



Report of Independent Auditors

The Board of Directors

Salmon Bank (Rural Bank) Inc.

(formerly known as 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 Salmon Bank (Rural Bank) Inc. (the Bank), which comprise the statements of financial position as at December 31, 2025 and 2024, and statements of comprehensive income, statements of changes in equity and statements of cash flows for the years 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, 2025 and 2024, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS Accounting Standards).

Basis for Opinion

We conducted our audits 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), as applicable to audits of financial statements of public interest entities, together with the ethical requirements that are relevant to our audits of the financial statements of public interest entities in the Philippines. We have also 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.

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 audits were 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, 2025 and 2024 required by the Bangko Sentral ng Pilipinas as disclosed in Note 22 to the financial statements, and the supplementary information for the year ended December 31, 2025 by the Bureau of Internal Revenue as disclosed in Note 23 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 as adopted from the pronouncements issued. 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, are 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. 10770764, January 6, 2026, Makati City
SEC Group A Accreditation
Partner - No. 140306-SEC (until financial period 2026)
Firm - No. 0002 (until financial period 2030)
BIR AN 08-002551-046-2025 (until November 11, 2028)
BOA/PRC Cert. of Reg. No. 0002/P-018 (until August 12, 2027)

April 8, 2026

Salmon Bank (Rural Bank) Inc.
(formerly known as Rural Bank of Sta. Rosa (Laguna), Inc.)
Statements of financial position
As at 31 December 2025 and 2024

	Notes	2025 PHP'000	2024 PHP'000
ASSETS			
Cash and other cash items	8	466	1,484
Due from Bangko Sentral ng Pilipinas	8	152,050	5,568
Due from other banks	8	743,932	257,963
Loans and customer receivables - net	9	3,123,457	908,689
Due from related parties	15	29,140	69,970
Other assets	11	41,261	15,265
Bank premises, furniture, fixtures and equipment - net	10	77,073	13,772
Deferred tax assets - net	20	163,032	20,790
TOTAL ASSETS		4,330,411	1,293,501
LIABILITIES AND EQUITY			
LIABILITIES			
Deposit liabilities	12	2,833,213	584,380
Due to related parties	15	169,339	16,851
Other liabilities	13	151,873	57,703
Income tax payable		42,838	78,751
Deposit for future stock subscription	14	-	295,000
TOTAL LIABILITIES		3,197,263	1,032,685
EQUITY			
Share capital	14	309,206	14,206
Additional paid-in capital	14	620,060	20,060
Revaluation reserves	19	(381)	(1,201)
Retained earnings		204,263	227,751
TOTAL EQUITY		1,133,148	260,816
TOTAL LIABILITIES AND EQUITY		4,330,411	1,293,501

Salmon Bank (Rural Bank) Inc.
(formerly known as Rural Bank of Sta. Rosa (Laguna), Inc.)
Statements of comprehensive income
For the years ended 31 December 2025 and 2024

	Notes	2025 PHP'000	2024 PHP'000
Financing income	16	1,806,931	613,518
Interest expense	12	(100,180)	(13,860)
Net financing income		1,706,751	599,658
Non-financing income	17	87,275	16,481
Total operating income		1,794,026	616,139
Operating expenses	18	(679,756)	(152,874)
Pre-provision operating profit		1,114,270	463,265
Provision for expected credit loss	9	(1,144,421)	(184,345)
Non-operating income / (expenses)		(220)	3,684
Profit / (loss) before tax		(30,371)	282,604
Income tax benefit / (expense)	20	6,883	(69,528)
Net profit / (loss)		(23,488)	213,076
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Revaluation of retirement benefit	19	1,093	(1,601)
Tax income / (loss)	20	(273)	400
Other comprehensive income / (loss)		820	(1,201)
Total comprehensive income / (loss)		(22,668)	211,875

Salmon Bank (Rural Bank) Inc.
(formerly known as Rural Bank of Sta. Rosa (Laguna), Inc.)
Statements of changes in equity
For the years ended 31 December 2025 and 2024

	Note	Share capital PHP'000	Additional paid-in capital PHP'000	Revaluation reserves PHP'000	Retained earnings			Total equity PHP'000
					Appropriated PHP'000	Unappropriated PHP'000	Total PHP'000	
Balance as at 1 January 2024		14,206	-	-	4,799	14,675	19,474	33,680
Issuance of share capital	14	-	20,060	-	-	-	-	20,060
Reclassification of appropriated retained earnings		-	-	-	(4,799)	-	(4,799)	(4,799)
Total comprehensive income		-	-	(1,201)	-	213,076	213,076	211,875
Balance as at 31 December 2024		14,206	20,060	(1,201)	-	227,751	227,751	260,816
Balance as at 1 January 2025		14,206	20,060	(1,201)	-	227,751	227,751	260,816
Issuance of share capital	14	-	600,000	-	-	-	-	600,000
Conversion of deposit for future stock subscription	14	295,000	-	-	-	-	-	295,000
Total comprehensive loss		-	-	820	-	(23,488)	(23,488)	(22,668)
Balance as at 31 December 2025		309,206	620,060	(381)	-	204,263	204,263	1,133,148

Salmon Bank (Rural Bank) Inc.
(formerly known as Rural Bank of Sta. Rosa (Laguna), Inc.)
Statements of cash flows
For the years ended 31 December 2025 and 2024

	Notes	2025 PHP'000	2024 PHP'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit / (loss) before tax		(30,371)	282,604
<i>Adjustments for non-cash items:</i>			
Provision for expected credit loss	9	1,144,421	184,345
Interest expense	12	100,180	13,860
Depreciation and amortization	10	6,037	2,700
Interest on lease liability	13	1,039	532
Foreign exchange losses		220	-
Reversal of provision for sales contract receivables		(19)	253
Gain on sale of bank premises, furniture, fixtures and equipment		-	(3,684)
		<u>1,221,507</u>	<u>480,610</u>
Interest paid		(82,532)	(689)
Income tax paid		(171,592)	(11,420)
Cashflows from operating activities before working capital changes		967,383	468,501
<i>Net changes in working capital:</i>			
Loans and customer receivables		(3,359,189)	(1,029,906)
Due from related parties		40,830	(69,970)
Other assets		(25,970)	(5,363)
Deposit liabilities		2,244,307	493,633
Due to related parties		152,488	16,851
Other liabilities		20,214	42,846
Net cash generated from / (used in) operating activities		40,063	(83,408)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of bank premises, furniture, fixtures and equipment	10	(1,272)	(3,526)
Proceeds from sale of bank premises, furniture, fixtures and equipment	10	-	5,987
Net cash (used in) / generated from investing activities		(1,272)	2,461
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from capital injections	14	600,000	20,060
Repayment of lease liabilities	13	(7,358)	(2,160)
Proceeds from deposits for future stock subscription	14	-	295,000
Net cash generated from financing activities		592,642	312,900
Net change in cash and cash equivalents		631,433	231,953
Cash and cash equivalents at the beginning of the year	8	265,015	33,062
Cash and cash equivalents at the end of the year	8	896,448	265,015

Salmon Bank (Rural Bank) Inc.
(formerly known as Rural Bank of Sta. Rosa (Laguna), Inc.)
Notes to the financial statements
For the years ended 31 December 2025 and 2024

1. General information

1.1 Incorporation

Salmon Bank (Rural Bank) Inc. (formerly known as Rural Bank of Sta. Rosa (Laguna), Inc.) (the Bank) was incorporated in the Philippines on November 20, 1963 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, Salmon Group Ltd (the Parent Company), a wholly foreign entity incorporated and domiciled in the United Arab Emirates, acquired 59.7% of the voting stock 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 Daang Bukid, 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 Capitalization and regulatory approvals

As at December 31, 2025, the Bank's capital amounted to PHP 1,133.15 million.

In 2024, the Bank filed a request to change its name to Salmon Bank (Rural Bank) Inc. and applied to the BSP for an increase of authorized capital stock from PHP 20.00 million to PHP 1,200.00 million (see Note 14.1). On March 10, 2025, the BSP approved the change of the Bank's name and the application for increase of authorized capital stock. Both were subsequently approved by the Philippine Securities and Exchange Commission (SEC) on August 05, 2025.

Following the regulatory approvals, on September 17, 2025, the Bank issued 2,950,000 preferred shares to the Parent Company in consideration of PHP 295.00 million (see Note 14.1). On November 25, 2025, the Bank issued one (1) common share to the Parent Company in consideration of PHP 600.00 million (see Note 14.2).

