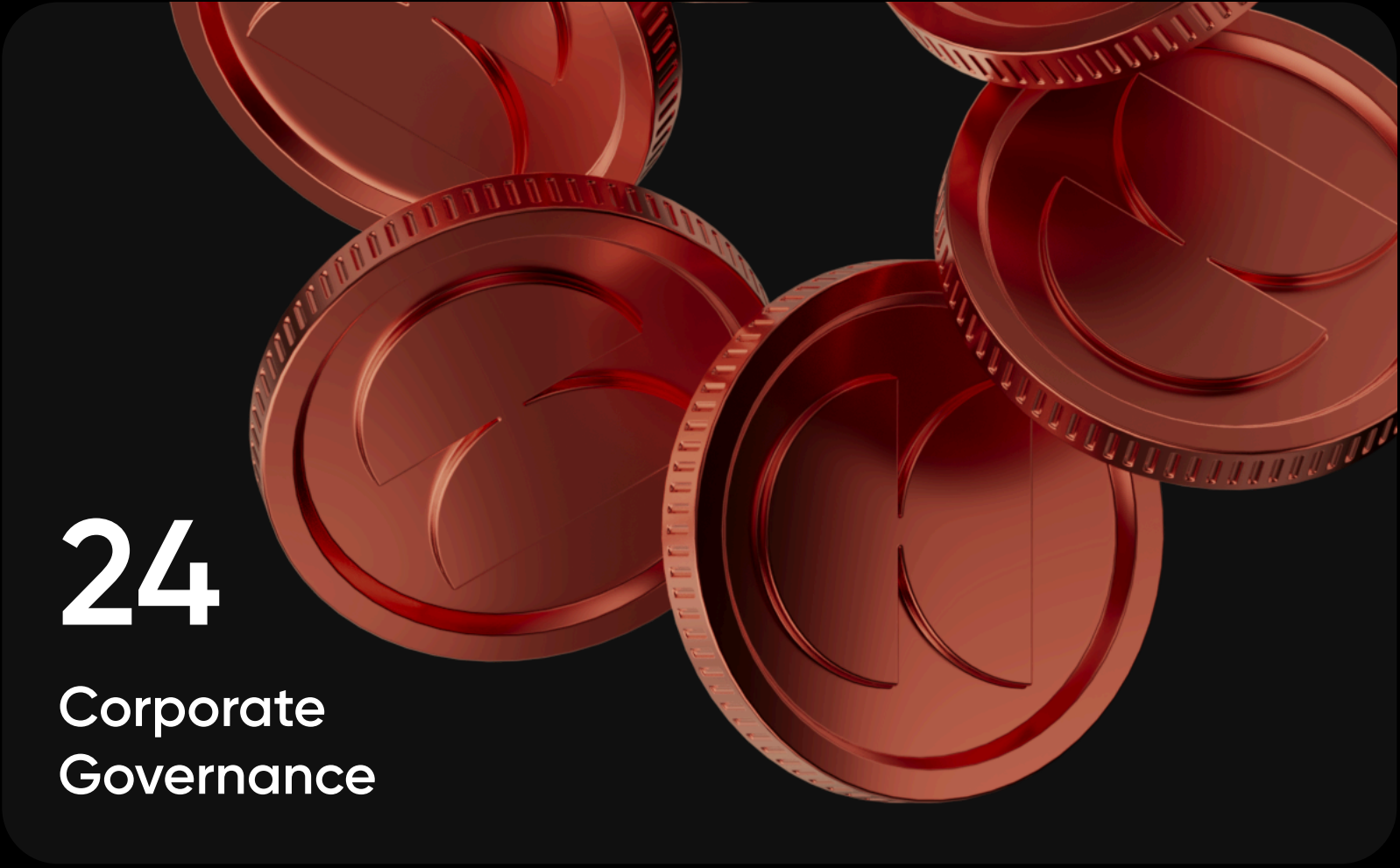
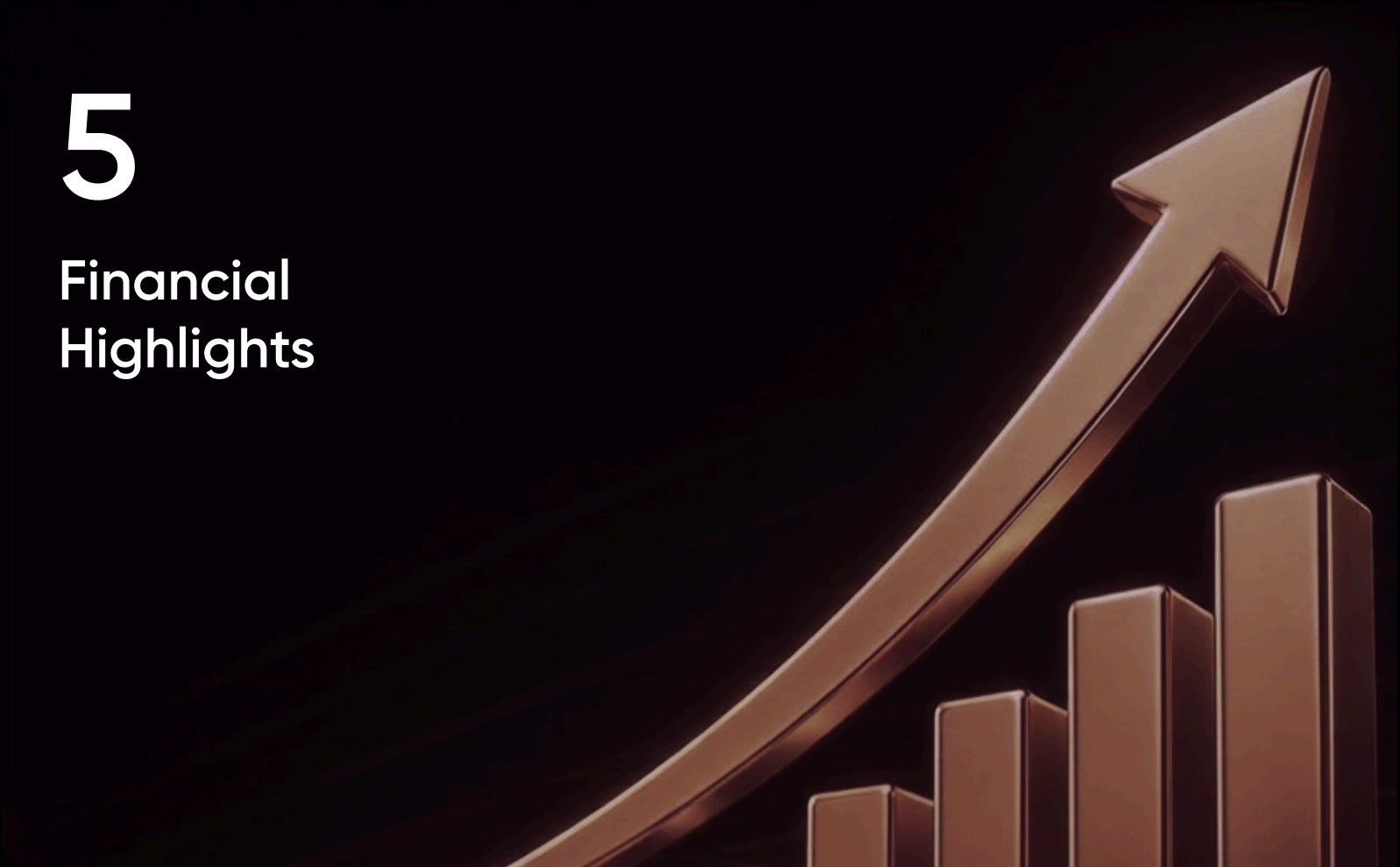


Building Trusted and Loved Finance

Salmon Bank (Rural Bank) Inc. Annual Report 2025

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I. Corporate Policy

Salmon Bank (Rural Bank) Inc. Annual Report 2025

Corporate Policy

Founded in 1963, Salmon Bank (Rural Bank) Inc. (previously known as Rural Bank of Sta. Rosa (Laguna), Inc.) ("Bank", "SLMNB", "Salmon Bank") has served communities in Laguna and Cavite for over sixty years. The Bank's ownership structure changed on 08 January 2024 when Salmon Group Ltd acquired 59.69% of the Bank's outstanding voting shares.

Vision

We are building a financial institution that Filipinos can genuinely rely on – one that combines the stability and trust of a licensed rural bank with the speed, clarity, and design standards of a modern technology-driven company. We believe that good financial services should be straightforward to use, honest in their terms, and available to people at every stage of life. Our vision is to build that kind of institution for all Filipinos – with particular commitment to those who are underserved and underbanked, and who have historically had the least access to quality financial services.

Mission

Our mission is to give Filipinos access to financial tools that make daily life easier. Tools that are fast, fair, and built around how people actually live. We measure our progress not just in balance sheets and ratios, but in whether the people we serve feel more capable and more in control because of their relationship with Salmon Bank (Rural Bank). That commitment extends especially to the underserved and underbanked – Filipinos for whom access to reliable financial services can make the most immediate difference.

We are building a financial institution that Filipinos can genuinely rely on.



Products & local presence

The Bank's products and services as of 31 December 2025 include:



Consumer Lending

The Bank's consumer lending portfolio includes general-purpose consumption loans ("cash loans").



Retail Deposits

The Bank offers checking, savings, and time deposit products to individual and corporate customers. These deposits support the Bank's lending activities.



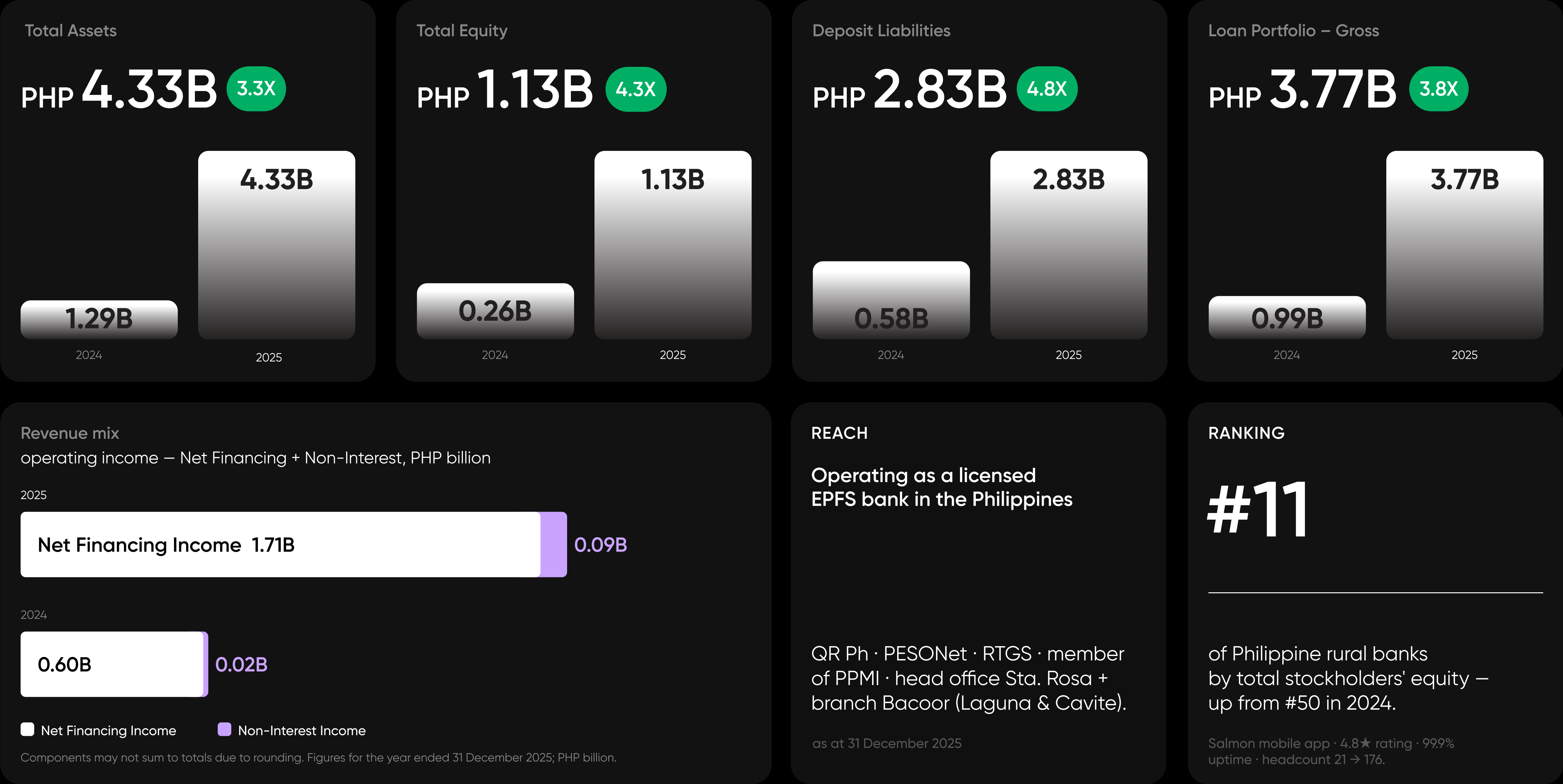
Branch and Telesales Operations

Our Bank has its head office in Sta. Rosa, Laguna and another branch in Bacoor, Cavite. The Bank also serves customers through its mobile application, Relationship Managers, and Telesales team.

