Write-off	-	-	105,803	105,803
Balance at December 31	**(8,860)**	**(20,583)**	**(52,115)**	**(81,558)**
December 31, 2023				
Loans and Receivables –				
Balance at December 31	(1,629)	(17)	(1,370)	(3,016)

4.2 Significant Changes in Gross Carrying Amount Affecting Allowance for ECL

The table below provides information how the significant changes in the gross carrying amount of loans receivables in 2024 and 2023 contributed to the changes in the allowance for ECL.

(Amounts in thousands of PHP)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
December 31, 2024				
Balance at January 1	65,079	66	1,370	66,515
New financial assets purchased	1,962,413	-	-	1,962,413
Write-offs	-	-	(105,803)	(105,803)
Accrued	460,928	50,108	8,696	519,732
Collected	(1,360,257)	(22,249)	(6,627)	(1,389,133)
Transfers from:				
Stage 1 to Stage 2	(54,410)	54,410	-	-
Stage 1 to Stage 3	(187,741)	-	187,741	-
Balance at December 31	**886,012**	**82,335**	**85,377**	**1,053,724**
December 31, 2023				
Balance at January 1	53,673	-	1,497	55,170
New financial assets originated	35,265	-	-	35,265
Accrued	8,818	66	-	8,884
Collected	(32,677)	-	(127)	(32,804)
Balance at December 31	65,079	66	1,370	66,515

4.3 Market Risk

The Bank's market risk pertains to interest rate risk. The Bank follows a prudent policy on managing its assets and liabilities so as to ensure that exposure to fluctuations in interest rates are kept within acceptable limits. As a result of these factors, the Bank's exposure to interest rate fluctuations, and other market risks, is significantly reduced.

The Bank, in keeping with banking industry practice, maintains a large portion of its deposit base in short-term deposits. Interest rates on these deposits are set by considering different criteria. Interest rates on time deposits are usually priced according to the amount deposited and term of deposit. The Bank has minimal exposure to interest rate risk on its short-term placements with other banks.

4.4 Liquidity Risk

Liquidity risk is the risk that there are insufficient funds available to adequately meet the credit demands of the Bank's customers and repay deposits on maturity. The Bank manages liquidity risk by holding sufficient liquid assets of appropriate quality to ensure short-term funding requirements are met and by maintaining a balanced loan portfolio which is repriced on a regular basis. In addition, the Bank seeks to maintain sufficient liquidity to take advantage of interest rate opportunities when they arise.

The tables below present an analysis of the maturity groupings of financial assets and financial liabilities which is based on gross amount as of December 31, 2024 and 2023 in accordance with BSP account classifications.

(Amounts in thousands of PHP)	**Due on Demand**	**Due within One Year**	**One year to Five years**	**Due beyond Five years**	**Total**
December 31, 2024					
Financial assets:					
Cash and other cash items	1,484	-	-	-	1,484
Due from BSP	5,568	-	-	-	5,568
Due from other banks	219,583	38,380	-	-	257,963
Loans and other receivables - gross	-	876,305	22,814	9,570	908,689
Due from related parties	-	69,970	-	-	69,970
Other resources	-	4,788	2,979	300	8,067
Total financial assets	226,635	989,443	25,793	9,870	1,251,741
Financial liabilities:					
Deposit liabilities	53,848	517,331	-	-	571,179
Accrued expenses and other liabilities	-	23,875	10,732	-	34,607
Due to related parties	-	16,851	-	-	16,851
Total financial liabilities	53,848	558,057	10,732	-	622,637
Net position	**172,787**	**431,386**	**15,061**	**9,870**	**629,104**
Cumulative net position	**172,787**	**604,173**	**619,234**	**629,104**	**-**
December 31, 2023					
Financial assets:					
Cash and other cash items	2,015	-	-	-	2,015
Due from BSP	2,517	-	-	-	2,517
Due from other banks	24,828	3,702	-	-	28,530
Loans and other receivables - gross	-	9,291	34,062	20,146	63,499
Other resources	-	5,964	2,478	966	9,408
Total financial assets	29,360	18,957	36,540	21,112	105,969
Financial liabilities:					
Deposit liabilities	77,546	-	-	-	77,546
Accrued expenses and other liabilities	-	783	-	-	783
Total financial liabilities	77,546	783	-	-	78,329
Net position	(48,484)	18,472	36,540	21,112	27,640
Cumulative net position	(48,484)	(30,012)	6,528	27,640	-

4.5 Operational risk

Operational risks are risks arising from the potential inadequate information systems and systems, operations or transactional problems (relating to service or product delivery), breaches in internal controls, fraud, or unforeseen catastrophes that may result in unexpected loss.

Operational risks include the risk of loss arising from various types of human or technical error, settlement or payments failures, business interruption, administrative and legal risks, and the risk arising from systems not performing adequately.

Managing operations risk in the Bank is founded on a sound internal control environment. Among the key components of a sound internal environment are recruitment and placement policies that ensure the integrity, ethics, and competence of personnel; a written Code of Conduct; written policies and procedures that clearly establish accountability and responsibility, segregation of functions, verification, and reconciliation procedures; and an effective assurance and internal audit function.

4.6 Anti-Money Laundering Controls

As part of the Philippines' commitment to protecting the integrity of its financial system, complying with international standards, and promoting national and economic security, the Anti-Money Laundering Act (AMLA) or Republic Act No. 9160 was enacted in September 2001, criminalizing money laundering (ML) in the country. The law has since been further strengthened through several amendments, including RA Nos. 9194, 10167, 10168, 10365, 10927, and 11521, enhancing its scope and enforcement mechanisms.

The AMLA, as amended, outlines the regulatory obligations of covered persons, including banks. These obligations include implementing appropriate Customer Due Diligence (CDD) and Know-Your-Customer (KYC) procedures, submitting Covered Transaction Reports (CTRs) and Suspicious Transaction Reports (STRs), complying with record-keeping and retention standards, and conducting regular AML training for employees, officers, and directors. Moreover, the law mandates covered persons to assess their exposure to ML, Terrorism Financing (TF), and Proliferation Financing (PF) risks through an Institutional Risk Assessment (IRA).