1.3 Approval of financial statements

The financial statements of the Bank as at and for the year ended December 31, 2025 (including the comparative financial statements as at and for the year ended December 31, 2024) were approved and authorized for issuance by the Bank's Board of Directors (BOD) on April 08, 2026.

Salmon Bank (Rural Bank) Inc.
(formerly known as Rural Bank of Sta. Rosa (Laguna), Inc.)
Notes to the financial statements
For the years ended 31 December 2025 and 2024

2. Material accounting policy information

The following are the material accounting policy information that has 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

2.1.1 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 that follow.

2.1.2 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.

Figures presented in PHP thousands herein are rounded to the nearest PHP thousand, unless otherwise stated.

2.1.3 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.

2.1.4 Going concern

The financial statements of the Bank were prepared on a going concern basis. The going concern basis assumes that the Bank will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the ordinary course of business and there are no events or conditions which indicate that a material uncertainty exists that may cast significant doubt on the Bank's ability to continue as a going concern.

Salmon Bank (Rural Bank) Inc.
(formerly known as Rural Bank of Sta. Rosa (Laguna), Inc.)
Notes to the financial statements
For the years ended 31 December 2025 and 2024

2.2 Adoption of amended PFRS accounting standards

2.2.1 Effective in 2025 that are relevant to the Bank

The Bank adopted for the first time amendments to PAS 21, *The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability*, which are mandatorily effective for annual periods beginning on or after January 01, 2025. The amendments require entities to assess whether a currency is exchangeable and to determine a spot exchange rate when exchangeability is lacking. These amendments also mandate the disclosure of information that enables users of financial statements to understand the impact of a currency not being exchangeable. The amendments had no significant impact on the financial statements of the Bank.

2.2.2 Effective subsequent to 2025 but not adopted early

There are new standards and amendments to existing standards effective for annual periods subsequent to 2025, 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.

(a) 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).

(b) 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 profit or loss (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

2.3.1 Financial assets

2.3.1.1 Classification and measurement 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 customer receivables, due from related parties and other assets accounts.

(i) Effective interest rate method and interest income

Loans receivable purchased at a premium are initially recognized at fair value plus transaction costs and subsequently measured at amortized cost. Interest income on financial assets measured at amortized cost is recognized using the effective interest rate method.

Salmon Bank (Rural Bank) Inc.
(formerly known as Rural Bank of Sta. Rosa (Laguna), Inc.)
Notes to the financial statements
For the years ended 31 December 2025 and 2024

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. Interest earned is recognized as part of Financing Income in the statement of comprehensive income.

(ii) Impairment of financial assets

In 2025, the Bank updated and strengthened its expected credit loss (ECL) framework to align with the requirements of PFRS 9. 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;
- 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 are defined as accounts that are more than 30 days past due (DPD).

A lifetime ECL shall be recognized for ‘Stage 3’ financial instruments, which include financial assets considered as credit-impaired and those accounts that are 90+ DPD.

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

(iii) Derecognition of financial assets

The Bank derecognizes a financial asset (or, where applicable, a part of a financial asset or part of a group of financial assets) when:

- the rights to receive cash flows from the asset have expired;
- the Bank retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a ‘pass-through’ arrangement; or
- the Bank has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained the risk and rewards of the asset but has transferred control over the asset.

Salmon Bank (Rural Bank) Inc.
(formerly known as Rural Bank of Sta. Rosa (Laguna), Inc.)
Notes to the financial statements
For the years ended 31 December 2025 and 2024

Where the Bank has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control over the asset, the Bank recognizes the asset only to the extent of its continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset transferred and the maximum amount of consideration that the Bank could be required to repay. Financial assets are written off either partially or in their entirety only when the Bank has stopped pursuing recovery. If a write-off is later recovered, any amounts formerly charged are credited to 'Recovery' under 'Non-financing income' in the statements of comprehensive income.

2.3.2 Financial liabilities

Financial liabilities include deposit liabilities, due to related parties 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:

Laptops and IT equipment	3 years
Furniture and fixtures	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 one to ten years, whichever is shorter.

2.5 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 a liability. The amount of deposits for future stock subscription will be reclassified to equity account when the Bank meets the foregoing criteria.

2.6 Financing income

Financing income represents income earned from the Bank's lending and other financing activities and is presented as a single line item in the statement of comprehensive income. Financing income includes interest income on loans receivable, service fee income from loans receivable and interest income from cash and cash equivalents.

Service fees income from loans receivable that is integral to the effective interest rate is recognized as part of financing income over the expected life of the financial instrument.

2.7 Non-financing income

Non-financing income represents fees and commissions that are not integral to the effective interest rate, including transactional fees and income from other banking activities. These are recognized in profit or loss when the related services have been performed, in accordance with agreed terms and conditions with customers. The Bank acts as principal in all material revenue arrangements.

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.

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) Fees and commissions – 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.

Income arising from recoveries of amounts previously written off are recognized upon receipt.

2.8 Expense recognition

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 are reported in profit or loss on an accrual basis, 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 ranges from 2 to 5 years.

Salmon Bank (Rural Bank) Inc.
(formerly known as Rural Bank of Sta. Rosa (Laguna), Inc.)
Notes to the financial statements
For the years ended 31 December 2025 and 2024

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 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 assets 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 maintains a non-contributory, non-tax-qualified defined benefit retirement plan covering all regular full-time employees hired before January 2024. Employees hired in January 2024 and after are not covered by the defined benefit plan and are instead entitled to retirement benefits in accordance with the provisions of Republic Act No. 7641, *Retirement Pay Law*.

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 Accounting Standards 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:

3.1.1 Application of ECL to financial assets

The Bank performs staging assessment to determine the proper ECL measurement of its 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. Based on the Bank's assessment, there is an existence of significant increase in credit risk (SICR) when a borrower becomes 31 days past due, thus a lifetime ECL is provisioned.

Salmon Bank (Rural Bank) Inc.
(formerly known as Rural Bank of Sta. Rosa (Laguna), Inc.)
Notes to the financial statements
For the years ended 31 December 2025 and 2024

The Bank exercises judgment in the estimation of the amount and timing of future cash flows it will receive from its borrowers and the derivations of its ECL parameters namely the probability of default (PD), loss given default (LGD), exposure at default (EAD) and macroeconomic overlays.

3.1.2 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 arising from customers' withdrawal of deposits and 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 the 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 necessarily 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.

3.1.3 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.

3.1.4 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 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 revised only when a significant event or change in circumstances occurs that affects the assessment and is within the Bank's control.

3.1.5 Recognition of provisions and contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and when they can be estimated reliably even if the timing or amount of the outflow may still be uncertain.

Judgment is exercised by management to distinguish between provisions and contingencies. Disclosures on relevant contingencies are presented in Note 21.

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:

3.2.1 Estimation of allowance for ECL on financial assets at amortized cost

The Bank's estimates rely on historical observed default rates, loss given default, forecasted macroeconomic conditions and time value of money. The assessed ECL may not be representative of a borrower's actual default in the future.

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 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.

3.2.2 Estimation of useful lives of bank premises, furniture, fixtures and equipment (including right-of-use asset)

The Bank estimates the useful lives of its bank premises, furniture, fixtures and equipment (including right-of-use asset) 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

Salmon Bank (Rural Bank) Inc.
(formerly known as Rural Bank of Sta. Rosa (Laguna), Inc.)
Notes to the financial statements
For the years ended 31 December 2025 and 2024

equipment 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 are presented in Note 10.

Based on management's assessment as at December 31, 2025 and 2024, there is no change in estimated useful lives of bank premises, furniture, fixtures and equipment during those years. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

3.2.3 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 at December 31, 2025 and 2024 is disclosed in Note 20.

3.2.4 Impairment of non-financial assets

Bank premises, furniture, fixtures and equipment 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 discount 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 non-financial assets necessary to be recognized in 2025 and 2024.

3.2.5 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 19.

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. Relevant committees 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 function, 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 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).

Salmon Bank (Rural Bank) Inc.
(formerly known as Rural Bank of Sta. Rosa (Laguna), Inc.)
Notes to the financial statements
For the years ended 31 December 2025 and 2024

The Bank is exposed to credit risk from its operating activities and financing activities, which consist of cash transactions, loans, and receivables. To manage credit risk, the Bank assesses the creditworthiness of its counterparties and reasonably 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.

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. The Bank determines SICR primarily based on the days past due (DPD) status of the exposure. Credit risk is considered to have increased significantly when contractual payments are more than 30 days past due, consistent with the rebuttable presumption under PFRS 9.