II. Financial Summary | Financial Highlights

Salmon Bank (Rural Bank) Inc. Annual Report 2025

Shown below are the highlights of the Bank’s financial performance for 2025:

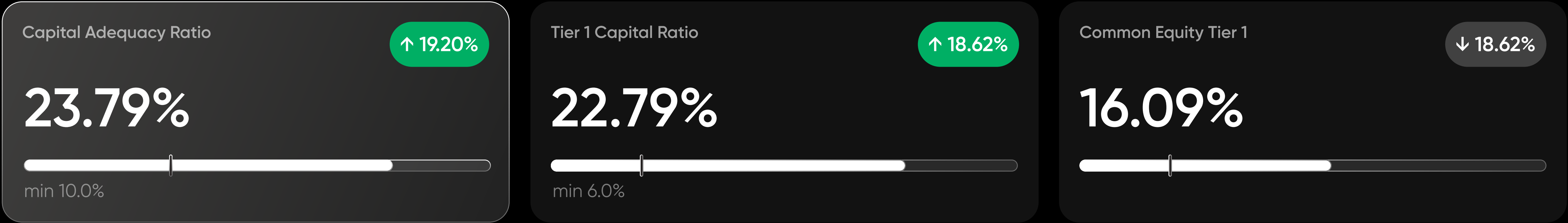


Balance-sheet figures as of 31 December 2025; income figures for the year then ended. Growth multiples are year-on-year (2024 → 2025). Highlights combine \$II balance-sheet figures with \$III achievements (BSP ranking, app metrics). Amounts in PHP billion.

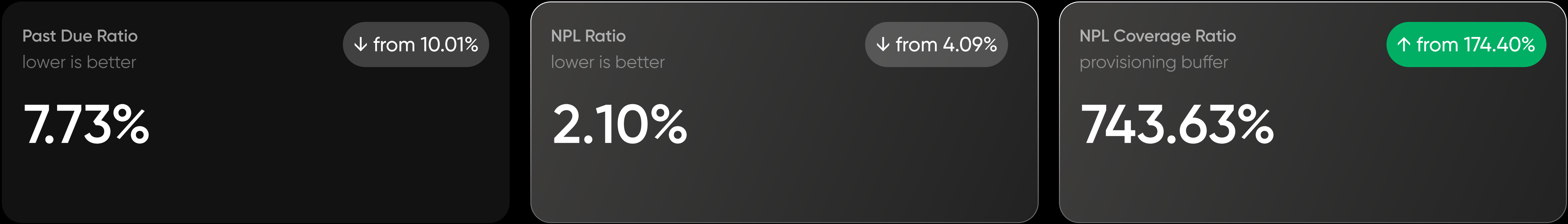
Key ratios

Capital and liquidity against regulatory minimums · asset quality · 2025 vs 2024

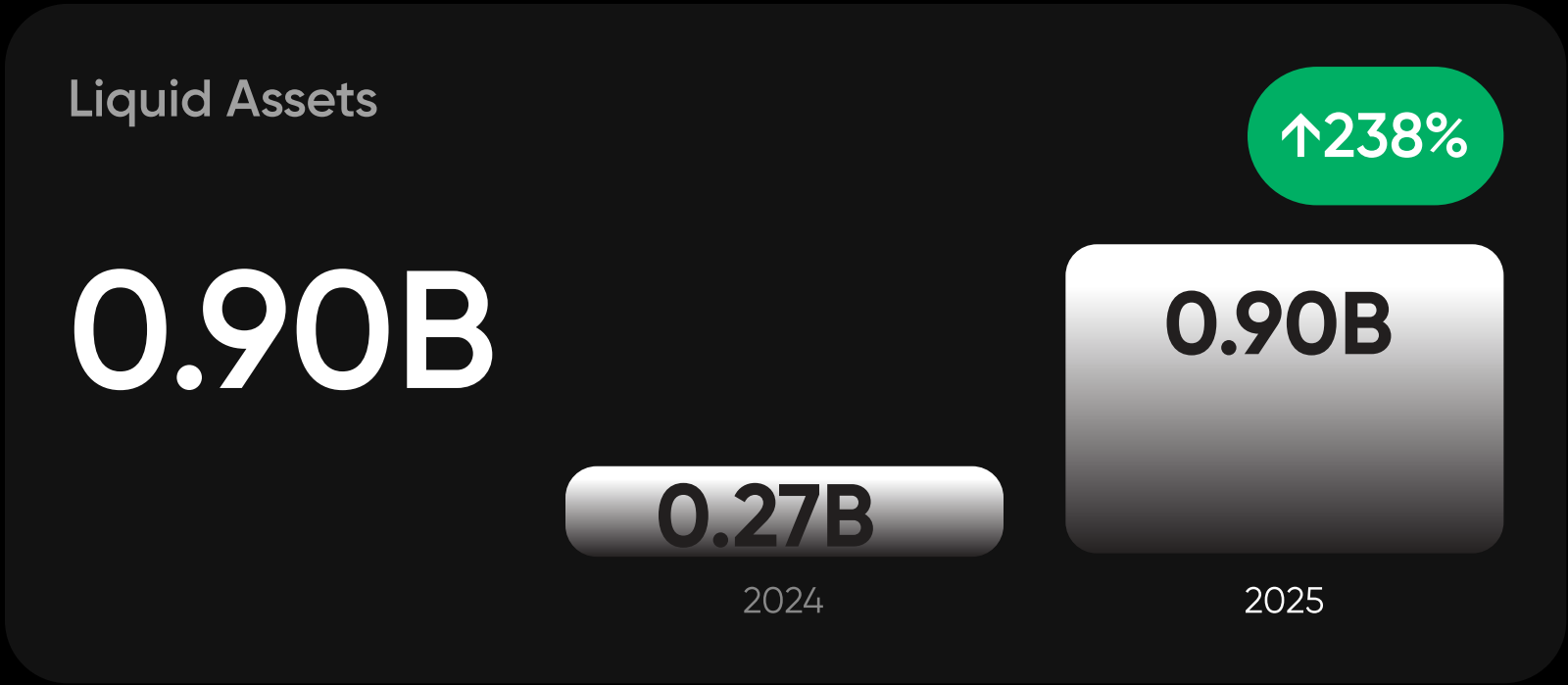
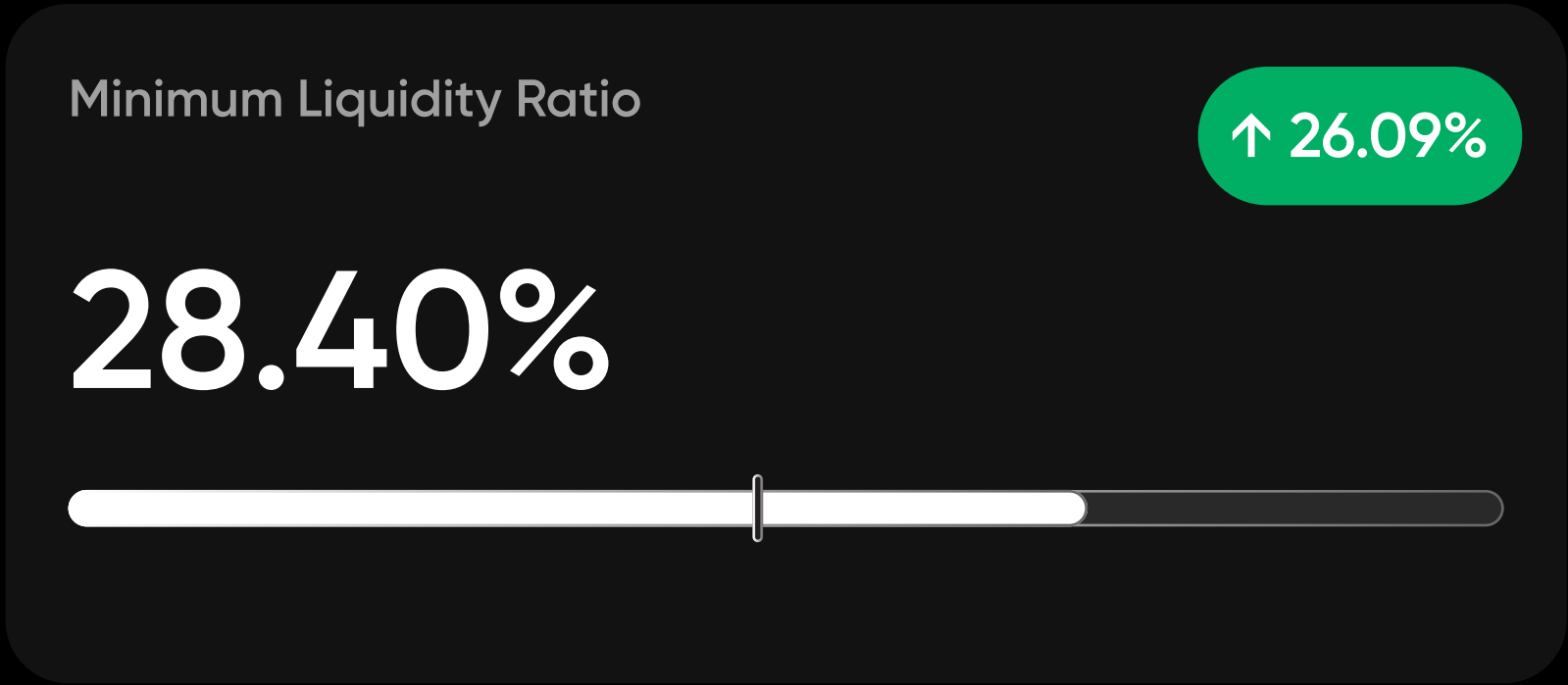
CAPITAL STRENGTH



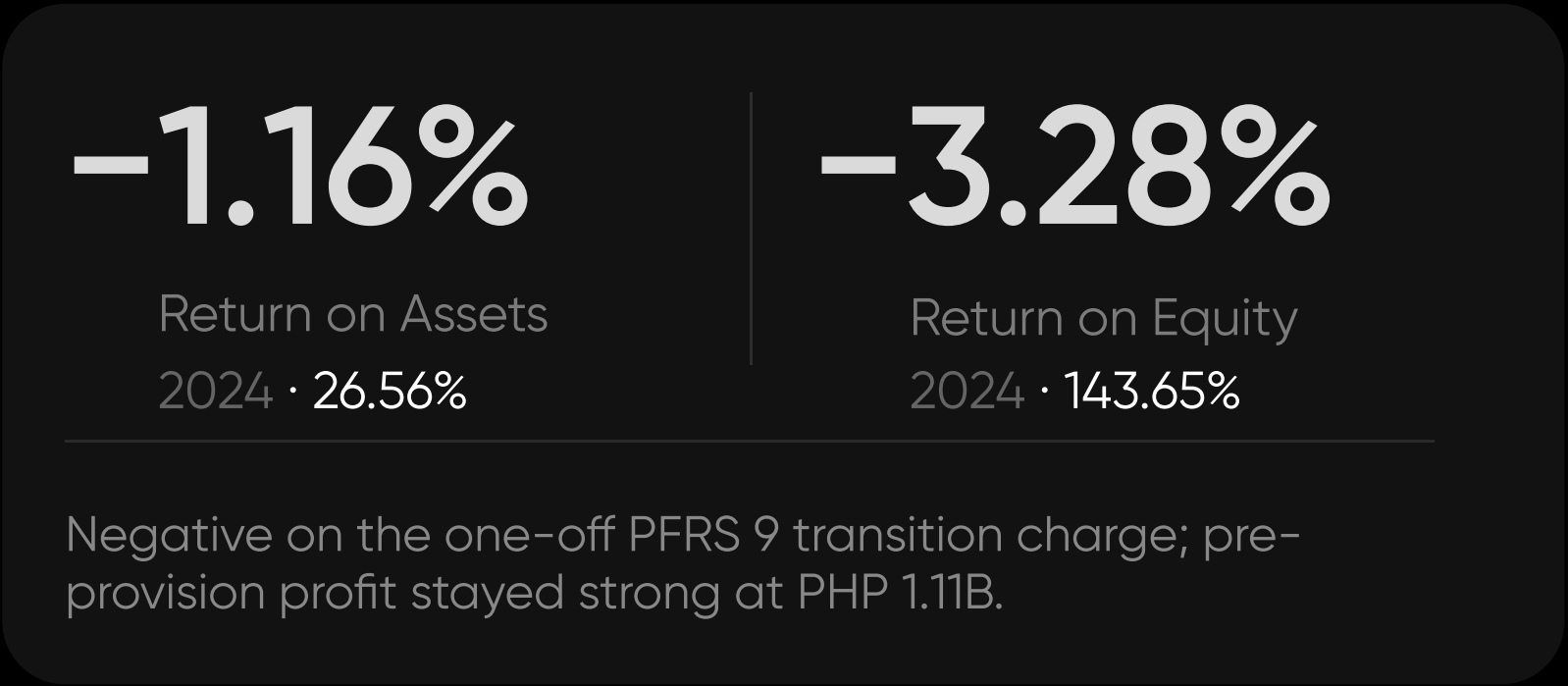
ASSET QUALITY



LIQUIDITY



PROFITABILITY RATIOS



Ratios per \$II Financial Summary, 31 December 2025. Minimums: CAR 10.0%, CET1 6.0%. Red marker = regulatory minimum.

Highlights combine \$II balance-sheet figures with \$III achievements (BSP ranking, app metrics). Amounts in PHP billion. Growth multiples are year-on-year (2024 → 2025).

As of 31 December 2025, the Bank's total assets increased to PHP 4.33 billion from PHP 1.29 billion in the previous year. This growth was driven by a combination of an expanding loan portfolio, increasing customer deposits, and a capital infusion from its parent company.

The Bank's loan portfolio increased to PHP 3.77 billion, primarily due to the acquisition of receivables from an affiliated financing company. In parallel, liquid assets rose to PHP 896.5 million, supported by strong deposit inflows, effective loan collections, and the continued expansion of the Bank's customer base.

Deposit liabilities increased markedly to PHP 2.83 billion from PHP 584.4 million, driven by customer uptake of the Bank's deposit products, including Salmon Time Deposit, which offers interest rates of up to 8.88% per annum. These efforts significantly strengthened deposit generation and diversified the Bank's funding base.

Further reinforcing its financial position, the Bank received a PHP 600.0 million capital injection from Salmon Group Ltd to support its growth.

On profitability, the Bank posted a net loss of PHP 23.5 million for the year, primarily driven by the recognition of higher provision for credit losses following the adoption of the Philippine Financial Reporting Standard (PFRS) 9 Expected Credit Loss (ECL) framework.

Prior to this transition, the Bank's provisioning methodology was based on Appendix 15 of the Manual of Regulations for Banks (MORB). The transition resulted in a one-time increase in provisioning expenses and aligned the Bank's provisioning methodology with PFRS 9 framework.

