ANNUAL REPORT
2021

Rang-ayBank
Manipud 1956

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Our VISION and MISSION

Our Vision

Pabilegen ti Amianan a Luzon kadagiti serbisio ti panagibanko a di maartapan kadagiti global a kompetision.

Empowering North Luzon with globally competitive banking services.

Palakasin ang Hilagang Luzon sa pamamagitan ng pandaigdigang pakikipagtagisan ng kakayahan sa serbisyo ng pagbabangko.

Our Mission

Papardasen ti panag dur-as dagiti komunidad iti Kailokuan ken Cordillera babaen kadagiti nadaras a sagrapen ken nalaka a magtengan a serbisio ti panagibangko.

To hasten progress in the communities of the Ilocos Region and the Cordilleras through accessible and affordable banking services.

Pabilisin ang progreso sa mga komunidad ng Ilocos Region at Cordillera Administrative Region sa pamamagitan ng pagbibigay ng abot-kayang mga serbisyong pagbabangko.

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Manipud 1956

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ABOUT RANG-AY BANK

Rang-ay Bank (a rural bank), Inc.

Rang-ay Bank, founded on January 16, 1956 under then Republic Act 720, otherwise known as the Rural Bank Act of 1953 was established to promote comprehensive rural development with the end in view of attaining equitable distribution of opportunities, income and wealth; a sustained increase in the amount of goods and services produced by the nation and expanding productivity as a key in raising the quality of life for all, especially the underprivileged. The bank was established for the purpose of providing adequate credit facilities to farmers and merchants, cooperatives of such farmers and merchants and in general, the people of countryside communities on reasonable terms.

Rang-ay Bank, continues to be the biggest bank in its class in the Ilocos, Pangasinan and the Cordillera provinces playing a vital role in the local economy by serving farmers, fisherfolks, micro entrepreneurs and all those who seek to improve their lives by engaging in productive endeavors. It has consistently provided affordable and accessible credit to the agricultural, mSMEs and housing sectors. It offers borrowers a transparent application process with one of the lowest interest rates and fees in the market. Any project or business venture is qualified, be it for business, agriculture, housing, renovation, vehicle acquisition, education, consumption or placement fees. The bank even accepts tax declarations as collateral. As a countryside financial institution, the bank can accept properties covered only by tax declarations as a security in lieu of titled properties should a borrower have no titled properties. Rang-ay Bank has also access to specialized funds for agricultural, industrial and commercial activities for onlending to agri-business and micro, small and medium enterprises. The bank understands the unique situation of local businesses and borrowers since Rang-ay Bank is based in the province. Processing of housing, business and agricultural loans do not need to be sent to Manila and can take as short as five (5) working days.

If one has no collateral, he may avail of the several collateral-free loan programs of the bank. It has various loan programs for teachers, pensioners, micro-finance and micro-agriculture available for qualified applicants. The bank is one of the first Accredited Lending Partners of the Department of Education Automatic Payroll Deduction System (APDS). For salary loan programs, barangay loan programs and pensioner programs, loans can be released within 1-day.

Rang-ay Bank is compliant with Republic Act 10000 "Mandatory Credit Allocation for Agriculture and Agrarian Reform Credit". All banking institutions, whether government or private, shall set aside at least twenty-five percent (25%) of their total loanable funds for agriculture and fisheries credit in general, of which at least ten percent (10%) of the loanable funds shall be made available for agrarian reform beneficiaries. (Refer to the Compliance Report in the next page.)

Likewise, the bank is compliant to Republic Act no. 9501, otherwise known as "Magna Carta for Micro, Small and Medium Enterprises (MSMEs)" and BSP Circular No. 625 dated 14 October 2008, mandating allocation of credit resources for micro and small enterprises (MSEs) shall be at least eight percent (8%) and two percent (2%) for medium enterprises of the total loan portfolio. (Refer to the Compliance Report in the next page.)

Compliance with Agri-Agra Reform Credit Act of 2009 (R.A No. 1000) as of December 31, 2021

	Universal & Commercial Banks	Thrift Banks	Rural & Cooperative Banks	RANG-AY BANK
Compliance with AGRA (10% of Loanable Funds Generated)				
Percentage of Compliance with Required 10% for AGRA	0.82%	0.96%	8.28%	11.99%
Compliance with AGRI (15% of Loanable Funds Generated)				
Percentage of Compliance vs. Required 15% for AGRI	9.83%	5.47%	14.15%	19.12%
TOTAL AGRI AGRA 25%	***10.65%***	***6.43%***	***22.43%***	***31.11%***

Source: Department of Supervisory Analytics, Financial Supervision Sector, BSP
Updated as of 18 February 2022

Compliance with Magna Carta for Micro, Small and Medium Enterprises under R.A No. 6977 as of December 31, 2021

Compliance with Prescribed Allocation of Loan Portfolio to:	Universal & Commercial Banks	Thrift Banks	Rural & Cooperative Banks	RANG-AY BANK
A. Micro & Small Enterprises (8% of total loan portfolio net of exclusion)				
Percentage of Compliance for MSMES	1.48%	4.68%	22.42%	55.99%
B. Medium Enterprises (2% of total loan portfolio net of exclusion)				
Percentage of Compliance for MSMES	3.03%	4.94%	11.52%	16.67%
TOTAL MSME: 10%	***4.51%***	***9.62%***	***33.94%***	***72.76%***

Source: Supervisory Data Center, Financial Supervision Sector
Updated as of 28 December 2021

FINANCIAL HIGHLIGHTS
(Audited Financial Statements)

	2021	2020	Peso Increase (Decrease)	Percentage Increase (Decrease)
Profitability				
Total Net Interest Income	P 167,227,444	P 178,901,010	(11,673,566)	-6.53%
Total Non-Interest Income	48,148,778	52,091,451	(3,942,673)	-7.57%
Total Non-Interest Expenses	150,254,995	180,267,816	(30,012,821)	-16.65%
Pre-provision profit	65,121,227	50,724,645	14,396,582	28.38%
Allowance for Credit Losses	17,098,650	2,603,363	14,495,287	556.79%
Net Income Before Income Tax	48,022,576	48,121,282	(98,706)	-0.21%
Income Tax	5,407,573	4,112,579	1,294,994	31.49%
Net Income After Income Tax	42,615,003	44,008,703	(1,393,700)	-3.17%
Selected Balance Sheet Data				
Liquid Assets	3,393,445,481	3,299,421,274	94,024,207	2.85%
Gross Loans	1,969,489,424	2,063,211,711	(93,722,287)	-4.54%
Total Assets	3,604,156,316	3,450,257,581	153,898,735	4.46%
Deposits	2,898,518,643	2,769,750,243	128,768,400	4.65%
Total Equity	622,360,507	585,810,022	36,550,485	6.24%
Selected Ratios				
Return on average equity	7.05%	7.74%		
Return on average assets	1.21%	1.33%		
Capital Adequacy Ratio	20.21%	21.53%		
Per common share data				
Book Value	81.47	91.95	(10)	-11.40%
Others				
Headcount	232	234	(2)	-0.85%
Officers	66	54	12	22.22%
Staff	166	180	(14)	-7.78%

30 April 2022

OUR DEAR STOCKHOLDERS,

We take pleasure in reporting the bank's performance and results of operation during the calendar year ended 31 December 2021.

STATEMENT OF CONDITION

This year the bank's capital accounts reached P622,360,507 , while total resources grew to P3,604,156,316. Total deposits increased by P128,768,400 and now stand at P2,898,518,643 from more than 43,400 depositors.

The bank, with it's 30 banking offices, continues to maintain its status as the biggest bank in it's class in the entire Ilocos, Cordillera and Pangasinan provinces. The hard work and dedication of its officers and staff under the leadership of its officers, contributed to the bank's steady performance amidst the pandemic, now on it's second year. The bank's loan portfolio which stands at a gross of P1,969,489,424 is a concrete manifestation of the bank's fulfillment of its mission to make credit readily accessible to the countryside despite the challenges of the ongoing health concerns.

Total loans extended to 5,655 borrowers for the year aggregated more than P2,933,250,700. These were granted to the following projects:

Purpose	Number of Accounts	Amount of Loans Granted	%
Micro, Small & Medium Enterprises	1,005	P 1,584,994,810.00	54.03%
Agriculture	2,097	972,133,970.00	33.14%
Housing	368	178,539,100.00	6.09%
Consumption/Salary Loans	1,110	156,575,720.00	5.34%
Pension	892	33,897,800.00	1.16%
Microfinance	183	7,109,300.00	0.24%
TOTAL	**5,655**	**P 2,933,250,700.00**	**100.00%**

Pie Chart as to number of accounts:

COVID-19 PANDEMIC RESPONSE

DISINFECTION OF THE BANK PREMISES

In view of the continuing threat of Covid-19, Rang-ay Bank in coordination with the Local Government Units (LGUs) and service providers Environet and New Norms, continue to conduct deep disinfection and complete sanitation in all branches of the bank. During the months of April and May 2021 several branches again underwent this procedure.

This is part of the bank's covid-19 protocols to prevent the virus from spreading and to ensure the safety of the bankers as well as our clients as well as bank personnel. Rang-ay Bank continue to strictly follow precautionary health measures inside bank premises.

RANG-AY SUPPORTS VACCINATION PROGRAM

One of the most important developments in our fight against the pandemic is the roll-out of vaccines nationwide. When it comes to preventing the further spread of coronavirus disease (Covid-19), vaccination is as important as wearing a mask, observing physical distancing and proper hygiene.

Rang-ay Bank believes that the best solution to prevent the spread of Covid-19 is to get vaccinated. As frontline economic workers, the bank encourages all to register in their respective barangay or rural health units (RHU) for vaccination schedules.

At present, all officers & staff have already been vaccinated in their respective Local Government Units (LGUs). Many have registered and waiting for their schedule of booster shots.

Report on Vaccination & Booster Shot:

Branches	No. of Employees	Fully Vaccinated	Percentage	Vaccinated w/ Booster Dose	Percentage
Head Office	73	73	100%	65	89%
Central Branches	32	32	100%	27	82%
North Branches	60	60	100%	44	73%
South Branches	56	56	100%	29	52%
TOTAL	**221**	**221**	**100%**	**165**	**74%**

Updated as of April 29, 2022

RANG-AY BRANCHES RECEIVE SAFETY SEAL CERTIFICATION

Rang-ay Bank branches received their respective Local Government Unit (LGU) Safety Seal Certifications. These branches successfully complied with all the public health standards and contact tracing requirements:

- Aringay (La Union)
- Rosario (La Union)
- Luna (La Union)
- Dingras (Ilocos Norte)
- Sta. Lucia (Ilocos Sur)
- Sinait (Ilocos Sur)
- Magsingal (Ilocos Sur)

Meanwhile the Head Office and other branches of Rang-ay have already complied with all the requirements and waiting for the release of safety seal certificates.

The Safety Seal certification is a voluntary certification scheme that affirms that an establishment is compliant with minimum public health standards set by the government and uses or integrates its contact tracing with StaySafe.ph.

The Safety Seal Certification Program is in accordance with Inter-Agency Task Force (IATF) Resolution No. 87-s. 2020, DOLE -DOH-DILG DOT -DTI joint Memorandum Circular No. 21-01s, 2021, which aims to promote increased compliance of private and public establishments to the minimum public health protocols designed to help stop the covid pandemic in the country and safely open the economy.

OPERATIONAL HIGHLIGHTS

AGSERBI MANIPUD 1956

An Ilocano Institution: born, raised and nurtured by the Ilocanos. Rang-ay Bank celebrated Sixty Five (65) years of Countryside Banking with a recognition and awarding programme participated by its 30 branches via teleconference. The event was held on January 16, 2021 at ONP Events Hall, City of San Fernando, La Union.

The event started with an opening remarks from Chairman Ives Nisce who shares the success story of Rang-ay Bank growing from a one (1) unit bank with only four employee to thirty (30) strong branches and more than two hundred fifty strong manpower in the Ilocos & Cordillera Regions. One highlight of the event was the recognition and awarding of the top performing branches and Head Office units for the 2nd semester and for the whole year of 2020. Another highlight was the pinning of the newly promoted officers for their continuous dedication in achieving the bank's mission and vision.

Part of the program was "Gunglo Iti Mannurat nga Ilokano" (GUMIL) La Union President Ms. Djuna Alcantara talk about the Iloko heritage, culture and language. President & CEO Ives Jesus Nisce II congratulated all the bankers for a successful 2020 despite the challenges brought about by the ongoing pandemic.

At 65, Rang-ay Bank is the oldest enduring private bank in Ilocandia and one of the most established banks in the country, a respected and trustworthy financial institution bringing progress and prosperity to the rural communities. The bank is a hardworking countryside financial institution founded on January 16, 1956 by its visionary and civic-spirited Ilocano pioneers led by Doña Numeriana Tavora-Querol and Don Teofilo A. Nisce. It has grown to become the biggest bank of its class in Region 1 offering modern products and services to entrepreneurs, farmers, salaried employees, home owners & pensioners to the people of North Luzon.

30TH BRANCH OPENS IN ARINGAY (LA UNION)

As part of the 65th Anniversary celebration, Rang-ay Bank formally inaugurated its Aringay (La Union) Branch on January 14, 2021. The newest branch is located at the ground floor of the town's new public market in San Benito Sur, Aringay, La Union.

The blessing started with prayers in front of the new branch premises officiated by Rev. Father Frederick Ferrer of St. Lucy Parish Church followed by the cutting of the ceremonial ribbon led by Aringay Vice Mayor Benjamin Sibuma and Dra. Rosita Canlas-Nisce assisted by bank's Chairman Ives Nisce and President & CEO Ives Jesus Nisce II. The bank also turned over the donation of monoblock chairs to the LGU-Aringay received by Market Superintendent Jose Bernal. Aringay (LU) Branch is the bank's 30th branch and 13th in the province of La Union. A full service branch with a complete line of banking services. The bank offers safe and secure deposit services, provides affordable loans plus other services like international & local remittances, bills payment and collection of contributions & payout of pensions of SSS.

BSP RENEWS RANG-AY ACCREDITATION AS RFI

The Bangko Sentral ng Pilipinas (BSP) updated the list of Accredited Rural Financial Institutions (RFIs) in a Circular-Letter issued by BSP Deputy Governor Fonacier dated February 9, 2021. Ten (10) banks are accredited for the purpose of implementing the Agri-Agra Reform Credit Act of 2009 (RA 10000).

BSP's list of banks approved as RFIs have been listed since 2012 and serves as a guide to inform the public of which banks to approach agri-agra credit compliance. RA 10000 aims to provide agriculture, fisheries and agrarian reform credit to improve the productivity of the Agriculture and Fisheries sectors. The Act consider loans to support activities and projects pertaining to agriculture as stipulated under the Agriculture and Fisheries Modernization Act (AFMA) and the Agrarian Reform Code of the Philippines.

Among the accredited rural banks, Rang-ay Bank is the only bank based in Region I and CAR. The bank actively finances Agri-Businesses such as rice-millers, vegetable haulers, contract growers, warehousers, agri-suppliers and bamboo growers all over the region. The bank provides collateral-free farmers loan to small-scale cultivators, farmers, tenants or lease holders that covers backyard or cottage poultry projects and livestock raisers. Together with the Philippine Crop Insurance Corporation (PCIC), the bank is able to provide additional capital for agricultural projects such as livestock and fishery projects, planting of rice, corn and vegetables and other food crops raisers.

DOLE AND DSWD DISBURSEMENT PLATFORM

Embodying its mission to provide accessible financial services in the rural areas, select Rang-ay Bank branches are now platforms for disbursement of Department of Social Welfare and Development (DSWD) and Department Of Labor and Employment (DOLE) subsidies.

Made possible through a partnership with RCBC via Diskartech-an online-based aid disbursement portal. Beneficiaries now have now have more accessible and hassle-free way to receive their subsidies. This will especially benefit those in smaller towns and people who do not have existing ATM accounts. Instead of going through lengthy processes such as opening an account, getting or renewing ID's to fulfill account requirements and lining up in queues to withdraw, this new disbursement platform provided by Diskartech to Rang-ay Bank allows easy cash out for the beneficiaries and an easier disbursement for the government agencies. The beneficiary only needs to present a provided Beneficiary Registration Number (BRN) and Barangay Clearance or any government issued ID.

Social Amelioration Program (SAP) of DOLE and DSWD is a cash emergency subsidy program (ESP) for Filipino families whose lives are greatly affected by the pandemic. It was created by the Bayanihan to Heal as One Act.

SALIP ITI PANAGSURAT ITI DANIW

To celebrate National Heritage Month (May), Rang-ay Bank conducted the Salip iti Panagsurat iti Daniw (Online Poetry Writing Contest) in coordination with Gunglo dagiti Mannurat nga Ilokano (GUMIL) Filipinas San Fernando (LU) Chapter headed by its President, Ms. Djuna Alcantara. The contest aims to instill in the consciousness of the Ilokanos, the legacy of the Iloko Language.

Rang-ay Bank's partner in this endeavor is GUMIL Filipinas (GF), an active group of Ilokano writers in the Philippines and abroad with hundreds of active writer-members worldwide.

The winners for the Online Iloko Poetry Writing Contest are Richie Noveloso of Luna, La Union (1st place), Kaye-Cee Lacar Alejandro of Caba, La Union (2nd), Tricia Mae Cruz of Cabugao, Ilocos Sur (3rd), Claudine Flores of Cabugas, Ilocos Sur (4th) Cheryl Galon of Candon, Ilocos Sur (5th) and Michael John Ancheta of Bacarra, Ilocos Norte (6th).

The judges are: Mr. Peter La Julian, a writer and a lecturer in journalism and Ilokano writing; Dr. Edilberto Angco, an Ilokano and English writer who is former Director of public Relations and Publications Department, Philippine Red Cross National Headquarters and Mr. Al Gerald Barde, GUMIL LUSFC Director and Youth Club Adviser. Some 66 entries were officially submitted by contestant writers aging from 15-35 years old from Region 1 and the Cordillera Administrative Region.

TULONG EDUKASYON: DONATION DRIVE AND MINI SYMPOSIUM

Rang-ay Bank supported the project of the Rotary Club of San Fernando North and Rotary Club of San Juan by participating in the "Tulong Edukasyon: Donation Drive and Mini-Symposium" held at Almeida Elementary School in Balaoan, La Union last March 6, 2021.

The Rotary Project include Coastal Clean-up Drive in Brgy. Paraoir, Balaoan, La Union, Tree Planting and Tulong-Edukasyon: Donation Drive for Almeida Elementary School as well as Mini-Symposium. The program was participated by the 4P's Families and teachers of the school.

2021 STOCKHOLDERS' MEETING

Rang-ay Bank held its Annual Stockholders' Meeting via Teleconference last April 25, 2021. The yearly meeting of the bank's shareholders is organized to report the company's business operations for fiscal year of 2020 and to elect the Board of Directors.

Despite the pandemic, the bank continued lending to the agricultural sector. 35% of the bank's loanable funds were extended to agricultural projects and farmers. The bank was once again accredited as a Rural Financial Institution (RFI) by the Bangko Sentral ng Pilipinas. Likewise, the bank continues to support local businesses by lending to micro, Small and Medium enterprises (mSMEs). In support of its borrowers, the bank implemented the "Bayanihan Heal as One" (BAHO) Act and "Bayanihan to Recover as One (BARO) Act" providing penalty-free extensions to all qualified borrowers.

2020 also marked the opening of the bank's 30th Branch in the G/F of Aringay Public Market in San Benito Sur, Aringay, La Union. The year also saw the deployment of five (5) additional ATM units from DBP and EnCash now totaling to 10 units. The bank became a full member of the Philippine Electronic Fund Transfer & System Operations Network (PESONET) making bank-to-bank transfers easier and SSS benefits more accessible.

ATTY. RODOLFO "RUDY" M. NISCE : 100th BIRTHDAY

Rang-ay Bank commemorates the 100th Birthday of the late Atty. Rodolfo M. Nisce, who was born on May 23, 1921, in Luna, La Union to Don Teofilo Nisce and Rosario Madamba of Dingras, Ilocos Norte. Together with his wife, Eufrosina Querol, and other members of their family, they put up Rang-ay Bank in 1956. Atty. Nisce served as the first President of the bank since it's establishment in 1956 up to 1976 and then was the Chairman of the Board of Directors from 1977 until he passed away in 1993. He guided the first private bank in La Union to become the biggest in its class in the Ilocos and Cordillera Regions with 30 branches in the six provinces of La Union, Ilocos Sur & Norte, Pangasinan, Abra and Benguet.

Atty. Nisce is a born leader and a very civic oriented person who helped organize the 1st Rotary Club of La Union and became its president. He was the elected as District Governor of Rotary International, the first Rotarian from Region I to be elected to the position. He was also active in religious and charitable organizations and served as Provincial Board member of the province of La Union from 1980 to 1986.

The bank partnered with the Rotary Club of San Fernando, La Union to set up the Rotary PDG Rudy Nisce Foundation which supports deserving students pursue their college education.

RANG-AY PRESIDENT ELECTED NATIONAL DIRECTOR OF RBAP

The Rural Bankers Association of the Philippines (RBAP) conducted its 68th Annual National Convention and General Membership Meeting with a theme: "Paving the Way to the Economic Recovery" via teleconference last May 25-27, 2021.

One highlight of the three-day event is the annual elections of the RBAP officers. Rang-ay Bank President & CEO Ives Jesus Nisce II was elected as the National Director representing Region 1 (Ilocos & Cordillera) for the Rural Bankers Association of the Philippines (RBAP).

RBAP is the national association of rural banks which was founded in 1955 and has since grown into a network of over 400 rural bank members nationwide covering more than 80% of the municipalities and cities of the Philippines. Rang-ay Bank Chairman Ives Nisce was the national president of the association in 2000 to 2001.

NEW PERAHUB SERVICES NOW AVAILABLE

Rang-ay Bank will now offer more services through its partnership with PETNET. Select branches can now service Cebuana Lhuillier Pera Padala, USSC domestic pay-out and send-out transactions, and GCash Cash-in and Cash-out through the partnership. PETNET also offer International pay-out and send-out powered by Western Union, Transfast and iRemit.

With the bank's 30 branch network in the 6 provinces from Rosales, Pangasinan to Bangui, Ilocos Norte, it is now easier for the people in the regions to access remittance, micro-insurance, e-money and other banking services. Rang-ay ensures the 100% security and reliability of your domestic and international money transfer thru PERA HUB.

PAY YOUR BILLS AT RANG-AY BANK POWERED BY ECPAY

Rang-ay Bank in partnership with ECPay lets you pay your bills in the most convenient, reliable and easiest way. Pay for your electric and water utilities, postpaid mobile phone, loans, insurance, cable and internet thru ECPay at any of the 30 branches of Rang-ay Bank in Region 1 and Cordillera Region.

The new process of Bills Payment powered by ECPay complies with the government's regulation on Republic Act No. 10173, otherwise known as Data Privacy Act. This law seeks to protect all forms of information and is meant to cover natural and juridical persons involved in the processing of personal information. With this new update, clients may now use their mobile number in any ECPay transactions as easily as these 3 steps.

RENEWS RANG-AY'S APDS ACCREDITATION

The Department of Education (DepED) has approved Rang-ay Bank's re-accreditation for the Automatic Payroll Deduction Scheme (APDS) under IBM Code No. 300 last September 24, 2021.

