Sun Savings
Bank

Sunnier Side of Banking

Brighter days.
Smarter choices.
Stronger future.

CCLEX, Cebu

2025 ANNUAL REPORT

What's Inside

About the Cover

The 2025 Annual Report cover of Sun Savings Bank captures the essence of the Bank's vision of delivering the *"Sunnier Side of Banking."* The image prominently features a modern Sun Savings Bank branch set against the iconic Cebu-Cordova Link Expressway (CCLEX), symbolizing connectivity, progress, and regional growth.

The use of warm sunrise tones reflects optimism, renewal, and forward momentum—reinforcing the Bank's commitment to providing brighter financial opportunities for its clients and communities. The modern architectural design of the branch highlights stability, accessibility, and the Bank's growing physical presence, while the surrounding cityscape signifies economic development and expanding market reach.

The tagline **"Brighter days. Smarter choices. Stronger future."** encapsulates the Bank's strategic direction—focused on empowering clients through responsible lending, innovative solutions, and sustainable growth.

Together, the visual elements and messaging convey a strong narrative of resilience, trust, and progress. The cover not only represents the Bank's current strength but also its continued commitment to advancing financial inclusion, strengthening community ties, and building a future-ready institution.

At A Glance

"Building a Brighter Future, Together,

Sun Savings Bank (the "Bank") is a locally incorporated thrift bank established in June 1997, originally operating under the name Urban Corp. Development Bank. In May 2004, the Bank was renamed EIB Savings Bank and, by August of the same year, was granted a Certificate of Authority by the Bangko Sentral ng Pilipinas (BSP) to operate as a thrift bank. During its early years under previous ownership, the Bank primarily focused on microfinance lending.

A major milestone was reached in June 2011, when the Bank was acquired by a consortium of seasoned investors with deep expertise in the banking sector. The group is composed of Fleetwood Holdings, Inc. (FHI), Project Quest Corporation (PQC), Santos Gonzalez Hijos, and Navion Capital Resources.

At the time of acquisition, Sun Savings Bank operated a single branch, with total assets of PHP 69 million, liabilities of PHP 1 million, and equity of PHP 68 million. Following the transition, the new management implemented a strategic roadmap aimed at transforming the Bank into a competitive institution focused on consumer and SME banking. This direction aligned with the evolving financial landscape, including the rise of financial technology and the increasing demand for digital banking services.

As of 2025, the Bank has successfully executed a disciplined expansion strategy across Cebu Province, growing its network to nine (9) branches. These are strategically distributed to maximize accessibility and support regional development: three (3) branches in Metro Cebu, three (3) in Southern Cebu, and three (3) in Northern Cebu. This expansion reflects the Bank's strong commitment to delivering accessible, community-based financial services and strengthening its presence across key growth areas in Cebu Province.

In parallel with its physical expansion, Sun Savings Bank continues to accelerate its digital transformation initiatives. The Bank remains committed to enhancing its digital infrastructure to provide secure, seamless, and customer-centric services. Key initiatives include ongoing improvements to its online banking platforms, expansion of mobile banking capabilities, and the integration of innovative technologies designed to enhance customer experience, improve operational efficiency, and support the evolving needs of its clients.

How We Govern

Our Vision

Sun Savings Bank will be the preferred bank for consumers, professionals, and entrepreneurs who are looking for rewarding and convenient digital banking services.

Sun Savings Bank aspires to be the trusted financial partner of choice for consumers, professionals, and entrepreneurs by delivering rewarding, accessible, and technology-driven financial solutions. As the financial landscape continues to evolve, the Bank remains committed to providing convenient and innovative digital banking services that elevate customer experience, promote financial inclusion, and address the diverse and changing needs of its clients.

By embracing innovation, streamlining processes, and developing customer-centric products, Sun Savings Bank aims to simplify everyday banking and empower individuals and businesses to achieve their financial goals. From mobile banking and online loan applications to seamless fund transfers and digital payment solutions, the Bank ensures that every customer interaction is efficient, secure, and aligned with modern lifestyles.

Through this vision, Sun Savings Bank positions itself not only as a provider of financial services but also as a proactive partner in the financial journey of its clients—delivering value, building trust, and continuously improving to meet the demands of a dynamic market.

Our Mission

We will achieve our vision through investments in Information Technology (IT), human capital, strategic branch network, and product offerings for identified target markets.

Sun Savings Bank is committed to realizing its vision through sustained and strategic investments in the foundations that drive long-term growth and resilience. These include strengthening its Information Technology (IT) infrastructure to support secure, efficient, and innovative digital banking services; cultivating its human capital to build a highly skilled, responsive, and customer-focused organization; and expanding and optimizing its branch network to ensure greater accessibility and community presence.

In addition, the Bank continuously develops and refines its product offerings to meet the evolving financial needs of its identified target markets—consumers, professionals, and entrepreneurs. By aligning its services with customer requirements and market trends, Sun Savings Bank is able to deliver relevant, practical, and meaningful financial solutions.

Through these efforts, the Bank remains dedicated to empowering its clients, fostering financial inclusion, and contributing to sustainable economic growth in the communities it serves.

Our Core Values

We consistently uphold our HEART core values, which stand for:

- **H** Honesty and Integrity
- **E** Excellence
- **A** Ability and Agility
- **R** Respect
- **T** Transparency and Teamwork

These core values serve as the guiding principles that shape our culture, define our identity, and influence every decision we make. They are deeply embedded in our daily operations, ensuring that we conduct business with professionalism, accountability, and ethical responsibility.

By living out our HEART values, Sun Savings Bank fosters a culture of trust, collaboration, and continuous improvement. These principles enable us to build strong and lasting relationships with our customers, stakeholders, and communities. Ultimately, they reinforce our commitment to delivering exceptional financial services while contributing to the growth, stability, and prosperity of the people and areas we serve.

Our Business Model

Sun Savings Bank remains steadfast in its commitment to delivering value-for-money financial services tailored to the needs of consumers, professionals, and entrepreneurs.

The Bank's business model is anchored on providing accessible, affordable, and relevant financial solutions that create meaningful impact for its clients. By offering competitive interest rates, innovative products, and personalized customer service, Sun Savings Bank ensures that its services remain practical and beneficial across its target markets.

Complemented by its expanding branch network and growing digital capabilities, the Bank effectively combines community-based banking with modern financial technology. This integrated approach allows Sun Savings Bank to reach a wider customer base while maintaining a high level of service quality and operational efficiency.

Through this balanced strategy, the Bank continues to strengthen its position as a reliable financial partner—helping individuals and businesses manage their finances, seize opportunities, and achieve long-term financial success.

President's Report

"Delivering Resilient Growth and Sustained Performance in 2025"

The Bank concluded 2025 on a strong note, delivering solid financial results anchored on sustained growth in its core lending activities, an expanding deposit base, and disciplined execution of its strategic initiatives.

Net income increased by 18.5% year-on-year to ₱103 million, reflecting improved operational performance and the Bank's ability to generate consistent earnings despite a competitive and evolving market environment. This growth was driven by higher loan volumes, particularly in salary loans for DepEd teachers and personnel, which continue to be a key contributor to the Bank's revenue base, alongside notable gains in the auto loan portfolio.

Operating performance remained sound, supported by continued growth in both interest and non-interest income streams, while expenses increased at a measured pace. This underscores the Bank's sustained focus on cost efficiency and prudent expense management.

The Bank's balance sheet remained robust, with total assets growing by 9.7% to ₱4.5 billion. This was supported by an 11.6% expansion in the loan portfolio to ₱3.5 billion, as well as improved liquidity levels. Deposit liabilities recorded strong growth of 15% to ₱3 billion, reflecting sustained client confidence and effective deposit generation efforts. Meanwhile, bills payable declined by 12% to ₱660 million due to prepayments and the settlement of maturing obligations, strengthening the Bank's funding structure and reducing reliance on borrowings.

Capital growth remained solid, with shareholders' equity increasing by 13% to ₱713 million. This resulted in a Capital Adequacy Ratio (CAR) of 16.65%, well above the Bangko Sentral ng Pilipinas' minimum requirement, providing a strong foundation to support the Bank's continued growth. The Bank also improved its Return on Equity (ROE) to 15.34% from 14.83% in the previous year, reflecting stronger earnings generation and more efficient utilization of capital.

Loan growth remained steady at 13% year-on-year, driven by continued expansion in core lending segments, particularly DepEd salary loans, complemented by gains in other lending portfolios. Asset quality remained stable, with the Bank maintaining a non-performing loan (NPL) ratio of 2.75% in 2025, broadly unchanged from 2.76% in the previous year. At the same time, the Bank continued to adopt a balanced and prudent approach to portfolio management.

On the funding side, deposit growth continued to be driven largely by time deposits, which account for the majority of the deposit mix. While this supports liquidity and growth, it also presents an opportunity for the Bank to further strengthen its CASA base to optimize funding costs over the long term.

The Bank maintained stable asset yields, with average loan yields slightly improving to 14.74%, demonstrating effective pricing strategies and solid portfolio performance. However, the cost of funds increased moderately to 5.97%, reflecting competitive market conditions and higher funding requirements.

Overall, the Bank's liquidity and capital positions remain sound, supported by prudent asset-liability management and adequate buffers to meet operational and strategic requirements.

In addition to its financial performance, the Bank continued to expand its footprint with the opening of branch-lite units in Bogo City and Moalboal, bringing its network to nine banking offices across Cebu Province, with further expansion planned in Dumaguete. The Bank also advanced its digital transformation initiatives, including the upgrade to a new core banking system and the ongoing development of digital and mobile banking services.

In summary, 2025 reflects a year of disciplined growth and strengthened fundamentals. The Bank remains well-positioned to build on this momentum by enhancing its digital capabilities, optimizing its funding mix, and expanding its market presence—reinforcing its role as a reliable financial partner to its clients and a contributor to regional economic development.

Following these strong results and upon approval of the 2025 audited financial statements at the 2026 stockholders' meeting, the Bank declared cash dividends amounting to ₱238.3 million. Of this amount, ₱30 million was paid out to stockholders, while ₱208.3 million was reinvested into the Bank, increasing its paid-up capital from ₱391.7 million to ₱600 million for 2026. This reinvestment reflects the stockholders' continued confidence in the Bank's growth strategy and further strengthens its capital base to support future expansion.

Challenges & Opportunities

Challenges and How the Bank Managed Them

The enactment of the Capital Markets Efficiency Promotion Act (CMEPA), or Republic Act No. 12214, which removed the tax exemption previously granted to long-term (five-year) time deposits, resulted in a shift in depositor behavior across the banking sector. Without the tax advantage, longer-term placements became less attractive, prompting clients to favor shorter-term deposits that offer greater flexibility and comparable after-tax returns. This development intensified competition among banks in attracting and retaining deposit funds, particularly within the short-term segment.

In response, the Bank remained competitive by adjusting its pricing strategy, particularly by offering more attractive rates on short-term time deposits to align with evolving market conditions and client preferences. This proactive approach enabled the Bank to sustain deposit growth while maintaining liquidity and effectively managing funding costs, demonstrating its ability to adapt to regulatory changes and market dynamics.

Opportunities and Growth Potential

Amid a dynamic operating environment, Sun Savings Bank is well-positioned to capitalize on emerging opportunities that support its long-term growth and sustainability.

The Bank continues to benefit from strong deposit growth momentum, reflecting sustained client confidence and providing a solid foundation for expanding its funding base and supporting future lending activities.

A key strategic opportunity lies in the expansion of the CASA portfolio, which will enable the Bank to optimize its funding mix, reduce overall cost of funds, and improve margin efficiency over time.

Bank is exploring initiatives to **enhance its core banking system and automate key banking processes**, aimed at improving processing speed, accuracy, and overall operational efficiency. These efforts support faster turnaround times, better service delivery, and a more seamless banking experience for clients as digital capabilities continue to evolve.

The Bank's focus on portfolio diversification supports a shift toward higher-yielding and more sustainable lending segments, including **earned wage access solutions and digital platforms such as B2B e-commerce and inventory applications designed for sari-sari store owners and micro-retailers in the Philippines**, thereby enhancing profitability while expanding financial inclusion.

The Bank continues to enhance its risk management and governance to support sound decisions, resilience, and stakeholder confidence. It remains committed to sustainable banking, strengthening its reputation while contributing to community development and long-term growth.

Strategic Initiatives

Driving Digital Transformation

In 2025, Sun Savings Bank continued to accelerate its digital transformation agenda in line with its vision to deliver convenient, secure, and customer-centric financial services. These initiatives are designed to modernize operations, improve efficiency, and expand the Bank's reach across its target markets.

Core Banking System Modernization

The Bank progressed in upgrading its legacy core banking system into a more robust and scalable platform. This modernization initiative is expected to enhance operational efficiency, enable real-time data processing, and support the seamless integration of digital channels. The upgraded system will also position the Bank to respond more effectively to market demands and regulatory requirements.

Enhanced Digital Channels

The development of the Bank's mobile banking capabilities continues to advance, with a focus on delivering a more intuitive and accessible customer experience. These enhancements will support key services such as digital account onboarding, fund transfers, bill payments, and loan transactions, providing customers with greater convenience and flexibility in managing their finances.

Digital Lending and Portfolio Optimization

In line with evolving market conditions, the Bank continues to strengthen its core lending segments, particularly APDS and auto loans, while leveraging digital platforms to improve loan processing and customer acquisition. To further support growth in its auto loan portfolio, the Bank is actively expanding its network of accredited car dealers across Cebu, enhancing market reach and improving access to financing opportunities. These efforts position the Bank to capture increasing demand in the auto lending segment while maintaining a competitive and customer-focused approach.

Branch Network and Market Expansion

The Bank's expansion strategy remains focused on strengthening its presence across Cebu, with a total of nine (9) branches strategically located in Metro Cebu, Southern Cebu, and Northern Cebu. This balanced geographic footprint enables the Bank to effectively serve its communities while supporting its growing digital capabilities.

Building on this foundation, the Bank is preparing for expansion into the Negros region, with Dumaguete identified as a key growth area. This initiative represents a strategic step toward broadening the Bank's geographic reach and tapping into new markets with strong economic potential. In parallel, the Bank is also exploring opportunities for future expansion in the Panay region, as part of its longer-term regional growth strategy.

The continued integration of physical branch presence and digital channels ensures that customers benefit from both personalized service and convenient, technology-enabled banking solutions, positioning the Bank for sustained and inclusive growth.

Funding and Balance Sheet Optimization

Recognizing the importance of sustainable funding, the Bank has intensified efforts to improve its deposit mix by promoting CASA growth and developing more competitive and innovative deposit products. These initiatives aim to gradually reduce reliance on higher-cost time deposits and improve overall funding efficiency.

At the same time, the Bank continues to strengthen its asset-liability management framework to ensure adequate liquidity, manage maturity gaps, and support long-term balance sheet stability.

ESG Initiatives

Sun Savings Bank remains committed to embedding environmental, social, and governance (ESG) principles into its operations and long-term strategy.

Environmental Stewardship

The Bank continues to promote sustainable practices through initiatives such as paperless loan processing and digital documentation, reducing environmental impact while enhancing operational efficiency.

Social Responsibility

The Bank supports employee well-being through health and wellness programs that foster a productive and resilient workforce. It also remains actively engaged in community development through partnerships with the Department of Education (DepEd) and participation in programs such as Brigada Eskwela and youth development initiatives, reinforcing its commitment to education and social inclusion.

Good Governance

Strong governance remains a cornerstone of the Bank's operations. The Bank continues to enhance its internal controls, strengthen risk management practices, and uphold transparency and accountability in all business processes, ensuring compliance with regulatory standards and safeguarding stakeholder interests.

Financial Performance In Focus

2025

In Million Pesos	2025	2024	2023
Profitability			
Total Interest Income	**546.7**	485.5	432.6
Total Interest Expense	**211.7**	187.5	172.0
Net Interest Income	**335.0**	298.0	260.6
Net Income	**103.0**	86.9	79.1
Balance Sheet			
Total Assets	**4,486.4**	4,090.4	3,636.3
Total Liquid Assets	**830.2**	808.0	735.6
Gross Loans	**3,566.5**	3,196.3	2,809.6
Provision for Credit Loss	**69.7**	66.9	61.6
Total Liabilities	**3,773.0**	3,461.0	3,094.0
Deposits	**3,008.8**	2,629.0	2,116.9
Bills Payable	**659.1**	749.9	894.4
Total Equity	**713.4**	629.4	542.3
Key Ratios*			
	2025	**2024**	**2023**
Return on Assets (ROA)	**2.40%**	2.25%	2.37%
Return on Equity (ROE)	**15.34%**	14.83%	15.75%
Net Interest Margin	**8.16%**	8.08%	8.21%
NPL Ratio	**2.75%**	2.76%	3.76%
Loan Coverage Ratio	**63.96%**	68.56%	57.62%
MLR	**25.76%**	23.92%	32.08%
Capital Adequacy Ratio	**16.65%**	16.24%	16.02%
Cost to Income Ratio	**59%**	62%	61%

*Audited

Our Approach to RISK

Overall Risk Management Philosophy

Bank-Wide Risk Governance Structure and Risk Management Process

Sun Savings Bank recognizes that risk-taking is integral to achieving its strategic goals. However, risks must be prudently identified, assessed, monitored, and managed in line with the Bank's risk appetite, which serves as a cornerstone of its Risk Management Framework. The Bank continues to strengthen its Enterprise Risk Management (ERM) practices through enhanced governance, clearer accountability, and the integration of both quantitative and qualitative risk measures to support sustainable growth.

Risk Appetite

The Bank's risk appetite defines the types and levels of risk it is willing to accept in pursuit of its business objectives, while maintaining financial soundness, regulatory compliance, and stakeholder confidence. It is reviewed periodically and approved by the Board of Directors.

In setting the risk appetite, the Bank considers a range of factors, including capital adequacy, earnings targets, liquidity profile, market conditions, and internal risk capacity. The risk appetite is translated into operational limits and thresholds covering various risk categories such as credit, liquidity, market, operational, compliance, IT, legal, and reputational risks.

As part of the enhanced ERM framework, the Bank has introduced more clearly defined risk tolerance limits, particularly for operational risk, including quantitative thresholds for loss events, frequency triggers, and escalation levels, as well as qualitative considerations such as regulatory, reputational, and customer impact. These parameters guide management in strategic decision-making, business planning, and day-to-day operations.

"As the operating environment evolves, Sun Savings Bank continues to enhance its enterprise risk management practices—ensuring that risks are identified, measured, and managed with discipline, transparency, and strategic intent."

Governance Structure and Oversight

The Board of Directors (BOD) holds ultimate accountability for risk oversight and sets the tone at the top. It is responsible for approving the Bank's overall risk appetite, risk management policies, and strategic direction.

The BOD is supported by several board-level committees and senior management, as follows:

- **Board of Directors (as a whole):** Assumes primary responsibility for risk oversight, including review of the Bank's overall risk profile, significant risk exposures, and the adequacy of risk mitigation strategies.
- **Audit Committee:** Supports the BOD by overseeing internal control systems, audit findings, and risk issues raised in internal and external audit reports.
- **Executive Committee (ExCom):** Reviews and approves large exposures, strategic business initiatives, and capital expenditures with significant risk implications.
- **Information Technology (IT) Committee:** Provides governance over technology and cybersecurity risks, ensuring alignment with IT strategies and digital resilience frameworks.
- **Related Party Transactions (RPT) Management Committee:** Ensures related party transactions are conducted on an arm's length basis, safeguarding the Bank from governance and reputational risks.
- **Compliance and Risk Management Department (CRMD):** Operates as an independent second line of defense. It is responsible for the day-to-day implementation and monitoring of risk management policies and processes.
- **Chief Compliance and Risk Officer (CCRO):** Leads the CRMD and is responsible for executing the risk management strategy. The CCRO reports functionally to the Board (through direct presentation of risk reports) and administratively to the President & CEO, ensuring independent risk assessments and timely escalation of material and high-severity risk events.

The enhanced ERM framework further strengthens risk governance through a defined escalation hierarchy, ensuring that material events are elevated to Senior Management and high-severity risks are escalated to the Board for appropriate action

Reporting Lines and Risk Communication

Each business unit is responsible for identifying and managing risks within its respective operations. All risk-related matters are reported directly to the Compliance and Risk Management Department (CRMD), which serves as the central unit for consolidating, monitoring, and reporting risk information.

The CRMD provides regular updates to senior management and the Board on key risk exposures, compliance issues, and notable incidents. Risk reporting includes relevant data and insights to support informed decision-making and ensure alignment with the Bank's risk management objectives. Enhanced reporting mechanisms now incorporate structured classification and monitoring of risk events, improving transparency and responsiveness.

Scope and Nature of Risk Reporting Systems

The Bank employs a combination of qualitative and quantitative methods to monitor and assess various types of risks, including credit, market, operational, liquidity, compliance, IT/cybersecurity, and reputational risks.

As part of its ERM enhancements, the Bank has strengthened its Operational Loss Events Database, enabling systematic classification, tracking, and analysis of loss events. This supports improved risk monitoring, better identification of trends, and more proactive mitigation strategies.

Risk exposures are regularly monitored to ensure they remain within acceptable levels and are aligned with the Bank's overall risk appetite. Consolidated risk information is reported to senior management and the Board to support timely and informed decision-making.

1. Credit Risk

Credit Risk refers to the potential that a borrower or counterparty may fail to meet obligations as per agreements. The Bank's lending operations adhere strictly to board-approved policies, including defined approval and exposure limits across loan types, borrowers, industries, and securities.

Non-performing and past due loans are monitored regularly, and a robust loan review mechanism is in place to enhance credit quality through compliance checks, adequate loan loss provision, and timely corrective actions.

Regulatory compliance, including limits on single borrowers and DOSRI regulations, remains strictly observed.

2. Market Risk

Market Risk refers to the potential impact on earnings or capital arising from adverse movements in market variables such as interest rates, foreign exchange rates, and credit spreads.

The Bank manages Market Risk through well-defined investment policies, including limits on exposure and quality thresholds. Investment decisions are subject to approval by the ExCom and Board, and exposures are regularly reviewed to ensure alignment with risk appetite and business objectives.

3. Interest Rate Risk

Interest Rate Risk arises from changes in interest rates that affect the Bank's earnings and capital.

The Bank actively monitors movements in Net Interest Income (NII) and ensures that the impact of rate changes remains within acceptable limits relative to capital. Temporary deviations may be allowed under adverse market conditions, subject to management oversight and timely corrective action.

4. Liquidity Risk

Liquidity Risk pertains to the Bank's ability to meet its financial obligations without incurring significant losses.

The Bank adheres to established liquidity risk management practices, including cash flow forecasting, monitoring of reserve requirements, and maintaining liquidity ratios within regulatory and internal thresholds. Contingency funding plans and stress scenarios are in place to ensure resilience under varying conditions.

5. Operational Risk

Operational Risk refers to potential losses arising from failures in internal processes, systems, human error, or external events.

The Bank continues to strengthen its operational risk framework through clearly defined controls, quantitative loss limits, and thresholds for escalation, including criteria for high-severity events and reporting to senior management and the Board.

Operational losses are monitored against defined limits, while system availability targets and internal controls ensure operational resilience. The integration of the Operational Loss Events Database further enhances monitoring, reporting, and mitigation of operational risks.

8. Compliance Risk

Compliance Risk arises from violations of laws, regulations, or internal policies that may result in penalties or reputational damage.

The Bank integrates compliance into its daily operations through structured programs, employee training, and regular audits. Recent enhancements to the compliance framework strengthen monitoring, reporting, and escalation of regulatory issues, ensuring timely response and adherence to all applicable standards.

9. Strategic Risk

Strategic Risk refers to risks arising from poor business decisions, ineffective strategy execution, or inability to respond to changes in the environment.

The Bank ensures alignment between its strategic objectives, available resources, and market conditions. Continuous monitoring and adaptive planning support sustainable growth and responsiveness to evolving industry dynamics.

6. Reputational Risk

Reputational Risk arises from negative public perception that may impact stakeholder trust and business relationships.

The Bank mitigates reputational risk through strong governance, ethical conduct, proactive stakeholder engagement, and effective complaint management processes. Continuous monitoring ensures early identification and resolution of potential issues.

7. Technology Risk

Technology Risk relates to risks affecting IT systems, data security, and operational reliability.

The Bank maintains robust IT controls, including secure infrastructure, cybersecurity protocols, and regular system audits. Investments in system resilience and monitoring ensure the protection of customer data and uninterrupted banking operations.

Bank-wide Governance and Risk Management

The Bank's governance framework supports comprehensive risk management aligned with its business profile and strategic objectives. Clear policies, risk limits, and reporting structures are communicated across all levels of the organization.

Sun Savings Bank remains committed to continuously enhancing its risk management practices through improved governance, strengthened controls, and proactive monitoring. The integration of updated ERM principles—including defined thresholds, enhanced reporting systems, and structured escalation protocols—ensures that the Bank remains resilient, responsive, and well-positioned to support sustainable long-term growth.

Anti-Money Laundering (AML) Framework

Sun Savings Bank continues to prioritize strong governance and regulatory compliance in safeguarding its operations against Money Laundering (ML) and Terrorist Financing (TF). The Bank adheres to applicable laws, regulatory requirements, and internationally accepted best practices to maintain the integrity of the financial system and protect its stakeholders.

The Board of Directors provides overall oversight of the Bank's Anti-Money Laundering (AML) strategy, supported by the designated Anti-Money Laundering Compliance Officer (AMLCO), who is responsible for the effective implementation and day-to-day management of the AML program. The Bank fosters a culture of compliance by ensuring that all employees are adequately trained and fully aware of their responsibilities in preventing financial crime. Regular training programs, reinforced by well-defined reporting protocols, enable timely identification and escalation of suspicious activities.

The Bank's AML Risk Management Framework is anchored on the following key pillars:

1. **Customer Due Diligence (CDD)**
   The Bank conducts thorough verification of customers' identities, sources of funds, and nature of business relationships. Enhanced due diligence is applied to high-risk customers to ensure a deeper level of assessment and monitoring.

2. **Transaction Monitoring**
   Transactions are monitored through established systems and controls to detect unusual or suspicious patterns. The Bank ensures timely identification and reporting of Covered Transactions (CTR) and Suspicious Transaction Reports (STR) in accordance with regulatory requirements.

3. **Record-Keeping and Reporting**
   The Bank maintains accurate and comprehensive records of customer information and transactions, in compliance with regulatory standards. Required reports are submitted timely to the Anti-Money Laundering Council (AMLC) and Bangko Sentral ng Pilipinas (BSP).

   (1) Ongoing Monitoring
   The AML framework is continuously reviewed and updated to address emerging risks, evolving typologies, and regulatory developments. This ensures that the Bank remains responsive and adaptive to the dynamic risk environment.

   (2) Internal Audits
   Independent audits are conducted regularly to assess the effectiveness of the AML program, identify gaps, and recommend improvements to strengthen controls and processes.

   (3) Collaboration with Authorities
   The Bank actively coordinates with regulatory and enforcement agencies, including the BSP and AMLC, to ensure compliance and support investigations when necessary. This collaborative approach strengthens the Bank's overall defense against financial crime.