Loan classification are an integral part of the Bank's management of credit risk. On a periodic basis, loans are reviewed, classified and rated based on internal and external factors that affect its performance. On a monthly 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) Performing/Unclassified, (b) Underperforming/Loans Especially Mentioned (LEM), (c) Nonperforming/Substandard, (d) Doubtful and (e) Loss.

(a) Performing/Unclassified

This Risk Asset Classification (RAC) pertains to loans with sound credit quality and no indication of impairment. These loans have a DPD of 0 to 30 days.

(b) Underperforming/Loans especially mentioned

This RAC pertains to loans exhibiting potential weaknesses requiring management attention but not yet non-performing. These loans have a DPD of 31 to 90 days.

(c) Nonperforming/Substandard

This RAC pertains to loans considered in default or credit impaired. These loans have a DPD of more than 90 days.

(d) Doubtful

This RAC pertains to loans where full collection is improbable and repayment capacity is severely impaired. These loans have a DPD of more than 90 days with severe deterioration indicators.

(e) Loss

This RAC pertains to loans considered uncollectible or of such little value that continued recognition as an asset is not warranted even though partial recovery may be obtained in the future. These accounts are already in write-off/charge-off stage.

Salmon Bank (Rural Bank) Inc.
(formerly known as Rural Bank of Sta. Rosa (Laguna), Inc.)
Notes to the financial statements
For the years ended 31 December 2025 and 2024

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 though not yet deemed to be credit-impaired. Currently, the Bank tags these accounts once it enters 31 days to 90 days DPD. A lifetime ECL is recognized for these accounts.
- (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. Currently, in making this periodic assessment, the Bank uses quantitative information specifically the days past due of the account.

A financial instrument is considered to be subject to a SICR when certain criteria are met, guided by PFRS 9 three-stage impairment model based on changes in credit quality since initial recognition. All current accounts which have no history of payment default are classified into Stage 1. All past due accounts are classified into Stage 2, except for unsecured loans accounts that exceed 90 days past due, which are classified into Stage 3.

Salmon Bank (Rural Bank) Inc.
(formerly known as Rural Bank of Sta. Rosa (Laguna), Inc.)
Notes to the financial statements
For the years ended 31 December 2025 and 2024

(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 credit impaired. To measure the ECL, the Bank developed ECL models following the guidance of PFRS 9. Below are the models developed to estimate the ECL:

- Probability of Default (PD) model to estimate the likelihood of default
- Loss Given Default (LGD) model to estimate the loss percentage of the exposure once the account defaults
- Exposure At Default (EAD) model to estimate the monetary exposure of the Bank once the account defaults

In addition to the above models, the Bank also considers the time value of money as part of its ECL calculation. Thus, discount factor derived from the loans' effective interest rate is incorporated into the ECL calculation. Loans that were originated prior to the acquisition of the Parent Company with an outstanding principal balance of PHP26.8 million as of December 31, 2025 were provided with allowance for credit losses using the Appendix 15 classification and methodology of the BSP MORB.

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 include, among others, the cessation of enforcement activities; and, situations where the Bank's recovery strategy is through foreclosure of collateral and the value of the collateral is insufficient to recover the outstanding exposure in full.

Write-offs may occur before all legal recovery procedures have been completed. The write-off of a financial asset does not preclude the Bank from continuing enforcement activities to recover amounts due. Financial assets written off amounted to PHP574.59 million in 2025 and PHP105.80 million in 2024 (see Note 9).

Salmon Bank (Rural Bank) Inc.
(formerly known as Rural Bank of Sta. Rosa (Laguna), Inc.)
Notes to the financial statements
For the years ended 31 December 2025 and 2024

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.

	<u>Cash and cash equivalents</u>	<u>Loans and customer receivables</u>	<u>Other assets</u>	<u>Due from related parties</u>	<u>Total</u>
<u>December 31, 2025</u>					
Financial intermediaries*	743,932	-	4,206	-	748,138
Government	152,050	-	-	-	152,050
Real estate activities	-	19,762	3,083	-	22,845
Wholesale and retail trade, repair of motor vehicles and motorcycles	-	7,079	-	-	7,079
Other service activities	-	-	17,602	29,140	46,742
Loans to individuals primarily for personal use	-	3,468,260	-	-	3,468,260
	<u>895,982</u>	<u>3,495,101</u>	<u>24,891</u>	<u>29,140</u>	<u>4,445,114</u>
<u>December 31, 2024</u>					
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	-	1,008,954	-	-	1,008,954
	<u>263,531</u>	<u>1,053,724</u>	<u>8,067</u>	<u>69,970</u>	<u>1,395,292</u>

*Excludes cash and other cash items

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.

Salmon Bank (Rural Bank) Inc.
(formerly known as Rural Bank of Sta. Rosa (Laguna), Inc.)
Notes to the financial statements
For the years ended 31 December 2025 and 2024

4.1.4.1 Maximum credit exposure

The following table contains an analysis of the credit risk exposure as at December 31, 2025 and 2024 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.

	ECL Staging			Total
	Stage 1	Stage 2	Stage 3	
<u>December 31, 2025</u>				
Cash and other cash items	466	-	-	466
Due from BSP	152,050	-	-	152,050
Due from other banks	743,932	-	-	743,932
Loans and customer receivables	3,414,428	263,282	97,136	3,774,846
Due from related parties	29,140	-	-	29,140
Refundable deposits	17,602	-	-	17,602
Sales contract receivables	2,481	-	835	3,316
Sinking fund	4,206	-	-	4,206
Gross carrying amount	4,364,305	263,282	97,971	4,725,558
Expected credit loss	(424,018)	(136,029)	(91,575)	(651,622)
Net carrying amount	<u>3,940,287</u>	<u>127,253</u>	<u>6,396</u>	<u>4,073,936</u>
<u>December 31, 2024</u>				
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 customer receivables	825,790	80,713	83,744	990,247
Due from related parties	69,970	-	-	69,970
Refundable deposits	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
Expected credit loss	(8,876)	(20,820)	(52,115)	(81,811)
Net carrying amount	<u>1,158,284</u>	<u>61,828</u>	<u>31,629</u>	<u>1,251,741</u>

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 PHP1.0 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.

Salmon Bank (Rural Bank) Inc.
(formerly known as Rural Bank of Sta. Rosa (Laguna), Inc.)
Notes to the financial statements
For the years ended 31 December 2025 and 2024

4.1.4.2 Other credit enhancements

The Bank holds collateral against certain loans and receivables in the form of mortgage interests over property. 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.

	<u>Gross maximum exposure</u>	<u>Fair value of collaterals</u>	<u>Net exposure</u>	<u>Financial effect of collaterals</u>
<u>2025</u>				
Loans and customer receivables	3,774,846	141,204	3,633,642	141,204
Sales contract receivables	3,316	7,524	-	3,316
	<u>3,778,162</u>	<u>148,728</u>	<u>3,633,642</u>	<u>144,520</u>
<u>2024</u>				
Loans and customer receivables	990,247	58,323	931,924	58,323
Sales contract receivables	3,525	7,000	-	3,525
	<u>993,772</u>	<u>65,323</u>	<u>931,924</u>	<u>61,848</u>

An analysis of the maximum credit risk exposure relating to Stages 2 and 3 financial assets as at December 31, 2025 and 2024 is shown below.

	<u>Gross maximum exposure</u>	<u>Fair value of collaterals</u>	<u>Net exposure</u>	<u>Financial effect of collaterals</u>
<u>2025</u>				
Loans and customer receivables	360,418	34,658	325,760	34,658
Sales contract receivables	835	2,232	-	835
	<u>361,253</u>	<u>36,890</u>	<u>325,760</u>	<u>35,493</u>
<u>2024</u>				
Loans and customer receivables	164,457	6,366	158,091	6,366
Sales contract receivables	1,935	4,000	-	1,935
	<u>166,392</u>	<u>10,366</u>	<u>158,091</u>	<u>8,301</u>

Salmon Bank (Rural Bank) Inc.
(formerly known as Rural Bank of Sta. Rosa (Laguna), Inc.)
Notes to the financial statements
For the years ended 31 December 2025 and 2024

The information about the credit exposures on the Bank's loans and customer receivables by stages of impairment as at December 31, 2025 and 2024 shown at their gross carrying amounts with the corresponding allowance for ECL are presented below.

