PACIFIC ACE
SAVINGS BANK

2025 ANNUAL REPORT

CONNECT & THRIVE

ABOUT COVER PAGE

As technology continues to reshape the way people manage their finances, Pacific Ace Savings Bank remains committed to making banking more accessible, convenient, and inclusive. Our 2025 theme, "**CONNECT & THRIVE**," embodies our commitment to building stronger connections through innovation, highlighted by the launch of the Pacific Ace Mobile App and our continuing efforts to bring financial services closer to the communities we serve. The cover of the 2025 Annual Report reflects Pacific Ace Savings Bank's theme, "Connect & Thrive," a testament to our commitment to strengthening connections, empowering communities, and creating opportunities for sustainable growth through responsible and innovative banking.

At the heart of the cover is the Pacific Ace Mobile App, representing one of the Bank's most significant milestones in 2025. As PASB continues its digital transformation journey, the mobile app serves as a gateway that connects customers to secure, convenient, and accessible financial services anytime and anywhere.

Encircling the mobile app is a luminous lotus flower, symbolizing growth, resilience, and continuous transformation. Building upon the spirit of the previous year's theme, "Reboot & Bloom," the lotus illustrates how PASB has evolved from renewal and recovery toward greater connectivity, innovation, and customer empowerment.

Surrounding the centerpiece are the people and communities that define the Bank's purpose—Overseas Filipino Workers (OFWs), entrepreneurs, workers, farmers, students, families, and local businesses. Their presence highlights PASB's enduring commitment to financial inclusion and its mission of helping individuals and communities thrive through meaningful access to financial services.

The interconnected digital pathways woven throughout the design represent the relationships that connect customers, communities, and opportunities. These networks symbolize the Bank's efforts to bridge distances, strengthen financial access, and create a more connected banking experience through technology while maintaining the personal service that has always been at the core of PASB.

The vibrant blend of green, gold, and blue signifies growth, prosperity, trust, and innovation—values that continue to guide the Bank's journey. Together, these elements portray a future where technology and human connection work hand in hand to support economic progress and improve the lives of the people we serve.

The cover is a visual representation of Pacific Ace Savings Bank's vision for the future: fostering stronger connections, expanding opportunities, and helping every customer, family, and community thrive.

PASB 2025 ANNUAL REPORT

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ABOUT PASB

For more than **20 years,** Pacific Ace Savings Bank has been dedicated to providing seamless, value-added financial services to a diverse range of customers both locally and overseas. Our dedication is to transform the Filipino mindset from being spendthrifts to becoming business owners and savers. We believe that our customers' futures are brighter and more stable when they are equipped with quality and safe financial services, including financial education.

OUR MISSION

Our mission is to provide every customer with equal access to high-quality financial services. We strive to create an environment where every Filipino can confidently and safely manage their finances, whether through our cutting-edge digital platforms or with the assistance of our friendly and professional staff in our eco-friendly green building.

OUR VISION

We envision a sustainable community where everyone is empowered to make wise financial decisions. Our goal is to ensure equal access to safe, fast, and affordable banking solutions for all, fostering financial inclusion and well-being.

WHO DO WE SERVE?

1. Underserved and underprivileged Filipinos
2. Business owners, employees, and their families
3. Overseas Filipinos

WHY CHOOSE PASB?

Competitive Interest Rates

Despite the continuous decline in interest rates, PASB maintained its high deposit interest rates for both savings account, corporate account and time deposit.

Fast and Reliable Services

We leverage our customers' trust with fast, friendly, and reliable financial services, allowing them to manage their finances anytime and anywhere.

Simple Loan Process

We offer significantly larger loans for borrowers with secured collateral. Our streamlined process covers every step from loan inquiry, credit investigation, requirements gathering, to approval. Understanding our customers' dreams of achieving their financial goals, building capital, and boosting their businesses, we expedite our assessments, approving and releasing loans 4x faster than the standard timeframe.

PRODUCTS AND SERVICES

1. Deposit

- Savings
- Checking
- Corporate
- Payroll
- Time Deposit

2. Loan

- Nation Builder Secured loan
- Asenso Unsecured loan
- AGAP Super microfinance loan

3. Remittance

- OFWs in Hong Kong and Macau sending money to their beneficiaries in the Philippines thru ATM card

4. Mobile Banking App

- Fund Transfer to Other Banks via InstaPay
- Bills Payment Services
- Card Management Functions
- Loan Product Information and Inquiries
- Linking of Existing Time Deposit Accounts
- Real-Time Balance Inquiry
- QR Code-Based Fund Transfers
- Enhanced User Interface and User Experience (UI/UX) Design Across All Screens

5. Cash In and Out Station

- Domestic remittances
- International remittances
- Cash in and out
- Bills payment

OUR PEOPLE, OUR STRENGTH

At PASB, we believe our employees are the heart of our organization. Their dedication, professionalism, and shared commitment to service drive our success every day.

In 2024, we continued to invest in our people through training programs focused on customer service, compliance, innovation and leadership. These efforts help our team grow professionally and stay aligned with industry standards and regulatory requirements.

We also promoted a positive work environment by fostering teamwork, mutual respect, and open communication across all departments.

PASB remains committed to employee well-being, professional development, and creating opportunities for growth—because when our people grow, the bank grows with them.

OUR STOCKHOLDERS

PASB is a proudly family-owned bank. While managing a business group under a single-family leadership presents its unique challenges, the Pacific Ace Group has sustained long-term success through a strong culture of unity, loyalty, and shared values among its employees.

> *At the heart of this organizational spirit is a guiding principle that defines all levels of the business: Customer First.*

This strategic decision allows the family to maintain clear and cohesive leadership, enabling PASB and the entire Pacific Ace Group to preserve their founding values while continuing to serve overseas Filipino workers (OFWs) and local communities with dedication and integrity.

PASB Stockholders with Significant Stockholdings

		Subscribed Capital			
Stockholders	Nationality	Shares	Amount*	%	Status
1. Virginia S. Dio	Filipino	480,000	48	40	Voting
2. Veronica S. Dio	Filipino	360,000	36	30	Voting
3. Verona Joy S. Dio	Filipino	357,988	35.8	29.83	Voting

*In Million ₱

OUR HISTORY

1991

Pacific Ace began as a "door-to-door money transfer service" for OFW remitters in Hong Kong to their beneficiaries in the Philippines.

Early 2000s

To address the increasing demand and risks in traditional door-to-door remittance, the owner acquired a bank to simplify and secure money transfer transactions via Automated Teller Machines (ATMs). PASB was introduced to OFWs in Hong Kong and Macau, offering remittance, deposit, and loan services.

2018

As the bank's presence in the community grew, we transformed our head office in Subic into a garden bank. We then started offering super microfinance loans and business savings accounts to underserved and underprivileged individuals, initiating the **"Action Group Against Poverty" (AGAP)** project, empowering customers to become micro-entrepreneurs.

2020

During the pandemic, we developed our first **mobile application** for Android and iOS, allowing customers to check their balance and monitor their account transactions without visiting the bank or nearest ATMs.

2023-2025

In response to the growing demand for digital banking services in the Philippines, we are developing advanced technologies enabling customers to transact online via Instapay, with an extended launching date by mid-2025.

At **Pacific Ace Savings Bank**, we are committed to creating a sustainable future where every Filipino has the tools and opportunities to achieve financial stability and growth.

CHAIRMAN'S MESSAGE

2025: The Year of Intelligent Banking

As we look back on 2024, I am filled with immense pride. We proved that resilience is not just about weathering the storm, but about learning to dance in the rain. We strengthened our foundation, solidified our capital, and laid the groundwork for a future where PASB stands not just as a bank, but as a digital ecosystem for financial empowerment.

In 2025, our mission evolves. We are moving beyond merely "going digital." We are entering the era of Intelligent Banking—where technology is not just a tool, but a strategic partner in safeguarding the dreams of Overseas Filipino Workers (OFWs) and the aspirations of our local MSMEs.

The most significant shift in our strategic direction is the integration of Artificial Intelligence into our core operations. We are investing in AI-driven analytics to enhance our Board oversight and risk management. This will allow us to predict market trends, identify potential risks to our loan portfolio with greater precision, and make data-informed decisions that ensure the safety of every depositor's peso. Technology is reinforcing our commitment to governance, ensuring that our growth is both rapid and responsible.

We understand that the future of banking is personal. While our peers focus on mass automation, we are leveraging technology to humanize banking. In 2025, we are piloting AI-enhanced customer service tools that learn the unique needs of our OFW clients—offering timely financial advice, personalized savings plans, and proactive support. We will integrate a system that recognize you, the individual, not just your account number.

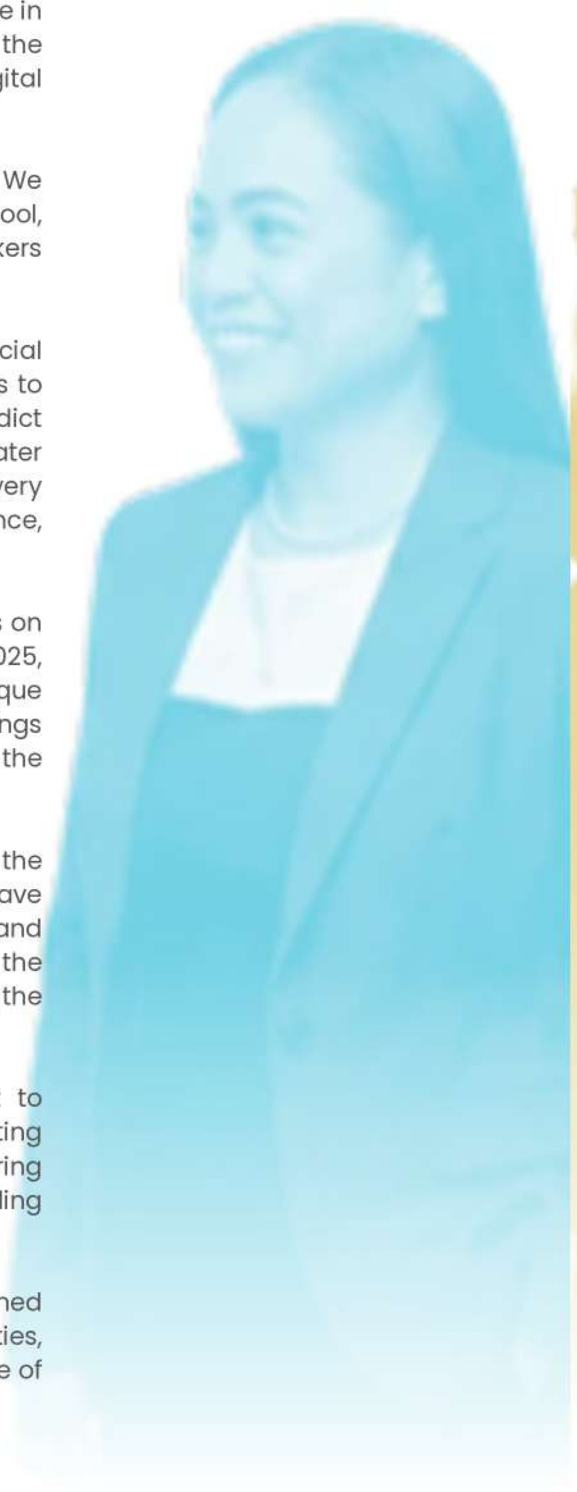
Our commitment to depositor safety has always been our bedrock. In the digital age, this means a relentless focus on cybersecurity. This year, we have upgraded our infrastructure to multi-layered security controls and implemented behavioral biometrics for PABank Online. We are fortifying the bank against the sophisticated threats of the modern world, ensuring that the trust placed in us by the BSP and our depositors is unassailable.

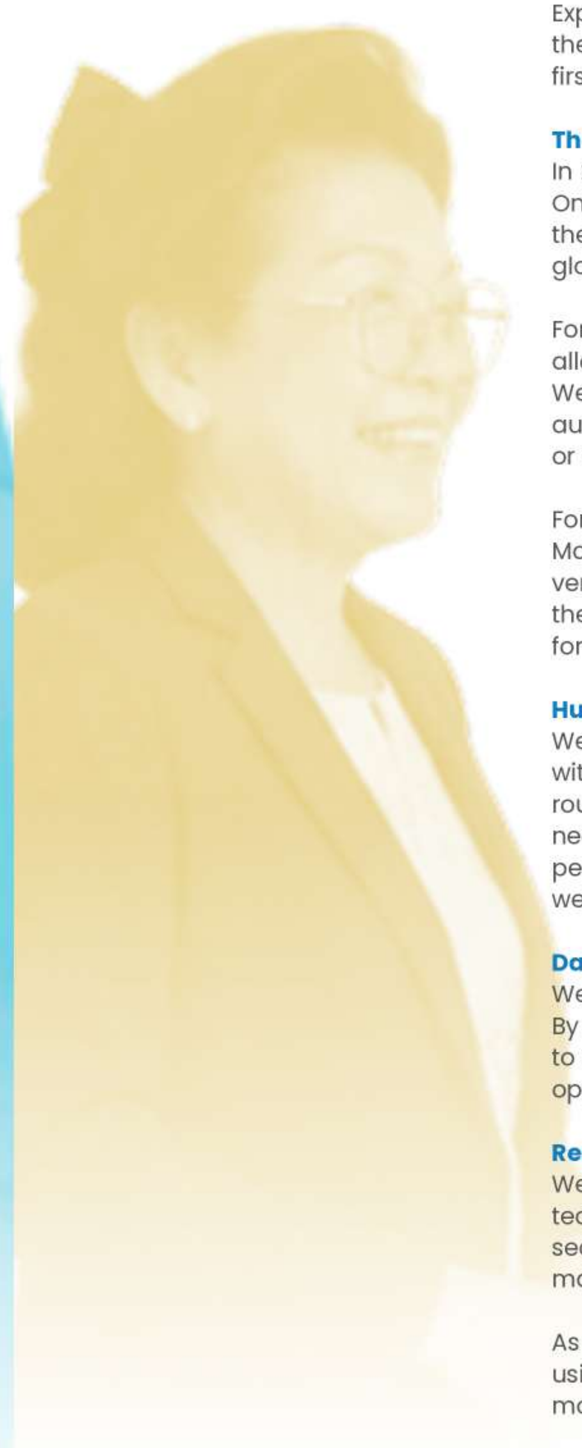
Our "Green Building" in Subic Bay is a testament to our commitment to sustainability. In 2025, we are expanding this ethos digitally. We are adopting cloud-native technologies to reduce our carbon footprint, and we are exploring "Green Digital Loans" to support local entrepreneurs who are building sustainable businesses.

The road ahead is exciting. Challenges remain, but with our strengthened Board, our empowered people, and our enhanced technological capabilities, we are ready. We are not only adapting to change; we are defining the pace of change in inclusive finance.

Thank you for your unwavering trust.
With deep appreciation,

Verona Joy S. Dio
Chairperson of the Board





PRESIDENT'S MESSAGE

2025: Bridging the Gap with Technology

2024 was a year of testing and strengthening our core. We faced the realities of our loan portfolio, invested in our people, and reaffirmed our commitment to the "PASB Experience." For 2025, we are taking that experience to the next level by leveraging the power of current information technology. We are transforming from a "safety-first" bank to a "Smart, Safe, and Seamless" bank.

The New PABank Online: Your Digital Branch
In 2024, we promised a relaunch; in 2025, we deliver a revolution. The new PABank Online is now live with a reimagined user interface and user experience. But beyond the aesthetic upgrades, we have integrated features specifically designed for our global and local clients:

For our OFWs: We have streamlined remittance flows using InstaPay integrations, allowing your hard-earned money to reach your families in seconds, not days. We've added "Smart Budgeting" tools that categorize your spending and savings automatically, helping you manage your finances better from Hong Kong, Macau, or anywhere in the world.

For our Local Communities: In pursuing digital solutions, we are launching a new Mobile Lending Application for our AGAP program. This allows tricycle drivers, fish vendors, and micro-entrepreneurs to apply for collateral-free loans directly from their phones. We are bringing the bank to the palengke (market), reducing the need for physical visits and speeding up approval times.

Human-Centered AI
We are adopting technology to enhance, not replace, the "PASB Experience. In line with this , we are exploring digital service tools "Ace Assist" chatbot that will handle routine inquiries instantly, freeing up our warm and caring staff to focus on complex needs and building stronger relationships. The technology handles the speed; our people handle the heart. This is how we maintain our distinct "nature-centric" and welcoming atmosphere even in the digital space.

Data-Driven Inclusivity
We are using data analytics to better understand the unbanked and underserved. By analyzing transaction patterns, we can offer pre-approved, tailor-fit micro-loans to clients who have traditionally been invisible to credit bureaus. This means more opportunities for the local entrepreneurs in Subic, Zambales, and Bataan.

Responsible Innovation
We remain deeply committed to protecting depositors. While we embrace technology for growth, our liquidity strategy remains firm. We continue to prioritize security and maintain substantial liquid assets. Our digital transformation is about making your money work better for you, while we work tirelessly to keep it safe.

As we move forward, our promise remains clear: We are here to uplift lives. We are using technology to make the "PASB experience" more accessible, more secure, and more inclusive than ever before.