Pre-provisioning profit increased to PHP 1.11 billion from PHP 463.3 million which reflects a strong performance for the period from 01 January 2025 to 31 December 2025. Financing income increased primarily due to the expansion in the Bank's loan portfolio. While operating expenses also increased, including higher customer acquisition costs and gross receipts taxes in line with revenue growth, as well as higher compensation and benefits due to strategic hiring, these were more than offset by the stronger growth in revenues, resulting in a substantial improvement in pre-provision profitability.

III. Financial Condition and Results of Operation

Salmon Bank (Rural Bank) Inc. Annual Report 2025



Georgy Chesakov
President and Chief Executive Officer

Dear Shareholders

Prior to Salmon Group Ltd's acquisition of a controlling interest in 2024, the Bank operated with PHP 33.7 million in equity, PHP 112.3 million in assets, and a legacy core banking system dating back to the 1990s.

With the new controlling shareholder, the Bank committed to fundamentally rebuilding the institution into a well-capitalized, technology-enabled bank focused on advancing financial inclusion across the country. One year on, that transformation is clearly reflected in the numbers.

The shift is also reflected in BSP rankings. Based on BSP Financial Reporting Package (FRP) data using unaudited figures, Salmon Bank advanced in the ranking of rural banks from 50th place at end 2024 (PHP 266.4 million in total stockholders' equity) to 11th place in 2025 (PHP 1.16 billion). This step change places the Bank among the best-capitalized rural banks in the country.

Capital

Salmon Bank enters its next phase of growth from a position of significant capital strength. Total equity reached PHP 1.13 billion as of end 2025, a manyfold increase from PHP 33.7 million at acquisition. The Bank's Capital Adequacy Ratio stands at 23.8%, well above the 10.0% regulatory minimum, while CET1 is at 16.1% versus a 6.0% requirement, more than double the mandated levels on both measures.

This capital position is the result of deliberate strategy. It was purpose-built to support the Bank's full transformation: modernizing infrastructure, scaling the loan portfolio through strategic portfolio growth initiatives, expanding the organization, and critically, implementing PFRS 9 – the international standard for loan loss provisioning. Our strong capital base allowed us to execute this transition while maintaining both stability and momentum in our growth.

Total equity

≈34X

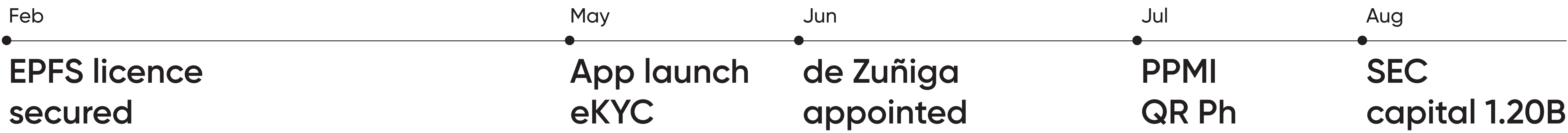
33.7M → 1.13B

BSP rank · rural banks

▲ 39

50th ↑ 11th

2025 milestones



Key Initiatives and Developments

Technology and Digital Capability: We completed migration to a cloud-based core banking system, replacing legacy infrastructure dating back to the 1990s. We launched our first mobile app under a Basic EPFS license in May 2025, enabling electronic Know Your Customer (eKYC) onboarding and full account access. The app maintained 99.9% uptime and holds a 4.8 app store rating.

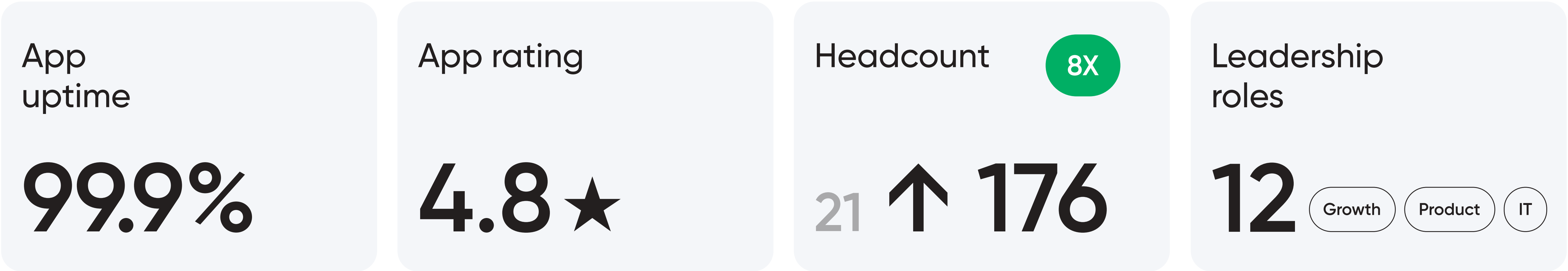
Licenses and Market Infrastructure: We secured our Basic EPFS license in February 2025 and became a member of Philippine Payments Management Inc. (PPMI) in July 2025, integrating Salmon Bank into the national retail payments ecosystem via QR Ph and PESONet (receiving only). BSP Peso Real-Time Gross Settlement (RTGS) participation strengthened our interbank settlement and liquidity management capabilities.

Organization

We restructured the organization to align with our technology-driven banking and growth priorities, adding dedicated functions for Cards, Payments, and Transactions. We filled 12 key leadership roles in Growth, Product Management, and Information Technology. Headcount grew from 21 at acquisition to 176 employees by year end 2025.

Governance

We appointed Atty. Juan de Zuñiga, Jr. as Independent Director in June 2025, bringing over four decades of BSP regulatory expertise having served as Monetary Board Member, Deputy Governor and General Counsel of the BSP. The SEC approved the amendments to our Articles of Incorporation and By-Laws in August 2025, including an increase in authorized capital to PHP 1.20 billion and our formal corporate name change to Salmon Bank (Rural Bank) Inc.



Financial results

Total Assets reached PHP 4.33 billion in 2025, up from PHP 1.29 billion a year ago. The loan portfolio (gross) expanded to PHP 3.77 billion, Deposits grew to PHP 2.83 billion, and Total Equity increased to PHP 1.13 billion.

Profitability at the operating level is strong and scaling steadily. Total Operating Income reached PHP 1.79 billion, up 191% year-on-year, as growth in the loan book and sustained high yields drove financing income sharply higher.

We reported a net loss of PHP 23.5 million for 2025. This requires context. As noted above, Salmon Bank chose to adopt PFRS 9, a standard most Rural Banks have yet to implement, and to do so conservatively and upfront. Pre-provision operating profit was PHP 1.11 billion. The reported loss was driven by PHP 1.14 billion in loan loss provisions, including a one-off PFRS 9 transition impact of PHP 422.0 million, as we aligned our accounting approach while scaling the portfolio.

Excluding the transition impact, net income would have been PHP 398.5 million, up 87% year-on-year. This more accurately reflects the underlying earnings capacity of the business.

We have covered a lot of ground in a short amount of time.

"The balance sheet is rebuilt and positioned for continued growth, the infrastructure is in place, and the team is stronger than it has ever been."

Georgy Chesakov
President and Chief Executive Officer

Georgy Chesakov

Total Assets

4.3B

Total Assets Growth

3.3X

Total Loan Portfolio

3.8B

Total Loan Portfolio Growth

3.8X

IV. Risk Management Framework Adopted

Salmon Bank (Rural Bank) Inc. Annual Report 2025

Risk Management Framework Adopted

A. Risk Management Culture and Policy

The Bank embraces a disciplined, enterprise-wide approach to risk management that reflects its strategic priorities, operational resilience, and regulatory obligations.

The Bank’s risk culture is rooted in the belief that effective risk management is the responsibility of all employees. It is not merely a control function, but a fundamental part of business execution.

The Bank fosters a culture of awareness, accountability, and transparency in managing risks, aligning individual and departmental actions with its overall mission to protect stakeholder interests, ensure operational sustainability, and uphold trust in the banking system.

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

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

In 2025, the Bank continued to advance its risk governance maturity by expanding its risk framework, deepening its organizational risk capabilities, and embedding risk ownership across all business units.

The Bank's Risk Appetite Statement was likewise updated to reflect its evolving risk profile and strategic direction.

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

B. Risk appetite and strategy

The Bank defines its risk appetite as the degree and type of risk it is willing to accept in pursuit of its strategic and operational goals, with full consideration of its fiduciary responsibilities and long-term sustainability.

The Bank's risk appetite is reviewed and approved by the Board of Directors through the Risk Oversight Committee (ROC), and is implemented through risk limits and thresholds monitored across all business units.

The risk appetite framework supports decision-making by aligning risk-taking activities with the Bank's growth strategy, stakeholder expectations, and regulatory requirements. It is designed to provide sufficient flexibility to pursue opportunities while maintaining control over risk exposures.

The Bank applies differentiated risk tolerance levels across various domains, recognizing that some risks are inherent to the business and can be accepted to support the Bank's strategic objectives, while others must be minimized or avoided.

The Bank maintains:

Zero to minimal tolerance
for risks that can severely impact its reputation, regulatory compliance, or financial stability, such as capital adequacy shortfalls, liquidity breaches, major compliance violations, and significant fraud losses.

Low tolerance
for conduct risk, operational breakdowns, and technological failures that can undermine customer trust or business continuity.

Moderate to high tolerance
in strategic areas, including credit and operational initiatives that align with the Bank's core objective of promoting financial inclusion –particularly for the underbanked and underserved sectors. Provided that these are backed by strong controls, risk-reward analyses, and regular oversight.



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

Credit Risk

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

01

Liquidity and Capital Adequacy Risk

The Bank enforces strict internal thresholds to ensure compliance with regulatory standards and to preserve its ability to meet financial obligations under normal and stressed conditions.

02

Interest Rate Risk in the Banking Book (IRRBB)

The Bank maintains a moderate appetite for interest rate risk, recognizing that some level of exposure is inherent in its lending and funding activities. The Bank is willing to accept interest rate exposures commensurate with its business model and growth objectives, while ensuring that earnings stability is preserved under a range of interest rate stress scenarios. The impact of interest rate movements on the Bank's net interest income is monitored regularly, and appropriate measures are taken to manage exposures within acceptable parameters.

03

Operational and Compliance Risk

The Bank has a low tolerance for significant process failures and regulatory breaches. Risks arising from people, systems, and processes are subject to structured assessments, with controls embedded across all business units.

04

Technology and Cyber Risk

Given the central role of technology in the Bank's operations, the Bank maintains a low to moderate risk appetite in this area. The Bank is committed to building secure and resilient digital capabilities, supported by sound governance, continuous monitoring, and control frameworks to safeguard information assets, ensure system availability, and protect customer data privacy.

05

Strategic Risk

The Bank accepts a higher level of risk in its strategic decisions, recognizing that innovation and growth require bold but well-considered choices. Strategic initiatives, including new products, digital transformation, and market expansion are pursued provided they align with long-term goals and deliver measurable value.

06

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

Financial Crime and Fraud Risk

The Bank maintains a zero to low tolerance for financial crime, whether internal or external in nature. Preventive and detective controls, including the deployment of automated monitoring tools, are continuously strengthened to safeguard the Bank and its customers.

07

Model Risk

The Bank maintains a moderate appetite for model risk, recognizing the increasingly data-driven nature of its business operations – particularly in credit risk assessment and product pricing. While the Bank embraces innovation and analytical rigor, it ensures that robust model governance and ongoing performance monitoring are in place for all material models. Internal performance benchmarks, based on industry best practices and applicable statistical guidelines, are applied to evaluate model reliability and appropriateness on a continuing basis.

08

Concentration Risk

The Bank maintains a low appetite for concentration risk, actively avoiding disproportionate exposure to any single counterparty, sector, product, geography, or operational dependency. The Bank adheres to the Bangko Sentral ng Pilipinas' Single Borrower's Limit, ensuring that no single exposure exceeds 25% of the Bank's net worth. This disciplined approach safeguards the Bank's financial soundness and protects against correlated losses that may arise from overexposure to any one source of risk.

09

Reputational and Social Media Risk

The Bank has a low tolerance for actions, whether by employees, agents, or through official communications channels that could damage its reputation or erode public trust. Monitoring mechanisms are in place to detect and respond to emerging concerns, and any intentional act of gross negligence affecting the Bank's standing is treated with zero tolerance.

10

ESG Risk

The Bank integrates environmental, social, and governance considerations into its overall risk posture. While metrics are still evolving, the Bank is committed to aligning its operations and portfolio with sustainable development goals.

11

This diversified and balanced risk appetite allows the Bank to be agile and responsive to market changes while ensuring it remains within safe operating boundaries.

The Risk Appetite Statement is reviewed annually or when material changes occur in the Bank’s risk profile or strategic direction.

Managing Risks and the Bank's Key Controls

To operationalize its risk appetite, the Bank adopts a proactive approach to risk management by embedding controls across its financial and non-financial risk areas.

These controls are integrated into business processes, supported by policy frameworks, and overseen by responsible units across all three lines of defense.

For financial risks

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

For non-financial risks

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

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



C. Risk Governance, Structure and Process

Three lines of defense

Risk management is everyone's responsibility

Board of directors | Risk oversight committee (ROC) | Audit committee

First Line | Business Units

Own and manage risks in day-to-day operations. Responsible for implementing controls, following policies, and ensuring risk limits are observed within their processes.

All Business Units Branch Operations Product & Technology Sales & Lending

Second Line | Risk & Compliance

Provides independent oversight, develops risk frameworks, monitors exposures, and challenges the first line. Reports key risks and emerging concerns to senior management and the Board.

Risk Management Compliance Data Privacy Financial Crime Prevention

Third Line | Internal Audit

Independently evaluates the effectiveness of governance, risk management, and internal controls. Reports directly to the Board through the Audit Committee.