Governance & Leadership

Corporate Governance

Sun Savings Bank is committed to upholding the highest standards of corporate governance as a foundation for long-term success, institutional integrity, and stakeholder confidence. The Bank operates within a robust governance framework that promotes transparency, accountability, fairness, and effective oversight.

The Bank is governed by a seven-member Board of Directors, three (3) of whom are independent directors, duly elected by the stockholders. The Board is responsible for setting the Bank's strategic direction, supervising management, and ensuring that appropriate control mechanisms are in place to safeguard assets and enhance shareholder value.

The Bank promotes a culture of ethical conduct and accountability, guided by its Board-approved Code of Conduct. All directors are expected to discharge their fiduciary duties with integrity, diligence, and independent judgment.

Board and Senior Management Selection Process

Sun Savings Bank maintains a structured and rigorous process for the selection and appointment of members of the Board of Directors and Senior Management, ensuring adherence to "fit and proper" standards as prescribed under Republic Act No. 8791, the Manual of Regulations for Banks (MORB), and relevant BSP issuances.

1. Identification and Nomination

The nomination of directors is coordinated by the Board, in consultation with the Corporate Secretary and relevant officers, based on defined qualification criteria such as academic background, leadership experience, industry expertise, and familiarity with banking, finance, risk management, and corporate governance.

For senior management positions, the President/CEO, in coordination with the Human Resources and Compliance units, identifies qualified candidates through succession planning, internal promotions, or external recruitment.

2. Fit and Proper Standards Assessment

All candidates undergo a comprehensive evaluation to ensure they meet the following criteria:

- Integrity and good moral character
- Physical and mental fitness
- Relevant educational background and financial literacy
- Professional competence and leadership capability
- Independence of judgment
- Ability to dedicate sufficient time and attention

3. Due Diligence and Background Checks

The Bank conducts thorough background checks and reference verifications to confirm the credibility, reputation, and professional history of candidates, including screening for any legal or regulatory issues.

4. Approval and Appointment

The final list of Board nominees is submitted for Board review and, where applicable, presented to stockholders for election during the Annual Stockholders' Meeting. Appointments to Senior Management are endorsed by the President/CEO and approved by the Board.

5. Ongoing Evaluation and Governance Training

Directors and Senior Management are required to undergo continuous governance training in line with BSP requirements. Regular performance evaluations are conducted to ensure continued compliance with fit and proper standards.

Board Qualifications

In compliance with Republic Act No. 8791 and the Manual of Regulations for Banks, the Bank ensures that all members of the Board and Senior Management meet minimum regulatory qualifications. These standards are periodically reviewed to align

Strong governance remains the foundation of Sun Savings Bank's integrity, ensuring accountability, transparency, and responsible leadership in driving sustainable growth and protecting stakeholder value.

with evolving regulatory expectations and institutional requirements.

Chairman of the Board

The Chairman of the Board plays a critical leadership role in ensuring the effectiveness and strategic direction of the Board. The Chairman facilitates productive discussions, promotes active participation among directors, and ensures that all members have access to accurate and timely information to support sound decision-making.

The Chairman also oversees Board governance processes, including director orientation, continuing education, and performance evaluation. Through strong leadership and inclusive dialogue, the Chairman ensures that diverse perspectives are considered, thereby enhancing the quality of Board deliberations and decisions.

Board-Level Committees

To strengthen governance and enhance oversight efficiency, the Board has established specialized committees, each operating under a formal charter approved by the Board. These committees are tasked with providing focused oversight on key governance areas and supporting informed decision-making.

Each committee is composed of qualified directors with the appropriate expertise and experience to effectively discharge their responsibilities. They meet regularly and submit reports and recommendations to the Board, ensuring transparency, accountability, and timely action on critical matters.

Executive Committee

Chairman:	Francisco A. Dizon
Members:	Augusto S. Gonzalez
	Catalino S. Abacan

The Executive Committee acts on behalf of the Board during the interim periods between regular Board meetings. It exercises authority delegated by the Board to manage and oversee the Bank's affairs in accordance with the Bank's By-laws and within the limits prescribed by law and applicable regulations.

The Committee is tasked with addressing significant matters, including key operational policies and major credit exposures, subject to subsequent ratification by the full Board.

Audit Committee

Chairman:	Catherine M. Cheung
Members:	Catalino S. Abacan
	Renato S. Gonzalez, Jr

The Audit Committee is composed of three (3) members of the Board of Directors, all of whom are non-executive directors.

The primary functions of the Audit Committee are guided by Section 133 of the Manual of Regulations for Banks (MORB) and include the following:

1. **Oversee the Financial Reporting Framework:**
   The Committee supervises the financial reporting process, practices, and controls to ensure that the Bank's reporting framework facilitates the preparation of accurate, timely, and comprehensive financial information.

2. **Monitor Internal Controls:**
   It evaluates the adequacy and effectiveness of the Bank's internal control systems to safeguard assets and ensure compliance with policies and regulations.

3. **Oversee the Internal Audit Function:**

   The Committee is responsible for the appointment, remuneration, and dismissal of the internal auditor. It reviews and approves the audit scope, frequency, and plans to ensure thorough coverage of the Bank's operations.

4. **Oversee Implementation of Corrective Actions:**

   Upon receiving key audit reports, the Committee ensures that senior management takes prompt and appropriate corrective actions to address identified weaknesses, non-compliance issues, and other audit findings.

5. **Investigate Significant Issues:**

The Committee has explicit authority to investigate any matter within its terms of reference. It has full access to and cooperation from management and may invite any director or executive officer to attend its meetings as necessary.

6. **Establish Whistleblowing Mechanism:**

   The Committee establishes and maintains confidential channels through which officers and staff can report concerns about potential improprieties or malpractices related to financial reporting, internal controls, auditing, or other issues. It ensures that these concerns are independently investigated, with appropriate follow-up and resolution.

IT Committee

Chairman: Noel A. Santiago
Members: Catalino S. Abacan
Francisco A. Dizon
Augusto S. Gonzalez

The IT Committee plays a crucial role in several key areas. It assists in developing and reviewing the bank's IT strategy to ensure alignment with business goals and effective support from IT investments. The committee oversees governance frameworks, ensuring robust policies, procedures, and controls are in place to manage IT risks, including cybersecurity and data privacy. It actively manages IT-related risks and monitors performance through KPIs, ensuring IT systems and projects operate effectively. Compliance with laws and regulations is rigorously maintained, with regular audits and reviews conducted. Additionally, the committee reviews and approves major IT investments and budgets, aligning resources with strategic priorities. It also guides digital transformation initiatives, leveraging new technologies to enhance operational efficiency and customer experience. Finally, the committee provides transparent and accountable reporting to the Board on significant IT projects, risks, and compliance matters.

RPT Management Committee

Chairman: Francisco A. Dizon
Members: Augusto S. Gonzalez
Metchell C. Abarquez, Accounting Manager

Sun Savings Bank adheres to a policy ensuring that related party transactions (RPTs) are conducted transparently and on an arm's length basis, free from abuse and disadvantageous outcomes for the Bank, its depositors, creditors, and stakeholders. The Management RPT Committee oversees and implements effective control systems to manage these transactions.

Transactions below the materiality threshold, excluding Directors, Officers, Stockholders, Related Interests (DOSRI) transactions, are approved by the Management RPT Committee, subject to confirmation by the Board of Directors. Transactions exceeding the materiality threshold require direct Board approval.

Responsibilities of the Management RPT Committee include:

- Continuously evaluating existing relationships among businesses and counterparties to identify related parties, monitor RPTs, and capture changes in counterpart relationships (from non-related to related and vice versa). These details are reflected in relevant reports to the Board and regulatory bodies.

- Evaluating all significant RPTs to ensure they do not favor related parties economically more than transactions with non-related parties under similar circumstances. This evaluation ensures no misappropriation or misapplication of the Bank's corporate resources and identifies potential reputational risks associated with these transactions.

- Ensuring appropriate disclosure and providing information to regulatory and supervisory authorities regarding the Bank's RPT exposures and policies on conflicts of interest. This includes managing conflicts inconsistent with policies and those arising from the Bank's affiliations or transactions with related parties.

- Regularly reporting to the Board of Directors on the status and aggregate exposures to each related party, as well as the total exposures to all related parties.

- Ensuring RPT transactions are included in the Internal Auditor's periodic reviews.

- Verifying the implementation of systems for identifying, monitoring, measuring, controlling, and reporting RPTs, including the periodic review of RPT policies and procedures.

OUR LEADERSHIP

Board of Directors

Who Leads the Bank

Catalino S. Abacan
Chairman of the Board

- Appointed Director (2019); Chairman since January 2020
- Former **President & CEO of City Savings Bank** (Aboitiz Group)
- Former **Independent Director of Robinsons Bank**, chaired Audit Committee and served in Risk and RPT Committees
- Extensive banking career spanning over four decades, including senior roles at **Union Bank of the Philippines** and **PhilBank**
- Strong background in **operations, credit, and banking strategy**
- Certified Public Accountant; BSBA (Accounting), University of the East; MBA units, Ateneo Graduate School of Business

Francisco A. Dizon
Director; President & CEO

- President & CEO of Sun Savings Bank
- Chairman/President of **Pacific Northstar Inc.** and **Project Quest Corp.**
- Chairman of BPO International and Phoenix One Knowledge Solutions
- Former **Chairman of Philippine National Bank (2001–2005)**
- Former **President & CEO of RCBC and Asian Bank Corporation**
- Former President of **AB Capital and Investment Corporation**
- Extensive leadership experience in commercial and universal banking, investment banking, and corporate governance
- MBA, Asian Institute of Management; Bachelor's degree, Ateneo de Manila University

Augusto S. Gonzalez
Director; Executive Vice President & Treasurer

- EVP, Treasurer, and Director of the Bank
- Vice President of Pacific Northstar Inc.
- Extensive experience in **investment banking, treasury, and corporate finance**
- Former Senior Manager at **AB Capital Investment Corporation**
- Former Corporate Finance Analyst at **SGV & Co.**
- Director in several corporations including Project Quest Corp. and technology firms
- MBA, Northwestern University; Bachelor's degree, Ateneo de Manila University

Carissa Anna G. Dizon
Director

- Appointed Director in 2021
- Extensive background in **technology, marketing, and digital strategy**
- Former leader at **Google**, handling product marketing and business strategy across Asia Pacific and emerging markets (including Africa)
- Previous leadership roles at **Procter & Gamble** and **Nokia**
- Provides strategic direction in **digital banking and customer growth initiatives**
- Bachelor's degree, Yale University; Master of International Affairs, Columbia University

Renato S. Gonzalez, Jr.
Director

- Director since 2021; formerly Senior Adviser to the Board
- Experience in **retail operations, consumer behavior, and payments systems**
- Currently Purchasing and Leasing Manager at Grand Union Supermarket
- Background in corporate finance and retail expansion
- Provides insights on **consumer market trends, SME banking, and digital payments**
- Degree in Legal Management, Ateneo de Manila University

Catherine M. Cheung
Independent Director

- Independent Director since 2022
- Certified Public Accountant with nearly **40 years of banking experience**
- Former Senior Vice President and Salary Loans Business Head at **City Savings Bank**
- Former First Vice President at **Union Bank of the Philippines**, with leadership roles in sales, operations, and lending

- Strong expertise in **retail banking, public sector lending, and regional operations**
- BS Accountancy (cum laude), University of San Carlos – Cebu

Noel A. Santiago
Independent Director

- Independent Director since 2023
- Executive Vice Chairman of **Zip Technologies (Fintech)**
- Former Chief Digital Officer of **Bank of the Philippine Islands (BPI)**
- Led national digital initiatives, including **InstaPay and PESONet (ACH programs)**
- Former leader in **USAID digital transformation initiatives for SMEs**
- Extensive regional banking experience with **DBS and UOB (Singapore)**
- Expert in **digital banking, payments, and financial technology innovation**
- Executive programs: INSEAD, Harvard Business School, Macquarie
- Bachelor's degree, De La Salle University

Board Composition, Representation, and Meeting Attendance

As of December 31, 2025, the Board of Directors of Sun Savings Bank is composed of seven members, representing a balanced mix of executive, non-executive, and independent directors in accordance with regulatory requirements and sound governance practices. The Board reflects a combination of industry expertise, leadership experience, and independent judgment, which collectively support effective oversight and strategic direction of the Bank.

The Bank confirms that certain members of the Board represent principal stockholders as nominees. Mr. Francisco A. Dizon serves as nominee of Fleetwood Holdings Inc. and Project Quest Corp., while Mr. Augusto S. Gonzalez represents Santos Gonzalez Hijos, Inc. and Navion Capital Resources Corp., all of which are principal stockholders of the Bank.

Detailed information on Board composition, as well as attendance in Board and Board committee meetings, is presented in the accompanying schedules. These records demonstrate the active participation and engagement of directors in fulfilling their governance responsibilities throughout the year.

Board Composition

Directors	Type of Directorship	Stockholdings (No of Shares)	Years of Service
Catalino S. Abacan	Independent Director	1	6
Francisco A. Dizon	Executive Director	1	14
Augusto S. Gonzalez	Executive Director	1	14
Carissa Anna G. Dizon	Non-Executive Director	1	4
Renato S. Gonzalez, Jr.	Non-Executive Director	1	4
Catherine M. Cheung	Independent Director	1	4
Noel A. Santiago	Independent Director	1	3

Board Meeting Attendance

Name	Board				Annual Stockholders and Organizational	
	Regular		Special			
	No. of Meetings Attended	Attendance Rate	No. of Meetings Attended	Attendance Rate	No. of Meetings Attended	Attendance Rate
Catalino S. Abacan	6 out of 6	100%	1 out of 1	100%	1	100%
Francisco A. Dizon	6 out of 6	100%	1 out of 1	100%	1	100%
Augusto S. Gonzalez	6 out of 6	100%	1 out of 1	100%	1	100%
Carissa Anna G. Dizon	6 out of 6	100%	1 out of 1	100%	1	100%
Renato S. Gonzalez, Jr.	6 out of 6	100%	1 out of 1	100%	1	100%
Catherine M. Cheung	6 out of 6	100%	1 out of 1	100%	1	100%
Noel A. Santiago	6 out of 6	100%	1 out of 1	100%	1	100%

Board Committee Attendance

Committee Meetings	Audit Committee		Executive Committee		IT Committee	
Directors	Attendance	%	Attendance	%	Attendance	%
Catalino S. Abacan	6	100%	11	100%	3	100%
Francisco A. Dizon			11	100%	3	100%
Augusto S. Gonzalez			11	100%	3	100%
Carissa Anna G. Dizon						
Renato S. Gonzalez, Jr.	6	100%				
Catherine M. Cheung	6	100%				
Noel A. Santiago					3	100%

Performance Assessment Program

Sun Savings Bank conducts an annual performance evaluation of its Board of Directors, Senior Management, and employees to ensure alignment with its strategic objectives, risk posture, and overall organizational effectiveness. This structured assessment framework underscores the Bank's commitment to good governance, accountability, and continuous performance improvement.

The evaluation process is guided by the Bank's key strategic priorities, which focus on financial performance, customer satisfaction, operational efficiency, and employee development. These dimensions serve as the foundation for translating the Bank's vision and mission into measurable goals and actionable outcomes.

For the Board of Directors and Senior Management, the evaluation focuses on their effectiveness in providing strategic oversight, discharging governance responsibilities, and ensuring sound risk management practices. The process includes self-assessments facilitated by the Corporate Secretary, allowing for reflective evaluation and identification of areas for improvement.

For employees, performance is assessed annually by immediate supervisors using key performance indicators aligned with individual responsibilities, departmental targets, and the Bank's broader strategic direction. Both quantitative results and qualitative competencies are considered to promote a balanced and results-oriented performance culture.

The outcomes of these evaluations are used to support employee development initiatives, succession planning, and performance-based rewards, ensuring sustained alignment with the Bank's long-term goals and commitment to responsible banking.

Orientation and Education Program

Sun Savings Bank provides comprehensive orientation and continuous learning programs for its employees to equip them with the knowledge, skills, and competencies required for their roles. These

programs are regularly updated to reflect changes in banking regulations, industry practices, and internal policies. Through these initiatives, the Bank ensures

that its workforce remains well-informed, capable, and responsive to the evolving demands of the financial services environment.

Retirement and Succession Policy

Retirement Policy

Sun Savings Bank adheres to a mandatory retirement age of sixty-five (65) years old, which may be extended upon approval by the Board of Directors. In alignment with this requirement, the Bank maintains a proactive succession plan that anticipates the retirement of critical officers by preparing and developing a pool of qualified employees who can readily fill these vacancies and ensure continuity of leadership.

Succession Policy

Sun Savings Bank implements a structured succession management planning process designed to sustain organizational capability and ensure uninterrupted business operations. This process aims to develop a robust leadership pipeline by identifying, nurturing, and preparing both current employees and prospective talents for future leadership roles within the organization.

Vacancies – Board of Directors

Any vacancy in the Board of Directors may be filled by a majority vote of the remaining members, provided they still constitute a quorum. In the event of a tie, the Chairman of the Board shall cast the deciding vote. A director elected under such circumstances shall serve only for the unexpired term of the predecessor. However, vacancies arising from the removal of a director or from an increase in the number of directors shall be filled through election at a regular meeting of stockholders convened for that specific purpose.

Senior Management and Officers

Sun Savings Bank ensures that critical positions and key officers are clearly identified, along with their potential successors, to support operational continuity and long-term business success. This approach enables the organization to maintain stability and readiness in leadership transitions.

Remuneration Policy

Sun Savings Bank adopts a competitive remuneration framework designed to attract, retain, and motivate qualified officers and employees. Compensation levels are determined based on position, rank, and the results of annual performance evaluations, ensuring alignment between individual performance and organizational objectives.

In addition to fixed compensation, employees are eligible for performance-based bonuses, including the mandated 13th month pay, in accordance with applicable laws and regulations. Members of the Board of Directors receive per diems for attendance at Board and committee meetings, reflecting their responsibilities and active participation in governance activities.

Policy on Related Party Transactions (RPT)

Sun Savings Bank ensures that all Related Party Transactions (RPTs) are conducted on an arm's length basis, under transparent conditions, and in the regular course of business to safeguard the interests of the Bank, its depositors, and other stakeholders. The Bank maintains effective oversight and internal control systems to ensure that RPTs are free from abuse and are not undertaken on terms more favorable than those offered to unrelated parties.

All RPTs are subject to a defined approval process. Transactions below the materiality threshold, except DOSRI transactions, are reviewed and approved by the Management RPT Committee and subsequently confirmed by the Board of Directors. Material RPTs, or those exceeding the established threshold, require prior endorsement by the Management RPT Committee and approval by the Board. Independent review by the Compliance function is also conducted to assess the nature, value, risks, and fairness of each transaction.

Materiality thresholds and exposure limits are set and approved by the Board in accordance with regulatory requirements. A transaction is considered material if it exceeds five percent (5%) of the Bank's total capital. The Bank also enforces individual and aggregate exposure limits to related parties to control concentration risk. Certain transactions, such as regular trade dealings, deposits under normal conditions, and loans granted under BSP-approved employee benefit programs, are excluded from regular Board approval provided they comply with arm's length requirements.

All directors, officers, and stockholders are required to disclose their interests in any related party transaction. RPTs must be supported by proper documentation, comparative pricing or terms, and a clear business rationale. The Bank ensures continuous monitoring, review, and reporting of RPTs through the Management RPT Committee, Compliance/Risk Management, and Internal Audit, with periodic reporting to the Board and regulators to ensure full transparency and regulatory compliance.

The Bank enforces accountability through regular reporting, independent audits, and a whistleblowing mechanism that allows confidential reporting of unethical or abusive RPTs. Any RPT found to be improper or disadvantageous may be discontinued, with the Bank pursuing restitution for any losses incurred.

Material RPTs for the Year:

For the year 2025, the Bank did not grant any material Related Party Transactions as defined under applicable regulations. All transactions conducted during the period were within approved limits and compliant with internal policies and BSP requirements.

Self-Assessment Function

The Board of Directors and Senior Management of Sun Savings Bank conduct regular self-assessments to evaluate the effectiveness of the Bank's internal control systems, risk management processes, and governance practices. These assessments are performed periodically or as necessary to identify potential gaps and areas for improvement.

Management ensures that findings arising from these reviews are promptly addressed through the implementation of appropriate corrective actions, thereby strengthening internal controls and mitigating risk exposures.

Compliance and Internal Audit

Compliance oversight is led by the Chief Compliance and Risk Officer, who is responsible for ensuring adherence to all applicable laws, regulations, and internal policies. The Compliance Office provides regular reports to the Board of Directors on compliance status, monitoring results, and corrective actions undertaken. Reporting is conducted on a quarterly basis or more frequently as circumstances require.

The Internal Audit function operates independently and provides assurance on the adequacy and effectiveness of the Bank's internal controls, governance processes, and risk management systems. Internal Audit performs regular audits and special reviews in accordance with an annual audit plan approved by the Audit Committee.

To maintain independence and objectivity, the Internal Audit Office reports directly to the Audit Committee. Audit findings, recommendations, and corresponding management action plans are submitted periodically, with critical issues escalated promptly.

The Audit Committee provides oversight on the Internal Audit function and ensures that control systems remain robust, effective, and aligned with regulatory requirements and best practices.

Dividend Declaration

Sun Savings Bank's dividend policy is guided by the provisions of Republic Act No. 8791, as well as applicable regulations issued by the Securities and Exchange Commission and the Bangko Sentral ng Pilipinas.

The Bank may declare dividends in the form of cash, property, or stock, sourced from its unrestricted retained earnings. Dividends are distributed proportionately to shareholders based on their respective shareholdings.

Cash dividends pertaining to delinquent shares are applied to outstanding subscription balances and any related costs, while stock dividends may be withheld until such obligations are fully settled. The declaration of stock dividends requires the approval of shareholders representing at least two-thirds of the outstanding capital stock at a duly convened meeting.

In compliance with BSP regulations, the Bank ensures that all requirements are satisfied prior to the declaration of dividends. The amount available for declaration is based on unrestricted retained earnings as reflected in the latest Financial Reporting Package submitted to the BSP.

Following any declaration, the Bank submits the required report to the BSP within ten (10) business days, in accordance with prescribed regulatory procedures.

Beyond Banking

Corporate Social Responsibility (CSR)

Sun Savings Bank extended meaningful support to communities affected by the Bogo earthquake and Typhoon Tino by mobilizing relief operations in coordination with its employees, partners, and local stakeholders. Through these efforts, the Bank

provided essential items—including tarpaulins, mats, blankets, food packs, and basic household supplies—to hundreds of affected families, helping address

immediate needs and assist in restoring daily living conditions. This initiative reflects the Bank's ongoing commitment to community welfare, demonstrating its role as a dependable partner not only in financial services but also in times of need.

"Driving Positive Change Through Responsible Banking and Community Engagement."

Spreading Hope Through a Christmas Mission

In the spirit of the holiday season, Sun Savings Bank carried out a heartfelt Christmas mission aimed at bringing joy and comfort to children affected by a recent typhoon. Recognizing the emotional impact of the disaster, the Bank sought to help ease fear and trauma by creating moments of happiness and reassurance.

The team visited several schools in affected communities, distributing toys and engaging with the children in a warm and uplifting environment. Through this initiative, Sun Savings Bank reaffirmed its commitment to supporting not only financial well-being but also the resilience and recovery of the communities it serves.

***Brigada Eskwela*:**
Supporting Schools, Empowering Learners

In support of the Department of Education's annual *Brigada Eskwela* program, Sun Savings Bank actively participated in preparing schools for the opening of classes. Recognizing the importance of a safe and conducive learning environment, the Bank's team extended assistance by providing paints and helping refurbish classrooms to make them more welcoming for students.

This initiative is led by the Bank's DepEd Salary Loans Lending Group as part of its commitment to give back to the education sector. Through this effort, Sun Savings Bank continues to strengthen its partnership with schools and teachers, honoring their vital role in shaping future generations while fostering a culture of care, collaboration, and community involvement.

Safeguarding Our Clients

Consumer Protection Practices

Sun Savings Bank fully adheres to the provisions of the Financial Products and Services Consumer Protection Act (FCPA) under Republic Act No. 11765 and BSP Circular No. 1160, by establishing a comprehensive Consumer Protection Risk Management System (CPRMS). This system integrates consumer protection into the Bank's overall risk management framework, ensuring that consumer risks are identified, assessed, monitored, and controlled throughout the product and service lifecycle.

The Board of Directors exercises active oversight by formulating and approving the Consumer Protection Policy, which outlines the Bank's commitment to fair treatment, transparency, privacy protection, and equitable handling of consumer concerns. The Board ensures that consumer protection objectives are embedded in the Bank's governance, strategy, and operations.

To ensure responsive and effective resolution of customer concerns, the Bank has implemented well-defined consumer assistance policies and procedures, including the designation of a Consumer Assistance Group. This group is composed of:

- Branch Consumer Assistance Officers (BCAOs) – primarily the Branch Managers and Assistant Branch Managers who handle consumer complaints at the branch level; and
- Head Consumer Assistance Officers (HCAOs) – designated Group Heads who oversee complaint resolution and policy implementation across branches.

The Bank's complaint handling process includes clearly defined procedures, turnaround times, documentation standards, and escalation mechanisms to ensure prompt, fair, and consistent handling of all consumer concerns.

In line with BSP Circular No. 1160, the Bank is finalizing and will publish its Financial Consumer Protection Assistance Mechanism (FCPAM). The FCPAM will outline all available consumer assistance channels (in-branch, phone, online, and written communications), response timelines, escalation steps, and consumer rights. It will also include guidance on how financial consumers can seek further recourse through the Bangko Sentral ng Pilipinas if needed.

Capability-building programs for staff, especially those in frontline roles, are conducted regularly to ensure awareness and compliance with the Bank's consumer protection policies and regulatory standards.

Through these measures, Sun Savings Bank promotes a strong consumer-centric culture, upholding the rights of financial consumers and reinforcing public trust in the banking system.

Integrating Sustainability into Banking

Sustainable Finance Framework

Sun Savings Bank has adopted a Board-approved Sustainable Finance Framework (SFF) in accordance with Section 153 of the Manual of Regulations for Banks (MORB). The framework establishes the integration of environmental and social (E&S) risk considerations into the Bank's governance, risk management systems, and strategic direction, recognizing that such risks may have significant long-term implications on the Bank's operations, financial performance, and stakeholder relationships.

a. Sustainability Strategic Objectives and Risk Appetite

The Bank's sustainability strategic objectives are anchored on promoting environmentally and socially responsible banking practices while ensuring resilience to climate-related and broader E&S risks. The Board of Directors sets clear sustainability objectives across short-, medium-, and long-term horizons and ensures that these are embedded into the Bank's governance framework, risk management systems, and business strategy.

In support of these objectives, the Bank maintains a Board-approved Environmental and Social (E&S) Risk Appetite, which defines the types and levels of risks the Bank is willing to accept. The Bank adopts a conservative approach to E&S risks, considering its business model primarily focused on salary loans, with limited exposure to SME and auto lending. Salary loans are classified as low E&S risk, while SME exposures are subject to enhanced due diligence and stricter screening where elevated risks are identified.