To our OFWs, to our local entrepreneurs, and to our dedicated PASB family, THANK YOU.
Together, we are blooming with promise through innovation.
With unwavering commitment and gratitude,

Virginia S. Dio
President

FINANCIAL HIGHLIGHTS

NO.	PARTICULARS	2025	2024
I.	**Profitability**		
1	Total Net Interest Income	₱33,533,349	₱34,904,443
2	Total Non-Interest Income	7,693,899	9,615,712
3	Total Non-Interest Expense	(24,296,143)	(27,641,589)
4	Pre-Provision Profit	16,931,105	16,878,566
5	Allowance for Credit Losses	(6,632,384)	(6,341,671)
6	Net Income	₱10,298,721	₱10,536,895

II.	**Selected Balance Sheet Data**		
1	Liquid Assets	₱606,127,466	₱763,107,016
2	Gross Loans	123,561,781	123,268,054
3	Total Assets	784,414,564	941,870,199
4	Deposits	438,181,684	627,257,153
5	Total Equity	154,779,029	144,480,308

III.	**Selected Ratio**		
1	Return on Equity	6.88%	7.57%
1	Return on Assets	1.19%	1.21%
3	Capital Adequacy Ratio	26.78%	52.19%
4	Earnings per Share	₱15.12	₱15.47
5	Book Value per Share	₱227.22	₱212.10

IV.	**Head Count**		
1	Officer	16	10
2	Rank and File	25	24

SCAN ME

2025 AUDITED FINANCIAL STATEMENTS

CAPITAL STRUCTURE AND CAPITAL ADEQUACY

I.	**CET 1 Capital**	
	Common Equity Tier 1 Capital	₱154,779,029
II.	**Tier 1 Capital**	
1	Paid up common stock	₱68,117,500
2	Retained earnings	76,362,808
3	Undivided profits	10,298,721
	Total Tier 1 Capital	**154,779,029**
III.	**Tier 2 Capital**	
1	General Loan Loss Provision	₱357,255
	Total Tier 2 Capital	**₱357,255**
IV.	**Qualifying Capital**	
1	Tier 1 Capital	₱154,779,029
2	Tier 2 Capital	357,255
	Total Qualifying Capital	**₱155,136,284**
V.	**Risk Weighted Assets**	
1	Capital Requirements for Credit Risk	₱507,190,132
2	Capital Requirements for Market Risk	0
3	Capital Requirements for Operational Risk	72,101,142
	Total Risk Weighted Assets	**579,291,274**
VI.	**Ratio**	
1	Common Equity Tier 1 Ratio	**26.72%**
2	Capital Conservation Buffer	**20.72%**
3	Tier 1 Capital Ratio	**26.72%**
4	Total Capital Adequacy Ratio	**26.78%**

Sustaining Stability Amid a Challenging Environment

In 2025, PASB continued to prioritize financial stability, prudent risk management, and the protection of depositor funds amid a challenging economic environment characterized by declining interest rates, slower loan demand, and increasing credit risks among local businesses. While the Bank experienced modest declines in income and asset levels, it remained profitable, liquid, and well-capitalized throughout the year.

The Bank adopted a conservative operating strategy focused on strengthening internal processes, safeguarding asset quality, and maintaining liquidity rather than aggressively pursuing loan growth or investment expansion. This approach ensured the continued safety and security of customer deposits while positioning the Bank for future growth opportunities.

1. Profitability

PASB's primary sources of income in 2025 remained interest earnings from loans and placements in time deposits, supplemented by fees and charges from banking services and remittance-related transactions.

Total interest income declined by 3.04% to ₱37.65 million from ₱38.83 million in 2024. The decrease was primarily attributable to the continued decline in market interest rates, which reduced returns on the Bank's deposit placements despite maintaining similar principal balances. Interest rates on short-term placements fell to as low as 4% per annum during the year. In addition, lower loan releases contributed to reduced interest earnings from the lending portfolio.

Net interest income consequently declined by 3.92% to ₱33.54 million. Non-interest income also decreased by 20.06% to ₱7.69 million, mainly due to lower fees and charges resulting from reduced loan releases and remittance transactions.

Despite these headwinds, PASB successfully launched InstaPay through the PASB Mobile App in mid-2025, significantly increasing online transaction volumes. The Bank expects this digital initiative to contribute positively to fee-based revenues in the coming years as customer adoption continues to grow.

On the expense side, non-interest expenses decreased by 12.08% to ₱24.30 million as management continued to exercise cost control. As a result, pre-provision income remained stable at ₱16.93 million.

Loan loss provisions increased by 4.57% to ₱6.63 million due to the rising past-due ratios of borrowers affected by ongoing business challenges. The increase was particularly evident in secured loan accounts. Management also noted the existence of approximately ₱7 million in unbooked provisions related to pending foreclosure proceedings, which are expected to be reversed upon completion of the foreclosure process in 2026.

Consequently, net income slightly decreased by 2.28% to ₱10.30 million from ₱10.54 million in the previous year. Despite the decline, the Bank maintained profitability and demonstrated resilience in a difficult operating environment.

2. Balance Sheet

PASB's total assets stood at ₱784.41 million as of December 31, 2025, representing a decrease of 16.73% from ₱942.00 million in 2024.

Liquid assets declined by 20.57% to ₱606.13 million. This reduction was primarily due to the strategic withdrawal of DOSRI (Directors, Officers, Stockholders, and Related Interests) deposits before year-end to minimize deposit insurance premiums associated with these deposits.

Gross loans remained virtually unchanged at ₱124.42 million, reflecting the Bank's cautious lending posture amid increasing credit risks faced by local businesses. However, net loans decreased by 6.70% to ₱87.65 million due to higher loan loss provisions resulting from the deterioration of certain loan accounts.

Other assets increased by 6.84% to ₱90.62 million, reflecting normal operational and asset management activities during the year.

On the liability side, deposit liabilities declined by 30.14% to ₱438.18 million, largely due to the reduction in DOSRI deposits. Meanwhile, other liabilities increased by 12.53% to ₱191.45 million, mainly attributable to the growth in Accounts Payable – E-Money.

The increase in e-money-related liabilities reflects the unwithdrawn remitters accounts balances as remitters' cards cannot be utilized abroad.

Total liabilities decreased by 21.04% to ₱629.64 million, while stockholders' equity increased by 7.13% to ₱154.78 million, supported by the Bank's continued profitability and earnings retention.

3. Financial Ratios

PASB's key financial indicators remained generally stable during 2025 despite the challenging operating environment.

The Bank's profitability ratios showed minimal movement as net income remained relatively unchanged while equity levels continued to increase. This reflects the Bank's ability to sustain earnings despite lower revenues and higher credit provisioning requirements.

Asset quality indicators were affected by the increasing past-due ratios among certain borrowers, particularly those impacted by economic pressures and business challenges. Management responded by strengthening provisioning levels and maintaining conservative credit risk management practices.

Most importantly, PASB maintained a strong liquidity position throughout the year. As of December 31, 2025, the Bank's liquidity ratio stood at 110%, demonstrating its continued ability to meet depositor withdrawals and other financial obligations. This strong liquidity position reflects management's commitment to preserving financial stability and safeguarding customer funds.

4. Capital Structure and Capital Adequacy

PASB continued to maintain a solid capital base in 2025. Total equity increased by ₱10.30 million or 7.13%, reaching ₱154.78 million compared to ₱144.48 million in 2024.

The growth in equity was driven primarily by retained earnings generated from the Bank's profitable operations. The strengthening of the capital base provides additional capacity to absorb potential losses and supports the Bank's long-term sustainability.

While the Bank's Capital Adequacy Ratio (CAR) decreased during the year, the decline was mainly attributable to the strategic transfer of funds to other banking institutions offering more favorable short-term deposit rates. Despite this reduction, PASB remained adequately capitalized and compliant with regulatory requirements.

The Bank's capital management strategy continues to emphasize prudence, preservation of capital, and maintenance of sufficient buffers against emerging risks. Combined with its strong liquidity position and conservative risk appetite, PASB remains well-positioned to support future business growth while protecting the interests of depositors and other stakeholders.

Outlook

Looking ahead, PASB expects continued growth in digital banking activities, particularly through the increasing adoption of InstaPay transactions via the PASB Mobile App. This development is anticipated to strengthen fee-based income and diversify revenue sources beyond traditional lending activities.

The Bank will continue to focus on asset quality management, prudent lending practices, and operational efficiency while maintaining adequate liquidity and capital levels. These initiatives will enable PASB to navigate evolving market conditions while preserving its commitment to financial stability, depositor protection, and sustainable growth.

OPERATIONAL HIGHLIGHTS

Advancing Digital Banking While Preserving Trust, Security, and Stability

The year 2025 marked a significant milestone in PASB's digital transformation journey as the Bank took a major step toward expanding financial accessibility, enhancing customer convenience, and strengthening its service delivery through the launch of the new PASB Mobile App.

As PASB continues to evolve alongside the changing needs of its customers, particularly Overseas Filipino Workers (OFWs) and their beneficiaries, the Bank remains committed to providing secure, accessible, and customer-centered financial services while maintaining the highest standards of liquidity, operational resilience, and depositor protection

Building the Foundation for Digital Banking

PASB's digital banking initiative has been the result of years of strategic planning, regulatory compliance, and technology investment.

The Bank's journey toward digital transformation began with the receipt of its Confirmation of Eligibility on April 12, 2021, followed by the granting of its Type A Advanced Electronic Payment and Financial Services (EPFS) License from the Bangko Sentral ng Pilipinas on February 20, 2022. These milestones established the regulatory foundation necessary for PASB to deliver modern electronic banking services to its customers.

On June 30, 2023, PASB launched its initial mobile banking application, providing customers with essential digital services such as account balance inquiries and internal fund transfers. This initial deployment enabled the Bank to gather valuable customer feedback and operational insights that would serve as the foundation for future enhancements.

Launching the New PASB Mobile App

A defining achievement of 2025 was the launch of the enhanced PASB Mobile App on August 31, 2025.

The new platform significantly expanded the Bank's digital service capabilities and represented a major leap forward in delivering a more convenient, accessible, and seamless banking experience.

The enhanced application introduced several new features, including:

- Fund Transfer to Other Banks via InstaPay
- Bills Payment Services
- Card Management Functions
- Loan Product Information and Inquiries
- Linking of Existing Time Deposit Accounts
- Real-Time Balance Inquiry
- QR Code-Based Fund Transfers
- Enhanced User Interface and User Experience (UI/UX) Design Across All Screens

These enhancements transformed the PASB Mobile App into a comprehensive banking platform capable of serving a broader customer base regardless of geographical location.

Most importantly, the application enables customers, particularly OFWs and their beneficiaries, to access PASB's services without the need to physically visit the Bank's head office in Subic Bay. Customers can conveniently register and manage their accounts remotely, allowing them to perform most routine banking transactions anytime and anywhere. Physical visits are generally required only for selected high-value transactions and activities that exceed mobile banking limits or require additional verification procedures.

This digital accessibility significantly strengthens PASB's ability to reach customers beyond its traditional market area and provide banking services to Filipinos working and living abroad.

Serving OFWs and Their Beneficiaries

The enhanced mobile banking platform reflects PASB's commitment to supporting the financial needs of Overseas Filipino Workers and their families.

Through the PASB Mobile App, OFWs can monitor accounts, transfer funds, manage deposits, and access banking services remotely, while beneficiaries in the Philippines can conveniently receive and manage funds without unnecessary travel or paperwork.

The Bank recognizes that financial services play a critical role in supporting Filipino families. By reducing barriers to access and increasing digital convenience, PASB is helping strengthen the financial connection between OFWs and their loved ones while promoting financial inclusion in the communities it serves.

Continuous Improvement and Customer Support

PASB remains committed to continuously improving the mobile banking experience through regular system enhancements, bug fixes, and security upgrades.

The Bank actively monitors application performance and customer feedback to ensure that issues are addressed promptly and that new functionalities are introduced in response to evolving customer needs. Continuous investments in cybersecurity, fraud prevention, and data protection measures further reinforce PASB's commitment to safeguarding customer funds and personal information.

Equally important is the Bank's commitment to responsive customer service. PASB continues to strengthen its customer support capabilities to provide timely assistance to users navigating the mobile application, resolving inquiries, and addressing concerns. Through a combination of technology and personalized service, the Bank seeks to deliver a secure and reliable digital banking experience.

Maintaining Strong Liquidity to Support Digital Growth

As transaction volumes continue to increase through digital channels, PASB recognizes the importance of maintaining sufficient liquidity to support seamless transaction processing and settlement activities.

The Bank deliberately maintains a highly liquid balance sheet to ensure that customer transactions, remittance settlements, fund transfers, and withdrawal requirements are met without disruption. This conservative liquidity management strategy enables PASB to confidently support growing digital transaction volumes while protecting depositors' interests. Over the past five years, PASB has consistently maintained liquidity levels well above regulatory expectations.

Accounts	2021	2022	2023	2024	2025
Liquid Assets	562	800	581	763	606
Deposit Liabilities	518	710	513	627	438
Ratio	**108%**	**113%**	**113%**	**122%**	**138%**

Amount in Million ₱

The Bank's liquidity ratio increased to 138.33% in 2025, the highest level recorded during the past five years. This demonstrates PASB's strong financial position and its ability to support customer transactions and settlement obligations even during periods of heightened transaction activity.

Strengthening Customer Trust Through Security and Reliability

Customer trust remains one of PASB's most valuable assets.

The successful adoption of the PASB Mobile App reflects the confidence customers place in the Bank's ability to safeguard both their funds and personal information. As banking increasingly shifts toward digital channels, PASB continues to invest in secure technologies, strong internal controls, and risk management practices designed to protect customers against emerging threats.

The Bank remains committed to ensuring that every digital transaction is processed safely, securely, and efficiently. This commitment extends beyond technology and encompasses the culture of service, integrity, and accountability that defines PASB's operations.

Strengthening Strategic Partnerships

PASB recognizes that delivering exceptional digital banking services requires strong collaboration with trusted partners across the financial ecosystem.

Throughout 2025, the Bank continued to strengthen its partnerships with remittance companies, payment service providers, settlement institutions, and other counterparties to ensure that the services offered by PASB remain aligned with the evolving needs of customers.

These partnerships support a wide range of financial services, from international and domestic remittances to electronic fund transfers and payment solutions. Together with its partners, PASB continues to enhance customer convenience, improve service accessibility, and ensure responsive support for customers across various channels.

Looking Ahead

The launch of the new PASB Mobile App represents more than a technological upgrade—it signifies PASB's commitment to becoming a more accessible, customer-focused, and digitally enabled financial institution.

As the Bank moves forward, it will continue investing in digital innovation, operational resilience, customer service excellence, and financial strength.

CHALLENGES AND OPPORTUNITIES

The year 2025 was a transformative period for PASB as the Bank accelerated its digital banking initiatives while remaining committed to prudent risk management and customer protection. As the financial services landscape continues to evolve, PASB recognizes that challenges and opportunities are often interconnected. The same factors that test the Bank's resilience today also create pathways for innovation, growth, and stronger customer engagement in the future.

Challenges

Managing Loan Portfolio Quality in a Challenging Economic Environment

One of the Bank's continuing challenges is maintaining loan portfolio quality amid the prolonged economic pressures faced by many local businesses and borrowers. While economic activity has gradually improved, many micro, small, and medium enterprises continue to experience fluctuating revenues, increasing operating costs, and cash flow constraints.

These conditions have contributed to elevated past-due loan levels and slower collection performance across portions of the loan portfolio. In many cases, borrowers remain willing to settle their obligations but encounter difficulties in meeting repayment schedules due to the challenging business environment.

The Bank has also adopted a customer-centered approach in managing secured loan accounts. Rather than immediately pursuing foreclosure remedies, PASB has often provided borrowers with additional opportunities to update and regularize their accounts. While this approach reflects the Bank's commitment to supporting its customers during difficult times, it has also delayed the resolution of certain non-performing assets and prolonged the recovery process.

As PASB continues to strengthen its credit risk management framework, the Bank seeks to balance compassion with financial discipline by enhancing collection strategies, improving borrower engagement, and utilizing digital tools that enable more timely communication, monitoring, and account management.

Accelerating Digital Adoption Among Customers

The launch of the enhanced PASB Mobile App represents a significant step forward in digital banking; however, customer adoption remains an ongoing journey. Many customers, particularly those accustomed to traditional branch-based banking, continue to require education, guidance, and confidence-building before fully embracing digital financial services.

PASB views this challenge as an opportunity to deepen customer relationships through financial literacy programs, personalized assistance, and user-friendly digital solutions that make banking simpler, safer, and more accessible.

Opportunities

Building a Fully Connected Digital Banking Ecosystem

The successful launch of the enhanced PASB Mobile App in 2025 provides the foundation for the Bank's next phase of growth.

What began as a platform for account inquiries and fund transfers is gradually evolving into a comprehensive digital banking ecosystem capable of serving customers wherever they may be. PASB envisions a future where deposits, e-money services, remittances, and loan products are seamlessly integrated into a single digital platform.

Future enhancements may include:

- Expanded digital onboarding capabilities
- End-to-end loan application and monitoring services
- Enhanced e-money functionalities
- Expanded deposit product management
- Integrated remittance solutions
- Personalized financial service offerings
- Additional QR-enabled payment and collection features

These initiatives will allow PASB to reach customers beyond its traditional geographic market while maintaining the personalized service that has always distinguished the Bank.

For Overseas Filipino Workers (OFWs) and their beneficiaries, the mobile platform creates significant opportunities to access PASB's products and services without the need for frequent branch visits. This positions the Bank to participate more actively in the growing digital financial services market while supporting financial inclusion among underserved communities.

Leveraging Technology to Enhance Efficiency

PASB's commitment to digital transformation extends beyond customer-facing applications. The Bank has invested heavily in automating internal processes and developing technology solutions that simplify operations and reduce manual workloads.