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
<u>December 31, 2025</u>				
<i>Credit quality</i>				
High grade/ standard grade	3,144,205	125,551	-	3,269,756
Doubtful	-	129,982	-	129,982
Loss	-	-	95,363	95,363
Gross carrying amount	3,144,205	255,533	95,363	3,495,101
Unearned premium	270,223	7,749	1,773	279,745
Allowance for ECL	(423,994)	(136,029)	(91,366)	(651,389)
	2,990,434	127,253	5,770	3,123,457
<u>December 31, 2024</u>				
<i>Credit quality</i>				
High grade/ standard grade	886,012	82,335	-	968,347
Substandard	-	-	35,868	35,868
Loss	-	-	49,509	49,509
Gross carrying amount	886,012	82,335	85,377	1,053,724
Unearned discount	(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

In addition, the information about the Bank's allowance for ECL by stages of impairment as at December 31, 2025 and 2024 are shown below.

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
<u>December 31, 2025</u>				
<i>Credit quality</i>				
High grade/ standard grade	(423,994)	(67,402)	-	(491,396)
Doubtful	-	(68,627)	-	(68,627)
Loss	-	-	(91,366)	(91,366)
	(423,994)	(136,029)	(91,366)	(651,389)
<u>December 31, 2024</u>				
<i>Credit quality</i>				
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)

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 customer 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 2025 and 2024.

Salmon Bank (Rural Bank) Inc.
(formerly known as Rural Bank of Sta. Rosa (Laguna), Inc.)
Notes to the financial statements
For the years ended 31 December 2025 and 2024

4.1.5 Expected credit losses

The following table shows the reconciliation of expected credit loss by class of financial instruments at the beginning and end of 2025 and 2024.

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
<u>December 31, 2025</u>				
Loans and customer receivables:				
Balance at January 1	(8,860)	(20,583)	(52,115)	(81,558)
Accrual	(414,222)	(183,071)	(547,128)	(1,144,421)
<i>Transfers from:</i>				
Stage 1 to Stage 2	(912)	912	-	-
Stage 3 to Stage 2	-	66,713	(66,713)	-
Write-off	-	-	574,590	574,590
Balance at December 31	<u>(423,994)</u>	<u>(136,029)</u>	<u>(91,366)</u>	<u>(651,389)</u>
<u>December 31, 2024</u>				
Loans and customer receivables:				
Balance at January 1	(1,629)	(17)	(1,370)	(3,016)
Accrual	(24,326)	(12,009)	(148,010)	(184,345)
<i>Transfers from:</i>				
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	<u>(8,860)</u>	<u>(20,583)</u>	<u>(52,115)</u>	<u>(81,558)</u>

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 receivable in 2025 and 2024 contributed to the changes in the allowance for ECL.

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
<u>December 31, 2025</u>				
Balance at January 1	886,012	82,335	85,377	1,053,724
New financial assets purchased	5,790,138	-	-	5,790,138
Write-offs	-	-	(573,915)	(573,915)
Accrued	1,863,419	92,080	-	1,955,499
Collected	(4,674,098)	(42,241)	(13,631)	(4,729,970)
Loyalties	(375)	-	-	(375)
<i>Transfers from:</i>				
Stage 1 to Stage 2	(123,359)	123,359	-	-
Stage 1 to Stage 3	(597,532)	-	597,532	-
Balance at December 31	<u>3,144,205</u>	<u>255,533</u>	<u>95,363</u>	<u>3,495,101</u>
<u>December 31, 2024</u>				
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)
<i>Transfers from:</i>				
Stage 1 to Stage 2	(54,410)	54,410	-	-
Stage 1 to Stage 3	(187,741)	-	187,741	-
Balance at December 31	<u>886,012</u>	<u>82,335</u>	<u>85,377</u>	<u>1,053,724</u>

Salmon Bank (Rural Bank) Inc.
(formerly known as Rural Bank of Sta. Rosa (Laguna), Inc.)
Notes to the financial statements
For the years ended 31 December 2025 and 2024

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 at December 31, 2025 and 2024 in accordance with BSP account classifications.

	<u>Due on demand</u>	<u>Due within one year</u>	<u>Due after one year</u>	<u>Total</u>
<u>December 31, 2025</u>				
Financial assets:				
Cash and other cash items	466	-	-	466
Due from BSP	152,050	-	-	152,050
Due from other banks	740,486	3,446	-	743,932
Loans and customer receivables - gross	-	3,103,775	19,682	3,123,457
Due from related parties	-	29,140	-	29,140
Other assets	-	7,942	16,949	24,891
Total financial assets	<u>893,002</u>	<u>3,144,303</u>	<u>36,631</u>	<u>4,073,936</u>
Financial liabilities:				
Deposit liabilities	704,579	1,509,890	618,744	2,833,213
Other liabilities	-	40,613	54,698	95,311
Due to related parties	-	169,339	-	169,339
Total financial liabilities	<u>704,579</u>	<u>1,719,842</u>	<u>673,442</u>	<u>3,097,863</u>
Net position	<u>188,423</u>	<u>1,424,461</u>	<u>(636,811)</u>	<u>976,073</u>
Cumulative net position	<u>188,423</u>	<u>1,612,884</u>	<u>976,073</u>	<u>-</u>

Salmon Bank (Rural Bank) Inc.
(formerly known as Rural Bank of Sta. Rosa (Laguna), Inc.)
Notes to the financial statements
For the years ended 31 December 2025 and 2024

	<u>Due on demand</u>	<u>Due within one year</u>	<u>Due after one year</u>	<u>Total</u>
<u>December 31, 2024</u>				
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 customer receivables - gross	-	876,305	32,384	908,689
Due from related parties	-	69,970	-	69,970
Other assets	-	4,788	3,279	8,067
Total financial assets	<u>226,635</u>	<u>989,443</u>	<u>35,663</u>	<u>1,251,741</u>
Financial liabilities:				
Deposit liabilities	53,848	530,532	-	584,380
Other liabilities	-	10,230	10,732	20,962
Due to related parties	-	16,851	-	16,851
Total financial liabilities	<u>53,848</u>	<u>557,613</u>	<u>10,732</u>	<u>622,193</u>
Net position	<u>172,787</u>	<u>431,837</u>	<u>24,923</u>	<u>629,547</u>
Cumulative net position	<u>172,787</u>	<u>604,624</u>	<u>629,547</u>	

4.5 Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. This includes legal risk but excludes strategic and reputational risk. Operational risk may arise from human error, fraud, systems failures, business disruptions, settlement and payment errors, deficiencies in internal controls, or unforeseen external events.

Managing operational 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 independent risk management and internal audit function.

Management continually assesses operational risk exposures to ensure that appropriate controls and mitigation strategies are in place.

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.

Salmon Bank (Rural Bank) Inc.
(formerly known as Rural Bank of Sta. Rosa (Laguna), Inc.)
Notes to the financial statements
For the years ended 31 December 2025 and 2024

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 provides the overarching policy framework and guidelines for the conduct of KYC procedures, and references the relevant operating procedures that detail the step-by-step processes for customer onboarding and due diligence, including the identification and handling of Politically Exposed Persons (PEPs).

In terms of reporting, the Bank has been filing CTRs and STRs to the Anti-Money Laundering Council (AMLC) in compliance with relevant regulatory deadlines. The Bank likewise established a procedure that ensures completeness of report and adherence to regulatory requirements.

The Bank completed its Institutional Risk Assessment (IRA) in 2024, which was subsequently approved by the Board in 2025. The assessment evaluated ML/TF/PF risks across various areas, including customers, transactions, products and services, geographic areas of operation, and delivery channels. The results indicated that the Bank has established controls that are adequate and proportionate to its size, nature, and complexity to effectively manage and mitigate ML/TF/PF risks.