The risk appetite framework further incorporates thresholds, limits, and escalation mechanisms to ensure that material E&S risks are promptly identified and managed, and that such risks are considered in capital planning and stress testing processes.

b. Overview of Environmental and Social Risk Management System (ESRMS)

Sun Savings Bank has established an Environmental and Social Risk Management System (ESRMS), which forms an integral part of its enterprise-wide risk management framework. The ESRMS provides a structured approach for identifying, assessing, monitoring, and mitigating E&S risks across all banking activities, including credit, operations, and client relationships.

The ESRMS covers key risk areas such as credit risk, operational risk, reputational risk, compliance risk, liquidity and capital risk, and strategic risk. These risks may arise from environmental factors such as climate change and natural disasters, as well as social factors related to labor practices, community impact, and regulatory compliance.

E&S risks are integrated into the Bank's Credit Risk Management System and Operational Risk Management System. This includes the use of risk indicators, due diligence procedures, portfolio-level monitoring, and incident reporting mechanisms. The system also incorporates escalation protocols, corrective actions, and ongoing monitoring to ensure risks remain within acceptable levels.

Governance oversight is exercised by the Board of Directors, while implementation is carried out by Senior Management and relevant units, including the Compliance and Risk Management Department, which consolidates and reports E&S risks to the Board.

c. Sustainability Products and Services

Sun Savings Bank aligns its financial products and services with its sustainability objectives, focusing on responsible and inclusive banking. The Bank's core lending portfolio, particularly salary loans to government employees such as teachers, supports financial inclusion and is assessed to have low environmental and social risk exposure.

In its SME lending activities, the Bank incorporates E&S risk considerations into credit evaluation and prioritizes borrowers that demonstrate compliance with environmental regulations and responsible business practices. Auto loan financing is likewise managed within defined E&S risk parameters, ensuring that financing is not extended to activities that are environmentally harmful or non-compliant with relevant regulations.

In addition, the Bank's automation initiatives contribute to its sustainability objectives by promoting paperless transactions, improving operational efficiency, and reducing environmental impact.

d. Environmental and Social Risk Exposures per Industry or Sector

The Bank's E&S risk exposures are generally moderate to low, given its concentration in retail lending, particularly salary loans, which inherently have minimal environmental impact.

Exposure to higher-risk sectors is limited, with SME lending subject to enhanced screening and monitoring. The Bank maintains low tolerance for exposures to industries associated with environmental pollution, unsafe labor practices, and non-compliance with regulations. Such exposures are either closely monitored, subjected to enhanced due diligence, or avoided altogether where risks cannot be adequately mitigated.

At the portfolio level, the Bank conducts periodic assessments of E&S risk concentrations by sector, borrower type, and geography to ensure that exposures remain aligned with the Bank's risk appetite and sustainability objectives.

e. Existing and Emerging Environmental and Social Risks

The Bank recognizes that environmental and social risks, including climate-related risks, may affect borrowers' financial capacity, operational continuity, and overall portfolio performance. Physical risks such as typhoons, floods, and other natural disasters may disrupt business operations and impact borrower repayment capacity, particularly in geographically exposed areas.

Transition risks, driven by regulatory changes, technological developments, and shifts toward a low-carbon economy, may also affect certain industries and borrower segments. Additionally, social risks related to labor practices, consumer protection, and community impact are continuously monitored as part of the Bank's risk management processes.

These risks are incorporated into stress testing exercises, capital and liquidity planning, and business continuity and disaster recovery frameworks, enabling the Bank to proactively assess and respond to potential impacts.

f. Other Sustainability Initiatives

Sun Savings Bank undertakes various initiatives to promote adherence to national sustainability standards and regulatory requirements, in alignment with BSP guidelines and applicable global best practices. The Bank integrates sustainability principles into its governance framework, risk management processes, and daily operations.

As part of its ongoing commitment to strengthening sustainability practices, the Bank has identified key initiatives for rollout in 2026, including capacity-building programs for the Board, Senior Management, and employees to further enhance awareness and competence in managing environmental and social (E&S) risks. In parallel, the Bank is advancing the integration of sustainability considerations into its performance management systems to reinforce accountability and alignment across the organization.

The Bank also promotes environmental sustainability through operational initiatives such as digitalization and paperless processes, while maintaining compliance with environmental and social regulations across its activities.

g. Progress on the Implementation of the Sustainable Finance Framework

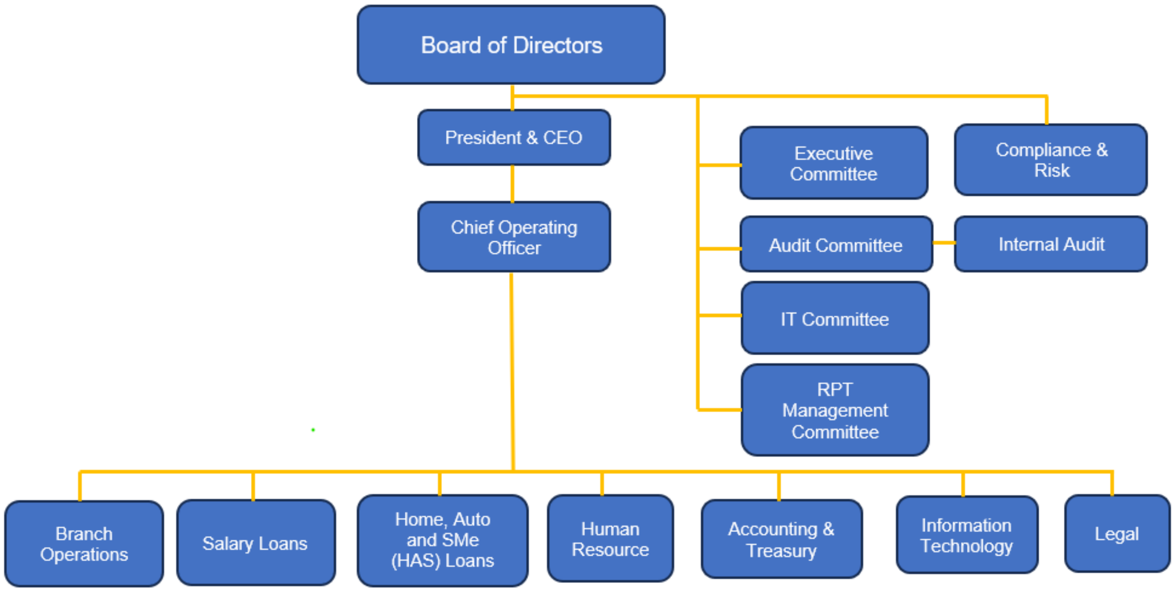
Following the approval of the Sustainable Finance Framework, Sun Savings Bank has made meaningful progress in integrating sustainability considerations into its operations. Key developments include the establishment of the Environmental and Social Risk Management System (ESRMS) and the incorporation of environmental and social (E&S) risk factors into the Bank's credit and operational risk management processes.

The Bank has also implemented initial portfolio monitoring and escalation mechanisms to support the identification and management of E&S risks, particularly in light of the Philippines' exposure to natural calamities and climate-related events.

In addition, the Bank continues to actively monitor its loan portfolio for potential exposures to environmental and social risks and remains prepared to extend appropriate financial assistance, such as calamity-related loan support, to affected borrowers, in accordance with established policies and risk parameters.

Going forward, the Bank will build on these foundational initiatives by further refining its risk assessment practices, enhancing reporting capabilities, and strengthening alignment with regulatory expectations and evolving sustainability standards.

Inside
Our Organization



2025 Organizational Structure and Leadership

Sun Savings Bank operates within a well-defined organizational structure designed to promote effective governance, strong oversight, and the efficient execution of its strategic objectives.

At the highest level, the Bank is governed by its Board of Directors, which provides overall direction, establishes policies, and ensures that management actions are aligned with the Bank's long-term strategic goals and regulatory requirements.

Supporting the Board is the President and Chief Executive Officer (CEO), who is responsible for the overall management and day-to-day operations of the Bank. The CEO is supported by the Chief Operating Officer (COO), who oversees operational efficiency and ensures the effective implementation of key business strategies across all functional units.

To reinforce governance and oversight, the Board is supported by several specialized committees, including the Executive Committee, Audit Committee, IT Committee, and Related Party Transactions (RPT) Management Committee, along with independent Compliance and Risk Management and Internal Audit functions. These governance bodies provide focused supervision over critical areas such as financial reporting, risk management, internal controls, and technology oversight.

At the operational level, the Bank's core business and support functions are organized into specialized units, including Branch Operations, Salary Loans Business, Home, Auto and SME (HAS) Loans, Human Resources, Accounting and Treasury, Information Technology, and Legal. Each unit plays a vital role in delivering products and services, managing resources, and supporting the Bank's overall performance.

Through this structured and integrated framework, Sun Savings Bank ensures clear accountability, effective coordination, and a strong foundation for sustainable growth and operational excellence.

Corporate Information

The Bank's ownership is primarily held by corporate shareholders, which collectively account for 100% of the outstanding shares, while individual shareholders hold nominal qualifying shares. Beneficial ownership indicates that effective control of the Bank rests with a group of natural persons who indirectly own 69.75% of the shares through these corporate entities.

A. Direct Shareholders

No.	Stockholders	Nationality	Number of Shares Held	Outstanding Shares	Voting Status
1	Fleetwood Holdings, Inc.	Filipino	1,547,215	39.50%	Voting
2	Project Quest Corporation	Filipino	1,184,890	30.25%	Voting
3	Santos Gonzalez Hijos, Inc.	Filipino	989,039	25.25%	Voting
4	Navion Capital Resources Cor.	Filipino	195,849	5.00%	Voting
5	Francisco A. Dizon	Filipino	1	-	Voting
6	Augusto S. Gonzalez	Filipino	1	-	Voting
7	Catalino S. Abacan	Filipino	1	-	Voting
8	Carissa Anna G. Dizon	Filipino	1	-	Voting
9	Renato S. Gonzalez	Filipino	1	-	Voting
10	Catherine M. Cheung	Filipino	1	-	Voting
11	Noel A. Santiago	Filipino	1	-	Voting
			3,917,000	100.00%	

B. Indirect Shareholders

No.	Beneficial Owner	Through Entity	% Ownership in Entity	Effective % in Bank
1	Francisco A. Dizon	Fleetwood Holdings, Inc.	55.00%	21.73%
	Francisco A. Dizon	Project Quest Corporation	15.29%	4.63%
2	Joyce A. Dizon	Fleetwood Holdings, Inc.	45.00%	17.78%
3	Augusto S. Gonzalez	Navion Capital Resources Corp.	100.00%	5.00%
	Augusto S. Gonzalez	Santos Gonzalez Hijos, Inc.	25.00%	6.31%
	Augusto S. Gonzalez	Project Quest Corporation	1.67%	0.51%
5	Clarissa S. Gonzalez	Santos Gonzalez Hijos, Inc.	25.00%	6.31%
6	Blanquita G. Lacson	Santos Gonzalez Hijos, Inc.	25.00%	6.31%
7	Renato S. Gonzalez Jr.	Santos Gonzalez Hijos, Inc.	25.00%	6.31%

About the Corporate Stockholders

Fleetwood Holdings, Inc. is a Philippine-based investment holding company headquartered in Makati City. Its primary function is to manage investments across various sectors rather than engage in a single line of business. The company is controlled by the family of Mr. Francisco A. Dizon, a seasoned banking professional who has previously held leadership positions in Philippine National Bank (PNB), and Rizal Commercial Banking Corporation (RCBC)

Project Quest Corporation (PQC) is a Philippine investment and holding company incorporated in 1995 and based in Makati City. Its shareholders include major institutional investors such as Pan Malayan Management & Investment Corp., Guevent Industrial and Development Corp., Rightime Realty and Management, Inc., Union Properties, Inc., UMC Core Holdings, Inc., DMCI Projects Developers, Inc., China Banking Corporation, White Gold, Inc., and Bellendorf Peak Resources, Inc.

Navion Capital Resources Corp. is a Philippine-based holding and management company engaged in the management of companies and enterprises. Headquartered in Makati City, it is involved in investment and corporate management activities. Navion is associated with the Santos-Gonzalez group of investors and commonly participates alongside them in investment holdings, including its stake in Sun Savings Bank.

Bank Employees Headcount

Staff
2025: 59
2024: 55
2023: 49

Officers
2025: 43
2024: 43
2023: 40

2025 KEY OFFICERS AND DEPARTMENT HEADS

EXECUTIVE OFFICERS

The Bank's executive leadership is composed of the following:

Francisco A. Dizon
President & CEO

Augusto S. Gonzalez
EVP, Chief Operating Officer

COMPLIANCE, RISK AND AUDIT

The control functions of the Bank, which operate with appropriate independence and oversight, include:

Marilou R. Saberon
SAVP, Chief Compliance & Risk Officer

Mary Jezza M. Suarez*
SM, Audit Head
**Joined 05/04/2026*

SUPPORT AND ADMIN

The Bank's support functions ensure operational efficiency and institutional support across various business units:

Andres M. Rosaroso
SAVP, Digital Transformation Head

Metchell C. Abarquez
Manager, Accounting Head

Danica Marie P. Velasco
Treasury Officer II

Rodelio B. Lagahit
SM, HR Head

John Jezreel O. Flores
Manager, Credit & Collection

Dave Bagarinao
Assistant Manager, Credit & Collection

Atty Lorenz Martin M. Lerin
Corporate Lawyer

Miami Luna L. Kilaton
Data Protection Officer

LENDING GROUP

The Bank's lending operations are organized into specialized segments to support its core business activities:

Dwight B. Cuevas
SAVP, Salary Loans Lending Group Head

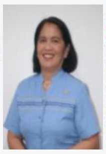
Philip A. Beltran
Manager, Home, Auto, and SMe Loan (HAS)

BRANCH BANKING GROUP

Branch Banking Group serves as the Bank's primary channel for client engagement, service delivery, and relationship management across its branch network.

Jonas O. Villocido
SM, Branch Operations Support Group

Jane W. Suarez
Manager, Branch Head *(Capitol Head Office and Supervising attached BLUs-Ayala-Solinea and Carbon*



Ginalyn C. Nero
SM, Branch Head *(Talisay Branch and Supervising attached BLUs-Carcar and Moalboal)*

Maria Luna M. Yangyang
SM, Branch Head *(Mandaue and Supervising attached BLUs-Danao and Bogo)*

Financial Offerings

Sun Savings Bank offers a comprehensive suite of financial products and services designed to meet the diverse needs of consumers, professionals, and entrepreneurs. The Bank continues to focus on accessible, customer-oriented solutions that support financial inclusion and economic activity.

Deposit Products

Savings Deposit Accounts

- Basic Deposit Account
- Regular Passbook Savings
- Passbook with ATM
- Payroll ATM
- ATM for DepEd Teachers

Checking Accounts

- Regular Checking Account
- Automatic Transfer Account

Time Deposit Accounts

- Short Term Time Deposits (Terms from 30 to 90 days)
- Regular One-Year TD
- Five Year- Time Deposit

Consumer Loan Products

1. Consumer Loans

- **Salary Loans**
- Salary Loan for DepEd Teachers and Employees under the Automatic Payroll Deduction Scheme (APDS)
- Start-up Loans for newly hired teachers and employees of DepEd
  - Inflation Assistance Loan for DepEd employees
  - Salary Loans for Private Employees in the BPOs

Auto Loan Product

- **Auto Loan Product (Brand New and Pre-owned)**

- **Prenda OR/CR Loan**

Business Loan Products

The Bank offers the following business loan products:

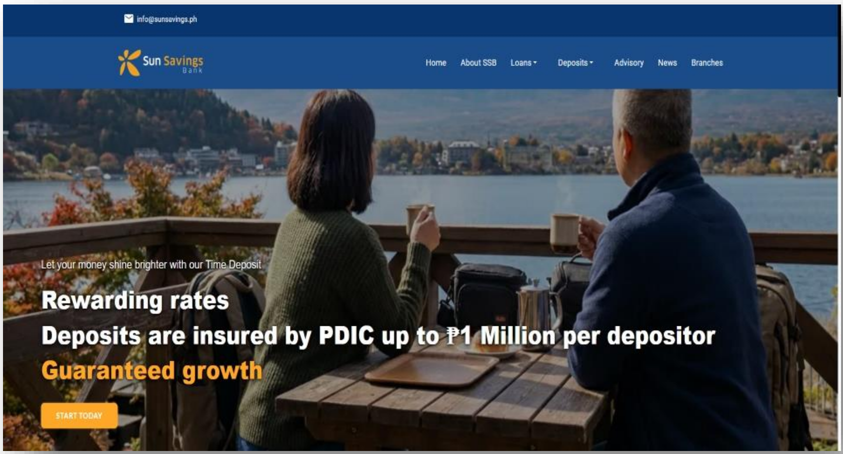
- **Factoring of Receivables / Discounting Lines**
  – Enables businesses to convert accounts receivable into immediate cash to improve liquidity and sustain operations.
- **Post-Dated Check (PDC) Discounting**
  – Provides early access to funds by allowing businesses to discount future-dated checks issued by their customers.
- **Hold-Out Deposit / Back-to-Back Loans**
  – Offers financing secured by the borrower's deposit with the Bank, providing a low-risk, quick-access loan facility.
- **Secured Business Loans**
  – Loans backed by Real Estate Mortgage (REM) or Chattel Mortgage, ideal for businesses seeking larger credit lines with competitive terms.
- **Loans Secured by Postdated Checks and Suretyship**
  – Business loans supported by the borrower's issued PDCs and a continuing suretyship by the principals, enhancing credit security and enabling flexible loan structuring.

Our Online Presence

For more information about the Bank's products, services, and updates, clients may visit the official website of Sun Savings Bank.

https://www.sunsavings.ph/

https://www.facebook.com/share/18eJ3Lsr6L/?mibextid=wwXIfr



Our Physical Network

Main Branches

- **Capitol Head Office:** Capitol West Building, No. 45 Don Gil Garcia corner Escario Street, Capitol Site, Cebu City.
- **Talisay Branch:** Door 8, GF, Rosalie Building, Gaisano Fiesta Mall, Hi-way Tabunok, Talisay City, Cebu.
- **Mandaue Branch:** Door 6, Ground Floor, Carlos Perez Building, A.C. Cortes Ave., Alang-Alang, Mandaue City, Cebu.

Branch-Lite Units (BLUs)

- **Carcar:** A-10, Ground Floor, Gaisano Grand Mall, Poblacion II, Awayan, Carcar City, Cebu
- **Danao:** Space 47, Sands Gateway Mall, National Highway, Pob. Danao City, Cebu.
- **Carbon Public Market:** Plaridel corner Progreso St., Brgy. Ermita, Cebu City, Cebu
- **Ayala-Solinea:** Retail No. 8, G/F Tower 2, Solinea Condominium Complex, corner Cardinal Rosales & Luzon Avenues, Cebu Business Park, Brgy. Hipodromo, Cebu City, Cebu
- **Bogo:** Unit G2, 2F, Building 1, Bogo City Centrum, Taytayan, Bogo City, Cebu.
- **Moalboal:** G/F Unit 2, Gaisano Town Center, Poblacion East, Moalboal, Cebu.

Capital Structure & Capital Adequacy

Capital Structure and Capital Adequacy

	2025	2024
Authorized Capital Stock	1,000,000,000	1,000,000,000
Subscribed	391,700,000	391,700,000
Paid-Up	391,700,000	391,700,000

..

1-Deposit for stock subscription of P41.7M, pending approval of the Bank's request to increase the authorized capital stock to hpP1.0B in 2018

Bank's regulatory capital position as at December 2024 and December 2025

	BSP Report		Audited FS	
	2025	2024	2025	2024
Common Stock	391,700,000	391,700,000	391,700,000	391,700,000
Retained Earnings	202,294,910	146,038,271	202,294,910	134,171,696
Undivided Profits	102,171,841	83,642,226	102,982,965	86,882,145
Other Comprehensive Income	(4,531,459)	(5,815,750)	(4,881,685)	(5,879,835)
Total Capital	**691,635,292**	**615,564,748**	**692,096,189**	**606,874,007**
Less:				
Deferred Income Tax	20,257,597	17,292,708	20,237,377	18,980,981
DOSRI-Unsecured				
Other intabgibles-Net				
Goodwill				
Unbooked valuation reserves and other capital adjustments[1]				
Other equity investments				
Total Tier 1 Capital	**671,377,695**	**598,272,040**	**671,858,813**	**587,893,026**
Add:				
Unrealized gains on AFS				
General loan loss provision	12,733,122	19,695,361	12,733,122	8,121,556
Total Qualifying Capital	**684,110,817**	**617,967,401**	**684,591,935**	**596,014,582**
Total Credit Risk-Weighted Assets	3,716,600,141	3,367,585,038	3,717,022,081	3,355,729,042
Add: Total Operation Risk Weighted Assets	388,053,447	307,534,854	394,890,062	314,112,799
Total Risk Weighted Assets	**4,104,653,588**	**3,675,119,891**	**4,111,912,144**	**3,669,841,841**
Risk Based Capital Adequacy Ratio				
Total CAR	16.67%	16.81%	16.65%	16.24%
Tier 1 CAR	16.36%	16.28%	16.34%	16.02%
	ok	ok		

[1] *based on tha latest examination as approved by the Monetary Board*

Computation of the Bank's Credit Risk Weighted Assets

		Audited			
		2025		2024	
	Risk	Principal Amount	Risk Weighted Amount	Principal Amount	Risk Weighted Amount
Cash on Hand	0%	27,168,945	-	19,351,770	-
Due from BSP, RRP,AFS, HTM, Loans covered by Hold-outs	0%	729,385,293	-	690,799,341	-
COCI	20%	5,511,480	1,102,296	6,000,000	1,200,000
Corporate Private Bonds	20%	4,942,873	988,575	4,841,456	968,291
REM (mortgaged and current)	50%	34,087,395	17,043,697	34,166,785	17,083,393
MSME (Current)	75%	16,269,082	12,201,812	27,109,324	20,331,993
REM (NPL)	100%	4,205,604	4,205,604	4,977,278	4,977,278
NPL	150%	47,810,277	71,715,416	33,706,125	50,559,188
ROPA	150%	493,000	739,500	4,134,200	6,201,300
Other Assets	100%	3,609,025,181	3,609,025,181	3,254,407,600	3,254,407,600
Total Credit Risk Weighted Assets			3,717,022,081		3,355,729,042

Computation of Operational Risk Weighted Assets-2025

		2025 Gross Income (Audited)			
		2022	2023	2024	Average
A.	**Net interest income**				
A.1	Interest income	305,161,905	432,569,720	485,498,423	
A.2	Interest expense	103,278,080	171,974,340	187,537,306	
A.3	Subtotal (A.1 minus A.2)	**201,883,824**	**260,595,380**	**297,961,116**	
B	**Other non-interest income**				
B.1	Dividend Income				
B.2	Fees and Commissions Income	3,421,154	3,359,125	3,155,217	
B.3	Net Gain/loss on Financial Assets and Liabilities Held for Trading				
B.4	Net Gain/loss on Financial Assets and Liabilities Designated at Fair Value Profit or Loss				
B.5	Net Profit/loss on Foreign Exchange				
B.6	Net Gain/loss on Fair Value Adjustment in Hedge Accounting				
B.7	Other Income	1,484,436.04	15,652,298	2,267,574	
B.8	Sub-total (sum of B.1 to B.7)	4,905,590	19,011,423	5,422,791	
C.	**Gross Income (A.3 plus B.8) (to Part V. Item A.)**	**206,789,414**	**279,606,803**	**303,383,907**	**263,260,042**
D.	Capital Charge multiply by capital charge factor 12%				31,591,205
E.	Adjusted Capital Charge (multiply by 125%)				39,489,006
F.	**Total Operational Risk-weighted Amount (multiply by 10)**				**394,890,062**

Computation of Operational Risk Weighted Assets-2024

		2023 Gross Income (Audited)			
		2021	2022	2023	Average
A.	**Net interest income**				
A.1	Interest income	214,478,927	305,161,905	432,569,720	
A.2	Interest expense	75,985,246	103,278,080	171,974,340	
A.3	Subtotal (A.1 minus A.2)	**138,493,681**	**201,883,824**	**260,595,380**	
B	**Other non-interest income**				
B.1	Dividend Income				
B.2	Fees and Commissions Income	2,988,979	3,421,154	3,359,125	
B.3	Net Gain/loss on Financial Assets and Liabilities Held for Trading				
B.4	Net Gain/loss on Financial Assets and Liabilities Designated at Fair Value Profit or Loss				
B.5	Net Profit/loss on Foreign Exchange				
B.6	Net Gain/loss on Fair Value Adjustment in Hedge Accounting				
B.7	Other Income	346,720	1,484,436	15,652,298	
B.8	Sub-total (sum of B.1 to B.7)	3,335,700	4,905,590	19,011,423	
C.	**Gross Income (A.3 plus B.8) (to Part V. Item A.)**	**141,829,381**	**206,789,414**	**279,606,803**	**209,408,533**
D.	Capital Charge multiply by capital charge factor 12%				25,129,024
E.	Adjusted Capital Charge (multiply by 125%)				31,411,280
F.	**Total Operational Risk-weighted Amount (multiply by 10)**				**314,112,799**

The capital requirements as of December 31, 2025 and 2024 are shown below:

	2025	2024
Credit risk weighted assets	3,717,022,081	3,355,729,042
Operational risk weighted assets	394,890,062	314,112,799
Total Risk Weighted Assets	**4,111,912,144**	**3,669,841,841**

Sun Savings Bank, Inc.

Financial Statements
December 31, 2025 and 2024

and

Independent Auditor's Report.

SGV
Building a better working world

A member firm of Ernst & Young Global Limited

The following document has been received:

Receiving: ICTD ERMD
Receipt Date and Time: May 15, 2026 02:28:24 PM

Company Information

SEC Registration No.: A199717240
Company Name: SUN SAVINGS BANK, INC.
Industry Classification: J65932
Company Type: Stock Corporation

Document Information

Document ID: OST105152026811383887
Document Type: Financial Statement
Document Code: FS
Period Covered: December 31, 2025
Submission Type: Annual
Remarks: None

Acceptance of this document is subject to review of forms and contents

Sun Savings Bank

Head Office: Capitol West Building, 45 Don Gil Garcia Street corner Escario Street, Capitol Site, 6000 Cebu City

www.sunsavings.ph

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **SUN SAVINGS BANK, INC.** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein for the years ended December 31, 2025 and 2024 in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing the Company'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 Company or to cease operations, or has to realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approved the financial statement including the schedules attached therein, and submits the same to the stockholders or members.