The new Memorandum of Agreement (MOA) will be effective until 2025, allowing the bank to continue its Salary Loan Program to teaching and non-teaching personnel of public elementary and secondary schools in the Ilocos and Cordillera Regions. The bank has been DepED's partner since 1990 being one of the first APDS accredited bank in the country.

RANG-AY PRESIDENT ELECTED AS PPMI DIRECTOR

Rang-ay Bank President & CEO Ives Jesus Nisce II was elected as a Director of the Philippine Payments Management, Inc. (PPMI) last September 20, 2021 representing the rural banking sector. The PPMI Board is composed of representatives from the universal and commercial banks, thrift banks, rural banks, and non-bank e-money issuers (NB-EMIs). As well as independent executives that represent broader public interest.

The PPMI is the Philippines' duly recognized self-governing body tasked to support the Bangko Sentral ng Plipinas (BSP) in overseeing proper operations and monitoring the implementation progress of the National Retail Payment System (NRPS) by enforcing its governance framework. PPMI also manages the two (2) major Electronic Fund Transfer (EFT) services in the Philippines, the PESONet and InstaPay. Both are trustworthy and reliable fund transfer services backed by the BSP.

SUPPORTING mSMEs WEEK

Rang-ay Bank supports the micro, Small, and Medium Enterprise Development (mSMED) Council, with the Department of Trade and Industry (DTI), in the celebration of the National mSME Week 2021 from August 2 to 6 with the theme, "Makabagong mSMEs, Bagong Pag-asa Laban sa Pandemya."

In the Province of La Union, various activities were held to institute continuing awareness of the primacy of mSMEs in nation-building. The Rang-ay team participated in the Financing Forum conducted by DTI-La Union held at CSI Atrium, City of San Fernando, La Union last July 13, 2021, which was attended by businessmen and women all over the province. Area Manager for South Branches Winnie Mingaracal together with Marketing Officer Florence Joy Licudine discussed the bank's products and services emphasizing the bank's mSME Business Loan Program designed for entrepreneurs.

Rang-ay Bank believes in local business with active compliance to Republic Act 9501 or the "Magna Carta for micro, small and Medium Enterprises (mSMEs)" and Bangko Sentral ng Pilipinas (BSP) Circular No. 625 since 2008, mandating allocation of credit resources for mSME's. The bank exceeded the 10% mandatory compliance set by BSP with 71.33% of its qualifying loan portfolio lent to mSME's and agri-businesses as of December 31, 2020.

RANG-AY JOINS DTI FINANCING FORUM FOR MSMEs

Rang-ay Bank supports the Financing Forum for micro, Small & Medium Enterprises (mSMEs). A project of the Department of Trade and Industry (DTI) with the Negosyo Center Bacnotan in promoting mSME growth and development by providing access to information, access to finance, access to market and access to training. This forum also aims to increase entrepreneurs' awareness on sources of funding available for their own businesses.

Rang-ay Team discussed the bank's products and services giving emphasis to the mSME Business Loan Program for entrepreneurs. This loan program is available to businessmen or would-be entrepreneurs looking for additional capital and asset financing. This quick affordable loan program has very flexible terms to accommodate any business or commercial endeavor from start-up capital to revolving inventory loans to revolving credit lines.

STRATEGIC PLANNING AND WORKSHOP FOR 2022

Rang-ay Bank conducted its Strategic Planning and Workshop for 2022 in multiple venues in Ilocos Sur and La Union on October to November 2021. As Covid-19 pandemic continue unabated, health protocols were strictly implemented during the sessions to ensure the safety of the Officers.

North Branches held their Strategic Planning sessions at Port Adventure in San Esteban, Ilocos Sur last October 23, 2021 attended by the Senior Managers and Branch Managers of the 13 branches in the North Area. On the same day South Area with 12 branches conducted their workshop at Marand Resort & Spa, Baccuit, Bauang, La Union. While on October 30, 2021, Head Office departments & units successfully conducted their Strategic Planning Workshop at Plaza de Castiel Hotel & Spa, Urbiztondo, San Juan, La Union. On the same venue, Central Branches also held their planning and workshop last November 6, 2021.

The events served as activities to set priorities, focus energy and resources, strengthen operations, ensure that the Board, Officers and Staff are working toward common goals, establish agreement around intended targets, and assess and adjust the organization's objectives for 2022 and beyond.

As Chairman Ives Nisce said in his closing remarks, "those who fail to plan, plan to fail" that is why Rang-ay Bank continues to organize Strategic Planning and Workshops for the Officers to review the bank's operations and align its medium and long term targets. It also allows the company to be proactive to anticipate future needs and prepare accordingly. Strategic Planning also helps each officer to define their goals for 2022 while keeping track of their accomplishments for this year.

EMPLOYEE ENGAGEMENT

EMPLOYEE RECOGNITION

With the theme "Blue Jeans and Facemask Party", the event held at the bank's Conference Hall at 30% capacity with branch employees participating via Zoom.

The celebration started with an e-Mass at Rang-ay Head Office 4th floor followed by an online roll-call of the branches. The e-Greetings from all the branches and Head Office units were shown. Adding fun to the celebration were the performance of Magsingal Branch and live presentations from Baguio Branch & CMU-RMU Department. Bacnotan Branch was adjudged as Best in e-Greetings while CMU-RMU Department won Best in Presentation.

A major highlight of the event was the recognition of the top performing Clusters, Branch & HO Unit for the 1st Semester of 2021. Dagupan Cluster (Dagupan & Rosales Branches) was awarded as the Top Performing Cluster while Accounting Department & Office of the Area Manager (South) received the President's Award during the 1st Semester of 2021.

ALOHA! PASCUA NGA NARANG-AY

Rang-ay Bankers, for the second straight year, celebrated its annual Christmas Programme 'virtually' last December 17, 2021 with the theme: "Aloha, Pascua nga naRang-ay". Despite the restrictions due to the pandemic, Rang-ay Bankers still felt the essence of Christmas as all the Bankers from the Head Office and all 30 branches connected online in their colorful South Pacific attire.

This year's Christmas celebration started with an e-Mass followed by a roll call of all bank branches and departments. A welcome address & Christmas message from Chairman Ives Q. Nisce jumpstarted the event.

The bank recognized the top performing bankers of the year. The awardees were Renalyn Murao (Female H.O Support Staff of the Year), Darwin Rimando (Male H.O Support Staff of the Year), Leah Joy Manaois (Bank Influencer of the Year), Gladys Trinah Corpuz (Rookie of the Year), Beverly Kim Abun (Teller/Cashier of the Year), Lornalyn Laita (Bank Associate of the Year for Loans), Jovel Foronda (Bank Associate of the Year for Deposit) and Juanito Guiron Jr. (Field Staff of the Year). Jojit Delizo of Tubao Branch (Guard of the Year) and Christian Peralta of Bangued Branch (Messenger of the Year) were also recognized.

Adding fun to the event were the prerecorded presentations coming from La Trinidad (B), San Juan (LU) and Sinait (IS) Branches which were viewed online. Christmas e-greetings by each branch and department were also shown at the program. President & CEO Ives Jesus Nisce II in his closing remarks expressed his warm congratulations to all Officers and staff for helping the bank continue our Mission and Vision to hasten progress in the communities of the Ilocos Region and Cordilleras and empowering North Luzon with globally competitive banking services in a year filled with continued challenges brought about by the ongoing pandemic.

10 YEAR SERVICE ACHIEVEMENT AWARDEES

Rang-ay Bank recognized five (5) Bank Officers for their invaluable contributions in helping Rang-ay Bank become the leading bank of its class in the Ilocos and Cordillera Regions through their 10 years of service. The awardees were presented by Rang-ay Bank Chairman Ives Nisce together with Director Ivy Rose Nisce-Martinez and President CEO Ives Jesus Nisce during the annual Christmas Programme of the bank held last December 17, 2021.

The recognition program for the Service Achievement Awardees is the bank's way to commend and acknowledge the Officers' dedication, loyalty and leadership to Rang-ay Bank. Congratulations to all the awardees:

- Kaye Ann Culbengan (Credit Management Officer - Head Office)
- Reymond P. Panit (Remedial Management Officer - Head Office)
- Ma. Luzviminda T. Mendoza (Treasury Officer - Head Office)
- Jeanalyn B. Cequeña (Board Secretary - Head Office)
- Eden Prime O. Balongcas (Branch Manager - Bacnotan Branch)

CORPORATE SOCIAL RESPONSIBILITY

CANDON (ILOCOS SUR) BRANCH

Rang-ay Bank Candon (Ilocos Sur) Branch celebrated its 24th Anniversary with a donation of medical supplies and vitamins for the Senior Citizens of Brgy. San Antonio, Candon City, Ilocos Sur last March 24, 2021.

The team led by Area Manager for North Branches Rowena Rosales together with Candon Senior Branch Manager Janice Peralta and Marketing Team turned over 10 pieces of BP monitor, 10 pieces of weighing scale, 5 pieces of Nebulizer and 80 boxes of Vitamin C to the Federation of Senior Citizen of Candon City. Federation of Senior Citizens President Benito Galdones expressed his gratitude to Rang-ay Bank for the love and care for the senior citizens of Candon City.

Marketing Officer Florence Joy Licudine also conducted Financial Literacy Training focusing on Scam Prevention and Awareness to educate the seniors on how to detect and prevent scams.

LA TRINIDAD (BENGUET) BRANCH

La Trinidad (Benguet) Branch marked it's 14th Anniversary by donating 100 full body protection PPE to the health workers of the Local Government Unit of La Trinidad on March 28, 2021.

As front liners, the bank appreciates the efforts of our health workers worldwide who fight against the Covid-19. Rang-ay Bank aims to give protection to our front liners by giving sets of PPE's to the Barangay Health Workers (BHW) and contract tracers of La Trinidad. Mayor Romeo Salda expressed his gratitude to Rang-ay Bank in behalf of La Trinidad Health Workers for the donations that will give protection to our modern day heroes, the front liners.

Rang-ay Bank La Trinidad Branch has been in the City of La Trinidad Benguet since 2006 serving farmers, agribusinesses and entrepreneurs in La Trinidad and nearby municipalities of Benguet.

SAN JUAN (LA UNION) BRANCH

As part of the celebration of the 8th Anniversary of San Juan (La Union) Branch, Rang-ay Bank donated CCTV surveillance package to Local Government Unit of San Juan last March 16, 2021 intended for the town's public market.

The team led by Area Manager for Central Branches Thelma Evelyn Tabafunda together with San Juan Branch Manager Novelyn Luebben and Marketing Officer Florence Licudine turned over the donation to San Juan Mayor Arturo Valdriz. The project aims to provide safety and security for market vendors and goers of San Juan La Union.

ROSARIO (LA UNION) BRANCH

Rang-ay Bank Rosario (La Union) Branch marked its 3rd Anniversary serving the people of Rosario Town by donating 120 health kits to senior citizens and persons with disabilities (PWDs). The turnover event was conducted at the Municipal Covered Court last April 19, 2021.

The Rang-ay team presented the health kits containing 1 box of vitamin C, 1 box of facemasks, faceshield and alcohol to Rosario Mayor Atty. Bellarmin Flores II. The Mayor and the Rang-ay team distributed kits to the seniors and PWDs in a special meeting. During the short program, the Mayor expressed his gratitude to Rang-ay Bank in behalf of the Senior Citizen Federations and PWDs of Rosario for thinking of the wellbeing, health, and safety of their towns seniors and less fortunate.

As we continue to live in the new normal, Rang-ay Bank also continues to extend support to the local communities by conducting community projects all over Region I and the Cordilleras. Projects organized by the bank are properly coordinated with their respective Local Government Units (LGUs). All Covid and safety protocols are followed in each event. The bank wishes everyone to stay safe and healthy. Rang-ay Bank Rosario (La Union) Branch marked its 3rd Anniversary serving the people of Rosario Town by donating 120 health kits to senior citizens and persons with disabilities (PWDs). The turnover event was conducted at the Municipal Covered Court last April 19, 2021.

SAN FERNANDO (LA UNION) MAIN BRANCH

Rang-ay Bank continues to conduct community projects coupled with Financial Literacy Trainings. It is the bank's way of expressing its love and care to the local people who also puts their trust in Rang-ay Bank.

San Fernando (La Union) Main Branch marked the bank's 65th Anniversary by donating monoblock chairs to Maris Ti Daya Multi-Purpose Cooperative located in Sitio Parparya, Brgy. Nagyubuyuban, City of San Fernando, La Union last March 30, 2021. The cooperative is headed by Chairman Marivic Judan. She expressed her appreciation to Rang-ay Bank for supporting their cooperative. The Rang-ay Marketing Team also conducted Financial Literacy Training to educate the members of the coop on the importance of saving.

BALAOAN (LA UNION) BRANCH

Rang-ay Bank Balaoan (La Union) Branch marked its 15th Anniversary with the donations of fifty (50) chairs, ten (10) tables and office supplies to the Senior Citizens of Santol, La Union last April 8, 2021. The team led by Balaoan Senior Branch Manager Maria Dulce Gonzalo together with Marketing Team delivered the donations to the Officers of the Federation and conducted Financial Literacy Training focusing on fraud and scam awareness. OSCA President Corazon Arellano expressed her gratitude to Rang-ay Bank in behalf of 1000 members of the senior citizens federation.

ARINGAY (LA UNION) BRANCH

Rang-ay Bank Aringay (La Union) Branch donated grocery packs containing rice, coffee, alcohol and faceshields to forty (40) indigent families residing in San Benito Sur, Aringay, La Union last May 4, 2021. Aringay Branch Manager Analyn Mendigoria with the banks Marketing Team turned over the handbags to San Benito Sur Brgy. Chairman Helen Frigiliana who identified and distributed the bags to the beneficiaries. Amidst these trying times, Rang-ay Bank with the support of the Local Government Units (LGUs) remain committed in advocating volunteerism to help alleviate the health, economic, safety, and security threats of the Covid-19 pandemic to our kababayans.

NARVACAN (ILOCOS SUR) BRANCH

Narvacan (Ilocos Sur) Branch marked its 12th Anniversary with a donation of 100 long sleeve jerseys to the Narvacan Tricycle Operators & Drivers Association (NATODA) last May 12, 2021. The Rang-ay Team distributed the jerseys to tricycle drivers in terminals of Narvacan, Ilocos Sur. NATODA President, Florence Arcala expressed her thanks to Rang-ay Bank in behalf of drivers and operators who are also frontline transport workers.

LUNA (LA UNION) BRANCH

To celebrate its 9 years of service, Luna (La Union) Branch donated long-sleeved shirts and sunhats to the Stone Pickers Association of Luna, La Union: Pebble Capital of the North. Pebble picking is one of the primary local industries in Luna, La Union. Rang-ay Team turned over the donations to the beneficiaries and conducted a Financial Literacy Training. Brgy. Magallanes Chairwoman Arcely Apilado and the President of Luna Stone Pickers Association Mr. Henry Dinangan thanked Rang-ay Bank for supporting the local cottage industry of Luna and its workers.

MAGSINGAL (ILOCOS SUR) BRANCH

On August 23, 2021, Magsingal (Ilocos Sur) Branch celebrated 10 years of serving the people of Magsingal with a theme "Faith Begins with Sharing. Praise God with Hands of Help. Share The Faith. Share Your Blessings". The bank donated 50 monoblock chairs and a projector set with screen to San Isidro Parish Church in San Juan, Ilocos Sur. The donations was received by Rev. Father Sergio Ganado Jr. and Parish Secretary Emilita Renon.

AGOO (LA UNION) BRANCH

In Agoo La Union, Rang-ay through the initiative of Rotary Club of San Fernando City North-La Union expressed its love and care to the DSWD Home of Abused Girls in San Nicolas West, Agoo, La Union last September 2, 2021. The bank donated musical instruments including a drum set, an electric acoustic guitar, an amplifiers & a ukulele as well as beddings, pillows, blankets and bed sheets. Area Manager for South Branches Winnie Mingaracal together with Agoo Senior Branch Manager Joanna Timichan and Marketing Team turned over the donations and conducted a Financial Literacy Training focusing on Financial Planning to educate the girls on the importance of savings.

BANGUI (ILOCOS NORTE) BRANCH

Rang-ay Bank Bangui (Ilocos Norte) and San Fernando Highway (La Union) branches celebrated both their 3rd Anniversaries with the senior citizens in their respective towns last May 6 and June 24, 2021.

Rang-ay Bangui distributed health kits containing face masks, face shields, alcohol and hand soaps to the Federation of Senior Citizens of Bangui. Office of the Senior Citizens Association (OSCA) Head Ms. Rosal Ragasa and Federation President Ms. Imelda Sales expressed their appreciation to Rang-ay Bank on behalf of more than 2,000 members of the federation for showing their love and care to the seniors of the northernmost town that Rang-ay serves.

SAN FERNANDO (LA UNION) HIGHWAY BRANCH

Highway (La Union) Branch also distributed health kits with vitamins to the senior citizens of Brgy. II, City of San Fernando, La Union. Association President Marcial Estolas expressed his sincerest gratitude to Rang-ay Bank in behalf of the senior citizens of Brgy. II for the donation that will provide added protection to the elders against the threat of the Covid-19 virus.

SAN FERNANDO (LA UNION) HEAD OFFICE

Throughout years, Rang-ay Bank continues to extend its helping hand to our local communities by giving back to the local people of Region I and Cordilleras who have placed their trust in the bank.

As part of the 65th Anniversary celebration of Rang-ay Bank, the bank donated CCTV surveillance system to La Union Police Provincial Office (LUPPO) in Camp Diego Silang, Carlatan, City of San Fernando, La Union last August 12, 2021. The team led by President & CEO Ives Jesus Nisce II together with Area Manager for Central Branches Thelma Evelyn Tabafunda, Security Officer Reggie Ordoño and the Marketing Unit turned over the donation to PNP Director Jonathan Calixto who Jonathan Calixto who expressed the gratitude of his command to Rang-ay Bank.

Community Projects organized by the bank are properly coordinated with their respective Local Government Units (LGUs). All Covid and safety protocols are followed in each event.

CONCLUSION

More than a health crisis, the COVID-19 pandemic has become an economic crisis as well, with the pandemic's impact reaching all sectors of the economy. In spite of such challenges, however, financial institutions have pressed on and stood unwavering in performing their valuable roles in the economy as economic frontliners. Rang-ay Bank, for its part, continued to serve its clients in the financial market as it maintained it extension of credit to mSME, farmers, fisherfolk and salaried employees in the private & public sectors.

Despite the volatility in the financial markets, Rang-ay Bank's performance remained steady. Such performance is reflected by its asset growth which though minimal, expanded year on year. Moreover, the bank maintained its position as the biggest bank in it's class in the Ilocos, Pangasinan & Cordillera provinces.

With the continuing trust of our depositors & clients, the dedication and diligent efforts of our officers & staff and the steadfast support of our directors & stockholders, we stand ready to face the challenges of a third consecutive year operating in a pandemic, crafting & implementing plans and strategies to remain relevant and ensure the robustness of our banking institution amidst the ongoing health crisis.

IVES Q. NISCE
Chairman

RISK MANAGEMENT FRAMEWORK

RISK MANAGEMENT- GENERAL POLICY

It is the thrust of the Rang-ay Bank (A Rural Bank), Inc. (RBI) to promote the adoption of effective risk management systems to sustain its safe and sound operations. Cognizant that risk is inherent in all activities, products and services, and is closely tied in with other types of risks (e.g., credit, liquidity and market risks), RBI sets the guidelines to clearly set and define the minimum prudential requirements on risk management.

The policy document outlines guidelines mandated by the Board of Directors in the identification, evaluation, measurement, monitoring and reporting of all risks associated with the activities conducted by the Bank's organization. These guidelines align existing regulations to the extent possible, with international standards and best practices in the industry.

Risk refers to the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. This definition includes legal risk, but excludes strategic and reputational risk. Risk is inherent in all activities, products and services, and cuts across multiple activities and business lines within the RBI.

The Bank's risk management focuses on proactive measures in order to ensure business continuity as well as the accuracy of information used internally and reported externally, a competent and well-informed staff, and its adherence to established rules and procedures as well as on security arrangements to protect the physical and IT infrastructure of the Bank.

A. Roles and Responsibilities of Board of Directors (Risk Management)

The duties and responsibilities of the Board of Directors in relation to the effective management of risk include the establishment of a comprehensive and effective risk management framework as part of the enterprise-wide risk management system.

B. Roles and Responsibilities of the President and Senior Management (Risk Management)

Senior management led by the President shall be responsible for the implementation and consistent adherence by all personnel to the operational risk management framework approved by the board of directors.

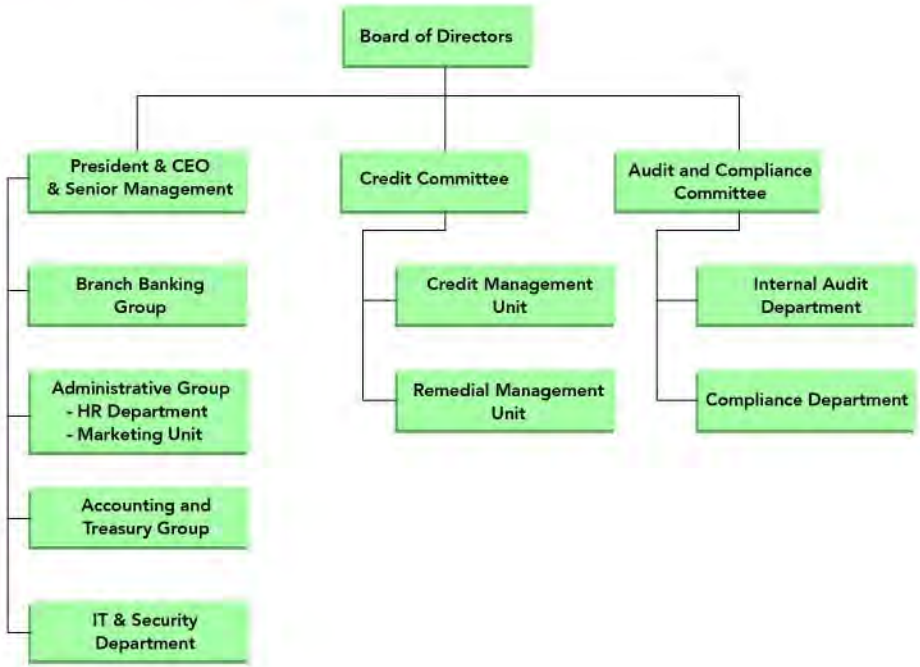
RISK APPETITE AND STRATEGY

The bank has a conservative risk appetite. This can be seen in its operations, credit practices and emphasis to managing liquidity. The bank has always been a traditional rural bank fulfilling its mandate as a countryside financial institution. Rang-ay Bank has identified major risk areas that could affect its operations.