Salmon Bank (Rural Bank) Inc.
(formerly known as Rural Bank of Sta. Rosa (Laguna), Inc.)
Notes to the financial statements
For the years ended 31 December 2025 and 2024

4.7 Maturity analysis of assets and liabilities

The table below presents the assets 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:

	<u>Current</u>	<u>Non-current</u>	<u>Total</u>
<u>December 31, 2025</u>			
Cash and other cash items	466	-	466
Due from BSP	152,050	-	152,050
Due from other banks	743,932	-	743,932
Loans and customer receivables – net	3,103,775	19,682	3,123,457
Due from related parties	29,140	-	29,140
Bank premises, furniture and fixtures and equipment	-	77,073	77,073
Deferred tax assets	-	163,032	163,032
Other assets	24,312	16,949	41,261
Total assets	<u>4,053,675</u>	<u>276,736</u>	<u>4,330,411</u>
Deposit liabilities	2,214,469	618,744	2,833,213
Other liabilities	146,285	5,588	151,873
Due to related parties	169,339	-	169,339
Income tax payable	42,838	-	42,838
Total liabilities	<u>2,572,931</u>	<u>624,332</u>	<u>3,197,263</u>
	<u>Current</u>	<u>Non-current</u>	<u>Total</u>
<u>December 31, 2024</u>			
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 customer receivables – net	876,305	32,384	908,689
Due from related parties	69,970	-	69,970
Bank premises, furniture and fixtures and equipment	-	13,772	13,772
Deferred tax assets	-	20,790	20,790
Other assets	11,986	3,279	15,265
Total assets	<u>1,223,276</u>	<u>70,225</u>	<u>1,293,501</u>
Deposit liabilities	584,380	-	584,380
Other liabilities	42,134	15,569	57,703
Due to related parties	16,851	-	16,851
Deposit for future stock subscription	-	295,000	295,000
Income tax payable	78,751	-	78,751
Total liabilities	<u>722,116</u>	<u>310,569</u>	<u>1,032,685</u>

5. Categories and offsetting of financial assets and 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.

Salmon Bank (Rural Bank) Inc.
(formerly known as Rural Bank of Sta. Rosa (Laguna), Inc.)
Notes to the financial statements
For the years ended 31 December 2025 and 2024

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 2025 and 2024 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 measure 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.

Salmon Bank (Rural Bank) Inc.
(formerly known as Rural Bank of Sta. Rosa (Laguna), Inc.)
Notes to the financial statements
For the years ended 31 December 2025 and 2024

The Bank has no financial assets and financial liabilities measured at fair value as at December 31, 2025 and 2024.

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.

	<u>Notes</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>December 31, 2025</u>					
Financial Assets:					
Cash and other cash items	8	466	-	-	466
Due from BSP	8	152,050	-	-	152,050
Due from other banks	8	743,932	-	-	743,932
Loans and customer receivables – net	9	-	-	3,123,457	3,123,457
Due from related parties	15	-	-	29,140	29,140
Other assets	11	-	-	24,891	24,891
		<u>896,448</u>	<u>-</u>	<u>3,177,488</u>	<u>4,073,936</u>
Financial Liabilities:					
Deposit liabilities	13	-	-	2,833,213	2,833,213
Other liabilities	14	-	-	95,311	95,311
Due to related parties	15	-	-	169,339	169,339
		<u>-</u>	<u>-</u>	<u>3,097,863</u>	<u>3,097,863</u>
<u>December 31, 2024</u>					
Financial Assets:					
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 customer receivables - net	9	-	-	908,689	908,689
Due from related parties	15	-	-	69,970	69,970
Other assets	11	-	-	8,067	8,067
		<u>265,015</u>	<u>-</u>	<u>986,726</u>	<u>1,251,741</u>
Financial Liabilities:					
Deposit liabilities	13	-	-	584,380	584,380
Other liabilities	14	-	-	28,614	28,614
Due to related parties	15	-	-	16,851	16,851
		<u>-</u>	<u>-</u>	<u>629,845</u>	<u>629,845</u>

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:

6.2.1 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.

Salmon Bank (Rural Bank) Inc.
(formerly known as Rural Bank of Sta. Rosa (Laguna), Inc.)
Notes to the financial statements
For the years ended 31 December 2025 and 2024

6.2.2 Due from BSP and other banks

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. Due from other banks includes items in the course of collection. The carrying amounts of these approximate their fair values in view of the relatively short-term maturities of these instruments.

6.2.3 Loans and customer receivables

Loans and customer receivables are net of provisions for impairment. The carrying amounts of loans and customer receivables approximate their fair values due to their short-term maturities, such that the impact of discounting using current market rates is not material.

6.2.4 Deposit 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.

6.2.5 Due to related parties and other liabilities

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

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.

Salmon Bank (Rural Bank) Inc.
(formerly known as Rural Bank of Sta. Rosa (Laguna), Inc.)
Notes to the financial statements
For the years ended 31 December 2025 and 2024

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

- (i) Tier 1 Capital includes the following:
- (a) paid-up common stock;
 - (b) surplus and surplus reserves; and,
 - (c) 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 at December 31 follows:

	<u>2025</u>	<u>2024</u>
Tier 1 Capital	1,002,946	246,046
Tier 2 Capital	<u>44,083</u>	<u>7,719</u>
Total regulatory qualifying capital	<u>1,047,029</u>	<u>253,765</u>
Total risk weighted assets	<u>4,401,068</u>	<u>1,321,591</u>
Total regulatory capital expressed as percentage of total risk weighted assets	<u>23.79%</u>	<u>19.20%</u>
Total Tier 1 capital expressed as percentage of total risk weighted assets	<u>22.79%</u>	<u>18.62%</u>

As at December 31, 2025 and 2024, 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).

Salmon Bank (Rural Bank) Inc.
 (formerly known as Rural Bank of Sta. Rosa (Laguna), Inc.)
 Notes to the financial statements
 For the years ended 31 December 2025 and 2024

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 PHP50.0 million. For the purpose of compliance with this circular, branch-lite units of banks are not included. The Bank has complied with above minimum capital requirement as at December 31, 2025 and 2024.

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 as at December 31, 2025 and 2024 are analysed below.

	<u>2025</u>	<u>2024</u>
Eligible stock of liquid assets	896,480	265,513
Total qualifying liabilities	3,156,257	1,017,737
	<u>28.40%</u>	<u>26.09%</u>

8. Cash and cash equivalents

Cash and cash equivalents as at December 31 follow:

	<u>2025</u>	<u>2024</u>
Cash and other cash items	466	1,484
Due from BSP	152,050	5,568
Due from other banks	743,932	257,963
	<u>896,448</u>	<u>265,015</u>

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.

Due from other banks consist of demand, savings and short-term time deposits. Savings deposits earn effective interest ranging from 0.10% to 0.53% in 2025 and 0.10% to 0.35% in 2024. Short-term time deposits earn effective interest per annum ranging from 0.13% to 4.50% in 2025 and from 0.13% to 4.25% in 2024 and are renewed every 30-49 days.

Salmon Bank (Rural Bank) Inc.
(formerly known as Rural Bank of Sta. Rosa (Laguna), Inc.)
Notes to the financial statements
For the years ended 31 December 2025 and 2024

The details of Due from other banks are disclosed below:

	<u>2025</u>	<u>2024</u>
Demand	401,220	139,133
Savings	339,266	80,450
Time deposits	3,446	38,380
	<u>743,932</u>	<u>257,963</u>

The total interest income earned by the Bank from its due from BSP and from other banks amounted to PHP3.81 million and PHP1.43 million in 2025 and 2024, respectively, and are presented as part of financing income in the statements of comprehensive income (see Note 16).

Supplemental disclosure of non-cash investing and financing activities

- In 2025 and 2024, the Bank entered into lease transactions recognizing right-of-use assets amounting to PHP 68.07 million and PHP 9.26 million, respectively. Consequently, lease liabilities with the same amounts were recognized (see Notes 10 and 13).
- In 2025, the Bank reclassified deposit for future stock subscription amounting to PHP 295.0 million to share capital (see Note 14.2).

9. Loans and customer receivables

This account is composed of the following:

	<u>2025</u>	<u>2024</u>
Receivables from customers	3,204,172	962,151
Accrued interest receivable	153,028	46,114
Accrued fees receivable	137,901	45,459
Unearned premium / (discount)	279,745	(63,477)
	3,774,846	990,247
Expected credit loss	(651,389)	(81,558)
	<u>3,123,457</u>	<u>908,689</u>

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

	<u>2025</u>	<u>2024</u>
Less than one year	3,103,775	876,305
One to five years	10,273	22,814
Beyond five years	9,409	9,570
	<u>3,123,457</u>	<u>908,689</u>

Salmon Bank (Rural Bank) Inc.
(formerly known as Rural Bank of Sta. Rosa (Laguna), Inc.)
Notes to the financial statements
For the years ended 31 December 2025 and 2024

A reconciliation of expected credit loss of loans and customer receivables at the beginning and end of 2025 and 2024 is shown below.

	<u>2025</u>	<u>2024</u>
Balance at beginning of year	81,558	3,016
Provision for expected credit loss	1,144,421	184,345
Write-off	(574,590)	(105,803)
Balance at end of year	<u><u>651,389</u></u>	<u><u>81,558</u></u>

The Bank recognized recovery of previously written-off loans amounting to PHP25.66 million and PHP0.48 million in 2025 and 2024, respectively, and these are presented as part of Non-financing income in the statement of comprehensive income (see Note 17).