SGV & Co., the independent auditor appointed by the stockholders, has audited the financial statement of the company in accordance with the Philippines Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

CATALINO S. ABACAN
Chairman of the Board

FRANCISCO A. DIZON
President & Chief Executive Officer

AUGUSTO S. GONZALEZ
Treasurer

30 APR 2026

SUBSCRIBED AND SWORN TO, before me this ____ day of __________, at ______________, exhibiting to me their respective identification documents:

NAME	PASSPORT NO	PLACE OF ISSUE	DATE OF ISSUE
Francisco A. Dizon	P9902221B	DFA NCR Central	05/03/2022
Augusto S. Gonzalez	P7930823B	DFA Manila	10/20/2021
Catalino S. Abacan	UMID 0003-3535377-6	RP-SSS	

Doc. No. 158
Page No. 33
Book No. 3
Series of 2026

Notary Public

ATTY. PHOEBE D. VILAHERMOSA
Roll of Attorney's No. 8306[illegible]
Until December 2027 - Not. Com. N[illegible]41-24
Notary Public - Cebu Ci[illegible]
IBP No. 674132 / Dec. 27, [illegible]
PTR NO. 2978717 / Dec. 2[illegible]025
Mobile No. 09667409[illegible]
MCLE Compliance No. VIII-0031713

Sun Savings Bank

Head Office: Capitol West Building, 45 Don Gil Garcia Street corner Escario Street, Capitol Site, 6000 Cebu City

www.sunsavings.ph

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR ANNUAL INCOME TAX RETURN

The Management of **SUN SAVINGS BANK, INC.** is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2025. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the Management affirms that the attached audited financial statements for the year ended December 31, 2025 and the accompanying Annual Income Tax Return are in accordance with the books and records of **SUN SAVINGS BANK, INC.,** complete and correct in all material respects. Management likewise affirms that:

(a) the Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;

(b) any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standards and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the Bank's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances;

(c) **SUN SAVINGS BANK, INC.** has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

FRANCISCO A. DIZON
President & Chief Executive Officer

AUGUSTO S. GONZALEZ
Treasurer

30 APR 2026

SUBSCRIBED AND SWORN TO, before me this ____ day of ____________, at ________________, exhibiting to me their respective identification documents:

NAME	PASSPORT NO	PLACE OF ISSUE	DATE OF ISSUE
Francisco A. Dizon	P9902221B	DFA NCR Central	05/03/2022
Augusto S. Gonzalez	P7930823B	DFA Manila	10/20/2021

Doc. No. 157
Page No. 33
Book No. 3
Series of 2026

Notary Public
ATTY. PHOEBE D. VILAHERMOSA
Roll of Attorney's No. 83068
Until December 2027 - Not. Com. No. 141-24
Notary Public - Cebu City
IBP No. 574132 / Dec. 27, 2025
PTR NO. 2978717 / Dec. 26, 2025
Mobile No. 09667409180
MCLE Compliance No. VIII- 0031713

Outlook

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Date Wed 5/13/2026 6:28 PM
To Melisa Salazar <mdsalazar@sunsavings.ph>
Cc Melisa Salazar <mdsalazar@sunsavings.ph>

Hi SUN SAVINGS BANK, INC.,

Valid files

- EAFS005255198ITRTY122025.pdf
- EAFS005255198TCRTY122025-01.pdf
- EAFS005255198AFSTY122025.pdf

Invalid file

- <None>

Transaction Code: **AFS-0-Q4XSQRYR04YY2VVRZPWNTW2QY097F7H9A7**
Submission Date/Time: **May 13, 2026 06:28 PM**
Company TIN: **005-255-198**

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- The submitted forms, documents and attachments are complete, truthful and correct based on the personal knowledge and the same are from authentic records;
- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

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Submission Date/Time:
May 13, 2026 06:28 PM

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COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A1997-17240

COMPANY NAME

SUN SAVINGS BANK, INC.

PRINCIPAL OFFICE *(No. / Street / Barangay / City / Town / Province)*

Capitol West Building, No. 45 Don Gil Garcia Street corner Escario Street, Capitol Site, Cebu City

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	**CRMD**	**N/A**

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
N/A	**(032) 415-4223**	**N/A**

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
11	**Any day in April**	**12/31**

CONTACT PERSON INFORMATION

The designated contact person *MUST* be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Mr. Francisco A. Dizon	**francdizon@sunsavings.ph**	**(032) 415-4223**	**09178389938**

CONTACT PERSON's ADDRESS

Capitol West Building, No. 45 Don Gil Garcia Street corner Escario Street, Capitol Site, Cebu City

NOTE 1 : In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2 : All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
sgv.ph

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Sun Savings Bank, Inc.
Capitol West Building,
No. 45 Don Gil Garcia Street corner Escario Street,
Capitol Site, Cebu City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Sun Savings Bank, Inc. (the Bank), which comprise the statements of financial position as at December 31, 2025 and 2024, and the statements of income, 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 (PSAs). Our responsibilities under those standards are further described in the *Auditor's 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 the audits of the financial statements of public interest entities, together with the ethical requirements that are relevant to our audit 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.

Auditor's 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 auditor's 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 PSAs 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 PSAs, 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 auditor's 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 auditor's 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.

SGV
Building a better working world

Reports on the Supplementary Information Required Under Section 174 of the Manual of Regulations for Banks (MORB) and Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Section 174 of the MORB in Note 22 and Revenue Regulations 15-2010 in Note 23 to the financial statements is presented for purposes of filing with the Bangko Sentral ng Pilipinas and Bureau of Internal Revenue, respectively, and is not a required part of the basic financial statements. Such information is the responsibility of the management of Sun Savings Bank, Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Janeth T. Nuñez-Javier

Janeth T. Nuñez-Javier
Partner
CPA Certificate No. 111092
Tax Identification No. 900-322-673
BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026
SEC Partner Accreditation No. 111092-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements
BIR Accreditation No. 08-001998-069-2023, October 23, 2023, valid until October 22, 2026
PTR No. 10765098, January 2, 2026, Makati City

April 30, 2026

SUN SAVINGS BANK, INC.
STATEMENTS OF FINANCIAL POSITION

	December 31	
	2025	2024
ASSETS		
Cash and other cash items	**₱32,680,425**	₱25,351,770
Due from Bangko Sentral ng Pilipinas (Notes 6 and 11)	**426,625,918**	389,523,639
Due from Other Banks (Note 6)	**65,467,982**	88,816,261
Investment Securities at Fair Value through Other Comprehensive Income (Note 7)	**75,089,708**	73,501,870
Investment Securities at Amortized Cost (Note 7)	**230,344,019**	230,841,676
Loans and Receivables (Note 8)	**3,496,751,685**	3,129,377,069
Property and Equipment (Note 9)	**39,622,714**	25,361,638
Deferred Tax Asset - net (Note 19)	**20,237,377**	18,980,981
Other Assets (Note 10)	**99,583,558**	108,598,399
	₱4,486,403,386	₱4,090,353,303
LIABILITIES AND EQUITY		
Liabilities		
Deposit Liabilities (Notes 11 and 20)		
Current	**₱9,565,781**	₱10,510,166
Savings	**295,295,025**	241,768,030
Time	**2,703,977,025**	2,376,676,693
	3,008,837,831	2,628,954,889
Bills Payable (Note 12)	**659,060,026**	749,855,542
Income Tax Payable	**8,664,287**	5,752,950
Accrued Expenses and Other Liabilities (Note 13)	**96,461,696**	76,391,491
	3,773,023,840	3,460,954,872
Equity		
Common Stock (Note 15)	**391,700,000**	391,700,000
Surplus	**326,561,231**	243,578,266
Fair Value Reserves on Investment Securities at Fair Value through Other Comprehensive Income (Note 7)	**(2,241,737)**	(3,590,113)
Remeasurement Loss on Retirement Liability (Note 16)	**(2,639,948)**	(2,289,722)
	713,379,546	629,398,431
	₱4,486,403,386	₱4,090,353,303

See accompanying Notes to Financial Statements.

SUN SAVINGS BANK, INC.
STATEMENTS OF INCOME

	Years Ended December 31	
	2025	2024
INTEREST INCOME		
Loans and receivables (Note 8)	**₱516,328,965**	₱460,745,117
Investment securities (Note 7)	**11,116,618**	11,382,757
Due from Bangko Sentral ng Pilipinas and other banks (Note 6)	**19,297,305**	13,370,549
Others	**2,922,922**	2,136,116
	549,665,810	487,634,539
INTEREST EXPENSE		
Deposit liabilities (Notes 11 and 20)	**165,163,051**	132,431,886
Bills payable (Note 12)	**43,818,901**	54,549,694
Lease liabilities (Note 17)	**1,254,108**	555,726
	210,236,060	187,537,306
NET INTEREST INCOME	**339,429,750**	300,097,233
Service charges and fees	**2,854,452**	3,151,434
Miscellaneous (Note 18)	**525,348**	121,508
TOTAL OPERATING INCOME	**342,809,550**	303,370,175
OPERATING EXPENSES		
Compensation and fringe benefits (Notes 16 and 20)	**55,236,001**	48,713,693
Taxes and licenses	**41,645,346**	39,505,804
Depreciation and amortization (Note 9)	**14,487,704**	13,550,557
Collection fees	**9,736,073**	8,302,751
Professional fees	**9,406,255**	8,783,655
Security, messengerial and janitorial	**7,551,071**	6,617,401
Communication, light and water	**7,221,979**	5,802,408
Provision for impairment and credit losses (Notes 8 and 10)	**6,917,519**	14,311,656
Insurance expense	**6,340,864**	5,236,967
Transportation and travel	**3,513,658**	3,694,587
Rent (Note 17)	**2,210,417**	1,989,982
Advertising and publicity	**2,088,469**	2,237,083
Miscellaneous (Note 18)	**36,394,719**	30,312,821
	202,750,075	189,059,365
INCOME BEFORE INCOME TAX	**140,059,475**	114,310,809
PROVISION FOR INCOME TAX (Note 19)	**37,076,510**	27,428,664
NET INCOME	**₱102,982,965**	₱86,882,145

See accompanying Notes to Financial Statements.

SUN SAVINGS BANK, INC.

STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2025	2024
NET INCOME	**₱102,982,965**	₱86,882,145
OTHER COMPREHENSIVE INCOME (LOSS)		
Item that recycles to the statements of income in subsequent periods:		
Changes in fair value reserves on investments securities at fair value through other comprehensive income (Note 7)	**1,348,376**	259,509
Item that do not recycle to the statements of income in subsequent periods:		
Remeasurement losses on retirement plan, net of tax (Note 16)	**(350,226)**	(64,085)
OTHER COMPREHENSIVE INCOME	**998,150**	195,424
TOTAL COMPREHENSIVE INCOME	**₱103,981,115**	₱87,077,569

See accompanying Notes to Financial Statements.

SUN SAVINGS BANK, INC.
STATEMENTS OF CHANGES IN EQUITY

	Common Stock (Note 15)	Surplus (Note 15)	Surplus Reserves (Note 15)	Fair Value Reserves on Investment Securities at Fair Value through Other Comprehensive Income (Note 7)	Remeasurement Loss on Retirement Liability (Note 16)	Total Equity
Balances at January 1, 2025	**₱391,700,000**	**₱221,053,842**	**₱22,524,424**	**(₱3,590,113)**	**(₱2,289,722)**	**₱629,398,431**
Total comprehensive income for the year	**–**	**102,982,965**		**1,348,376**	**(350,226)**	**103,981,115**
Reversal of reserve appropriation on general loan loss provision	**–**	**1,241,068**	**(1,241,068)**	–	–	–
Declaration of dividends (Note 15)	**–**	**(20,000,000)**	**–**	–	–	**(20,000,000)**
Balances at December 31, 2025	**₱391,700,000**	**₱305,277,875**	**₱21,283,356**	**(₱2,241,737)**	**(₱2,639,948)**	**₱713,379,546**
Balances at January 1, 2024	**₱391,700,000**	₱138,321,852	₱18,374,269	(₱3,849,622)	(₱2,225,637)	₱542,320,862
Total comprehensive income for the year	**–**	86,882,145	–	259,509	(64,085)	87,077,569
Additional reserve appropriation on general loan loss provision	–	(4,150,155)	4,150,155	–	–	–
Balances at December 31, 2024	**₱391,700,000**	₱221,053,842	₱22,524,424	(₱3,590,113)	(₱2,289,722)	₱629,398,431

See accompanying Notes to Financial Statements.

SUN SAVINGS BANK, INC.

STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱140,059,475**	₱114,310,809
Adjustments for:		
Depreciation and amortization (Note 9)	**14,487,704**	13,550,557
Provision for impairment and credit losses (Notes 8 and 10)	**6,917,519**	14,311,656
Retirement expense (Note 16)	**1,479,574**	1,496,100
Accretion of interest on lease liability (Note 17)	**1,254,108**	555,726
Loss on sale of chattel mortgage properties (Note 18)	**431,464**	13,732
Amortization of transaction costs on bills payable (Note 12)	**(422,563)**	(1,389,904)
Amortization of discount on investment securities	**(497,657)**	(484,738)
Gain on disposal of property and equipment (Note 9)	**–**	(620)
Changes in operating assets and liabilities:		
Decreases (Increases) in:		
Loans and receivables	**(378,298,796)**	(399,418,164)
Other assets	**9,976,718**	(2,347,004)
Increases (Decreases) in:		
Deposit liabilities	**379,882,942**	512,006,329
Accrued expenses and other liabilities	**4,497,477**	10,440,451
Net cash generated from operations	**179,767,965**	263,044,929
Income taxes paid (Note 19)	**(35,304,827)**	(34,063,370)
Net cash provided by operating activities	**144,463,138**	228,981,559
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Investment securities at fair value through other comprehensive income (Note 7)	**–**	(10,000,000)
Property and equipment (Note 9)	**(8,675,874)**	(7,656,507)
Proceeds from disposal of:		
Chattel mortgage (Note 18)	**3,550,000**	3,350,000
Property and equipment (Note 9)	**–**	620
Net cash used in investing activities	**(5,125,874)**	(14,305,887)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from:		
Availment of bills payable (Note 12)	**355,000,000**	255,000,000
Payments of:		
Bills payable (Note 12)	**(446,218,079)**	(400,887,162)
Dividends (Note 15)	**(20,000,000)**	**–**
Lease liabilities (Note 17)	**(7,036,530)**	(6,227,822)
Net cash used in financing activities	**(118,254,609)**	(152,114,984)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**21,082,655**	62,560,688

(Forward)

	Years Ended December 31	
	2025	2024
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		
Cash and other cash items	**₱25,351,770**	₱28,278,012
Due from Bangko Sentral ng Pilipinas	**389,523,639**	329,098,288
Due from other banks	**88,816,261**	83,754,682
	503,691,670	441,130,982
CASH AND CASH EQUIVALENTS AT END OF YEAR		
Cash and other cash items	**32,680,425**	25,351,770
Due from Bangko Sentral ng Pilipinas (Note 6)	**426,625,918**	389,523,639
Due from other banks (Note 6)	**65,467,982**	88,816,261
	₱524,774,325	₱503,691,670
OPERATIONAL CASH FLOWS FROM INTEREST		
Interest received (Note 8)	**₱576,290,945**	₱486,278,925
Interest paid (Note 13)	**252,686,940**	184,717,601

See accompanying Notes to Financial Statements.

1. **General Information**

Sun Savings Bank, Inc. (the Bank) was incorporated in the Philippines on September 15, 1997 to carry on and engage in the business of thrift banking, with prior approval of the Monetary Board (MB) of the Bangko Sentral ng Pilipinas (BSP), and to have and exercise all powers of a thrift bank and a corporation in general, as provided under Republic Act (RA) No. 7906 for thrift banks, under the General Banking Act, as amended, and other applicable laws and the rules and regulations of the BSP.

The Bank's principal place of business is at Capitol West Building, No. 45 Don Gil Garcia Street corner Escario Street, Capitol Site, Cebu City.

Fleetwood Holdings, Inc. (FHI) owns 39.50% of the Bank. The major shareholder of FHI is an experienced commercial and investment banker who had previously held various senior positions, including those of president, chairman and chief executive officer (CEO), in different universal banks. Santos Gonzalez Hijos Inc. (SGHI) and Navion Capital Resources Corporation (NCRC) own 25.25% and 5.00%, respectively, of the Bank. The controlling shareholders of SGHI and NCRC have previously been long-term major shareholders of a universal bank established in the 1950s and held a board seat in that universal bank until 2005. Project Quest Corporation (PQC) owns 30.25% of the Bank. PQC is an investment holding company managed by the controlling shareholder of FHI and the controlling shareholder of NCRC.

2. **Material Accounting Policy Information**

Basis of Preparation
The accompanying financial statements have been prepared on a historical cost basis except for investment securities at fair value through other comprehensive income (FVOCI) which have been measured at fair value. These financial statements are presented in Philippine Peso, the Bank's functional currency, and all values are rounded to the nearest peso unless otherwise indicated.

Statement of Compliance
The financial statements of the Bank have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) Accounting Standards.

Presentation of Financial Statements
The Bank presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery of assets or settlement of liabilities within twelve months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 14.

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position only when there is a currently enforceable legal right to set off the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Bank assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Bank and all of the counterparties.

Income and expenses are not offset in the statement of income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Bank.

New Standards, Interpretations and Amendments

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective in 2025. The Bank has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have a significant impact on the interim financial statements of the Bank.

- Amendments to PAS 21, *Lack of exchangeability*

  The amendments specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2025. Earlier adoption is permitted and that fact must be disclosed. When applying the amendments, an entity cannot restate comparative information.

Standards and Interpretations Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. The Bank does not expect that the future adoption of the said pronouncements will have a significant impact on the financial Statements of the Bank. The Bank intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2026
- Amendments to Illustrative Examples on PFRS 7, PFRS 18, PAS 1, PAS 8, PAS 36 and PAS 37, *Disclosures about Uncertainties in the Financial Statements*
- Amendments to PFRS 9 and PFRS 7, *Classification and Measurement of Financial Instruments*
- Amendments to PFRS 9 and PFRS 7, *Contracts Referencing Nature-dependent Electricity*
- Annual Improvements to PFRS Accounting Standards—Volume 11
  - Amendments to PFRS 1, *Hedge Accounting by a First-time Adopter*
  - Amendments to PFRS 7, *Gain or Loss on Derecognition*
  - Amendments to PFRS 9, *Lessee Derecognition of Lease Liabilities* and *Transaction Price*
  - Amendments to PFRS 10, *Determination of a 'De Facto Agent'*
  - Amendments to PAS 7, *Cost Method*

Effective beginning on or after January 1, 2027
- PFRS 17, *Insurance Contracts*
- PFRS 18, *Presentation and Disclosure in Financial Statements*
- PFRS 19, *Subsidiaries without Public Accountability: Disclosures*
- PAS 21, *Translation to a Hyperinflationary Presentation Currency*

Deferred effectivity
- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

Material Accounting Policy Information

Fair Value Measurement
The Bank measures financial assets at fair value through other comprehensive income (FVOCI) at fair value at each reporting date. The fair values of financial instruments measured at amortized cost (or cost) and nonfinancial assets are disclosed in Note 5.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants under current market conditions (i.e., an exit price) at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Bank. The fair value of an asset or a liability is measured using the assumptions that market participant would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

If a financial instrument measured at fair value has a bid price and an ask price (e.g., an input from a dealer market), the price within the bid-ask price spread that is most representative of fair value in the circumstances shall be used to measure fair value regardless of where the input is categorized within the fair value hierarchy.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Bank determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at every reporting date.

For the purpose of fair value disclosures, the Bank has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Cash and Cash Equivalents
For purposes of reporting cash flows, cash and cash equivalents include cash on hand, due from BSP and due from other banks with original maturities of three (3) months or less from the dates of placements and with insignificant risk of changes in value. Due from BSP includes the statutory reserves required by the BSP which the Bank considers as cash equivalents wherein withdrawals can be made to meet the Bank's cash requirements as allowed by the BSP.

Securities purchased under resale agreement (SPURA)
Securities purchased under agreements to resell at a specified future date ('reverse repos') are not recognized in the statement of financial position. The corresponding cash paid including accrued interest, is recognized in the statement of financial position as SPURA under 'Due from BSP', and is considered a loan to the counterparty. The difference between the purchase price and resale price is treated as interest income and is accrued over the life of the agreement using the effective interest method.

Financial Instruments - Initial Recognition and Subsequent Measurement
Date of recognition
Financial instruments are any contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Bank recognizes a financial asset or financial liability in the statement of financial position when the Bank becomes a party to the contractual provisions of the instrument.

Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on settlement date. Settlement date accounting refers to (a) the recognition of an asset on the day it is received by the Bank, and (b) the derecognition of an asset and recognition of any gain or loss on disposal on the day that such asset is delivered by the Bank. Any change in fair value of unrecognized financial asset is recognized in the statement of income for assets classified as financial assets at FVTPL, and in equity for assets classified as financial assets at FVOCI. Deposits, amounts due from banks and customers and loans and receivables are recognized when cash is received by the Bank or advanced to the borrowers.

Initial recognition of financial instruments
Financial instruments are initially recognized at fair value. Except for financial assets and financial liabilities at FVPL, the initial measurement of financial instruments includes transaction costs.

'Day 1' difference
Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from an observable market, the Bank recognizes the difference between the transaction price and the fair value (a 'Day 1' difference) in the statement of income, unless it qualifies for recognition as some other type of asset. In cases where the transaction price used is made of data which is not observable, the difference between the transaction price and model value is only recognized in the statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Bank determines the appropriate method of recognizing the 'Day 1' difference amount.

Classification, Reclassification and Impairment of Financial Assets

Classification and measurement

The classification and measurement of financial assets is driven by the entity's contractual cash flow characteristics of the financial assets and business model for managing the financial assets.

SPPI test

As part of its classification process, the Bank assesses the contractual terms of financial assets to identify whether they meet the 'solely payments of principal and interest' (SPPI) test.

If the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the Bank assesses whether the cash flows from the financial asset represent SPPI on the principal amount outstanding.

The Bank's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

'Principal' for the purpose of the SPPI test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (e.g. if there are repayments of principal or amortization of the premium or discount). In making the assessment of 'interest', the Bank determines whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes consideration only for the time value of money, credit risk and other basic lending risks and costs associated with holding the financial asset for a particular period of time.

Instruments with cash flows that do not represent such are classified at FVTPL.

Business model test

The Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Bank's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the Bank's key management personnel
- The risks that affect the performance of the business model and the financial assets held within that business model and, in particular, the way those risks are managed
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)
- The expected frequency, value and timing of sales are also important aspects of the Bank's assessment

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The Bank's measurement categories are described below:

Financial asset at amortized cost
Financial assets are measured at amortized cost if both of the following conditions are met:

- The asset is held within a business model with the objective to hold assets in order to collect contractual cash flows; and
- The contractual terms of the instrument give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

Financial assets meeting these criteria are measured initially at fair value plus transaction costs. These are subsequently measured at amortized cost using the effective interest rate (EIR) method, less allowance for credit losses, with the interest calculated recognized as 'Interest income' in the statement of income. Gains and losses are recognized in the statement of income when the financial assets are derecognized and impaired, as well as through the amortization process. The losses arising from impairment of such assets are recognized in the statement of income under 'Provision for credit and impairment losses - net'.

The Bank classified 'Cash and other cash items', 'Due from BSP', 'Due from other banks', 'Loans and receivables', 'Investment securities at amortized cost' and certain financial assets under 'Other assets' as financial assets at amortized cost.

The Bank may irrevocably elect at initial recognition to classify a financial asset that meets the amortized cost criteria above as at FVTPL if that designation eliminates or significantly reduces an accounting mismatch had the financial asset been measured at amortized cost.

As of December 31, 2025 and 2024, the Bank has not made such designation.

Financial Assets at FVOCI
Financial assets at FVOCI include debt and equity securities.

1. *Debt Instruments at FVOCI*
   The Bank applies the category of debt instruments measured at FVOCI when both the following conditions are met:
   - The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets; and
   - The contractual terms of the financial asset meet the SPPI test.

   Subsequently, these are measured at fair value with gains or losses arising due to changes in fair value recognized in Other Comprehensive Income (OCI) under 'Fair value reserves on investment securities at fair value through other comprehensive income'. Interest income and foreign exchange gains and losses are recognized in the statement of income in the same manner as for financial assets measured at amortized cost. When the Bank holds more than one investment in the same security, these are deemed to be disposed of on a first-in, first-out basis. On derecognition, cumulative gains or losses recognized in OCI are reclassified from OCI to the statement of income.

2. *Equity Instruments at FVOCI*
   At initial recognition, the Bank can make an irrevocable election (on an instrument-by-instrument basis) to designate equity instruments at FVOCI. Designation at FVOCI is not permitted if the investment in equity instrument is held for trading.

Investments in equity instruments at FVOCI are initially measured at fair value plus transaction costs. Subsequently, these are measured at fair value, with no deduction for sale or disposal costs. Gains and losses arising from changes in fair value are recognized in OCI and accumulated in 'Fair Value Reserves on Investment Securities at Fair Value through Other Comprehensive Income' in the statement of financial position. When the asset is disposed of, the cumulative gain or loss previously recognized in 'Fair Value Reserves on Investment Securities at Fair Value through Other Comprehensive Income' is not reclassified to the statement of income, but is reclassified to 'Surplus'.

Dividends earned on these investments in equity instruments are recognized in the statement of income when the Bank's right to receive the dividends is established in accordance with PFRS 9, unless the dividends clearly represent recovery of a part of the cost of the investment. Dividends earned are recognized in the statement of income, under 'Miscellaneous income'.

Equity instruments at FVOCI of the Bank include investments in non-marketable equity investments that do not have a quoted market price in an active market, and whose fair market value cannot be reliably measured.

Financial asset measured at FVTPL
Financial assets at FVTPL are those non-derivative investments which are designated as such or do not qualify to be classified or designated as financial assets at amortize cost investments or loans and receivables. They are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions.

As of December 31, 2025 and 2024, the Bank has no financial instruments at FVTPL.

Reclassification of financial assets
The Bank can reclassify financial assets if the objective of its business model for managing those financial assets changes. The Bank is required to reclassify as follows:

- From amortized cost or FVOCI to FVTPL, if the objective of the business model changes so that the amortized cost or FVOCI criteria are no longer met;
- From FVTPL to amortized cost or FVOCI, if the objective of the business model changes so that the amortized cost or FVOCI criteria start to be met and the characteristics of the instrument's contractual cash flows are SPPI; and
- From amortized cost to FVOCI if the business model changes so that the objective becomes both to collect contractual cash flows and to sell or from FVOCI to amortized cost if the business model becomes solely for the collection of contractual cash flows.

Reclassification of financial assets designated as at FVTPL or equity financial assets at FVOCI at initial recognition is not permitted.

A change in the objective of the Bank's business model must be effected before the reclassification date. The reclassification date is the beginning of the next reporting period following the change in the business model.

Impairment of Financial Assets
ECL represents credit losses that reflect an unbiased and probability-weighted amount which is based on reasonable and supportable information about past events, current conditions and forecasts of future economic conditions, and the time value of money. The objective of the new impairment model is to record lifetime losses on all financial instruments which have experienced an SICR since their initial recognition. As a result, ECL allowances are now measured at amounts equal to either (i) 12-month ECL or (ii) lifetime ECL for those financial instruments which have experienced an SICR since initial recognition (General Approach). The 12-month ECL is the portion of lifetime ECL that results from

default events on a financial instrument that are possible within the next 12 months after the reporting date. Lifetime ECLs are credit losses that result from all possible default event over the expected life of a financial instrument.

Both the 12-month ECL and lifetime ECL are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

For non-credit-impaired financial instruments:
- Stage 1 is comprised of all non-impaired financial instruments which have not experienced an SICR since initial recognition. The Bank recognizes a 12-month ECL for Stage 1 financial instruments.
- Stage 2 is comprised of all non-impaired financial instruments which have experienced an SICR since initial recognition. The Bank recognizes a lifetime ECL for Stage 2 financial instruments.