In compliance with these requirements, the Bank has established a comprehensive ML/TF/PF Prevention Program (MTPP). This program outlines the internal controls designed to mitigate ML/TF/PF risks arising from the Bank's operations. It defines CDD processes for categorizing customers as Low, Normal, or High Risk, with corresponding due diligence measures—Reduced, Average, or Enhanced Due Diligence (EDD). The MTPP also sets out the KYC documentation requirements for customer onboarding and includes guidelines for identifying Politically Exposed Persons (PEPs).

In terms of reporting, the Bank has been filing CTRs and STRs to the Anti-Money Laundering Council (AMLC) based on the regulatory deadline. The Bank likewise established a procedure that ensures completeness of report and adherence to regulatory timelines.

In 2024, the Bank completed its Institutional Risk Assessment, which evaluated ML/TF/PF risks in various areas such as, customers, transactions, products and services, geographical area of operations, and delivery channels. Results thereof disclosed that the Bank has in place adequate controls, proportionate to its size, nature, and complexity, to effectively manage and mitigate ML/TF/PF risks.

Liquidity risk is the risk that there are insufficient funds available to adequately meet the credit demands of the Bank's customers and repay deposits on maturity. The Bank manages liquidity risk by holding sufficient liquid assets of appropriate quality to ensure short-term funding requirements are met and by maintaining a balanced loan portfolio which is repriced on a regular basis. In addition, the Bank seeks to maintain sufficient liquidity to take advantage of interest rate opportunities when they arise.

4.7 Maturity Analysis of Resources and Liabilities

The table below presents the resources and liabilities analyzed according to whether these are expected to be recovered or settled in less than 12 months and over 12 months from statement of financial position date:

(Amounts in thousands of PHP)	**Current**	**Non-current**	**Total**
December 31, 2024			
Cash and other cash items	1,484	-	1,484
Due from BSP	5,568	-	5,568
Due from other banks	257,963	-	257,963
Loans and other receivables – net	876,305	32,384	908,689
Due from related parties	69,970	-	69,970
Bank premises, furniture and fixtures and equipment – net	-	10,276	10,276
Investment properties – net	-	3,496	3,496
Deferred tax assets	-	20,790	20,790
Other resources	11,986	3,279	15,265
Total Resources	**1,223,276**	**70,225**	**1,293,501**
Deposit liabilities	571,179	-	571,179
Accrued expenses and other liabilities	55,335	10,732	66,067
Due to related parties	16,851	-	16,851
Deposit for future stock subscription	-	295,000	295,000
Income tax payable	78,751	-	78,751
Retirement benefit obligation	-	4,837	4,837
Total Liabilities	**722,116**	**310,569**	**1,032,685**
December 31, 2023			
Cash and other cash items	2,015	-	2,015
Due from BSP	2,517	-	2,517
Due from other banks	28,530	-	28,530
Loans and other receivables – net	9,291	54,208	63,499
Bank premises, furniture and fixtures and equipment – net	-	2,427	2,427
Investment properties – net	-	3,567	3,567
Other resources	6,341	3,444	9,785
Total Resources	48,694	63,646	112,340
Deposit liabilities	77,546	-	77,546
Accrued expenses and other liabilities	861	-	861
Income tax payable	253	-	253
Total Liabilities	78,660	-	78,660

5. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

5.1 Carrying Amounts and Fair Values by Category

The Bank concluded that the carrying amounts of financial assets and financial liabilities which are measured at amortized cost approximate the fair values either because those instruments are short-term in nature or the effect of discounting for those with maturities of more than one year is not material.

See Note 2.3 for the description of the accounting policies for each category of financial instruments. A description of the Bank's risk management objectives and policies for financial instruments is provided in Note 4.

5.2 Offsetting Financial Assets and Financial Liabilities

The Bank has not set-off any financial instruments in 2024 and 2023 and does not have relevant offsetting arrangements. Currently, financial assets and financial liabilities are settled on a gross amount basis; however, each party to the financial instrument (particularly related parties) will have the option to settle all such amounts on a net basis.

6. FAIR VALUE MEASUREMENT AND DISCLOSURES

6.1 Fair Value Hierarchy

In accordance with PFRS 13, *Fair Value Measurement*, the fair value of financial assets and financial liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

For investments which does not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market value of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument. When the Bank uses valuation technique, it maximizes the use of observable market data where it is available and relies as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

The Bank has no financial assets and financial liabilities measured at fair value as of December 31, 2024 and 2023.

6.2 Financial Instruments at Amortized Cost for which Fair Value is Disclosed

The table below summarizes the fair value hierarchy of the Bank's financial assets and financial liabilities which are not measured at fair value in the statements of financial position but for which fair value is disclosed.

(Amounts in thousands of PHP)	Notes	**Level 1**	**Level 2**	**Level 3**	**Total**
December 31, 2024					
Financial Resources:					
Cash and other cash items	8	1,484	-	-	1,484
Due from BSP	8	5,568	-	-	5,568
Due from other banks	8	257,963	-	-	257,963
Loans and other receivables – net	9	-	-	908,689	908,689
Due from related parties	17	-	-	69,970	69,970
Other resources	12	-	-	8,067	8,067
		265,015	**-**	**986,726**	**1,251,741**
Financial Liabilities:					
Deposit liabilities	13	-	-	571,179	571,179
Accrued expenses and other liabilities	14	-	-	34,607	34,607
Due to related parties	17	-	-	16,851	16,851
		-	**-**	**622,637**	**622,637**
December 31, 2023					
Financial Resources					
Cash and other cash items	8	2,015	-	-	2,015
Due from BSP	8	2,517	-	-	2,517
Due from other banks	8	28,530	-	-	28,530
Loans and other receivables - net	9	-	-	63,499	63,499
Other resources	12	-	-	9,408	9,408
		33,062	-	72,907	105,969
Financial Liabilities					
Deposit liabilities	13	-	-	77,546	77,546
Accrued expenses and other liabilities	14	-	-	783	783
		-	-	78,329	78,329

The following are the methods used to determine the fair value of financial assets and financial liabilities not presented in the statements of financial position at their fair values:

(a) Cash and Other Cash Items

Cash and other cash items include bills and coins, checks, and other cash items in the Bank's vault. The carrying amounts of these approximate their fair values in view of the relatively short-term maturities of these instruments.

(b) Due from BSP and Other Banks

Due from BSP pertains to deposits made by the Bank to the BSP for clearing and reserve requirements. Due from other banks includes items in the course of collection.