Risk	Description	Department/Unit	Risk Champion
1. Credit Production and Credit Processes	Credit Risk is managed by having clearly defined credit and collection process and procedures. Loan operations are largely traditional with a majority of the bank's loan portfolio covered by mortgages. Most of the bank's loan programs are secured by real estate mortgage. Real estate is unique and always appreciates. This ensure that past due loans can be liquidated in the future. While the bank offers unsecured loans, this is limited with some of its unsecured programs covered by government guarantee programs.	-Credit Management Unit -Remedial Management Unit	Vice President- Credit and Remedial Management Department
2. Operational	Operational Risk is a multi-department concern. This risk area is a result from deficiencies in system design, implementation, or ongoing maintenance of systems or equipment. Operational risk can increase when a bank hires outside contractors to design products, services, delivery channels and processes that do not fit with the bank's system. On one hand, Operational Risk can be seen as a largely people-related risk area. This is how bank officers and staff adhere to internal systems of control and reporting. Human Resources Department ensures that bank staff are sufficiently trained to know the bank's reportorial systems and operational processes. This is further reinforced by the fact that all employees are "home grown" which is also evidence of the bank's conservative nature. On the other hand, operational risk can also be seen as Information Technology Risk by how the management information system of the bank ensures correctness of data and information. The bank is not an IT company and thus relies on the expertise of IT solutions providers. The system is managed primarily by the IT provider. However, the bank employs an IT Department which is the first level support of the bank.	-Accounting Department -Information Technology Department -Area Managers -Human Resource Training and Assessment Team	General Bookkeeper Vice President for IT & Security Marketing/CAG Heads Senior Manager, People & Organizations
3. Liquidity	Liquidity Risk is one of the primary risk areas of the bank. The ability to service depositor withdrawals in particular is of the highest priority. Depositor base of the bank is widespread to reduce market risk. A large majority of depositors can be classified as micro-deposits limiting risk of one time big withdrawals. The bank's treasury unit reports to the President & CEO funds of the bank daily. Management maintains a high level of liquidity with most of the bank's funds in easily callable short term placements.	-Treasury Cash Management Unit	Senior Manager; Cash & Remittance Management
4. Compliance	Compliance Risk is the risk to earnings or capital arising from violations of, or nonconformance with laws, rules, regulations, prescribed practices, or ethical standards. Compliance risk also arises in situations where the laws or rules governing certain bank products or activities of the bank's clients may be ambiguous or untested. Compliance risk exposes the institution to fines, civil money penalties, payment of damages, and the voiding of contracts. While Compliance Risk encompasses several areas of	-Compliance Department	Compliance Officer

	operations ranging from compliance to labor laws to compliance to the taxation schemes of the Bureau of Internal Revenue, generally, the main compliance area is to the Bangko Sentral ng Pilipinas. The BSP is the main governing body for banks and as such many of its regulations should be strictly studied. The bank's Compliance Department is tasked with not only reviewing and reporting new BSP circulars but also reporting to the board, creating policies for internal compliance and corresponding with the government body. The bank has a strict policy to complying with BSP and all government institutions and laws.		
5. Reputational	Reputational Risk is one of the biggest concerns for any rural bank. Unlike universal and commercial banks owned by conglomerates, government and members of the 1%, rural banks are still part of local communities we operate in. Trust and confidence of the bank's clients are based on their own personal faith in the people who run the bank. Any potential misunderstanding can cause people to lose faith in the bank. As such, the bank gives high priority to client complaints and concerns. Customer care and communication are important skills we convey to everyone. The image of the bank is also highly protected by the board, management and employees of the bank.	-Area Managers -Marketing Unit -Business Units	Customer Assistance Group (CAG) Heads Marketing Officer Senior Branch Managers
6. Business Continuity	Business Continuity risk arises from the failure to undertake appropriate advanced planning related to critical processes to ensure the ability to recover and maintain business operations in the event of a disruption of critical operations due to internal and external threats, which may be natural, man-made or technical in origin.	-Accounting Department -Treasury Cash Management Unit -Information Technology Department	General Bookkeeper Senior Manager; Cash & Remittance Management Vice President- IT & Security
7. Information Technology	IT Management risk arises from failure to prioritize technology initiatives and effectively allocate and direct IT resources in order to achieve the strategic corporate goals and objectives.	-Information Technology Department	Vice President- IT & Security
8. Human Resource Communication	This is the ability/inability to recruit and retain qualified employees to ensure optimal staffing levels in a balanced workforce environment. It also requires the capacity/failure to understand and respond to the needs of employees.	-Human Resource Recruitment & Compensation Unit	Senior Manager, People & Organizations

RISK GOVERNANCE STRUCTURE



RISK MANAGEMENT PROCESS

Risk management encompasses the whole of the bank, from the Board of Directors to the Rank and File. The bank's Board is the primary risk management body of the bank. It is up to the board to be aware of banking trends and industry practices which affect operations and risk management. This is done by being active in the banking community through participation in RBAP events, BSP dialogues, and other commercial and industry sector groups. The bank also has two board-level committees which handle risk area.

To help the board, management is given responsibility to monitor specific areas of risk. Monitoring and a managing risk is a task delegated to individual Head Office departments and units. To help departments and units with risk management, trainings on risk management and exposure to industry practices are part of the human resource development of the bank. While risk areas are, more often than not, multifaceted, the departments or units primarily tasked with monitoring particular risk areas area stated below:

RISK AREA	DEPARTMENT/UNIT
Liquidity Risk	Treasury Unit
Credit Risk	Credit Management & Remedial Management Units
Operational Risk	Human Resources, Accounting and Information Technology Departments
Compliance Risk	Compliance Department
Reputational Risk	Marketing Unit, Human Resources and Business Units
Business Continuity	IT, Security & Accounting Departments
Information Technology Risk	Information Technology Department
Human Resources Risk	Human Resources Department

Secondary responsibility of monitoring risks are delegated separately. For example, while cash management is a Liquidity Risk, the BSP or other government regulators may mandate or require minimum cash holdings. Compliance Department thusly would then need to coordinate with the bank's Treasury Unit.

Each department and unit are then to report their findings in weekly Management Team Meetings (MTMs). MTMs are presided over by the bank's President and Chief Executive Officer. Business Units are also able to directly contribute to identifying risk areas through their participation. MTMs are venue for announcing and discussing new bank policies and revisions to existing practices. Instructions from the bank board are also discussed in the MTM. New guidelines and revisions are debated in the MTMs with changes formalized thru memoranda.

Alternatively, bank officers can contribute to identifying risks through the bank reporting lines through its Incident Report System. All bank personnel are required to submit Incident Reports (IRs) to Head Office for any and all incidents, deviances from standard practices, client complaints, mistakes, equipment malfunction or breakdown and other issues they encounter in daily operations. The reports are then routed to the appropriate department concerned. The bank also has a whistle blower policy that is directed to the President & CEO. Incident Reports on major events/exceptions are then reported to the board in scheduled board meetings.

ANTI-MONEY LAUNDERING GOVERNANCE AND CULTURE

The bank's Compliance Department has clear guidelines to ensure not only compliance to AMLC policies, but more so to ensure that the bank is not used by criminal elements for money laundering purposes. The Money Laundering Prevention Program (MLPP) is embodied in the Anti-Money Laundering Manual, Ninth Edition approved under Board Resolution No. 115 dated September 15, 2021. The AMLA Manual was subsequently enhanced to consider the uniform and consistent adoption of approved risk profiling methodology as presented in Compliance Memo No. 2018-04: Revised AMLA Risk Rating Scorecard issued August 16, 2018.

To further strengthen the MLPP, the bank regularly holds trainings and seminars to ensure that each and every employee is aware of Money Laundering and ways to prevent it. All new employees undergo AMLA seminars. The bank also sends its officers and staff to trainings and seminars to further enhance their Anti-Money Laundering skills. Below is the list of AMLA seminars for bank staff for the year 2021.

DATE	SEMINAR/ORIENTATION	CONDUCTED BY	ATTENDEES
29 January 2021	AMLA Orientation	Rang-ay Bank Compliance Department	20
04 February 2021	AMLA Orientation	Rang-ay Bank Compliance Department	20
18 February 2021	Virtual Training on AML Rules and Regulations and Risk Rating System	Rural Bankers Research and Development Foundation, Inc.	3
02 July 2021	Virtual Training on AML Rules and Regulations and Risk Rating System	Rural Bankers Research and Development Foundation, Inc.	1
18 August 2021	AMLA First-timers/Refreshers Training Session	PETNet Training Center (Western Union)	5
09 September 2021	AMLA Briefing	Rang-ay Bank Compliance Department	6
22-23 December 2021	AMLA Orientation	Rang-ay Bank Compliance Department	11

To ensure that all rules and guidelines with regards to AMLC are complied with, the Compliance Department is an active participant in weekly Management Team Meetings. Relevant information to update the employees on AMLA and other compliance matters are cascaded through these weekly discussions. These are documented in the minutes of each meeting and further emphasized in Compliance Memos. This is on top of the regular visits of the Compliance Department to branch units. Below is the list of Compliance Department Memoranda for 2021.

DATE	DESCRIPTION	ATTENDEES
2021- 01	Most Wanted Persons	02 July 2021
2021- 02	Standard Documents to be Digitized (Included in Client Information File (CIF))	23 August 2021

To improve and effectively monitor the MLPP, the Compliance Department approaches and deals with Money-Laundering thru a holistic approach. Money Laundering will be an issue that is the responsibility of all members of the bank from the board to the rank and file. AMLA now covers more facets of the bank's operations. Specifically, the Compliance Department looks to review and monitor other transactions of the bank to guard against possible money-laundering activities. The enhanced MLPP now covers the following items:

1. Close coordination with branches and Head Office Support Units to report to Compliance Department all CTRs/STRs for prompt submission of reports to AMLC.
2. Preparation of Monthly Summary of CTRs/STRs by Compliance Associate and checked by Compliance Officer.
3. Regular update of PEP listing by branches.
4. The register of Manager's checks is issued to determine CTRs/STRs.
5. The Remedial Management Unit in charge of ROPA transactions reports to the Compliance Department. A monthly summary of ROPA sales is prepared.
6. Conduct of compliance testing visits to branches and support units. Part of the testing program to branches is AMLA as to compliance to KYC requirement and reporting of CTRs.
7. The roles of the Internal Audit Department and the Compliance Department are complementary in the MLPP. Internal Audit reports are reviewed by the Compliance Officer whose observations/suggestions are taken up in the Board Audit Committee meetings.

The AMLA Manual Tenth Edition was approved by the Board of Directors under Board Resolution No. 115 dated September 15, 2021.

CORPORATE GOVERNANCE STRUCTURE

OVERALL CORPORATE GOVERNANCE STRUCTURE AND PRACTICES

The Board of Directors values the principles of good corporate governance. In carrying out its advocacy of good corporate governance, Rang-ay Bank implements a structure consisting of: (1) Board of Directors and Board-level Committees as primarily responsible for approving and overseeing the implementation of the Bank's strategic objectives, risk strategies, organization, financial soundness and governance; (2) Executive Management, responsible for the implementation of the strategies and initiatives approved by the Board; (3) Internal Audit & Compliance Departments, responsible for the implementation of key control functions, such as risk management, compliance and internal audit.

The Bank's Board of Directors and Management, officers and staff consistently adhere to the best practices of good governance principles of fairness, accountability, independence and transparency.

SELECTION PROCESS FOR THE BOARD AND SENIOR MANAGEMENT

The Board of Directors are elected by the stockholders during the annual stockholders' meeting. All members of the board of directors of the bank must be fit and proper for the position of a director.

The Senior Management includes the President and CEO, the Compliance Officer and the Area Managers (Central, South and North Clusters). The Senior Management are appointed by the Board of Directors in coordination with the Human Resource Department to ensure the application of fit and proper standards. They must have undergone various trainings/seminars and possess competencies relevant to the function such as knowledge and experience, skills and diligence. Senior Management members are also subject to hiring standards of the bank and on the regulations set by BSP.

BOARD'S OVERALL RESPONSIBILITY

The Board of Directors is primarily responsible for the governance of the Bank, ensuring that it runs in a prudent and sound manner under high standards of honesty, integrity and best practice. The Board approves and oversees the Bank's implementation of strategies to achieve corporate objectives: its risk governance, sound corporate governance and corporate values, taking into account its vision and mission, long-term financial interest, its level of risk tolerance and its ability to manage risk effectively. Further, the Board of Directors is also responsible for monitoring and overseeing the performance of senior management as the latter manages the day to day affairs of the Bank.

CHAIRMAN OF THE BOARD

The Chairman of the Board of Directors is responsible for ensuring the effective functioning of the Board, maintaining a relationship of trust with Board members. The Chairman makes sure that a sound decision making process is in place by encouraging critical discussions, with dissenting views expressed and discussed, and independent views given due respect and consideration.

INDEPENDENT DIRECTOR

The Bank's Independent Director possess a level of integrity and broad range of expertise that is valuable in sustaining and upholding good corporate governance practices. The Independent Director acts in a prudent manner and exercises independent judgment while encouraging transparency and accountability.

BOARD LEVEL COMMITTEES

To aid the Bank in complying with the principles of good governance, two (2) Board-level committees are constituted to set the tone for the corporate governance practices in the Bank, namely: Audit Committee and Credit Committee.

The authority, duties and responsibilities, as well as the frequency of the Board-level Committee meetings are stated in their respective charters. Each Board-level Committee has an appointed secretariat responsible for ensuring the preparation of the notice and agenda of the meetings, and that resource persons are informed and provided with presentation materials prior to meetings. The Committee secretariat prepares the minutes of the Board-level committee meetings for endorsement and confirmation by RBI's Board, and records the attendance of the Board-level Committee members.

BOARD OF DIRECTORS

IVES Q. NISCE
Chairman

Board Position: Director since August 15, 1973; President & Chief Executive Officer from October 1, 1976 to December 30, 2018 and Chairman of the Board since August 13, 2008 to the present

No. & Percentage of Shares: Common: 2,197,136 (29.1107%) Preferred: 52,460 (35.1124%)

Board Committe: Chairman of the Board of Directors

Current Positions: Chairman of Eso-Nice Realty Dev't, Inc.; President of Nisce Northern Ventures Corp., Niscan Foods Inc. and Niscan Development Corporation and Trustee of St. Louis College & Trustee of the Rotary PDG Rudy Nisce Foundation, Inc.; Member of La Union Multi-Sectoral Governance Council and the City of San Fernando Smart City Council.

Age & Nationality: 68 years old; Filipino

MARIO GALVEZ
Director (Independent)

Board Position: Director from 2011 to 2014; Director June 2019 to present

No. & Percentage of Shares: Common: 1 (negligible)

Board Committe: Chairman of the Audit Committee

Past Positions: Rang-ay Bank Vice President for Finance Group (April 2010-October 2010), Senior Manager for Finance Group (2008-2010), Senior Manager for Operations (2004-2008), Operations Manager (2000-2004), Department Head-Legal & Collection (1998-2000), Accountant/Legal/Special Projects (1994-1997), Special Financing Officer (1991-1993), Accounting Clerk (1988-1990), Branch Bookkeeper (1986-1987), Collection Representative (1985), CI/Appraiser (1984), Accounting Clerk (1982), Accounting Supervisor of The Albatross Inn (January 1982-November 1982), Junior Auditor of R.O. Dyquiangco & Associate (June 1981 - December 1981) and Income Auditor of Nalinac Beach Resort Hotel (October 1980-June 1981

Age & Nationality: 65 years old; Filipino

FLORA M. IGNACIO, CPA, MBA
Director (Non-Executive)

Board Position: Director since 1995, Vice President & Chief Compliance Officer from March 2015 up to September 30, 2017 and Audit Consultant since January 2018.

No. & Percentage of Shares: Common: 4,446 (0.0589%) Preferred: 125 (0.0837%)

Board Committe: Chairman of the Credit Committee (February 16, 2022)

Past Positions: Part Time Faculty Member of Saint Louis College (2015-March 31, 2017), Full time Faculty Member and MBA Coordinator of SLC (2003-March 31, 2010), Alumni and External Affairs Office of SLC (June 2006-2008), MBA Coordinator of SLC (2003-May 31, 2006), SLC Dean of CSA (1994-2003), Director of SLC Employees Credit Cooperative (1994-1996) and Director of Felkris Grade School (1985-1991), Audit Consultant of Rang-ay Bank (2018-2019).

Age & Nationality: 72 years old; Filipino

IVY ROSE N. MARTINEZ, MD, FPCP, FPSEDM
Director (Non-Executive)

Board Position: Non-Executive Director since 2014

No. & Percentage of Shares: Common: 381,907 (5.0600%) Preferred: 2,744 (1.8366%)

Board Committe: Member of the Audit Committee

Current Positions: Active Medical Staff of Lorma Medical Center & Bethany Hospital; Fellow, Philippine College of Physicians (PCP) and Fellow, Philippine Society of Endocrinology, Diabetes & Metabolism (PSEDM); Director of Niscan Development Corporation and Nisce Northern Ventures Inc.

Age & Nationality: 41 years old; Filipino

IVES JESUS C. NISCE II
Director (Executive)

Board Position: Director since February 2007; Vice-President for Operations from April 2010 to December 31, 2018 and President & CEO since January 1, 2019

No. & Percentage of Shares: Common: 384,620 (5.0960%)
Preferred: 2,739 (1.8333%)

Board Committe: Member of the Credit Committee

Current Positions: Director of Rural Bankers Association of the Philippines; Director of Philippine Payment Management Inc.; Treasurer of La Union Chamber of Rural Banks; Chair of IT Steering Committee of Rural Bankers Association of the Philippines; Director of Niscan Development Corporation; Member Real Estate Brokers Association of the Philippines -La Union Chapter, Member of JCI-San Fernando Saluyot, Treasurer of Rotary Club of San Fernando North and Treasurer of Chamber of Real Estate Builders Associations (CREBA). Licensed Real Estate Appraiser (PRC License No. 0007104) & Licensed Real Estate Broker (PRC License No. 0025366)

Age & Nationality: 39 years old, Filipino

REYNALDO Q. NISCE *
Director (Non-Executive)

Board Position: Non-Executive Director March 2009 to February 2022*

No. & Percentage of Shares: Common: 257,405 (3.4105%)
Preferred: 8,732 (5.8445%)

Board Committe: Member of the Audit Committee

Current Positions: President of Eso-Nice Realty Development, Inc., Chairman & CEO of Nisce Enterprises, Proprietor of Nisce Realty, Chairman of Chamber of Real Estate and Builders Association (CREBA)-La Union Chapter, Presidential Adviser & Past President of Real Estate Brokers Association of the Philippines, National Director of CREBA Philippines, Licensed Real Estate Appraiser (PRC License No. 00071901), Licensed Real Estate Broker (PRC License No. 0007720), Chairman and Past President of Association of Real Estate Developers of Region 1, Director of Metro San Fernando La Union Water District, Vice Chairman Infrastructure Committee, Regional Development Council 1 RDC1), Private Sector Representative-Provincial Development Council and Regional Development Council, Treasurer of La Union Coalition of Civil Society Organization (LUCCSO), Chairman of Project Monitoring Committee of Provincial Government of La Union and Director of Nutriel International Inc.

Age & Nationality: 64 years old, Filipino

JOSE Z. OSIAS, MBM
Director (Non-Executive)

Board Position: Director since March 24, 1977

No. & Percentage of Shares: Common: 86 (0.0011%)

Board Committe: Member Audit Committee

Current Positions: Convenor of Balik Probinsya Inc., Director of Philippine Craft Distillers, Inc. and Isonym Philippines, Inc., President of Nayon1 Automation, Inc. and Director of Telenym Philippines, Inc.

Age & Nationality: 75 years old, Filipino

LETICIA O. ASENCI *
Director (Non-Executive)

Board Position: Director since February 16, 2022*

No. & Percentage of Shares: Common: 1 (negligible)

Board Committe: Member Credit Committee
Rang-ay Bank Corporate Secretary (2008-2010)

Past Positions: Vice President-Finance Group of Rang-ay Bank (2010-2013), Area Head-Central Branches of Rang-ay Bank (2010-2013), Senior Branch Manager-Main Branch of Rang-ay Bank (2010-2013), Senior Manager-Admin Group of Rang-ay Bank (2008-2010), Senior Manager-Finance Group of Rang-ay Bank (2000-2008), General Cashier of Rang-ay Bank (1995-2000), Marketing Officer of Rang-ay Bank (January –December 1994), Assistant Cashier-HO of Rang-ay Bank (1988-1993), Cashier/Operations Officer of Rang-ay Bank Tubao Branch (1983-1988), Rang-ay Bank Internal Auditor (1980-1982), Rang-ay Bank Accounting Clerk (1977-1979), Rang-ay Bank Teller (January 1976-December 1976), Drafts and Deposit Check of Rang-ay Bank (1974-1975), Part Time Instructor of Saint Louis College (January 1978-December 1978) and Underwriter of Insular Life Insurance Company (January 1974-December 1974).

Age & Nationality: 70 years old, Filipino

BOARD-LEVEL COMMITTEES INCLUDING MEMBERSHIP & FUNCTION

CREDIT COMMITTEE

The Credit Committee is composed of three (3) members of the Board. The CreCom shall process, scrutinize and approve loan applications within its authorized limit as set by the Board. For loan amounts in excess, the credit committee shall process, evaluate and recommend the approval or rejection of application to the Board of Directors.

CREDIT COMMITTEE	POSITION
FLORA M. IGNACIO	Chair
IVES JESUS C. NISCE II	Member
LETICIA O. ASENCI	Member

(Effective: February 16, 2022)

AUDIT COMMITTEE

The Audit Committee is composed of three (3) members of the board. The Audit Committee provides oversight of the institution's internal and external auditors. It is responsible for taking and recommending action on reports of the internal auditor as well as the independent external auditor. It shall monitor and evaluate the adequacy and effectiveness of the internal control system.