For credit-impaired financial instruments:
- Financial instruments are classified as Stage 3 when there is objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with a negative impact on the estimated future cash flows of a loan or a portfolio of loans. The ECL model requires that lifetime ECL be recognized for impaired financial instruments.

Financial liabilities at amortized cost
Issued financial instruments or their components which are not designated at FVTPL are classified as financial liabilities at amortized cost, where the substance of the contractual arrangement results in the Bank having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity instrument elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

After initial measurement, financial liabilities at amortized cost are subsequently measured at amortized cost using the EIR amortization method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR.

This category includes ‘Deposit liabilities’, ‘Bills payable’, and other financial liabilities under ‘Accrued expenses and other liabilities’.

<u>Derecognition of Financial Instruments</u>
Financial assets
A financial asset (or, where applicable a part of a financial asset or part of a group of financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired; or
- 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 the control over the asset.

When 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 asset is recognized to the extent of the Bank’s continuing involvement in the asset. In that case, the Bank also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

Write-offs
Financial assets are written off either partially or in their entirety when the Bank no longer expects collections or recoveries within a foreseeable future. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

Modification of financial assets
The Bank derecognizes a financial asset when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new asset, with the difference between its carrying amount and the fair value of the new asset recognized as a derecognition gain or loss in profit or loss, to the extent that an impairment loss has not already been recorded.

The Bank considers both qualitative and quantitative factors in assessing whether a modification of financial asset is substantial or not. When assessing whether a modification is substantial, the Bank considers the following factors, among others:

- Change in currency of the loan
- Introduction of an equity feature
- Change in counterparty
- If the modification results in the asset no longer considered “solely payment for principal and interest”

The Bank also performs a quantitative assessment similar to that being performed for modification of financial liabilities. In performing the quantitative assessment, the Bank considers the new terms of a financial asset to be substantially different if the present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10.00% different from the present value of the remaining cash flows of the original financial asset.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Bank recalculates the gross carrying amount of the financial asset as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR (or credit-adjusted EIR for purchased or originated credit-impaired financial assets) and recognizes a modification gain or loss in profit or loss.

When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of a new financial asset, the modified asset is considered a 'new ' financial asset. Accordingly, the date of the modification shall be treated as the date of initial recognition of that financial asset when applying the impairment requirements to the modified financial asset. The newly recognized financial asset is classified as Stage 1 for ECL measurement purposes, unless the new financial asset is deemed to be originated as credit impaired (POCI).

Financial liabilities
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of income.

Exchange or modification of financial liabilities
The Bank considers both qualitative and quantitative factors in assessing whether a modification of financial liabilities is substantial or not. The terms are considered substantially different if the present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the present value of the remaining cash flows of the original financial liability. However even where the present value of the cash flows under the new terms is less than 10% different from the present value of the remaining cash flows of the original financial liability, where the modification of the financial liability is so fundamental, immediate derecognition of the original financial liability (e.g., restructuring a financial liability to include an embedded equity component) and the recognition of a new liability are appropriate. The difference between the carrying value of the original financial liability and the fair value of the new liability is recognized in profit or loss.

When the exchange or modification of the existing financial liability is not considered as substantial, the Bank recalculates the gross carrying amount of the financial liability as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR and recognizes a modification gain or loss in profit or loss.

If modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the financial instrument and are amortized over the remaining term of the modified financial instrument.

<u>Property and Equipment</u>
Property and equipment consisting of furniture, fixtures and equipment, computer and office equipment, and leasehold improvements are stated at cost less accumulated depreciation and amortization, and accumulated impairment losses, if any. The initial cost of property and equipment consists of its purchase price and any directly attributable cost of bringing the asset to its working condition and location for its intended use.

Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance, are normally recognized in the statement of income in the year in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Depreciation and amortization is calculated on a straight-line basis over the estimated useful life (EUL) of the asset as follows:

	EUL
Leasehold improvements	3 years or over the remaining lease term, whichever is shorter
Furniture, fixtures and equipment	5 years
Office equipment	3 years
Computer equipment	5 years
Transportation equipment	3 years

The EUL and the depreciation and amortization method are reviewed at least at each reporting date to ensure that the period and the method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in the statement of income in the year the asset is derecognized.

Right of Use Assets

The Bank recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Unless the Bank is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its EUL and the lease term of the assets.

Chattel Mortgage (Other Properties Acquired)

These include chattel mortgage properties acquired in settlement of loans and receivables. These are carried at fair value as at date of reclassification.

The Bank applies the cost model in accounting for other properties acquired. Depreciation is computed on a straight-line basis over the EUL of three (3) years. The EUL and the depreciation method are reviewed periodically to ensure that the period and the method of depreciation are consistent with the expected pattern of economic benefits from items of other properties acquired.

The carrying values of other properties acquired are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amounts.

If the Bank decides to use an item under chattel mortgage property as property and equipment, the related asset is reclassified to property and equipment. Upon reclassification, the Bank measures a chattel mortgage property that ceases to be classified as other properties acquired at its carrying amount.

Impairment of Property and Equipment and Chattel (Other Property Acquired)

At each reporting date, the Bank assesses whether there is any indication that its property and equipment and chattel may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Bank makes an estimate of the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the cash generating unit (CGU) to which it belongs.

Where the carrying amount of an asset (or CGU) exceeds its recoverable amount, the asset (or CGU) is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or CGU). In determining fair value less costs to sell an appropriate valuation model is used.

An impairment loss is charged against the statement of income in the year in which it arises.

At each reporting date, an assessment is made as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized as a credit in 'Provision for impairment and credit losses' in the statement of income. After such a reversal, the depreciation expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

<u>Equity</u>
Capital stock is measured at par value for all shares issued. When the Bank issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued.

Surplus represents accumulated earnings of the Bank less dividends declared.

<u>Leases</u>
The Bank assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as lessee
Except for short-term leases and leases of low-value assets, the Bank applies a single recognition and measurement approach for all leases. The Bank recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Lease liabilities
At the commencement date of the lease, the Bank recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating a lease, if the lease term reflects the Bank exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Bank uses the incremental borrowing rate (IBR) at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets
The Bank applies the short-term lease recognition exemption to its short-term leases of commercial spaces and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the leases of low-value assets recognition exemption to leases of various equipment that are considered of low value (i.e., below ₱250,000). Lease payments on short-term leases and leases of low-value assets are recognized as ‘Rent’ on a straight-line basis over the lease term.

<u>Revenue Recognition</u>
Revenues within the scope of PFRS 15, Revenue from Contracts with Customers
Revenue from contract with customers is recognized upon transfer of promised goods or services to customers at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The Bank exercises judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the five-step model to contracts with customers.

The following specific recognition criteria must be met before revenue is recognized for contracts within the scope of PFRS 15:

Service charges and fees
Fees earned for the provision of services are recognized once services are rendered. These include charges from usage of ATM, charges for returned checks, charges for below minimum maintaining balance and commission income.

Miscellaneous income
Income from sale of services is recognized upon rendition of the service. Income from sale of properties is recognized upon completion of the earning process, transfer of control of property to buyer, and when the collectability of the sales price is reasonably assured.

Revenues outside the scope of PFRS 15
The following specific recognition criteria must be met before revenue is recognized for contracts outside the scope of PFRS 15:

Interest income
For all financial instruments measured at amortized cost, interest income is recorded at the EIR, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options), includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses. The carrying amount of the financial asset is adjusted if the Bank revises its estimates of receipts. The adjusted carrying amount is calculated based on the original EIR. The change in carrying amount is recorded as ‘Interest income’ in the statement of income.

When a financial asset becomes credit-impaired and is, therefore, regarded as Stage 3 (as discussed in “Impairment of Financial Assets” above), the Bank calculates interest income by applying the EIR to the net amortized cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the Bank reverts to calculating interest income on a gross basis.

Dividend income
Dividend income are recognized when the Bank’s right to receive payment is established, which is generally when the shareholders approve the dividend declarations.

Expense Recognition
Expenses are recognized when it is probable that decrease in future economic benefits related to the decrease in asset or an increase in liability has occurred and that the decrease in economic benefits can be measured reliably. Expenses are recognized when incurred.

Interest expense
Interest expense for all interest-bearing financial liabilities are recognized in 'Interest expense' in the statement of income using the EIR of the financial liabilities to which they relate.

Taxes and licenses
These include all other taxes, local and national, including gross receipts tax (GRT), real estate taxes and licenses and permit fees which are recognized when incurred.

Operating expenses
Operating expenses constitute costs which arise in the normal business operations and are recognized when incurred.

Retirement Benefits
The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The defined benefit obligation is calculated annually by an independent actuary. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using interest rates on government bonds that have terms to maturity approximating the terms of the related retirement liability.

The cost of providing benefits under the defined benefit retirement plan is determined using the projected unit credit method.

Defined benefit costs comprise the following:
- Service cost;
- Net interest on the net defined benefit liability or asset; and
- Remeasurements of net defined benefit liability or asset.

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the statement of income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on Philippine government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the statement of income.

Remeasurements, comprising of actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to the statement of income in subsequent periods.

The Bank's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Provisions and Contingencies

Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Bank expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of income, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as 'Interest expense'. Provisions are reviewed at each reporting date.

Contingent liabilities are not recognized in the financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized but are disclosed in the financial statements when an inflow of economic benefits is probable.

Income Taxes

Income tax comprises current and deferred taxes. Income tax is determined in accordance with Philippine tax law. Income tax is recognized in the statement of income, except to the extent that it relates to OCI items recognized directly in OCI.

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as of the reporting date.

Deferred tax

Deferred tax is provided, using the balance sheet liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from the excess of the minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT), and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient taxable profit will be available against which the deductible temporary differences and carryforward benefits of unused tax credits from the excess of the MCIT over the RCIT and unused NOLCO can be utilized. Deferred tax assets and liabilities, however, are not recognized on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of transaction, affects neither the accounting income nor taxable income.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced 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. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are applicable to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Current tax and deferred tax relating to items recognized directly in OCI are also recognized in OCI.

Deferred tax assets and liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and deferred taxes relate to the same taxable entity and the same taxation authority.

Events after the Reporting Period
Any post year-end event that provides additional information about the Bank's position at the reporting date (adjusting events) is reflected in the financial statements. Post year-end events that are not adjusting events, if any, are disclosed in the financial statements when material.

3. Significant Accounting Judgments and Estimates

The preparation of the financial statements in accordance with PFRS Accounting Standards requires the Bank to make judgments and estimates that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities, if any, at the reporting date. Future events may occur which will cause the judgments and assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the financial statements as they become reasonably determinable.

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.

Judgments

a. *Extension and termination options*
   The Bank applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors such as leasehold improvements and location that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Bank reassess the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

Estimates
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next period, are described below. The Bank based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances beyond the control of the Bank. Such changes are reflected in the assumptions when they occur.

a. *Fair value of financial instruments*
   Where the fair values of financial assets and financial liabilities recognized or disclosed in the notes to the financial statements cannot be derived from active markets, they are determined using variety of valuation techniques acceptable to the market such as alternative valuation approaches that include the use of mathematical models. The inputs to these models are taken from observable

markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

The carrying values and corresponding fair values of financial assets and financial liabilities as well as the manner in which fair values were determined are discussed in Note 5.

b. *ECL on financial assets*
The measurement of credit losses under PFRS 9 requires significant judgment, in particular, the estimation of the amount and timing of future cash flows when determining impairment losses and the assessment of an SICR. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. In particular, judgments and estimates by management are required in determining the following:

- segmenting the Bank's credit risk exposures;
- the Bank's definition of default;
- determining the method to estimate ECL;
- identifying exposures with significant deterioration in credit quality;
- determining assumptions to be used in the ECL model such as the counterparty credit risk rating;
- the expected life of the financial asset and expected recoveries from defaulted accounts; and
- incorporating forward-looking information (called overlays) in calculating ECL.

The related allowance for credit losses of financial assets are disclosed in Note 8.

c. *Recognition of deferred taxes*
Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based on the forecasted level of future taxable profits and the related future tax planning strategies.

The carrying value of the Bank's deferred tax assets is disclosed in Note 19.

4. Financial Risk Management Policies and Objectives

By their nature, the Bank's activities are principally related to the use of financial instruments. The Bank accepts deposits from customers at fixed rates, and for various periods, and seeks to earn above-average interest margins by investing these funds in high-quality assets. The Bank seeks to increase these margins by consolidating short-term funds and lending for longer periods at higher rates, while maintaining sufficient liquidity to meet all claims that might fall due.

The Bank operates an integrated risk management system to address the risks it faces in its banking activities, including liquidity, credit and market risks. The Bank's risk management objective is to adequately and consistently evaluate, manage, control, and monitor the risk profile of the Bank's statement of financial position to optimize the risk-reward balance and maximize the return on the Bank's capital. The Bank's Board of Directors (BOD) has overall responsibility for the Bank's risk management system and sets risk management policies across the full range of risks to which the Bank is exposed.

Credit Risk
Credit risk is the risk of financial loss to the Bank if the counterparty to a financial instrument fails to meet its contractual obligations. The Bank manages and controls credit risk by setting limits on the

amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits. The Bank also monitors credit exposures, and continually assesses the credit worthiness of counterparties. In addition, the Bank obtains security where appropriate, enters into collateral arrangement with counterparties, and limits the duration of exposures.

Maximum exposure to credit risk
The table below provides the analysis of the maximum exposure to credit risk of the Bank's financial instruments, excluding those which carrying values as reflected in the statements of financial position and related notes already represent the financial instrument's maximum exposure to credit risk, before and after taking into account collateral held and other credit enhancements.

	2025			
	Maximum exposure to credit risk	**Fair value of collateral and credit enhancements**	**Financial effect of collateral or credit enhancements**	**Net exposure to credit risk**
SPURA	**₱412,000,000**	**₱412,000,000**	**₱412,000,000**	**₱–**
Loans receivable				
Salary Loans	**3,359,028,796**	**–**	**–**	**3,359,028,796**
Car loans	**75,540,554**	**155,739,082**	**74,989,328**	**551,226**
Real estate loans	**38,030,490**	**97,512,325**	**37,142,149**	**888,341**
SME loans	**13,079,571**	**17,891,333**	**9,240,293**	**3,839,278**
Others	**246**	**–**	**–**	**246**

	2024			
	Maximum exposure to credit risk	Fair value of collateral and credit enhancements	Financial effect of collateral or credit enhancements	Net exposure to credit risk
SPURA	₱362,000,000	₱362,000,000	₱362,000,000	₱–
Loans receivable				
Salary loans	2,991,924,693	–	–	2,991,924,693
Car loans	59,096,612	139,365,626	58,642,294	454,318
Real estate loans	45,563,922	112,267,317	45,442,027	121,895
SME loans	15,994,747	10,204,000	1,835,496	14,159,251
Others	23,039	–	–	23,039

Collateral and other credit enhancements
The Bank seeks to use collateral, where possible, to mitigate its risks on financial assets. The fair value of collateral is generally assessed, at a minimum, at inception. The amount and type of collateral required depends on the assessment of the credit risk of the counterparty. The Bank implements certain requirements regarding the acceptability of types of collateral and valuation parameters.

For consumer lending, the Bank obtains physical collateral (e.g., chattel properties). As a general policy, the loan value of the collateral is 70.00% of the appraised value.

It is the Bank's policy to dispose assets acquired either through redemption or sale. The proceeds on the sale of foreclosed assets (classified as 'Other Assets' in the statement of financial position) are used to reduce or repay the outstanding claims.

Concentration of credit risk
Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

The Bank considers risk concentration to be present in financial assets when the total exposure to a particular industry or sector exceeds 30.00% of the total financial assets, similar to BSP requirements.

The table below shows the distribution of the Bank's financial assets subject to credit risk exposure by industry sector as of December 31, 2025 and 2024, before taking into account any collateral held or other credit enhancements:

	2025						
	Loans and receivables	**%**	**Other financial assets***	**%**	**Investment Securities**	**%**	**Total**
Personal service activities	**₱3,427,323,412**	**96.10**	**₱–**	–	**₱–**	–	**₱3,427,323,412**
Government	**2,266,777**	**0.06**	**426,625,918**	**72.86**	**300,375,854**	**98.38**	**729,268,549**
Financial intermediaries	**48,243**	**0.00**	**153,594,647**	**26.23**	–	–	**153,642,890**
Real estate, renting & business activities	**41,128,491**	**1.15**	**5,282,166**	**0.90**	**4,942,873**	**1.62**	**51,353,530**
Personal and household goods	**8,281,221**	**0.23**	–	–	–	–	**8,281,221**
Auto loans	**73,981,530**	**2.08**	–	–	–	–	**73,981,530**
Agriculture, hunting and forestry	**4,935,623**	**0.14**	–	–	–	–	**4,935,623**
Transportation and storage	**6,882,208**	**0.19**	–	–	–	–	**6,882,208**
Construction	–	**0.00**	–	–	–	–	–
Other community, social work activities	**598,569**	**0.02**	–	–	–	–	**598,569**
Wholesale and retail	**1,032,557**	**0.03**	–	–	–	–	**1,032,557**
Manufacturing	–	**0.00**	–	–	–	–	–
	3,566,478,631	**100.00**	**585,502,731**	**100.00**	**305,318,727**	**100.00**	**4,457,300,089**
Allowance for credit losses	**(69,726,946)**	–	–	–	–	–	**(69,726,946)**
	₱3,496,751,685	**100.00**	**₱585,502,731**	**100.00**	**₱305,318,727**	**100.00**	**₱4,387,573,143**

**Comprised of 'Due from BSP', 'Due from other banks', 'Accounts receivable', 'Security deposits' and 'Short-term investments'.*

	2024						
	Loans and receivables	%	Other financial assets*	%	Investment Securities	%	Total
Personal service activities	₱3,051,450,755	95.46	₱–	–	₱–	–	₱ 3,051,450,755
Government	2,266,778	0.07	389,523,639	68.55	299,387,090	98.41	691,177,507
Financial intermediaries	51,638	0.00	173,678,720	30.56	–	–	173,730,358
Real estate, renting & business activities	51,619,793	1.62	5,046,544	0.89	4,841,456	1.59	61,507,793
Personal and household goods	23,242,845	0.73	–	–	–	–	23,242,845
Auto loans	44,798,390	1.40	–	–	–	–	44,798,390
Agriculture, hunting and forestry	16,783,556	0.53	–	–	–	–	16,783,556
Transportation and storage	4,131,762	0.13	–	–	–	–	4,131,762
Construction	206,261	0.01	–	–	–	–	206,261
Other community, social work activities	851,459	0.07	–	–	–	–	851,459
Wholesale and retail	751,020	0.03	–	–	–	–	751,020
Manufacturing	135,965	0.00	–	–	–	–	135,965
	3,196,290,222	100.00	568,248,903	100.00	304,228,546	100.00	4,068,767,671
Allowance for credit losses	(66,913,153)	–	–	–	–	–	(66,913,153)
	₱3,129,377,069	100.00	₱568,248,903	100.00	₱304,228,546	100.00	₱4,001,854,518

**Comprised of 'Due from BSP', 'Due from other banks', 'Accounts receivable', 'Security deposits' and 'Short-term investments'.*

For loans and receivables under 'Personal services activities', concentration risk is actively managed by the Bank with collections reasonably assured as they are mainly coursed through the Department of Education.

Credit quality per class of financial assets

Due from BSP, due from other banks, financial assets at FVOCI, investment securities at amortized cost, and short-term investments and security deposits presented under 'other assets' are with the government, reputable financial institutions and private entities and are deemed to be of high grade.

The rating categories are further described below.

Loans and receivable

High Grade
This includes unclassified loans which may include technical past-due accounts, which under BSP regulations are not considered as outright past-due.

Standard Grade
This is comprised of loans that have loan classification of miscellaneous exception and loans especially mentioned. Standard grade may also include matured loans subject to renewal. This category is comprised of receivables that are technically past due, with period of default of 1 to 30 days, but are still regarded as good credit quality since the counterparties have the apparent ability to satisfy their obligations in full.

Substandard Grade
These are accounts that are watch listed based on internal credit assessment and accounts that have the tendency to turn past due or non-performing. This includes loans with period of default of 31 to 90 days.

Past Due and Impaired
This comprised of receivables which are classified as non-performing, with period of default of more than 90 days.

Loans with classification of doubtful and loss are included under past-due or individually impaired.

The financial assets are also grouped according to stage whose description is explained as follows:

Stage 1 - those that are considered current and up to 30 days past due, and based on change in rating, delinquencies and payment history, do not demonstrate significant increase in credit risk.

Stage 2 - those that, based on change in rating, delinquencies and payment history, demonstrate significant increase in credit risk, and/or are considered more than 30 days past due but does not demonstrate objective evidence of impairment as of reporting date.

Stage 3 - those that are considered in default or demonstrate objective evidence of impairment as of reporting date. The Bank defines a loan as in default, which is fully aligned with the definition of non-performing loans, that is, credit impaired, in all cases when the borrower becomes more than ninety (90) days past due on its contractual payments.

The table below shows the credit quality (classified by staging based on delinquency) per class of loans and receivables (gross of allowance for credit losses and unearned interest and discount) as of December 31, 2025 and 2024:

	2025			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Salary Loans				
Standard Grade	**₱3,446,760,954**	**₱–**	**₱–**	**₱3,446,760,954**
Substandard Grade	**–**	**39,313,123**	**–**	**39,313,123**
Past Due and Impaired	**–**	**–**	**98,330,274**	**98,330,274**
	3,446,760,954	**39,313,123**	**98,330,274**	**3,584,404,351**

(Forward)

	2025			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Car Loans				
Standard Grade	**₱66,756,664**	**₱–**	**₱–**	**₱66,756,664**
Substandard Grade	**–**	**3,535,413**	**–**	**3,535,413**
Past Due and Impaired	**–**	**–**	**5,217,924**	**5,217,924**
	66,756,664	**3,535,413**	**5,217,924**	**75,510,001**
Real Estate Loans				
Standard Grade	**26,529,426**	**–**	**–**	**26,529,426**
Substandard Grade	**–**	**7,745,023**	**–**	**7,745,023**
Past Due and Impaired	**–**	**–**	**5,353,663**	**5,353,663**
	26,529,426	**7,745,023**	**5,353,663**	**39,628,112**
SME Loans				
Standard Grade	**12,549,464**	**–**	**–**	**12,549,464**
Substandard Grade	**–**	**794,904**	**–**	**794,904**
Past Due and Impaired	**–**	**–**	**745,462**	**745,462**
	12,549,464	**794,904**	**745,462**	**14,089,830**
Others				
Standard Grade	**–**	**–**	**–**	**–**
Substandard Grade	**–**	**–**	**–**	**–**
Past Due and Impaired	**–**	**–**	**32,912**	**32,912**
	–	**–**	**32,912**	**32,912**
Accrued interest receivables				
Standard Grade	**9,700,978**	**–**	**–**	**9,700,978**
Substandard Grade	**–**	**253,974**	**–**	**253,974**
Past Due and Impaired	**–**	**–**	**347,098**	**347,098**
	9,700,978	**253,974**	**347,098**	**10,302,050**
Total Loans and Receivables				
Standard Grade	**3,562,297,486**	**–**	**–**	**3,562,297,486**
Substandard Grade	**–**	**51,642,437**	**–**	**51,642,437**
Past Due and Impaired	**–**	**–**	**110,027,333**	**110,027,333**
	₱3,562,297,486	**₱51,642,437**	**₱110,027,333**	**₱3,723,967,256**

	2024			
	Stage 1	Stage 2	Stage 3	Total
Salary Loans				
Standard Grade	₱3,062,755,781	₱–	₱–	₱3,062,755,781
Substandard Grade	–	48,290,040	–	48,290,040
Past Due and Impaired	–	–	89,154,372	89,154,372
	3,062,755,781	48,290,040	89,154,372	3,200,200,193
Car Loans				
Standard Grade	48,175,851	–	–	48,175,851
Substandard Grade	–	3,067,901	–	3,067,901
Past Due and Impaired	–	–	7,960,417	7,960,417
	48,175,851	3,067,901	7,960,417	59,204,169
Real Estate Loans				
Standard Grade	35,281,311	–	–	35,281,311
Substandard Grade	–	5,053,591	–	5,053,591
Past Due and Impaired	–	–	6,490,673	6,490,673
	35,281,311	5,053,591	6,490,673	46,825,575
SME Loans				
Standard Grade	16,136,299	–	–	16,136,299
Substandard Grade	–	195,902	–	195,902
Past Due and Impaired	–	–	745,462	745,462
	16,136,299	195,902	745,462	17,077,663

(Forward)

	2024			
	Stage 1	Stage 2	Stage 3	Total
Others				
Standard Grade	₱–	₱–	₱–	₱–
Substandard Grade	–	–	–	–
Past Due and Impaired	–	–	32,912	32,912
	–	–	32,912	32,912
Accrued Interest Receivables				
Standard Grade	16,552,880	–	–	16,552,880
Substandard Grade	–	163,657	–	163,657
Past Due and Impaired	–	–	343,668	343,668
	16,552,880	163,657	343,668	17,060,205
Total Loans and Receivables				
Standard Grade	3,178,902,122	–	–	3,178,902,122
Substandard Grade	–	56,771,091	–	56,771,091
Past Due and Impaired	–	–	104,727,504	104,727,504
	₱3,178,902,122	₱56,771,091	₱P104,727,504	₱3,340,400,717

Impairment assessment

Assessment of SICR/Staging assessment

The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the instrument. Based on this process, the Bank categorizes its credit exposures into Stage 1, Stage 2 and Stage 3, as described below:

Stage	Category	Description
Stage 1	Credit risk has not increased significantly since initial recognition	12 month expected credit losses: Expected credit loss resulting from potential default of financial instruments occurring over 12 months from the end of reporting period and if current and contractual payments are less than or equal to thirty (30) days past due.
Stage 2	Credit risk has increased significantly since initial recognition	Lifetime expected credit losses: Expected credit loss resulting from all potential default of financial instruments occurring over the expected life and if contractual payments are more than thirty (30) days and less than or equal to ninety (90) days past due or if the account is considered "watchlist"
Stage 3		Credit-impaired financial assets

For other credit risk exposures such as due from other banks, due from BSP, and debt securities at amortized cost, the Bank applies the low credit risk simplification. The Bank considers a debt financial asset to have low risk when its credit rating is equivalent to the definition of investment grade. The Bank evaluates whether the debt financial asset, on an individual basis, is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort.

The Bank determines a material increase in credit risk and estimates the expected credit loss on a forward-looking basis. The measuring factors of the expected credit loss are assumed to have certain relationship with the economic cycle. Through relationship analysis between the macroeconomic variables and the credit risk measuring factors, the forward-looking information is reflected in the expected credit loss estimation.

In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer an SICR since initial recognition, the Bank shall revert to recognizing a 12-month ECL.