(c) Loans and Receivables

Loans and receivables are net of provisions for impairment. The estimated fair value of loans and receivables represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

(d) Deposits Liabilities

The estimated fair values of deposits with no stated maturity, which includes noninterest-bearing deposits, is the amount payable on demand. The estimated fair value of long-term fixed interest-bearing deposits and other borrowings without quoted market price is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

(e) Due to Related Parties and Accrued Expenses and other Liabilities

Due to their short duration, the carrying amounts of refundable deposits, accrued expenses and other liabilities in the statements of financial position are considered to be reasonable approximation of their fair values.

6.3 Fair Value Disclosures for Non-financial Assets Carried at Cost

The total estimated fair values of the Bank's investment properties, categorized under Level 3 of the fair value hierarchy totaled to P8.37 million and P8.36 million as of December 31, 2024 and 2023, respectively (see Note 11).

The fair value of the investment properties of the Bank was determined on the basis of a valuation carried out on the acquisition dates by either an independent or internal appraiser having appropriate qualifications and recent experience in the valuation of properties in the relevant locations. To some extent, the valuation process was conducted by the appraisers in discussion with the management of the Bank with respect to determination of the inputs such as size, age, and condition of the land and buildings and the comparable prices in the corresponding property location.
In estimating the fair value of the properties, management takes into account the market participant's ability to generate economic benefits by using the assets in highest and best use.

Based on management's assessment, the best use of the investment properties indicated above is their current use which is generate positive future cash flows through sale.

The fair value of the Bank's investment properties were determined based on the following approaches:

- *Fair Value Measurement for Land*

  The Level 3 fair value of land was derived using observable recent prices of the reference properties adjusted for differences in key attributes such as property size, zoning, and accessibility. The most significant input into this valuation approach is the price per square foot; hence, the higher the price per square foot, the higher the fair value. On the other hand, if fair value of the land was derived using the market comparable approach that reflects the recent transaction prices for similar properties in nearby locations, fair value is included in Level 2. Under this approach, when sales prices of comparable land in close proximity are used in the valuation of the subject property, minor adjustments on the price is made to consider peculiarities of the property with that of the benchmark property.

- *Fair Value Measurement for Buildings*

  The Level 3 fair value of the buildings was determined using the cost approach that reflects the cost to a market participant to construct an asset of comparable usage, construction standards, design and layout, adjusted for obsolescence. The more significant inputs used in the valuation include direct and indirect costs of construction such as but not limited to, labor and contractor's profit, materials and equipment, surveying and permit costs, electricity and utility costs, architectural and engineering fees, insurance and legal fees. These inputs were derived from various suppliers and contractor's quotes, price catalogues, and construction price indices. Under this approach, higher estimated costs used in the valuation will result in higher fair value of the properties.

  There has been no change to the valuation techniques used by the Bank in 2024 and 2023 for its non-financial assets. Also, there were no transfers into or out of Level 3 fair value hierarchy in 2024 and 2023.

7. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

7.1 Capital Management

It is the Bank's policy to maintain a strong capital base to sustain the development of its business and to meet regulatory capital requirements at all times. It also seeks to maintain a prudent balance between the advantages and flexibility afforded by a strong capital position and the higher returns on equity possible with greater leverage.

7.1.1 Regulatory Capital

The Bank's lead regulator, BSP, sets and monitors capital requirements of the Bank.

In implementing current capital requirements, the BSP requires the Bank to maintain a prescribed ratio of 10% of qualifying regulatory capital to total risk-weighted assets including market risk and operational risk. The Bank calculates requirements for market risk in its trading portfolio based upon value at risk model and uses its internal risk rating as the basis for risk weightings for credit risk while operation risk is computed as a percentage of gross income of the Bank.

Under the relevant provisions of the current BSP regulations, the regulatory capital is analysed into two tiers.

Tier 1 Capital and Tier 2 Capital are defined as follows:

(i) Tier 1 Capital includes the following:
  (c) paid-up common stock;
  (d) surplus and surplus reserves; and,
  (e) undivided profits (for domestic banks only),

  Subject to deductions for:
  (a) treasury shares (if any),
  (b) unrealized losses on underwritten listed equity securities purchased,
  (c) unbooked valuation reserves, and other capital adjustments based on the latest BSP report of examination,
  (d) outstanding unsecured credit accommodations, both direct and indirect, to Directors, Officers, Stockholders and Related Interests (DOSRI),
  (e) goodwill, and,
  (f) deferred tax asset.

(ii) Tier 2 Capital includes:
  (a) dividends distributable (if any);
  (b) appraisal increment reserve – bank premises if any, as authorized by the Monetary Board of the BSP,
  (c) deposit for stock subscription on common stock, and,
  (d) general loan loss provision, limited to a maximum of 1.0% of credit risk-weighted assets.

The Bank's regulatory capital position as reported to the BSP as of December 31 follows:

	2024	2023
Tier 1 Capital	**246,046**	34,075
Tier 2 Capital	**7,719**	620
Total regulatory qualifying capital	**253,765**	34,695
Total risk weighted assets	**1,321,591**	113,414
Total regulatory capital expressed as percentage of total risk weighted assets	**19.20%**	30.59%
Total Tier 1 capital expressed as percentage of total risk weighted assets	**18.62%**	30.05%

As of December 31, 2024 and 2023, based on the above capital ratios, the Bank has complied with the BSP requirement on the ratio of combined capital accounts against the risk assets.

Under existing BSP regulations, the determination of the Bank's compliance with regulatory requirements and ratios is based on the amount of the Bank's "unimpaired capital" (regular net worth) reported to the BSP, determined on the basis of regulatory accounting policies, which differ from PFRS Accounting Standards in some aspects (mainly in the recognition of deferred tax assets).

7.2 Minimum Capital Requirement

In August 2022, BSP issued Circular No. 1151, *Amendments to the Minimum Capitalization of Rural Banks*, which approved the amendments to the Section 121 of the MORB, aimed at increasing the minimum capitalization requirements for rural banks. The new minimum capitalization requirement for rural banks with only a head office outside the national capital region shall be P50.0 million. For the purpose of compliance with this circular, branch-lite units of banks are not included.