Internal Audit Independent Assurance

Reporting & Governance Structure

How risk is escalated and overseen across the organization

Board-level committee

Ultimate governance authority

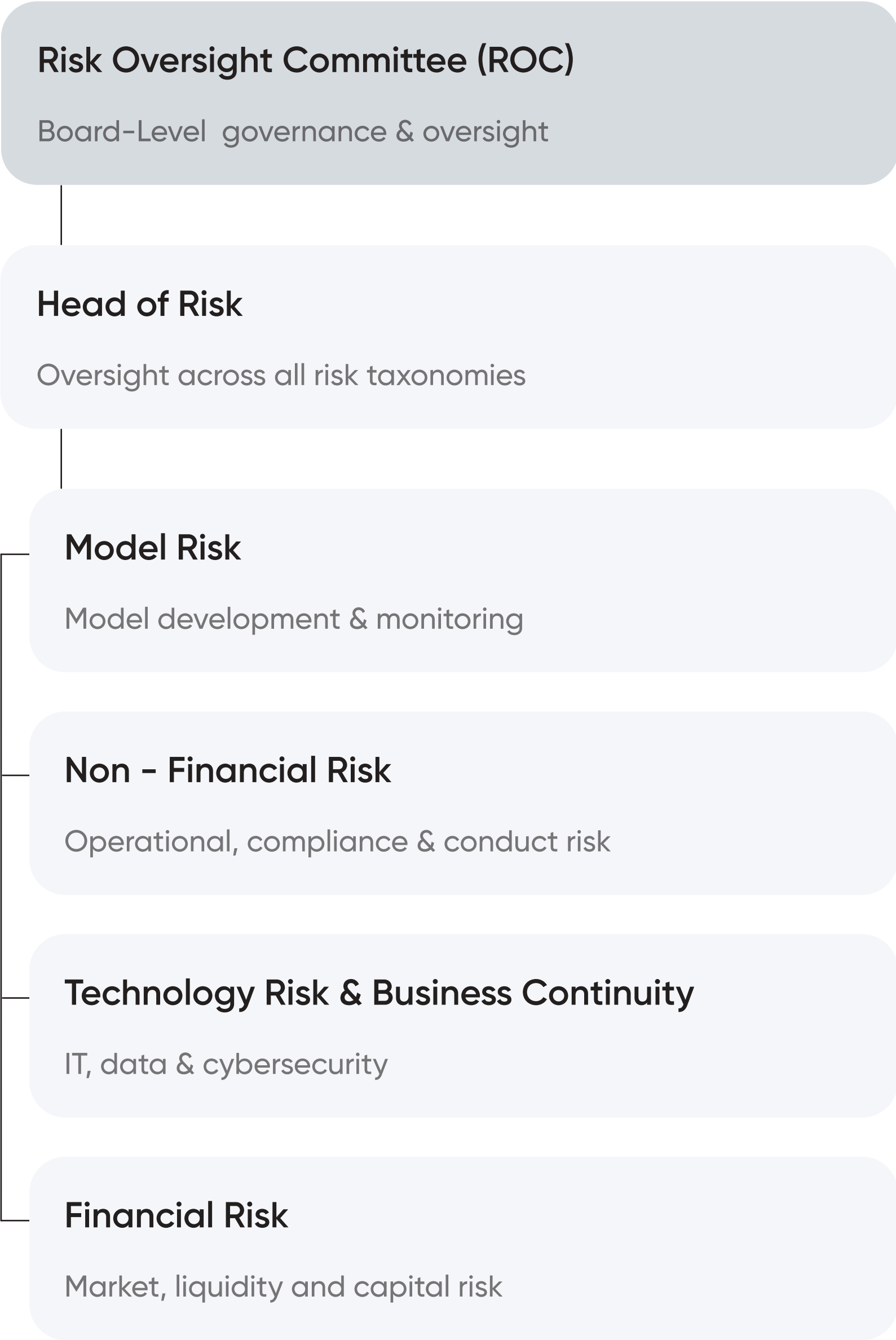
Risk Oversight Committee (ROC) Chaired by independent Director	Audit & Compliance Committee Independent Board oversight	Related Party Transactions Committee RPT review & arm's length oversight	Corporate Governance Committee Nominations & governance
--	--	--	---

Management-level committee

Credit Committee Credit approvals & limits	Asset and Liability Committee (ALCO) Asset & Liability mgmt	Information Technology (IT) and Information Security Steering Committee Technology governance	Management Committee Senior management governance
--	---	---	---

Risk Management Organization

Structure of the Risk Management function (2nd Line of Defense)



The Risk Management function operates independently of business units and reports to the ROC on a regular basis.

The Bank maintains a comprehensive and layered governance structure to ensure effective enterprise-wide risk management.

The Bank follows the Three Lines of Defense model, supported by dedicated risk and control functions, structured committees, and clear escalation protocols.

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

Senior Management executes risk strategies through the Management Committee, Information Technology & Information Security Steering Committee, Credit Committee, and Asset and Liability Committee (ALCO) cascading oversight and accountability across business units.

The First Line of Defense comprises the Bank’s business units, which are responsible for identifying, assessing, and managing risks within their day-to-day operations.

They are directly accountable for implementing controls and ensuring compliance with internal policies and risk limits.

The Second Line of Defense is composed of the Risk Management and Compliance functions.

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

The Third Line of Defense is represented by the Internal Audit, which independently evaluates the effectiveness of risk management processes and internal controls.

The function ensures that risk practices are aligned with the Bank’s policies and regulatory expectations, reporting directly to the Board and Audit Committee.

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

Risk Tools

The Bank leverages a suite of structured risk management tools that form the backbone of its risk monitoring and control environment.

These tools enable business units and oversight functions to proactively manage exposures and ensure timely, risk-informed decision-making.

One of the primary tools is the Risk and Control Self-Assessment (RCSA). This structured and collaborative methodology empowers departments to identify their key risks, evaluate the effectiveness of existing controls, and implement remediation plans.

Through RCSA, risk ownership is decentralized to the process owners, fostering a culture of accountability and enhancing transparency in risk reporting. It also enables departments to track progress on an Issue Register and refine their controls over time

The Bank also employs Key Risk Indicators (KRIs) to monitor the early warning signs of potential risk events.

KRIs are measurable metrics aligned with the Bank’s risk appetite and thresholds. These are tracked regularly, with traffic light indicators:

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

Additionally, Risk Incident Reporting is a vital process in the Bank’s operational risk management framework.

Risk incidents are unexpected events that could disrupt normal operations, cause financial loss, or impact regulatory or reputational standing.

These may stem from human error, system failure, process breakdown, or external threats.

When an incident occurs, it must be reported promptly, ideally within 24 hours of discovery using a standardized format that captures the event description, cause, impact, affected unit, and remedial actions.

This ensures effective root cause analysis, promotes continuous improvement, and supports compliance with regulatory expectations.

Business Process Mapping (BPM) was formally adopted by the Bank in 2025 as a new risk management tool, marking a significant enhancement to the Bank's overall risk management framework.

This adoption reflects the Bank's continued commitment to strengthening its operational risk controls in line with its growing scale and complexity.

BPM involves systematic documentation and visual representation of the Bank's end-to-end operational processes, capturing the inputs, outputs, activities, decision points, responsible parties, and handoffs that constitute each process.

Within the risk management framework, BPM serves to strengthen risk identification by surfacing inherent risks embedded within operational workflows, support control assessments by grounding evaluations in actual process flows rather than self-reported data alone, and enhance regulatory and audit readiness through clear and accessible process documentation.

Process maps also serve as a baseline for assessing the risk implications of changes to products, systems, or organizational structure, and as a key input to the RCSA process.

The Bank also conducts Business Impact Analysis (BIA) as part of its business continuity management framework.

BIA is a structured assessment that identifies and evaluates the potential consequences of disruptions to the Bank's critical business functions and the processes, resources, and dependencies that support them.

For each function assessed, the BIA determines the Maximum Tolerable Downtime (MTD), the Recovery Time Objective (RTO), and the Recovery Point Objective (RPO), together forming the basis for recovery prioritization and continuity planning.

The BIA also accounts for dependencies on third-party service providers (TPSPs), recognizing that disruptions to outsourced functions can carry the same operational impact as disruptions to internally performed ones. Findings from the BIA directly inform the development and maintenance of Business Continuity Plans (BCPs), ensuring that recovery strategies are grounded in a realistic and current understanding of the Bank's operational landscape.

Together, RCSA, KRI monitoring, Risk Incident Reporting, and Business Process Mapping enable the Bank to maintain real-time visibility over its risk environment and ensure controls remain aligned with its business operations and risk appetite.



D. Anti-Money Laundering (AML) Governance and Culture

Pursuant to the regulatory requirements set forth in various AML regulations and to uphold zero tolerance for unlawful activities, the Bank has established a comprehensive Money Laundering (ML), Terrorist Financing (TF), and Proliferation Financing (PF) Prevention Program (MTPP) owned by the Bank's Compliance Unit.

This document outlines the internal controls designed to mitigate ML/TF/PF risks arising from the Bank's operations and to prevent criminals from making the Bank a conduit for proceeds of unlawful activities.

The Bank complies with the minimum provisions to be incorporated in the MTPP, viz:

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

The Bank has implemented various measures to mitigate the risk of being used as a conduit for ML/TF/PF activities.

These include the identification and reporting of suspicious transactions based on defined parameters, submission of Covered Transaction Reports, conduct of AML risk assessments for new products and services, and ongoing monitoring of customer accounts and transactions.

The Bank likewise ensures the continuous review and enhancement of its policies and procedures to remain aligned with evolving AML laws, rules, and regulations.

In addition, relevant BSP and AMLC issuances have been cascaded to and adopted by the Bank in support of national efforts to combat ML/TF/PF. As part of its capacity-building initiatives, the Compliance Office, in partnership with the Human Resource Department and an external training provider, conducted an AML refresher training in 2025, which was attended by members of the Board of Directors, Senior Management, and the Bank's officers and employees.

V. Corporate Governance

Salmon Bank (Rural Bank) Inc. Annual Report 2025

Corporate Governance

Corporate governance is primarily the responsibility of the Board of Directors and Senior Management.

The Board of Directors, composed of members with a wide variety of backgrounds, ensures that the highest standards of corporate governance are enforced, and uses the criteria set out in the MORB.

The Board defines the Bank’s strategic vision, ensures that internal control functions are operating effectively and oversees the quality of the information provided to shareholders and regulators like the BSP.

The Bank’s Board retains full and effective control of the Bank’s operations and is ultimately accountable and responsible for the performance of the Bank.

This includes responsibility for reviewing and guiding corporate strategy, through the establishment of key policies and objectives, understanding the key risks faced by the Bank, determining the risk appetite, tolerance and preferences of the Bank and the processes in operation to mitigate these.

The Bank’s Board has overall responsibility for the management of the bank and for maximizing shareholder value.

In discharging its responsibilities, the Board is supported by senior management, together with established committees.

A. Governance Policies

Corporate Governance Manual

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

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

The Corporate Governance Manual covers, among others, the Bank’s governance structure and standards, the responsibilities of the Board, and stockholders’ rights and protection of minority stockholders’ interests².

Related Party Transactions (RPT)

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

² The Bank’s Board Manual was approved by the Board on 03 March 2025. Said Manual supplements and compliments the Bank’s Articles of Incorporation, By-Laws and Corporate Governance Manual in line with the applicable provisions of the MORB and other relevant rules and regulations of the Revised Corporation Code, Securities and Exchange Commission, and other relevant laws.

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

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

All transactions with the Bank’s Related Parties shall undergo the regular transactions review and approval process.

Any director/member of the Board who has interest in the transaction must abstain from participation in the discussion, review and approval of any Related Party Transaction.

The Bank also encourages employees to communicate, confidentially and without risk of reprisal, legitimate concerns about illegal, unethical or questionable RPTs which may be reported in writing to the Bank’s Chief Compliance Officer.

Said officer with the Audit and Compliance Committee and Head of Risk shall create an independent unit to conduct investigation on the reported transaction and report its findings and recommendations to the Board for decision.

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

Below is a summary of Material Related Party Transactions in 2025. Details have been disclosed through the submission of required periodic reports to the BSP:

Below is a summary of Material Related Party Transactions in 2025. Details have been disclosed through the submission of required periodic reports to the BSP:

³ The Securities and Exchange Commission (SEC) approved the change of name of Sunprime Finance Inc. to Salmon Finance Inc., effective February 11, 2026

Related Counterparty	Relationship between the Parties	Transaction Date (2025)	Type of Transaction	Amount/Contract Price (PHP)	Term	Rationale for entering into the transaction
³ Sunprime Finance Inc.	Related interest	28 Feb.	Purchase of loans	360,679,427.68	N/A	To strengthen the bank's revenue growth.
Sunprime Finance Inc.	Related interest	24 March	Purchase of Loans	163,407,150.02	N/A	
Sunprime Finance Inc.	Related interest	31 Jan.	Payment of Administrative Fee	13,250,008.75	N/A	The administrative fee covers the costs associated in the collection and customer service rendered by Sunprime in relation to the loans purchased by the Bank.
Sunprime Finance Inc.	Related interest	28 Feb.	Payment of Administrative Fee	19,705,034.35	N/A	
Sunprime Finance Inc.	Related interest	31 March	Payment of Administrative Fee	12,599,646.00	N/A	
Sunprime Finance Inc.	Related interest	14 April	Purchase of loans	91,889,632.59	N/A	To strengthen the Bank's revenue growth.
Sunprime Finance Inc.	Related interest	22 April	Purchase of loans	142,200,222.11	N/A	
Sunprime Finance Inc.	Related interest	30 April	Purchase of loans	80,348,268.20	N/A	

Based on the Material RPT Reports submitted by the Bank in 2025. In 2025, SFI was previously classified as Related Interest under limb (d) of the “Related Interest” definition of Section 6.1, of the Bank’s RPT Policy (i.e., Corporation, association or firm of which any or a group of DOS and/or their spouses or first-degree relatives hold or own at least TWENTY PERCENT (20%) of the subscribed capital or equity), given that SGL as a Bank stockholder owns majority stock in said entities. However, upon further evaluation and based on the BSP’s BAIPHIL presentation on RPT Regulations, “stockholders” in said provision should refer to natural persons, which necessarily takes the SGL linkage out of its ambit. The Bank is now more properly classifying as “Affiliate” (i.e., common stockholder owning at least 10% of the O/S voting stock of the Bank and at least 20% of the O/S voting stock of the entity).