AUDIT COMMITTEE	POSITION
MARIO P. GALVEZ	Chair
JOSE Z. OSIAS	Member
IVY ROSE N. MARTINEZ	Member

BOARD & COMMITTEE ATTENDANCE
For the One (1) Year Period: January 01, 2021 to December 31, 2021

NAME OF DIRECTORS	BOARD NUMBER OF MEETINGS		AUDIT COMMITTEE MEETINGS		CREDIT COMMITTEE MEETINGS	
	ATTENDED	%	ATTENDED	%	ATTENDED	%
IVES Q. NISCE	13	100.00%			24	100.00%
MARIO P. GALVEZ	13	100.00%	12	100.00%		
FLORA M. IGNACIO	13	100.00%	12	100.00%		
IVY ROSE N. MARTINEZ	13	100.00%	12	100.00%		
IVES JESUS C. NISCE II	13	100.00%			24	100.00%
REYNALDO Q. NISCE	13	100.00%	12	100.00%		
JOSE Z. OSIAS	13	100.00%	12	100.00%		
Total Number of Meetings Held During the Year	**13**		**12**		**24**	

CONTINUING EDUCATION PROGRAM FOR DIRECTORS

	BOARD OF DIRECTORS	MOST RECENT RELEVANT SEMINARS ATTENDED
IVES Q. NISCE	Chairman of the Board Filipino, 68 years old Bachelor of Arts - Economics Management Development Program	Survive & Thrive: Building Business Resilience in the Corporate Strategy Advanced Corporate Governance Course Enterprise Risk Management Corporate Governance and Risk Management Workshop on Rural Financial Markets
MARIO P. GALVEZ	Director (Independent) Filipino, 65 years old B.S Commerce/Accounting	Strengthening Internal Controls in Rural Banks AMLA Refresher Corporate Governance and Risk Management for Rural Bank Directors Funds Management Seminar Management Advisory Service Program for Rural Banks
FLORA M. IGNACIO	Director (Non-Executive) Filipino, 72 years old B.S. in Business Administration Master in Business Administration	Strengthening Internal Controls in Rural Banks Covid-19 Impact on Internal Audit AMLA Refresher Corporate Governance and Risk Management Corporate Governance and Credit Risk Management for Microfinance Institutions
IVY ROSE N. MARTINEZ	Director (Non-Executive) Filipino, 41 years old B.S. Biology Doctor of Medicine	Conducting Internal Audit Engagements Basic Corporate Governance for Bank Directors and Officers Strengthening Internal Controls in Rural Banks Accounting for Non-Accountants: Understanding the Language of Business Covid-19 Impact on Internal Audit AMLA Refresher
IVES JESUS C. NISCE II	Director (President & CEO) Filipino, 39 years old Bachelor of Arts - Social Sciences Diploma Course in Banking	How Fintechs Shaping the Future of Banking Orientation on the PFIC e-Bidding Portal (Sessions 1&2) Updates on MSME Lending: Road to Inclusive Recovery and Growth Quorum Product Update & Product Positioning on this Pandemic Exploring the FIST Law: How it impacts the banks management of Non-Performing Assets 2021 New Generation Banker's Acquaintance Event CAB-APRACA Online Symposium International Best Practices in Financing Smallholders Farmers Risk Control Self-Assessment Seminar for Rural Banks Understanding the Supervisory Assessment Framework (SAFr) Briefing on Financial Institutions Strategic Transfer (FITS) Act Financial Markets & Economic Stresses Squidpay: RFFA Program
REYNALDO Q. NISCE * *(until February 2022)*	Director (Non-Executive) Filipino, 64 years old B.S. Business Management	Risk-Based Internal Auditing Risk-Based Compliance Program Virtual Training on AML Rules and Regulations and Risk Rating System Covid-19 Impact on Internal Audit Corporate Governance and Risk Management for Rural Bank Directors
JOSE Z. OSIAS	Director (Non-Executive) Filipino, 75 years old Bachelor of Arts - Economics Master in Business Management	Customer Service Excellence: Championing the Bank's Clients Covid-19 Impact on Internal Audit AMLA Refresher Advanced Corporate Governance Course Corporate Governance and Risk Management
LETICIA O. ASENCI * *(elected February 2022)*	Director (Non-Executive) Filipino, 70 years old B.S Commerce/Banking & Finance	AMLA Seminar Compliance Officer's Development Workshop Corporate Governance and Risk Management for Rural Bank Directors Treasury Workshop Internal Control for Management Development Program Branch Banking Operations Seminar

SENIOR MANAGEMENT

	SENIOR MANAGEMENT	CONTINUING EDUCATION PROGRAM (Most Relevant Seminars Attended)
 FRANCIS MICHAEL A. DE LOS SANTOS	VP for IT & Security Filipino, 48 years old Bachelor of Laws B.S. Computer Science	Handling BSP Examination and Enforcement Guidelines Understanding and Providing Solutions to Common Data Privacy and Cyber-Security Threats in Work from Home Arrangements Accelerate 2021 Digital Edition How Fintech is Shaping the Future of Banking AWS Summit Online ASEAN Satellite Broadband Technology and Digital Financial Inclusion Data Privacy and Security for Financial Institutions 4th BSP Webinar Series: The Age of Digital Banking Data Privacy Compliance Training (Sit-in) Operational Directives on Cybersecurity: Preventing Child Expolitation & Risk of Network Vulnerabilities First Online Expo "Reforms and Policies for a Strengthened Credit Registry"
 NINA FRANCISCA T. PALABAY	VP for Remedial & Credit Management Filipino, 63 years old B.S Commerce/Accounting	Briefing on Financial Institutions Strategic Transfer (FIST) Act Competitive Risk Based Pricing and Loan Restructuring (Sit-in) Exploring the FIST Law: How it impacts the banks management of non-performing assets Loan Refresher Seminar (REM/RCM) PCIC Re-Training MSME Forum: The Future of Bank Financing First Online Expo "Reforms and Policies for a strengthened Credit Registry" Orientation on the PDIC e-Bidding Portal (Session 2)
 WINNIE A. MINGARACAL	Area Manager, South Branches Filipino, 59 years old B.S. Commerce - Accounting	Basic Risk Management: Pre and Post Covid-19 MSME Forum: The Future of Bank Financing Re-Orientation PhilGuarantee Credit Facility Conducting Internal Audit Engagements Handling BSP Examination and Enforcement Guidelines
 ROWENA L. ROSALES	Area Manager, North Branches Filipino, 45 years old B.S. Accountancy	Basic Risk Management: Pre and Post Covid-19 MSME Forum: The Future of Bank Financing Re-Orientation PhilGuarantee Credit Facility Conducting Internal Audit Engagements Second Webinar Series of CIC Academy Handling BSP Examination and Enforcement Guidelines

SENIOR MANAGEMENT

SENIOR MANAGEMENT	CONTINUING EDUCATION PROGRAM (Most Relevant Seminars Attended)
Area Manager, Central Branches Filipino, 60 years old Diploma in Secretarial Science II	Understanding Climate-Related Financial Risk Capacity Building Activities for Sustainable Finance Applying Climate Scenario Analysis Re-Orientation PhilGuarantee Credit Facility Remedial Management
Senior Audit Manager Filipino, 47 years old B.S. Accountancy	Understanding the Supervisory Assessment Framework The Future of Supervision Virtual Auditing and Testing in Pandemic Environment Handling BSP Examination & Enforcement Guidelines Common BSP Findings on General Examination of Rural Banks Understanding The Supervisory Assessment Framework (SAFr) Webinar
Chief Compliance Officer Filipino, 56 years old B.S. Commerce - Accounting	Understanding The Supervisory Assessment Framework (SAFr) Webinar Common BSP Findings on General Examination of Rural Banks PhilSys ID Security Features & Authentication Framework Targetted Financial Sanctions (TFS) Implementation Understanding the Supervisory Assessment Framework The Future of Supervision Handling BSP Examination & Enforcement Guidelines Handling BSP Examination & Enforcement Guidelines
Senior Manager for People & Organization Filipino, 47 years old B.S. Commerce - Banking & Finance	Rethinking Employee Benefits: A refresher on Employment Taxes BIR tax qualified retirement plan EFPs Platforms and Tax Updates Alphalist Data Entry and Validation v7.0 The Future of Work in the New Normal

THELMA EVELYN A. TABAFUNDA

JANET B. ZAMORANOS

GLORIA M. ALCANTARA

MELANIE O. DE LOS SANTOS

PERFORMANCE ASSESSMENT PROGRAM

It is the primary responsibility of the Board of Directors to appoint competent management team at all times, monitor and assess the performance of the management team based on established performance standards that are consistent with the bank's policies. Organizational targets is one factor to consider in rating the performance of all bank officers including rank and file. Every year, the bank conducts a Strategic Planning session wherein targets are discussed and finalized during the management team meeting. The same is then presented to the board for approval.

The finalized target includes the financial achievements of the bank in terms of Deposits, Loans and Non-Performing Assets (NPA)-Amount and Percentage. This on otherhand is used as one of the basis in rating the performance of all employees of the bank.

A Performance Report is accomplished annually considering the following:

	Factors	Factors	Factors
a.	Job Knowledge	20%	15%
b.	Disciplinary Record	15%	20%
c.	Work Attitude	15%	20%
d.	Audit/Compliance Ratings	20%	20%
e.	Job Output	30%	25%
	TOTAL	**100%**	**100%**

The Performance Evaluation Report is discussed by the rater and the ratee to determine the fairness of the evaluation and to serve as a motivation for the staff to maintain or further enhance their strengths and minimize their weaknesses.

The Board created an internal self-rating system and procedures to determine and measure compliance with good governance principles and practices: (i) Each Director self-rates and collectively rates the Board, the resident and the Chairman, (ii) Board-level Committees rate themselves. For performance assessment of the Board, a Corporate Governance Scorecard (Self-Assessment for Individual Directors) is accomplished by the Board of Directors.

TRAININGS & SEMINARS

ORIENTATION AND AMLA SEMINAR

Rang-ay Bank conducted an Orientation and Anti-Money Laundering Act (AMLA) Seminar for new hirees at the bank's conference room in the City of San Fernando, La Union with a teleconference for new hirees in the branches last January 29 and February 4, 2021.

The event was attended by twenty (20) newly hired employees at the various Rang-ay Bank branches. The orientation aims to instill to the new hirees the bank's mission "To hasten progress in the communities of the Ilocos Region and Cordillera through accessible and affordable banking services." Product and services, Government & BSP Regulations, Data Privacy, Consumer Protection, Financial Literacy, Anti-Money Laundering Act (AMLA) and HR policies were discussed during the 2-day program.

DEVELOPING BANKERS THROUGH WEBINARS

Rang-ay Bank continues to develop our home grown bankers through webinars to provide quality banking services to the country side.

Rural Bankers Research and Development Foundation Inc. (RBRDFI) conducted a two (2) day webinar on February 2 & 3, 2021. Candon Branch Manager Janice Peralta and Bacnotan Branch Manager Eden Prime Balongcas participated online at their respective branches. Speaker Ma. Julma Jongco discussed the importance of credit analysis and loan packaging as well as the credit principles and guidelines in loan evaluation.

Holistic Learning conducted a five (5) day webinar on Effective Supervisory and Leadership Skills attended by Aringay Branch Manager Analyn Mendigoria. The program discussed the principles of leadership and effective supervision which aims to help officers to prepare for the challenges of supervisory position.

Schedule of Webinars:

		No. of Seminars/ Trainings	No. of Officer Attended	No. of Employees Attended	Total
I.	Seminars/Trainings within La Union				
	a. Conducted by RBI (In-house)	7	51	192	243
	b. Training on Nextbank	6	129	179	308
II.	Conducted by other agencies through Webinars	137	187	87	247
III.	Seminars/Trainings outside La Union	1	1	1	2
	TOTAL	**151**	**368**	**459**	**827**

RETIREMENT POLICY

Rang-ay Bank established a retirement trust fund which provides retirement, death, disability and severance benefits for all eligible employees of the bank. Officers and employees of Rang-ay Bank who are considered having regular employment shall be eligible to retirement pay based on the Retirement Plan of the bank.

The retiring employee should give management at least ninety (90) days advance notice in writing and during the said 90-day period, the employee should serve in full and without absence, otherwise it automatically nullifies the application for retirement benefit.

POLICY GUIDELINES

I. Normal Retirement

a. The normal retirement date of an employee shall be the first day of the month coincident with or next following his/her sixtieth (60th) birthday provided he has served the bank for at least five (5) years of credited service.

b. The normal retirement benefit shall be a sum equal to 100% of the employees' salary for every year of credited service.

II. Early Retirement

a. With the consent of the management, an employee may elect to retire prior to his/her normal retirement date provided he/she has completed at least fifteen (15) years of credited service.
The normal retirement benefit shall be a sum equal to 100% of the employees' salary for every year of credited service.

b. The employees' Early Retirement Benefit shall be a sum equal to a Percentage of the employees' salary for every year of credited service in accordance with the vesting schedule:

Early Retirement	Percentage
Less than 15 years	0.00%
15 but less than 20	37.50%
20 but less than 22	50.00%
22 but less than 30	60.00%
30 years and over	70.00%

III. Late Retirement

a. An employee who is allowed by the management to continue to work on a case to case and yearly extension basis beyond his/her normal retirement date up to age sixty-five (65) shall continue to be a member of the plan up to his/her late retirement date. The late retirement date of an employee shall be the first day of any month after attaining his/her normal retirement date.

b. The employees' late retirement benefit shall be sum equal to 100% of the employees' salary for every year of credited service, including the extension of service.

IV. Disability Benefit

a. In the event that an employee is retired by the bank due to permanent total incapacity or disability, as determined by the banks' physician, his/her disability retirement benefit shall be a single sum equal to 100% of employees' salary for every year of credited service.

V. **Severance Benefit**

a. An employee who is involuntarily separated by the bank due to a retrenchment program or redundancy or for causes not due to his/her own fault, misconduct, or material neglect shall be entitled to a benefit determined in accordance with the Termination Pay provision under the Labor Code or similar legislation on involuntary termination or is applicable, the amount of retirement benefits due to employee.

VI. **Dismissal for Cause**

a. An employee who is dismissed by the bank for cause shall not be entitled to any benefits under the Retirement Plan.

VII. **Death Benefit**

a. In the event that an employee dies from any cause except self-inflicted injuries, his beneficiaries shall be entitled to receive a death benefit in a lump sum equal to 100% of employees' salary for every year of credited service.

VIII. **Waiver of Claims**

a. Receipt of any benefit shall be deemed a final settlement of any and all claims that the employee may have under the Retirement Plan. The employee shall hereby waive, quitclaim, and release Rang-ay Bank and the plan from any and all claims, actions and liabilities arising from this plan.

SUCCESSION POLICY

Rang-ay Banks' management establishes an effective strategic manpower planning to ensure that there would be adequate and right manpower complement to meet the strategic goals and operational plan of Rang-ay Bank.

Rang-ay Bank's Succession Plan is designed for the purpose of ensuring a smooth and speedy transition during instances when an employee resigns or they can no longer fulfill their role as employee. This in other hand is designed to identify and prepare the candidates to a higher positions vacated due to retirement, resignation and even new opportunities.

The bank's policy to promote from its own rank is the core of the bank's succession plan. This is in order to build an organic culture within the bank as well as create opportunities for growth for each bank employee. With the bank's continued and rapid growth, it is now more important to have a clear guidelines of the existing policy of growth.

The bank's Board of Directors on the other hand is composed of seven (7) members, one (1) of whom is an Independent Director. Majority of the members of the board are non-executive directors. This therefore, promotes an environment where members of the board are allowed to challenge actions and proposals made by the management.

The members of the Board are elected yearly by the stockholders during the annual stockholders meeting whose qualifications shall be subject to the Bangko Sentral ng Pilipinas (BSP) approval. The regular term of the director shall be from the date of his election to the regular annual meeting of the stockholders of the bank or until his successor shall have been elected and qualified to take his place.

REMUNERATION POLICY

Rang-ay Bank subscribes to the principles of equal pay for equal work and of the relative work for individuals. The bank shall within its financial capability, maintain a remuneration policy that takes into consideration the relative importance of the employee's job in the organization, contributions to bank goals and the prevailing rates and comparable jobs in other similarly situated organizations in the region.

a. **Non-Executive Director**
A non-executive director does not receive a salary but receives per diems and travelling allowance for attendance to Board meetings.

b. **Executive(s)**
An Executive Director of the bank receives compensation in the form of salaries, allowances & bonuses as a bank executive. As a director, he is entitled to per diems for attendance to Board meetings.

c. **Senior Management**
Remuneration is provided monetarily to officers with the recommendation of the President and CEO and with Board's approval.

For promoted officers, the salary shall be on a two (2) tiered basis. One is a partial increase given upon promotion and another adjustment will be given after six (6) months in the officer position.

Additionally, Officer and staff of Rang-ay Bank are annually assessed through the Performance Evaluation. This tool is used to assess the employee's work performance (in a fiscal year), and to reward its employees' who were able to perform well during the fiscal period, the management gives an annual increase. The annual increase will be based on the result of each Officers and Rank and File employees' performance evaluation.

A. **The Salary Structure of the Officers are as follows:**

Job Level	Minimum	Maximum
Officer 4	P 22,500	++++
Officer 3	P 18,000	P 30,000
Officer 2	P 17,000	P 25,000
Officer 1	P 14,000	P 22,000

B. **The Salary Structure of the Rank and File employees are as follows:**

Job Level	Minimum	Maximum
Staff 3	P 12,500	P 17,500
Staff 2	P 11,000	P 15,000
Staff 1	P 10,000	P 12,000

In addition, a Service Achievement Award is also in place to recognize the employees or officers who have dedicated years of service to the bank. This is given to recognize and thank the employees for their years of service, dedication and loyalty with the bank. Additionally, a cash incentive is also given monthly/quarterly for Officers and semestrally for both Officers and staff to ensure that employees are rewarded accordingly and to keep them motivated to continue to be more productive at work.

RELATED PARTY TRANSACTIONS POLICY

Rang-ay Bank's Policy on Related Party Transactions (RPT) aims to recognize that transactions between and among related parties create financial, commercial and economic benefits to individual institutions and to Rang-ay Bank. It is generally allowed, provided this is done on an arm's length basis. It also aims to exercise appropriate oversight and implement effective control systems for managing said exposures as these may potentially lead to abuses that are disadvantageous to the bank and its depositors, creditors and other stakeholders. The policy will ensure that every RPT is conducted in a manner that will protect Rang-ay Bank from conflict of interest which may arise between the bank and its related parties and guarantee proper review, approval and disclosure of transactions between Rang-ay Bank and the related party as required by the regulatory bodies.

The Board assures that all terms (e.g., price, commissions, interest rates, fees, tenor, collateral requirement, contracts) of related party transactions are within the allowed standards as if they were applied to non-related parties. The members of the board, stockholders and management shall disclose to the board whether they directly, indirectly or on behalf of third parties, have a financial interest in any transaction or matter affecting the bank. Directors and officers with personal interest on the related party transactions shall abstain from the discussion, approval and management of such transaction or matter affecting the bank.

The Board of Directors shall have the overall responsibility in ensuring that transactions with related parties are handled in a sound and prudent manner, with integrity and in compliance with applicable laws and regulations to protect the interest of depositors, creditors and other stakeholders. Loans to directors and stockholders are reviewed by the Board. These loans go through the bank's regular credit process. There are no special credit accommodations to directors or stockholders. In addition, all loans to directors and stockholders are approved by the Board and are fully secured by hard collaterals and real estate mortgage. As for loans to officers, the bank follows board approved Pabahay Loan, Motor Vehicle Loan and Other Loans-Fringe Benefit (OLFB Program). The board reviews and takes action on all related party transactions to ensure everything is above board.

All RPTs with materiality threshold amounting P100,000.00 and above are brought to the Board for discussion and eventual decision. Important facts about the nature, terms and conditions, original and outstanding individual and aggregate balances, justifications and other details that would allow directors to make informed judgment as to the reasonableness of the transaction, are to be clearly disclosed during Board of Directors meetings and duly reflected in the minutes of the said board meetings.

MATERIAL RELATED PARTY TRANSACTIONS FOR THE YEAR 2021

TYPE	RELATED COUNTER PARTY	AMOUNT	TERM
1. Lease of Parking Lot for Rang-ay Bank Officers, Staff & Clients and foreclosed motor vehicles.	Niscan Development Corp.	P10,150.00 per month	2021-2022 (1 year)
2. Lease of unutilized bank owned property.	Philippine Seven Corporation/Nisce Northern Ventures Corp.	P60,000.00 per month	2021-2026 (5 years)

Details of material-related transactions as defined under Section 135 of the MORB (Item e: Loans, advances and other credit accommodations to officers), including the nature, terms and conditions, as well as original and outstanding individual and aggregate balances, and off-balance sheet commitments:

Nature	No. of Accounts	Term	Original Amount	Outstanding balance (December 31, 2020)
Other Loans-Fringe Benefit Program	19	Two (2) years	P 1,182,000.00	P 576,400.04
	70	Three (3) years	P 8,245,700.00	P 6,231,516.22
Total:	**89**		**P 9,427,700.00**	**P 6,807,916.26**
Pabahay Loan Program	3	Five (5) years	P 3,091,800.00	P 2,728,446.20
	2	Ten (10) years	P 725,000.00	P 438,189.69
Total:	**5**		**P 3,816,800.00**	**P 3,166,635.89**
Motor Vehicle Loan Program	2	Three (3) years	P 213,020.00	P 96,217.52
	4	Five (5) years	P 1,623,500.00	P 1,089,339.99
	1	Six (6) years	P 516,420.00	P 162,422.46
	1	Eight (8) years	P 475,000.00	P 169,115.58
	14	Ten (10) years	P 5,218,200.00	P 3,772,954.77
Total:	**22**		**P 8,046,140.00**	**P 5,290,050.32**

SELF-ASSESSMENT FUNCTION (Internal Audit and Audit Committee)

INTERNAL AUDIT

The Internal Audit Department has the full authority and independence to perform examinations, audits and investigations of all financial records, operations, activities and affairs of Rang-ay Bank at the direction of and reporting to the Board Audit Committee in discharging their duties and responsibilities. It shall have full access to all Bank's records, properties and personnel relevant to the subject under review. It is free to review and appraise policies, plans, procedures and records.

The degree of independence which the Internal Audit Department enjoys is determined by the position it occupies in the entire bank organization. The Department is under an official with high organizational status in the Bank to assure a broad scope of activities and adequate consideration of an effective action on the findings or recommendations made by the department. In view of this, the Internal Audit Department is placed directly under the Board of Directors.

The Internal Auditor is responsible to the Board of Directors through the Audit Committee to ensure that, to the extent possible, current audit techniques are being considered in order to more efficiently and effectively accomplish the overall responsibilities and objectives of the internal audit function.

As the various audits are conducted and progress, the Internal Auditor must make sure that work performed is documented with working papers and written audit programs to evidence the audit work performed and the material facts supporting conclusions drawn from it.

A very important aspect of the Bank internal audit function is to communicate audit findings to both Management and the Board of Directors. It is a policy for the Internal Auditor to issue written audit reports to Management after audits are completed. These reports frequently contain recommendations for improving internal controls, and responses are required. Internal Audit Reports are provided to the Internal Audit Committee via email prior to the scheduled monthly joint meeting of the Internal Audit Department and Audit Committee. The Internal Auditor reviews these responses and follow up strictly to ensure that the appropriate corrective action are taken along with their committed timeline.

An effective and efficient internal audit function constitutes the third line of defense in the system of internal control. In performing its functions, the Internal Audit Department has no direct responsibility for or authority over, any of the activities reviewed. Therefore, the internal audit review and appraisal do not in any way relieve the persons in the bank of the responsibilities assigned to them. The Internal Audit Department shall submit its report to the Audit Committee in such manner as the Board of Directors may prescribe.

The scope of Internal Auditing covers practically all phases of activities in the Bank. All processes, systems, units and activities, including outsourced services, fall within the overall scope of the internal audit function. The scope of internal audit shall cover, among others, the following:

1. Evaluation of the adequacy, efficiency and effectiveness of internal control, risk management and governance systems in the context of current and potential future risks;
2. Review of the reliability, effectiveness and integrity of management and financial information systems, including the electronic information system and electronic banking services;
3. Review of the systems and procedures of safeguarding the bank's physical and information assets;
4. Review of compliance of trading activities with relevant laws, rules and regulations;
5. Review of the compliance system and the implementation of established policies and procedures; and
6. Review of areas of interest to regulators such as, among others monitoring of compliance with relevant laws, rules and regulations, including but not limited to the assessment of the adequacy of capital and provisions; liquidity level; regulatory and internal reporting.

Presently, Internal Audit Department is composed of the Senior Audit Manager, an Audit Officer and six (6) Audit Associates. This staffing allows the Department to form three (2) Audit Teams to do the fieldwork. The Senior Audit Manager takes the responsibility of overseeing the Audit Teams. There are now forty three (43) auditable units: thirty (30) branches and thirteen (13) head office support units.