The Bank has complied with the above minimum capital requirement as of December 31, 2024 and 2023.

7.3 Minimum Liquidity Ratio

On February 8, 2019, the BSP issued Circular No. 996, *Amendments to the Liquidity Coverage Ratio Framework for Stand-Alone Thrift Banks, Rural Banks, Cooperative Banks and Quasi-Banks*, which provide guidance on and prescribes the prudential requirement for covered institutions to maintain eligible stock of liquid assets proportionate to the level of total qualifying liabilities (i.e., both on and off-balance sheet liabilities). Eligible liquid assets shall include cash and other liquid assets that are immediately liquefiable and free from encumbrances. The minimum liquidity ratio (MLR) of 20% shall be complied with on an ongoing basis absent a period of financial stress.

The Bank's MLR as reported to the BSP of December 31, 2024 and 2023 are analysed below.

(Amounts in thousands of PHP)	**2024**	2023
Eligible stock of liquid assets	**265,513**	33,062
Total qualifying liabilities	**1,017,737**	53,773
	26.09%	61.48%

8. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of December 31 follow:

(Amounts in thousands of PHP)	**2024**	2023
Cash and other cash items	**1,484**	2,015
Due from BSP	**5,568**	2,517
Due from other banks	**257,963**	28,530
	265,015	33,062

Cash and other cash items include bills and coins, checks, and other cash items in the Bank's vault.

Due from BSP account represents the aggregate balance of non-interest bearing short-term deposit account maintained by the Bank with the BSP primarily to meet reserve requirements (see Note 13).

Due from other banks consist of demand, savings and short-term time deposits. Savings deposits earn effective interest ranging from 0.10% to 0.35% in 2024 and 0.375% to 1.5% in 2023. Short-term time deposits earn effective interest per annum ranging from 0.13% to 4.25% in 2024 and from 0.38% to 5.37% in 2023 and are renewed every 30-49 days.

The details of Due from Other Banks are disclosed below:

(Amounts in thousands of PHP)	**2024**	2023
Demand	**139,133**	13,407
Savings	**80,450**	11,421
Time deposits	**38,380**	3,702
	257,963	28,530

The total interest income earned by the Bank from its due from BSP and from other banks amounted to P1.43 million and P0.24 million in 2024 and 2023, respectively, and are presented as Interest Income on Due from Other Banks in the statement of comprehensive income.

9. LOANS AND OTHER RECEIVABLES

This account is composed of the following:

(Amounts in thousands of PHP)	**2024**	2023
Receivables from customers	**962,151**	66,240
Accrued interest receivable	**46,114**	275
Accrued fees receivable	**45,459**	-
Unearned discount	**(63,477)**	-
	990,247	66,515
Allowance for impairment	**(81,558)**	(3,016)
	908,689	63,499

The maturity profile of the Bank's loans and receivables follows:

(Amounts in thousands of PHP)	**2024**	2023
Less than one year	**876,305**	9,291
One to five years	**22,814**	34,062
Beyond five years	**9,570**	20,146
	908,689	63,499

A reconciliation of the allowance for impairment of loans and receivables at the beginning and end of 2024 and 2023 is shown below.

(Amounts in thousands of PHP)	**2024**	2023
Balance at beginning of year	**3,016**	3,016
Impairment losses	**184,345**	-
Write-off	**(105,803)**	-
Balance at end of year	**81,558**	3,016

The Bank recognized recovery of previously written-off loans receivables amounting to P0.48 million in 2024 (see Note 18) and is presented as part of Others under Other Operating Income in the 2024 statement of comprehensive income. There was no similar transaction in 2023.

Loans and receivables earn interest at rates ranging from 10.00% to 72.00% per annum in 2024 and from 12% to 24% per annum in 2023. Interest income on loans and receivables amounted to P361.39 million and P8.99 million in 2024 and 2023, respectively, and are presented as Interest Income on Loans and Receivables in the statement of comprehensive income.

10. BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of bank premises, furniture, fixtures and equipment at the beginning and end of 2024 and 2023 are shown below.

(Amounts in thousands of PHP)	Land	Furniture and Fixtures	Transportation Equipment	Building Improvement	Right-of-use Asset	Total
December 31, 2024						
Cost	-	7,443	199	-	9,255	16,897
Accumulated depreciation and amortization	-	(4,590)	(180)	-	(1,851)	(6,621)
Net carrying amount	**-**	**2,853**	**19**	**-**	**7,404**	**10,276**
December 31, 2023						
Cost	2,213	3,917	199	4,319	-	10,648
Accumulated depreciation and amortization	-	(3,823)	(169)	(4,229)	-	(8,221)
Net carrying amount	2,213	94	30	90	-	2,427
January 1, 2023						
Cost	2,213	3,835	199	4,190	-	10,437
Accumulated depreciation and amortization	-	(3,675)	(136)	(4,190)	-	(8,001)
Net carrying amount	2,213	160	63	-	-	2,436

A reconciliation of the carrying amounts at the beginning and end of 2024 and 2023 of bank premises, furniture, fixtures and equipment is shown below.

(Amounts in thousands of PHP)	Land	Furniture and Fixtures	Transportation Equipment	Building Improvement	Right-of-use Asset	Total
Balance at January 1, 2024 net of accumulated depreciation	2,213	94	30	90	-	2,427
Additions	-	3,526	-	-	9,255	12,781
Disposals	(2,213)	-	-	(90)	-	(2,303)
Depreciation and amortization	-	(767)	(11)	-	(1,851)	(2,629)
Balance at December 31, 2024 net of accumulated depreciation	**-**	**2,853**	**19**	**-**	**7,404**	**10,276**
Balance at January 1, 2023 net of accumulated depreciation	2,213	161	63	-	-	2,437
Additions	-	82	-	129	-	211
Accumulated depreciation and amortization	-	(149)	(33)	(39)	-	(221)
Balance at December 31, 2023 net of accumulated depreciation	2,213	94	30	90	-	2,427

The Bank leases its office spaces occupied by several branches. Right-of-use asset and lease liabilities are presented as part of Bank Premises, Furniture, Fixtures and Equipment and Accrued expenses and Other Liabilities accounts (see Note 14), respectively, in the 2024 statement of financial position.