Related Counterparty	Relationship between the Parties	Transaction Date (2025)	Type of Transaction	Amount/Contract Price (PHP)	Term	Rationale for entering into the transaction
Sunprime Finance Inc.	Related interest	15 May	Purchase of loans	171,711,811.28	N/A	To strengthen the Bank's revenue growth.
Sunprime Finance Inc.	Related interest	28 May	Purchase of Loans	149,976,272.78	N/A	
Sunprime Finance Inc.	Related interest	11 June	Purchase of Loans	169,995,230.27	N/A	The administrative fee covers the costs associated in the collection and customer service rendered by Sunprime in relation to the loans purchased by the Bank. First payment of the Service Fee under the Master License and Servicing Agreement.
Sunprime Finance Inc.	Related interest	23 June	Purchase of loans	249,994,903.10	N/A	
Sunprime Finance Inc.	Related interest	30 April	Payment of Administrative Fee	12,857,929.45	N/A	
Sunprime Finance Inc.	Related interest	31 May	Payment of Administrative Fee	15,492,454.05	N/A	
Sunprime Finance Inc.	Related interest	30 June	Payment of Administrative Fee	17,177,673.50	N/A	
Salmon Group Ltd	Parent-Subsidiary	02 Sept.	Payment of Service Fee	USD 23,750	N/A	

Related Counterparty	Relationship between the Parties	Transaction Date (2025)	Type of Transaction	Amount/Contract Price (PHP)	Term	Rationale for entering into the transaction
	Parent-Subsidiary	Contract date: 05 May	Service Fees	Total Contract Price assuming all Modules and Phases are availed of under Tier 1: \$616,280.00 Phase 1 - Tier 1 1. Pasil - \$60,000.00 2. Shellfish - \$25,000.00 3. Pulse - \$8,640.00 4. Goldenfish - \$10,000.00 5. Sharkfin- \$10,000.00 6. Catfish - \$54,000.00 7. Salmon CRM - \$60,000.00 Phase 2 - Tier 1 1. Pasil - \$60,000.00 2. Shellfish - \$25,000.00 3. Pulse - \$8,640.00 4. Goldenfish - \$10,000.00 5. Sharkfin- \$10,000.00 6. Periscope - \$12,000.00 7. Caviar - \$80,000.00 8. Salmon CRM - \$60,000.00 9. Coastguard - \$54,000.00 10. Sashimi - \$15,000.00 11. Catfish- \$54,000.00		The Master License and Service Agreement was entered into between Salmon Group Ltd (SGL) and the Bank to grant the Bank the License to Use the Platforms of SGL, and under which SGL shall provide maintenance services of its Platforms.

Related Counterparty	Relationship between the Parties	Transaction Date (2025)	Type of Transaction	Amount/Contract Price (PHP)	Term	Rationale for entering into the transaction
Sunprime Finance Inc.	Related interest	08 July	Purchase of loans	249,999,089.97	N/A	To strengthen the Bank's revenue growth.
Sunprime Finance Inc.	Related interest	22 July	Purchase of Loans	269,991,951.70	N/A	
Sunprime Finance Inc.	Related interest	1 Aug.	Purchase of Loans	149,998,529.48	N/A	
Sunprime Finance Inc.	Related interest	27 Aug.	Purchase of loans	349,975,229.62	N/A	
Sunprime Finance Inc.	Related interest	12 sept.	Purchase of loans	369,996,252.53	N/A	
Sunprime Finance Inc.	Related interest	31 July	Payment of Administrative Fee	19,348,783.70	N/A	The administrative fee covers the costs associated in the customer service rendered by Sunprime in relation to the loans purchased by the Bank. To strengthen the bank's capital adequacy.
Sunprime Finance Inc.	Related interest	31 Aug,	Payment of Administrative Fee	22,474,900.35	N/A	
Salmon Group Ltd	Parent	21 Nov.	Subscription of Shares	600,000,100.00	N/A	

Related Counterparty	Relationship between the Parties	Transaction Date (2025)	Type of Transaction	Amount/Contract Price (PHP)	Term	Rationale for entering into the transaction
Sunprime Finance Inc.	Related interest	03 Oct.	Purchase of loans	799,984,174.71	N/A	To strengthen the Bank's revenue growth.
Sunprime Finance Inc.	Related interest	30 Oct.	Purchase of Loans	329,445,395.48	N/A	
Sunprime Finance Inc.	Related interest	05 Dec.	Purchase of Loans	899,990,505.54	N/A	
Sunprime Finance Inc.	Related interest	17 Dec.	Purchase of loans	899,989,229.81	N/A	
Sunprime Finance Inc.	Related interest	26 Dec.	Purchase of loans	299,988,006.01	N/A	
Sunprime Finance Inc.	Related interest	31 Oct.	Payment of Administrative Fee	28,519,326.40	N/A	The administrative fee covers the costs associated in the collection and customer service rendered by Sunprime in relation to the loans purchased by the Bank.
Sunprime Finance Inc.	Related interest	30 Nov.	Payment of Administrative Fee	28,499,071.60	N/A	
Sunprime Finance Inc.	Related interest	31 Dec.	Payment of Administrative Fee	32,859,621.25	N/A	

Anti-Money Laundering Governance

The Bank maintains a strong commitment to financial crime compliance, adhering to the Anti-Money Laundering Act (AMLA), its Implementing Rules and Regulations, and all other applicable laws and regulatory issuances.

As part of this commitment, the Bank has established and implemented a Board-approved Money Laundering (ML) / Terrorism Financing (TF) / Proliferation Financing (PF) Prevention Program (MTPP), which serves as the Bank's comprehensive framework for detecting, preventing, and mitigating the risks of financial crimes, ensuring that the Bank is not utilized as a conduit for illegal activities. The MTPP is further supplemented by various Procedures and Guidelines that provide more specific direction to the Bank's officers and employees in the implementation of AML-related processes.

The MTPP is anchored on a robust governance structure, with the Compliance Office bearing primary responsibility for its administration, periodic review, and continued relevance considering the evolving regulatory requirements and emerging financial crime risks.

The Bank ensures that the MTPP and its supporting Procedures and Guidelines remain dynamic and responsive to changes in the risk environment through regular assessments and updates.

To reinforce a culture of compliance, the Bank conducts regular training and awareness initiatives through regulatory issuances to equip the Bank personnel with the knowledge and skills necessary to identify and respond to potential ML/TF/PF risks.

Key risk indicators related to financial crime are regularly reported to the ROC, ensuring Board-level visibility over the Bank's ML/TF/PF risk exposures. Other significant AML-related matters, including updates on regulatory reporting, enhancements to AML processes and systems, and revisions to AML-related policies, are presented to and deliberated upon by the ACC.

Whistleblowing

The Bank is committed to upholding the highest standards of integrity, transparency, and accountability. A Whistleblowing Policy exists to provide a secure and confidential channel for employees, clients, and stakeholders to report illegal, unethical, or fraudulent activities without fear of retaliation.

All reports are treated with strict confidentiality and investigated promptly and impartially. The Bank ensures protection for whistleblowers acting in good faith and prohibits any form of discrimination or harassment. Compliance with legal and regulatory requirements is strictly enforced in all whistleblowing procedures.

Code of Employee Discipline

The Bank upholds the highest ethical standards in all its operations, guided by integrity, professionalism, and compliance with laws and regulations. The Code of Employee Discipline outlines the expected behavior of directors, officers, employees, and representatives in fulfilling their duties with honesty, fairness, and accountability. The Bank prohibits bribery, fraud, and any form of discrimination or harassment.

Employees are expected to act in the best interest of the Bank and its stakeholders, fostering a culture of trust and respect. Violations of the policy will result in disciplinary action, including termination and legal consequences where applicable. By adhering to these principles, the Bank ensures sustainable growth and maintains public confidence in its services.

Succession Planning

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

Performance Management

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

Capacity Planning

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



B. Selection Process

The Compliance Office, in coordination with the Legal Unit of the Bank, processes all BSP confirmation of all elected Directors. The BSP then scrutinizes the qualifications of each director to ensure that each director has all the qualifications and none of the disqualifications as stated in the MORB and other relevant laws and regulations.

In evaluating the suitability of director, the Board takes into account the relevant qualifications of every candidate nominated for election such as, among others, physical/ mental fitness, relevant educational and professional background, personal track record, diversity of related experience/training, commitment to contribute, willingness to serve, and interest to remain engaged and involved.

The same is true with the members of Senior Management, except that not all undergo BSP confirmation.

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

Since the establishment of the Bank's Corporate Governance Committee on 31 January 2025, nominations and appointments, including those for the Board and Board-level committees, have been subject to its oversight.

C. Board's Responsibility

The Board is primarily responsible for defining the Bank's vision and mission. The Board has the fiduciary responsibility to the Bank and all its shareholders, including minority shareholders.

It shall approve and oversee the implementation of strategies to achieve corporate objectives. It shall also approve and oversee the implementation of the risk governance framework and the systems of checks and balances. It shall establish a sound corporate governance framework.

The Board shall approve the selection of the President and key members of senior management and control functions and oversee their performance. Further, the Board shall define the Bank's corporate culture and values. It shall establish a code of conduct and ethical standards in the Bank and shall institutionalize a system that will allow reporting concerns or violations to an appropriate body.

D. Roles and Contribution

Chairperson of the Board

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

The Chairperson is different from the President of the Bank.

Non-Executive Directors, Including Independent Directors

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

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

Since Year 2024, all of the Bank’s Board-level committees were composed of non-executive directors (including independent directors), and the Chairperson of the Audit and Compliance Committee and Risk Oversight Committee is an independent director⁴.

Executive Directors

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

E. Board composition

Board of Directors as of 2025

Georgy Chesakov

Rafael Luigi S. Montemayor

Wilfredo Perry Morales

Eunice Zuleika N. Monsod (started 16 July 2024)

Perry L. Pe (started 31 January 2025)*

Juan D. De Zuñiga, Jr. (started 27 June 2025)*

⁴ As of 31 May 2025, all of the Bank’s Board-level committees are composed of non-executive directors (including independent directors) and an independent director is the Chairperson of the following Board-level committees: Audit Committee, Risk Oversight Committee, Corporate Governance Committee and Related Party Transactions Committee. Moreover, the Bank has increased the number of its independent directors from two (2) to three (3) and the Related Party Transactions Committee is composed of the three (3) independent directors.

The particulars of the Board composition are shown below.

Director	Type of Directorship	Principal stockholders, if a nominee	No. of years served as a director	No. of shares owned in the Bank
Georgy Chesakov	Executive Director	Salmon Group Ltd	2	1
Rafael Luigi S. Montemayor	Non-Executive Director, Chairperson	Salmon Group Ltd	2	1
Wilfredo Perry Morales	Independent Director	N/A	2	1
Eunice Zuleika N. Monsod	Non-Executive Director	Salmon Group Ltd	1	1
Perry L. Pe	Independent Director	N/A	1	1
Juan D. De Zuñiga, Jr.	Independent Director	N/A	1	1

F. Board Qualifications



Name
**Georgy
Chesakov**

Age 52 Nationality Grenada

Educational Background
**Diploma in Mathematics (Masters)
Master of Arts in Computer Science**

Officership in Other Company
Director, Salmon Group Ltd

Previous Position in Other Company
Executive Director, Tinkoff Global PT
Chairperson of the Board of Directors, Tinkoff Bank
Chief Executive Officer, Tinkoff Mobile
Senior Vice President for New Markets, Tinkoff Bank
President, OTP Bank (Russia)
Board Member, Tinkoff Insurance
Board Member, Tinkoff Capital
Board Member, Tinkoff Bank (at the time Tinkoff Credit Systems Bank)
Co-Founder and Chief Executive Officer, Revo Technology
Managing Partner, Iceberg Labs
Chief Operating Officer and Chairperson of the Management Board, Tinkoff Bank (at the time Khimmashbank, then Tinkoff Credit Systems Bank)
Head of Business, Investberbank (currently OTP Bank)
Manager, Russian Standard Bank
Project Manager, Roust Inc.
Consultant, McKinsey & Company
Manager, British Petroleum



Name
**Rafael Luigi S.
Montemayor**

Age 44 Nationality Filipino

Educational Background
**Bachelor of Science Management Engineering
Master in Business Administration**

Officership in Other Company
Director, Salmon Group Ltd

Previous Position in Other Company
Director/President, Sunprime Finance Inc.
Director/President, FHL Financing Company Inc.
Treasurer/Director, Salmon Services Inc. (formerly FHL Services, Inc.)
Consultant, Self Employed
General Manager, Carousell Philippines
General Manager, OLX Philippine
Country Director, Agoda Philippines
Vice President-Credit Cards Portfolio Management, HSBC Philippines
Assistant Vice President-Marketing Alliances, HSBC Philippines
Manager, Cards Acquisition, HSBC Philippines
Key Accounts Specialist, Nestle Philippines



Name
**Wilfredo Perry
Morales**

Age 67 Nationality Filipino

Educational Background
**BS Economics
Juris Doctor**

Officership in Other Company
N/A

Previous Position in Other Company
Independent Director, FHL Financing Company
Independent Director, Sunprime Finance Inc.
Independent Director, DA Market Securities Inc.
Consultant, Xendit
Consultant, First Integrity Bank, Inc.
Chief Compliance Officer, Starpay Corp.
Chief Compliance Officer, Cathay United Bank Co. Ltd. Manila Branch
Chief Compliance Officer, Sterling Bank of Asia (A Savings Bank)
Finance Officer, Treasure Steelworks Inc.
Vice-President/ Division Head, Rizal Commercial Banking Corporation-Head Office
Management Trainee, FGU Insurance

F. Board Qualifications



Name
**Eunice Zuleika
N. Monsod**

Age 41 Nationality Filipino

Educational Background
**Bachelor of Science in Economics
Juris Doctor**

Officership in Other Company
**Chief Compliance Officer,
Salmon Group Ltd**

Previous Position in Other Company
Head of Compliance, FWD Life Insurance Corporation
Vice President/Head of AML Division, Metropolitan Bank & Trust Co.
Vice President/Head of Regulatory Affairs Division, Rizal Commercial Banking Corporation
Legal Counsel/Compliance Officer, Migo Entertainment Inc.
Associate, Batuhan Blando Concepcion, Trillana Law Offices
Legal Officer, Magsaysay People Resources Corporation
Associate, Batino Law Offices



Name
Perry L. Pe

Age 64 Nationality Filipino

Educational Background
**A.B., Major in History and Political Science
Bachelor of Laws (L.L.B.)
Master of Laws (LL.M.)**

Officership in Other Company
**Equity Partner, Romulo Mabanta Buenaventura Sayoc and De Los Angeles
Director, Online and On-Demand MCLE Philippines, Inc
President and CEO, Albatross Holdings, Inc.
Chairperson of the Board, Impact Assets Corporation
Trustee and Fellow, Foundation for Economic Freedom
Consul General Ad Honorem Manila, Philippines, Embassy of Denmark
Director, Atlantic, Gulf & Pacific Company of Manila, Inc.
Director, Oriental Petroleum & Minerals Corp.
Assistant Corporate Secretary, Oriental Petroleum & Minerals Corp.**

Previous Position in Other Company
Dean, Palawan State University Law School
Senior Partner, Romulo Mabanta Buenaventura
Board of Director, Araneta Properties, Inc.
Acting Lawyer, Bancnet and Philippine Clearing House Corporation (PCHC)
President, Management Association of the Philippines
Governor, Management Association of the Philippines
Partner, Romulo Mabanta Buenaventura Sayoc and De Los Angeles
Board of Director, Robinsons Savings Bank
Board of Directors, PCI Bank
Associate, Romulo Mabanta Buenaventura Sayoc and De Los Angeles
Legal Consultant; Team Leader (Per Project Basis) World Bank
Legal Expert (Per Project), United States Agency for International Development (USAID)
Legal Consultant, World Bank
Legal Consultant, Asian Development Bank

F. Board Qualifications



Name
**Juan D. De
Zuñiga, Jr.**

Age 78 Nationality Filipino

Educational Background

Bachelor of Arts, Far Eastern University
Bachelor of Laws, Far Eastern University

Previous Position in Other Company

Independent Director, Philippine Payments Management Inc.