AUDIT COMMITTEE

To aid in complying with the principles of good corporate governance, the Board constitutes the Audit Committee. The Audit Committee is composed of three (3) members of the Board of Directors, at least one (1) of whom is an independent director and also acts as the Audit Committee Chairman.

Presently, the Audit Committee is composed of the following:

1. Mario P. Galvez - Chairman (Independent Director)
2. Jose Z. Osias - Member (Non-executive Director)
3. Ivy Rose N. Martinez - Member (Non-executive Director)

(As of February 16, 2022)

The Audit Committee is responsible for overseeing the senior management in establishing and maintaining an adequate, effective and efficient internal control framework. It ensures that systems and processes are designed to provide assurance in areas including reporting, monitoring compliance with laws, regulations and internal policies, efficiency and effectiveness of operations, and safeguarding of assets. The Audit Committee is also responsible of the following:

1. Recommends the approval of the Internal Audit Charter.
2. Reviews and approves the audit scope and frequency, and the annual internal audit plan.
3. Recommends the appointment and/or grounds for approval of Senior Audit Manager.
4. Through the Internal Audit (IA) Department, monitors and evaluates the adequacy and effectiveness of the corporation's internal control system, integrity of financial reporting, and security of physical and information assets.
5. Investigates significant issues/concerns raised. Shall have explicit authority to investigate any matter within its terms of reference, have full access to and cooperation by management, and have full discretion to invite any director or executive officer to attend its meetings.
6. Reviews and approves the Interim and Annual Financial Statements before their submission to the Board,
7. Performs oversight functions over the corporation's Internal and External Auditors.
8. Establishes and maintains whistleblowing mechanisms.
9. Performs oversight functions to ensure implementation of corrective actions in a timely manner.
10. Coordinates, monitors and facilitates compliance with laws, rules and regulations;

Classified as a "simple" bank; Rang-ay Bank does not have a Corporate Governance Committee, Risk Oversight Committee and/or Related Party Transactions Committee; hence, the Board as a whole performs the functions of said committees.

DIVIDENDS POLICY

Pursuant to Monetary Board Resolution No. 1516 dated 17 September 2015, Rang-ay Bank adopts the rules and regulations governing the declaration of dividends. Rang-ay Bank complies with the requirements on the declaration of dividends as follows:

1. Clearing account with the Bangko Sentral is not overdrawn;
2. Liquidity floor requirement for government funds is met;
3. Minimum capitalization requirement and risk-based capital ratios as provided under applicable and exiting capital adequacy framework;
4. Capital conservation buffer;
5. Higher loss absorbency requirement; and
6. No unsafe or unsound banking practice.

The dividends declared by Rang-ay Bank shall be the amount of retained earnings and undivided profits of the bank reported in the Financial Reporting Package (FRP) as of the calendar year.

Rang-ay bank ensures full compliance with the minimum capital requirements and risk-based capital ratios even after the dividend distribution. The declaration of dividends is reported to Supervisory and Examination Sector (SES) within ten (10) banking days after date of its declaration submitting the following requirements:

1. Duly notarized certification signed by the President
2. Report on Dividends Declared

The declaration of dividends for both cash and stocks shall be approved by the seven (7) Board of Directors subject to the ratification of the stockholders during the annual stockholders meeting.

CONSUMER PROTECTION PRACTICES

Rang-ay Bank recognizes the right of the consumer to avail of financial products and services. Rang-ay Bank aims to provide the highest quality service possible in order to protect the interests and to be responsive to the needs of its stakeholders while maintaining a high standard of accountability.

Rang-ay Bank's Consumer Protection Program is congruent to the approved Financial Consumer Protection Framework of the Bangko Sentral ng Pilipinas (BSP Circular No. 857: Financial Protection Framework) and embodies the following:

• Detailed procedures of the bank's compliance and implementation of the consumer protection standard, to wit;

(a) Disclosure and Transparency
- Provides up to date information about its products and services that is accessible, clear, accurate, simple to understand, not misleading and include any potential risks for the clients.

(b) Protection of Client Information
- Consumer's financial and personal information disclosed in the course of a transaction is protected through appropriate control and protection mechanisms which define the purposes for which the data may be collected, processed, held, used and disclosed.

- The bank is guided by Republic Act No. 10173: "An act protecting individual personal information and communications systems in the government and the private sector, creating for this purpose a national privacy commission, and for other purposes", otherwise known as "Data Privacy Act of 2012" and the implementing rules and regulations of the National Privacy Commission promulgated August 24, 2016.

(c) Fair Treatment
- Deal fairly, honestly and with professionalism with the clients at all stages of their relationship. Products are not disadvantageous to the clients.

(d) Financial Education and Awareness
- Conduct Financial Literacy programs that give clients the knowledge, skills and confidence to understand and evaluate the information they receive and empower them to make informed financial decisions.

• An effective and periodic training program provided to responsible officers and employees, to equip them with knowledge on the structure and implementation of the consumer protection mechanism.

• An internal audit system. The Internal Audit function associated with consumer protection is conducted by qualified personnel who are independent of the office being audited.

• An independent audit program with written scope of audit that ensures the completeness and accuracy of the information given to clients, and the records retained in compliance with Consumer Protection standards as well as adequacy and effectiveness of training program to protect client's right.

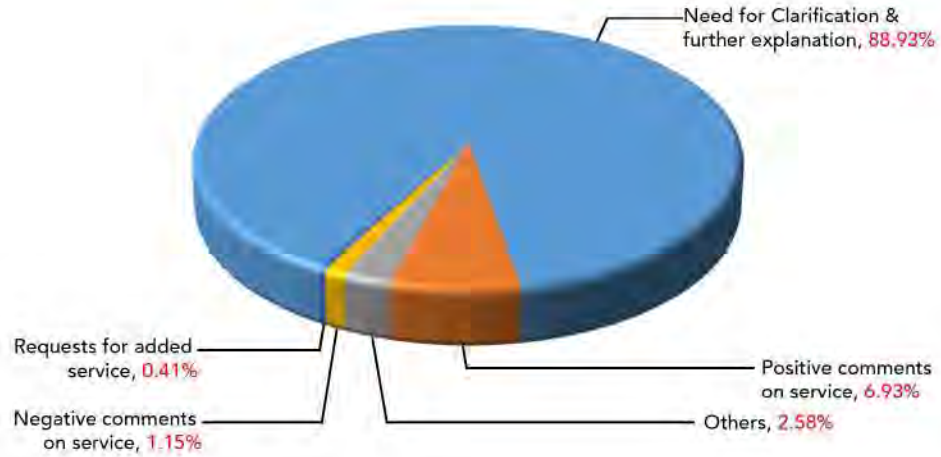
• Designation of Consumer Assistance Officer as lead implementer of the program responsible for monitoring of consumer assistance process and reporting to Senior Management.

• A regular conduct of customer satisfaction to determine whether the principles of consumer protection are observed, the clients concerned are appropriately addressed, and problems are resolved in a timely manner.

• Regular and timely updates of the Financial Consumer Protection Manual to incorporate changes in policies and procedures and latest pertinent BSP issuances.

CONSUMER ASSISTANCE REPORT

Period Covered: January 1 - December 31, 2021



PROCESS FLOW OF CONSUMER ASSISTANCE MANAGEMENT SYSTEM

WE ARE HERE TO LISTEN.
Rang-ay Bank is regulated by Bangko Sentral ng Pilipinas.
For any feedback, inquiry, request, complaints or concerns, you may contact us through any of these channels:

Client Concerns received through letter or e-mail, telephone or facsimile, social media, suggestion box, walk-in or personal visit to the branch/Head Office or through exit interview forms are either positive comments on service, concerns needed for clarification & further explanation, negative comments on service or requests for added service.

GUIDELINES/PROCEDURES IN CUSTOMER COMPLAINTS HANDLING

Rang-ay Bank clients/customers may lodge their complaints/concerns through the following means:

1.WALK-IN OR PERSONAL VISIT TO THE BRANCH/HEAD OFFICE (H.O.) SUPPORT UNIT

1.1 Client/Customer
a) Shall visit the Branch/Head Office and fill-out the Feedback Form.
b) Complete details of the complaint shall be provided in the form.

1.2 Officers and staff
a) Shall validate the complaint received from the client/customer.
b) If the complaint can be resolved immediately/upfront, explains to the client the resolution of the complaint.
c) Report details of complaint to Office of the President & CEO through incident report.

1.3 Office of the President/Operation Risk Management
a) Shall acknowledge the complaints received from the Branch/Support Unit.
b) Shall obtain and record the details of the complaints.
c) Assigns the validated complaint to the concerned Support Unit.
d) Generates and submits the complaint report daily to President & CEO
e) Once a complaint has been resolved by the Support Unit, complaint shall be tagged as 'resolved' in the complaint report.
f) Complaint report to be forwarded to Consumer Assistance Group for checking, monitoring and compiling.

1.4 Support Unit
a) Retrieves the complaint received through the incident report or email as applicable.
b) Performs the necessary corrective actions based on the nature of the complaint.
c) The resolution made shall be recorded accordingly and forwarded to the Office of the President.

1.5 Consumer Assistance Group
a) Shall monitor and evaluate customer complaints handling process.
b) Analyses the nature of the complaints and recommended solutions to avoid recurrence.
c) Extracts generated complaints report monthly except if urgent, to be submitted and reviewed by the Office of the President.
d) Shall forward a quarterly report to BSP as required by BSP Memorandum No. M-2018-017 dated May 10, 2018 beginning with reporting period quarter ending December 31, 2018.

1.6 Internal Audit Department
a) For actual loss of P50,000 or potential loss of P100,000, Internal Audit shall conduct an investigation.
b) Internal Audit to recommend resolution of the case or if needed to be elevated to proper authorities or needed to be taken up with the Board of Directors if applicable through the Audit Committee.
c) Audit Committee Chair will report to Board of Directors.

1.7 Compliance Department
a) Checks and updates on regulatory issuances.
b) Checks for compliance of quarterly reporting of Consumer Assistance Group to BSP.

2.TELEPHONE

2.1 Client/Customer

a) Shall call the Branch/H.O. department or unit, following the guide below:

Telephone Nos.	Time	Banking Day
Head Office departments/units/ La Union Branches	8:00am to 3:30pm	Mondays to Fridays
Head Office departments/units/ La Union Branches	8:00am to 11:00am	Every Saturday
Non-La Union Branches	8:00am to 3:30pm	Mondays to Fridays

2.2 Officers and staff

a) Shall acknowledge and validate the complaint received.
b) Details of the complaint shall be recorded and reported through incident report.
c) Performs the necessary corrective actions based on the nature of the complaint. The details, status and resolution shall be recorded accordingly to be forwarded to the Office of the President & CEO through incident report.

2.3 Office of the President/Operation Risk Management
a) Shall acknowledge the complaints received from the Branch/Support unit .
b) Shall obtain and record the details of the complaints.
c) Assigns the validated complaint to the concerned Support Unit.
d) Generates and submits the complaint report daily to President & CEO
e) Once a complaint has been resolved by the Support Unit, complaint shall be tagged as 'resolved' in the complaint report.
f) Complaint report to be forwarded to Consumer Assistance Group for checking, monitoring and compiling.

3.E-MAIL

3.1 Client/Customer

a) May send their complaints/concerns through the Customer Complaint E-mail address: Customersupport@rangaybank.com / marketing@rangaybank.com.
b) Complete details of the complaint shall be provided.

3.2 Consumer Assistance Group

a) Shall obtain and record the details of the complaints.
b) Assigns the validated complaint to the concerned Support Unit.
c) Generates and submits the complaint report daily to President & CEO
d) Once a complaint has been resolved by the Support Unit, complaint shall be tagged as 'resolved' in the complaint report.
e) Shall check, monitor and compile complaint details. The details, status and resolution shall be recorded accordingly to be reported at the Office of the President & CEO.

CLIENT COMPLAINT PROCESS

When a complainant reports to Front liners of the bank about his/her concern, the receiver will then needs to create an Incident Report from the information that he/she was able to collate from the complainant and give it to his/her immediate supervisor; complaints are from suggestion box, emails, exit interview, social media and through verbal. Supervisor then receives the incident report and needs to send it to the Office of the President. Once the report was already reviewed, the Office Associate will then refer it to the Department/Unit concerned on the complaint. The Department or unit concerned will need to come up with a resolution and to take action towards the issue. At the same time the Office Associate will check the status of the issue if it was already taken cared of or resolved. Both Office Associate and Department/Unit concerned will report the incident to the President and CEO. In the event that the incident will generate 50,000 to 100,000 potential loss, incident report will be forwarded to the Internal Audit for investigation. Examined report will then be forwarded to the Audit Committee same as the Audit Committee will report it to the Board of Directors.

ROLES AND RESPONSIBILITIES

A. BOARD OF DIRECTORS

The Board shall be primarily responsible for approving and overseeing the implementation of policies governing major areas that affect reputational risk and in particular the bank's Consumer Protection Program.

B. OFFICE OF THE PRESIDENT/OPERATION RISK MANAGEMENT

The Office of the President/Operation Risk Management shall be responsible for proper implementation of the Consumer protection policies and procedures duly approved by the Board. Also, its role shall focus on ensuring effective management of day-to-day consumer protection activities and use adequate record keeping and reporting systems to measure and monitor the major sources of consumer risk to the bank.

The composition of the bank's Consumer Assistance Group approved by the Board resolution no. 15 series of 2019 dated January 19, 2019 is as follows:

CAG Head	: Area Manager Central
CAG Co-heads	: Area Manager South
	Area Manager North
Members	: Cluster Heads
	Marketing Officer
Monitoring Team	: Compliance Department

D. MARKETING UNIT

Marketing Unit is in charge of consolidating all the clients' feedback and complaints through social media, emails, exit interview reports, suggestion boxes, phone calls or verbal to be reported to the board.

The unit also acts as CAG Secretariat in charge in receiving, recording, monitoring, reporting and giving feedback to the consumers of the bank.

E. OFFICERS AND STAFF

All Officers and Staff ensure fast response to all inquiries and complaints in a professional and courteous manner.

F. COMPLIANCE PROGRAM

The Consumer Protection Program shall form part of the bank's over-all Compliance System. Through the Compliance Department, the program shall ensure adherence to the Bank's policies, relevant banking laws, rules and regulations of BSP, SEC, PDIC, DTI and other regulatory agencies.

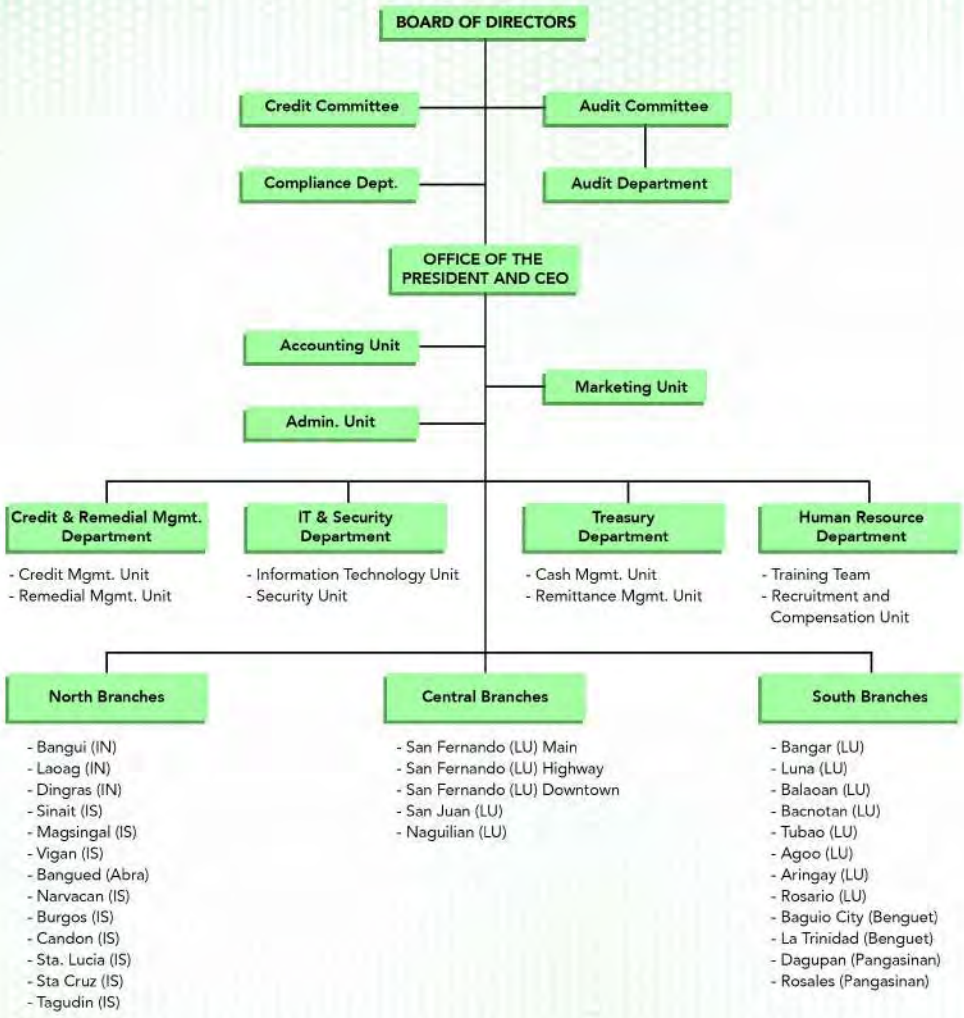
G. INTERNAL AUDIT

Independent of the compliance function, the Bank's Internal Audit shall:

- Review the consumer protection practices;
- Adherence to internal policies and procedures; and
- Compliance with the existing laws, rules and regulations

Under the Bank's Manual of Corporate Governance, the Audit Committee provides oversight over the institution's financial reporting policies, practices and control and internal and external audit functions.

ORGANIZATIONAL STRUCTURE



PRODUCTS AND SERVICES

DEPOSIT SERVICES

SAVINGS DEPOSIT
- Regular
- Basic Deposit
- SSS Pensioner
- Kiddie Savers

TIME DEPOSIT
- Regular Time Deposit
- Special Savings Deposit
- Gold Saver 5

CHECKING ACCOUNT
- Individual
- Joint
- Corporate

LOAN PRODUCTS

- micro, SMALL & MEDIUM ENTERPRISE BUSINES LOAN
- AGRICULTURAL & AGRI-BUSINESS LOANS
- UNSECURED FARMERS LOAN
- INSTANT SALARY LOANS
- DepEd TEACHERS LOANS
- BARANGAY & MICRO-BUSINESS ENTERPRISE PROGRAM
- SSS PENSIONER LOANS
- OFW PROGRAMS
- PABAHAY & HOME RENOVATION
- MOTOR VEHICLE ACQUISITION
- MULTI-PURPOSE LOANS

REMITTANCES

- WESTER UNION
  - Foreign
  - Domestic
- BDO REMIT
- TRANSFAST
- PERAHUB
- PESONET
- INSTAPAY
- IREMIT
- i2i

ATM

DBP
- Bangar (LU) Branch
- Bacnotan (LU) Branch
- Main (LU) Branch
- Agoo (LU) Branch
- Narvacan (IS) Branch
- Sta Lucia (IS) Branch
- Sinait (IS) Branch
- Rosales (P) Branch

ENCASH
- Luna (LU) Branch
- Balaoan (LU) Branch
- Rosario (LU) Branch
- Aringay (LU) Branch
- Sta Cruz (IS) Branch
- Bangued (A) Branch
- Dingras (IN) Branch

OTHER SERVICES

- CB KALINGA MICROINSURANCE
- BILLS PAYMENT SERVICES
- SSS PENSIONERS PROGRAM

PRODUCTS AND SERVICES DESCRIPTION

DEPOSITS

1. SAVINGS DEPOSIT

A. REGULAR SAVINGS ACCOUNT - An interest-bearing deposit with a minimum opening requirement of P1, 000 and maintaining balance. This account is evidenced by a passbook and can be drawn anytime within the banking hours.

B. BASIC DEPOSIT ACCOUNT – is the most affordable savings account by the bank, with an initial deposit requirement for only P100 and with no required maintaining balance. This account is evidenced by a passbook and can be drawn anytime within the banking hours.

C. SSS PENSIONER ACCOUNT – a special savings account intended for SSS pensioners. With a minimum deposit requirement of P100, SSS members can receive their pensions directly thru Pesonet.

D. KIDDIE SAVER ACCOUNT- a deposit product with a minimum initial deposit of P100 with a maximum balance of not more than P50, 000. It is designed for children ages 7-12 years old. Help educate your child on the benefits of saving for the future

2. CHECKING ACCOUNT

A. CHECKING ACCOUNT -also known as demand deposit or current account. A deposit account subject to withdrawal by issuance of checks, can be for corporate or individual.

3. TIME DEPOSIT

A. REGULAR TIME DEPOSIT - represents interest-bearing deposits with specific maturity dates, evidenced by a certificate of time deposit.

B. SPECIAL SAVINGS DEPOSIT - is a kind of term deposit evidenced by a passbook. An interest bearing bank deposit account that has a specified date of maturity. A minimum term of 30 days or one (1) month and a maximum term of 540 days or eighteen (18) months.

C. GOLD SAVER 5 - is a term deposit evidenced by a Certificate of Time Deposit. An interest bearing bank deposit account that has a specified date of maturity and has a term of five (5) years and one (1) day or 1,827 days. This kind of term deposit is tax free if not preterminated within the specified period.

LOAN PRODUCTS

1. mSME (micro Small and Medium Enterprise) Business Loan - This loan program is available to business-men or would-be entrepreneurs looking for additional capital. This quick affordable loan program has very flexible terms to accommodate any business or commercial endeavor from start-up capital to revolving inventory loans to credit lines.

2. Farmers Loan - This uncollateralized loan program is for small farmers and fisherfolks. It aims to extend financial support to small farmers engaged in palay and other food crops/commodities production.

3. Agricultural or Agri-Business Loan – This collateralized loan program is designed to extend credit to small scale farmers and people with agricultural/agri-business projects. By giving them easy access to affordable loans, we can assure them a healthy future.

4. Pabahay and Home Renovation Term Loans - the Pabahay Program is a term credit facility which gives people the opportunity to build their dream homes. This facility can also be used for renovations, home repairs or refinancing of existing housing loan.

5. OFW Loan - Rang-ay Bank is offering a loan program specifically for Overseas Filipino Workers (OFW), their families and beneficiaries. This loan product is of great help to OFW's to fulfill their dreams to have better life for their families. OFW's and their families can start investing in the future for education, building homes or opening business.

6. Motor Vehicle Loans - For business or family use, Rang-ay Bank would be of assistance to buy that vehicle you need. This loan facility provides prospective clients to finance the purchase of car, passenger jeepneys, bus, mini-bus or trucks from any dealer.

7. Multi-Purpose Loans - Whether to improve your home, purchase your appliances/furniture, consolidating your debt, holidaying, paying educational expenses, and other needs, loans can help you fulfill your goals. Rang-ay Bank's Multipurpose loan program is flexible for any need.

8. Barangay Business Loan - This loan program mainly focuses on barangay officials who are looking for capital to start or fund a small business. This program is collateral free.

9. Instant Salary Loans for Public & Private Employees - Rang-ay believes that one of the pillars of the country are the salaried employees. Because of this, the Bank has devised an uncollateralized loan program to make credit readily and easily available and affordable for the working Filipino.