Definition of 'default' and 'cure'
The Bank defines a financial instrument as in default based on the following:
- Loans and receivables which are past due for more than 90 days;
- Loans and receivable with non-collection of full amount at maturity;
- Likelihood of non-payment when an account is under litigation;
- There is a breach of any key covenants/agreements that will adversely affect the borrower's capacity to pay;
- Weak financial condition and results of operations that leads to the borrower's inability to generate sufficient cash flow for debt servicing; or
- Restructuring of principal and interest or any concession granted by the Bank relating to the borrower's difficulty.

When such events occur, the Bank carefully considers whether the event should result in treating the customer as defaulted. An instrument is considered to be no longer in default (i.e., cured) when it no longer meets any of the default criteria and there is sufficient evidence to support full collection through payments received for at least 6 consecutive payments.

Credit risk at initial recognition
The Bank uses an internal credit assessment and approvals at various levels to determine the credit risk of exposures at initial recognition. Assessment can be quantitative or qualitative and depends on the materiality of the facility or the complexity of the portfolio to be assessed.

Restructuring
In certain circumstances, the Bank modifies the original terms and conditions of a credit exposure to form a new loan agreement or payment schedule. The modifications can be given depending on the borrower's or counterparty's current or expected financial difficulty. The modifications may include, but are not limited to, change in interest rate and terms, principal amount, maturity date, date and amount of periodic payments and accrual of interest and charges. Distressed restructuring with indications of unlikeliness to pay are categorized as impaired accounts and are moved to Stage 3.

Assessment of ECL on a collective basis
The Bank calculates ECL either on an individual or collective basis. The Bank performs collective impairment by grouping financial assets on the basis of similar credit risk characteristics such as industry, collateral type, past-due status and other relevant factors. Accounts with similar attributes (i.e., type of facility) are pooled together for calculating provisions based on the ECL models.

ECL parameters and methodologies
ECL is a function of the probability of default (PD), exposure at default (EAD) and loss given default (LGD). These variables have been estimated from historical experience data by using the statistical techniques developed internally by the Bank and have been adjusted to reflect forward-looking information using statistical techniques and experienced credit judgment.

The PD represents the likelihood that a credit exposure will not be repaid and will go into default in either a 12-month horizon for Stage 1 or within the remaining life of the exposure for Stage 2. The PD for each individual instrument is modelled based on historical data and is adjusted for current market conditions and reasonable and supportable information about future economic conditions. The Bank segmented its credit exposures based on homogenous risk characteristics and developed a corresponding PD methodology for each portfolio. The PD methodology for each relevant portfolio is determined based on the underlying nature or characteristics of the portfolio, behavior of the accounts and materiality of the portfolio as compared to the total portfolio.

EAD is modelled on historical data and represents an estimate of the outstanding amount of credit exposure at the time a default may occur. LGD is the amount that may not be recovered in the event of default and is modelled based on historical net cash flow recoveries from collections and the sale of foreclosed assets.

Economic overlays
The Bank incorporates economic overlays into its assessment of SICR and its measurement of ECL. A broad range of economic overlays are considered as economic inputs, such as inflation rates, exchange rates and savings deposit rates. The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. To reflect these, quantitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

The Bank’s loans and receivables consists of different portfolios, such as personal salary loans, car loans, real estate loans; and small and medium enterprise (SME) loans. In compliance with PFRS 9, the Bank has developed ECL parameters and methodologies for each portfolio, using historical data as well as forward-looking inputs and assumptions.

Market Risk
Market risk is the risk of loss to future earnings, to fair value or future cash flows of a financial instrument as a result of changes in its price, in turn caused by changes in interest rates, foreign currency exchange rates, equity prices and other market factors.

Interest rate risk
Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of the financial instruments. 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.

The following table sets forth the sensitivity to a reasonably possible change in the interest rates of the Bank’s investments in bonds included under investment securities at FVOCI and bills payable, with all other variables held constant:

	2025		2024	
Changes in interest rates (in basis points)	**+100**	**-100**	+100	-100
Effect on equity				
Investment securities at FVOCI	**(₱2,081,992)**	**₱2,185,655**	(₱2,372,148)	₱2,492,157
Effect on net income				
Bills payable	**(4,680,242)**	**4,771,351**	(5,977,286)	5,980,524

As at December 31, 2025 and 2024, the Bank does not hold floating-rate financial assets.

Liquidity Risk

Liquidity risk is the risk that sufficient funds may not be available to adequately meet the credit demands of the Bank's customers and repay deposits on maturity. The Bank's objective in liquidity management is to ensure that the Bank has sufficient liquid financial resources to meet obligations when they fall due, under both normal and stressed conditions, without incurring unacceptable losses that would be detrimental to the Bank's operations.

The Bank maintains a portfolio of highly marketable assets that can be easily liquidated in the event of an unforeseen interruption of cash flow. In addition, the Bank maintains a liquidity and statutory reserve to BSP equivalent to 0.00% and 1.00% of deposit liabilities in 2025 and 2024, respectively. The liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Bank. The most important of these is to maintain limits on the ratio of net liquid asset to deposit liabilities, set to reflect market conditions.

The tables below summarize the maturity profile of the financial assets and financial liabilities of the Bank based on undiscounted contractual cash flows:

	2025					
	On demand	**Due within 1 month**	**1 to 3 months**	**3 to 12 months**	**Beyond 1 year**	**Total**
Financial assets						
Cash on hand	**₱32,680,425**	**₱–**	**₱–**	**₱–**	**₱–**	**₱32,680,425**
Due from BSP	**4,625,918**	**422,208,613**	**–**	**–**	**–**	**426,834,531**
Due from other banks	**34,603,866**	**10,518,189**	**9,295,367**	**11,050,560**	**–**	**65,467,982**
Investment securities at FVOCI	**–**	**1,152,506**	**10,000,000**	**15,152,506**	**66,000,000**	**92,305,012**
Investment securities at amortized cost			**575,000**	**6,341,042**	**238,906,042**	**245,822,084**
Loans and receivables	**159,234,021**	**109,074,834**	**201,116,180**	**897,701,769**	**3,000,869,088**	**4,367,995,892**
Other assets*	**–**	**88,126,665**	**–**	**–**	**5,282,166**	**93,408,831**
	231,144,230	**631,080,807**	**220,986,547**	**930,245,877**	**3,311,057,296**	**5,324,514,757**
Financial liabilities						
Deposit liabilities	**304,860,806**	**290,817,421**	**715,815,170**	**403,853,486**	**1,589,562,104**	**3,304,908,987**
Bills payable	**–**	**201,587,429**	**–**	**69,142,989**	**395,456,812**	**666,187,230**
Accrued expenses and other liabilities	**–**	**82,089,462**	**–**	**–**	**–**	**82,089,462**
	304,860,806	**574,494,312**	**715,815,170**	**472,996,475**	**1,985,018,916**	**4,053,185,679**
	(₱73,716,576)	**₱56,586,495**	**(₱494,828,623)**	**₱457,249,402**	**₱1,326,038,380**	**₱1,271,329,078**

**Includes 'Accounts receivable', 'Security deposits' and 'Short-term investments'*

	2024					
	On demand	Due within 1 month	1 to 3 months	3 to 12 months	Beyond 1 year	Total
Financial assets						
Cash on hand	₱25,351,770	₱–	₱–	₱–	₱–	₱25,351,770
Due from BSP	17,523,639	372,325,500	–	–	–	389,849,139
Due from other banks	66,409,447	–	–	20,218,667	–	86,628,114
Investment securities at FVOCI	–	1,152,506	–	20,152,506	73,357,519	94,662,531
Investment securities at amortized cost	–	–	575,000	7,713,542	245,822,083	254,110,625
Loans and receivables	150,207,677	110,682,173	182,673,677	832,723,384	2,641,292,007	3,917,578,918
Other assets*	–	84,862,459	–	5,046,544	–	89,909,003
	259,492,533	569,022,638	183,248,677	885,854,643	2,960,471,609	4,858,090,100
Financial liabilities						
Deposit liabilities	₱252,278,196	₱328,857,016	₱350,749,499	₱490,524,116	₱1,663,950,574	₱3,086,359,401
Bills payable	–	192,286,000	20,000,000	37,142,111	510,401,307	759,829,418
Accrued expenses and other liabilities	–	64,134,921	–	–	–	64,134,921
	252,278,196	585,277,937	370,749,499	527,666,227	2,174,351,881	3,910,323,740
	₱7,214,337	(₱16,255,299)	(₱187,500,822)	₱358,188,416	₱786,119,728	₱947,766,360

**Includes 'Accounts receivable', 'Security deposits' and 'Short-term investments'*

Offsetting of Financial Assets and Liabilities
The Bank is required to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement. The effects of these arrangements to the Bank's financial statements are disclosed in the succeeding tables.

Financial assets recognized at end of reporting period by type	Gross carrying amounts before offsetting	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in the statements of financial position	Effect of remaining rights to set-off (including rights to set-off financial collateral) that do not meet PAS 32 offsetting criteria: Financial instruments	Fair value of financial collateral	Net exposure
	[a]	[b]	[c]	[d]		[e]
December 31, 2025						
Securities held under agreements to resell (Note 6)	**₱412,000,000**	**₱–**	**₱412,000,000**	**₱–**	**₱412,000,000**	**₱–**
December 31, 2024						
Securities held under agreements to resell (Note 6)	₱362,000,000	₱–	₱362,000,000	₱–	₱362,000,000	₱–

The amounts disclosed in column (d) include those rights to set-off amounts that are only enforceable and exercisable in the event of default, insolvency or bankruptcy. This includes amounts related to financial collateral pledged, whether cash or non-cash collateral, excluding the extent of over-collateralization.

5. Fair Value of Financial Assets and Financial Liabilities

The methods and assumptions used by the Bank in estimating the fair value of the financial instruments are:

Due from BSP, due from other banks and short-term investments under 'Other assets'
The carrying amounts approximate their fair values in view of the relatively short-term maturities of these instruments.

Investments in government securities and private bonds
Fair values are based on quoted market prices published in active markets.

Equity securities
Fair values of unquoted equity securities are estimated using the guideline publicly-traded company method, which utilizes publicly available information from publicly-traded comparable companies that are the same or similar to the unlisted company being valued.

Loans and receivables
Fair values of receivable from customers are estimated by discounting expected future cash flows using current market lending. The discount rates used in estimating the fair value of loans and receivables are the incremental lending rates ranging from 6.50% to 36.00% and from 6.50% to 48.60% in 2025 and 2024, respectively

Deposit liabilities
Fair values of time deposits are estimated using the discounted cash flow methodology, using the Bank's current incremental borrowing rates for similar borrowings with maturities consistent with those remaining for the liability being valued. For demand and savings deposits, carrying amounts approximate fair values considering that these are currently due and demandable. The discount rates used in estimating the fair value of time deposits as of December 31, 2025 and 2024 range from 1.50% to 7.50%.

Financial assets and liabilities at amortized cost except for loans and receivables and deposit liabilities
Carrying value approximates fair value due to either the demand nature or the relatively short-term maturities of these financial instruments. The carrying amounts of other assets approximate their respective fair values, as the differences between the two are not material.

Bills payable
Fair value is computed using the discounted cash flow methodology. The discount rates used in estimating the fair value of bills payable are from 6.50% to 9.99% and from 4.00% to 9.98% in 2025 and 2024, respectively, which are based on the Bank's incremental borrowing rates.

As at December 31, 2025 and 2024, the carrying values of the Bank's financial assets and financial liabilities approximate their fair values as reflected in the statements of financial position and related notes, except for the following financial instruments:

	2025				
		Fair Value			
	Carrying value	Quoted prices (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets measured at fair value					
Investment securities at FVOCI					
Government securities	**₱70,031,835**	**₱70,031,835**	**₱–**	**₱–**	**₱70,031,835**
Private bonds	**4,942,873**	**4,942,873**	–	–	**4,942,873**
Equity securities	**115,000**	–	**115,000**	–	**115,000**
	₱75,089,708	**₱74,974,708**	**₱115,000**	**₱–**	**₱75,089,708**
Assets for which fair values are disclosed					
Investment securities at amortized cost	**₱230,344,019**	**₱196,014,561**	**₱28,950,103**	**₱–**	**₱224,964,664**
Loans and receivables					
Salary loans	**3,366,567,121**	–	–	**3,471,009,172**	**3,471,009,172**
Car loans	**76,171,481**	–	–	**73,006,349**	**73,006,349**
Real estate loans	**38,196,296**	–	–	**40,177,670**	**40,177,670**
SME loans	**13,200,432**	–	–	**13,204,621**	**13,204,621**
Others	**249**	–	–	**246**	**246**
	3,494,135,579	–	–	**3,597,398,058**	**3,597,398,058**
	₱3,724,479,598	**₱196,014,561**	**₱28,950,103**	**₱3,597,398,058**	**₱3,822,362,722**
Liabilities for which fair values are disclosed					
Time deposits	**₱2,703,977,025**	**₱–**	**₱–**	**₱2,729,265,289**	**₱2,729,265,289**
Bills payable	**659,060,026**	–	–	**666,187,230**	**666,187,230**
	₱3,363,037,051	**₱–**	**₱–**	**₱3,395,452,519**	**₱3,395,452,519**

	2024				
		Fair Value			
	Carrying value	Quoted prices (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets measured at fair value					
Investment securities at FVOCI					
Government securities	₱68,545,414	₱68,545,414	₱–	₱–	₱68,545,414
Private bonds	4,841,456	4,841,456	–	–	4,841,456
Equity securities	115,000	–	115,000	–	115,000
	₱73,501,870	₱73,386,870	₱115,000	₱–	₱73,501,870
Assets for which fair values are disclosed					
Investment securities at amortized cost	₱230,841,676	₱218,827,404	₱–	₱–	₱218,827,404
Loans and receivables					
Salary loans	3,005,325,634	–	–	3,074,518,101	3,074,518,101
Car loans	59,464,622	–	–	53,531,352	53,531,352
Real estate loans	45,834,363	–	–	47,520,565	47,520,565
SME loans	16,028,146	–	–	16,419,705	16,419,705
Others	23,213	–	–	12,459	12,459
	3,126,675,978	–	–	3,192,002,182	3,192,002,182
	₱3,357,517,654	₱218,827,404	₱–	₱3,192,002,182	₱3,410,829,586
Liabilities for which fair values are disclosed					
Time deposits	₱2,376,676,693	₱–	₱–	₱2,400,306,338	₱2,400,306,338
Bills payable	749,855,542	–	–	759,829,418	759,829,418
	₱3,126,532,235	₱–	₱–	₱3,160,135,756	₱3,160,135,756

There were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

6. Due from BSP and Other Banks

<u>Due from BSP</u>
This account consists of:

	2025	2024
Overnight deposit facility	**₱10,000,000**	₱10,000,000
SPURA	**412,000,000**	362,000,000
Demand deposit account (Note 11)	**4,125,918**	17,023,639
Special deposit account	**500,000**	500,000
	₱426,625,918	₱389,523,639

Annual interest rates on the Bank's 'Due from BSP' are as follows:

	2025	2024
Overnight deposit facility	**4.00% - 5.25%**	5.25% - 6.00%
Term deposit facility	**5.05% - 5.77%**	5.99% - 6.63%
SPURA	**5.25% - 5.79%**	5.75% - 6.60%

Special deposit accounts are non-interest-bearing short term placements. As of December 31, 2025 and 2024, the SPURA is collateralized by government securities amounting to ₱412.00 million and ₱362.00 million, respectively. The Bank is not permitted to sell or re-pledge the related collateral in the absence of default by the counterparty.

Interest income earned on Due from BSP amounted to ₱18.24 million and ₱12.43 million in 2025 and 2024, respectively.

Due from Other Banks
This account consists of:

	2025	2024
Time deposit	**₱30,864,116**	₱21,095,742
Demand deposit	**23,081,532**	56,764,295
Savings deposit	**11,522,334**	10,956,224
	₱65,467,982	₱88,816,261

Due from other banks bear annual interest rates ranging from 0.05% to 5.00% in 2025 and 2024. Interest income on due from other banks amounted to ₱1.06 million and ₱0.94 million in 2025 and 2024 respectively.

7. Investment Securities

Investment Securities at FVOCI
This account consists of investment securities at FVOCI as of December 31, 2025 and 2024:

	2025	2024
Government securities	**₱70,031,835**	₱68,545,414
Private bonds	**4,942,873**	4,841,456
Unquoted equity securities	**115,000**	115,000
	₱75,089,708	₱73,501,870

As of December 31, 2025 and 2024, government bonds have effective interest rates ranging from 4.10% to 5.71% with maturities ranging from 2025 to 2031 and from 4.00% to 6.15% with maturities ranging from 2025 to 2031, respectively.

As of December 31, 2025 and 2024, there are no government bonds assigned as collateral for borrowings of the Bank (Note 12).

The movements in fair value reserves on debt instruments at FVOCI of the Bank follows:

	2025	2024
Balance at beginning of year	**(₱3,590,113)**	(₱3,849,622)
Movements in fair values during the year	**1,348,376**	259,509
Balance at end of year	**(₱2,241,737)**	(₱3,590,113)

Unquoted equity securities
As of December 31, 2025 and 2024, the Bank has equity investments in Chamber of Thrift Banks (CTB) and classified as investment securities at FVOCI with carrying amount of ₱0.12 million. The Bank intends to hold these securities as long-term investments as they relate to participation in banking operations.

Investment securities at amortized cost
As of December 31, 2025 and 2024, this account consists of government securities, which have effective interest rates ranging from 2.74% to 3.77% and maturities ranging from 2026 to 2028.
As of December 31, 2025, there are no government bonds assigned as collateral. As of December 31, 2024, government bonds with fair value of ₱130.58 million are assigned as collateral for borrowings of the Bank (Note 12).

Interest Income on Investment Securities
Interest income on investment securities follows:

	2025	2024
Financial assets at FVOCI	**₱3,439,275**	₱3,692,494
Investment securities and amortized cost	**7,677,343**	7,690,263
	₱11,116,618	₱11,382,757

8. Loans and Receivables

This account consists of:

	2025	2024
Loans and receivables		
Salary loans (Note 12)	**₱3,584,404,351**	₱3,200,200,193
Car loans	**75,510,001**	59,204,169
Real estate loans	**39,628,112**	46,825,575
SME loans	**14,089,830**	17,077,663
Others	**32,912**	32,912
	3,713,665,206	3,323,340,512
Net unearned interest and discount	**(157,488,625)**	(144,110,494)
Loans and receivables, net of unearned interest and discount	**3,556,176,581**	3,179,230,018
Accrued interest receivable	**10,302,050**	17,060,205
Loans and receivables, before allowance for credit losses	**3,566,478,631**	3,196,290,222
Allowance for credit losses	**(69,726,946)**	(66,913,153)
	₱3,496,751,685	₱3,129,377,069

Loans and receivables, with terms normally ranging from less than 1 year to 20 years in 2025 and 2024, earn annual interest rates as follows:

	2025	2024
Salary loans	**0.74% - 33.97%**	5.07% - 41.86%
Car loans	**7.08% - 50.96%**	7.08% - 45.64%
SME loans	**13.61% - 39.11%**	14.24% - 48.60%
Real estate loans	**6.72% - 10.06%**	6.75% - 10.50%
Others	**23.00% - 42.58%**	23.00% - 42.57%

Interest Income on Loans and Receivables
Interest income on loans and receivables consist of interest income on:

	2025	2024
Salary loans	**₱494,527,416**	₱441,042,319
Car loans	**14,251,628**	12,691,750
Real estate loans	**4,765,006**	5,661,057
SME loans	**2,657,458**	1,173,012
Others	**127,457**	176,979
	₱516,328,965	₱460,745,117

As of December 31, 2025 and 2024, salary loans with carrying values of ₱762.00 million and ₱800.30 million, respectively are assigned as collateral for borrowings of the Bank (Note 12).

Allowance for Credit Losses

The changes in allowance for credit and impairment losses follow:

	2025	2024
Balance at beginning of year	**₱66,913,153**	₱61,564,143
Movements during the year:		
Provision for credit and impairment losses	**6,690,830**	13,052,523
Write-off	**(3,877,037)**	(7,703,512)
	2,813,793	5,349,010
Balance at end of year	**₱69,726,946**	₱66,913,153

The tables below illustrate the movements of the gross carrying amounts of the loans and receivables and the allowance for impairment and credit losses of the financial assets for the year ended December 31, 2025 and 2024 (effect of movements in ECL due to transfers between stages are shown in the total column):

	ECL Staging			
Salary Loans	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Gross carrying amount as at January 1, 2025	**₱3,062,755,781**	**₱48,290,040**	**₱89,154,372**	**₱3,200,200,193**
New financial assets purchased or originated	**2,665,867,042**	**20,279,019**	**10,724,685**	**2,696,870,746**
Transfers:				
Transfers from Stage 1	**(30,438,860)**	**12,688,263**	**17,750,597**	–
Transfers from Stage 2	**5,091,318**	**(14,594,541)**	**9,503,223**	–
Transfers from Stage 3	**1,340,717**	**1,241,034**	**(2,581,751)**	–
Assets derecognized or repaid	**(2,257,855,044)**	**(28,590,692)**	**(22,343,815)**	**(2,308,789,551)**
Write-offs	–	–	**(3,877,037)**	**(3,877,037)**
Gross carrying amount as at December 31, 2025	**₱3,446,760,954**	**₱39,313,123**	**₱98,330,274**	**₱3,584,404,351**
Allowance for credit losses as at January 1, 2025	**₱7,147,474**	**₱297,719**	**₱55,776,024**	**₱63,221,217**
New financial assets purchased or originated	**8,828,771**	**69,861**	**3,352,129**	**12,250,761**
Transfers:				
Transfers from Stage 1	**(7,116,556)**	**57,611**	**7,058,945**	–
Transfers from Stage 2	**27,138**	**(3,507,896)**	**3,480,758**	–
Transfers from Stage 3	**12,080**	**10,918**	**(22,998)**	–
Changes due to changes in assumptions and impact of asset movements	**3,213,992**	**3,245,518**	**(12,216,915)**	**(5,757,405)**
Write-offs	–	–	**(3,877,037)**	**(3,877,037)**
Allowance for credit losses as at December 31, 2025	**₱12,112,899**	**₱173,731**	**₱53,550,906**	**₱65,837,536**

	ECL Staging			
Salary Loans	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Gross carrying amount as at January 1, 2024	₱2,636,428,894	₱71,364,414	₱91,779,112	₱2,799,572,420
New financial assets purchased or originated	2,346,728,261	13,860,052	4,983,026	2,365,571,339
Transfers:				
Transfers from Stage 1	(49,599,560)	28,229,064	21,370,496	–
Transfers from Stage 2	2,648,698	(15,126,898)	12,478,200	–
Transfers from Stage 3	–	1,152,675	(1,152,675)	–
Assets derecognized or repaid	(1,873,450,512)	(51,189,267)	(32,600,277)	(1,957,240,054)
Write-offs	–	–	(7,703,512)	(7,703,512)
Gross carrying amount as at December 31, 2024	₱3,062,755,781	₱48,290,040	₱89,154,372	₱3,200,200,193
Allowance for credit losses as at January 1, 2024	₱6,870,322	₱248,902	₱49,211,521	₱56,330,745
New financial assets purchased or originated	920,583	5,844	1,950,818	2,877,245
Transfers:				
Transfers from Stage 1	(9,677,745)	234,824	9,442,921	–
Transfers from Stage 2	21,347	(7,002,522)	6,981,174	–
Transfers from Stage 3	–	14,995	(14,995)	–
Changes due to changes in assumptions and impact of asset movements	9,012,967	6,795,675	(4,091,902)	11,716,739
Write-offs	–	–	(7,703,512)	(7,703,512)
Allowance for credit losses as at December 31, 2024	₱7,147,474	₱297,719	₱55,776,024	₱63,221,217

Car Loans	**ECL Staging** **Stage 1** **12-month ECL**	**Stage 2** **Lifetime ECL**	**Stage 3** **Lifetime ECL**	**Total**
Gross carrying amount as at January 1, 2025	**₱48,175,851**	**₱3,067,901**	**₱7,960,417**	**₱59,204,169**
New financial assets purchased or originated	**41,566,586**	**1,666,950**	**–**	**43,233,536**
Transfers:				
Transfers from Stage 1	**(1,636,168)**	**1,046,308**	**589,860**	**–**
Transfers from Stage 2	**–**	**(2,245,745)**	**2,245,745**	**–**
Transfers from Stage 3	**–**	**–**	**–**	**–**
Assets derecognized or repaid	**(21,349,606)**	**–**	**(5,578,098)**	**(26,927,704)**
Gross carrying amount as at December 31, 2025	**₱66,756,663**	**₱3,535,414**	**₱5,217,924**	**₱75,510,001**
Allowance for credit losses as at January 1, 2025	**₱146,720**	**₱9,990**	**₱1,542,801**	**₱1,699,511**
New financial assets purchased or originated	**128,626**	**3,915**	**–**	**132,541**
Transfers:				
Transfers from Stage 1	**(131,751)**	**151**	**131,600**	**–**
Transfers from Stage 2	**–**	**(461,075)**	**461,075**	**–**
Transfers from Stage 3	**–**	**–**	**–**	**–**
Changes due to changes in assumptions and impact of asset movements	**62,342**	**451,085**	**(1,021,750)**	**(508,323)**
Allowance for credit losses as at December 31, 2025	**₱205,937**	**₱4,066**	**₱1,113,726**	**₱1,323,729**

Car Loans	ECL Staging Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Gross carrying amount as at January 1, 2024	₱44,814,068	₱2,800,885	₱9,056,019	₱56,670,972
New financial assets purchased or originated	22,798,120	2,011,820	–	24,809,941
Transfers:				
Transfers from Stage 1	(366,760)	366,760	–	–
Transfers from Stage 2	507,373	(813,686)	306,313	–
Transfers from Stage 3	–	–	–	–
Assets derecognized or repaid	(19,576,950)	(1,297,879)	(1,401,915)	(22,276,744)
Gross carrying amount as at December 31, 2024	₱48,175,851	₱3,067,901	₱7,960,417	₱59,204,169
Allowance for credit losses as at January 1, 2024	₱137,284	₱17,130	₱2,189,107	₱2,343,521
New financial assets purchased or originated	6,161	374	–	6,535
Transfers:				
Transfers from Stage 1	(9,455)	9,455	–	–
Transfers from Stage 2	737	(80,595)	79,858	–
Transfers from Stage 3	–	–	–	–
Changes due to changes in assumptions and impact of asset movements	11,993	63,626	(726,163)	(650,544)
Allowance for credit losses as at December 31, 2024	₱146,720	₱9,990	₱1,542,802	₱1,699,511