The BSP requires that investments in bank premises, furniture, fixtures, and equipment should not exceed 50% of the Bank's unimpaired capital. As of December 31, 2024, and 2023, the Bank satisfactorily complied with this BSP requirement.

In 2024, the Bank disposed of a building with a book value of P0.09 million and two parcels of land, with a total cost of P2.12 million. The Bank reported a gain on sale of fixed asset amounting to P3.68 million, presented as part of Other Operating Income in the 2024 statement of comprehensive income (see Note 18). There was no similar transaction in 2023.

Certain fully depreciated bank premises, furniture, fixtures, and equipment with acquisition costs of P3.97 million and P3.60 million as of December 31, 2024 and 2023, respectively, are still being used in operations.

11. INVESTMENT PROPERTIES

The Bank's investment properties include parcels of land and buildings acquired principally through foreclosures.

The carrying amounts of investment properties as shown in the statements of financial position as of December 31, 2024 and 2023 are presented below.

(Amounts in thousands of PHP)	**Land**	**Buildings**	**Total**
December 31, 2024			
Cost	3,067	887	3,954
Accumulated depreciation	-	(458)	(458)
Net carrying amount	**3,067**	**429**	**3,496**
December 31, 2023			
Cost	3,067	887	3,954
Accumulated depreciation	-	(387)	(387)
Net carrying amount	3,067	500	3,567
January 1, 2023			
Cost	3,067	887	3,954
Accumulated depreciation	-	(320)	(320)
Net carrying amount	3,067	567	3,634

A reconciliation of the carrying amounts of investment properties at the beginning and end of 2024 and 2023 is shown below.

(Amounts in thousands of PHP)	**Land**	**Buildings**	**Total**
Balance at January 1, 2024 net of accumulated depreciation	3,067	500	3,567
Depreciation	-	(71)	(71)
Balance at December 31, 2024 net of accumulated depreciation	**3,067**	**429**	**3,496**
Balance at January 1, 2023 net of accumulated depreciation	3,067	567	3,634
Depreciation	-	(67)	(67)
Balance at December 31, 2023 net of accumulated depreciation	3,067	500	3,567

Expenses incurred by the Bank in relation to the investment properties include litigation and assets acquired expenses amounting to P0.02 million and P0.01 million in 2024 and 2023, respectively, and is presented as part of Professional fees (see Note 19) under Other Operating Expenses in the statements of comprehensive income.

The total estimated fair values of investment properties as determined by the Bank's own appraisal unit stand at P8.37 million and P8.36 million for December 31, 2024 and December 31, 2023 respectively.

12. OTHER RESOURCES

This account consists of the following:

(Amounts in thousands of PHP)	**2024**	2023
Prepaid expenses	**6,876**	114
Sinking fund	**4,206**	5,403
Sales contract receivables	**3,524**	3,969
Stationary and supplies	**241**	250
Others	**671**	49
	15,518	9,785
Allowance for impairment	**(253)**	-
	15,265	9,785

Prepaid expenses consist mainly of prepayments on license subscription and insurance.

The sinking fund represents the Bank's reserve for the retirement of its employees.

Sales contract receivables represent the amortized cost of assets acquired through foreclosure or dation in payment, subsequently sold on an installment basis, with title transferred to buyers upon full settlement of the selling price. Impairment loss related to sales contract receivables amounted to P0.25 million as of December 31, 2024 (nil in 2023).

Others include advances to employees prepaid documentary stamps, creditable withholding taxes and miscellaneous assets.

13. DEPOSIT LIABILITIES

This account consists of the following (see Note 16.1):

(Amounts in thousands of PHP)	**2024**	2023
Demand	**1,406**	1,107
Savings	**52,442**	76,439
Time	**517,331**	-
	571,179	77,546

Deposit liabilities are subject to annual fixed interest rates ranging from 0.25% to 8.88% in 2024 and from 0.25% to 2.00% in 2023.

Interest expense incurred amounted to P13.86 million and P0.51 million in 2024 and 2023, respectively, and are recognized as Interest Expense in the statements of comprehensive income.

In June 2023, the BSP issued Circular No. 1175, *Reduction in Reserve Requirements*, decreasing the required reserves from 3.00% to 1.00% for demand deposits and retaining a 1.00% for savings and time deposits (see Note 8). As of December 31, 2023, the Bank is compliant with the reserve requirements of the BSP.

In September 2024, the BSP issued Circular No. 1201, *Reduction in Reserve Requirements*, decreasing the required reserves from 1.00% to 0% for demand deposits, savings deposits and time deposits.

14. ACCRUED EXPENSES AND OTHER LIABILITIES

The breakdown of this account is shown below.

(Amounts in thousands of PHP)	**2024**	2023
Accrued taxes	**23,657**	-
Accounts payable	**13,230**	337
Accrued interest expense	**13,201**	29
Accrued expenses	**7,728**	374
Lease liability	**7,627**	-
Withholding tax payable	**176**	78
Others	**448**	43
	66,067	861

Accrued taxes include documentary stamp tax and gross receipt taxes payable as of the end of the reporting period related to income earned.

Accounts payable are trade payables owed to suppliers and commissions. Accrued expenses include payable for utilities, suppliers, and professional fees.

Presented below is the reconciliation of the Bank's lease liability in 2024 arising from financing activity, which includes both cash and non-cash change *(Amounts in thousands of PHP).*

Balance at beginning of year	**-**
Additions	**9,255**
Cash flows from financing activity – Repayment of lease liabilities	**(2,160)**
Non-cash financing activity – Interest expense	**532**
Balance at end of year	**7,627**

Interest expense in relation to lease liability is presented as part of Interest Expense in the 2024 statement of comprehensive income.

The undiscounted maturity analysis of lease liabilities at December 31, 2024 are as follows:

(Amounts in thousands of PHP)	**Within 1 Year**	**1 to 2 years**	**2 to 3 years**	**3 to 4 years**	**Total**
Lease payments	2,160	2,160	2,160	2,160	8,640
Finance charges	(428)	(316)	(198)	(71)	(1,013)
Net present values	1,732	1,844	1,962	2,089	7,627

15. DEPOSIT ON FUTURE STOCK SUBSCRIPTION

In May 2024, the Parent Company paid a total of P295.00 million as deposit for the future subscription of 2,950,000 preferred shares of the Bank. This amount is presented as Deposit for future stock subscription in the 2024 statement of financial position and will be reclassified as equity upon approval of the Bank's application for increase of authorized capital by the BSP and SEC (see Note 16.1).