10. DepEd & Teachers Loan - Continuing its commitment to provide financial assistance to teachers and support personnel in Region 1 and CAR, Rang-ay maintains its partnership with the Department of Education Central Office in Pasig City. This will facilitate fast and affordable credit for all DepEd teachers and support staff.

11. SSS Pensioners Loan - SSS Pensioner Loan Facility is the Bank's credit facility for SSS depositors. Existing SSS Pensioners with Rang-ay Bank savings account are qualified for this loan facility. Because Rang-ay understands the need of its pensioners, the bank's longest term offers them lowest interest rate.

REMITANCES

1. PESONet – is an interbank funds transfer service under the National Retail Payment System (NRPS) of the Bangko Sentral ng Pilipinas (BSP) which allows clients to electronically transfer high-value funds to other participating banks and financial institutions in the Philippines.
2. Instapay – is an electronic fund transfer (EFT) service that allows customers to transfer PHP funds almost instantly between accounts of participating BSP-supervised banks and non-bank e-money issuers in the Philippines. The service is available 24x7, all year round.
3. Western Union – an American worldwide financial services and communications company, providing remittance services worldwide.
4. BDO Remit – a remittance services of Banco De Oro (BDO) that has expansive network of partners allows accessible and convenient sending of money from anywhere in the world.
5. iRemit – is as an electronic money issuer engaged in the business of fund transfer and remittance services, from abroad into the Philippines.
6. Transfast – is an international company owned by Mastercard whose services are money transfer and cross-border payments network provider committed to making money transfer.
7. i2i – is the Philippines' fastest-growing open finance and banking-as-a-service solution for financial service providers nationwide.

BILLS PAYMENT

are added services of the bank that allows the community to pay their premiums, contributions, and utility bills through ECPAY.

1. Electric & Utility Bills
2. Telco Bills & Load
3. Government Agencies
    a. SSS Payment & Contributions
    b. Pag-Ibig Fund Payments
    c. Department of Foreign Affairs (DFA)
    d. NBI Clearance
    e. NSOHelpline.com
    f. Philippine Overseas Employment Administration (POEA)
    g. Agricultural Credit and Policy Council
    Professional Regulatory Commission (PRC)
4. Cable & Internet
5. Airline Tickets

OTHER BANKING SERVICES

1. Sales of Manager's and Gift Checks

2. CB Kalinga Micro Insurance
-a Country Bankers Microinsurance product for every Juan dela Cruz and his family.

BRANCH OFFICERS AND DIRECTORY

LAOAG BRANCH

KATRINE FAYE M. DE LEON
Officer-in-Charge
2F Laoag Commercial Complex, J.P Rizal St. Laoag, Ilocos Norte
Telefax No. (77) 770-3808
Mobile No. 0917-802-7987

DINGRAS BRANCH

FERDINAND P. CADAY
Branch Manager
Old Public Market, Nat'l Highway, Brgy. Albano Dingras, Ilocos Norte
Telefax No. (77) 600-0001
Mobile No. 0917-870-2959

BANGUI BRANCH

ALEXANDER V. FERRER
Officer-in-Charge
Tiendesan ti Bangui, San Lorenzo, Ilocos Norte
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Mobile No. 0995-550-8965

BANGUED BRANCH

BRENDA FRANCE R. GONZALES
Senior Branch Manager
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Mobile No. 0917-870-0956

VIGAN BRANCH

ROLLY L. RABANAL
Senior Branch Manager
Florentino St., Plaza Burgos, Vigan, Ilocos Sur
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SINAIT BRANCH

CECILE G. PACIS
Branch Manager

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MAGSINGAL BRANCH

WILMA S. MARZAN
Officer-in-Charge

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NARVACAN BRANCH

DENNIS O. DOSONO
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BURGOS BRANCH

GRACE V. CAYAN
Branch Manager

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CANDON BRANCH

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STA LUCIA BRANCH

MA. RUBELYN R. HADOC
Branch Manager

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Mobile No. 0917-870-2958

STA CRUZ BRANCH

JANE S. CASTILLO
Branch Manager

National Highway, Poblacion Este, Sta. Cruz, Ilocos Sur
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Mobile No. 0917-802-7989

TAGUDIN BRANCH

DARLENE L. FEROLINO
Branch Manager

Rang-ay Bank Bldg., Nat'l Highway cor. San Jose St. Tagudin, Ilocos Sur
Telefax No. (77) 632-5824
Mobile No. 0917-802-6036

South Branches

DAGUPAN BRANCH

JOEY B. DINGLE
Senior Branch Manager

G/F TN Bldg., Burgos St., Dagupan City, Pangasinan
Telefax No. (75) 202-6003
Mobile No. 0917-802-7985

ROSALES BRANCH

DARLINE FAITH E. BAUZON
Branch Operations Officer

Gen. Luna St., Zone 3, Rosales, Pangasinan
Telefax No. (75) 632-1304
Mobile No. 0917-870-2101

BAGUIO BRANCH

MILAGROS AIDA G. GUANZO
Senior Branch Manager

G/F Maharlika Complex,Magsaysay Ave., Baguio City
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Mobile No. 0917-802-7984

LA TRINIDAD BRANCH

MARLON F. FLORES
Branch Manager

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Telefax No. (74) 422-5536
Mobile No. 0917-870-0436

AGOO BRANCH

JOANNA A. TIMICHAN
Senior Branch Manager

Rang-ay Bank Bldg., National Highway, Consolation, Agoo, La Union
Telefax No. (72) 607-1685
Mobile No. 0917-8027-988

ROSARIO BRANCH

MARICHU A. PASAG
Branch Manager

Poblacion East, Rosario, La Union
Telefax No. (72) 619-4810
Mobile No. 0995-550-8963

TUBAO BRANCH

CHRISTINE JENELIE R. ESTACIO
Branch Manager

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Mobile No. 0917-802-7983

ARINGAY BRANCH

ANALYN P. MENDIGORIA
Branch Manager

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Telefax No. (72) 607-3432
Mobile No. 0930-1156-906

BALAOAN BRANCH

MARIA DULCE C. GONZALO
Senior Branch Manager

National Highway, Brgy. Antonino, Balaoan, La Union
Telefax No. (72) 607-0017
Mobile No. 0917-870-0433

BACNOTAN BRANCH

EDEN PRIME O. BALONGCAS
Branch Manager

New Public Market, National Highway, Poblacion, Bacnotan, La Union
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Mobile No. 0917-1525-997

BANGAR BRANCH

CHARMAIGNE F. ORDILLO
Branch Manager

Corner Bangar Luna Rd., Central East No. 1, Bangar, La Union
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Mobile No. 0917-870-0957

LUNA BRANCH

SHARI KAREN R. TORRALBA
Branch Manager

Luna Sports Center, Brgy. Alcala, Luna, La Union
Telefax No. (72) 607-3508
Mobile No. 0917-870-1781

Central Branches

MAIN BRANCH

THELMA EVELYN A. TABAFUNDA
Area Manager-Central Branches / Senior Branch Manager

Nisce-Querol Bldg., #64 Gov Luna St., Brgy. IV, City of San Fernando La Union
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SF HIGHWAY BRANCH

ELIZA P. PALABAY
Branch Manager

North National Highway, Brgy. II, City of San Fernando, La Union
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SF DOWNTOWN BRANCH

MONIQUE B. GAERLAN
Branch Manager

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Telefax No. (72) 607-8392
Mobile No. 0917-802-7982

NAGUILIAN BRANCH

KAREN F. VALDEZ
Branch Manager

Rang-ay Bank Bldg., #29 Naguilian Rd., Ortiz, Naguilian, La Union
Telefax No. (72) 609-1199
Mobile No. 0917-870-0435

SAN JUAN BRANCH

NOVELYN G. LUEBBEN
Branch Manager

G/F Public Market, III Sur, San Juan, La Union
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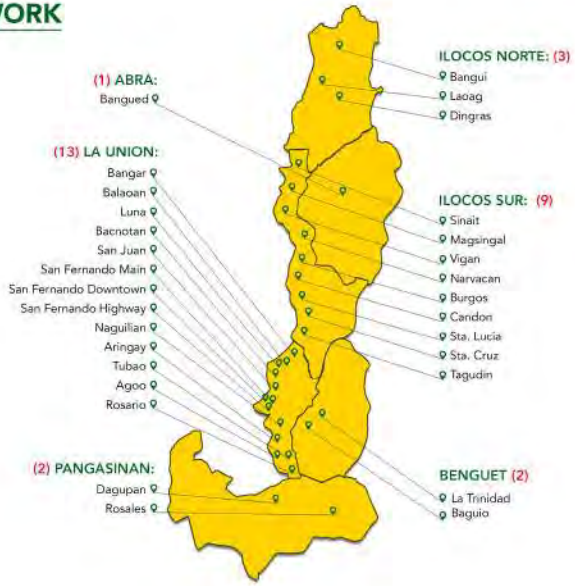
Mobile No. 0917-870-2960

BRANCH NETWORK



COMMON STOCKHOLDERS

Name of Stockholders	Nationality
1. ABUDA, Nestor Jr. N	Filipino
2. ABUDA, Silvestre N.	Filipino
3. ASPIRAS, Amparo M.	Filipino
4. BEJAR, Rafael M.	Filipino
5. BUENAVENTURA, Cristina P.	Filipino
6. BUENAVENTURA, Elisa P.	Filipino
7. ESTEBAR, Rosemarie P.	Filipino
8. FLORENTINO, Mariano Z.	Filipino
9. FLORENTINO, Mediatrix F.	Filipino
10. FLORES, Domiciano O.	Filipino
11. GALVEZ, Mario P.	Filipino
12. GOCHUICO, Reylita K.	Filipino
13. IGNACIO, Flora M.	Filipino
14. KAGAOAN, Elizabeth N.	Filipino
15. KAGAOAN, Flora N.	Filipino
16. KAGAOAN, Teresita N.	Filipino
17. LIGOT, Ma. Rosario K.	Filipino
18. MACEDA, Manuel F. II	Filipino
19. MARQUEZ, Teresita F.	Filipino
20. MARTINEZ, Ivy Rose N.	Filipino
21. Niscan Development Corp.	100% Filipino owned
22. NISCE, Anna Maria Z.	Filipino
23. NISCE, Augusto Q.	Filipino
24. NISCE, Ives Jesus C. II	Filipino
25. NISCE, Ives Q.	Filipino
26. NISCE, Michael Ross C.	Filipino
27. NISCE, Mikael Querol C.	Filipino

COMMON STOCKHOLDERS

Name of Stockholders	Nationality
28. Nisce Northern Ventures Corp.	100% Filipino owned
29. NISCE, Pancracio Q.	Filipino
30. NISCE, Ramon M.	Filipino
31. NISCE, Reynaldo Q.	Filipino
32. OSIAS, Jose Z.	Filipino
33. PAGTAKHAN, Ma. Cristina K.	Filipino
34. RETUTA, Romelia P.	Filipino
35. ZANDUETA, Ramon Jr. L	Filipino
36. ZANDUETA, Rene Oscar L.	Filipino

PREFERRED STOCKHOLDERS

Name of Stockholders	Nationality
1. ABUDA, Nestor Jr. N	Filipino
2. ABUDA, Silvestre N.	Filipino
3. ASPIRAS, Amparo M.	Filipino
4. BEJAR, Rafael M.	Filipino
5. BUENAVENTURA, Cristina P.	Filipino
6. BUENAVENTURA, Elisa P.	Filipino
7. EKEBRINK, Antonia N.	Filipino
8. ESTEBAR, Rosemarie P.	Filipino
9. FLORENTINO, Mariano Z.	Filipino
10. FLORENTINO, Mediatrix F.	Filipino
11. FLORES, Domiciano O.	Filipino
12. GOCHUICO, Reylita K.	Filipino
13. IGNACIO, Flora M.	Filipino
14. KAGAOAN, Elizabeth N.	Filipino
15. KAGAOAN, Flora N.	Filipino
16. KAGAOAN, Teresita N.	Filipino
17. LIGOT, Ma. Rosario K.	Filipino
18. MACEDA, Manuel F. II	Filipino
19. MARQUEZ, Teresita F.	Filipino
20. MARTINEZ, Ivy Rose N.	Filipino
21. Niscan Development Corp.	100% Filipino owned
22. NISCE, Anna Maria Z.	Filipino
23. NISCE, Augusto Q.	Filipino
24. NISCE, Ives Jesus C. II	Filipino
25. NISCE, Ives Q.	Filipino
26. NISCE, Jose Ma. Q.	Filipino
27. NISCE, Michael Ross C.	Filipino

PREFERRED STOCKHOLDERS

Name of Stockholders	Nationality
28. NISCE, Mikael Querol C.	Filipino
29. Nisce Northern Ventures Corp.	100% Filipino owned
30. NISCE, Pancracio Q.	Filipino
31. NISCE, Ramon M.	Filipino
32. NISCE, Reynaldo Q.	Filipino
33. PAGTAKHAN, Ma. Cristina K.	Filipino
34. RETUTA, Romelia P.	Filipino
35. ZANDUETA, Ramon Jr. L	Filipino
36 ZANDUETA, Rene Oscar L.	Filipino

VOTING RIGHTS

a. Common Stock is a voting share. Common Stock carries with it the right to vote on business entity matters, such as electing the board of directors, establishing corporate objectives & policy and stock dividends, among others. The voting rights of a shareholder/stockholder can be exercised at the annual general stockholders meetings of the corporation.

b. Preferred Stock does not carry voting rights, but have superior rights to dividends and assets over common stock.

STATEMENT OF FINANCIAL POSITION

	December 31 2021	December 31 2020	Increase/ Decrease	Percentage
ASSETS				
Cash and Other Cash Items	**29,379,783**	34,249,118	-4,869,335	-14.22%
Due from BSP and Other Banks	**1,170,814,090**	1,082,931,983	87,882,107	8.12%
Loans and Receivables, Net	**1,882,330,265**	1,990,078,273	-107,748,008	-5.41%
Held to Maturity Investment	**310,921,344**	192,161,900	118,759,444	61.80%
Bank Premises, Furniture, Fixtures and Equipment (Net)	**61,277,168**	66,673,305	-5,396,137	-8.09%
Investment Property (Net)	**78,943,528**	15,632,917	63,310,611	404.98%
Right of Use Assets	**32,704,007**	35,008,076	-2,304,069	-6.58%
Deferred Tax Assets	**615,437**	551,883	63,554	11.52%
Other Assets	**37,280,238**	32,970,126	4,310,112	13.07%
TOTAL ASSETS	**P 3,604,265,860**	**P 3,450,257,581**	154,008,279	4.46%
LIABILITIES				
Deposit Liabilities	2,898,518,643	2,769,750,243	128,768,400	4.65%
Bills Payable		10,070,000	-10,070,000	-100.00%
Accrued Interest, Taxes and Other Expenses Payable	5,652,232	7,072,231	-1,419,999	-20.08%
Income Tax Payable	2,439,732	2,073,493	366,239	17.66%
Treasurer's/Cashier's/Manager's and Gift Checks	34,617	32,637	1,980.00	6.07%
Other Liabilities	75,150,585	75,448,955	-298,370	-0.40%
TOTAL LIABILITIES	**P 2,981,795,809**	**P 2,864,447,559**	**117,348,250**	4.10%
SHAREHOLDERS' EQUITY				
Share Capital				
Common	377,376,400	314,480,700	62,895,700.00	20.00%
Preferred	7,470,300	7,470,300	-	0.00%
Additional Paid-in Capital	85,146,459	85,146,459	-	0.00%
Surplus				
Reserve	20,000,000	20,000,000	-	0.00%
Free	105,803,914	132,039,585	-26,235,671	-19.87%
Appraisal Increment Reserve	26,672,978	26,672,978	-	0.00%
TOTAL SHAREHOLDERS' EQUITY	622,470,051	585,810,022	36,660,029	6.26%
TOTAL LIABILITIES & EQUITY ACCOUNTS	**P 3,604,265,860**	**P 3,450,257,581**	154,008,279	4.46%

Financial Statements audited by: Edgardo M. Molina CPAs
Accreditations with BSP & SEC : 39419-BSP; BIR Accreditation No. 08-005012-001-2020; and BOA No. 2577.

STATEMENT OF INCOME AND EXPENSE

		Year Ended December 31 2021		2020	Increase/ Decrease	Percentage
INTEREST INCOME						
Loans & Receivables		**130,432,389**		142,328,362	-11,895,973	-8%
Due from Other Banks		**43,853,306**		55,672,606	-11,819,300	-21%
Investments		**13,052,133**		10,563,167	2,488,966	24%
TOTAL INTEREST INCOME	P	**187,337,828**	P	208,564,135	-21,226,307	-10%
INTEREST EXPENSE						
Savings Deposits		**7,166,711**		13,984,719	-6,818,008	-49%
Time Deposits		**12,693,557**		14,735,612	-2,042,055	-14%
Demand Deposits		**215,430**		411,758	-196,328	-48%
Bills Payable		**34,686**		531,035	-496,349	-93%
TOTAL INTEREST EXPENSE		**20,110,384**		29,663,124	-9,552,740	-32%
NET INTEREST INCOME	P	**167,227,444**	P	178,901,011	-11,673,567	-7%
PROVISION FOR CREDIT LOSSES		**17,098,650**		2,603,363	14,495,287	557%
NET INTEREST INCOME AFTER PROVISION		**150,128,794**		176,297,648	-26,168,854	-15%
OTHER INCOME		**48,148,778**		52,091,451	-3,942,673	-8%
TOTAL INCOME BEFORE OPERATING EXPENSES	P	**198,277,572**	P	228,389,099	-30,012,820	-13%
OTHER OPERATING EXPENSE						
Compensation & Fringe Benefits		**60,734,227**		60,811,899	-77,672	-
Other Operating Expenses		**51,486,161**		45,026,228	6,459,933	14%
Taxes & Licenses		**3,056,433**		5,132,275	-2,075,842	-40%
Depreciation & Amortization		**13,805,548**		15,193,444	-1,387,896	-9%
Impairment Losses		-		3,651,028	-3,651,028	-100%
Bad Debts Written-Off		**21,172,627**		50,452,942	-29,280,315	-58%
		150,254,995		180,267,815	-30,012,820	-17%
NET INCOME BEFORE INCOME TAX		**48,022,577**		48,121,284	-98,707	-
INCOME TAX EXPENSE	P	**5,407,573**	P	4,112,579	1,294,994	31%
NET INCOME AFTER INCOME TAX	P	**42,615,004**	P	44,008,705	-1,393,701	-3%
EARNINGS PER SHARE		**5.65**		7.00	-1.35	-19%

Financial Statements audited by: Edgardo M. Molina CPAs
Accreditations with BSP & SEC : 39419-BSP; BIR Accreditation No. 08-005012-001-2020; and BOA No. 2577.

CAPITAL STRUCTURE AND ADEQUACY

PART 1 CALCULATION OF RISK-BASED CAPITAL ADEQUACY RATIO

ITEM	NATURE OF ITEM	AMOUNT
A.	**Calculation of Qualifying Capital**	
A.1	Net Tier 1 Capital	Php 587,711,336
A.2	Net Tier 2 Capital	50,769,340
A.3	Total Qualifying Capital [Sum of A.1 and A.2]	638,480,676
B.	**Calculation of Risk-Weighted Assets**	
B.1	Total Credit Risk-Weighted Assets	2,865,346,549
B.2	Total Operational Risk-Weighted Assets	294,031,096
B.4	Total Risk-Weighted Assets	3,159,377,645
C.	**RISK-BASED CAPITAL ADEQUACY RATIO**	20.21%

Note: Minimum Capital Adequacy Ratio (CAR) as required by BSP Circular No. 280 Series of 2001 is 10% of Total Risk-Weighted Assets. Rang-ay Bank's Capital Adequacy Ratio (CAR) is more than double the required minimum.

PART 2 QUALIFYING CAPITAL

ITEM	NATURE OF ITEM	AMOUNT	
A	**Tier 1 (Core plus Hybrid) Capital**		
A.1	**Core Tier 1 Capital**		
[1]	Paid up common stock	Php 377,376,400	
[2]	Additional paid-in capital	85,146,459	
[3]	Retained earnings	83,079,367	
[4]	Undivided profits	42,724,547	
[5]	Sub-total	588,326,773	
A.2	**Deductions from Core Tier 1 Capital**		
[1]	Total outstanding unsecured credit accommodations, both direct and indirect, to DOSRI, net of allowance	615,437	
[2]	Deferred tax asset, net of deferred tax liability		
[3]	Total Deductions	615,437	
A.3	**Total Core Tier 1 Capital**	587,711,336	
B	**Tier 2 (Supplementary) Capital**		
B.1	**Upper Tier 2 Capital**		
[1]	Paid-up perpetual and cumulative preferred stock	7,470,300	
[2]	Appraisal increment reserve-bank premises, as authorized by the Monetary Board	26,672,978	
[3]	General loan loss provision [limited to 1.00% of total credit risk-weighted assets]	16,626,062	
	Sub-Total	50,769,340	
C.	**Gross Qualifying Capital**	638,480,676	
[1]	Total Tier 1 Capital	587,711,336	
[2]	Total Tier 2 Capital	50,769,340	
	Total Qualifying Capital		Php 638,480,676,355

SUSTAINABLE FINANCE FRAMEWORK

(PROPOSED)

The bank seek to achieve strategic resilience by incorporating sustainability in the way the bank does business. It aims to embed sustainability principles when making decisions, assessing relationships, and creating products and services.

In compliance with BSP Circular No. 1085, dated April 29, 2020.

I. INTRODUCTION

The Earth's environment is under severe stress from uncontrolled human activity, threatening the survival of our society and the performance of the bank's mission.

The bank accepts that it must work to preserve the environmental sustainability of the planet, at all levels of its operations – in its own practice, as a participant in a community of practice, and as a participant in the social discourse.

The bank aspires to minimize its impact on our environment and maximize the effective use of resources. We strive to achieve this by increasing communication and awareness of our efforts in accordance with this policy and fostering responsible environmental behaviour among employees, at all levels.

The bank is committed not only to complying with applicable law in all of its operations but to minimize risks and impacts through the development of robust and documented systems to implement, measure, monitor and disseminate excellent environmental performance both within its operation and to the boarder community.