Loans and customer receivables earn interest at rates ranging from 10.00% to 120.00% per annum in 2025 and from 10.00% to 72.00% per annum in 2024. Interest income on loans and customer receivables and service fee income amounted to PHP 905.24 million and PHP 897.89 million (2024: PHP 361.39 million and PHP 250.70 million), respectively, and are presented as Financing income in the statements of comprehensive income (see Note 16).

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 2025 and 2024 are shown below.

	<u>Investment property</u>	<u>Land and building</u>	<u>Furniture and fixtures and IT equipment</u>	<u>Transportation equipment</u>	<u>Right- of-use asset</u>	<u>Total</u>
December 31, 2025						
Cost	3,954	-	8,716	199	77,321	90,190
Accumulated depreciation and amortization	<u>(525)</u>	<u>-</u>	<u>(5,937)</u>	<u>(194)</u>	<u>(6,461)</u>	<u>(13,117)</u>
Net carrying amount	<u><u>3,429</u></u>	<u><u>-</u></u>	<u><u>2,779</u></u>	<u><u>5</u></u>	<u><u>70,860</u></u>	<u><u>77,073</u></u>
December 31, 2024						
Cost	3,954	-	7,443	199	9,255	20,851
Accumulated depreciation and amortization	<u>(458)</u>	<u>-</u>	<u>(4,590)</u>	<u>(180)</u>	<u>(1,851)</u>	<u>(7,079)</u>
Net carrying amount	<u><u>3,496</u></u>	<u><u>-</u></u>	<u><u>2,853</u></u>	<u><u>19</u></u>	<u><u>7,404</u></u>	<u><u>13,772</u></u>
January 1, 2024						
Cost	3,954	6,532	3,917	199	-	14,602
Accumulated depreciation and amortization	<u>(387)</u>	<u>(4,229)</u>	<u>(3,823)</u>	<u>(169)</u>	<u>-</u>	<u>(8,608)</u>
Net carrying amount	<u><u>3,567</u></u>	<u><u>2,303</u></u>	<u><u>94</u></u>	<u><u>30</u></u>	<u><u>-</u></u>	<u><u>5,994</u></u>

Salmon Bank (Rural Bank) Inc.
(formerly known as Rural Bank of Sta. Rosa (Laguna), Inc.)
Notes to the financial statements
For the years ended 31 December 2025 and 2024

A reconciliation of the carrying amounts at the beginning and end of 2025 and 2024 of bank premises, furniture, fixtures and equipment is shown below.

	<u>Investment property</u>	<u>Land and building</u>	<u>Furniture and fixtures and IT equipment</u>	<u>Transportation equipment</u>	<u>Right-of- use asset</u>	<u>Total</u>
Balance at January 1, 2025, net of accumulated depreciation	3496	-	2,853	19	7,404	13,772
Additions	-		1,272	-	68,066	69,338
Depreciation and amortization	(67)	-	(1,346)	(14)	(4,610)	(6,037)
Balance at December 31, 2025, net of accumulated depreciation	<u>3,429</u>	<u>-</u>	<u>2,779</u>	<u>5</u>	<u>70,860</u>	<u>77,073</u>
Balance at January 1, 2024, net of accumulated depreciation	3,567	2,303	94	30	-	5,994
net of accumulated depreciation	-		3,526	-	9,255	12,781
Additions	-	(2,303)	-	-	-	(2,303)
Disposals	-					
Depreciation and amortization	(71)		(767)	(11)	(1,851)	(2,700)
Balance at December 31, 2024, net of accumulated depreciation	<u>3,496</u>	<u>-</u>	<u>2,853</u>	<u>19</u>	<u>7,404</u>	<u>13,772</u>

The Bank leases its spaces occupied by several branches and back-office staff. Right-of-use asset and lease liabilities are presented as part of Bank premises, furniture, fixtures and equipment and Other liabilities accounts, respectively, in the statements of financial position (see Note 13).

The BSP requires that investments in bank premises, furniture, fixtures, and equipment should not exceed 50% of the Bank's unimpaired capital. As at December 31, 2025 and 2024, the Bank is compliant with this BSP requirement.

Certain fully depreciated bank premises, furniture, fixtures, and equipment with acquisition costs of PHP 4.00 million and PHP 3.97 million as at December 31, 2025 and 2024, respectively, are still being used in operations.

Bank premises, furniture, fixtures, and equipment account include investment properties with carrying amounts of PHP 3.43 million and PHP 3.50 million as of December 31, 2025 and 2024, respectively, representing 0.08% of total assets as of December 31, 2025. These properties include parcels of land and buildings acquired principally through foreclosures and are measured using the cost model in accordance with PAS 40, *Investment Property*. Movements relating to investment properties are included in the lapsing schedule above. Management has assessed that investment properties are not material to the financial statements, and accordingly, no further detailed disclosures are presented.

Salmon Bank (Rural Bank) Inc.
(formerly known as Rural Bank of Sta. Rosa (Laguna), Inc.)
Notes to the financial statements
For the years ended 31 December 2025 and 2024

11. Other assets

This account consists of the following:

	<u>2025</u>	<u>2024</u>
Refundable deposits	17,602	589
Prepaid expenses	9,257	5,124
Sinking fund	4,206	4,206
Sales contract receivables	3,316	3,524
Stationary and supplies	606	241
Others	6,507	1,834
	<u>41,494</u>	<u>15,518</u>
Allowance for impairment	(233)	(253)
	<u>41,261</u>	<u>15,265</u>

Refundable deposits include security deposits related to leases and other service contracts.

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 PHP 0.23 million as at December 31, 2025 (PHP 0.25 million as at December 31, 2024).

12. Deposit liabilities

This account consists of the following:

	<u>2025</u>	<u>2024</u>
Demand	657,000	1,406
Savings	47,580	52,442
Time	2,099,604	517,331
Accrued interest expense	29,029	13,201
	<u>2,833,213</u>	<u>584,380</u>

Deposit liabilities are subject to annual fixed interest rates ranging from 0.25% to 9.38% in 2025 and from 0.25% to 8.88% in 2024. Deposit liabilities include amounts due to related parties as discussed in Note 15.

Interest expense incurred amounted to PHP 100.18 million and PHP 13.86 million in 2025 and 2024, respectively, and are recognized as Interest expense in the statements of comprehensive income.

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.

Salmon Bank (Rural Bank) Inc.
(formerly known as Rural Bank of Sta. Rosa (Laguna), Inc.)
Notes to the financial statements
For the years ended 31 December 2025 and 2024

13. Other liabilities

The breakdown of this account is shown below.

	<u>2025</u>	<u>2024</u>
Lease liability	69,374	7,627
GRT payable	41,748	22,793
Other payables and accrued expenses	25,891	20,987
Retirement benefit obligation (Note 19)	5,588	4,837
Withholding tax payable	5,116	176
DST payable	2,387	864
Other taxes payable	1,769	419
	<u><u>151,873</u></u>	<u><u>57,703</u></u>

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

Presented below is the reconciliation of the Bank's lease liability in 2025 and 2024, which includes both cash and non-cash changes.

	<u>2025</u>	<u>2024</u>
Balance at the beginning of the year	7,627	-
Additions	68,066	9,255
Repayment of lease liabilities	(7,358)	(2,160)
Interest on lease liability	1,039	532
Balance at the end of the year	<u><u>69,374</u></u>	<u><u>7,627</u></u>

Interest expense in relation to lease liability is presented as part of Operating expenses in the statements of comprehensive income (see Note 18).

The undiscounted maturity analysis of lease liabilities at 31 December 2025 and 2024 are as follows:

	<u>Within 1 Year</u>	<u>1 to 2 years</u>	<u>2 to 3 years</u>	<u>3 to 4 years</u>	<u>4 to 5 years</u>	<u>Total</u>
As at 31 December 2025						
Lease payments	18,180	17,558	16,335	14,884	11,721	78,678
Finance charges	(3,504)	(2,635)	(1,840)	(1,049)	(276)	(9,304)
Net present values	<u><u>14,676</u></u>	<u><u>14,923</u></u>	<u><u>14,495</u></u>	<u><u>13,835</u></u>	<u><u>11,445</u></u>	<u><u>69,374</u></u>
As at 31 December 2024						
Lease payments	2,160	2,160	2,160	2,160	-	8,640
Finance charges	(428)	(316)	(198)	(71)	-	(1,013)
Net present values	<u><u>1,732</u></u>	<u><u>1,844</u></u>	<u><u>1,962</u></u>	<u><u>2,089</u></u>	<u><u>-</u></u>	<u><u>7,627</u></u>

Salmon Bank (Rural Bank) Inc.
(formerly known as Rural Bank of Sta. Rosa (Laguna), Inc.)
Notes to the financial statements
For the years ended 31 December 2025 and 2024

14. Equity

14.1 Capital stock

Capital stock consists of the following:

	Shares		PHP'000	
	2025	2024	2025	2024
Common shares – PHP100 par value				
Authorized capital stock	199,670	199,670	19,967	19,967
Issued and outstanding	142,059	142,058	14,206	14,206
Preferred shares – PHP100 par value				
Authorized capital stock	11,800,330	330	1,180,033	33
Issued and outstanding	2,950,000	-	295,000	-
Total Authorized Capital			1,200,000	20,000

As at December 31, 2025 and 2024, the Bank has 11 stockholders of which four stockholders own at least 100 or more shares each of the Bank's common shares.