A key strength of PASB is its team of dedicated in-house programmers who possess deep institutional knowledge and a strong commitment to continuous innovation. Their ongoing efforts to automate reports, streamline workflows, improve system integration, and reduce clerical tasks allow employees to focus more on customer service and value-added activities.

This capability provides PASB with a distinct advantage, enabling the Bank to adapt quickly to operational requirements, implement system enhancements efficiently, and continuously improve both customer and employee experiences.

As digital transaction volumes continue to increase, these technology investments will support scalability, operational resilience, and cost efficiency.

Strengthening PASB's Competitive Position Through Digital Banking

While larger banks and financial technology companies continue to expand their digital offerings, PASB possesses unique strengths that differentiate it within the market.

The PASB Mobile App enables the Bank to deliver convenient and secure banking services while preserving the personalized relationships that community banking customers value. By combining digital accessibility with responsive customer support, PASB can offer an experience that balances technology with human connection.

The Bank's strategy is not simply to replicate the services of larger institutions, but to provide digital solutions tailored to the needs of its customers, particularly OFWs, beneficiaries, local entrepreneurs, and community-based depositors.

As digital banking adoption continues to grow, PASB is well-positioned to expand its reach while remaining true to its mission of serving customers with integrity, accessibility, and care.

Building on PASB's Unique Strengths

PASB's opportunities for future growth are reinforced by several distinctive strengths that define the Bank's identity.

One of the most visible is its unique green building. The PASB Head Office is home to an extensive collection of living plants strategically integrated throughout both indoor and outdoor spaces. More than a design feature, this green environment reflects the Bank's commitment to sustainability, wellness, and creating a welcoming atmosphere for customers and employees alike.

The Bank also benefits from a culture of service built around friendly and approachable staff who remain committed to understanding and responding to customer needs. In an increasingly digital world, this human connection continues to be a valuable differentiator.

Supporting these strengths is PASB's highly automated operating environment and engaged senior management team. Through continuous process improvements and active leadership involvement, the Bank maintains the agility necessary to respond quickly to customer concerns, operational challenges, and emerging opportunities.

Management's accessibility and willingness to listen directly to customers provide valuable insights that help shape products, services, and strategic initiatives. Combined with PASB's digital capabilities, these strengths position the Bank to continue delivering meaningful financial solutions while fostering long-term customer trust and loyalty.

CORPORATE GOVERNANCE

At PASB, the foundation of responsible banking lies in a robust corporate governance structure that promotes accountability, transparency, and long-term value creation. The Board of Directors, senior management, employees, and shareholders each play a vital role in maintaining sound strategic business management aligned with the Bank's mission, vision, and core values.

The Board of Directors assumes the primary responsibility of guiding the Bank towards sustainable success. It sets the tone at the top by promoting awareness and observance of the principles of good corporate governance across all levels of the organization. In discharging its functions, the Board acts with the highest standards of integrity and professionalism, fostering a culture of ethical conduct, performance, and accountability.

As stewards of the Bank's long-term interests, the Board is committed to ensuring sustained competitiveness and operational resilience. It exercises its fiduciary duties with care, prudence, and loyalty—acting in the best interest of the Bank, its shareholders, customers, employees, and other stakeholders.

Management, on the other hand, is responsible for the day-to-day execution of the Bank's strategic objectives under the oversight of the Board. It ensures that operations are carried out in accordance with regulatory standards and internal policies, while promoting innovation, efficiency, and risk-aware decision-making.
Employees are empowered to uphold the principles of good governance in their roles, encouraged to act with professionalism and ethical behavior, and supported through continuous learning and clear policies that guide their conduct.

Shareholders contribute to corporate governance through active engagement, responsible ownership, and participation in key corporate decisions during general meetings, in line with their rights and responsibilities.

Together, this governance framework ensures that PASB not only complies with applicable laws and regulations but also builds stakeholder trust, drives performance, and delivers long-term sustainable value in the evolving financial landscape.

MEET OUR BOARD OF DIRECTORS

MEET OUR

BOARD OF DIRECTORS

Verona Joy S. Dio
Chairperson of the Board
Filipino, 46 years old
Owns 357,988 direct shares
29.83% ownership

Ms. Dio has served as Chairman of the Board since September 2017, following her initial election as Director in 2015. She brings extensive leadership experience and a strong strategic orientation to the bank's governance.

Her qualifications include a robust academic background:

- Undergraduate degree from Columbia University in 2001
- Postgraduate degree in Economics from the London School of Economics in 2003

She has completed numerous specialized trainings in key areas such as Corporate Governance, Risk and Credit Risk Management, Anti-Money Laundering Act (AMLA) Compliance, Digital Transformation and Cybersecurity, Financial Consumer Protection, Sustainability in Banking, and other timely and relevant topics in banking.

MEET OUR

BOARD OF DIRECTORS

Virginia S. Dio
Executive Director
Filipino, 76 years old
Owns 480,000 direct shares
40% ownership

Mrs. Dio has played an integral role within the Pacific Ace Group of Companies for decades, bringing deep expertise and strategic leadership. She has held key positions, including:

- Director of the Pacific Ace Group since 2002
- Chairman of the Board of Directors from 2002 to 2017
- Major stockholder in various Pacific Ace companies in the Philippines, Hong Kong, and Macau

She is the brilliant person behind the Green Building project in the heart of Subic Bay, a testament to her forward-thinking vision in sustainable development. While actively managing the Pacific Ace Group and her personal trading ventures, Mrs. Dio has devoted herself full time to running the bank since 2018.

Mrs. Dio holds a BS in Commerce major in Accounting from the University of the East.

She has furthered her expertise through extensive seminars and training in Management and Corporate Planning, Thrift Banking Operations, Corporate Governance, Anti-Money Laundering Act (AMLA) Compliance, Risk Management and Credit Risk Management, Digital Transformation and Cybersecurity, Financial Consumer Protection, Sustainability in Banking, and other timely and relevant topics in banking and all over the world.

MEET OUR

BOARD OF DIRECTORS

Roldan P. Escala
Executive Director
Filipino, 52 years old
Owns 10 direct shares
0.0008% of ownership

Mr. Escala has been a member of the Board of Directors since 2014, contributing actively to the Bank's strategic and governance initiatives. He concurrently serves as the Corporate Secretary of Pacific Ace Subic Bay Corporation, reflecting his broader leadership role within the Pacific Ace Group of Companies.

He earned his Bachelor of Science in Computer Science from San Sebastian College-Recoletos in 1996, providing a strong technical foundation to support his corporate responsibilities.

In pursuit of continuous professional development, Mr. Escala has completed a wide range of training and seminars on key areas such as Corporate Governance and Risk Management, Anti-Money Laundering Act (AMLA) Compliance, Microfinance and Fraud Warning Signs and Controls, Financial Consumer Protection, Sustainability in Banking, and the Corporate Recovery and Tax Incentives for Enterprises (CREATE Law), among other timely and relevant topics essential to effective bank oversight and governance.

MEET OUR

BOARD OF DIRECTORS

Atty. Laddie B. Barredo
Independent Director
Filipino, 47 years old
Owns 1 direct share
0.0001% of ownership

Atty. Barredo was elected as independent director in July 2024, he brings with him a wealth of legal and judicial experience, particularly in public service and litigation. He previously served in the judiciary for over two decades, holding roles such as Sheriff IV at the RTC Olongapo City (2009–2024) and Court Interpreter IV at RTC Marikina City (2002–2008).

He concurrently serves as an Attorney-at-Law in his own law practice since 2024 and as a corporate consultant to various corporate clients unrelated to the Pacific Ace Group.

He is a graduate of BS in Commerce, Major in Economics at University of Santo Tomas in 1999, earned his MBA from UST in 2002, and completed his Bachelor of Laws at Manuel L. Quezon University in 2008. He also holds a Career Service Professional Certification in 1999.

In January 2024, he established and now manages his own private law practice in Olongapo, catering to various corporate clients outside the Pacific Ace Group.

As part of his commitment to strong governance, he has completed various trainings in Corporate Governance, Risk Management, Anti-Money Laundering, Sustainability in Banking, Audit, and other regulatory and compliance-focused subjects relevant to the banking sector.

MEET OUR BOARD OF DIRECTORS

Peter R. Tumanda, CPA
Independent Director
Filipino, 58 years old
Owns 1 direct share
0.0001% of ownership

Mr. Tumanda was elected as Independent Director of PASB in November 2025. He brings to the Board more than three decades of experience in accounting, auditing, taxation, corporate management, business process outsourcing, and academic leadership.

He concurrently serves as Managing Partner of Reyes, Tumanda & Co., CPAs since 2007, as Dean of Compteq Computer and Business College since 2020, as President of Sigma Pacific BPO Solutions Corp. since 2001, and as Board Member and Treasurer of Subic Bay Freeport Chamber of Commerce in 2025.

Mr. Tumanda earned his Master in Business Administration from Ateneo de Manila University in July 2003, where he received a Gold Medalist Special Award. He completed his Bachelor of Science in Business Administration, Major in Accounting, at the Pamantasan ng Lungsod ng Maynila in 1990 and successfully passed the Certified Public Accountant Licensure Examination in 1991.

He is an active member of the Philippine Institute of Certified Public Accountants (PICPA) and the Association of CPAs in Public Practice (ACPAPP). Throughout his professional career, he has received numerous recognitions, including the Plaque of Appreciation as Chair of the Committee on Ethics of ACPAPP in 2024 and Presidential Awards for his exemplary service as PICPA Regional Director from 2017 to 2019, among other professional distinctions.

As part of his continuing professional development and commitment to sound corporate governance, Mr. Tumanda has attended various technical and managerial trainings, seminars, and conferences covering Corporate Governance, Anti-Money Laundering, Accounting Standards, Taxation, Auditing, Risk Management, Regulatory Compliance, Leadership, and other areas relevant to the banking and financial services industry.

Board Meetings Attendance

	Members	Directorship	Attendance	%
1	Verona Joy S. Dio	Chairperson	12/12	100
2	Virginia S. Dio	Executive Director	12/12	100
3	Roldan P. Escala	Executive Director	12/12	100
4	Atty. Laddie B. Barredo	Independent Director	12/12	100
5	Peter R. Tumanda*	Independent Director	2/2	100
6	Atty. Von F. Rodriguez**	Independent Director	10/10	100

*Elected in November 2025
**Resigned effective October 2025

MEET OUR SENIOR OFFICER

MEET OUR SENIOR OFFICERS

Virginia S. Dio
President
Filipino, 76 years old
Owns 480,000 direct shares

Mrs. Virginia Dio has been a cornerstone of the Pacific Ace Group of Companies for decades, demonstrating unwavering leadership, business foresight, and a deep commitment to the communities the Group serves. As President of Pacific Ace Savings Bank since 2018, she brings with her a legacy of strategic direction and operational excellence that continues to shape the Bank's long-term growth and stability.

- Director of the Pacific Ace Group since 2002
- Chairman of the Board of Directors from 2002 to 2017
- Major stockholder in various Pacific Ace companies in the Philippines, Hong Kong, and Macau

Mrs. Dio is also the visionary behind the landmark Green Building project at the heart of Subic Bay—a symbol of her advocacy for sustainable development and her commitment to innovation in real estate and banking infrastructure.

In addition to managing her personal trading ventures and overseeing the broader operations of the Pacific Ace Group, Mrs. Dio has dedicated herself full-time to leading PASB. Under her leadership, the Bank has reinforced its foundation in governance, digital transformation, customer service excellence, and financial inclusion—particularly for Overseas Filipino Workers and local communities.

Mrs. Dio holds a BS in Commerce major in Accounting from the University of the East.

She has furthered her expertise through extensive seminars and training in Management and Corporate Planning, Thrift Banking Operations, Corporate Governance, Anti-Money Laundering Act (AMLA) Compliance, Risk Management and Credit Risk Management, Digital Transformation and Cybersecurity, Financial Consumer Protection, Sustainability in Banking, and other timely and relevant topics in banking and all over the world.

MEET OUR SENIOR OFFICERS

Roldan P. Escala
Treasurer
Filipino, 52 years old
Owns 10 direct shares

Mr. Escala currently serves as treasurer and executive director of PASB, bringing over a decade of board-level experience since 2014. His strategic insight and technical background continue to play a critical role in strengthening the Bank's financial oversight, governance, and operational integrity.

He also served as the Corporate Secretary of Pacific Ace Subic Bay Corporation.

He earned his Bachelor of Science in Computer Science from San Sebastian College-Recoletos in 1996.

MEET OUR SENIOR OFFICERS

Atty. March Jefferson M. Fernandez
Corporate Secretary
Filipino, 41 years old
Owns 1,000 direct shares

Atty. Fernandez has served as Corporate Secretary of PASB since 2017.

Prior to joining PASB, Atty. Fernandez spent over three years as a legal associate in Divina Law Firm.

He holds a Bachelor of Laws from San Beda College of Law, and a Bachelor of Science in Political Science from the University of the Philippines.

He is committed to continuous professional growth, having actively participated in specialized training programs on Corporate Governance, Anti-Money Laundering (AML) Law, and other relevant regulatory updates.

MEET OUR SENIOR OFFICERS

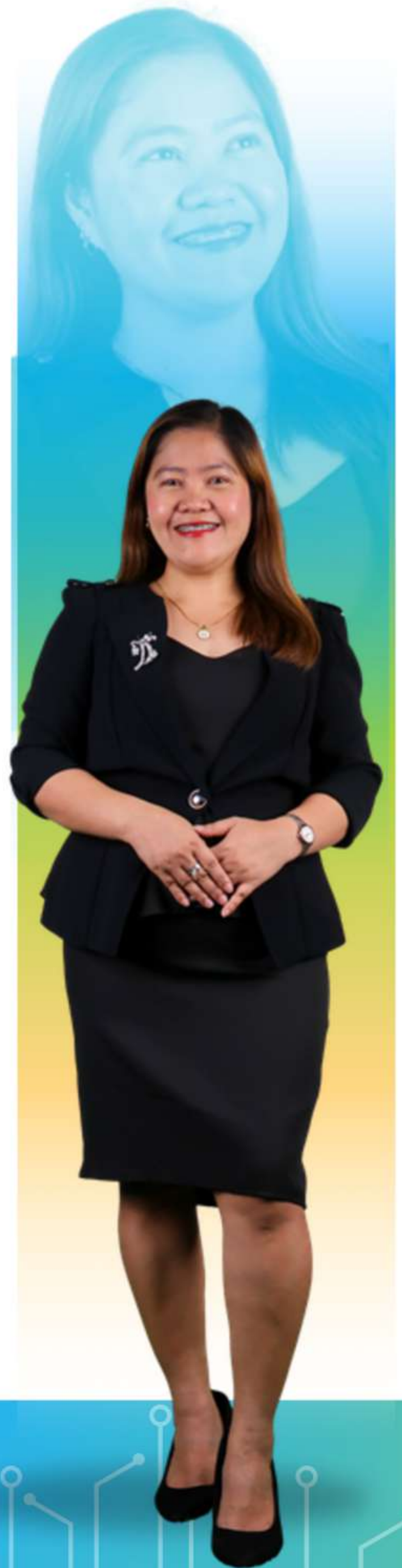
Monciar P. Elenzano, CPA
Chief Compliance Officer
Filipino, 33 years old

Mr. Elenzano has served as the Chief Compliance Officer since 2017, bringing nearly a decade of experience in regulatory compliance, risk management, and governance. Prior to joining PASB, he gained valuable experience in both internal and external audit, having worked with a commercial bank and an auditing firm for two years.

He earned his Bachelor of Science in Accountancy from the Polytechnic University of the Philippines and became a Certified Public Accountant (CPA) in 2014. He is currently pursuing a Master of Business Administration at Philippine Christian University.

Mr. Elenzano has actively pursued continuing professional development through participation in various training programs and seminars covering key areas such as Compliance Officer Development, Corporate Governance, Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT), Financial Consumer Protection, Cybersecurity and Fraud Prevention, Sustainability in Banking, Regulatory Reporting through API, CREATE Law, TRAIN Law, Special Tax Incentives, SEC Regulations, Leadership, Artificial Intelligence (AI), Ethics and Professional Etiquette, and other relevant topics in banking, compliance, and accounting.

In addition, he conducts in-house AMLA training sessions for PASB employees, officers and its partners.