II. ROLES AND RESPONSIBILITIES

A. BOARD OF DIRECTORS

- Institutionalize the adoption of sustainability principles
- Promote a culture that fosters environmentally and socially responsible business decisions
- Approve the bank's Environmental and Social Risk Management System (ESRMS) that is commensurate with the bank's size, nature and complexity of operations and oversee its implementation
- Ensure that sustainability objectives and policies are clearly communicated
- Adopt an effective organizational structure
- Ensure adequate resources are available to attain the bank's sustainability objectives
- Ensure that sustainability agenda is integrated in the bank's performance appraisal system

B. MANAGEMENT

- Assess on a periodic basis the continuing relevance of policies considering business developments
- Facilitate the identification, assessment, monitoring and mitigation of Environmental & Social (E&S) risks
- Assess consistency of operations and performance of personnel with the bank's sustainability objectives
- Apprise the Board on a regular basis on the bank's exposure to E&S risks

III. SUSTAINABILITY & RISK MANAGEMENT

A. CREDIT MANAGEMENT

CREDIT POLICIES

Board and Management set out clear criteria involving decisions to finance high E&S risk sectors and ensure comprehensive discussion of credit related E&S risks

✓ Stress testing or scenario analysis, integrating E&S risks in credit review and provisioning
✓ The bank to phase out financing to heavily polluting & destructive industries
✓ The bank create financial products & services that anticipate the evolving needs of its clients
✓ Design Credit Programs for Sustainable projects and assets

ENHANCING CREDIT PROCESSES

Policies, Procedures and Processes: comprehensive guidance in E&S risk management considering all phases of the Credit Risk Management System (CRMS) Circular no. 1128

✓ Risk Identification and Assessment: economic sector and location of the borrower and loan collateral, at the counterparty and portfolio levels
✓ Physical risk to client &/or offered collateral caused by climate change or adverse weather condition
✓ Requiring Department of Environment and Natural Resources (DENR) Environmental Compliance Certificate (ECC) Clearance for high pollution or environmental detrimental projects
✓ Potential Risk to client due to regulations and laws

SPECIAL PROGRAMS TO FINANCE

- Renewable Energy | Acquisition, development, operation or maintenance of new and ongoing renewable energy generation or transmission projects supporting Infrastructure/ Solar panels.
- Green Buildings | Construction or the renovation of residential or commercial buildings that earned regional, national or internationally recognized standards or certifications.
- Clean Transportation | Financing of Electric Vehicles

B. SOCIAL SUSTAINABILITY

The bank develop leaders in the sustainability movement. It aims to grow a "can lead" workforce that adapts a sustainability mind-set and thrives with innovative thinking and a customer-focused attitude.

✓ The bank identifies risk to its Officers & Staff caused by climate change or adverse weather condition

The bank actively work for employees' well-being and safe working environment

✓ Safe and sound working environment | a strong focus on occupational health and safety and a pronounced culture of continuous improvements
✓ Stimulating good health and good work-life balance | Strive to minimize the sick leave
✓ Zero workplace accidents | a strong risk awareness and structured work with safety work
✓ Invest in office/indoor plant | reduces stress and anxiety and helps increase productivity and replenish focus

The bank encourage employees to reduce the use of single-use plastic

✓ Reusable bags | Use of cloth bag, eco bag or tote bag instead of single-use plastic bags
✓ Reusable containers | Instead of plastic sandwich bags or Styrofoam for packed lunch or snacks
✓ "NO" to single-use straws | use a reusable, sturdy and dishwasher-safe straw
✓ Use water dispenser or reusable bottle or insulated mug instead of single-use plastic bottle or disposable cups
✓ Reusable plates, cups mugs, containers and other utensils.

C. ENVIRONMENTAL SUSTAINABILITY

Admin Unit to ensure proper waste disposal, reduce practices that severely affect the natural resources and to address issues that may affect climate change when it comes to vehicle, bank building and supplies & equipment

- ✓ Alternative Fuel| Phase out used of Unleaded gasoline for bank's vehicles and generator
- ✓ Solar Panels| To change energy sources to clean & renewable energy in bank-owned buildings
- ✓ Proper Waste Disposal| Sorting and separation of waste types to facilitate recycling and correct onward disposal
- ✓ Energy efficient light bulbs or LED (Light Emitting Diode)| Replace all lights to more energy-efficient than an incandescent as it wastes less energy by producing a low amount of heat
- ✓ Adoption of Sustainable materials, supplies & equipment| Use of recycled and scratch paper in internal reports
- ✓ Paperless Accounting System| Remove paper in many internal process

D. CORPORATE SOCIAL RESPONSIBILITY

- ✓ The bank supports national or LGU initiatives on climate change, water, air and biodiversity projects (tree planting, coastal clean-ups, environmental campaign drives, etc.) through Corporate Social Responsibility.
- ✓ Partnering with local environmental groups to promote Sustainable Development in our community.
- ✓ The bank leverage its resources towards the relief, rehabilitation, and recovery of disaster-stricken communities.
- ✓ Promotion of Climate Change Awareness through bank's official Facebook page & other media.

IV. SUSTAINABILITY DEVELOPMENT TIMELINE

2022	• Adoption of Sustainable practices in Credit Management Process • Proper waste disposal
2023	• Use of sustainable materials, supplies & equipment • Reduction of use of single-use plastics • Promotion of Climate Change Awareness • Identifies risk to Bank officers & staff
2024	• Replacement of light energy to LED for 5 branches • To have indoor plants at 3 banking offices
2025	• To have indoor plants at 3 banking offices • Phase out use of leaded gasoline • Phase out lending to high polluting & destructive industry projects • Develop Programs to finance Sustainability Development Projects • Solar Panel Financing • Require DENR ECC Clearance for high pollution or environmental detrimental projects
2026	• Replacement of light energy to LED for 5 branches • To have indoor plants at 3 banking offices • Pilot Program for Solar Panels at Agoo Branch • Partnering with local environmental groups to promote Sustainable Development in the community • 70th CSR anniversary > Tree planting > Support LGU conservation initiatives
	> Environmental Campaign drives > Eco-Friendly Giveaways
2027	• Replacement of light energy to LED for 5branches • To have indoor plants at 3 banking offices • Install Solar Panels at Candon Branch • Pilot Paperless Accounting system at Head Office • Use of Unleaded gasoline for all bank vehicles
2028	• Replacement of light energy to LED for 5 branches • To have indoor plants at 3 banking offices • Install Solar Panels at Naguilian Branch • Paperless Accounting system for 4 branches
2029	• Replacement of light energy to LED for 5 branches • To have indoor plants at 5 banking offices • Install Solar Panels at Bangued Branch • Paperless Accounting system for 5 branches
2030	• All branches use energy efficient light bulbs or LED • To have indoor plants at 5 banking offices • Install Solar Panels at Rosario Branch • Paperless Accounting system for 10 branches • Develop Programs to finance Sustainability Development Projects > Electric Vehicles > Green Buildings
2031	• All branches have indoor plants • Paperless Accounting system for 10 branches • Install Solar Panels at Tagudin Branch • Partnering with local environmental groups to promote Sustainable Development in the community • 75th CSR Anniversary > To plant 75 Trees per banking offices > Support conservation initiatives of LGUs > Environmental campaign drives > Eco-Friendly Giveaways • All branches have indoor plants
2032	• Install Solar Panels at Head Office • Majority of all bank-owned building use Solar panels • All banking offices practice paperless accounting system

Rang-ayBank

Manipud 1956

AUDITED FINANCIAL STATEMENT

December 31, 2021 and 2020

RANG-AY BANK (A RURAL BANK), INC.

FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

Rang-ayBank
RANG-AY BANK (A Rural Bank), Inc. Since 1956

HEAD OFFICE:
G/F Nisce-Querol Bldg., 67 Gov. Luna St.,
City of San Fernando (La Union)
2500 Philippines
Tel. (72) 242-5661 to 63 • Fax (72) 700-5661
e✉ : headoffice@rangaybank.com
website: www.rangaybank.com

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Rang-ay Bank (A Rural Bank), Inc.** is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended December 31, 2021 and 2020, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation financial statements that are free from material misstatement, whether due to fraud or error.

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

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

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders.

EDGARDO M. MOLINA, CPA the independent auditor appointed by the stockholders, has audited the financial statements of the company in accordance with Philippine Standards on Auditing, and in their report to the stockholders, have expressed its opinion on the fairness of presentation upon completion of such audit.

IVES Q. NISCE
Chairman of the Board

IVES JESUS C. NISCE II
President & CEO

LETICIA O. ASENCI
Treasurer

Signed this 12th day of April 2022

EDGARDO M. MOLINA, CPA

Blk 10, Lot 26, Kroner Street, Villa Carolina I
Tunasan, Muntinlupa City
Email: emmolinaconsultancy@gmail.com

CERTIFICATION

To Officer in Charge
Bangko Sentral ng Pilipinas
Malate, Manila:

In connection with my audit of the 2021 financial statements **RANG-AY BANK (A RURAL BANK), INC.** and pursuant to Section 174 and Appendix 55 of the Manual of Regulation for Banks (MORB), as amended by Circular No. 1074 dated February 7, 2020 relative to the Bangko Sentral requirements in the submission of audited financial statements, I hereby certify the following:

1.) That I have commenced my engagement to audit the financial statements on January 31, 2022, and had finished the audit on April 12, 2022.

2.) That the Financial Audit Report and the Certification under oath stating that no material weakness or breach in the internal control and risk management systems was noted in the course of the audit of the Bank were submitted to the Board of Directors on .

3.) That I, the auditor-in-charge of the engagement, and the members of our immediate families do not have any direct or indirect financial interests with the bank including its affiliates and subsidiaries and that my independence is not at all impaired under any of the circumstances specified in the Code of Professional Ethics for Certified Public Accountants.

4.) That I have read-only access to the BSP report of examination;

5.) That the Bank has complied with the disclosure requirement under Section 174 of the MORB, as amended by Circular No. 1074 series of 2020.

6.) That I have **none to report** on discovery of material breach of laws and BSP rules and regulations such as on capital adequacy ration and on loans and other risks and classification.

7.) That I have **no report** on findings regarding corporate governance issues;

8.) That I have **no report** regarding termination and resignation as external auditor

9.) That I have **no report** regarding breach or non-compliance on liquidity ratios, material weakness in fair value measurement methodology, significant vulnerabilities to money laundering and combating the financing of terrorism.

10.) That I have **none to report** on the following matters under **BSP Circular 1074 series of 2020;**

a) Any material finding involving fraud or dishonesty (including cases that were resolved during the audit period);

b) Any potential losses, the aggregate of which amounts to at least ten percent (10%) of the consolidated total asset;

c) Any findings to the effect that consolidated asset of the Bank, ongoing concern basis, are no longer adequate to cover the total claims of creditor;

d) Material internal control weakness which may lead to financial reporting problems.

It is however understood that the accountability of the undersigned practitioner is based on matters within the normal coverage of an audit conducted in accordance with the Philippine Standards on Auditing.

These certifications are being issued in compliance with the requirements by the BSP in the submission of audited financial statements on the above-mentioned rural bank.

EDGARDO M. MOLINA
TIN No. 123-467-133-000
CPA Certificate No. 39419
BOA/PRC Certificate No. 2577, valid until September 1, 2024
BIR Accreditation No. 08-005012-001-2020, valid until January 23, 2023
BSP Accreditation No. 39419-BSP (Category C), issued March 26, 2020,
valid for a period of five (5) years to engage in the audit of 2019 to 2023 financial statements
CDA Accreditation No. AN-CEA-04-05, valid until April 7, 2024
PTR No. 4148225, Issued January 7, 2022 at Muntinlupa City

April 12, 2022

SUBSCRIBED AND SWORN TO BEFORE ME this APR 22 2022 ***at*** SAN FERNANDO, PAMPANGA

_____.

ATTY. EDGARDO M. VITUG
Notary Public
Until Dec. 31, 2021
Extended until June 30, 2022
S.C. En Banc Resc. Board 5-25-2021
PTR No. 5371477-3-22
IBP No. 190631-3-22
Roll No. 31669
MCLE No. VII-00002325
City of San Fernando (P)

NOTARY PUBLIC

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Page No. 84;
Book No. XCVI;
Series of 2022

EDGARDO M. MOLINA, CPA

Blk 10, Lot 26, Kroner Street, Villa Carolina I
Tunasan, Muntinlupa City
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CERTIFICATION

The Shareholders and the Board of Directors
RANG-AY BANK (A RURAL BANK), INC.
Nisce-Querol Building, 67 Gov. Luna St.
City of San Fernando, La Union

This is to certify that **NO** material weakness or breach in the internal control and risk management system was noted in the course of audit of **RANG-AY BANK (A RURAL BANK), INC.**

This certification is issued in connection with the requirement of section 174 of the Manual of Regulation for Banks.

EDGARDO M. MOLINA
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PTR No. 4148225, Issued January 7, 2022 at Muntinlupa City

April 12, 2022

APR 22 2022 SAN FERNANDO, PAMPANGA

SUBSCRIBED AND SWORN to before me this _____ at _____.

Doc No. : 419
Page No: 86
Book No.: V224
Series of 2022

ATTY. EDGARDO M. VITUG
Notary Public
Until Dec 31 2021
Extension/Commission No. [illegible]
S.C. Bar Roll No. [illegible]
PTR No. 5317-[illegible]
IBP No. 180630/5-3-22
Roll No. 31560
MCLE No. VII-0002325
City of San Fernando (P)

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CERTIFICATION

The Shareholders and the Board of Directors
RANG-AY BANK (A RURAL BANK), INC.
Nisce-Querol Building, 67 Gov. Luna St.
City of San Fernando, La Union

This is to certify that there are **No** matters to report regarding fraud, dishonesty and breach of law that we noted in the course of audit of **RANG-AY BANK (A RURAL BANK), INC.**

This certification is issued in connection with the requirement of section 174 of the Manual of Regulation for Banks.

EDGARDO M. MOLINA
TIN No. 123-467-133-000
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April 12, 2022

SUBSCRIBED AND SWORN to before me this APR 22 2022 at SAN FERNANDO, PAMPANGA.

Doc No. : 420
Page No: IV
Book No.: XXVI
Series of 2022

ATTY. EDGARDO M. VITUG
Notary Public
Until Dec. 31, 2021
S.C. E. Case Roll No. 31560
PTR No. 8371477
IBP No. 150830/1-3-22
Roll No. 31560
MCLE No. VII-0002326
City of San Fernando (P)

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INDEPENDENT AUDITOR'S REPORT

The Stockholders and Board of Director
RANG-AY BANK (A RURAL BANK), INC.
Nisce-Querol Building, 67 Gov. Luna St.
City of San Fernando, La Union

Opinion

I have audited the accompanying financial statements of **RANG-AY BANK (A RURAL BANK), INC.** which comprise the statement of financial position as at December 31, 2021, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the financial statement presents fairly, in all material respects, the financial position of the Bank as at December 31, 2021 and its financial performance and its cash flows for the year then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

I conducted my audit in accordance with Philippine Standards on Auditing (PSAs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Bank accordance with the Philippine Ethics Standards Board of Accountants (PESBA Code) together with the ethical requirements in the Philippines, the Code of Ethics for Professional Accountants in the Philippines, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other Matter

The financial statements of the Bank for the year ended December 31, 2020 were audited by another auditor whose report dated April 12, 2021 expressed an unmodified opinion with emphasis of matter on those statements.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonable be expected to outweigh the public interest benefits.

Report on other Legal and Regulatory Requirements

Report on the Supplementary Information Required Under Revenue Regulation 15-2010 and 19-2011 of the Bureau of Internal Revenue and Circular 1074 as required by Bangko Sentral ng Pilipinas

My audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 29 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and Note 33 to the financial statements is presented for purposes of Circular 1074 as required by Bangko Sentral ng Pilipinas and is not required part of the basic financial statements. Such supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in my audits of the basic financial statements. In my opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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April 12, 2022

EDGARDO M. MOLINA, CPA
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Tunasan, Muntinlupa City
Email: emmolinaconsultancy@gmail.com

INDEPENDENT AUDITOR'S REPORT FOR SUPPLEMENTARY INFORMATION

To the Stockholders and Board of Directors
RANG-AY BANK (A RURAL BANK), INC.
Nisce-Querol Building, 67 Gov. Luna St.
City of San Fernando, La Union

I have audited in accordance with Philippine Standards of Auditing, the financial statements of **RANG-AY BANK (A RURAL BANK), INC.** as at and for the taxable year ended December 31, 2021 on which I issued my report thereon dated April 12, 2022. My audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness indicators including their definitions, formulas, and calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Bank's management.

These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other banks. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Bank's financial statements as at December 31, 2021 and no material exceptions were noted.

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April 12, 2022

EDGARDO M. MOLINA, CPA

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STATEMENT OF REPRESENTATION

TO THE SECURITIES AND EXCHANGE COMMISSION

In connection with my examination on the financial statements of **RANG-AY BANK (A RURAL BANK), INC.** for the year ended December 31, 2021 which are to be submitted to the Commission, I hereby represent the following:

1. That I am in the active practice of the Accounting Profession and duly registered with the Board of Accountancy (BOA).

2. That the financial statements are presented in conformity with the Philippine Financial Reporting Standards, as modified by the application of the financial reporting reliefs issued by the Bangko Sentral ng Pilipinas (BSP) and approved by the Securities and Exchange Commission (SEC), as described to the financial statements, in all cases where I shall express an unqualified opinion, except that in case of any departure from such principles, I shall indicate the nature of the departure, the effects thereof and the reasons why compliance with the principles would result in misleading statements, if such is the fact.

3. That I fully met the requirements of independence as provided in the Code of Professional Ethics for CPAs.

4. That in the conduct of such audit, I complied with the Philippine Standard of Auditing promulgated by the Board of Accountancy; in case of any departure from such standards or any limitations in the scope of my examination, I shall indicate the nature of the departure and the extent of limitation, the reasons therefore and the effects thereof on the expression of the my opinion or which may necessitate the negation of the expression of an opinion;

5. That relative to the expression of my opinion, on the financial statements, I shall not commit any act discreditable to the profession as provided under the code of Professional Ethics for CPAs.

As a CPA engage in public practice, I make this representations in my individual capacity.

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April 12, 2022

RANG-AY BANK (A RURAL BANK), INC.

FINANCIAL HIGHLIGHTS

As of December 31, 2021 and 2020

	2021	2020	Increase (Decrease)
FOR THE YEAR			
TOTAL INCOME	**₱ 235,486,605**	₱ 260,655,586	(25,168,981)
TOTAL EXPENSES	**192,762,058**	216,646,882	(23,884,825)
NET INCOME	**42,724,547**	44,008,703	(1,284,156)
EARNINGS PER SHARE Ordinary Shares	**5.66**	7.00	(1.34)
RETURN ON AVERAGE EQUITY	**7.07%**	7.74%	(0.67)%
RETURN ON AVERAGE ASSETS	**1.21%**	1.33%	(0.12)%
NET INTEREST MARGIN	**5.19%**	5.86%	(0.67)%
AT YEAR END			
TOTAL ASSETS	**3,604,265,860**	3,450,257,581	154,008,279
LOANS AND RECEIVABLES (NET)	**1,882,330,265**	1,990,078,273	(107,748,008)
LIQUID ASSETS	**3,393,445,481**	3,299,421,274	94,024,207
FIXED ASSETS, Net	**61,277,168**	66,673,305	(5,396,137)
DEPOSIT LIABILITIES	**2,898,518,643**	2,769,750,243	128,768,400
EQUITY ACCOUNTS	**622,470,051**	585,810,022	36,660,029
BOOK VALUE PER SHARE Ordinary Shares	**81.48**	91.95	(10.47) -
CAPITAL ADEQUACY RATIO	**20.21%**	21.53%	(1.32)%
PAST DUE RATIO	**3.88%**	3.62%	(0.26)%
RATIO OF LIQUID ASSETS TO DEPOSITS	**117.08%**	119.12%	(2.05)%
DEBT TO EQUITY RATIO	**4.79%**	4.89%	(0.10)%
RATIO OF TOTAL FIXED ASSETS OVER EQUITY ACCOUNTS	**9.84%**	11.38%	(1.54)%

RANG-AY BANK (A RURAL BANK), INC.
STATEMENTS OF FINANCIAL POSITION

	December 31	
	2021	2020 (As Restated)
ASSETS		
Cash and Other Cash Items (Note 7.1)	**₱ 29,379,783**	₱ 34,249,118
Due from BSP and Other Banks (Note 7.2)	**1,170,814,090**	1,082,931,983
Debt Securities Measured at Amortized Cost, (net) (Note 8)	**310,921,344**	192,161,900
Loans and Receivable, Net (Note 9)	**1,882,330,265**	1,990,078,273
Bank Premises, Furniture, Fixtures and Equipment, Net (Note 10)	**61,277,168**	66,673,305
Investment Property, Net (Note 11)	**78,943,528**	15,632,917
Other Assets (Note 12)	**37,280,238**	32,970,125
Right of Used Assets (Note 13)	**32,704,007**	35,008,076
Deferred Tax Assets (Note 27)	**615,437**	551,883
TOTAL ASSETS	**₱ 3,604,265,860**	₱ 3,450,257,581
LIABILITIES & SHAREHOLDERS' EQUITY		
LIABILITIES		
Deposit Liabilities (Note 14)	**₱ 2,898,518,643**	₱ 2,769,750,243
Bills Payable (Note 15)	**-**	10,070,000
Accrued Interest, Taxes and Other Expenses Payable (Note 16)	**5,652,232**	7,072,231
Income Tax Payable (Note 27)	**2,439,732**	2,073,493
Treasurer's/Cashier's/Manager's and Gift Checks	**34,617**	32,637
Other Liabilities (Note 17)	**75,150,586**	75,448,955
TOTAL LIABILITIES	**2,981,795,809**	2,864,447,559
SHAREHOLDERS' EQUITY (Note 18)		
Share Capital (Note 18.1)		
Common	**377,376,400**	314,480,700
Preferred	**7,470,300**	7,470,300
Additional Paid-in Capital	**85,146,459**	85,146,459
Surplus		
Reserve (Note 18.3)	**20,000,000**	20,000,000
Free (Note 18.2)	**105,803,914**	132,039,585
Appraisal Increment Reserve	**26,672,978**	26,672,978
TOTAL SHAREHOLDERS' EQUITY	**622,470,051**	585,810,022
TOTAL LIABILITIES & EQUITY ACCOUNTS	**₱ 3,604,265,860**	₱ 3,450,257,581
BOOK VALUE PER SHARE	**81.48**	91.95

See accompanying Notes to Financial Statements.

8

RANG-AY BANK (A RURAL BANK), INC.
STATEMENTS OF INCOME

	For the years ended December 31	
	2021	2020
INTEREST INCOME (Note 19)		
Loans & Receivables	**₱ 130,432,389**	**₱ 142,328,362**
Due from Other Banks	**43,853,306**	**55,672,606**
Investments	**13,052,133**	**10,563,167**
TOTAL INTEREST INCOME	**187,337,827**	**208,564,135**
INTEREST EXPENSE		
Savings Deposits	**7,166,711**	**13,984,719**
Time Deposits	**12,693,557**	**14,735,612**
Demand Deposit	**215,430**	**411,758**
Bills Payable	**34,686**	**531,035**
TOTAL INTEREST EXPENSE	**20,110,384**	**29,663,125**
NET INTEREST INCOME	**167,227,444**	**178,901,010**
PROVISION FOR CREDIT LOSSES	**17,098,650**	**2,603,363**
NET INTEREST INCOME AFTER PROVISION	**150,128,794**	**176,297,647**
OTHER INCOME (Note 20)	**48,148,778**	**52,091,451**
TOTAL INCOME BEFORE OPERATING EXPENSES	**198,277,571**	**228,389,098**
OTHER OPERATING EXPENSE		
Compensation & Fringe Benefits (Note 21)	**60,734,227**	**60,811,899**
Other Operating Expenses (Note 23)	**51,486,161**	**45,026,228**
Taxes & Licenses (Note 27)	**3,056,433**	**5,132,275**
Depreciation & Amortization (Note 24)	**13,805,548**	**15,193,444**
Impairment Losses	**-**	**3,651,028**
Bad Debts Written-Off	**21,172,627**	**50,452,942**
	150,254,995	**180,267,816**
NET INCOME BEFORE INCOME TAX	**48,022,576**	**48,121,282**
INCOME TAX EXPENSE(Note 27)	**5,298,029**	**4,112,579**
NET INCOME AFTER INCOME TAX	**₱ 42,724,547**	**₱ 44,008,703**
EARNINGS PER SHARE	**5.66**	7.00

See accompanying Notes to Financial Statements.