Executive Vice President, Bank of Commerce

Senior Vice President, Bank of Commerce

Attorney, Private Law Practice

Director, Philippine Deposit Insurance Corporation

Monetary Board Member, Bangko Sentral ng Pilipinas

Bank Executive Officer IV, Central Bank of the Philippines

Bank Executive Officer III, Central Bank of the Philippines

Bank Executive Officer II, Central Bank of the Philippines

Bank Executive Assistant II, Central Bank of the Philippines

Bank Executive Assistant I, Central Bank of the Philippines

Legal Bank Executive Assistant, Central Bank of the Philippines

Research Attorney A, Central Bank of the Philippines

Trial Attorney B, Central Bank of the Philippines

Research Attorney C, Central Bank of the Philippines

Previous Position in Other Company

Independent Director, G-Xchange

Independent Director, Abacore Capital Holdings, Inc.

Independent Director, Abacus Global Technovisions, Inc.

Independent Directors, Philippine Regional Investment and Development, Inc.

Independent Director, Philippine Airlines

Independent Director, Manila Bulletin Publishing Corporation

Special Counsel, DIVINALAW

G. Board Meetings

Director	Directorship	Meetings held	Attended	Attendance
Georgy Chesakov ¹	Executive Director	16	15	93%
Rafael Luigi S. Montemayor ¹	Non-Executive Director, Chairperson	16	16	100%
Wilfredo Perry Morales ¹	Independent Director (Non-Executive Director)	16	15	93%
Juan De Zuñiga, Jr. ²	Independent Director (Non-Executive Director)	7	7	100%
Perry L. Pe ¹	Independent Director (Non-Executive Director)	15	15	100%
Eunice Zuleika N. Monsod ¹	Non-Executive Director	16	16	100%

¹ Elected as director at the Annual Stockholders Meeting held on 31 January 2025. ² Started on 27 June 2025.

H. Board-Level Committees

Audit and Compliance Committee

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

Risk Oversight Committee

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

Related Party Transaction Committee

The Bank’s Related Party Transactions Committee (“RPTC”) assists the Board of Directors in ensuring that all related party transactions (“RPTs”) are conducted in accordance with arm’s length principles as enshrined in applicable rules and regulations. The Committee oversees the implementation of the Bank’s RPT framework, policies, and procedures, and ensures that transactions with related parties are reviewed, monitored, and approved on an arm’s length basis, supported by proper documentation and appropriate pricing mechanisms.

Corporate Governance Committee

The Bank’s Corporate Governance Committee (“CGC”) assists the Board of Directors in fulfilling its corporate governance responsibilities by overseeing the implementation and periodic review of the Bank’s corporate governance framework, policies, and practices to ensure that these remain appropriate and responsive to the Bank’s size, complexity, business strategy, and regulatory environment. The Committee reviews and endorses governance policies and documented processes for Board approval.

Directors’ remuneration

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

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

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

The per diem rates for 2025 remain unchanged from those approved for calendar year 2024 and were approved for continued application by the Compensation and Benefits Committee on 29 September 2025. The 2025 per diems were paid to the directors in February 2026.

Total per diem
Year 2025

PHP 248,500

Net income
before tax
Year 2024

Within the Section 29 of RCC limit

PHP 282,602,987

Board-level committees composition and attendance

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

Director	Committee Audit and Compliance 12 meetings · % attended	Risk Oversight 8 meetings	Related Party Transaction 11 meetings	Corporate Governance 8 meetings
Wilfredo Perry Morales Independent Director (Non-Executive Director)	Member 100%	Member 100% Chairperson	Member 100%	Member 100% starting 31 January 2025
Eunice Zuleika N. Monsod Non-Executive Director	Member 100% starting 24 October 2024	Member 100% starting 24 October 2024	Member 100% starting 31 January 2025	Member 100% starting 22 September 2025
Perry L. Pe Independent Director (Non-Executive Director)	N/A	N/A	Member 100% Chairperson starting 31 January 2025	Member 100% Chairperson starting 22 September 2025
Juan D. De Zuñiga Independent Director (Non-Executive Director)	Member 100% starting 27 June 2025 Chairperson starting 22 September 2025	Member 100% starting 27 June 2025	Member 100% starting 22 September 2025	N/A

Attendance shown as meetings attended · % of meetings held during the director's term. "N/A" = not a member of the committee.

Senior management

The Bank’s senior management team as of year-end 2025 – composition, roles, and qualifications.

Georgy Chesakov

Director, President, Chief Executive Officer
starting 14 January 2024
Age 52 Nationality Grenada

He has held senior leadership roles at major financial institutions, including CEO of Tinkoff Mobile, Chairperson of Tinkoff Bank, and President of OTP Bank Russia. He also co-founded Revo Technology and held positions at McKinsey & Company, British Petroleum, and Russian Standard Bank.

He earned a Diploma in Mathematics from Moscow State University and a Master of Arts in Computer Science from Princeton University.

Raymark Sanchez

Head of Regulatory Reporting
starting 11 November 2024
Treasurer
starting 18 May 2025
Age 32 Nationality Filipino

He brings over a decade of progressive experience in regulatory reporting across both traditional and digital banking institutions.

Prior to Salmon Bank, he held the role of Regulatory Reporting Lead at SeaBank Philippines. He also served as Senior Assistant Manager for Regulatory Reporting and General Accounting at First Commercial Bank, and as Management Accounting Officer at Maybank Philippines. He began his career as an Audit Associate at EY Philippines.

He pursued a Master of Business Administration at De La Salle University from 2019 to 2020 and holds a Bachelor of Science in Accounting and Finance from the Polytechnic University of the Philippines

Joseph Marcelo Medina III

Chief Compliance Officer
starting 25 November 2024
Age 37 Nationality Filipino

He has held compliance, audit, and risk-related roles across various financial institutions including CIMB Bank, ING Bank, Citibank, Bank of China, HSBC, Shell Business Operations, and Isla Lipana & Co. (PricewaterhouseCoopers)

He earned his Bachelor of Science in Accountancy from the University of Santo Tomas and became a Certified Public Accountant in 2010. His professional development includes certifications in AML/CFT and Data Protection & Cybersecurity, reflecting a strong foundation in regulatory and risk management practices.

Alpha Beth Santos Dimaranan was a Financial Controller/ Treasurer from 03 May 2024 until 17 April 2025

Senior management

Muhammad Hamza D. Eshmael

Head of Risk
starting 03 May 2024
Age 38 Nationality Filipino

He previously held senior roles in operational risk management at UnionDigital Bank, AIA Philippines, Citibank NA Philippines and ROHQ, Nimble Australia Pty Ltd, and ANZ GSO Manila, bringing over a decade of experience in the financial and banking sectors.

He earned his Bachelor of Science in Accountancy from the Philippine School of Business Administration and pursued non-degree business studies at California State University, Dominguez Hills, USA; he is also completing a Master’s in Business Administration at De La Salle University, Manila. His credentials include certification as a Certified Risk Manager (ISO 31000) and Civil Service Professional, with additional training in anti-money laundering and counter-terrorism financing.

Yevhen Plotytsya

Chief Operating Officer
starting 14 January 2024
Interim Chief Technology Officer
from 14 December 2024 to 12 January 2025
Age 54 Nationality Israeli

Prior to joining the bank, he has held senior leadership roles in Tonik Digital Bank, FE Credit Vietnam, and several major banks in Ukraine.

He earned a Master’s in Computer Science from Kiev Polytechnic Institute and an MBA in International Economic Activities from the International Management Institute in Ukraine.

Loreto Lopez, Jr.

Head of Internal Audit
starting 16 December 2024
Age 41 Nationality Filipino

Currently serves as the Head of Internal Audit of the Bank, appointed in December 2024. He brings decades of experience in internal audit and IT auditing from leadership roles at Xendit Philippines, Coins.ph, GCash, Philippine Veterans Bank, and several other institutions across the banking and fintech sectors.

He holds a Bachelor of Science in Accountancy from Mindanao State University-General Santos City and has earned professional certifications as a Certified Internal Controls Auditor and Certified Forensic Accountant.

Mon Alvin Galang

Chief Information Security Officer
starting 16 December 2024
Age 39 Nationality Filipino

He has held key cybersecurity and IT management positions in various organizations including GoTyme Bank Corporation, BCS Technology International Pty., SGS Gulf – ROHQ Limited, and Network Capital Ventures, Inc., with a career spanning over 15 years.

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

Senior management

Kyel John David

Chief Technology Officer
starting 13 January 2025
Age 33 Nationality Filipino

He has a professional background spans over a decade of progressive leadership in technology architecture and engineering within the financial services industry.

Prior to his current role, he served as Vice President and Chief Information Officer at UnionDigital Bank, and before that as SAVP – Engineering Head for Core, Integration, and Cloud Infrastructure at the same institution, where he led the implementation of serverless microservices architecture and standardized software engineering processes. He has also held solutions architecture roles at Mynt and Sun Life, and served as a freelance AWS Architect and Serverless Engineer on Upwork for nearly five years.

He holds a Bachelor of Science in Computer Science major in Software Engineering from iACADEMY Makati, completed in 2014.

Joan Iris Leon

Chief of Staff
starting 16 January 2025
Age 47 Nationality Filipino

Her professional background spans over two decades of progressive leadership in strategic planning, performance management, and project governance across the banking and hospitality industries.

Prior to her current role, she served as Head of Performance and Project Management at the Philippine Bank of Communications (PBCOM).

Before that, she served as Director for Corporate Planning at Travellers International Hotel Group, Inc., and held roles as Senior Business Analyst at ANZ and Project Manager at Security Bank Corporation.

She holds a Master of Business Administration from University of Northumbria (2003) and a Bachelor of Business Management from the University of Nevada-Reno (2001).

Anton Churilov

Head of Product and Portfolio Management
starting 01 May 2025
Age 31 Nationality Russian Federation

He has extensive experience in banking and financial services, with a focus on product development and portfolio management.

He previously served as Head of Credit Cards at Tinkoff Bank.

He holds a Bachelor’s degree in Economics from RANEPA and a Master’s degree in Applied Mathematics from the Moscow Institute of Physics and Technology.

Denis Padiarov

Deposits Unit Business Head
starting 16 December 2024
Age 34 Nationality Russian Federation

He has over ten years of experience in banking and financial services, with a focus on retail and consumer products.

He previously held leadership positions at Alfa-Bank and Tinkoff Bank.

He holds a Bachelor of Applied Science degree from the Moscow Institute of Physics and Technology.

Management-level committees

The composition of the Committees is shown below.

Manager	Management Committee est. 30 Sep 2024 · 10 members	IT & IS Steering Committee est. 30 Sep 2024 · 8 members ISSC integrated 27 Jun 2025	Asset & Liability Committee (ALCO) est. 14 Aug 2024 · 9 members	Credit Committee est. 14 Aug 2024 · 8 members
Georgy Chesakov President and CEO	ChairpersonVoting	ChairpersonVoting	ChairpersonVoting	Voting
Rafael Luigi Montemayor Deputy CEO	Voting	Voting	Voting	Voting
Yevhen Plotytsya Chief Operating Officer	Voting	Voting	Voting	Voting
Kyel John David Chief Technology Officer	Voting	Voting		Voting
Geraldine Zingapan Financial Controller	Voting		Voting	Voting
Denis Padiarov Deposits Business Unit Head	Voting		Voting	
Anton Churilov Product and Portfolio Management Head	Voting		Voting	ChairpersonVoting
Mon Alvin Galang Chief Information Security Officer		Voting		
Joan Iris Leon Chief of Staff			Non-Voting	
Alexey Mirskiy Head of Growth			Non-Voting	
Hamza Eshmael Head of Risk	Non-Voting	Non-Voting	Non-Voting	Permanent Guest
Loreto Lopez, Jr. Head of Internal Audit	Non-Voting	Non-Voting		Observer
Joseph Marcelo Medina III Chief Compliance Officer	Non-Voting	Non-Voting		

Note: Only the voting members are indicated in the table above, but including for reference the Head of Risk and Head of Internal Audit who are permanent invitees without voting rights.