16. EQUITY

16.1 Capital Stock

Capital stock consists of the following:

	Shares		**Amounts in thousands of PHP**	
	2024	2023	**2024**	2023
Common shares – P100 par value				
Authorized capital stock	**199,670**	199,670	**19,967**	19,967
Issued and outstanding	**142,058**	142,058	**14,206**	14,206
Preferred shares – P100 par value				
Authorized capital stock	**330**	330	**33**	33
Issued and outstanding	**-**	-	**-**	-
Total Authorized Capital			**20,000**	20,000

As of December 31, 2024, the Bank has 11 stockholders of which four stockholders owning at least 100 or more shares each of the Bank's common shares. As of December 31, 2023, the Bank has a total of 14 stockholders with 100 or more shares each.

On November 8, 2024, the BOD and the stockholders approved the increase in authorized capital stock of the Bank, from P20.00 million to P1.20 billion. The increase in the capital stock by P1.18 billion is composed of 11,800,000 preferred shares with a par value of P100 each.

As of December 31, 2024, a total of P295.00 million has been paid by the Parent Company for subscription to new preferred shares of the Bank to support the increase in authorized capital stock. This is presented as Deposit for future stock subscription in the 2024 statement of financial position (see Note 15). There was no similar transaction in 2023.

16.2 Additional Paid-In Capital

This account refers to the amount of capital from the issuance of shares above par value. In 2024, the Bank received P20.06 million as additional cash infusion from the Parent Company, and was presented as Additional paid-in capital in the 2024 statement of financial position. There was no similar transaction in 2023.

17. RELATED PARTY TRANSACTIONS

The summary of the Bank's significant transactions with its related parties as of and for the years ended December 31, 2024 and 20223 is as follows:

(Amounts in thousands of PHP)

		2024		2023	
Related Party Category	Notes	**Amount of Transaction**	**Outstanding Balance**	Amount of Transaction	Outstanding Balance
DOSRI:					
Deposits liabilities	17.1	**-**	**7,610**	-	9,629
Deposits		**5,960**	**-**	3,837	-
Withdrawals		**(7,979)**	**-**	(1,738)	-
Interests		**280**	**280**	17	11
Parent Company:					
Deposit for future stock subscription	17.2	**(295,000)**	**(295,000)**	-	-
Accommodated expenses	17.3	**(3,874)**	**(3,874)**	-	-
Excess of capital infusion	16.2	**(610)**	**(610)**	-	-
Related Parties Under Common Ownership:					
Net assignment of loans receivables	17.4	**(1,791,190)**	**-**	-	-
Net collection of loans	17.4	**1,389,609**	**69,970**	-	-
Fees and commission	17.5	**(68,038)**	**-**	-	-
Accommodated expenses	17.3	**(23,351)**	**(11,134)**	-	-
Shared services	17.6	**(1,235)**	**(1,233)**	-	-

17.1 Transactions with DOSRI

The Bank has deposit transactions with its key management personnel. Deposit transactions with related parties have similar terms with the other counterparties.

Deposits from DOSRI, which are shown as part of Deposits Liabilities account in the statements of financial position (see Note 13), bear interest ranging from 6.00% to 8.88% in 2024 and 0.25% to 2.00% in 2023.

17.2 Deposit for future stock subscription

In May 2024, the Parent Company paid a total of P295.00 million as deposit for future subscription of 2,950,000 preferred shares of the Bank (see Notes 15 and 16.1).

17.3 Accommodated expenses

These are certain expenses incurred by the Bank that were paid for in advance by the Parent Company and related parties under common ownership. The related outstanding payables arising from these transactions are netted and is presented as part of Due to Related Parties in the 2024 statement of financial position.

17.4 Assignment and Collection of Loans Receivables

In 2024, the Bank and its related parties under common ownership with financing operations entered into several deeds of assignment of loans receivable. The Bank purchased twelve batches of loan portfolio during the year, with an aggregate purchase price of P1.79 billion, including all rights title and interest in and to the principal, interest, penalties and charges thereon, as well as rights, claims and power and privileges arising or related thereto for a total consideration equivalent to the outstanding carrying value of the receivables purchased at a premium rate.

As of December 31, 2024, the outstanding value of the receivables, net of unearned discount, from the deed of assignment amounted to P943.17 million and is presented as part of Receivables from customers under Loans and Other Receivables account in the statements of financial position (see Note 9).

17.5 Fees and commission expenses

Related parties under common ownership charged the Bank an administrative fee for the collection of purchased loans under the deed of assignment without recourse, which is payable on the 10th day of each month until the loans are fully collected.

In 2024, the Bank paid collection fees amounting to P68.04 million and is presented as Fees and Commission under Other Operating Expenses in the 2024 statement of comprehensive income (see Note 19). There is no outstanding balance arising from this transaction as of December 31, 2024.

17.6 Shared services

A related party under common ownership provides shared services such as customer due diligence, reconciliation services, sales, marketing, back-office support, human resources, IT administration, and compliance and legal services to the Bank during the year. These services amounted to P1.23 million during the year and is presented as part of Other Operating Expenses in the 2024 statement of comprehensive income.
The related outstanding payables for services obtained are presented as part of Due to Related Parties in the 2024 statement of financial position.

18. OTHER OPERATING INCOME

This account includes the following:

(Amounts in thousands of PHP)	Notes	**2024**	2023
Fees and commissions		**250,696**	364
Gain on sale of fixed asset	10	**3,684**	-
Others	9	**16,483**	2,897
		270,863	3,261

Others include service charges, other miscellaneous income and recovery of loans written off.

19. OTHER OPERATING EXPENSES

The details of other operating expenses are shown below.

(Amounts in thousands of PHP)	Notes	**2024**	2023
Fees and commission expense	17.6	**68,038**	-
Sales and other taxes		**32,967**	881
Professional fees	11	**24,571**	2,994
Remuneration		**22,580**	5,805
Depreciation and amortization	10, 11	**2,700**	287
Shares services	17.7	**1,235**	-
		152,091	9,967

20. EMPLOYEE BENEFITS

20.1 Post-employment Benefits

(a) Characteristics of the Defined Benefit Plan

The Bank maintains a defined retirement benefit plan that covers all regular full-time employees.