MEET OUR

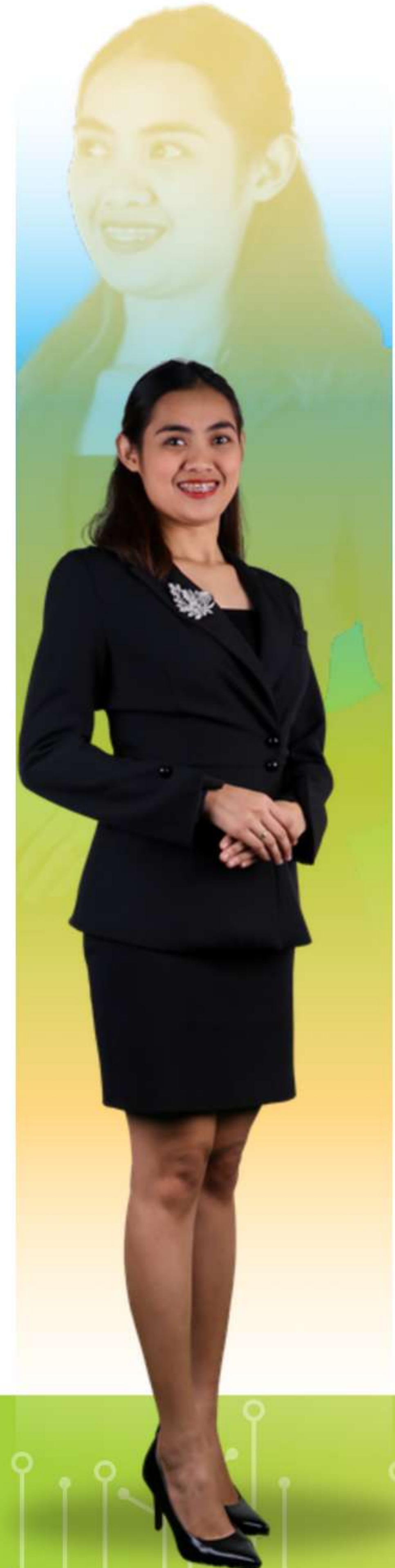
SENIOR OFFICERS

Grace S. Lanza
Bank Operations Head
Filipino, 37 years old

Ms. Lanza served as the Chief Accountant of PASB since 2017 prior to her transfer as Bank Operations Head in 2024 to manage the Deposit Liability Management Department of the bank. She brings with her over a decade of accounting experience in the rural bank in Zambales, as well as prior internal audit expertise, which has significantly contributed to the Bank's financial integrity, reporting accuracy and commitment to serve others.

She earned her Bachelor of Science in Accountancy from Mondriaan Aura College in 2010.

She has participated in various seminars and training programs focused on strengthening her knowledge in areas critical to her role, including Anti-Money Laundering Act (AMLA), Customer Service Excellence in Banking Operations, SEC Updates, Philippine Payment and Settlement System (PhilPass), Accounting Practices and Standards, Financial Consumer Protection, and other timely and relevant topics in banking.



MEET OUR

SENIOR OFFICERS

Jove-Cale M. Dorado
Internal Auditor
Filipino, 28 years old

Ms. Dorado joined PASB as internal auditor in 2021, bringing with her a strong foundation in financial oversight and internal control. Prior to her appointment at PASB, she served as an internal auditor at Card SME Bank, Inc. with almost 2 years of tenure.

She earned her Bachelor of Science in Accountancy in 2018 at Laguna College.

Her dedication to professional growth is reflected in her participation in a wide array of specialized training and seminars, including Anti-Money Laundering Act (AMLA) Updates, Foundations of Information Systems Auditing, Cybersecurity and Fraud Prevention, Sustainability in Banking, Regulatory Reporting through API, and other timely and relevant topics in banking.

MEET OUR SENIOR OFFICERS

Sofia A. Montemayor
Acting Chief Accountant
Filipino, 23 years old

Ms. Montemayor has served as the Acting Chief Accountant of the Bank since 2024. Despite her young age, she has demonstrated exemplary potential in understanding, analyzing, and reviewing the Bank's financial data and transactions, particularly through the effective utilization of system automation and technology-driven processes.

She earned her Bachelor of Science in Accountancy from Gordon College in 2024.

Ms. Montemayor has participated in various training programs and seminars covering key areas such as Anti-Money Laundering Act (AMLA), External Reporting with SBMA and BIR, Accounting Policies, Regulatory Compliance Reporting, System Walkthroughs, and other relevant banking, accounting, and regulatory topics.

MEET OUR SENIOR OFFICERS

Emman Lloyd P. Arcillas
Loan Officer
Asenso and Nation Builder Loan Department
Filipino, 36 years old

Mr. Arcillas has acted as Loans Officer of the bank since 2018. He has prior experience as General Ledger Bookkeeper at Zambales Bank Inc. for three years, followed by a role as Operations Manager at Mason Hydraulic Company.

He earned his Bachelor of Science in Accountancy from Columban College in 2012.

Mr. Arcillas has completed training and seminars on key areas such as Financial Consumer Protection, Anti-Money Laundering Act (AMLA) Compliance, Sustainability in Banking, among other timely and relevant banking topics.

MEET OUR SENIOR OFFICERS

John Ceasar E. Rudio
Credit Investigator/Appraiser
Filipino, 32 years old

Mr. Rudio has served as Credit Investigator/Appraiser since 2017. Prior to joining the Bank, he worked with Zambales Rural Bank, Inc. from 2014 to 2017, where he gained valuable experience in banking operations and credit-related functions.

He earned his Bachelor of Science in Business Management from Ramon Magsaysay Technological University – Iba Main Campus in 2014.

Mr. Rudio has completed various training programs and seminars covering key areas such as Anti-Money Laundering Act (AMLA), Comprehensive Property Appraisal, Loan Operations, Financial Consumer Protection, and other relevant banking and regulatory topics.

MEET OUR SENIOR OFFICERS

Marry Ann B. Hostallero
Loan Officer
Action Group Against Poverty (AGAP)
Filipino, 40 years old

Ms. Hostallero has served as AGAP Loan Officer since 2018. Prior to joining the Bank, she worked with Mother Rita Multipurpose Cooperative from 2009 to 2018, where she gained extensive experience in lending operations, client relations, and financial services.

She earned her Bachelor of Science in Business Administration major in Financial Management from Columban College Sta. Cruz in 2006.

Ms. Hostallero has completed various training programs and seminars covering key areas such as Anti-Money Laundering Act (AMLA), Loan Operations, Financial Consumer Protection, and other relevant banking and regulatory topics.

MEET OUR

SENIOR OFFICERS

Timothy B. Cruz
IT Chief
Filipino, 42 years old

Mr. Cruz joined PASB as IT Officer in 2023, bringing with him over 13 years of experience in the field of information technology. His career spans various roles including IT Support, IT Specialist, and IT Manager across diverse organizations.

He earned his Bachelor of Science in Information Technology from Gordon College in 2006.

At PASB, Mr. Cruz plays a vital role in strengthening the bank's digital capabilities, overseeing functions such as website development, server administration, cybersecurity enhancements, ATM connectivity and mobile application testing and security.

He participated in key professional training programs and seminars, including Bank's Digital Transformation and Cybersecurity, Cybersecurity Forums, Foundations of Information Systems Auditing, Anti-Money Laundering Act (AMLA) Updates, and other timely and relevant topics in banking.

MEET OUR

SENIOR OFFICERS

Anabelle M. Untalan
Admin Manager
Filipino, 38 years old

Ms. Untalan has been part of PASB since 2019, contributing her solid background in administrative operations and organizational support. With over a decade of experience in administrative roles, she brings a strong foundation in office coordination, document management, and operational efficiency.

Prior to joining PASB, Ms. Untalan served as an Advanced Administrative Staff at Hanjin Heavy Industries and Construction Philippines (HHIC-Phil) from 2009 to 2018. She also worked as an Admin Staff at Fang Chan, Inc. from 2007 to 2008, further honing her skills in clerical and office support functions.

She earned her degree in Information & Communication Technology (ICT) from the Freeport Institute for Research Science & Technology in 2007. Her academic background complements her professional experience, enabling her to contribute effectively to PASB's operations with a tech-informed administrative approach.

MEET OUR
SENIOR OFFICERS

Jonathan Cantil
Customer Service Representative OIC
Filipino, 32 years old

Mr. Cantil has served as Customer Service Representative since 2019. Prior to joining the Bank, he worked with Tong Lung Phil. Metal Industry Corporation for 3 years. Throughout his tenure with the Bank, he has developed strong expertise in customer service, client relations, and handling customer concerns over the phone. He has also played a significant role in guiding and training Customer Service Representatives during his tenure.

Mr. Cantil has demonstrated competence and professionalism through his extensive experience in customer service and client engagement.

He has completed various training programs and seminars covering key areas such as Anti-Money Laundering Act (AMLA), Financial Consumer Protection, and other relevant banking and customer service topics.

MEET OUR
SENIOR OFFICERS

Jenny Rose P. Serna
Human Resource
Outsourced from Pacific Ace Subic Bay Corp., Related Party
Filipino, 44 years old

Ms. Serna brings over 20 years of experience in human resources to her role at PASB. She has a strong background in recruitment, employee relations, and HR policy implementation.

Before joining Pacific Ace, she worked as HR Assistant Manager at Tokiwa Subic Corporation for over 2 years, and as HR Senior Supervisor at Mikuni Terminals Mechatronics Philippines Corporation for 19 years.

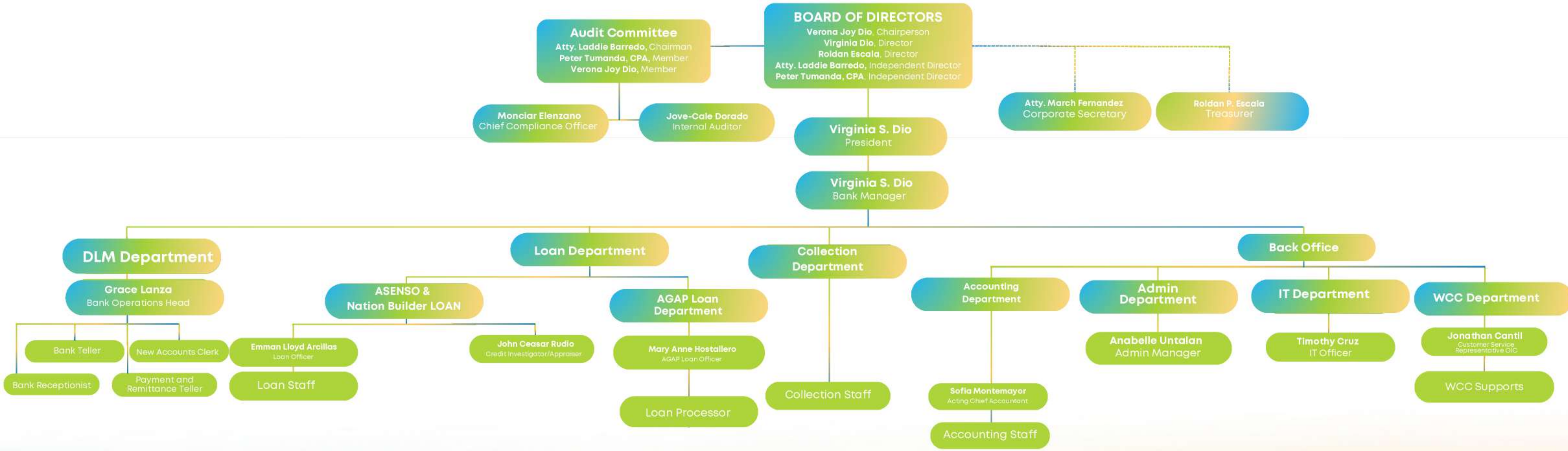
She earned her Bachelor's Degree in Secondary Education, major in Social Science, from Bataan Peninsula State University in 2002 and passed the Licensure Examination for Teachers in the same year.

She has completed several trainings in leadership, supervisory, and managerial development, further strengthening her skills in team leadership and HR operations.

In 2024, PASB outsourced its human resource services to PASBC. These services included policy implementation, daily time record (DTR) monitoring, hiring, employee relations, payroll, and other HR-related tasks.

PACIFIC ACE SAVINGS BANK

ORGANIZATIONAL CHART



SELECTION PROCESS

The Board of Directors recognizes that good governance starts with the careful and strategic selection of its members. To ensure a transparent, merit-based, and values-driven appointment process, PASB adheres to the following selection policies and nomination of new directors and senior officers.

At least three months prior to the expiration of a board seat or the planned replacement of a director, the Board is informed of the vacancy and the need to initiate the election or nomination process. This timeline allows adequate opportunity for thoughtful consideration and due diligence.

Nominations may come from internal or external sources and are first submitted to the human resource department or may direct to the Board for immediate evaluation.

A personal interview with each nominee is then conducted by the Chairman of the Board and the President, either through face-to-face meetings or virtual platforms. This step ensures direct engagement with each candidate and alignment of vision and leadership principles.

To evaluate each nominee's suitability for the position, the Board designates a member to work closely with the HR team in conducting the "Fit and Proper Test." This assessment is anchored on the standards set by the Bangko Sentral ng Pilipinas and includes, but is not limited to: integrity, physical and mental fitness, relevant education and financial literacy, industry-specific training, professional experience, diligence, independence of mind, and the availability of time to fulfill responsibilities effectively.

Upon completion of the assessment, the designated director prepares a comprehensive report and presents a shortlist of qualified candidates to the Board. Deliberations are then held to ensure the alignment of each nominee with the strategic direction and values of the Bank.

The results of the deliberation are subject to the full Board's review and approval. Once a consensus is reached, the election is formalized during the succeeding board meeting.

For the elected directors, and appointed senior officers with rank at least Senior Vice President, Chief Compliance Officer, and Internal Audit Head, the Compliance Office is responsible for submitting the required documents to the BSP. These include the request for confirmation of election or appointment, Biographical Data, and other supporting documents that demonstrate the qualifications and confirm the absence of any grounds for disqualification. These requirements are submitted within 20 banking days after the appointment.

Finally, newly elected directors are required to attend a Corporate Governance Seminar conducted by a BSP-accredited training provider, ensuring alignment with regulatory and ethical expectations in corporate banking leadership.

ROLES AND RESPONSIBILITIES

Board of Directors

The Board of Directors holds the ultimate authority and responsibility for PASB governance. It is collectively accountable for defining the Bank's vision, culture, and long-term strategic direction, and ensuring that management acts in the best interest of shareholders, clients, employees, and regulators.

Key Responsibilities:

- Approves and oversees the Bank's strategic objectives, corporate values, and risk strategy, including the definition of risk appetite and tolerance levels.
- Ensures the effective implementation of the Bank's corporate governance and risk governance frameworks.
- Oversees the appointment, performance evaluation, and succession planning for senior management and Board-appointed officers, including the President, Compliance Officer, Internal Audit Head, and other key positions.
- Reviews and evaluates nominations for the Board and other positions requiring Board appointment.
- Approves major policies and decisions involving investments, lending, asset and liability management, trust, business planning, and budgeting.
- Oversees the design and operation of the Bank's remuneration and incentives policy, ensuring alignment with prudent risk-taking behavior and long-term sustainability.
- Oversees the continuing education program for directors, ensuring that all directors receive regular, relevant training including a minimum of eight hours of onboarding for new directors and four hours of annual training thereafter.
- Conducts and oversees periodic performance evaluations of the Board, board-level committees, and senior management based on competence, candor, participation, and preparedness.
- Maintains high standards of transparency, accountability, and fairness in all dealings and ensures the Bank operates in compliance with applicable laws and regulations.

Chairperson of the Board

The Chairperson serves as the leader of the Board and ensures that it functions effectively, collectively, and individually. The Chairperson is ideally a non-executive or independent director who maintains a neutral stance and promotes a culture of open discussion and strong governance.

Key Responsibilities:

- Presides over Board meetings and ensures strategic issues, including risk governance, are prioritized on the agenda.
- Leads the Board in fostering critical discussion and sound decision-making while encouraging the expression of dissenting views.
- Ensures accurate, timely, and relevant information is shared with all directors to facilitate informed decisions.
- Ensures the conduct of annual Board performance evaluations and director training programs.
- Oversees the orientation of first-time directors and continuing development of all Board members.
- Maintains a strong relationship of trust with directors, shareholders, and executive management.

Executive Directors

Executive Directors are members of the Board who are actively involved in the daily management of the Bank. They also hold senior management positions and are tasked with the operational execution of the Board's strategic direction.

Key Responsibilities:

- Implements Board-approved strategies, policies, and risk frameworks.
- Provides executive leadership and oversees the day-to-day operations of the Bank.
- Ensures that business decisions align with the Bank's objectives, compliance obligations, and ethical standards.
- Approves significant and material banking transactions within delegated authority.
- Establishes a sound organizational structure and internal control system to promote accountability and efficiency.
- Champions the Bank's governance culture and sets the tone at the top.

President (as Executive Director):

- Serves as the primary driver of bank operations and performance.
- Leads in the execution of corporate strategy and ensures alignment with governance principles.
- Delegates duties effectively and promotes organizational transparency, discipline, and oversight.

Treasurer (as Executive Director):

- Manages the Bank's financial resources, liquidity, funding, and investment strategies in line with risk appetite.
- Provides insights and reporting to the Board on the Bank's financial health and capital adequacy.

Non-Executive and Independent Directors

Non-Executive Directors consist of the chairperson of the Board and all independent directors. They do not take part in the Bank's daily operations. They are tasked with providing objective judgment, oversight, and strategic counsel. Independent Directors, in particular, serve without material relationships with the Bank to ensure unbiased governance.

Key Responsibilities:

- Participate actively in Board deliberations while remaining independent from management.
- Exercise independent judgment and challenge the views of management when necessary to ensure sound decisions.
- Provide critical oversight of the Bank's financial reporting, risk management, compliance, and performance.
- Help ensure that decisions are made in the best interest of the Bank's stakeholders, avoiding conflicts of interest.
- Support the review and approval of key policies, strategies, budgets, and risk management plans.
- Remain "fit and proper" for the position throughout their tenure, possessing integrity, independence, and competence in line with BSP regulations.
- Understand the legal, regulatory, and governance environment within which the Bank operates.

Additionally, Independent Directors:

- May serve for a maximum cumulative term of nine (9) years, consistent with BSP's guidelines on corporate governance.
- Play a crucial role in the Audit Committee, and Corporate Governance, ensuring checks and balances.

Performance Assessment Program

The Board of Directors has approved an Annual Performance Evaluation Program covering its own members, the Audit Committee, senior officers, employees, and outsourced service providers. This initiative forms part of the Bank's commitment to strengthen corporate governance, uphold accountability, and drive continuous improvement across all levels of the organization.