Membership types follow the source: Voting / Non-Voting Member (Management & IT committees) and Chairperson / Member (ALCO & Credit). Non-voting members – Head of Risk, Chief Compliance Officer and Head of Internal Audit – are permanent invitees. Subsequent events: R. L. Montemayor was appointed Deputy CEO on 8 April 2026 and designated a voting member of all four committees; G. Zingapan joined as Financial Controller on 5 January 2026. ISSC was integrated into the IT Steering Committee on 27 June 2025 (Board Resolution No. 18-2025-June27).

Management-level committees – responsibilities

Management Committee

est. 30 September 2024

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

Asset & Liability Committee (ALCO)

est. 14 August 2024

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

IT & Information Security Steering Committee

est. 30 September 2024 · ISSC integrated 27 June 2025

The IT Steering Committee was established on 30 September 2024. On 27 June 2025, through Board Resolution No. 18-2025-June27, the Board of Directors approved the integration of the Information Security Steering Committee (ISSC) into the IT Steering Committee (ITSC) to strengthen governance, eliminate duplicative discussions, and streamline decision-making under a unified structure. The integration was driven by the overlap in committee membership, the need to reduce redundancy within a lean organizational setup, and the objective of centralizing oversight of technology and information security matters.

This integration expanded the Committee’s scope to include Information Security (InfoSec) governance, including cybersecurity oversight, risk mitigation, and regulatory compliance, with the Chief Information Security Officer (CISO) serving as a voting member.

The Committee is responsible for the following: designing and implementing the Information Technology and Information Security Risk Management System as approved by the Board; overseeing cybersecurity posture, including the identification, assessment, and mitigation of information security risks and threats; monitoring IT and InfoSec performance and recommending appropriate actions to ensure the achievement of desired results; ensuring compliance with applicable regulatory and security standards; providing the Board with adequate information on IT and InfoSec performance, status of major IT and security-related projects, incidents, and other significant issues to enable well-informed decisions on the Bank’s technology and security risks and operations; and designing, reviewing, regularly monitoring, and recommending revisions to the Board of the Bank’s IT and Information Security strategic plans to ensure alignment with the Bank’s overall business strategy and risk appetite.

Credit Committee

est. 14 August 2024

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

Performance assessment program

Board of Directors

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

Rating	Description
5	Strong Exceeds what is considered necessary given the size, risk profile and complexity of operations of the Bank. Deficiencies/weaknesses are minor and insignificant.
4	Satisfactory Meets what is considered necessary given the size, risk profile and complexity of operations of the Bank. Deficiencies/weaknesses are minor and insignificant.
3	Less than Satisfactory Does not meet what is considered necessary; however, the Board is committed – with ability and willingness – to correct the situation in a timely manner.
2	Deficient Deficient, in a material way, to meet what is considered necessary; the ability of the Board to correct the situation in a timely manner is doubtful.
1	Critically Deficient Critically deficient to meet what is considered necessary; the deficiencies/weaknesses pose an imminent threat to the safety and soundness of the Bank.

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

Based on the results of the self-assessment, the Board of Directors of the Bank produced an average rating of 4.64 for their collective performance. This score suggests that, in the view of the Directors, the Board not only meets but, in many areas, exceeds the standards expected of a bank with its current profile and operational environment.

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

Each individual director's performance, as reflected by an average rating of 4.64, indicates a strong and highly commendable level of engagement and effectiveness in fulfilling Board responsibilities. This score suggests that directors consistently exceed expectations in both attendance and participation, providing substantive value to the governance and oversight functions of the Board.

Management

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

Orientation education program

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

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

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

Retirement and succession policy

Board of Directors

Directors are elected for a term of one (1) year, by the stockholders of the Bank. Each director, who should hold at least one (1) share in the Bank, shall hold office until the successor is elected and qualified.

A director may be removed in the manner provided for by law, by a vote of the Bank’s stockholders holding or representing at least two-thirds (2/3) of the outstanding capital stock of the Bank.

Any vacancy occurring in the Board of Directors other than by removal or by expiration of term may be filled by the vote of at least a majority of the remaining directors, if still constituting a quorum; otherwise, said vacancies must be filled by the stockholders or members in a regular or special meeting called for that purpose. A director elected to fill a vacancy shall be referred to as replacement director and shall serve only for the unexpired term of the predecessor in office.

For independent directors, they can only serve a maximum cumulative term of nine (9) years, in accordance with prevailing regulations.

Independent Director	Years served
Wilfredo Perry Morales	2
Perry L. Pe	1
Juan D. de Zuñiga, Jr.	1

Management

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

Eligibility and Retirement Options:

- Normal Retirement: Employees may retire at age 60, provided they have completed a minimum of 10 years of service.
- Optional Early Retirement: Retirement is permissible from age 50, subject to the same 10 –year service requirement.
- Late Retirement: Employees may extend service until age 65, contingent upon formal Bank approval.

Retirement Benefits:

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

Forfeiture and Partial Entitlement:

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

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

Remuneration policy

Board of Directors

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

The Compensation and Benefits Committee, in 2025, reaffirmed the per-diem rates applicable for that year for non-executive directors, including independent directors, as previously approved on 26 November 2024. Said rates are as follows:

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

Management

The Bank’s Remuneration Policy for senior management is designed to align with BSP MORB regulations, competitive market practices, and long-term performance. Compensation is determined by the Board’s Compensation & Benefits Committee, which benchmarks pay against industry peers, evaluates performance (financial, strategic, and risk-adjusted metrics), and ensures a balanced structure of both monetary and non-monetary components.

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

Compliance and Internal Audit Functions

The Bank's Compliance Office (CO) was established to support the Bank's strategic goals by ensuring that compliance risks inherent to the operations of the Bank, which could potentially damage its franchise value and ultimately undermine its viability, are properly identified, assessed, mitigated, and monitored. As a second line of defense, it is responsible for the effective management of the Bank's compliance risks through the establishment of a robust compliance risk management system. The management of compliance risk is supported by a Board-approved Compliance Program ("Work Plan") which sets out the planned activities of the compliance function including, among others:

- The review and implementation of policies, procedures, and standards;
- Assessment and monitoring of compliance risk exposures through compliance testing;
- Dissemination of, and monitoring of the Bank's compliance with new regulatory issuances;
- Fostering of a strong compliance culture and educating employees and officers on compliance matters through advisory and periodical training;
- Reporting to the Board of Directors and the Audit and Compliance Committee, Management-level Committees, and regulatory bodies.

The CO, headed by the Chief Compliance Officer (CCO), is an independent unit that has a direct reporting line to the Board of Directors through the Audit and Compliance Committee and administratively to the President/Chief Executive Officer. The CCO is mainly responsible for overseeing the identification and management of the Bank's compliance risk and shall supervise the Compliance Unit. The CCO is supported by a Compliance Manager and a Senior Compliance Officer who are mainly responsible for the day-to-day compliance activities and execution of the Board-approved Work Plan.

Internal Audit is an independent, risk-based, objective assurance and consulting function designed to add value through a system and disciplined approach to evaluate and test the design and operational effectiveness of internal controls implemented by the management in accordance with Global Internal Audit Standards established by The Institute of Internal Auditors (IIA). It ultimately helps strengthen the Bank's:

- a. Successful achievement of its objectives
- b. Governance, risk management, and control processes
- c. Decision-making and oversight
- d. Reputation and credibility with its stakeholders
- e. Ability to serve public interest

Its primary role is to assist the Bank's Management, Audit & Compliance Committee, and Board of Directors in providing excellent service in the performance of its audit functions and consulting services in the spirit of partnership with objectivity, integrity, and fairness in accordance with the highest professional and ethical standards, and instilling a culture of an effective risk management, control, and governance processes.

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

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

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

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

Dividend policy

The Bank adopts a prudent and regulatory-compliant dividend policy that balances shareholder returns with the need to maintain adequate capital for sustainable growth. Dividend declarations are subject to the approval of the Board of Directors and are based on the availability of unrestricted retained earnings, positive and sustainable financial performance, and full compliance with BSP regulations, including capital adequacy requirements and supervisory standards.

In determining dividend payouts, the Bank considers internal capital requirements, strategic funding needs, and prevailing economic conditions. Dividends may be distributed in cash, property, or stock, in accordance with applicable laws and regulations. The Bank also ensures that sufficient earnings are retained to support business expansion, risk management, and regulatory buffers, including the appropriation of a portion of net income for strategic investments. The policy also limits the retention of surplus profits beyond 100% of paid-in capital, except in defined circumstances such as approved expansion projects or contingency reserves and allows the Board to impose or adjust a dividend restriction period as needed.

To support sustained growth, the policy requires the appropriation of at least 20% of annual net income after tax, subject to annual review, into a Strategic Investment Reserve recorded as appropriated retained earnings. This reserve is intended to fund non-routine, medium- to long-term initiatives such as technology and cybersecurity upgrades, strategic partnerships or acquisitions, market expansion, and critical talent programs, all subject to prior Board approval. Additional appropriations may be made during periods of significant growth in risk-weighted assets, while any reversal of appropriated earnings must also be Board-approved and properly disclosed.

In accordance with BSP's rules on the computation of Capital Adequacy (Appendix 62 of the Manual of MORB – Risk-Based Capital Adequacy Framework for Stand-Alone Thrift Banks, Rural Banks, and Cooperative Banks), appropriated retained earnings are recognized as part of Common Equity Tier 1 (CET 1) capital. On the other hand, under Section 124 of the MORB, the net amount available for dividends shall be the amount of unrestricted or free retained earnings and undivided profits, as reported in the Financial Reporting Package (FRP) as of the calendar/fiscal year-end immediately preceding the date of dividend declaration. All dividend declarations are reported to the BSP within prescribed timelines and are recognized in the Bank's books in accordance with applicable accounting and regulatory standards.

Corporate social responsibility (CSR)

The Bank acknowledges its responsibility to make substantive contributions to society and the communities it serves. As the Bank continues to grow and develop its strategic direction, the advancement of a formal Corporate Social Responsibility program remains a key consideration for the coming years.

Consumer protection practices

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

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

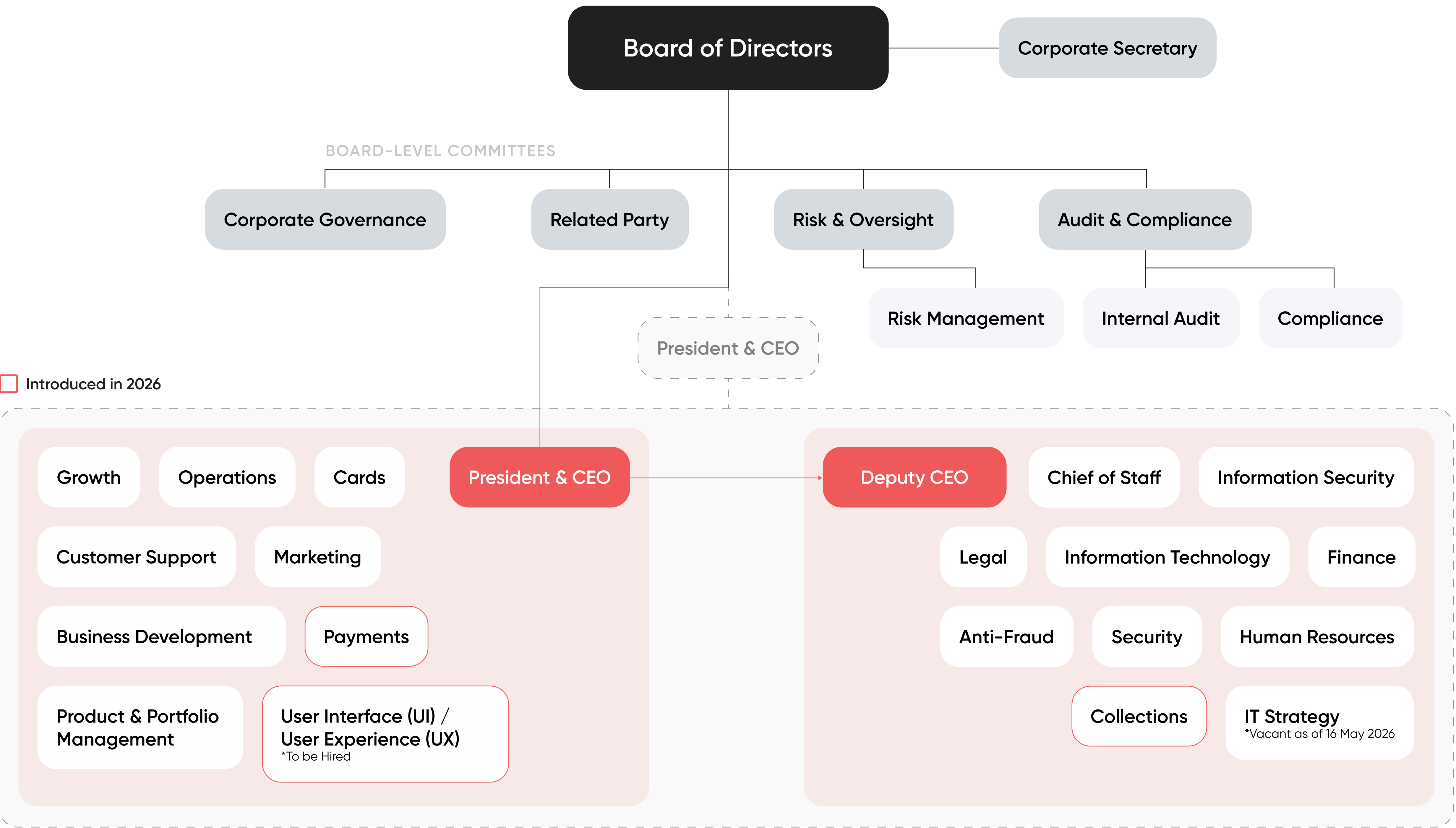
The Bank's adherence to the BSP's Financial Consumer Protection Framework ensures that consumer protection risks are managed alongside legal, operational, and reputational risks.

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

VI. Corporate Information

Salmon Bank (Rural Bank) Inc. Annual Report 2025

Corporate organizational structure



Major stockholders

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

Major stockholders prior to the entry of Salmon Group Ltd

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

Major stockholders after the entry of Salmon Group Ltd and as of 31 December 2025

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

For purposes of this Report, a stockholder holding at least a 10% share of the Bank is considered a "Major Stockholder".