Real Estate Loans	**ECL Staging** **Stage 1** **12-month ECL**	**Stage 2** **Lifetime ECL**	**Stage 3** **Lifetime ECL**	**Total**
Gross carrying amount as at January 1, 2025	**₱35,281,311**	**₱5,053,591**	**₱6,490,673**	**₱46,825,575**
New financial assets purchased or originated	**–**	**–**	**–**	**–**
Transfers:				
Transfers from Stage 1	**(6,395,808)**	**5,653,078**	**742,730**	**–**
Transfers from Stage 2	**559,103**	**(559,103)**	**–**	**–**
Transfers from Stage 3	**433,831**	**1,445,908**	**(1,879,739)**	**–**
Assets derecognized or repaid	**(3,349,011)**	**(3,848,452)**	**–**	**(7,197,463)**
Gross carrying amount as at December 31, 2025	**₱26,529,426**	**₱7,745,022**	**₱5,353,664**	**₱39,628,112**
Allowance for credit losses as at January 1, 2025	**₱345,646**	**₱49,483**	**₱629,880**	**₱1,025,009**
New financial assets purchased or originated	**–**	**–**	**–**	**–**
Transfers:				
Transfers from Stage 1	**(204,893)**	**56,484**	**148,409**	**–**
Transfers from Stage 2	**5,580**	**(5,580)**	**–**	**–**
Transfers from Stage 3	**4,334**	**20,128**	**(24,462)**	**–**
Changes due to changes in assumptions and impact of asset movements	**114,356**	**(43,903)**	**298,154**	**368,607**
Allowance for credit losses as at December 31, 2025	**₱265,023**	**₱76,612**	**₱1,051,981**	**₱1,393,616**

Real Estate Loans	ECL Staging Stage 1 12-month ECL	 Stage 2 Lifetime ECL	 Stage 3 Lifetime ECL	Total
Gross carrying amount as at January 1, 2024	₱35,645,423	₱11,765,334	₱12,535,746	₱59,946,503
New financial assets purchased or originated	−	−	−	−
Transfers:				
Transfers from Stage 1	(884,248)	−	884,248	−
Transfers from Stage 2	6,297,606	(6,297,606)	−	−
Transfers from Stage 3	−	2,087,068	(2,087,068)	−
Assets derecognized or repaid	(5,777,470)	(2,501,205)	(4,842,253)	(13,120,928)
Write-offs	−	−	−	−
Gross carrying amount as at December 31, 2024	₱35,281,311	₱5,053,591	₱6,490,673	₱46,825,575
Allowance for credit losses as at January 1, 2024	₱528,334	₱174,569	₱1,169,169	₱1,872,072
New financial assets purchased or originated	−	−	−	−
Transfers:				
Transfers from Stage 1	(87,099)	−	87,099	−
Transfers from Stage 2	61,706	(61,706)	−	−
Transfers from Stage 3	−	20,434	(20,434)	−
Changes due to changes in assumptions and impact of asset movements	(157,294)	(83,815)	(605,954)	(847,063)
Write-offs	−	−	−	−
Allowance for credit losses as at December 31, 2024	₱345,646	₱49,483	₱629,880	₱1,025,009

SME Loans	**ECL Staging** **Stage 1** **12-month ECL**	 **Stage 2** **Lifetime ECL**	 **Stage 3** **Lifetime ECL**	**Total**
Gross carrying amount as at January 1, 2025	**₱16,136,299**	**₱195,902**	**₱745,462**	**₱17,077,663**
New financial assets purchased or originated	**12,098,849**	**670,534**	**−**	**12,769,383**
Transfers:				
Transfers from Stage 1	**(124,369)**	**124,369**	**−**	**−**
Transfers from Stage 2	**−**	**−**	**−**	**−**
Transfers from Stage 3	**−**	**−**	**−**	**−**
Assets derecognized or repaid	**(15,561,314)**	**(195,902)**	**−**	**(15,757,216)**
Gross carrying amount as at December 31, 2025	**₱12,549,465**	**₱794,903**	**₱745,462**	**₱14,089,830**
Allowance for credit losses as at January 1, 2025	**₱442,317**	**₱5,437**	**₱223,639**	**₱671,393**
New financial assets purchased or originated	**117,677**	**6,426**	**−**	**124,103**
Transfers:	**−**	**−**	**−**	
Transfers from Stage 1	**(1,193)**	**1,193**	**−**	**−**
Transfers from Stage 2	**−**	**−**	**−**	**−**
Transfers from Stage 3	**−**	**−**	**−**	**−**
Changes due to changes in assumptions and impact of asset movements	**(437,341)**	**(5,437)**	**516,307**	**73,529**
Allowance for credit losses as at December 31, 2025	**₱121,460**	**₱7,619**	**₱739,946**	**₱869,025**

SME Loans	ECL Staging Stage 1 12-month ECL	 Stage 2 Lifetime ECL	 Stage 3 Lifetime ECL	Total
Gross carrying amount as at January 1, 2024	₱14,697,701	₱−	₱745,462	₱15,443,163
New financial assets purchased or originated	8,580,007	195,902	−	8,775,909
Transfers:				
Transfers from Stage 1	−	−	−	−
Transfers from Stage 2	−	−	−	−
Transfers from Stage 3	−	−	−	−
Assets derecognized or repaid	(7,141,409)	−	−	(7,141,409)
Write-offs	−	−	−	−
Gross carrying amount as at December 31, 2024	₱16,136,299	₱195,902	₱745,462	₱17,077,663
Allowance for credit losses as at January 1, 2024	₱463,959	₱−	₱209,281	₱673,240
New financial assets purchased or originated	234,697	5,437	−	240,134
Transfers:				
Transfers from Stage 1	−	−	−	−
Transfers from Stage 2	−	−	−	−
Transfers from Stage 3	−	−	−	−
Changes due to changes in assumptions and impact of asset movements	(256,339)	−	14,358	(241,981)
Write-offs	−	−	−	−
Allowance for credit losses as at December 31, 2024	₱442,317	₱5,437	₱223,639	₱671,393

Others	**ECL Staging** **Stage 1** **12-month ECL**	**Stage 2** **Lifetime ECL**	**Stage 3** **Lifetime ECL**	**Total**
Gross carrying amount as at January 1, 2025	**₱–**	**₱–**	**₱32,912**	**₱32,912**
New financial assets purchased or originated	–	–	–	–
Transfers:				
Transfers from Stage 1	–	–	–	–
Transfers from Stage 2	–	–	–	–
Transfers from Stage 3	–	–	–	–
Assets derecognized or repaid	–	–	–	–
Write-offs	–	–	–	–
Gross carrying amount as at December 31, 2025	**₱–**	**₱–**	**₱32,912**	**₱32,912**
Allowance for credit losses as at January 1, 2025	**₱–**	**₱–**	**₱9,874**	**₱9,874**
New financial assets purchased or originated	–	–	–	–
Transfers:				
Transfers from Stage 1	–	–	–	–
Transfers from Stage 2	–	–	–	–
Transfers from Stage 3	–	–	–	–
Changes due to changes in assumptions and impact of asset movements	–	–	**22,793**	**22,793**
Write-offs	–	–	–	–
Allowance for credit losses as at December 31, 2025	**₱–**	**₱–**	**₱32,667**	**₱32,667**

Others	ECL Staging Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Gross carrying amount as at January 1, 2024	₱–	₱–	₱32,912	₱32,912
New financial assets purchased or originated	–	–	–	–
Transfers:				
Transfers from Stage 1	–	–	–	–
Transfers from Stage 2	–	–	–	–
Transfers from Stage 3	–	–	–	–
Assets derecognized or repaid	–	–	–	–
Write-offs	–	–	–	–
Gross carrying amount as at December 31, 2024	₱–	₱–	₱32,912	₱32,912
Allowance for credit losses as at January 1, 2024	₱–	₱–	₱9,876	₱9,876
New financial assets purchased or originated	–	–	–	–
Transfers:				
Transfers from Stage 1	–	–	–	–
Transfers from Stage 2	–	–	–	–
Transfers from Stage 3	–	–	–	–
Changes due to changes in assumptions and impact of asset movements	–	–	(2)	(2)
Write-offs	–	–	–	–
Allowance for credit losses as at December 31, 2024	₱–	₱–	₱9,874	₱9,874

Accrued Interest Receivable	**ECL Staging** **Stage 1** **12-month ECL**	**Stage 2** **Lifetime ECL**	**Stage 3** **Lifetime ECL**	**Total**
Gross carrying amount as at January 1, 2025	**₱16,552,880**	**₱163,657**	**₱343,668**	**₱17,060,205**
New financial assets purchased or originated	**3,258,082**	**177,739**	**50,226**	**3,486,047**
Transfers:				
Transfers from Stage 1	**(125,906)**	**67,591**	**58,315**	–
Transfers from Stage 2	**27,734**	**(40,913)**	**13,179**	–
Transfers from Stage 3	**3,807**	**1,643**	**(5,450)**	–
Assets derecognized or repaid	**(10,015,619)**	**(115,743)**	**(112,840)**	**(10,244,202)**
Write-offs	–	–	–	–
Gross carrying amount as at December 31, 2025	**₱9,700,978**	**₱253,974**	**₱347,098**	**₱10,302,050**
Allowance for credit losses as at January 1, 2025	**₱39,399**	**₱1,048**	**₱245,702**	**₱286,149**
New financial assets purchased or originated	**10,283**	**667**	**15,965**	**26,915**
Transfers:				
Transfers from Stage 1	**(21,833)**	**599**	**21,234**	–
Transfers from Stage 2	**223**	**(5,299)**	**5,076**	–
Transfers from Stage 3	**965**	**103**	**(1,068)**	–
Changes due to changes in assumptions and impact of asset movements	**(1,235)**	**4,309**	**(45,765)**	**(42,691)**
Write-offs	–	–	–	–
Allowance for credit losses as at December 31, 2025	**₱27,802**	**₱1,427**	**₱241,144**	**₱270,373**

Accrued Interest Receivable	ECL Staging Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Gross carrying amount as at January 1, 2024	₱15,949,405	₱310,222	₱369,922	₱16,629,549
New financial assets purchased or originated	9,951,480	59,316	31,409	10,042,205
Transfers:				
Transfers from Stage 1	(124,210)	53,237	70,973	–
Transfers from Stage 2	44,263	(80,514)	36,250	–
Transfers from Stage 3	–	13,124	(13,124)	–
Assets derecognized or repaid	(9,268,059)	(191,728)	(151,762)	(9,611,550)
Write-offs	–	–	–	–
Gross carrying amount as at December 31, 2024	₱16,552,880	₱163,657	₱343,668	₱17,060,205
Allowance for credit losses as at January 1, 2024	₱39,713	₱2,221	₱292,755	₱334,689
New financial assets purchased or originated	4,609	119	13,203	17,931
Transfers:				
Transfers from Stage 1	(33,562)	448	33,114	–
Transfers from Stage 2	383	(34,109)	33,726	–
Transfers from Stage 3	–	128	(128)	–
Changes due to changes in assumptions and impact of asset movements	28,255	32,241	(126,968)	(66,471)
Write-offs	–	–	–	–
Allowance for credit losses as at December 31, 2024	₱39,399	₱1,048	₱245,702	₱286,149

Total Loans	**ECL Staging** **Stage 1** **12-month ECL**	**Stage 2** **Lifetime ECL**	**Stage 3** **Lifetime ECL**	**Total**
Gross carrying amount as at January 1, 2025	**₱3,178,902,122**	**₱56,771,091**	**₱104,727,504**	**₱3,340,400,717**
New financial assets purchased or originated	**2,722,790,559**	**22,794,242**	**10,774,911**	**2,756,359,712**
Transfers:				
Transfers from Stage 1	**(38,721,111)**	**19,579,609**	**19,141,502**	–
Transfers from Stage 2	**5,678,155**	**(17,440,302)**	**11,762,147**	–
Transfers from Stage 3	**1,778,355**	**2,688,585**	**(4,466,940)**	–
Assets derecognized or repaid	**(2,308,130,594)**	**(32,750,789)**	**(28,034,753)**	**(2,368,916,136)**
Write-offs	**–**	**–**	**(3,877,037)**	**(3,877,037)**
Gross carrying amount as at December 31, 2025	**₱3,562,297,486**	**₱51,642,436**	**₱110,027,334**	**₱3,723,967,256**
Allowance for credit losses as at January 1, 2025	**₱8,121,556**	**₱363,677**	**₱ 58,427,920**	**₱66,913,153**
New financial assets purchased or originated	**9,085,357**	**80,869**	**3,368,094**	**12,534,320**
Transfers:				
Transfers from Stage 1	**(7,476,226)**	**116,038**	**7,360,188**	–
Transfers from Stage 2	**32,941**	**(3,979,850)**	**3,946,909**	–
Transfers from Stage 3	**17,379**	**31,149**	**(48,528)**	–
Changes due to changes in assumptions and impact of asset movements	**2,952,114**	**3,651,572**	**(12,447,176)**	**(5,843,490)**
Write-offs	–	–	**(3,877,037)**	**(3,877,037)**
Allowance for credit losses as at December 31, 2025	**₱12,733,121**	**₱263,455**	**₱56,730,370**	**₱69,726,946**

Total Loans	ECL Staging Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Gross carrying amount as at January 1, 2024	₱2,747,535,491	₱86,240,855	₱114,519,173	₱2,948,295,519
New financial assets purchased or originated	2,388,057,868	16,127,091	5,014,434	2,409,199,393
Transfers:				
Transfers from Stage 1	(50,974,778)	28,649,061	22,325,717	–
Transfers from Stage 2	9,497,941	(22,318,704)	12,820,764	–
Transfers from Stage 3	–	3,252,867	(3,252,867)	–
Assets derecognized or repaid	(1,915,214,400)	(55,180,079)	(38,996,204)	(2,009,390,683)
Write-offs	–	–	(7,703,512)	(7,703,512)
Gross carrying amount as at December 31, 2024	₱3,178,902,122	₱56,771,091	₱104,727,505	₱3,340,400,717
Allowance for credit losses as at January 1, 2024	₱8,039,612	₱442,822	₱ 53,081,709	₱61,564,143
New financial assets purchased or originated	1,166,050	11,774	1,964,020	3,141,845
Transfers:				
Transfers from Stage 1	(9,807,861)	244,727	9,563,134	–
Transfers from Stage 2	84,173	(7,178,931)	7,094,758	–
Transfers from Stage 3	–	35,557	(35,557)	–
Changes due to changes in assumptions and impact of asset movements	8,639,582	6,807,728	(5,536,632)	9,910,677
Write-offs	–	–	(7,703,512)	(7,703,512)
Allowance for credit losses as at December 31, 2024	₱8,121,556	₱363,677	₱58,427,920	₱66,913,153

9. Property and Equipment

The composition of and movements in this account follow:

	2025						
	Furniture, Fixtures and Equipment	**Leasehold Improvement**	**Office Equipment**	**Computer Equipment**	**Transportation Equipment**	**Right-of-Use Asset** (Note 17)	**Total**
Cost							
Balances at beginning of year	**₱3,594,184**	**₱20,197,704**	**₱5,674,637**	**₱44,220,062**	**₱5,687,659**	**₱21,619,970**	**₱100,994,216**
Additions	**343,043**	**435,576**	**1,587,902**	**3,297,213**	**2,378,571**	**20,072,906**	**28,115,211**
Disposals/Adjustments	**(51,208)**	**–**	**–**	**(8,126)**	**–**	**(13,970,500)**	**(14,029,834)**
Balances at end of year	**3,886,019**	**20,633,280**	**7,262,539**	**47,509,149**	**8,066,230**	**27,722,376**	**115,079,593**
Accumulated Depreciation and Amortization							
Balances at beginning of year	**3,069,206**	**17,903,834**	**2,935,658**	**31,461,435**	**3,707,271**	**16,555,174**	**75,632,578**
Depreciation and amortization	**339,257**	**1,448,960**	**971,571**	**4,841,897**	**1,083,950**	**5,802,069**	**14,487,704**
Disposals/Adjustments	**(19,727)**	**–**	**(2,640)**	**(10,654)**	**–**	**(14,630,382)**	**(14,663,403)**
Balances at end of year	**3,388,736**	**19,352,794**	**3,904,589**	**36,292,678**	**4,791,221**	**7,726,861**	**75,456,879**
Net Book Values	**₱497,283**	**₱1,280,486**	**₱3,357,950**	**₱11,216,471**	**₱3,275,009**	**₱19,995,515**	**₱39,622,714**

	2024						
	Furniture, Fixtures and Equipment	Leasehold Improvement	Office Equipment	Computer Equipment	Transportation Equipment	Right-of-Use Asset (Note 17)	Total
Cost							
Balances at beginning of year	₱3,224,173	₱19,116,214	₱3,349,499	₱40,492,987	₱5,687,659	₱22,158,182	₱94,028,714
Additions	376,343	1,081,490	2,337,738	4,143,634	–	851,966	8,791,171
Disposals/Adjustments	(6,332)	–	(12,600)	(416,559)	–	(1,390,178)	(1,825,669)
Balances at end of year	3,594,184	20,197,704	5,674,637	44,220,062	5,687,659	21,619,970	100,994,216
Accumulated Depreciation and Amortization							
Balances at beginning of year	2,826,534	15,973,870	2,513,185	26,459,947	3,400,739	12,450,716	63,624,991
Depreciation and amortization	260,696	1,990,256	435,073	5,059,401	306,532	5,498,599	13,550,557
Disposals/Adjustments	(18,024)	(60,292)	(12,600)	(57,913)	–	(1,394,141)	(1,542,970)
Balances at end of year	3,069,206	17,903,834	2,935,658	31,461,435	3,707,271	16,555,174	75,632,578
Net Book Values	₱524,978	₱2,293,870	₱2,738,979	₱12,758,627	₱1,980,388	₱5,064,796	₱25,361,638

As of December 31, 2025 and 2024, the cost of the Bank’s fully depreciated property and equipment still in use amounted to ₱43.67 million and ₱53.28 million, respectively.

10. **Other Assets**

	2025	2024
Financial assets		
Accounts receivable - others	**₱86,289,871**	₱82,540,333
Security deposits	**5,282,166**	5,046,544
Short-term investment	**2,405,570**	2,322,126
	93,977,607	89,909,003
Non-financial assets		
Prepaid expenses	**2,663,830**	6,029,701
Advance interest	**1,535,761**	2,820,582
Prepaid supplies	**942,031**	546,509
Chattel mortgage	**664,932**	4,692,790
Prepaid documentary stamp taxes	**11,585**	5,150,829
Others	**528,520**	7,575
	6,346,659	19,247,986
Total	**100,324,266**	109,156,989
Allowance for impairment	**(740,708)**	(558,590)
	₱99,583,558	₱108,598,399

Accounts receivable - others represent the gross amounts due from DepEd for loan collections at year-end, creditable withholding tax, BancNet intraday settlements, travel advances made by the Bank to its employees.

Short-term investment refers to time deposit with a local thrift bank and corporate security with interest rates of 3.75% and 4.5% in 2025 and 2024, respectively, with original term of twelve (12) months.

Advance interest pertains to unamortized prepaid interest on time deposits with interest rates ranging from 3.5% to 7.0% in 2025 and 3.5% to 5.0% in 2024 and terms ranging from one to five years.

The allowance for impairment losses on accounts receivable amounted to ₱0.57 million and nil as of December 31, 2025 and 2024, respectively. The allowance for impairment losses on chattel mortgages amounted to ₱0.17 million and ₱0.56 million as of December 31, 2025 and 2024, respectively. Provision for impairment losses recognized in the statements of income amounted to ₱0.47 million and ₱1.26 million in 2025 and 2024, respectively.

Gain (loss) on sale of chattel mortgage properties amounted to (₱0.431 million) and (₱0.014 million) for the years ended December 31, 2025 and 2024, respectively, and are presented as part of ‘Miscellaneous’ in the statements of income (Note 18).

Others include subscriptions for electricity and telecommunication services.

11. **Deposit Liabilities**

On March 11, 2025, the Bangko Sentral ng Pilipinas (BSP) issued Circular No. 1211, which amended BSP Circular No. 1201 dated September 2024. The amendment reduced the reserve requirement ratio for thrift banks to 0.00%, effective March 28, 2025.
As of December 31, 2025 and 2024, demand deposit account with BSP amounting to ₱4.13 million and ₱17.02 million, respectively, were set aside as reserves for deposit liabilities (Note 6).

On May 27, 2020, BSP issued Circular No. 1087 on alternative compliance with required reserve requirements for banks. One of the alternative modes of compliance with the required reserves against deposit and deposit substitute liabilities shall be allowed are MSME loan granted, renewed or restructured after March 15, 2020.

As of December 31, 2025 and 2024, the Bank is in compliance with the reserve requirements.

Deposit liabilities bear annual interest rates ranging from 0.25% to 7.50% in 2025 and 1.50% to 7.50% in 2024, respectively.

Interest expense on deposit liabilities consists of:

	2025	2024
Time	**₱163,834,118**	₱131,040,419
Savings	**1,117,638**	1,222,371
Current	**211,295**	169,096
	₱165,163,051	₱132,431,886

12. Bills Payable

This account consists of borrowings from:

	2025	2024
Local banks	**₱610,100,928**	₱700,355,542
Others	**48,959,098**	49,500,000
	₱659,060,026	₱749,855,542

The Bank's borrowings' tenors and annual interest rates (gross of Philippine withholding tax) as of December 31, 2025 and 2024 are presented as follows:

	2025	2024
Tenor	**1 month to 10 years**	1 month to 10 years
Annual interest rates	**6.50% - 9.99%**	4.00% - 9.99%

Interest expense on bills payable amounted to ₱43.82 million and ₱54.55 million in 2025 and 2024, respectively.

These borrowings are secured by salary loans, presented under loans and receivables, with carrying values of ₱762.00 million and ₱800.30 million as of December 31, 2025 and 2024, respectively (Note 8) and by government securities with fair values of ₱130.58 million as of December 31, 2024 (Note 7).

13. Accrued Expenses and Other Liabilities

This account consists of:

	2025	2024
Financial liabilities		
Accounts payable	**₱16,071,014**	₱19,905,896
Accrued expenses	**25,216,652**	18,397,952
Accrued interest payable	**20,400,645**	20,373,564
Lease liabilities (Note 17)	**20,401,151**	5,457,509
	82,089,462	64,134,921
Non-financial liabilities		
Retirement liability (Note 16)	**10,248,149**	8,618,061
Withholding and other taxes payable	**2,746,728**	2,133,815
Others	**1,377,357**	1,504,694
	14,372,234	12,256,570
	₱96,461,696	₱76,391,491

Accounts payable includes documentary stamps payable, payable to Bancnet for ATM withdrawal and advance payments from borrowers for processing of chattel mortgages and notarial fees.

Accrued expenses include accruals of Philippine Deposit Insurance Corporation assessment fees, professional fees, utilities and BSP penalties for non-compliance with Agri-Agra credits under R.A. No. 11901. Accrued interest payable pertains to interest accrued from time deposits and bills payable.

14. Maturity Analysis of Assets and Liabilities

The following table shows an analysis of assets and liabilities analyzed according to whether they are expected to be recovered or settled within one year and beyond one year from the reporting date:

	2025			2024		
	Within One Year	**Beyond One Year**	**Total**	Within One Year	Beyond One Year	Total
Financial Assets						
Cash on hand	**₱32,680,425**	**₱–**	**₱32,680,425**	₱25,351,770	₱–	₱25,351,770
Due from BSP	**426,625,918**	**–**	**426,625,918**	389,523,639	–	389,523,639
Due from other banks	**65,467,982**	**–**	**65,467,982**	88,816,261	–	88,816,261
Investment securities at FVOCI	**23,649,857**	**51,439,851**	**75,089,708**	18,640,720	54,861,150	73,501,870
Investment securities at amortized cost	**80,106,620**	**150,237,399**	**230,344,019**	–	230,841,676	230,841,676
Loans and receivables						
Salary loans	**1,137,237,697**	**2,447,166,654**	**3,584,404,351**	304,701,319	2,895,498,874	3,200,200,193
Car loans	**40,995,308**	**34,514,693**	**75,510,001**	14,799,664	44,404,504	59,204,169
Real estate loans	**17,684,827**	**21,943,285**	**39,628,112**	6,308,209	40,517,366	46,825,575
SME loans	**13,913,038**	**176,792**	**14,089,830**	16,066,048	1,011,615	17,077,663
Others	**32,912**	**–**	**32,912**	32,912	–	32,912
Accrued interest receivable	**10,302,050**	**–**	**10,302,050**	17,060,205	–	17,060,205
Other assets	**88,126,665**	**5,282,166**	**93,408,831**	84,862,459	5,046,544	89,909,003
Subtotal	**1,936,823,299**	**2,710,760,840**	**4,647,584,139**	966,163,207	3,272,181,729	4,238,344,936
Nonfinancial Assets						
Property and equipment		**115,079,593**	**115,079,593**		100,994,215	100,994,215
Other assets	**5,674,180**	**500,547**	**6,174,727**	13,996,607	4,692,790	18,689,397
Deferred tax asset	**–**	**20,237,377**	**20,237,377**	–	18,980,981	18,980,981
Subtotal	**5,674,180**	**135,817,517**	**141,491,697**	13,996,607	124,667,986	138,664,593
	1,942,497,479	**2,846,578,357**	**4,789,075,836**	980,159,814	3,396,849,715	4,377,009,529

(Forward)

	2025			2024		
	Within One Year	**Beyond One Year**	**Total**	Within One Year	Beyond One Year	Total
Less:						
Accumulated depreciation	**₱–**	**₱–**	**(₱75,456,879)**	₱–	₱–	(₱75,632,578)
Net unearned interest discount			**(157,488,626)**			(144,110,494)
Allowance for credit losses			**(69,726,945)**			(66,913,153)
Total assets			**₱4,486,403,386**			₱4,090,353,303
Financial liabilities						
Deposit liabilities	**₱1,606,099,949**	**₱1,402,737,882**	**₱3,008,837,831**	₱1,272,128,250	₱1,356,826,639	₱2,628,954,889
Bills payable	**270,170,461**	**388,889,565**	**659,060,026**	249,305,610	500,549,932	749,855,542
Accrued expenses and other liabilities	**82,089,462**	**–**	**82,089,462**	64,134,921	–	64,134,921
Subtotal	**1,958,359,872**	**1,791,627,447**	**3,749,987,319**	1,585,568,781	1,857,376,571	3,442,945,352
Nonfinancial liabilities						
Income tax payable	**8,664,287**	**–**	**8,664,287**	5,752,950	–	5,752,950
Accrued expenses and other liabilities	**14,372,234**	**–**	**14,372,234**	12,256,570	–	12,256,570
Subtotal	**23,036,521**	**–**	**23,036,521**	18,009,520	–	18,009,520
Total liabilities	**₱1,981,396,393**	**₱1,791,627,447**	**₱3,773,023,840**	₱1,603,578,301	₱1,857,376,571	₱3,460,954,872

15. Equity

The Bank’s capital stock as of December 31, 2025 and 2024 consists of:

	2025		2024	
	Number of Shares	**Amount**	Number of Shares	Amount
Authorized capital				
Preferred stock - 100 par value	**2,000,000**	**₱200,000,000**	2,000,000	₱200,000,000
Common stock - 100 par value	**8,000,000**	**800,000,000**	8,000,000	800,000,000
	10,000,000	**₱1,000,000,000**	10,000,000	₱1,000,000,000
Common stock issued and outstanding				
Balances at beginning of year	**3,917,000**	**₱391,700,000**	3,917,000	₱391,700,000
Issuance of shares	–	–	–	–
Balances at end of year	**3,917,000**	**₱391,700,000**	3,917,000	₱391,700,000

Preferred Stock

The Bank’s preferred stock has the following features: (a) cumulative and (b) nonparticipating. Dividends shall be declared from the surplus or undivided profits of the Bank, including stock dividends from paid-in surplus, at such time and in such amounts as the BOD may determine. As of December 31, 2025 and 2024, there is no outstanding preferred stock.