Objectives

The Performance Evaluation Program is designed to:

- Measure the effectiveness, integrity, and contribution of key personnel and service partners.
- Provide a basis for determining compensation, incentives, promotions, and development needs.
- Ensure that third-party providers consistently meet agreed service standards.
- Safeguard the Bank's operational soundness and its fiduciary responsibility to stakeholders by ensuring a high level of performance and ethical conduct.

The Board, through the Audit Committee, oversees a structured self-assessment framework embedded within key business units. This framework requires each unit to periodically evaluate its adherence to internal controls, regulatory compliance, and risk management practices. These self-assessments are guided by standardized templates and reviewed against performance indicators.

To ensure objectivity and completeness, the Internal Audit unit independently validates the results of these self-assessments by conducting targeted audits and walkthroughs. Findings are reported to the Audit Committee, which then convenes quarterly to assess the outcomes, monitor recurring issues, and track corrective actions.

Further, the Audit Committee integrates the results of internal audit validations, compliance reports, and self-assessments into a consolidated risk and control dashboard. This allows the Board to:

- Evaluate the overall state of the Bank's control environment;
- Monitor progress on addressing control weaknesses;
- Adjust audit focus based on risk trends and department-level performance.

Board of Directors Evaluation

The Board of Directors is responsible for promoting and ensuring the Bank's adherence to the Bangko Sentral ng Pilipinas (BSP) corporate governance standards. Each member of the Board, including the Audit Committee, undergoes an annual self-assessment, using a performance rating scale from 1 to 5, with 5 representing the highest level of performance.

Individual Director Evaluation Criteria:

1. Participation and Contribution
2. Expertise and Competency
3. Ethical Conduct and Independence
4. Sound Decision-Making
5. Management of Interlocking Positions

Board-Wide Evaluation Criteria:

1. Strategic Direction and Oversight
2. Risk Management and Internal Control
3. Regulatory Compliance
4. Financial Stewardship
5. Board Dynamics and Collegiality
6. Succession Planning

Each director is also expected to provide constructive feedback and recommendations for improving board performance, the role of individual members, and the effectiveness of the Chairperson.

Performance assessments are further guided by key responsibilities such as:

- Consistent meeting attendance
- Diligent review of board materials, including minutes and notices
- Familiarity with the Bank's by-laws and key policies
- Active and informed participation in deliberations
- Strict adherence to confidentiality and avoidance of conflicts of interest

The results of the annual evaluation serve as the basis for identifying training and continuing education needs, and for reviewing the succession plan for directors and senior officers. The evaluation outcomes are reported during the Annual Stockholders' Meeting held in March.

Officers and Employees

Pacific Ace Savings Bank is committed to cultivating a culture of meritocracy and growth, particularly for young and talented professionals aspiring to build long-term banking careers. Performance evaluations are conducted annually to identify high performers, provide career development guidance, and ensure accountability.

The evaluation comprises two components:

1. Self-Evaluation, focusing on:

- Productivity
- Teamwork
- Organization and Planning
- Time Management
- Problem-Solving and Communication
- Attendance
- Core Skills and Knowledge
- Internal Control and Compliance

Officer's Performance Appraisal, based on:

- Job Knowledge and Competence
- Communication Skills
- Analytical and Problem-Solving Abilities
- Productivity and Efficiency
- Quality of Work
- Planning and Organizational Effectiveness
- Team Collaboration
- Reliability and Dependability
- Motivation and Initiative
- Creativity and Innovation
- Timeliness and Punctuality
- Integrity and Compliance (including involvement in incidents or losses)
- Professional Values and Respect for Others
- Honesty and Ethical Conduct
- Technical Proficiency

Performance appraisal results are reviewed by the Human Resource Department and subsequently discussed with the President and/or Board of Directors for final evaluation and corresponding action.

In addition, internal audit and compliance findings are factored into the performance assessments to ensure alignment with risk and control standards.

Outsourced Service Providers

The Bank also evaluates the performance of its outsourced counterparties to ensure that contracted services are delivered in accordance with agreed terms. Assessment areas include:

- Quality and timeliness of service delivery
- Compliance with contractual obligations
- Responsiveness and support
- Risk and security considerations

Findings from these assessments determine whether to continue, modify, or terminate the Bank's engagements with third-party providers.

Orientation and Education Program

Training and Development

Upon the appointment of a new director, the Chairman ensures that proper orientation is conducted covering the director's duties, responsibilities, qualifications, and disqualification criteria as outlined in the Bank's corporate governance framework.

All first-time directors are required to complete a Corporate Governance Seminar facilitated by a qualified external training provider to ensure familiarity with regulatory and fiduciary expectations.

The Compliance Officer and Internal Audit Head regularly participate in training programs focused on risk-based compliance, internal audit methodologies, and other relevant external modules to enhance regulatory oversight and operational assurance.

Management and Employee Training

Management allocates an annual training budget dedicated to enhancing the skills and competencies of key officers and employees. This includes participation in both internal and external training programs aligned with their designated roles and responsibilities.

The President identifies appropriate training interventions for each employee based on their current functions, development needs, and strategic goals of the Bank.

Employees in sensitive or critical positions—such as the Compliance Head, Internal Auditor, Chief Accountant and IT—are encouraged to attend an external trainings specifically tailored to their technical and regulatory roles as long as training modules are approved to be useful and effective.

All approved training and seminar expenses, whether conducted in-house or externally, are fully covered by the Bank.

Training Administration

Training initiatives are primarily coordinated by the Human Resource Department and the Compliance Office, in consultation with Management. These departments are responsible for identifying training needs, sourcing providers, and assigning appropriate personnel to attend.

The Compliance Department also conducts annual AMLA (Anti-Money Laundering Act) orientations and updates, ensuring that all employees are consistently informed of their obligations under prevailing laws and regulations.

Remuneration Policy

Pacific Ace Savings Bank (PASB) upholds a fair, transparent, and performance-based remuneration policy that fosters integrity, accountability, and sustained motivation at all levels of the organization.

In adherence to the principles of ethical and prudent governance, members of the Board of Directors receive only nominal allowances. Similarly, the President is provided with a modest allowance commensurate with her leadership role and full-time commitment to the Bank.

The Bank ensures that its officers and employees are compensated through competitive remuneration packages, benchmarked against industry standards. These packages are subject to regular review and are closely aligned with:

- Individual performance outputs
- Skills development and professional growth
- Team contribution
- Overall performance of the Bank

All compensation and incentive decisions are grounded in measurable performance assessments and aligned with long-term organizational objectives.

Governance on Related Party Transactions

Transactions involving Directors, Officers, Stockholders, and Related Interests (DOSRI) are subject to strict internal controls and are fully compliant with applicable Bangko Sentral ng Pilipinas (BSP) regulations. These transactions are:

- Conducted on an arm's length basis
- Reviewed to ensure no undue advantage is conferred to any party
- Subject to formal board resolutions in cases where director involvement in operations supports strategic growth

Directors with a conflict of interest in any budgetary or compensation-related matter are required to abstain from discussion and voting, ensuring impartiality and good governance.

Key Management Compensation

The Bank's most highly compensated officers in 2025 are the Chief Compliance Officer, IT Officer, and Bank Operations Head.

Dividend Policy

The declaration of dividends by Pacific Ace Savings Bank is governed by a prudent and regulatory-compliant framework. The determination of surplus funds available for distribution is based on the Bank's regulatory net worth, taking into account specific adjustments as prescribed by relevant accounting and regulatory standards.

The Bangko Sentral ng Pilipinas, as the Bank's primary regulator, sets and monitors the minimum capital requirements, including the Capital Adequacy Ratio. As such, any declaration of dividends is contingent upon:

- Sustained profitability from prior years
- The Bank's ability to meet or exceed its CAR, in alignment with regulatory thresholds and industry benchmarks

PASB has adopted a conservative dividend policy, stating that no cash dividends shall be declared unless the Bank has fully satisfied the minimum capital requirements mandated by the BSP which is at least P200 million.

As of the reporting date, no dividends have been declared, reflecting the Bank's strategic focus on capital preservation, balance sheet strengthening, and long-term financial stability.

Retirement and Succession Policy

Retirement Policy

In accordance with Republic Act (RA) No. 7641, also known as the Retirement Pay Law, effective January 17, 1993, Pacific Ace Savings Bank is mandated to provide the minimum retirement benefits to all eligible employees.
As of the current reporting period, the Bank has not yet implemented a formal retirement plan for its regular employees. The cost of post-employment defined benefits and the Bank's retirement obligations are determined using actuarial assumptions, which are used to estimate future liabilities and amortize costs over the remaining service life of employees.

In the absence of a specific retirement plan, the Bank complies with the minimum requirements under the law. Employees aged 60 years or older (but not beyond 65) who have rendered at least five (5) years of continuous service may opt for retirement. They are entitled to retirement pay equivalent to at least one-half (½) month salary for every year of service, with a fraction of at least six (6) months considered as one whole year.

Currently, no employees, except for the President, are eligible under this retirement benefit provision. The President receives only a minimal allowance in recognition of her full-time service at the Bank.

Furthermore, there is no mandatory retirement age for members of the Board of Directors or the President, provided they continue to meet the "fit and proper" criteria, uphold their duties and responsibilities, and meet minimum participation requirements, such as regular attendance at board meetings.
Management is actively enhancing the retirement benefits program to encourage long-term retention of employees, particularly those with over five years of service, as part of its broader talent development and welfare initiatives.

Succession Policy

Pacific Ace Savings Bank has instituted a formal board-approved Succession Policy to ensure uninterrupted business continuity in the event of the temporary or permanent absence of key personnel.

The Bank's Board of Directors is composed of five (5) members, including two executive directors and three independent directors, the latter of whom do not participate in daily operations. Board members are elected or appointed annually during the Annual Stockholders' Meeting or upon the occurrence of a vacancy due to resignation, retirement, or other unforeseen events.

In compliance with corporate governance regulations, independent directors may serve a maximum cumulative term of nine (9) years.

As the Bank expands its operations, the Board periodically reviews and updates the Succession Plan to address changing organizational needs, including expansion, internal promotions, retirements, and the need for role specialization. The policy prioritizes internal talent by giving existing employees first consideration for critical positions—whether at the board or officer level—thereby promoting career advancement and organizational continuity.

AUDIT COMMITTEE

The Audit Committee assists the Board in overseeing PASB's internal control, risk management, compliance, and financial reporting processes. Its duties include:

- Reviewing audit plans and reports, recommending action plans
- Monitoring the integrity of financial statements
- Overseeing internal audit and compliance functions
- Ensuring adequate external audit oversight

AudCom is composed of three independent and non-executive directors with financial and risk oversight expertise chaired by Atty. Laddie Barredo with 2 members namely, Verona Joy Dio and Peter Tumanda.

The Internal Audit is led by Jove Cale Dorado, appointed in 2021 who regularly conducts financial, compliance, operational, management, and information system audits. The unit has unrestricted access to all PASB operations, records, staff, and systems.

The Compliance Office is headed by Monciar Elenzano, appointed in 2017, reporting to both the Board and the Audit Committee. The unit maintains robust processes aligned with BSP, PDIC, BIR, SBMA, SEC, and other regulator standards, identifying and mitigating reputational, regulatory, legal, and business risks.

Audit Committee Meetings Attendance

During the year, AudCom held four regular meetings, with attendance averaging 90% across all members. These sessions are crucial for timely review and escalation of risk issues. AudCom emphasizes active support for both the Internal Audit and Compliance functions, ensuring they receive:

- Necessary training and development
- Access to tools, systems, and external expertise
- Timely follow-up from management on audit and compliance recommendations
- Appropriate budget to effectively fulfill their roles and responsibilities

	Members	Position	Attendance	%
1	Atty. Laddie B. Barredo*	Chairman	4/4	100
2	Verona Joy S. Dio	Member	4/4	100
3	Peter R. Tumanda**	Member	1/1	100
4	Atty. Von F. Rodriguez***	Chairman	3/3	100

*Elected as AudCom chairman in November 2025
**Elected as AudCom member in November 2025
***Resigned as AudCom chairman and member in October 2025

Key Oversight Responsibilities of the Audit Committee

1. Oversight of the Financial Reporting Framework

AudCom is responsible for overseeing the Bank's financial reporting process, practices, and controls. It ensures that the financial reporting framework enables the timely production of accurate, reliable, and comprehensive financial information and reports that adhere to applicable accounting standards and regulatory requirements.

2. Monitoring and Evaluation of the Internal Control System

AudCom monitors the adequacy and effectiveness of the Bank's internal control framework. It oversees the implementation of control policies and procedures and ensures that regular assessments are conducted to identify control gaps, measure effectiveness, and align control mechanisms with the Bank's evolving risk profile and strategic objectives.

3. Oversight of the Internal Audit Function

AudCom holds responsibility for the appointment, performance evaluation, remuneration, and, when necessary, the dismissal of the Internal Auditor. It reviews and approves the internal audit plan, ensuring it provides adequate coverage of key risk areas, including financial, operational, compliance, and IT systems. The Committee conducts periodic meetings with the Head of Internal Audit to review audit findings and performance. All such meetings are documented, and recommendations are tracked for follow-through. The Committee also approves the internal audit function's budget and ensures its independence and effectiveness.

4. Oversight of the External Audit Function

AudCom is tasked with recommending the appointment, reappointment, or replacement of the external auditor, subject to Board and shareholder approval. It reviews and approves the terms of engagement, audit scope, and professional fees. The Committee ensures that the external audit covers key areas prescribed by the Bangko Sentral ng Pilipinas (BSP) and other regulatory bodies and that the audit results support the integrity of the Bank's financial statements.

5. Oversight of the Implementation of Corrective Actions

AudCom receives key reports from internal and external auditors and other control units. It ensures that senior management addresses audit findings and implements corrective actions in a timely and effective manner. The AC regularly monitors progress to reduce risk exposures, resolve compliance issues, and improve operational controls.

6. Investigation of Significant Issues or Concerns

The AudCom has full authority to investigate any matter within its mandate. It is granted unrestricted access to information, systems, and personnel and may invite any director, officer, or employee to its meetings to clarify audit or compliance issues. This role reinforces accountability and transparency within the organization.

7. Establishment of a Whistleblowing Mechanism

AudCom ensures the existence of a confidential, secure, and accessible whistleblowing mechanism that allows employees and stakeholders to report potential misconduct, financial improprieties, or breaches of internal controls. It oversees the investigation process, monitors outcomes, and ensures that appropriate corrective measures are taken. Retaliation against whistleblowers is strictly prohibited, and anonymity is protected.

REPORT OF AUDIT COMMITTEE

The Audit Committee (AudCom) continued to provide independent oversight over PASB's financial reporting, internal control systems, risk management processes, internal audit activities, regulatory compliance, and external audit functions throughout 2025.

As the Bank accelerated its digital transformation initiatives, AudCom placed particular emphasis on ensuring that governance, control, and compliance frameworks evolved alongside new products, services, and technologies.

Internal Control and Risk Management

During the year, Internal Audit conducted risk-based audits covering the Bank's key operational and support functions. Audit activities focused on evaluating the adequacy and effectiveness of internal controls, identifying areas for improvement, and ensuring that management actions were implemented in a timely manner.

The audit process contributed to stronger segregation of duties, enhanced operational controls, and improved information technology risk management practices. Through regular coordination between the AudCom, Internal Audit, and operating units, identified issues were promptly addressed and monitored until resolution.

AudCom remained satisfied that the Bank's internal control framework continues to provide reasonable assurance regarding the safeguarding of assets, reliability of financial reporting, operational effectiveness, and compliance with applicable laws and regulations.

External Audit

The Board, through AudCom, appointed Alas Oplas & Co., CPAs as the Bank's external auditor for the audit of the 2025 financial statements.

The audit engagement was supported by a team composed of two audit staff, one audit manager, and one managing partner. Audit fieldwork commenced in January 2026 and was substantially completed on April 15, 2026, with the audited financial statements subsequently submitted to the appropriate government agencies within the prescribed deadlines.

The external auditors presented their Management Letter Points to AudCom and Senior Management. Discussions focused on risk areas identified during the audit, and corresponding corrective actions. AudCom monitored management's responses to ensure that observations and recommendations were appropriately addressed.

Regulatory Compliance

PASB maintained its commitment to regulatory compliance through close coordination among the Compliance Office, Accounting Department, and Information Technology Unit.

As regulatory reporting increasingly transitions to automated and XML-based submissions, the Compliance Office played a critical role in ensuring the accuracy, completeness, validity, and timeliness of reports submitted to regulators. The compliance function also worked closely with system developers to ensure that automated reporting processes adhered to technical and regulatory requirements while guiding operating units in the proper interpretation and application of regulations.

Internal Audit and Compliance Testing

In support of the Bank's digital transformation initiatives and evolving business activities, Internal Audit and Compliance focused their audit and testing efforts on areas with elevated operational, regulatory, and technology risks.

Key areas reviewed during the year included:

- PASB Mobile App
- Information Technology Operations
- Remittance Services
- Credit Operations
- Accounting Processes
- Regulatory Compliance

These reviews helped ensure that new products, digital services, and operational processes remained aligned with the Bank's risk management standards and regulatory requirements.