The normal retirement age is 60 with a minimum of 10 years of credited service. The plan also provides for an early retirement upon attainment of age 50 and 10 years of service subject to the approval of the Retirement Committee. Normal retirement benefit ranges from 50% to 100% of employee's final covered compensation for every year of credited service.

(b) Explanation of Amounts Presented in the Financial Statements

Actuarial valuation was undertaken in 2024 to update post-employment benefit costs and required contributions. The amounts presented below are based on the reports issued by the actuary for the year.

The movements in the present value of the post-employment benefit obligation are as follows: *(Amounts in thousands of PHP)*

Balance at beginning of year	-
Reclassification from appropriated retained earnings	4,792
Benefits paid	(1,556)
Remeasurements - Actuarial losses arising from changes in demographic assumption	1,601
Balance at end of year	**4,837**

Actuarial losses arising from changes in demographic assumptions recognized in the 2024 statement of other comprehensive in respect of the post-employment defined benefit plan was included within items that will not be reclassified subsequently to profit or loss.

In determining the amounts of the post-employment defined benefit obligation, significant actuarial assumptions on discount rate and expected rates of salary increases at 6.10% and 8.0%, respectively, were used in 2024.

Assumptions regarding future mortality experience are based on published statistics and mortality tables. The average remaining working lives of an individual retiring at the age of 60 is 10 years. These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of a zero-coupon government bond with terms of maturity approximating to the terms of the post-employment benefit obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) Risks Associated with the Retirement Plan

The plan exposes the Bank to actuarial risks such as investment risk, interest rate risk, longevity risk, and salary risk.

(i) Investment and Interest Risks

The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation.

(ii) Longevity and Salary Risks

The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of the plan participants during their employment and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

(d) Other Information

The information on the sensitivity analysis for certain significant actuarial assumptions, the timing and uncertainty of future cash flows related to the retirement plan are described below and in the succeeding page.

(i) Sensitivity Analysis

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the defined benefit obligation as of December 31, 2024:

	Impact on Post-employment Benefit Obligation		
	Change in Assumption	**Increase in Assumption**	**Decrease in Assumption**
Discount rate	**+1.00%**	**(660,359)**	**810,379**
Salary growth rate	**+1.00%**	**783,287**	**(654,122)**

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation recognized in the statements of financial position.

(ii) Expected Contributions

The expected contribution to the fund in the year 2025 is P7.3 million.

As of the year ended December 31, 2024, the maturity profile of undiscounted expected benefits payments from the plan for the next 10 years follows: *(Amounts in thousands of PHP)*

Within five years	**687**
More than five years to ten years	**7,660**
	8,347

The weighted average duration of the defined benefit obligation at the end of the reporting period is 19 years.

21. TAXES

The components of tax expense (income) as reported in profit or loss and other comprehensive income are presented below.

(Amounts in thousands of PHP)	**2024**	2023
Reported in profit or loss		
Current tax expense:		
Regular corporate income tax (RCIT) at 25%	**89,632**	289
Final tax	**286**	48
	89,918	337
Deferred tax expense relating to origination and reversal of temporary differences	**(20,390)**	-
	69,528	337
Reported in other comprehensive income		
Deferred tax expense relating to origination and reversal of temporary differences	**(400)**	-

The reconciliation of tax on pretax income computed at the applicable statutory rates to tax expense attributable to continuing operations follows:

(Amounts in thousands of PHP)	**2024**	2023
Tax on pretax income at 25%	**70,651**	505
Adjustment for income subjected to lower income tax rate – final tax	**(286)**	(60)
Tax effects of:		
Non-taxable income	**(921)**	(118)
Non-deductible expenses	**84**	10
Tax expense	**69,528**	337

The net deferred tax assets relate to the following as of December 31:

(Amounts in thousands of PHP)	**Statements of Financial Position**		**Statements of Comprehensive Income — Profit or Loss**		**Statements of Comprehensive Income — Other Comprehensive Income**	
	2024	2023	**2024**	2023	**2024**	2023
Deferred tax assets:						
Allowance for impairment losses	**20,390**	-	**20,390**	-	**-**	-
Retirement benefit obligation	**400**	-	**-**	-	**400**	-
Net deferred tax assets	**20,790**	-				
Deferred tax expense (income) - net			**20,390**	-	**400**	

The Bank is subject to the minimum corporate income tax (MCIT) which is computed at 2% and 1.5% in 2024 and 2023, respectively, of gross income net of allowable deductions, a defined under the tax regulations, or to RCIT, whichever is higher. No MCIT was reported in 2024 and 2023 as RCIT was higher than MCIT in both years.

In 2024 and 2023, the Bank opted to claim itemized deductions in computing for its income tax due.

22. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Bank makes various commitments and incurs certain contingent liabilities that are not given recognition in the Bank's financial statements. As of December 31, 2024, management believes that losses, if any, that may arise from these commitments and contingencies will not have a material effect on the financial statements.

The Bank is not involved in any litigation as of December 31, 2024 and 2023 that have a significant impact on the Bank's financial statements.

23. SUPPLEMENTARY INFORMATION REQUIRED BY THE BSP

Presented below and in the succeeding pages are the supplementary information required by the BSP under Section 174 (Appendix 55) of the MORB to be disclosed as part of the notes to financial statements based on BSP Circular 1074, *Amendments to Regulations on Financial Audit of Banks*.

(a) Selected Financial Performance Indicators

The following are some measures of the Bank's financial performance indicators:

	2024	2023
Return on average equity		
Net profit / Average total capital funds	**143.65%**	5.13%
Return on average resources		
Net profit / Average total resources	**26.56%**	1.51%
Net interest margin		
Net interest income / Average interest earning resources	**46.11%**	9.10%

(b) *Capital Instruments Issued*

As of December 31, 2024, the Bank's outstanding capital stock is composed exclusively of common shares.

As of December 31, 2024, and 2023, the Bank has issued shares worth P14.21 million at par value which is considered in the computation of the Bank's regulatory and qualifying capital in accordance with Circular 781, *Basel III Implementing Guidelines on Minimum Capital Requirements*, which may include, instruments recorded as part of equity or a financial liability qualifying as Tier 2 capital.