On November 8, 2024, the BOD and the stockholders approved the increase in authorized capital stock of the Bank, from PHP 20.00 million to PHP 1,200.00 million. The increase in the capital stock by PHP 1,180.00 million is composed of 11,800,000 preferred shares with a par value of PHP 100 each.

In September 2025, the Bank issued 2,950,000 preferred shares to the Parent Company in consideration of PHP 295.00 million. This amount was deposited into the Bank in 2024 and is presented as Deposit for future stock subscription in the 2024 statement of financial position. In 2025, the amount was reclassified to equity upon approval by the BSP and SEC of the Bank's application to increase its authorized capital stock from PHP 20.00 million, divided into 199,670 common shares and 330 preferred shares (both with a par value of PHP 100 per share), to PHP 1,200.00 million, divided into 199,670 common shares and 11,800,330 preferred shares (both with a par value of PHP 100 per share) (see Note 1). On November 25, 2025, an additional one (1) common share was issued to the Parent Company.

14.2 Additional paid-in capital

This account refers to the amount of capital from the issuance of shares above par value. In 2025 and 2024, the Bank received PHP 600.00 million and PHP 20.06 million, respectively, as additional cash infusion from the Parent Company, which was presented as Additional paid-in capital in the statements of financial position.

Salmon Bank (Rural Bank) Inc.
(formerly known as Rural Bank of Sta. Rosa (Laguna), Inc.)
Notes to the financial statements
For the years ended 31 December 2025 and 2024

15. Related party transactions

The summary of the Bank's significant transactions with its related parties as at and for the years ended December 31, 2025 and 2024 is as follows:

Related Party Category	Notes	2025		2024	
		Amount of transaction	Outstanding balance	Amount of transaction	Outstanding balance
DOSRI:					
Deposits liabilities	15.1	-	619,734	-	7,610
Deposits		620,863	-	5,960	-
Withdrawals		(9,019)	-	(7,979)	-
Interests		312	312	280	280
Parent company:					
Deposit for future stock subscription	14	-	-	(295,000)	(295,000)
Accommodated expenses	15.2	(8,084)	-	(3,874)	(3,874)
Shared services	15.5	(6,438)	29,140	-	-
Capital injection	14	600,000	600,000	(610)	(610)
Related parties under common ownership:					
Net assignment of loans receivable	15.3	(6,199,450)	(169,322)	(1,791,190)	-
Net collection of loans	15.3	4,731,743	-	1,389,609	69,970
Fees and commission	15.4	(235,195)	-	(68,038)	-
Accommodated expenses	15.2	(26,613)	-	(23,351)	(11,134)
Shared services	15.5	(1,245)	(17)	(1,235)	(1,233)

15.1 Transactions with DOSRI

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

Deposits from DOSRI, which are shown as part of Deposits Liabilities account in the statements of financial position, bear interest ranging from 3.00% to 8.88% in 2025 and 6.00% to 8.88% in 2024 (see Note 12).

15.2 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 statements of financial position.

Salmon Bank (Rural Bank) Inc.
(formerly known as Rural Bank of Sta. Rosa (Laguna), Inc.)
Notes to the financial statements
For the years ended 31 December 2025 and 2024

15.3 Assignment and collection of loans receivable

In 2025 and 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 19 and 12 batches of loan portfolio in 2025 and 2024, with an aggregate purchase price of PHP 6,199.45 million and PHP 1,791.19 million, respectively, 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 determined on an arms-length basis.

As at December 31, 2025 and 2024, the outstanding value of the receivables from the deed of assignment amounted to PHP 3,747.85 million and PHP 943.17 million, respectively. The 2025 balance is presented net of unearned premium, while the 2024 balance is presented net of unearned discount. The related expected credit loss allowance amounted to PHP 650.06 million and PHP 76.34 million as at December 31, 2025 and 2024, respectively. These are presented under Loans and customer receivables account in the statements of financial position (see Note 9).

15.4 Fees and commission expenses

Related parties under common ownership charge the Bank an administrative fee for services performed in relation to the management and administration of loans assigned to the Bank under a deed of assignment without recourse.

In 2025 and 2024, the Bank paid administrative fees amounting to PHP 235.19 million and PHP 68.04 million, respectively. These are presented as part of Operating expenses in the statement of comprehensive income (see Note 18). There were no outstanding balances arising from these transactions as of December 31, 2025 and 2024.

15.5 Shared services

Related parties under common ownership provide shared services to the Bank, including human resources support, marketing services, and software-as-a-service (SaaS), for which the Bank incurred service fees during the year. These services amounted to PHP 7.68 million and PHP 1.23 million in 2025 and 2024, respectively. These are presented as part of Operating expenses in the statement of comprehensive income. The related outstanding payables for services obtained are presented as part of Due to related parties in the statement of financial position.

16. Financing income

This account includes the following:

	<u>Notes</u>	<u>2025</u>	<u>2024</u>
Interest income from loans receivable	9	905,240	361,394
Service fee income from loans receivable	9	897,886	250,696
Interest income from deposits	8	3,805	1,428
		<u>1,806,931</u>	<u>613,518</u>

Salmon Bank (Rural Bank) Inc.
(formerly known as Rural Bank of Sta. Rosa (Laguna), Inc.)
Notes to the financial statements
For the years ended 31 December 2025 and 2024

Service fee income from loans receivable are charged on a recurring basis in connection with the Bank's financing arrangements with borrowers. These fees relate to the ongoing administration of the loan and do not pertain to distinct services that are separable from the lending activity.

17. Non-financing income

This account includes the following:

	<u>Note</u>	<u>2025</u>	<u>2024</u>
Fees and commissions		61,619	16,005
Recovery of loans written-off	9	25,656	476
		<u>87,275</u>	<u>16,481</u>

Fees and commissions comprise charges for services provided by the Bank, including penalties on past due accounts and income earned from deposit-related transactions.

18. Operating expenses

The details of operating expenses are shown below.

	<u>Notes</u>	<u>2025</u>	<u>2024</u>
Administrative fee	15.4	235,195	68,038
Remuneration and other staff costs		190,915	22,580
Sales and other taxes		123,528	32,967
Professional fees		113,689	24,135
Shared services	15.5	7,683	1,235
Depreciation and amortization	10	6,037	2,700
Fees and commission expense		1,314	434
Interest on lease liability	13	1,039	532
Others		356	253
		<u>679,756</u>	<u>152,874</u>

19. Revaluation of retirement benefit

(a) Characteristics of the defined benefit plan

The Bank maintains a defined retirement benefit plan that covers all regular full-time employees hired before January 2024. All other employees are covered by the minimum retirement benefit mandated by the RA No. 7641, *Retirement Pay Law*.

Actuarial valuation was undertaken in 2025 and 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.

Salmon Bank (Rural Bank) Inc.
(formerly known as Rural Bank of Sta. Rosa (Laguna), Inc.)
Notes to the financial statements
For the years ended 31 December 2025 and 2024

The movements in the present value of the post-employment benefit obligation are as follows:

	<u>2025</u>	<u>2024</u>
Balance at the beginning of the year	4,837	-
Current service cost	5,539	4,792
Benefits paid	(3,695)	(1,556)
Remeasurements	(1,093)	1,601
Balance at the end of the year	<u>5,588</u>	<u>4,837</u>

Current service cost is recognized as part of Remuneration and other staff costs under Operating expenses (see Note 18), while remeasurements are recognized in other comprehensive income in the statements of comprehensive income.

The significant actuarial assumptions are as follows:

	<u>2025</u>	<u>2024</u>
Discount rate	6.38%	6.10%
Salary increase rate	5.0%	8.0%

Assumptions regarding future mortality experience are based on published statistics and mortality tables. In 2025 and 2024, 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.