Results and Continuous Improvement

The Bank's audit and compliance initiatives produced measurable improvements in operational discipline and control effectiveness during 2025. Based on audit and compliance assessments conducted throughout the year, the following departments demonstrated the strongest overall performance in compliance and internal control:

1. Deposit Operations
2. Accounting Department
3. Information Technology Department

AudCom also acknowledges the need for continued attention to recurring exceptions noted by regulators and observations raised by external auditors. Management has committed to implementing sustainable corrective actions designed not only to address individual findings but also to strengthen the Bank's overall control environment.
Moving forward, AudCom will continue to support initiatives that enhance governance, strengthen risk management, promote regulatory compliance, and ensure that PASB's control framework remains responsive to the evolving needs of a digitally enabled banking environment.

Atty. Laddie Barredo
AudCom Chairman

Verona Joy Dio
AudCom Member

Peter Tumanda
AudCom Member

RELATED PARTY AND CONGLOMERATE STRUCTURE

Related Party Transactions (RPTs) refer to the transfer of resources, services, or obligations between PASB and a related party, regardless of whether a fee or charge is applied. These transactions are subject to strict regulatory scrutiny to prevent conflicts of interest and ensure that the Bank's decisions remain objective and in the best interest of all stakeholders.

A related party is defined as any individual or entity that has the ability to control, or significantly influence, the financial or operational decisions of the Bank. This includes, but is not limited to:

- Individuals or entities that directly or indirectly control, are controlled by, or are under common control with PASB;
- Key management personnel, directors, and stockholders with substantial influence over the Bank;
- Close family members of these individuals;
- Associates and affiliated companies under common ownership or control.

The substance of the relationship, rather than merely its legal form, is the primary consideration when assessing whether a related party relationship exists.

Governance and Oversight

PASB maintains a Board-approved Related Party Transactions Policy, which establishes the guidelines, materiality thresholds, and procedures for evaluating and approving RPTs. The policy promotes transparency, ensures arm's length dealings, and mandates that transactions with related parties:

- Are conducted in the ordinary course of business and on terms comparable to those with non-related parties;
- Are subject to prior review and approval by the Board of Directors;
- Require the abstention of any involved Director, Officer, or Stockholder (DOSRI) from deliberation and approval to preserve objectivity.

All approved RPTs are fully disclosed in the Bank's financial statements, in accordance with applicable accounting standards and regulatory guidelines. This disclosure includes the nature of the relationship, transaction details, and any potential impact on the Bank's financial condition.

Prohibition on DOSRI and Employee Loans

To protect the Bank's integrity and prevent any appearance of preferential treatment or conflict of interest, PASB strictly prohibits the granting of loans or credit accommodations to its Directors, Officers, Stockholders, and Related Interests (DOSRI).

This policy extends to:

- Immediate family members of DOSRI up to the second degree of consanguinity or affinity, whether legitimate or common-law;
- All employees of the Bank.

Conglomerate and Group Structure

While PASB forms part of the broader Pacific Ace Group of Companies, it maintains operational independence and applies robust internal controls to manage potential related party risks within the group. The Bank does not engage in practices that could unduly favor affiliates or compromise its financial soundness and fiduciary responsibilities.

The Board regularly monitors group-wide exposures and ensures that any intra-group transactions are compliant with regulatory expectations and aligned with the Bank's commitment to ethical and prudent governance.

Aggregate RPTs with Directors, Officers and Stockholders

1. Corporate secretarial fee and travel allowance paid and accrued to Atty. March Jefferson Fernandez, a stockholder, amounting to ₱839,200.
2. Director's fee paid and accrued to Virginia Dio, a director and president, amounting to ₱400,000
3. Director's fee paid and accrued to Atty. Von Rodriguez, an independent director, amounting to ₱805,000.
4. Director's fee paid and accrued to Atty. Laddie Barredo, an independent director, amounting to ₱60,000.

Remuneration of Key Management Personnel for the year includes director's fee, medicine and representation expenses.

Aggregate RPTs with Related Interests

1. Remittance fees received and accrued from Pacific Ace Forex HK Ltd. amounting to ₱2,255,280. These aggregate amounts were derived from a transaction fee of ₱30.
2. Rental expense paid to Pacific Ace Subic Corporation amounting to ₱2,801,660.
3. Rental expense paid to Pacific Ace Management Corporation amounting to ₱176,842.
4. Water line expense paid to Pacific Ace Subic Corporation amounting to ₱70,438.
5. Electricity expenses paid to Pacific Ace Subic Corporation, including unpaid fees from previous years, total ₱872,058.
6. Electricity expenses paid to Pacific Ace Management Corporation amounting to total ₱223,816.
7. There were no fees paid or accrued for human resources and marketing services rendered by Pacific Ace Subic Bay Corporation.
8. There were no fees paid or accrued for IT and system development services rendered by Pacific Ace Management Ltd.

HONG KONG	MACAU	SUBIC	MANILA
Pacific Ace Holdings Int'l Ltd	Pacific Ace (Macau) Remittance Ltd.	Pacific Ace Subic Bay Corp.	Pacific Ace Management Corp.
Pacific Ace Management Ltd		Pacific Ace Savings Bank	Pacific Asia Overseas Shipping Corp.
Pacific Ace Finance Ltd		Geminus 1721 Corporation	Pacific Ace Recovery and Collection Inc.
Pacific Ace Forex HK Ltd		Westdale Philippines Inc.	
PASCOR HK Ltd.		Pacific Ace Housing & Development Corp	
Pacific Ace E-Pay HK Ltd.		Pacific Ace Subic Foundation Inc.	
HS Equisties (HK) Ltd.			
Pacific Ace Forwarders Ltd.			

Interlocking Positions Policy

PASB upholds a strict governance framework that regulates interlocking positions among its officers and directors to prevent conflicts of interest, mitigate risks, and promote accountability.

PASB recognizes that officers and directors holding interlocking directorships or officerships in other entities must allocate sufficient time, focus, and commitment to effectively discharge their duties within the Bank. PASB strictly prohibits arrangements that may result in:

- Excessive concentration of economic power,
- Unfair competitive advantage,
- Abusive business practices, or
- Actual or perceived conflicts of interest.

Any breach of these provisions may be grounds for disciplinary action or removal from office.

Approval and Oversight Mechanism

All interlocking positions are subject to annual review and approval by the Board of Directors during its annual meeting held every March. The approval process involves a detailed evaluation of:

- Applicable regulatory exemptions or allowances for interlocking roles;
- Permissible industries or sectors where such positions may be held;
- Limits on the number of institutions or entities with which an individual may be affiliated;
- The existence of systems to monitor individual performance and compliance;
- Required internal and regulatory approvals;
- Disclosure requirements, including public and regulatory reporting;
- Corrective measures for unsatisfactory performance or potential conflicts of interest.

Monitoring and Evaluation

PASB ensures ongoing monitoring of officers and directors with interlocking roles through:

- Annual conflict of interest assessments;
- Regular performance appraisals that incorporate performance in interlocking roles;
- Oversight by control units such as the Internal Audit and Compliance to ensure effectiveness and objectivity in fulfilling responsibilities.

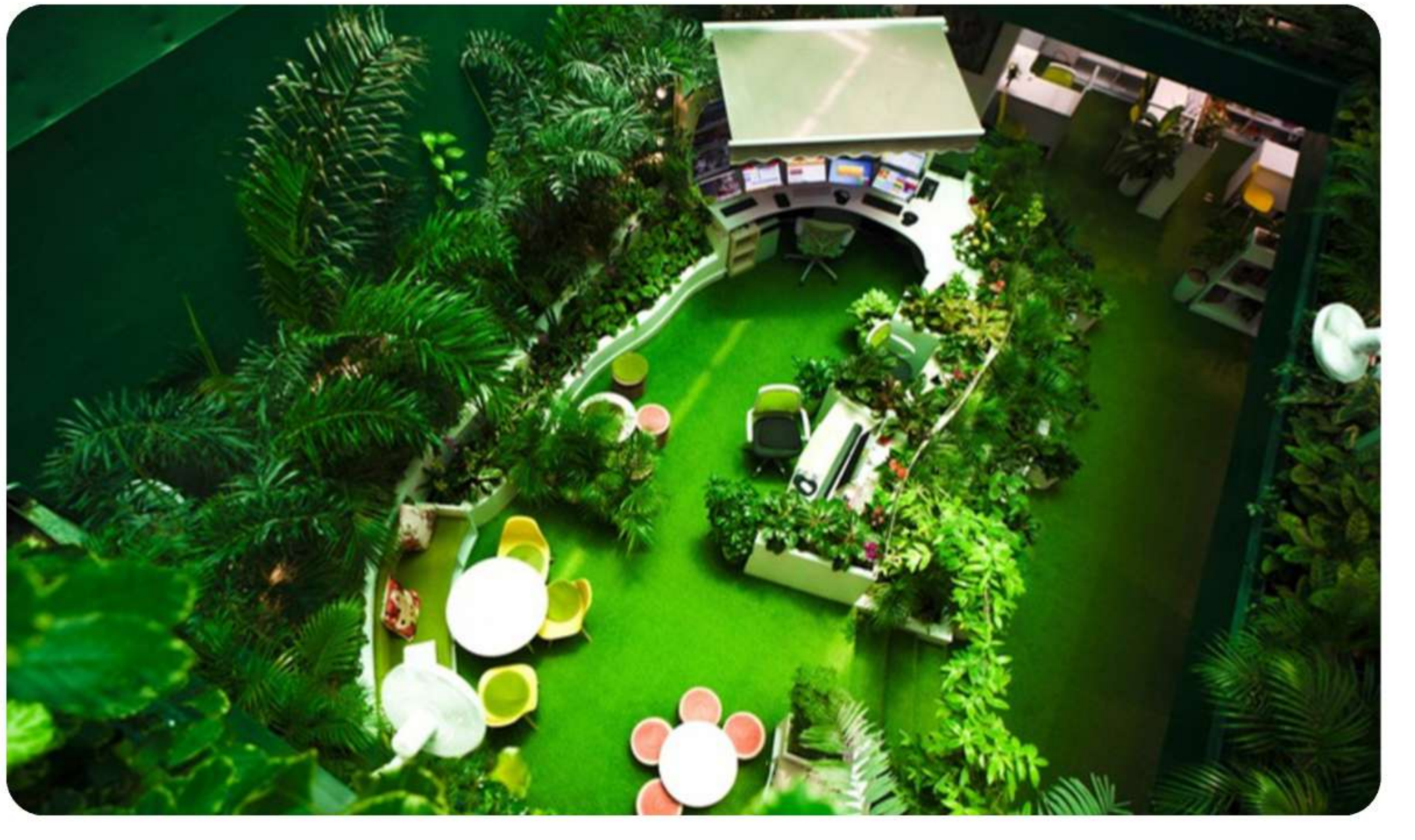
	Director/Officer	Interlocking Position
1	Verona Joy Dio Chairperson of the Board	VP, Pacific Ace Management Corp. Director, Westdale Phil. Inc. (inactive)
2	Virginia Dio Executive Director and President	Director, Pacific Ace Management Corp. Director, Pacific Ace Subic Bay Corp. Director, Westdale Phil. Inc. (inactive) President, Pacific Ace Subic Foundation Inc. (inactive) President, Geminus 1721 Corp.
3	Roldan Escala Executive Director	Corporate Secretary, Pacific Ace Subic Bay Corp. Corporate Secretary, Geminus 1721 Corp. Corporate Secretary, Pacific Ace Subic Foundation Inc. (inactive) Corporate Secretary, Westdale Phil. Inc. (inactive)
4	Laddie B. Barredo Independent Director	Practitioner, Barredo Law Firm Consultant, Premium Technical Training Consultant, Shoreline Subic, Inc. Consultant, Ridon St. Jude Medical Center Inc.
5	Peter R. Tumanda Independent Director	Managing Partner, Reyes, Tumanda & Co., CPAs Dean, Compteq Computer and Business College President, Sigma Pacific BPO Solutions Corp. Board Member, Subic Bay Freeport Chamber of Commerce Treasurer, Subic Bay Freeport Chamber of Commerce

CORPORATE SOCIAL RESPONSIBILITIES & SUSTAINABILITY

At the heart of PASB's Corporate Social Responsibility (CSR) strategy is a powerful belief: a greener environment nurtures not only the planet but also the prosperity and well-being of people and communities. As part of this commitment, PASB has transformed its headquarters into a model of environmental stewardship—an urban sanctuary where nature, sustainability, and responsible banking converge.

With the dedicated goal of cultivating and sustaining 100 plant species throughout the bank's premises, PASB's green building stands as a living tribute to biodiversity. Native trees, ornamental shrubs, flowering plants, and edible herbs are purposefully planted in landscaped areas, indoor zones, vertical walls, and rooftop gardens. These thriving green spaces don't just beautify—they serve a bigger purpose.

The initiative directly supports the restoration of air quality, as the lush vegetation acts as a natural air purifier—absorbing carbon dioxide and pollutants while releasing fresh oxygen. This helps combat the harmful effects of pollution and the ongoing deterioration of the ozone layer, making the air cleaner for residents, visitors, and workers in Subic.
Beyond environmental protection, this green effort has a transformational effect on people. Employees report improved focus and mental well-being when surrounded by nature. Visitors and clients are inspired by the atmosphere of freshness and calm. More importantly, the initiative sends a strong message: every space—residential, commercial, or institutional—can become a part of the solution to climate change and urban pollution.



CORPORATE SOCIAL RESPONSIBILITIES & SUSTAINABILITY

By choosing to "green" its premises, PASB also sets an example for businesses across Subic. Landscaping and gardening services have gained more visibility, while local nurseries and plant suppliers benefit from steady demand. This ripple effect contributes to job creation, microenterprise development, and a stronger local economy rooted in environmental consciousness.

The rooftop garden, now a hallmark of PASB's environmental program, showcases how urban agriculture can be integrated into commercial infrastructure. This system not only supplies fresh greens for staff consumption but also encourages sustainable farming practices in densely populated areas. It serves as a practical model for homeowners and small entrepreneurs looking to venture into food sustainability.

Subic, known for its natural beauty, deserves to be preserved and enhanced—not just through policies, but through visible, everyday action. PASB's headquarters serves as a real-life demonstration of how businesses can lead the charge in creating a greener and more resilient future. Children, tourists, and even passersby who witness the thriving plants around the building are encouraged to adopt their own "green steps" at home.

More than just a CSR project, PASB's green building initiative is a movement—one that bridges environmental protection with economic growth, social well-being, and community inspiration. It reminds us that sustainability is not a one-time activity, but a lifestyle that uplifts people and the planet alike.

Through its continued greening efforts, PASB affirms its role not just as a bank, but as a catalyst for environmental responsibility and economic sustainability—one plant, one space, and one community at a time.

Sustainability Strategic Objectives and Risk Appetite

Customers

PASB is steadfast in elevating customer awareness on Environmental and Social (E&S) risk management, reflecting the growing importance of sustainability issues in the Philippines and the broader Asia-Pacific region. This commitment is demonstrated by embedding E&S risk considerations into our loan application and approval processes. Beyond borrowers, PASB actively promotes sustainability initiatives such as Hydroponic Gardening, Urban Vegetable Gardening, and landscaping projects, encouraging non-borrowers to participate and benefit from these programs. These efforts align with our goal of fostering a community-wide appreciation of sustainable practices.

Employees

We recognize that sustainability begins with our people. PASB ensures that all employees receive continuous education on environmental stewardship, natural resource conservation, and mitigation of potential E&S risks. Our initiatives include nurturing a culture of care for living plants and environmental responsibility, highlighted by our ongoing participation in the 3R (Reuse, Reduce, Recycle) project since 2020. We prioritize employee well-being, understanding that a healthy, informed workforce is essential for advancing our sustainability agenda both within the bank and in the broader community.

Partners

PASB maintains stringent standards in selecting third-party partners, requiring that they either demonstrate strong E&S risk management capabilities or operate with minimal exposure to such risks. Environmental and Social risk considerations are integral to our due diligence process for onboarding and regularly assessing service providers, including IT developers, remittance centers, couriers, and legal consultants. All partnerships undergo periodic review and approval by the Board to ensure compliance with our sustainability commitments and risk appetite.

Processes

E&S risk management is embedded throughout PASB's decision-making framework, championed by the Board, senior management, and employees alike. We cultivate an inclusive environment where employees are encouraged to contribute innovative ideas for enhancing operational sustainability, reinforcing our proactive stance in managing E&S risks and opportunities.

Products and Services

All PASB deposit and loan products fully comply with E&S risk management standards. While the Bank does not currently offer bonds or insurance products, our services—including electronic money, ATM operations, and newly launched mobile banking functions—cater effectively to our clients across the Philippines, Hong Kong, and Macau. Sustainability principles guide the development and delivery of these products to ensure responsible banking practices.

Location and Business Continuity

PASB upholds robust data security protocols through regular backups and maintains disaster recovery sites. Our comprehensive business continuity plan addresses a wide spectrum of physical and social risks such as floods, fires, earthquakes, power outages, civil unrest, and specific geographical hazards including high tides, volcanic eruptions, and landslides. This approach safeguards the bank's operational resilience and supports sustainable business practices.

Integration of Internationally Recognized Sustainability Standards and Practices

In compliance with Section 153 of the Manual of Regulations for Banks (MORB), PASB is committed to embedding internationally recognized sustainability standards and practices into its governance, risk management, and operational frameworks. This alignment ensures that PASB's sustainability management is consistent with global benchmarks, meets regulatory expectations, and strengthens our ability to manage Environmental and Social (E&S) risks effectively while reinforcing our commitment to responsible banking.
Key Standards and Corresponding PASB Initiatives

1. The Equator Principles

PASB adopts the Equator Principles framework to evaluate and manage environmental and social risks associated with project financing. Although PASB's current loan portfolio primarily includes consumer and business loans, the Bank proactively integrates E&S risk assessments for credit applications, ensuring projects financed do not pose significant harm to communities or ecosystems. PASB implements an E&S risk checklist for borrower due diligence, particularly for business and housing loans that may have environmental impact.