C. Bank Products and Services

Products

Deposit

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

Key Features:

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

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

Key Features:

- Facilitates efficient and convenient transactions through check issuance and over-the-counter withdrawal
- Checkbook issuance is free for customer of TD placement of PHP 500,000 and above
- No maintaining balance requirement
- Ideal for businesses and individuals with high transaction volumes.

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

Key Features:

- Competitive interest rates, tiered based on deposit amount and tenor
- Minimum initial deposit amount of PHP 5,000.00

- Fixed-term placement
- Ideal for maximizing savings with long-term investment horizon

Loans

The Bank continues to maintain a limited number of legacy loan products that were previously offered to customers. These products remain on the books solely to support existing accounts and are no longer actively marketed, originated, or offered to new customers.

Services

The Bank offers a range of fund transfer services to support efficient and secure transactions:

Real-Time Gross Settlement (RTGS)

- A high-value funds transfer system that processes transactions in real time. Each transaction is settled individually and immediately, ensuring finality and irrevocability. This is ideal for large-value interbank transfers.
- PESONet (Incoming Transfers Only)
Enables clients to receive batch-processed electronic fund transfers from other participating financial institutions.
- QR Ph (Incoming Transfers via Third-Party Partnership)
Allows customers to receive payments through interoperable QR codes, facilitated via a third-party partnership.

List of banking units

	Head Office Sta. Rosa, Laguna	Branch Bacoor, Cavite
Address	F. Gomez St. Poblacion Barangay Malusak, Sta. Rosa City, 4026 Laguna	141 General Evangelista St. Barangay Poblacion, Bacoor City, 4102 Cavite
Contact	049-5341126	046-4346197
Email	support@salmon.ph	
Bank website	https://salmon.ph/salmonbank	

VII. Sustainable Finance

Salmon Bank (Rural Bank) Inc. Annual Report 2025

Sustainable Finance

The Bank recognizes the growing importance of sustainability in the financial services landscape and remains steadfast in its commitment to integrating Environmental, Social, and Governance (ESG) principles across its governance framework, risk management system, business strategy, and operations.

In 2025, the Bank took concrete steps in strengthening its sustainability governance by reviewing and updating its Sustainable Finance Framework to better reflect the Bank's business model and current practices.

A key milestone during the year was the Board's approval of a standalone Environmental and Social Risk Management System (ESRMS) in August 2025, establishing a dedicated and structured approach to identifying, assessing, and managing environmental and social risks across the Bank's operations and applicable business activities. The ESRMS is embedded within the Bank's broader Risk Management Framework and covers corporate credit exposures, operational activities, vendor engagements, and product development. As the Bank's loan portfolio currently consists primarily of retail consumption loans, the Bank is undertaking work to extend its E&S due diligence framework to cover all borrower segments in a risk-proportionate manner consistent with regulatory expectations.

On capacity building, the Bank invested in building internal competencies in sustainability by ensuring that the Compliance Office participated in various sustainability-related training programs. These initiatives are aimed at equipping the Bank's personnel with the necessary knowledge and skills to effectively implement and oversee the Bank's sustainability agenda.

As part of its commitment to responsible business practices, the Bank has taken steps toward reducing its environmental footprint by housing its support functions in a green-certified building, reflecting the Bank's recognition of the importance of environmentally responsible operations.

The Bank further demonstrated its commitment to upholding the highest standards of financial consumer protection by joining the Cerise Client Protection Pathway in 2025. This initiative underscores the Bank's commitment to ensuring that its clients are treated fairly, transparently, and equitably. These are values that are integrated into the Bank's culture and operations.

The Bank's approach to environmental and social risk is integrated within its broader risk management framework. ESG risks are identified, assessed, and escalated through defined governance channels, with oversight provided by the Risk Oversight Committee. The Bank monitors existing and emerging E&S risks and their potential impact on its operations and portfolio, ensuring these considerations are incorporated into overall risk governance processes.

As the Bank's ESRMS has been recently approved in August 2025 and is currently in the early stages of operationalization, structured reporting of environmental and social risk exposures by industry or sector is still being developed. The Bank is establishing the necessary data infrastructure and assessment processes to enable more granular E&S risk reporting in line with regulatory expectations and internationally recognized sustainability reporting standards.

The Bank acknowledges that its sustainability journey is continuously evolving. ESG-related frameworks, policies, and procedures will be further reviewed and enhanced to keep pace with the Bank's development and the evolving regulatory and global sustainability landscape. The Bank continues to deepen the integration of sustainability principles across its corporate governance and risk management systems to progressively advance its sustainable finance agenda.

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

Salmon Bank (Rural Bank) Inc. Annual Report 2025

Compliance with Part V of Appendix 62 of the MORB

Capital Structure and Regulatory Compliance Updates

Approval of Share Transfer to Salmon Group Ltd (previously Fintech Holdings, Ltd.)

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

Capital Infusions and Equity Transactions

February 2024: The Bank received a capital infusion of PHP 20.1 million from its Parent Company. This amount was recognized under Additional Paid-In Capital in the Bank's 2024 Statement of Financial Position.

May 2024: The Parent Company remitted PHP 295.0 million as a Deposit for Future Stock Subscription (DFSS), corresponding to 2,950,000 preferred shares of the Bank. This deposit is reflected under the same account in the 2024 Statement of Financial Position and will be reclassified to equity upon approval by the BSP and Securities and Exchange Commission (SEC) for the Bank's application to increase its authorized capital.

March 2025: The PHP 295.0 million DFSS was reclassified to equity following the required regulatory approvals.

November 2025: The Parent Company infused an additional PHP 600.0 million to support the Bank's expanding loan portfolio and to ensure continued compliance with BSP regulatory capital requirements.

Increase in Authorized Capital Stock

On 08 November 2024, the Bank's Board of Directors and stockholders approved an increase in the authorized capital stock from PHP 20.0 million to PHP 1.20 billion. This increase of PHP 1.18 billion comprises 11,800,000 preferred shares with a par value of PHP 100 each.

Regulatory Compliance with BSP Capital Requirements

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

Rural banks with a head office located outside the National Capital Region (NCR) must maintain a minimum capitalization of PHP 50.0 million.

The Bank has fully complied with the revised minimum capitalization requirement as of 31 December 2025, and 2024.

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

Account	Amount in Thousands PHP
a. Tier 1 capital and breakdown of its components	
Paid Up Common Stock	14,206
Additional Paid-in Capital	620,060
Retained Earnings	231,772
Other Comprehensive Income	-1,201
Additional Tier 1 Capital	295,000
Total Tier 1 Capital	1,002,946
b. Tier 2 capital and breakdown of its components	
General Loan Loss Provision (1% of Total Market Risk-Weighted Asset)	44,083
Total Tier 2 Capital	44,083
c. Deductions from Tier 1 fifty percent (50%) and Tier 2 fifty percent (50%) capital	0.00
d. Total Qualifying Capital	1,047,029
e. Capital Requirements for Credit Risk	
Total Credit Risk – Weighted Asset	4,081,382
Multiply by 10% – Capital Requirement 10%	10.00%
Total Capital Requirement – Credit Risk	408,138
f. Total Market Risk-Weighted Asset	
Total Credit Risk – Weighted Asset	0.00
Multiply by 10% – Capital Requirement 10%	0.10
Total Capital Requirement – Market Risk	0.00
g. Capital Requirements for Operational Risk	
Total Operational Risk – Weighted Asset	319,686
Multiply by 10% – Capital Requirement 10%	10.00%
Total Risk-Weighted Asset	4,401,068
h.1. Risk Based Capital Adequacy Ratio	23.79%
h.2. Tier 1 Capital Adequacy Ratio	22.79%

The Bank has fully complied with the revised minimum capitalization requirement as of December 31, 2025, and 2024. Furthermore, as of the same reporting dates, the Bank remained compliant with BSP regulations regarding the required ratio of combined capital accounts to risk-weighted assets.

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

IX. 2025 Audited Financial Statements (AFS) with Auditor's Opinion

Financial Statements and
Independent Auditors' Report**Salmon Bank (Rural Bank) Inc.**

December 31, 2025 and 2024

Punongbayan & Araullo
20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 8988 2288

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

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)
		1,221,507	480,610
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.

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.

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.

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

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).

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.

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.

- (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).

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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.

	Cash and cash equivalents	Loans and customer receivables	Other assets	Due from related parties	Total
December 31, 2025					
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
	895,982	3,495,101	24,891	29,140	4,445,114
December 31, 2024					
Financial intermediaries*	257,963	-	4,206	-	262,169
Government	5,568	-	-	-	5,568
Real estate activities	-	28,494	3,272	-	31,766
Agricultural, forestry and fishing	-	245	-	-	245
Wholesale and retail trade, repair of motor vehicles and motorcycles	-	16,031	-	-	16,031
Other service activities	-	-	589	69,970	70,559
Loans to individuals primarily for personal use	-	1,008,954	-	-	1,008,954
	263,531	1,053,724	8,067	69,970	1,395,292

*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.

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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			
	Stage 1	Stage 2	Stage 3	Total
December 31, 2025				
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	3,940,287	127,253	6,396	4,073,936
December 31, 2024				
Cash and other cash items	1,484	-	-	1,484
Due from BSP	5,568	-	-	5,568
Due from other banks	257,963	-	-	257,963
Loans and 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	1,158,284	61,828	31,629	1,251,741

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.

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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.

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

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.

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

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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.

	Stage 1	Stage 2	Stage 3	Total
December 31, 2025				
<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
December 31, 2024				
<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.

	Stage 1	Stage 2	Stage 3	Total
December 31, 2025				
<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)
December 31, 2024				
<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.

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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.

	Stage 1	Stage 2	Stage 3	Total
December 31, 2025				
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	(423,994)	(136,029)	(91,366)	(651,389)
December 31, 2024				
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	(8,860)	(20,583)	(52,115)	(81,558)

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.

	Stage 1	Stage 2	Stage 3	Total
December 31, 2025				
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	3,144,205	255,533	95,363	3,495,101
December 31, 2024				
Balance at January 1	65,079	66	1,370	66,515
New financial assets purchased	1,962,413	-	-	1,962,413
Write-offs	-	-	(105,803)	(105,803)
Accrued	460,928	50,108	8,696	519,732
Collected	(1,360,257)	(22,249)	(6,627)	(1,389,133)
<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	886,012	82,335	85,377	1,053,724

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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.

	Due on demand	Due within one year	Due after one year	Total
December 31, 2025				
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	893,002	3,144,303	36,631	4,073,936
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	704,579	1,719,842	673,442	3,097,863
Net position	188,423	1,424,461	(636,811)	976,073
Cumulative net position	188,423	1,612,884	976,073	-

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	Due on demand	Due within one year	Due after one year	Total
December 31, 2024				
Financial assets:				
Cash and other cash items	1,484	-	-	1,484
Due from BSP	5,568	-	-	5,568
Due from other banks	219,583	38,380	-	257,963
Loans and 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	226,635	989,443	35,663	1,251,741
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	53,848	557,613	10,732	622,193
Net position	172,787	431,837	24,923	629,547
Cumulative net position	172,787	604,624	629,547	

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.

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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.

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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:

	Current	Non-current	Total
December 31, 2025			
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	4,053,675	276,736	4,330,411
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	2,572,931	624,332	3,197,263
	Current	Non-current	Total
December 31, 2024			
Cash and other cash items	1,484	-	1,484
Due from BSP	5,568	-	5,568
Due from other banks	257,963	-	257,963
Loans and 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	1,223,276	70,225	1,293,501
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	722,116	310,569	1,032,685

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.

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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.

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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.

	Notes	Level 1	Level 2	Level 3	Total
December 31, 2025					
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
		896,448	-	3,177,488	4,073,936
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
		-	-	3,097,863	3,097,863
December 31, 2024					
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
		265,015	-	986,726	1,251,741
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
		-	-	629,845	629,845

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.

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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.

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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:

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

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).

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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.

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

8. Cash and cash equivalents

Cash and cash equivalents as at December 31 follow:

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

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.

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The details of Due from other banks are disclosed below:

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

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:

	2025	2024
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)
	3,123,457	908,689

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

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

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

	2025	2024
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	651,389	81,558

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.

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

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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.

	Investment property	Land and building	Furniture and fixtures and IT equipment	Transportation equipment	Right-of- use asset	Total
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	3,429	-	2,779	5	70,860	77,073
Balance at January 1, 2024, net of accumulated depreciation	3,567	2,303	94	30	-	5,994
Additions	-	-	3,526	-	9,255	12,781
Disposals	-	(2,303)	-	-	-	(2,303)
Depreciation and amortization	(71)	-	(767)	(11)	(1,851)	(2,700)
Balance at December 31, 2024, net of accumulated depreciation	3,496	-	2,853	19	7,404	13,772

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.

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11. Other assets

This account consists of the following:

	2025	2024
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
	41,494	15,518
Allowance for impairment	(233)	(253)
	41,261	15,265

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:

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

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.

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13. Other liabilities

The breakdown of this account is shown below.

	2025	2024
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
	151,873	57,703

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.

	2025	2024
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	69,374	7,627

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:

	Within 1 Year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Total
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	14,676	14,923	14,495	13,835	11,445	69,374
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	1,732	1,844	1,962	2,089	-	7,627

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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.

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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.

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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:

	Notes	2025	2024
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
		1,806,931	613,518

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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:

	Note	2025	2024
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.

	Notes	2025	2024
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.

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

	2025	2024
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:

	2025	2024
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:

	Impact on post-employment benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
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.

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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:

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

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.

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

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

	2025	2024
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	(514)	-
Tax expense (benefit)	(6,883)	69,528

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

	Statements of financial position		Statements of comprehensive income			
	2025	2024	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*.

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(a) Selected Financial Performance Indicators

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

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

(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:

	2025	%	2024	%
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%
	3,495,101	100.00%	1,053,724	100.00%

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

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

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(d) Credit status of loans

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

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

(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:

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

(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.

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:

Taxable Transactions	Tax Base	GRT
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.

(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.