(c) *Significant Credit Exposures for Loans*

The Bank's concentration of credit as to industry for its receivables from customers' portfolio (gross of allowance for ECL) follows:

(Amounts in thousands of PHP)	**2024**	**%**	2023	%
Real estate activities	**28,494**	**3.00%**	35,362	53.00%
Agricultural, forestry, and fishing	**245**	**0.00%**	246	0.00%
Wholesale and retail trade, repair of motor vehicles and motorcycles	**16,031**	**2.00%**	15,140	23.00%
Other services activities	**-**	**0.00%**	2,067	3.00%
Accommodation and food service activities	**-**	**0.00%**	5,824	9.00%
Human health and social work activities	**-**	**0.00%**	1,853	3.00%
Loans to individuals primarily for personal use purposes	**917,381**	**95.00%**	5,748	9.00%
	962,151	**100.00%**	66,240	100.00%

The BSP considers that loan concentration exists when the total loan exposure to a particular industry exceeds 30% of the total loan portfolio plus the outstanding interbank loans receivable or 10% of Tier 1 capital.

In 2024, the Bank has significant credit exposures to loans to individuals primarily for personal use. In 2023, the Bank has significant credit exposures to real estate activities industry and wholesale and retail trade, repair of motor vehicles and motorcycles.

(d) *Credit Status of Loans*

The breakdown of loans and other receivables as to the status is shown below.

(Amounts in thousands of PHP)	**Performing**	**Non-performing**	**Total Loan Portfolio**
2024:			
Gross carrying amount:	906,503	83,744	990,247
Allowance for impairment	(29,443)	(52,115)	(81,558)
Net carrying amount	**877,060**	**31,629**	**908,689**
2023:			
Gross carrying amount:	65,145	1,370	66,515
Allowance for impairment	(1,646)	(1,370)	(3,016)
Net carrying amount	63,499	-	63,499

(e) Analysis of Loan Portfolio as to Type of Security

The breakdown of total loans (receivables from customers, gross of unearned interests or discounts) as to security follows:

(Amounts in thousands of PHP)	**2024**	2023
Secured:		
Real estate mortgage	**46,649**	50,287
Unsecured loans	**1,007,075**	16,228
	1,053,724	66,515

(f) Information on Related Party Loans

In the ordinary course of business, the Bank has loan transactions with each other, their other affiliates, and with certain DOSRI. Under existing policies of the Bank, these loans are made substantially on the same terms as loans to other individuals and businesses of comparable risks.

Under the current BSP regulations, the amount of individual loans to a DOSRI, 70% of which must be secured, should not exceed the amount of the encumbered deposit and book value of the investment in the Bank and/or any of its lending and nonbank financial subsidiaries. In the aggregate, loans to DOSRIs, generally, should not exceed the total equity or 15% of the total loan portfolio of the Bank.

However, non-risk loans are excluded in both individual and aggregate ceiling computation.

The Bank did not have any DOSRI loans as of December 31, 2024 and 2023.

(g) Secured Liabilities and Assets Pledged as Security

The Bank did not have any loan liabilities as of December 31, 2024 and 2023.

(h) Contingencies and Commitments Arising from Off-balance Sheet Items

The Bank did not have any contingencies and commitments arising from off-balance sheet items as of December 31, 2024 and 2023.

24. SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE

Following is the supplementary information on taxes, duties and license fees paid or accrued during the taxable year which is required by the Bureau of Internal Revenue (BIR) under Revenue Regulations (RR) No. 15-2010 and RR No. 34-2020 to be disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRS Accounting Standards.

24.1 Requirements under RR No. 15-2010

The information on taxes, duties and license fees paid or accrued during the taxable year required under RR No. 15-2010 are as follows:

(a) Gross Receipts Tax

In lieu of value-added tax, the Bank is subject to the gross receipts tax (GRT) imposed on all banks and non-bank financial intermediaries performing quasi-banking functions pursuant to Section 121, *Tax on Banks and Non-Bank Financial Intermediaries Performing Quasi-Banking Functions*, of the National Internal Revenue Code of 1997, as amended.

In 2024, the Bank reported total GRT, as shown as part of Sales and other taxes under Other Operating Expenses account in the 2024 statement of comprehensive income, broken down as follows: *(Amounts in PHP)*

Taxable Transactions	Tax Base	GRT
Royalties, rentals of property (real or personal), profits from exchange and all other gross income – 7%	252,244,955	17,657,147
Interest, commissions and discounts from lending activities, remaining maturity is less than 5 years – 5%	247,440,560	12,372,028
Interest, commissions and discounts from lending activities and financial leasing with maturity period of more than 5 years – 1%	1,474,962	14,750
	501,160,477	**30,043,925**

The tax bases for GRT purposes are based on gross receipts; hence, may not be the same as the amounts reflected in the 2024 statement of comprehensive income.

(b) Documentary Stamp Tax

In 2024, the Bank paid and accrued documentary stamp tax amounting to P3,054,714 which relates to agreements and other documentary requirements entered during the year, such as the issuance of term deposits. The amount was charged to the Bank's clients, hence, not reported as part of taxes and licenses.

(c) Taxes and Licenses

The details of the Taxes and licenses included in Sales and other taxes under Other Operating Expenses in the 2024 statement of comprehensive income are as follows: *(Amounts in PHP)*

GRT	30,043,925
Business permits	124,358
Other taxes	500
	30,168,783

(d) Withholding Taxes

The details of remittance and balances of total withholding taxes in 2024 are shown below (*Amounts in PHP)*.

Compensation and benefits	3,809,069
Final	129,978
Expanded	298,121
	4,237,168

(e) Deficiency Tax Assessment and Tax Cases

As at December 31, 2024, the Bank does not have any final deficiency tax assessments from the BIR nor does it have tax cases outstanding or pending in courts or bodies outside the BIR in any of the open taxable years.

(f) Other Required Tax Information

The Bank did not have any transactions in 2024 which are subject to excise tax, customs duties and tariff fees.

24.2 Requirements under RR No. 34-2020

RR No. 34-2020 prescribes the guidelines and procedures on the submission of BIR Form No. 1709, transfer pricing documentation and other supporting documents for related party transactions. The Bank is not covered by these requirements as the Bank did not fall in any of the categories identified under Section 2 of RR No. 34-2020.