2. United Nations Principles for Responsible Banking (UN PRB)

PASB aligns its strategic objectives with the UN PRB to support the Sustainable Development Goals (SDGs) and the Paris Climate Agreement. This includes promoting financial inclusion, responsible lending, and supporting climate resilience in the communities we serve. PASB launches community sustainability programs such as urban agriculture to promote environmental awareness and local economic development.

3. Sustainability Accounting Standards Board (SASB) Standards

To enhance transparency, PASB integrates SASB standards in its financial and sustainability reporting, focusing on material issues relevant to the banking sector such as credit risk exposure to E&S factors and operational resilience. PASB incorporates E&S metrics into regular board reports and annual disclosures to stakeholders, improving accountability and informed decision-making.

4. Task Force on Climate-related Financial Disclosures (TCFD)

PASB commits to following TCFD recommendations to disclose climate-related risks and opportunities, helping stakeholders understand how climate change may impact the bank's financial position and future strategies. PASB develops climate risk scenario analyses and stress testing for loan portfolios vulnerable to environmental hazards, with plans to integrate climate risk considerations in credit policies.

5. Basel Committee's Principles for Operational Resilience and Risk Management

PASB integrates Basel Committee guidelines to enhance operational resilience against physical and social risks linked to environmental factors. This includes comprehensive business continuity planning and disaster recovery measures tailored to local geographic hazards. PASB regularly updates business continuity plans to address natural disasters such as floods, volcanic eruptions, and power outages, ensuring minimal disruption to banking operations.

How These Standards Inform PASB's Sustainability Framework

- Policy Development: Sustainability standards guide the formulation of E&S risk policies, credit risk procedures, and operational controls.
- Employee Training: PASB provides ongoing training on international sustainability frameworks to build internal expertise and awareness across all levels.
- Audit and Compliance: Internal audit functions are aligned with global sustainability standards, ensuring rigorous compliance and continuous improvement.
- Stakeholder Engagement and Reporting: PASB commits to transparent communication of sustainability performance in compliance with recognized reporting frameworks, fostering trust with customers, partners, regulators, and communities.

Overview of Environmental and Social Risk Management System

PASB has integrated E&S risk management comprehensively across its policies and procedures, ensuring consistent implementation at all organizational levels. This system includes:

- Credit Risk Management: Incorporation of E&S risk factors into credit policies, borrower due diligence, and continuous monitoring.
- Operational Risk Management: Systematic identification, assessment, and mitigation of operational risks linked to environmental and social factors.
- Corporate Governance: Board-level oversight of E&S risks, internal and external assessments, and ongoing evaluation of risk management systems.
- Internal Audit and Compliance: Alignment of audit activities and compliance programs with international sustainability standards and local regulations to ensure thorough implementation and reporting.

E&S Risk Exposures and Forward-Looking Risk Appetite

Despite the continuous negative impact posed by the COVID-19 pandemic since 2020, ongoing system upgrades, and staff development, no significant E&S risk exposures were identified this year. PASB acknowledges that E&S risks, while currently low in impact, have the potential to influence the Bank's operations and environment in the future. Consequently, PASB maintains a cautious yet proactive risk appetite, prepared to address emerging sustainability risks and strengthen our management approach to promote long-term resilience and positive environmental and social impact.

CONSUMER PROTECTION

Consumer Protection Risk Management System (CPRMS)
To ensure inherent consumer protection risks are properly identified, measured, monitored, and controlled, PASB has adopted a comprehensive Consumer Protection Risk Management System (CPRMS). This system focuses on key areas including disclosure and transparency, protection of customer information, fair treatment of clients, financial education, and a robust consumer assistance management framework. The CPRMS ensures the bank's full adherence to consumer protection standards and strict compliance with applicable laws, rules, and regulations.

Board of Directors
The Board of Directors holds ultimate responsibility for developing and maintaining a sound CPRMS, fully integrated into the bank's overall risk management framework throughout the product and service lifecycle. The Board, along with senior management, periodically reviews the effectiveness of the CPRMS, ensuring audit mechanisms and reporting channels provide adequate oversight. It is essential that the Board receives timely and high-quality information to assess the program's performance and effectiveness. Adequate resources must be devoted to the program, with clear authority and independence granted to those implementing and auditing the CPRMS. The Board and senior management are also responsible for addressing any identified weaknesses and ensuring corrective actions are implemented promptly.

Compliance Program
Led by the Compliance Office, PASB's consumer protection compliance program guides all employees, officers, management, and the Board to uphold consumer protection standards and regulatory requirements. This well-structured program is designed to prevent regulatory violations and safeguard consumers from harm caused by non-compliance.

Internal Audit Function
The bank's Internal Audit function operates independently from Compliance and regularly reviews consumer protection practices, internal policy adherence, and legal compliance. The audit scope includes a consumer protection audit program that enables the Board and Audit Committee to evaluate the adequacy and effectiveness of the bank's policies and controls in meeting consumer protection objectives.

Training
Continuous education on consumer protection laws, regulations, and internal policies is vital to maintaining an effective CPRMS. PASB ensures that all personnel with customer interaction responsibilities receive targeted and comprehensive training. The bank's consumer protection training program is tailored to its organizational structure and activities and is regularly updated to reflect regulatory changes and emerging best practices.

Policies and Procedures
PASB's consumer protection policies and procedures are board-approved and embedded into daily business operations. These documents are periodically reviewed and updated to ensure compliance with consumer protection laws and to serve as a practical reference for employees.

Consumer Assistance Management System (CAMS)

PASB recognizes that its customers play a pivotal role in achieving stable banking operations and advancing financial inclusion. In line with BSP's initiative to strengthen the financial system, PASB remains steadfast in protecting customer rights.

The bank's dedicated "We Care Center" (WCC), headed by a WCC Head and supported by five skilled staff, specializes in handling customer concerns and complaints. The WCC Head reports directly to the President, ensuring senior management's active engagement in consumer assistance.

PASB commits to timely resolution of customer complaints as outlined in the CAMS framework:

Stages		Simple	Complex
1	Acknowledgment	Within 2 days	Within 2 days
2	Processing and Resolution	Within 7 days	Within 45 days
3	Communication of Resolution	Within 9 days	Within 47 days

Customer complaints are meticulously recorded in a complaint database, enabling effective monitoring, timely resolution, and control over recurring issues.

Objectives and Commitment

PASB aims for 100% client satisfaction by continually improving customer care standards, anticipating future customer needs, and maintaining a proactive service culture. Senior management closely monitors the implementation and effectiveness of the CAMS, reinforcing the bank's dedication to customer welfare. Ongoing evaluation and refinement of consumer protection policies ensure PASB adapts to evolving expectations and regulatory mandates.

RISK MANAGEMENT FRAMEWORK

The Risk Management Framework of PASB is designed to identify, measure, monitor, and control risks to ensure that they are kept within acceptable levels and aligned with the Bank's strategic objectives. It incorporates governance structures, risk policies, processes, tools, and reporting mechanisms to guide risk-taking activities and protect stakeholder value.

Risk Governance

PASB implements a multi-layered defense structure to ensure effective risk oversight:

Layers of Defence

1. Front Office - responsible for identifying and managing risks in their day-to-day activities while ensuring adherence to internal controls and policies.
2. Back Office - support units independently monitor risk exposures, develop policies, and guide the implementation of risk controls
3. Audit and Compliance - provide independent reviews by evaluating the effectiveness of controls, governance, and regulatory compliance.

Risk Management Components

PASB has established the following foundational components:

- Defined structure of limits and guidelines
- Clear delineation of roles and responsibilities
- Robust system for measuring and monitoring risks
- Check-and-balance mechanisms
- Comprehensive risk data aggregation and reporting system

The Bank continuously assesses and mitigates risks to prevent negative impacts on operations and business objectives.

Definition of Risks

Credit risk

By definition, credit risk arises from a borrower's failure to meet the terms of any contract with the bank or otherwise perform as agreed. Credit risk is found in all activities where success depends on the borrower's performance. The bank's credit risk is usually arising from the loan portfolio.

Our current credit portfolio shows a high concentration in unsecured loans and microfinance, which presents elevated credit risks. To mitigate this, we exclusively utilize shareholder equity to fund these loan operations—ensuring that depositor funds remain fully protected from potential credit losses.

While we acknowledge the risks inherent in lending to unsecured and microfinance borrowers, we remain committed to serving this segment by streamlining application processes and easing requirements where possible. Given the rising credit risks, all borrower approvals now fall under the direct oversight of Management. In cases where applicants fall short of specific requirements, loans may still be granted if supported by valid justification and approved by Management.

As of December 31, 2025, the Bank's past due ratio (PDR) has increased to 67%. Nevertheless, our loan-to-deposit ratio (LDR) remains low at 28%, reflecting our strong liquidity position and assuring that depositor funds are secure and readily available.

Market risk

Market risk is the risk to earnings or capital arising from adverse movements in factors that affect the market value of both on and off-balance sheet instruments, products, and transactions in the bank's overall portfolio. Market risk arises from market-making, dealing, or position-taking in instruments, structure or strategies the income from which are sensitive to movements in interest rate, foreign exchange rates, credit spreads and equities and commodities prices.

Market risk remains low, with 77% of total assets are cash on hand, due from banks and due from Bangko Sentral ng Pilipinas. Additionally, there is no outstanding exposure to held-to-maturity financial assets as of December 31, 2025, reflecting a conservative approach to asset management.

Interest rate

Interest rate risk in the banking book (IRRBB) is the current and prospective risk to earnings and capital arising from adverse movements in interest rates that affect banking book positions. IRRBB has three sub-types that relate to the level and structural characteristics of interest rates: (a) gap risk which arises from the term structure of banking book instruments, and describes the risk arising from the differences in timing of instruments' rate changes; (b) basis risk that describes the impact of relative changes in interest rates for financial instruments that have similar re-pricing tenors but are priced using different interest rate indices; and (c) option risk which arises from option positions or from options embedded in a bank's assets, liabilities and/or off-balance sheet items that alter the level and timing of their cash flows.

Time deposit placements are maintained at competitive market rates, with a substantial portion of liquid assets invested in short-term placements with the Bangko Sentral ng Pilipinas and refutable commercial banks. Given their highly liquid nature, earnings from these placements are largely influenced by prevailing interest rates offered by the BSP.

While interest rate movements are beyond our control, strategic management of placement amounts and durations allows us to align with Management's income targets. When market rates fall short of expectations, we recalibrate our investment mix accordingly and may explore long-term instruments to enhance overall returns.

Liquidity risk

Liquidity risk is generally defined as the current and prospective risk to earnings or capital arising from a bank's inability to meet its obligations when they become due without incurring unacceptable losses or costs. Liquidity risk includes the inability to manage unplanned decreases or changes in funding sources.

Our liquidity risk is exceptionally low because 100% of our deposit liabilities and e-money balances are securely held with the Bangko Sentral ng Pilipinas. These funds are not fully utilized for long-term investments or lending operations, ensuring their safety and immediate availability.

Operational risk

Operational risk is the current and prospective risk to earnings or capital arising from fraud, error, and the inability to deliver products or services, maintain a competitive position, and manage information. Risk is inherent in efforts to gain strategic advantage, and in the failure to keep pace with changes in the financial services marketplace. Operational risk is evident in each product and service offered. Operational risk encompasses: product development and delivery, operational processing, systems development, computing systems, complexity of products and services, and the internal control environment.

People and information risks are the main issues to be monitored. Personnel are susceptible for fraud or error which may impact the financials and reputation of the bank. Information technology may also bring financial loss to the bank if the security is breached. IT Risk as defined on BSP Circular No. 808 as any potential adverse outcome, damage, loss, violation, failure, or disruption associated with the use or reliance on the computer, hardware, software, devices, system, application, and networks.

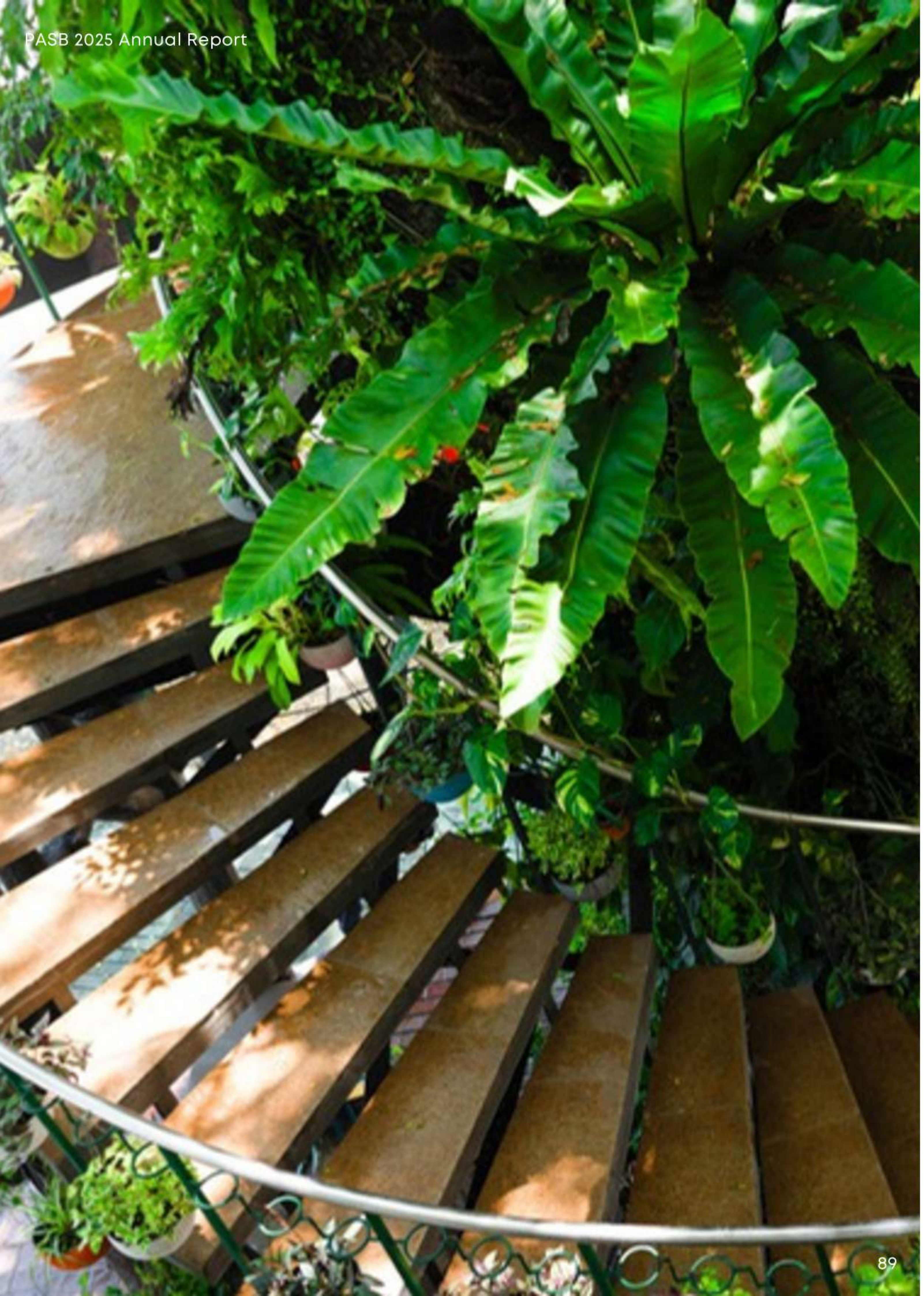
To minimize operational risk, we have developed robust and secure internal systems that reduce human errors by automating most clerical tasks. These systems ensure the integrity and security of data stored in our core banking system, preventing potential compromises.

In the past, operational risks included instances of staff dishonesty, which led to various legal and labor issues. To mitigate these risks, we have strengthened our recruitment processes, internal controls, and performance assessments. These measures are designed to prevent dishonesty, collusion, and fraud among employees, as well as to address unproductivity during work hours, thereby helping us achieve our business goals and objectives.

Compliance risk

Compliance risk is the current and prospective risk to earnings or capital arising from violations of, or non-conformance with, laws, rules, regulations, prescribed practices, internal policies and procedures, or ethical standards. Compliance risk also arises in situations where the laws or rules governing certain bank's products or activities of the bank's clients may be ambiguous or untested. This risk exposes the bank to fines, payment of damages, and the voiding of contracts. Compliance risk can lead to diminished reputation, reduced franchise value, limited business opportunities, reduced expansion potential, and lack of contract enforceability.

The Management actively supports the compliance unit in implementing and monitoring regulatory compliance within the bank. We have automated our compliance system, particularly in the preparation of government reports, to ensure accurate and timely submissions. Additionally, we allocate a budget for the continuous development and training of Management, officers, and staff to ensure they are well-versed in banking laws, rules, and regulations, and adhere to internal policies.



Strategic risk

Strategic risk is the current and prospective impact on earnings or capital arising from adverse business decisions, improper implementation of decisions, or lack of responsiveness to industry changes. This risk is a function of the compatibility of an organization's strategic goals, the business strategies developed to achieve those goals, the resources deployed against these goals, and the quality of implementation. The resources needed to carry out business strategies are both tangible and intangible. They include communication channels, operating systems, delivery networks, and managerial capacities and capabilities. The organization's internal characteristics must be evaluated against the impact of economic, technological, competitive, regulatory, and other environmental changes.