Dividend Declaration and Capital Infusion

On April 28, 2025, the BOD declared a regular dividend amounting to ₱0.51 per share held or ₱20,000,000 (3,917,000 shares multiplied by ₱5.11 cash dividend per share) to stockholders as of record date of March 31, 2025. These dividends were paid on May 31, 2025. There were no dividends declared in 2024 nor were there share issuances.

Surplus reserves

In compliance with BSP Circular 1011 under Section 11 (c), in cases when the computed allowance for credit losses on Stage 1 accounts is less than the required one percent (1%) general provision, the deficiency shall be recognized by appropriating the surplus reserves. As of December 31, 2025 and 2024, the Bank appropriated ₱21.28 million and ₱22.52 million, respectively, from its free surplus to comply with the general loan loss provision required BSP.

Capital Management

BSP sets and monitors capital requirements for the Bank. In implementing current capital requirement, the BSP requires the Bank to maintain a prescribed ratio of qualifying capital to risk weighted assets. The Bank’s policy is to maintain a strong capital base as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholder's return is also recognized and the Bank recognizes the need to maintain a balance between the higher returns that might be possible with gearing and the advantages and security afforded by a sound capital position. There have been no material changes in the Bank's capital management in 2025 and 2024.

Regulatory Capital
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' (regulatory net worth) as reported to the BSP, which is determined on the basis of regulatory accounting policies which differ from PFRS Accounting Standards in some respects.

In addition, the risk-based capital adequacy ratio (CAR) of the Bank with quasi-banking operations, expressed as a percentage of qualifying capital to risk-weighted assets, should not be less than 10.00%. Qualifying capital and risk-weighted assets are computed based on BSP regulations.

Risk-weighted assets consist of total assets less cash on hand, amounts due from BSP, loans covered by hold-out or assignment of deposits, loans or acceptances under letters of credit to the extent covered by margin deposits and other non-risk items determined by the Monetary Board (MB) of the BSP. Under BSP Circular No. 360, effective July 1, 2003, the CAR is to be inclusive of a market risk charge.

On May 13, 2010, the BSP issued Circular No. 688, *Revised Risk-Based Capital Adequacy Framework For Stand-Alone Thrift Banks, Rural Banks and Cooperative Banks*. The framework is a simplified version of Basel II in view of the simple operations of these covered banks.

The following table sets the regulatory capital, as reported to BSP, as of December 31, 2025 and 2024 (amounts in millions except for ratio):

	2025	2024
Tier 1/CET 1 Capital	**₱671.38**	₱617.97
Tier 2 Capital	**12.73**	19.70
Total Qualifying Capital	**₱684.11**	₱637.67
Risk weighted assets	**₱4,104.65**	₱3,675.12
Tier 1/CET 1 capital ratio	**16.36%**	16.28%
Total capital ratio	**16.67%**	16.81%

Regulatory capital consists of Tier 1 capital, which comprises share capital and surplus including current year profit. Certain adjustments are made in PFRS-based results and reserves, as prescribed by the BSP. The other component of regulatory capital is Tier 2 capital, which includes general loan loss provision (limited to 1.00% of credit risk weighted assets).

In 2025 and 2024, the Bank met and complied with the CAR requirement set by the BSP.

Minimum Liquidity Ratio (MLR)
On March 15, 2019, the BSP issued Circular No.1035 which provides the minimum liquidity ratio for stand-alone thrift banks, rural banks, cooperative banks and quasi-banks. Banks are required to maintain a prudent MLR of 20.00%, a liquidity ratio which is expressed as a percentage of the Bank's eligible stock of liquid assets to its qualifying liabilities.

As of December 31, 2025 and 2024, the MLR of the Bank as reported to the BSP is 25.76% and 24.11%, respectively.

16. **Retirement Benefits**

The Bank accrues retirement benefits in accordance with Republic Act (RA) No. 7641, *Retirement Pay Law*, which requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

Future contributions will be made once a retirement plan is established. The Bank's retirement plan provides a retirement benefit equal to one-half month's salary for every year of service, with six months or more of service considered as one year. The present value of the defined benefit obligation and the related service cost were measured using the projected unit credit method. As of December 31, 2025 and 2024 the Bank does not have a retirement plan. The date of the latest actuarial valuation is December 31, 2025.

The cost of defined benefit retirement plan as well as the present value of the defined benefit obligation is determined using actuarial valuations. The actuarial valuation involves making various assumptions.

The principal assumptions used in determining pension for the defined benefit plans as of December 31 are shown below:

	2025	2024
Discount rate	**6.38%**	6.10%
Salary increase rate	**6.00%**	6.00%

Changes in the defined benefit liability in 2025 and 2024 are as follows:

	2025	2024
Balance at beginning of year	**₱8,618,061**	₱7,036,515
Net benefit cost in statements of income*		
Current service cost	**953,872**	1,065,465
Net interest	**525,702**	430,635
Total	**1,479,574**	1,496,100
Benefits Paid	**(316,454)**	–
Remeasurements in OCI		
Actuarial changes arising from:		
Experience adjustments	**799,786**	844,526
Changes in demographic assumptions	**(163,189)**	(770,243)
Changes in financial assumptions	**(169,629)**	11,163
	466,968	85,446
Balance at end of year	**₱10,248,149**	₱8,618,061

**Presented under 'Compensation and fringe benefits' in the statements of income*

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of December 31, 2025 and 2024, assuming all other assumptions were held constant. There were no changes from the previous period in the methods and assumptions used in preparing the sensitivity analysis.

	Increase (Decrease)	
	2025	2024
Discount rates		
+1.00%	**(₱554,774)**	(₱518,897)
-1.00%	**638,112**	604,295
Future salary increases		
+1.00%	**634,147**	598,813
-1.00%	**(561,572)**	(523,936)

The average duration of the defined benefit obligation as of December 31, 2025 and 2024 is 5.8 years and 6.5 years, respectively.

The Bank does not expect to contribute to the Plan in 2025.

Shown below is the maturity analysis of the undiscounted benefit payments as of December 31, 2025 and 2024:

	2025	2024
Within 1 year	**₱5,250,713**	₱4,310,690
More than 1 year to 5 years	**2,623,788**	2,612,990
More than 5 years	**33,790,732**	33,123,994

17. **Lease Agreement**

The Bank entered into various lease contracts for the premises occupied by its branches. These contracts have an average term of one to five years, with renewal option included in the contracts. There are no restrictions placed upon the Bank by entering to these leases. Lease payments for Talisay, Capitol, Mandaue, Carcar, Danao, Solinea, Carbon, and Moalboal are subject to 3.00% to 10.00% escalation rates.

The following are the amounts recognized in the statement of income:

	2025	2024
Depreciation expense of right-of-use assets (Note 9)	**₱5,802,069**	₱5,498,599
Interest expense on lease liabilities	**1,254,108**	555,726
Expenses relating to short-term leases (included in 'Rent')	**2,210,417**	1,989,982
	₱9,266,594	₱8,044,308

The rollforward analysis of Right-of-use Asset as of December 31, 2025 and 2024 follows:

	2025	2024
Balance at beginning of year	**₱21,619,970**	₱22,158,182
Additions	**20,072,906**	851,966
Lease modification	**653,158**	–
Adjustments	**(14,623,658)**	(1,390,178)
	₱27,722,376	₱21,619,970

The rollforward analysis of lease liabilities as of December 31, 2025 and 2024 follows:

	2025	2024
Balance at beginning of year	**₱5,457,509**	₱10,277,639
Additions	**20,072,906**	851,966
Interest Expense	**1,254,108**	555,726
Payments	**(7,036,530)**	(6,227,822)
Lease modifications	**653,158**	–
	₱20,401,151	₱5,457,509

Future minimum lease payments under non-cancellable leases follow:

	2025	2024
Within one year	**₱6,540,966**	₱3,681,012
Beyond one year but not more than five years	**18,952,504**	2,207,777
	₱25,493,470	₱5,888,789

18. **Miscellaneous Income and Expenses**

Miscellaneous Income
This account consists of:

	2025	2024
Loss on sale of chattel mortgage properties (Note 10)	**(₱431,464)**	(₱13,732)
Others	**956,812**	135,240
	₱525,348	₱121,508

Other income includes gains from collateral repossession when the fair value of the collateral exceeds the loan balance at the time of default.

Miscellaneous Expenses
This account consists of:

	2025	2024
Provision for year-end expenses	**₱10,491,420**	₱6,274,000
Information technology expenses	**4,248,217**	2,887,990
Finance charges	**1,500,000**	–
Repairs and maintenance	**1,471,048**	1,624,382
Bancnet outsourcing fees	**1,357,685**	1,468,104
Supervision and examination fees	**1,125,981**	1,012,289
Membership fees and dues	**1,050,013**	1,011,304
Stationeries and supplies used	**968,784**	1,106,286
Fines, penalties and other charges	**583,388**	105,176
Banking fees	**291,841**	115,707
Donation and charitable contributions	**269,873**	211,830
Litigation expenses	**243,721**	1,070,945
Representation and entertainment (Note 19)	**21,636**	56,265
Periodicals and magazines	**2,795**	2,970
Others	**12,768,317**	13,365,573
	₱36,394,719	₱30,312,821

Others include expenditures made by the Bank for its storage expenses, training costs, Christmas giveaways, and cost of living allowance.

19. Income and Other Taxes

Under Philippine tax laws, the Bank is subject to percentage and other taxes (included in 'Taxes and licenses' in the statement of income) as well as income taxes. Percentage and other taxes paid consist principally of gross receipts tax and documentary stamp tax.

Income taxes include corporate income tax and final taxes paid at the rate of 20.00%, which is a final withholding tax on gross interest income from government securities and other deposit substitutes.

On March 26, 2021, Republic Act No. 11534, Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act was approved into law. CREATE provides that regular corporate income tax (RCIT) rate shall be 25.00% for domestic and foreign corporations effective July 1, 2020. Moreover, interest expense allowed as a deductible expense shall be reduced by 20% of interest income subject to final tax.

The regulations also provide for MCIT of 2.00% on modified gross income. Any excess of MCIT over RCIT is deferred and can be used as a tax credit against future income tax liability for the next three years. In addition, NOLCO is allowed as a deduction from taxable income in the next three years from the date of inception. For the taxable years 2020 and 2021, the NOLCO incurred can be carried over as a deduction for the next 5 consecutive taxable years, pursuant to Section 4 (bbbb) of Bayanihan II and as implemented under RR No. 25-2020.

Current tax regulations also provide for the ceiling on the amount of EAR expenses that can be claimed as a deduction against taxable income. Under the regulation, EAR expenses allowed as a deductible expense is limited to the actual EAR paid or incurred but not to exceed 1.00% of net revenue. EAR expenses amounted to ₱0.02 million and ₱0.06 million in 2025 and 2024, respectively.

Provision for income tax consists of:

	2025	2024
Current		
Regular	**₱33,796,145**	₱24,086,285
Final	**4,420,019**	5,009,291
	38,216,164	29,095,576
Deferred	**(1,139,654)**	(1,666,912)
	₱37,076,510	₱27,428,664

Components of deferred tax asset - net are as follows:

	2025	2024
Deferred tax assets on:		
Allowance for credit losses	**₱17,573,931**	₱16,728,288
Retirement liability	**2,562,037**	2,154,515
PFRS 16 adjustment	**101,409**	98,178
	₱20,237,377	₱18,980,981

In 2025 and 2024, provision for deferred tax on retirement liability pertaining to 'Remeasurement gain on retirement liability' charged directly to OCI amounted to ₱0.12 million and ₱0.02 million, respectively.

The reconciliation between the statutory income tax and effective income tax follow:

	2025	2024
Statutory income tax at 25.00%	**₱35,131,612**	₱28,577,702
Income tax effects of:		
Nondeductible expenses	**3,182,801**	2,732,400
Tax-paid income	**(1,237,903)**	(3,881,438)
	₱37,076,510	₱27,428,664

20. Related Party Transactions

In the ordinary course of business, the Bank has various transactions with its affiliates and with certain directors, officers, stockholders and related interests (DOSRI). Transactions with such parties are made in the ordinary course of business and on substantially same terms as those prevailing at the time for comparable transactions with other parties. Current banking regulations limit the amount of individual loans to DOSRI, 70.00% of which must be secured, to the total of their respective deposits and the book value of their investments in the Bank. In the aggregate, loans to respective DOSRI generally should not exceed to the lower of the Bank's total regulatory capital or 15.00% of the total loan portfolio. As of December 31, 2025 and 2024, the balance of outstanding loans to DOSRI amounted to ₱0.11 million and ₱0.14 million, respectively (Note 8). Generally, the related party transactions are settled in cash.

The deposit liabilities and related interest expense in respect of related party transactions included in the financial statements follow:

	Volume/Outstanding balance		
Category	**2025**	2024	**Terms and Conditions/Nature**
Time	**₱764,287,401**	₱736,360,600	Time deposits with annual fixed interest rates ranging from 1.50% to 7.15% per annum in 2025 and 2024 with remaining maturities from less than 1 year to 5 years in both years.
Deposits	**294,024,879**	678,509,545	
Withdrawals	**(309,559,984)**	(474,703,477)	
Interest expense	**43,461,905**	64,590,658	Interest on time deposits
Savings	**55,784,563**	22,256,372	Due upon demand; 0.50% per annum
Deposits	**223,746,496**	255,581,237	
Withdrawals	**(190,399,984)**	(251,570,506)	
Interest expense	**181,679**	111,010	Interest on savings deposits
Loans and Receivables	**106,562**	144,023	DOSRI loan bearing an annual interest rate of 16%, maturing in 2028.
Interest Income	**12,440**	22,923	

The compensation of key management personnel presented under 'Compensation and fringe benefits' in the statements of income amounted to ₱30.09 million and ₱27.99 million in 2025 and 2024, respectively. These pertain to short-term benefits of key management personnel.

In 2025 and 2024, total post-employment benefit expense (income) of the key management personnel amounted to (₱1.20 million) and (₱1.58 million), respectively, which includes defined benefit expense (income) charged to profit or loss amounting to nil and ₱0.93 million in 2025 and 2024, respectively, and to other comprehensive income amounting to ₱0.29 million and nil for 2025 and 2024, respectively.

21. Approval for the Release of the Financial Statements

The accompanying financial statements of the Bank were authorized and approved for issue by the BOD on April 30, 2026.

22. Supplementary Information Required Under Section 174 of the Manual of Regulations for Banks (MORB)

Presented below is the supplementary information required by BSP under Appendix 55 of Section 174 of the MORB to be disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRS Accounting Standards.

Basic quantitative indicators of financial performance
The following basic ratios measure the financial performance of the Bank:

	2025	2024
Return on average equity	**15.22%**	14.83%
Return on average assets	**2.38%**	2.25%
Net interest margin on average earning assets	**8.22%**	8.08%

Description of capital instruments issued
As of December 31, 2025 and 2024, the Bank has two classes of authorized capital stock, which are preferred and common stocks. In 2025, there has been no issuance of common stock. There is no outstanding preferred stock as of December 31, 2025 and 2024.

Significant credit exposures
The BSP considers that loan concentration exists when total loan exposure to a particular industry or economic sector exceeds 30.00% of total loan portfolio. Identified concentration of credit risks are managed and controlled.

	2025		2024	
	Amount	**%**	Amount	%
Personal service activities	**₱3,420,320,015**	**96.18**	₱3,037,510,455	95.54
Auto loans	**73,331,577**	**2.06**	44,493,396	1.40
Real Estate, renting & business activities	**40,912,691**	**1.15**	51,307,767	1.61
Personal and household goods	**8,253,645**	**0.23**	23,174,583	0.73
Transportation and storage	**6,823,298**	**0.19**	4,112,670	0.13
Agriculture, hunting and forestry	**4,912,749**	**0.14**	16,696,982	0.53
Wholesale and retail	**1,024,037**	**0.03**	745,462	0.02
Other community, social work activities	**598,569**	**0.02**	849,635	0.03
Construction	–	–	204,357	0.01
Manufacturing	–	–	134,711	–
	₱3,556,176,581	**100.00**	₱3,179,230,018	100.00

For loans and receivables under ‘Personal services activities’, concentration risk is actively managed by the Bank with collections reasonably assured as they are coursed through the Department of Education.

Loans per security
Information on the amounts of secured and unsecured loans and receivables (gross of unearned interests and discounts and allowance for credit losses) follows:

	2025		2024	
	Amount	**%**	Amount	%
Secured portion				
Real estate mortgage	**₱39,357,386**	**1.06**	₱48,464,575	1.46
Chattel mortgage	**74,426,282**	**2.00**	53,347,757	1.61
Deposit hold-out	**1,147,588**	**0.03**	2,025,807	0.06
Unsecured portion	**3,598,733,950**	**96.91**	3,219,502,372	96.88
	₱3,713,665,206	**100.00**	₱3,323,340,512	100.00

Under banking regulations, prior to January 1, 2018, non-performing loans (NPLs) shall, as a general rule, refer to loan accounts whose principal and/or interest is unpaid for 30 days or more after due date or after they have become past due in accordance with existing rules and regulations. This shall apply to loans payable in lump sum and loans payable in quarterly, semi-annual, or annual installments, in which case, the total outstanding balance thereof shall be considered nonperforming.

In the case of receivables that are payable in monthly installments, the total outstanding balance thereof shall be considered nonperforming when three (3) or more installments are in arrears. In the case of receivables that are payable in daily, weekly, or semi-monthly installments, the total outstanding balance thereof shall be considered nonperforming at the same time that they become past due in accordance with existing BSP regulations, i.e., the entire outstanding balance of the receivable shall be considered as past due when the total amount of arrearages reaches 10.00% of the total receivable balance. Restructured receivables which do not meet the requirements to be treated as performing receivables shall also be considered as NPLs.

With the issuance of BSP Circular 941, *Amendments to the Regulations on Past Due and Non-Performing Loans* effective January 1, 2018, loans shall be considered non-performing, even without any missed contractual payments, when it is considered impaired under existing accounting standards, classified as doubtful or loss, in litigation, and/or there is evidence that full repayment of principal and interest is unlikely without foreclosure of collateral, if any. All other loans, even if not considered impaired, shall be considered non-performing if any principal and/or interest are unpaid for more than 90 days from contractual due date, or accrued interests for more than 90 days have been capitalized, refinanced, or delayed by agreement.

As of December 31, 2025 and 2024, secured and unsecured NPLs of the Bank follow:

	2025	2024
Secured	**₱10,531,429**	₱14,366,922
Unsecured	**100,301,075**	90,016,915
	₱110,832,504	₱104,383,837

Status of loans by Product Line
In accordance with BSP regulations and PFRS Accounting Standards, the Bank monitors the quality of its loan portfolio primarily based on aging. Performing loans are classified as either current, which represent accounts with no past-due principal or interest, or past due but performing, which refer to loans that are past due but do not meet the criteria for classification as non-performing. Non-performing loans (NPLs) are identified in accordance with BSP Circular No. 941. Accordingly, current loans form part of performing loans and are not presented as a separate loan classification.

Product	2025 Current	Past Due Performing	Non-Performing	Total
Salary loans	**₱3,446,503,686**	**₱38,418,123**	**₱99,482,542**	**₱3,584,404,351**
Auto loans	**66,756,664**	**3,535,413**	**5,217,924**	**75,510,001**
Home loans	**28,621,371**	**5,653,078**	**5,353,663**	**39,628,112**
SME and Back to Back loans	**12,549,464**	**794,903**	**745,463**	**14,089,830**
Others	–	–	**32,912**	**32,912**
	₱3,554,431,185	**₱48,401,517**	**₱110,832,504**	**₱3,713,665,206**

Product	2024 Current	Past Due Performing	Non-Performing	Total
Salary loans	₱3,065,716,886	₱41,940,635	₱90,096,619	₱3,197,754,140
Auto loans	48,384,846	3,067,901	7,751,423	59,204,170
Home loans	40,614,447	619,402	5,591,726	46,825,575
SME and Back to Back loans	16,136,298	195,902	745,462	17,077,662
Others	2,280,358	–	198,607	2,478,965
Total	₱3,173,132,835	₱45,823,840	₱104,383,837	₱3,323,340,512

Secured liability and assets pledged as security
The Bank has bills payable secured by salary loans presented under loans and receivables, with carrying value of ₱762.00 million and ₱800.30 million as of December 31, 2025 and 2024, respectively.

As of December 31, 2025 and 2024, the government bonds assigned as collateral for borrowings of the Bank have a fair value of nil and ₱130.58 million, respectively.

Related party loans
As required by the BSP, the Bank discloses loan transactions with its and affiliates and investees and with certain DOSRI. Under existing banking regulations, the limit on the amount of individual loans to DOSRI, of which 70.00% must be secured, should not exceed the regulatory capital or 15.00% of the total loan portfolio, whichever is lower. These limits do not apply to loans secured by assets considered as non-risk as defined in the regulations.

BSP Circular No. 423, dated March 15, 2004, amended the definition of DOSRI accounts. DOSRI pertains to loans, other credit accommodations and guarantees classified as DOSRI accounts under regulations existing prior to said Circular, and new DOSRI loans, other credit accommodations granted under said Circular. The succeeding table shows information relating to the loans, other credit accommodations and guarantees classified as DOSRI accounts under regulations existing prior to said Circular, and new DOSRI loans, other credit accommodations granted under said Circular:

	2025	2024
Total outstanding DOSRI/Related party loans	**₱0.14 million**	₱0.17 million
Percent of secured DOSRI/Related party loans to total loan portfolio	**0.0039%**	0.0058%
Percent of unsecured DOSRI/Related party loans to total DOSRI/Related party loans	**–**	–
Percent of past due DOSRI/Related party loans to total DOSRI/Related party loans	**–**	–
Percent of non-performing DOSRI/Related party loans to total DOSRI/Related party loans	**–**	–

The amounts of loans disclosed for related parties above differ with the amounts disclosed for key management personnel since the composition of DOSRI is more expansive than that of key management personnel.

BSP Circular No. 560 provides that the total outstanding loans, other credit accommodation and guarantees to each of the bank's/quasi-bank's subsidiaries and affiliates shall not exceed 10.00% of the net worth of the lending bank/quasi-bank, provided that the unsecured portion of which shall not exceed 5.00% of such net worth. Further, the total outstanding loans, credit accommodations and guarantees to all subsidiaries and affiliates shall not exceed 20.00% of the net worth of the lending bank/quasi–bank; and the subsidiaries and affiliates of the lending bank/quasi-bank are not related interest of any director, officer and/or stockholder of the lending institution, except where such director, officer or stockholder sits in the BOD or is appointed officer of such corporation as representative of the bank/quasi-bank.

On May 12, 2009, BSP issued Circular No. 654 allowing a separate individual limit of twenty-five (25.00%) of the net worth of the lending bank/quasi-bank to loans of banks/quasi-banks to their subsidiaries and affiliates engaged in energy and power generation.

Commitments and contingencies
As of December 31, 2025 and 2024, the Bank does not have any contingencies and commitments.

23. Supplementary Information Required Under Revenue Regulations 15-2010

In addition to the disclosures mandated by PFRS Accounting Standards, and such other standards and/or conventions as may be adopted, companies are required by the BIR to provide in the notes to the financial statements, certain supplementary information for the taxable year. The amounts relating to such information may not necessarily be the same with those amounts disclosed in the financial statements which were prepared in accordance with PFRS Accounting Standards.

The Bank paid the following types of taxes in 2025:

Taxes and Licenses

National	
Gross receipts tax	₱27,919,386
Documentary stamps tax	9,436,227
Local	
Other local taxes	4,289,733
	₱41,645,346

Withholding Taxes
Details of total remittances of withholding taxes for 2025 are as follows:

	Total remittances	Balance
Withholding taxes on compensation and benefits	₱5,226,120	₱899,618
Final withholding taxes on interest on deposits	13,402,931	1,230,099
Expanded withholding taxes	7,551,725	493,783
	₱26,180,776	₱2,623,500

Tax Cases and Assessments
As of December 31, 2025 and 2024, the Bank has no deficiency tax assessments and tax cases, litigation, and/or prosecution in courts or bodies outside the BIR.

SUN SAVINGS BANK, INC.
SUPPLEMENTARY SCHEDULE OF EXTERNAL AUDITOR FEE-RELATED INFORMATION
For the Years Ended December 31, 2025 and 2024

	2025	2024
Total Audit Fees *(Section 2.1a)*[1]	**₱2,033,000**	**₱1,900,000**
Non-audit services fees:		
Other assurance services	–	–
Tax services	–	–
All other services	–	–
Total Non-audit Fees *(Section 2.1b)*[2]	–	–
Total Audit and Non-audit Fees	**₱2,033,000**	**₱1,900,000**

Audit and Non-audit fees of other related entities *(Section 2.1c)*[3]

	2025	2024
Audit Fees	₱–	₱–
Non-audit services fees:		
Other assurance services	–	–
Tax services	–	–
All other services	–	–
Total Non-audit Fees	–	–
Total Audit and Non-audit Fees	₱–	₱–

Notes:

1) Section 2.1a: Disclose agreed fees (excluding out of pocket expenses and VAT) with the external auditor/audit firm and its network firms (as applicable) for the audit of the covered company's stand-alone and/or consolidated financial statements and the covered company's consolidated subsidiaries' financial statements on which the external auditor/audit firm expresses an opinion. These do not include fees for special purposes audit or review of financial statements.

2) Section 2.1b: Disclose charged or billed fees (excluding out of pocket expenses and VAT) by the external auditor/audit firm or a network firm (as applicable) for non-audit services to the covered company and its related entities over which the covered company has direct or indirect control that are consolidated in the financial statements on which the external auditor/audit firm expresses an opinion. These included other assurance services such as special purpose audit or review of financial statements.

3) Section 2.1c: Disclose fees for services (excluding out of pocket expenses and VAT) charged to any related entities of the covered company over which the covered company has direct or indirect control, which are not yet disclosed in (a) or (b), such as fees for services to any unconsolidated subsidiaries that meet the consolidation exemption criteria of Philippine Financial Reporting Standard (PFRS) 10 applicable to investment entities, if the external auditor/audit firm has reason to believe that these are relevant to the evaluation of the external auditor/audit firm's independence, as communicated by the external auditor/audit firm with the covered company's, those charged with governance or equivalent (e.g. Audit Committee).

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INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Sun Savings Bank, Inc.
Capitol West Building, No.
45 Don Gil Garcia Street corner Escario Street,
Capitol Site, Cebu City

We have audited the financial statements of Sun Savings Bank, Inc. (the Bank) as of and for the years ended December 31, 2025 and 2024, on which we have rendered the attached report dated April 30, 2026.

In compliance with Revised Securities Regulation Code Rule 68, we are stating that the Bank has a total of four (4) stockholders owning one hundred (100) or more shares each.

SYCIP GORRES VELAYO & CO.

Janeth T. Nuñez-Javier
Partner
CPA Certificate No. 111092
Tax Identification No. 900-322-673
BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026
SEC Partner Accreditation No. 111092-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements
BIR Accreditation No. 08-001998-069-2023, October 23, 2023, valid until October 22, 2026
PTR No. 10765098, January 2, 2026, Makati City

April 30, 2026