(b) 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 at 31 December, 2025 and 2024:

	<u>Impact on post-employment benefit obligation</u>		
	<u>Change in assumption</u>	<u>Increase in assumption</u>	<u>Decrease in assumption</u>
2025			
Discount rate	+/-1.00%	(724,277)	872,438
Salary growth rate	+/-1.00%	876,084	(724,669)
2024			
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.

Salmon Bank (Rural Bank) Inc.
(formerly known as Rural Bank of Sta. Rosa (Laguna), Inc.)
Notes to the financial statements
For the years ended 31 December 2025 and 2024

The expected contribution to the fund in 2025 is PHP 6.91 million. As at 31 December, 2025 and 2024, the maturity profile of undiscounted expected benefits payments from the plan for the next 10 years follows:

	<u>2025</u>	<u>2024</u>
Within five years	11	687
From five years to ten years	<u>12,211</u>	<u>7,660</u>
	<u>12,222</u>	<u>8,347</u>

The weighted average duration of the defined benefit obligation at 31 December 2025 and 2024 is 18 and 19 years, respectively.

20. Taxes

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

	<u>2025</u>	<u>2024</u>
<i>Reported in profit or loss:</i>		
Current tax expense:		
Regular corporate income tax (RCIT) at 25%	135,291	89,632
Final tax	<u>342</u>	<u>286</u>
	135,633	89,918
Deferred tax expense relating to origination and reversal of temporary differences	<u>(142,516)</u>	<u>(20,390)</u>
	<u>(6,883)</u>	<u>69,528</u>
<i>Reported in other comprehensive income:</i>		
Deferred tax benefit / (expense) relating to origination and reversal of temporary differences	<u>273</u>	<u>(400)</u>

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

	<u>2025</u>	<u>2024</u>
Tax on pretax income (loss) at 25%	(7,593)	70,651
Adjustment for income subjected to lower income tax rate – final tax	(609)	(286)
<i>Tax effects of:</i>		
Non-taxable income	-	(921)
Non-deductible expenses	1,833	84
Unrecognised deferred tax asset	<u>(514)</u>	<u>-</u>
Tax expense (benefit)	<u>(6,883)</u>	<u>69,528</u>

Salmon Bank (Rural Bank) Inc.
(formerly known as Rural Bank of Sta. Rosa (Laguna), Inc.)
Notes to the financial statements
For the years ended 31 December 2025 and 2024

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

	Statements of financial position		Statements of comprehensive income			
			Profit or loss		Other comprehensive income	
	2025	2024	2025	2024	2025	2024
Allowance for credit losses	162,905	20,390	142,515	20,390	-	-
Retirement benefit obligation	127	400	-	-	(273)	400
Deferred tax assets	163,032	20,790				
Deferred tax expense / (income) - net			142,515	20,390	(273)	400

The Bank is subject to the minimum corporate income tax (MCIT) which is computed at 2% of gross income net of allowable deductions, as defined under the tax regulations, or to RCIT, whichever is higher. No MCIT was reported in 2025 and 2024 as RCIT was higher than MCIT in both years.

In 2025 and 2024, the Bank opted to claim itemized deductions in computing for its income tax due.

21. Commitments and contingencies

In the ordinary 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 at December 31, 2025 and 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 material litigation as at December 31, 2025 and 2024 that is expected to have a material impact on the Bank's financial statements.

22. Supplementary information required by the BSP

Presented 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*.

Salmon Bank (Rural Bank) Inc.
(formerly known as Rural Bank of Sta. Rosa (Laguna), Inc.)
Notes to the financial statements
For the years ended 31 December 2025 and 2024

(a) Selected Financial Performance Indicators

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

	<u>2025</u>	<u>2024</u>
Return on average equity		
<u>Net profit</u> Average total capital funds	(3.28%)	143.65%
Return on average assets		
<u>Net profit</u> Average total assets	(1.16%)	26.56%
Net interest margin		
<u>Net interest income</u> Average interest earning assets	43.55%	46.11%

(b) Capital Instruments Issued

As at December 31, 2025 and 2024, the Bank's outstanding capital stock is composed of common and preferred shares. As at December 31, 2025 and 2024, the Bank has issued shares amounting to PHP 14.21 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:

	<u>2025</u>	<u>%</u>	<u>2024</u>	<u>%</u>
Loans to individuals primarily for personal use	3,468,260	99.23%	1,008,954	95.75%
Real estate activities	19,762	0.57%	28,494	2.7%
Wholesale and retail trade, repair of motor vehicles and motorcycles	7,079	0.20%	16,031	1.52%
Agricultural, forestry, and fishing	-	0.00%	245	0.00%
Other services activities	-	0.00%	-	0.00%
Accommodation and food service activities	-	0.00%	-	0.00%
Human health and social work activities	-	0.00%	-	0.00%
	<u>3,495,101</u>	<u>100.00%</u>	<u>1,053,724</u>	<u>100.00%</u>

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 both 2025 and 2024, the Bank has significant credit exposures to loans to individuals primarily for personal use.

Salmon Bank (Rural Bank) Inc.
(formerly known as Rural Bank of Sta. Rosa (Laguna), Inc.)
Notes to the financial statements
For the years ended 31 December 2025 and 2024

(d) Credit status of loans

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

	<u>Performing</u>	<u>Non - performing</u>	<u>Total loan portfolio</u>
2025			
Gross carrying amount:	3,677,710	97,136	3,774,846
Allowance for impairment	<u>(560,023)</u>	<u>(91,366)</u>	<u>(651,389)</u>
Net carrying amount	<u>3,117,687</u>	<u>5,770</u>	<u>3,123,457</u>
2024			
Gross carrying amount:	906,503	83,744	990,247
Allowance for impairment	<u>(29,443)</u>	<u>(52,115)</u>	<u>(81,558)</u>
Net carrying amount	<u>877,060</u>	<u>31,629</u>	<u>908,689</u>

(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:

	<u>2025</u>	<u>2024</u>
Secured:		
Real estate mortgage	19,762	46,649
Unsecured loans	<u>3,475,339</u>	<u>1,007,075</u>
	<u>3,495,101</u>	<u>1,053,724</u>

(f) Information on related party loans

In the ordinary course of business, the Bank has loan transactions with 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 at December 31, 2025 and 2024.

(g) Secured liabilities and assets pledged as security

The Bank did not have any loan liabilities as at December 31, 2025 and 2024.

(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 at December 31, 2025 and 2024.

Salmon Bank (Rural Bank) Inc.
 (formerly known as Rural Bank of Sta. Rosa (Laguna), Inc.)
 Notes to the financial statements
 For the years ended 31 December 2025 and 2024

23. Supplementary information required by the Bureau of Internal Revenues

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.

23.1 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 2025, the Bank reported total GRT, as shown as part of Sales and other taxes under Other Operating Expenses account in the statement of comprehensive income, broken down as follows:

<u>Taxable Transactions</u>	<u>Tax Base</u>	<u>GRT</u>
Royalties, rentals of property (real or personal), profits from exchange and all other gross income – 7%	881,659	61,716
Interest, commissions and discounts from lending activities, remaining maturity is less than 5 years – 5%	901,725	45,087
Interest, commissions and discounts from lending activities and financial leasing with maturity period of more than 5 years – 1%	535	5
	<u>1,783,919</u>	<u>106,808</u>

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

(b) Documentary stamp tax

In 2025, the Bank paid and accrued documentary stamp tax amounting to PHP 16,720,308 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.

Salmon Bank (Rural Bank) Inc.
 (formerly known as Rural Bank of Sta. Rosa (Laguna), Inc.)
 Notes to the financial statements
 For the years ended 31 December 2025 and 2024

(c) Taxes and licenses

The details of the Taxes and licenses included in Sales and other taxes and Professional fees accounts under Operating expenses in the statement of comprehensive income are as follows:

GRT	106,808
Business permits	1,296
Other taxes	16,720
	<u>124,824</u>

(d) Withholding taxes

The details of remittance and balances of total withholding taxes in 2025 are shown below:

Compensation and benefits	27,581
Final	14,696
Expanded	1,345
Value-added tax	4,127
	<u>47,749</u>

(e) Deficiency tax assessment and tax cases

As at December 31, 2025, 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 2025 which are subject to excise tax, customs duties and tariff fees.

23.2 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.

24. Subsequent events

On March 18, 2026, the Board of Directors approved the issuance of two common shares to the Parent Company for a consideration up to PHP 590.00 million. Upon issuance, the Parent Company's voting ownership interest in the Bank is expected to remain at 59.7%. This represents a non-adjusting event after the reporting period.