The risk associated with the proper implementation of strategies is significant. Variances may occur between planned or budgeted outcomes and actual performance due to both internal and external factors. To mitigate this risk, we set conservative targets that align with the bank's risk appetite, business model, and market response.

Reputation risk

Reputation risk is the current and prospective impact on earnings or capital arising from negative public opinion. This affects the bank's ability to establish new relationships or services or continue servicing existing relationships. This risk may expose the bank to litigation, financial loss, or a decline in its customer base. In extreme cases, FIs that lose their reputation may suffer a run-on deposit. Reputation risk exposure is present throughout the organization and requires the responsibility to exercise an abundance of caution in dealing with customers and the community.

Our employees, especially the front-liners, represent the face of the bank. Therefore, any misbehavior or misrepresentation by employees can potentially damage the bank's reputation. We prioritize creating a culture where customers are treated with the utmost respect and a welcoming spirit.

Our green building in Subic helps us maintain a low reputation risk. However, one of the challenges we face is attracting local customers, particularly the unbanked and underserved individuals, to visit the bank without incurring significant marketing costs.

Environmental and Social Risk

Environmental and Social Risk refers to potential financial, legal and/or reputational negative effects of environmental and social issues on the bank. These issues include environmental pollution, climate risk (both physical and transition risks), hazards to human health, safety and security, and threats to commodity, biodiversity and cultural heritage, among others.
Since 2018, we have prioritized environmental and social (E&S) risk management by initiating efforts to "green" the Bank and promote the well-being of our personnel. Our commitment goes beyond physical greening as we also uphold responsible business practices by refraining from engaging with customers and partners whose activities may pose harm to the environment.

Risk Management Administration

Risk management is embedded in day-to-day operations. Department heads serve as risk owners, responsible for identifying, monitoring, and mitigating risks in their respective units. Management enhances oversight and operational efficiencies to maintain optimal risk levels.

Risk Management Objectives

PASB's Risk Management Framework aims to:

- Safeguard stakeholder value and ensure sustainability.
- Optimize earnings while managing risk.
- Promote a risk-aware culture among all employees.
- Build regulatory confidence and institutional credibility.

Risk Appetite Statements

PASB's Risk Appetite Statement defines the level and types of risk it is willing to accept in pursuit of its strategic goals, taking into account its capacity to manage risks effectively. It serves as a foundational element of the Bank's enterprise risk management framework, enabling the Board of Directors and Senior Management to make informed decisions that balance risk and return, ensure regulatory compliance, and protect the interests of stakeholders. The Bank adopts both qualitative parameters and quantitative thresholds that reflect its financial strength, operational capacity, governance priorities, and commitment to sustainability.

This Statement is guided by applicable regulations, historical and projected performance, internal controls, audit findings, and strategic business direction. It is subject to regular review and enhancement to ensure continued alignment with the Bank's evolving risk profile and operating environment.

Credit Risk

Loan exposures will be primarily financed from equity capital to preserve depositor funds and strengthen balance sheet resilience. Shareholders remain committed to infusing additional capital to support credit expansion and absorb potential losses. Lending to Directors, Officers, Stockholders, and Related Interests (DOSRI), employees, and immediate family members up to the second degree of consanguinity or affinity is prohibited, in compliance with regulatory requirements. Exceptions may be granted under controlled conditions such as buyouts from affiliated institutions or loans secured by assets within affiliated premises, provided these pass rigorous independent credit assessment and comply with policy.

Unsecured loans will be limited to the Bank's available equity funds. The Bank will not exceed 20% exposure to any single borrower or group of related borrowers, in accordance with the Single Borrower's Limit (SBL). Loans exhibiting early signs of deterioration (e.g., 30 days past due) shall be closely monitored and supported by recovery strategies. Loans in areas prone to natural hazards or conflict will be subject to additional geographic risk filters.

Portfolio diversification by loan type, sector, and geography will be pursued to reduce systemic risk. Risk-adjusted pricing models shall be applied, with pricing strategies that reflect borrower risk grade, collateral coverage, and loan tenor.

Market Risk

The Bank maintains a low risk appetite for market volatility. Long-term investments will be limited to ₱100 million. Marketable securities will be held in short-term tenors or highly liquid instruments to minimize exposure to interest rate and price fluctuations. The Bank will not engage in proprietary trading of volatile instruments, including derivatives and foreign exchange trading for profit, unless fully hedged.
The Bank avoids exposure to equity securities not listed on recognized exchanges. Duration of investment portfolios will be kept within conservative thresholds consistent with liquidity and income objectives. The Value-at-Risk (VaR) for market portfolios shall remain within 5% of capital, based on periodic stress testing.

Liquidity Risk

To ensure adequate liquidity at all times, the Bank will maintain a liquidity coverage ratio (LCR) of at least 100%. Liquid assets will comprise no less than 50% of total assets, including cash, placements with BSP, and deposits with other banks. 100% of average e-money balances will be placed in the accounts with the BSP to ensure the safety and availability of funds.

The Bank will maintain a minimum 30-day cash buffer to cover net cash outflows in case of funding stress. Maturity mismatch gaps for key tenor buckets (e.g., 1–30 days) will be monitored monthly and maintained within Board-approved thresholds. Stress testing of liquidity scenarios will be conducted quarterly.

Interest Rate Risk

Asset yields will be benchmarked against prevailing market interest rates to preserve margin and competitiveness. The Bank will not undertake significant interest rate positions without clear asset-liability matching. Earnings-at-risk from parallel interest rate shifts (±200bps) shall not exceed 5% of annual net interest income. Repricing gaps across tenors shall be reviewed monthly and corrected through dynamic treasury placements.

Strategic deposit placements will be aligned with income targets and interest rate outlooks, allowing flexibility in tenor selection. The Bank may consider longer-tenor investments during periods of high interest rate stability to improve returns.

Operational Risk

The Bank maintains a low risk tolerance for operational losses. Legal or labor-related settlements involving employees shall be limited to ₱100,000. Information security breaches shall not result in losses exceeding ₱500,000 annually. The Bank will maintain updated cybersecurity frameworks, perform quarterly vulnerability assessments, and train staff regularly on data protection and fraud prevention.

The Bank will cap overall operational losses (from fraud, errors, system failure, business disruption, etc.) at 3% of gross income annually. Business continuity and disaster recovery plans shall be tested at least once per year, and critical operations must resume within 24 hours in case of disruption. The Bank will implement a maximum tolerance threshold for system downtime not exceeding 4 hours per month.

Compliance Risk

Penalties from regulatory breaches shall not exceed ₱100,000 in aggregate per year. The Bank adopts a zero-tolerance policy for willful violations of banking regulations, AMLA rules, and internal controls. All high-risk transactions flagged by compliance will require dual review and real-time approval. Compliance testing will be conducted quarterly, and all employees must complete mandatory regulatory training annually.
The Bank aims to maintain a "Compliant" or "Satisfactory" rating in all external regulatory and supervisory assessments.

Strategic Risk

Losses attributable to strategic decisions will be capped at ₱100,000 for minor initiatives and ₱1,000,000 for major undertakings such as new systems or business models. Strategic plans will undergo Board review and risk impact assessments before implementation. Return on investment (ROI) for all major strategic projects must be projected at no less than 10%, unless justified by long-term benefit.

Negative budget variances will be capped at 20%. Any negative trend in core income shall trigger a review of underlying strategies and prompt realignment actions.

Reputational Risk

Customer complaints shall be resolved within 9 calendar days, with escalation protocols in place for high-risk reputational issues. The Bank will maintain a minimum customer satisfaction score of 80%, based on periodic surveys. The Bank shall avoid engaging in public political endorsements, litigation publicity, or statements that may damage its integrity or impartiality.
Environmental and Social Risk (E&S Risk)

The Bank will not finance clients or projects that involve deforestation, mining without rehabilitation plans, illegal logging, fossil fuel extraction, or operations with known adverse social impacts (e.g., child labor, human rights violations). Environmental and social due diligence shall be embedded in credit evaluation processes.

E&S training will be provided to all lending officers annually. The Bank will aim to allocate at least 10% of new loan disbursements to environmentally or socially beneficial activities (e.g., renewable energy, social housing, SME support). Internal initiatives, such as energy efficiency and waste reduction, are tracked and reported annually.

Human Resource Stability

The Bank seeks to maintain an annual employee turnover rate of not more than 20%. Staff satisfaction scores shall remain above 75%, and a succession plan shall be in place for all critical positions. Investments in employee training shall represent at least 2% of gross annual compensation.

Key Weak Risk Areas Identified by Management

Management has identified the following three key risk areas where the Bank currently exhibits notable weaknesses. These risks have been assessed as having a material impact on the Bank's financial performance, regulatory compliance, and strategic objectives:

1. Credit Risk

The Bank faces elevated credit risk due to inadequate credit underwriting standards, lenient borrower selection practices, and insufficient post-disbursement monitoring. These weaknesses have contributed to a high past due ratio and a growing level of non-performing loans (NPLs), which in turn lead to increased provisions for credit losses. This scenario threatens to erode the Bank's capital base and reduce earnings capacity, particularly in the absence of timely loan recovery strategies and adequate credit risk mitigation.

2. Market Risk

The Bank is experiencing challenges in optimizing financial performance indicators such as return on equity (ROE), return on assets (ROA), and net interest margin (NIM). Suboptimal asset allocation and inefficient pricing strategies have further resulted in an unfavorable loan-to-deposit ratio (LDR), signaling inefficiencies in the deployment of funds. These factors expose the Bank to market risk and impair its ability to generate sustainable earnings and maintain a competitive position in the financial marketplace.

3. Strategic Risk

There is a high level of strategic risk due to the lack of consistent monitoring of business plan implementation and inadequate corrective actions to address deviations from established objectives. Furthermore, insufficient documentation of management decisions and follow-through on key performance indicators (KPIs) limit transparency and hinder the ability to assess strategic execution. These gaps reduce the Bank's agility in responding to emerging threats and opportunities, potentially leading to missed growth targets and operational inefficiencies.

Risk Governance and Structure

The Bank's risk governance framework is designed to ensure effective oversight, accountability, and management of risks in alignment with the Bank's strategic objectives and regulatory expectations. Risk governance begins with the Board of Directors, which plays a central role in setting the tone for risk culture, defining risk appetite, and ensuring the sound operation of the risk management framework across the institution.

Role of the Board of Directors

The Board of Directors holds ultimate accountability for the effectiveness of the Bank's risk governance and risk management practices. The Board is responsible for the following: approving risk management and corporate governance strategies and policies; understanding the nature and implications of material risks that the Bank faces; ensuring that Senior Management implements appropriate systems to identify, measure, monitor, and control risks; approving the organizational structure, including the roles and responsibilities of risk-related functions; ensuring that the Bank maintains an effective internal control system and that its ongoing adequacy is monitored.

The Board discusses risk management matters at least quarterly, and convenes more frequently (monthly) when material or emerging risk exposures require immediate attention.
Board Oversight Duties and Responsibilities
To strengthen risk oversight, the Board shall exercise the following responsibilities:

1. Oversight of the Risk Management Framework

Ensure the implementation and periodic review of the Bank's Enterprise Risk Management (ERM) Framework. Assess the effectiveness of systems and controls in place to manage the full spectrum of risks—credit, market, liquidity, operational, IT/cyber, compliance, reputational, environmental, and strategic risks. Ensure that recovery and contingency plans are tested and updated regularly. Oversee that corrective actions are promptly taken to resolve identified weaknesses or issues.

2. Oversight of Risk Appetite and Risk Profile

Approve and regularly review the Bank's Risk Appetite Statement (RAS) and ensure that the Bank's actual risk profile remains within the boundaries of risk appetite. Monitor the alignment of risk-taking activities with strategic goals and the Bank's capital and liquidity resources. Evaluate the quality of compliance with internal risk limits, thresholds, and early warning indicators.

3. Oversight of the Risk Management Function

Ensure the independence, stature, and functional effectiveness of the Risk Management Unit (RMU), which should have direct access to the Board and/or its Risk Oversight Committee. Approve the appointment, remuneration, and removal of the Chief Risk Officer (CRO) or equivalent officer. Ensure that the RMU is adequately staffed and resourced with competent personnel and appropriate systems and tools to perform its mandate. Require regular reporting from the CRO on the Bank's key risk exposures and control effectiveness.

4. Monitoring Risk Culture and Accountability

Promote a strong risk culture throughout the Bank, emphasizing integrity, transparency, accountability, and adherence to policies and regulations. Require Management to embed risk considerations into decision-making at all levels. Periodically review and assess whether risk behavior and incentives across the organization are aligned with risk appetite and corporate values.

Role of Senior Management

Senior Management is responsible for executing the risk management framework in accordance with the Board-approved policies and for: establishing, maintaining, and monitoring risk policies and procedures; managing day-to-day risk exposures; escalating material risks and breaches of risk limits to the Board or its designated committee; ensuring that risk reporting to the Board is accurate, comprehensive, and timely; supporting the development and implementation of business continuity, disaster recovery, and capital planning initiatives.
Audit Committee (AudCom)

If constituted, the AudCom shall assist the Board in fulfilling its risk governance responsibilities, including: reviewing the Bank's risk profile and material exposures; recommending enhancements to the ERM framework, policies, and RAS; reviewing stress testing, scenario analysis; receiving reports from either the internal auditor or compliance officer to evaluate the robustness of the control environment.

Audit Committee (AudCom)

If constituted, the AudCom shall assist the Board in fulfilling its risk governance responsibilities, including: reviewing the Bank's risk profile and material exposures; recommending enhancements to the ERM framework, policies, and RAS; reviewing stress testing, scenario analysis; receiving reports from either the internal auditor or compliance officer to evaluate the robustness of the control environment.

Money Laundering and Terrorist Financing Prevention Program

PASB adopts this Money Laundering and Terrorist Financing Prevention Program (MLPP) in support of government authorities, law enforcement agencies, and international bodies such as the Financial Action Task Force (FATF) in their efforts to prevent the misuse of the financial system for money laundering and terrorist financing activities. This program is designed to identify, assess, monitor, and mitigate the risks associated with money laundering, including counterparty, reputational, operational, and compliance risks.

Board of Directors

The Board of Directors holds the ultimate responsibility for ensuring full compliance with all applicable laws, rules, and regulations relating to money laundering and terrorist financing prevention. The Board oversees the adequacy and effectiveness of the bank's AML/CTF program and ensures that senior management and the Compliance Office are fully supported in implementing necessary controls. The Board receives regular reports from the Compliance Office and Internal Audit on the bank's AML/CTF risk management, compliance status, and emerging regulatory developments. The Board convenes at least quarterly to discuss AML/CTF matters and takes immediate action when unique risk exposures arise.

Compliance Office

The Compliance Office is primarily responsible for managing and implementing the bank's MLPP. It plans, organizes, leads, and controls the bank's AML/CTF efforts independently and reports directly to the Board of Directors to ensure objective oversight. The Compliance Office conducts regular compliance reviews and audits to evaluate the effectiveness of AMLA processes, including customer identification and acceptance, transaction monitoring, reporting of Covered and Suspicious Transactions, and record retention. It ensures that senior management and the Board are promptly informed of any non-compliance issues and the corresponding management actions taken to resolve deficiencies. Additionally, the Compliance Office disseminates relevant issuances and regulatory updates from the BSP and AMLC to all responsible officers and employees. It also organizes mandatory AML training sessions and periodic refresher programs to maintain staff awareness and competency.

President

The President is tasked with overseeing and ensuring consistent compliance across operational units, especially the Deposit Liability Management (DLM) Department and other front-line units or counterparties directly involved in customer onboarding and transaction processing. This includes reinforcing adherence to AML/CTF policies and supporting the Compliance Office in maintaining a robust prevention program.

Know-Your-Customer (KYC) Policy

The bank rigorously enforces a comprehensive KYC policy that mandates verifying the true identities of customers through official and reliable documentation before establishing any business relationship or opening accounts. Risk profiling is performed on all customers to determine appropriate due diligence measures. Customer accounts and transactions are continuously monitored to detect unusual or suspicious activities, which are promptly reported to regulatory authorities in accordance with AMLA and BSP guidelines.

Customer Risk Profile and Exposure

While the bank primarily serves unbanked, underprivileged, and below-poverty-line communities in Olongapo, Zambales, and Bataan, as well as Overseas Filipino Worker (OFW) clients in Hong Kong and Macau and their beneficiaries, it maintains strict AML compliance irrespective of its customer risk profile. Currently, approximately 98% of customers are categorized as low-risk, with the remaining 2% classified as normal to high risk and subjected to enhanced monitoring. This careful risk stratification enables the bank to mitigate potential money laundering and terrorist financing threats effectively.

Risk Management and Performance

The bank's AMLA risk management framework is rated as strong due to continuous improvements in customer record-keeping, front-line staff capabilities in executing KYC procedures, and enhanced transaction monitoring systems. The Compliance Officer regularly provides updates on AMLA requirements and best practices to bank employees, senior management, and outsourced service providers, thereby reinforcing a bank-wide culture of compliance and vigilance against financial crimes.

Regulatory Compliance and Technology

In compliance with BSP Circular No. 1022 series of 2018 and AMLC Resolution No. 148, the bank is actively digitizing all customer records to enhance accuracy, accessibility, and compliance with record retention mandates. The bank has updated its AML policies and procedures to align with current regulatory standards, incorporating technological advancements and automated monitoring tools to strengthen the overall AML/CTF program.

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