RANG-AY BANK (A RURAL BANK), INC.

STATEMENTS OF COMPREHENSIVE INCOME

	For the Years Ended December 31	
	2021	2020
PROFIT FOR THE YEAR	**₱ 42,724,547**	₱ 44,008,703
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified to profit or loss		
Items that may be subsequently reclassified to profit or loss		
TOTAL COMPREHENSIVE INCOME	**₱ 42,724,547**	₱ 44,008,703

See accompanying Notes to Financial Statements.

RANG-AY BANK (A RURAL BANK), INC.

STATEMENTS OF CHANGES IN EQUITY

For the Years Ended December 31, 2021 and 2020

	SHARE CAPITAL - COMMON (Note 18.1)	SHARE CAPITAL - PREFERRED (Note 18.2)	ADDITIONAL PAID IN CAPITAL	SURPLUS RESERVE (Note 18.4)	SURPLUS FREE (Note 18.3)	APPRAISAL INCREMENT RESERVE	Total
Balance at January 1, 2021	**₱ 314,480,700**	**₱ 7,470,300**	**₱ 85,146,459**	**₱ 20,000,000**	**₱ 132,039,585**	**₱ 26,672,978**	**₱ 585,810,022**
Total comprehensive income for the year					**42,724,547**		**42,724,547**
Declaration of dividends	**62,895,700**				**(70,944,915)**		**(8,049,215)**
Net charges/Prior period adjustments					**1,984,697**		**1,984,697**
Balance at December 31, 2021	**₱ 377,376,400**	**₱ 7,470,300**	**₱ 85,146,459**	**₱ 20,000,000**	**₱ 105,803,914**	**₱ 26,672,978**	**₱ 622,470,051**
Balance at January 1, 2020	₱ 314,480,700	₱ 7,470,300	₱ 85,146,459	₱ 20,000,000	₱ 97,274,781	₱ 26,672,978	₱ 551,045,218
Total comprehensive income for the year					44,008,703		44,008,703
Declaration of dividends					(9,658,530)		(9,658,530)
Net charges/Prior period adjustments					414,630		414,630
Balance at December 31, 2020	₱ 314,480,700	₱ 7,470,300	₱ 85,146,459	₱ 20,000,000	₱ 132,039,585	₱ 26,672,978	₱ 585,810,022

See accompanying Notes to Financial Statements.

RANG-AY BANK (A RURAL BANK), INC.
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2021 and 2020

	2021	2020
CASH FLOW FROM OPERATING ACTIVITIES		
Income before tax (IS)	₱ **48,022,576**	₱ 48,121,282
Adjustments for:		
Net Charges to Surplus/Prior Period Adjustments (Note 17)	**1,984,697**	414,630
Provision for Credit Losses on Loans and Receivables	**17,098,650**	2,603,363
Depreciation/Amortization (Note 10, 24)	**13,805,548**	15,193,444
Gain from Sale of Non-Financial Assets (Note 20)	**(5,266,884)**	(6,861,461)
Interest Income (Note 7,8,9 and 19)	**(187,337,827)**	(208,564,135)
Interest Expense (Note 14 & 15)	**20,110,384**	29,663,125
Accounts Written Off	**(5,036,173)**	-
Changes in Working Capital:		
Debt Securities Measured at Amortized Cost, (net) (Note 8)	**(118,759,444)**	(78,077,270)
Loans & Receivables (Note 9)	**95,685,531**	84,163,718
Other Assets (Note 12)	**(4,310,113)**	(5,050,042)
Deposit liabilities (Note 14)	**128,768,400**	284,409,134
Accrued interest, taxes & other liabilities (Note 16)	**(205,000)**	(947,307)
Treasurer's/Cashier's/Manager's and Gift Checks	**1,980**	-
Other liabilities (Note 17)	**1,383,562**	(23,729,103)
Cash Generated from Operations	**5,945,887**	141,339,378
Income Taxes paid/withheld (Note 27)	**(5,069,297)**	(5,492,075)
Interest received (Note 7,8,9 & 19)	**187,337,827**	208,564,135
Interest paid	**(21,325,383)**	(31,388,042)
NET CASH PROVIDED BY OPERATING ACTIVITIES	**166,889,034**	313,023,396
CASH FLOW FROM INVESTING ACTIVITIES		
Cash payments on Investment Properties (Note 11)	**(66,890,540)**	(6,138,213)
Cash receipts from Investment Properties (Note 11)	**8,430,532**	13,731,899
Cash payments on Premises, Furniture, & Equipment (Note 10)	**(2,700,376)**	(8,657,670)
Cash receipts from disposals of Premises, Furniture and Equipment (Note 10)	**515,240**	346,000
NET CASH USED IN BY INVESTING ACTIVITIES	**(60,645,144)**	(717,984)
CASH FLOW FROM FINANCING ACTIVITIES		
Cash Receipts from Bills Payable (Note 15)	**(10,070,000)**	(24,457,937)
Cash Disbursements on Cash Dividends (Note 18)	**(8,049,215)**	(9,658,530)
Movement on leasing liabilities	**(5,111,904)**	(4,746,653)
NET CASH PROVIDED (USED IN) BY FINANCING ACTIVITIES	**(23,231,119)**	(38,863,120)
NET (DECREASE) INCREASE IN CASH & CASH EQUIVALENTS	**83,012,772**	273,442,291
CASH & CASH EQUIVALENTS - BEGINNING	**1,117,181,100**	843,738,809
CASH & CASH EQUIVALENTS - ENDING	**₱ 1,200,193,873**	₱ 1,117,181,100

See accompanying Notes to Financial Statements.

1. CORPORATE INFORMATION

RANG-AY BANK (A RURAL BANK), INC. (the "Bank"), with Philippine Securities and Exchange Commission (SEC) Registry Number CS200520536, was organized under Rural Bank Act of 1952, as amended by Republic Act No. 7353) primarily to carry and engage in the business of extending rural credits to small farmers and tenants and to deserving rural industries or enterprises, to have and exercise all authorities and powers, to do and perform all acts, to transact all business which may legally be had or done by rural banks organized under and in accordance with the Rural Banks' Act, as it exists or may be amended; and to do all other things incident here to, necessary and proper in connection with the attainment of the purposes.

The Bangko Sentral ng Pilipinas (BSP) originally authorized the Bank pursuant to Republic Act 720 (RA720) on January 1956 and then pursuant to Republic Act 7353, on January 10, 2006 to operate as a Rural Bank.

The registered office of the Bank is located at the Nisce-Querol Building, 67 Gov. Luna St., City of San Fernando, La Union. The bank has eight (8) on-site automated teller machine in partnership with Development Bank of the Philippines (DBP) wherein one is located each at Main Branch, Narvacan Branch, Sinait Branch, Rosales Branch, Sta. Lucia Branch, Bangar Branch, Agoo Branch and Bacnotan Branch. Also, seven (7) branches under encash ATM (Dingras, Bangued, Sta Cruz, Luna, Rosario, Aringay & Balaoan Branch) and currently has thirty (30) branches located at as follows:

Branch	Address
La Union	
San Fernando	(Main Branch) 67 Gov. Luna Street, San Fernando, La Union
San Fernando Extension	No. 61 Ortega St. San Fernando City
San Fernando Highway	1/F ONP Bldg. Quezon Avenue National Highway, Brgy II San Fernando City
Rosario	Poblacion East Rosario
Agoo	Rang-ay Bank Bldg., National Highway, Consolacion, Agoo
Bacnotan	New Public Market, National Highway, Poblacion Bacnotan
Balaoan	G/F LULA Bldg., National Highway, Brgy. Antonino, Balaoan
Bangar	Cor. Bangar Luna Road, National HighwayCentral East No. 1, Bangar
Luna	Luna Commercial Center, Balaoan-Luna Provincial Road, Alcala
Naguilian	Rang-ay Bank Bldg., #29 Naguilian Road, Brgy. Ortiz, Naguilian
Tubao	No. 1 Verceles St. Poblacion, Tubao
Aringay	Aringay Public Market, Aringay, La Union
San Juan	G/F Public Market, Ili Sur, San Juan
Ilocos Sur	
Burgos	Poblacion Norte, Burgos
Candon	Rang-ay Bank Bldg., National Highway, Cor. Pascua St., Candon City
Magsingal	New Public Market, Brgy. San Lucas, Magsingal
Narvacan	Narvacan Commercial Complex, Brgy. Margaay, Narvacan
Sta. Cruz	JJEROME Bldg., National Highway, Poblacion Este, Sta. Cruz
Sta. Lucia	ER Moreno Bldg., National Highway, Barangobong, Sta. Lucia
Tagudin	Rang-ay Bank Bldg., National Highway, Cor. San Jose St., Magsaysay, Tagudin
Sinait	GF Public Market, Brgy Macabiag, Sinait, Ilocos Sur
Vigan	Galleria de Vigan, Florentino St., Plaza Burgos, Vigan City
Ilocos Norte	
Dingras	Old Public Market, National Highway, Brgy. Albano, Dingras
Bangui	Tiendaan Ti Bangui, San Lorenzo, Bangui, Ilocos Norte
Laoag	Laoag Commercial Complex, cor. Abadilla St. JP Rizal St. Laoag City
Pangasinan	
Dagupan	G/F TN Bldg., Burgos St., Dagupan City
Rosales	Gen. Luna St. Brgy. Zone 3 Rosales
Benguet	
Baguio	G/F Maharlika Livelihood Center, Brgy. Azcko, Baguio City
La Trinidad	Pineshill Business Center FA 146 KM5, Balili, La Trinidad
Abra	
Bangued	Rang-ay Bank Bldg., Taft Ave., Cor. Manzano Zone 5, Bangued

The Bank is Non-VAT registered and is subject to Internal Revenue Taxes such as Percentage Taxes, Income Tax and other taxes.

As a banking institution, the Bank is regulated by BSP, in this regard, it is required to comply with the rules and regulations of the BSP. The Bank is also subject to the provisions of Republic Act No. 8791, otherwise known as the "General Banking Law of 2000".

The **RANG-AY BANK (A RURAL BANK), INC.** Board of Directors is composed of Seven (7) members; One (1) of them is independent director.

Comparative Figures
The financial statements of **RANG-AY BANK (A RURAL BANK), INC.** for the year December 31, 2020 were audited by another auditor whose report dated April 12, 2021 expressed an unqualified opinion with an emphasis of the matter on those financial statements.

Approval of Financial Statements
The accompanying financial statements of the Bank for the year ended December 31, 2021 were authorized for issue by its Board of Directors on April 12, 2022.

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

The significant accounting policies applied in the preparation of these financial statements are set out separately below or explained in the respective notes to these financial statements. These policies have been consistently applied to the periods presented, unless otherwise stated.

Basis of Preparation
The accompanying financial statements have been prepared on a historical cost basis except for financial assets at fair value through profit or loss (FVTPL), financial assets at fair value through other comprehensive income (FVTOCI) and derivate financial instruments, if any, that have been measured at fair value. The financial statements are presented in Philippine peso ("₱") and all values are rounded to the nearest peso except when otherwise indicated.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Bank takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

For financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 on the degree to which inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at measurement date.
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The financial statements provide comparative information in respect to previous period. In addition, the Bank presents an additional statement of financial position at the beginning of the earlier period presented when there is retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in the financial statements.

Statement of Compliance
The Bank's financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS), as modified by the application of the following financial reporting reliefs issued by the Bangko Sentral ng Pilipinas and approved by the Securities and Exchange Commission in response to the COVID-19 pandemic: a. Exclusion of eligible loans from past due and non-performing

classification until December 31; b. Provision of Financial Assistance under Section 135, for the grant of loans, advances or other forms of credit accommodations to Officers affected by the COVID-19, even in the absence of BSP approved purposes or not within the scope of existing BSP approved purposes; c. Non-imposition of monetary penalties for delays in the submission of all prudential reports to the BSP for a period of six (6) months. The reliefs cover only current-year transactions/events and do not impact comparative figures. The term PFRS in general includes all applicable PFRS, Philippine Accounting Standards (PAS), Interpretations of the Philippine Interpretations Committee (PIC) and Standing Interpretations Committee (SIC)/International Financial Reporting Interpretations Committee (IFRIC) which have been approved and adopted by the Financial Reporting Standards Council (FRSC). and adopted by the SEC. Also, the Bank adopted the new Financial Reporting Package (FRP) prescribed by the Bangko Sentral ng Pilipinas (BSP) as per BSP Circular No 512 dated February 3, 2006 which is updated as of May 31, 2019.

The preparation of financial statements in conformity with PFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

Going Concern Assumption
The Bank is not aware of any significant uncertainties that may cast doubts upon the Bank's ability to continue as a going concern.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the financial statements are consistent with those of the previous financial years, except that the Bank has adopted the following new accounting pronouncements beginning January 1, 2021. Adoption of these pronouncements did not have significant impact on the Bank's financial position or performance unless otherwise stated

New Standards, Amendments, and Interpretations Adopted

Amendments
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amended PFRS:

- Amendment to PFRS 16, *Leases - COVID-19-Related Rent Concessions beyond June 30, 2021* – In 2020, PFRS 16 was amended to provide practical expedient to lessees from applying the requirements on lease modifications for eligible rent concessions that is a direct consequence of COVID-19 pandemic. A lessee may elect not to assess whether eligible rent concessions from a lessor is a lease modification. A lessee that makes this election account for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for a change that is not a lease modification, e.g., as a variable lease payment. This amendment is effective for annual reporting periods beginning on or after June 1, 2020, with earlier application permitted, and covers eligible rent concessions until June 30, 2021. The Company applied the practical expedient in its financial statements for the year ended December 31, 2020.

Due to continuing impact of the pandemic, another amendment to PFRS 16 was issued in 2021, which allows lessees to extend the application of the practical expedient regarding COVID-19-related rent concessions to reduction in lease payments that are due on or before June 30, 2022. The amendment is effective for annual reporting periods beginning on or after April 1, 2021 but earlier application is permitted. The 2021 amendment is mandatory for entities that elected to apply the previous amendment. Accordingly, the Company has applied the amendment in the current year financial statements.

The adoption of the amended PFRS did not materially affect the financial statements of the Company

New and Amended PFRS Issued But Not Yet Effective
Relevant new and amended PFRS, which are not yet effective as at December 31, 2021 and have not been applied in preparing the financial statements, are summarized below.

Effective for annual periods beginning on or after January 1, 2022:

- Amendments to PFRS 3, Reference to Conceptual Framework – The amendments will replace the reference of PFRS 3 from the 1989 Framework to the current 2018 Conceptual Framework. The amendments include an exception that specifies that, for some types of liabilities and contingent liabilities, an entity applying PFRS 3 should refer to PAS 37, Provisions, Contingent Liabilities and Contingent Assets, or IFRIC 21, Levies, instead of the Conceptual Framework. The requirement will ensure that the liabilities recognized in a business combination will remain the same as those recognized applying the current requirements in PFRS 3. The amendments also clarified that an acquirer shall not recognize contingent assets acquired in a business combination. The amendments should be applied prospectively.

- Amendments to PAS 16, Property, Plant and Equipment - Proceeds Before Intended Use – The amendments prohibit deducting from the cost of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for its intended use. Instead, the proceeds and related costs from such items shall be recognized in profit or loss. The amendments must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when an entity first applied the amendments.

- Amendments to PAS 37, Onerous Contracts - Cost of Fulfilling a Contract – The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling a contract comprises both the incremental costs of fulfilling that contract and an allocation of costs directly related to contract activities. The amendments apply to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other component of equity, as applicable. Accordingly, the comparatives are not restated. Earlier application is permitted.

- Annual Improvements to PFRS 2018 to 2020 Cycle:
  - Amendment to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Subsidiary as a First-time Adopter* – The amendment permits a subsidiary that becomes a first-time adopter later than its parent and measures its assets and liabilities in accordance with paragraph D16 (a) of PFRS 1 to measure cumulative translation differences for all foreign operations using the amounts reported by its parent, based on the parent's date of transition to PFRS. Earlier application of the amendment is permitted.
  - Amendment to PFRS 9, Financial Instruments - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities – The amendment clarifies which fees an entity shall include when it applies the '10 per cent' test in assessing whether to derecognize a financial liability (i.e. whether the terms of a new or modified financial liability is substantially different from the terms of the original financial liability). These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf. The amendment applies to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applied the amendments. Earlier application is permitted.
  - Amendment to PFRS 16, Leases - Lease Incentives – The amendment removes from the Illustrative Example 13 the illustration of the reimbursement of leasehold improvements by the lessor. The objective of the amendment is to avoid any potential confusion regarding the treatment of lease incentives because of how the requirements for lease incentives are illustrated.
  - Amendment to PAS 41, Agriculture - Taxation in Fair Value Measurements – The amendment removes the requirement for entities to exclude cash flows for taxation when measuring the fair value of a biological asset using a present value technique to ensure consistency with the

requirements in PFRS 13, Fair Value Measurement. The amendment should be applied prospectively. Earlier application is permitted.

Effective for annual periods beginning on or after January 1, 2023:

- Amendments to PAS 1, Classification of Liabilities as Current or Non-current – The amendments clarify the requirements for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments also specify and clarify the following: (i) an entity's right to defer settlement must exist at the end of the reporting period, (ii) the classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement, (iii) how lending conditions affect classification, and (iv) requirements for classifying liabilities where an entity will or may settle by issuing its own equity instruments. The amendments must be applied retrospectively. Earlier application is permitted.

- Amendments to PAS 1 and PFRS Practice Statement 2, Disclosure Initiative – Accounting Policies – The amendments require an entity to disclose its material accounting policies, instead of its significant accounting policies and provide guidance on how an entity applies the concept of materiality in making decisions about accounting policy disclosures. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and its nature. The amendments clarify

  (1) that accounting policy information may be material because of its nature, even if the related amounts are immaterial, (2) that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements, and (3) if an entity discloses immaterial accounting policy information, such information should not obscure material accounting policy information. In addition, PFRS Practice Statement 2, *Making Materiality Judgements*, is amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information. The amendments should be applied prospectively. Earlier application is permitted.

- Amendments to PAS 8, Definition of Accounting Estimates – The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies, and the correction of errors. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". An entity develops an accounting estimate if an accounting policy require an item in the financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not a correction of an error, and that the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. A change in an accounting estimate may affect only the profit or loss in the current period, or the profit or loss of both the current and future periods. Earlier application is permitted.

- Amendments to PAS 12, Deferred Tax Related Assets and Liabilities from a Single Transaction – The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. Earlier application is permitted.

Effective for annual periods beginning on or after January 1, 2025

- PFRS 17, Insurance Contracts – This standard will replace PFRS 4, Insurance Contracts. It requires insurance liabilities to be measured at current fulfillment value and provides a more uniform measurement and presentation approach to achieve consistent, principle-based accounting for all insurance contracts. It also requires similar principles to be applied to

reinsurance contracts held and investment contracts with discretionary participation features issued. An amendment to the standard was issued to (i) reduce costs of transition by simplifying some requirements of the standard, (ii) make financial performance easier to explain, and (iii) ease transition by deferring the effectivity of the standard from 2021 to 2023 and by providing additional relief to reduce the effort required when applying PFRS 17 for the first time.

- In response to the challenges brought by the COVID-19 pandemic, the Insurance Commission issued Circular Letter 2020-062, Amendment of Section 1 of Circular Letter No. 2018-69, Deferral of IFRS 17 Implementation, which provides a two-year deferral on the implementation of the standard from the 2023 effectivity date. Therefore, all life and nonlife insurance companies in the Philippines shall adopt PFRS 17 for annual periods beginning on or after January 1, 2025.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28 - *Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture* – The amendments address a conflicting provision under the two standards. It clarifies that a gain or loss shall be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business. The effective date of the amendments, initially set for annual periods beginning on or after January 1, 2016, was deferred indefinitely in December 2015 but earlier application is still permitted.

Fair Value Measurement

For measurement and disclosure purposes, the Bank determines the fair value of an asset or liability at initial measurement or at each statement of financial position date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Bank takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

If the asset or liability measured at fair value has a bid and ask price, the price within the bid-ask spread that is most representative of fair value in the circumstances shall be used to measure fair value, regardless of where the input is categorized within the fair value hierarchy.

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

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

For financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 on the degree to which inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at measurement date.
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing

categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

External appraisers are involved for valuation of significant non-financial assets, such as investment properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

For the purpose of fair value disclosures, the Bank has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy (see Note 6).

Financial Instruments

Financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Initial Recognition and Measurement

Financial assets and financial liabilities are recognized when the entity becomes a party to the contractual provisions of the instrument.

At initial recognition, the Bank measures a financial asset or financial liability at its fair value plus or minus, in the case of financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Immediately after recognition, an expected credit allowance (ECL) is recognized for financial assets measured at amortized cost.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the Bank recognizes the difference as follows:

a) When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a level 1 input) or based on a valuation technique that used only data from observable markets, the difference is difference is recognized as a gain or loss.
b) In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortized over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realized through settlement.

Financial Assets

Classification and Subsequent Measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains or losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon de-recognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortized cost (debt instruments)

This category is the most relevant to the Bank. The Bank measures financial assets at amortized cost if both of the following conditions are met:

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

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is de-recognized, modified or impaired.

The Bank's cash and cash equivalents, loans receivable and debt securities measured at amortized cost fall in this category of financial instruments

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash and other cash items, amounts due from BSP and other banks that are highly liquid and readily convertible to known amounts of cash with original maturities of three months or less from dates of placements and which are subject to insignificant risk of changes in value. The components of cash and cash equivalents are shown in the statement of cash flows. Cash and cash equivalents are valued at face amount. Cash denominated in foreign currency is translated in peso using the closing rate as of the financial date. If a bank or financial institution holding the funds of the Bank is in bankruptcy or financial difficulty, cash should be written down to estimated realizable value if the amount recoverable is estimated to be lower than the face amount

Cash on Hand

Cash on hand represents the total amount of cash in the bank's vault in the form of notes and coins under the custody of the cashier/cash custodian. This is measured at face value.

Due from Other Banks

This represents the balance of the deposit accounts maintained with other resident banks. These are stated in the Statement of Financial Position at their face value. Income on interest bearing deposits are credited to and included in the determination of income in the Statement of Comprehensive Income.

Due from Bangko Sentral ng Pilipinas

This represents the balance of the deposit account in local currency maintained with the Bangko Sentral ng Pilipinas to meet reserve requirement subject to existing rules and regulations. This is measured at face value.

Loans and Receivables

Loans and receivable account includes loans extended to clients classified as small and medium enterprise loan, real estate loans, other loans, micro finance loans, and agrarian reform and other agricultural loans. Loans and receivables are recognized when cash is advanced to borrowers. These are recognized initially at fair value plus transaction costs that are directly attributable to the receivable. These are subsequently measured at amortized costs using effective interest method less provision for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate. The amortization is included as "Interest Income" in the Statement of Comprehensive Income. The losses arising from impairment are recognized in profit or loss.

Loans & Discounts

Receivables from customers are stated at the outstanding balance reduced by an allowance for probable loan losses.

Interest income on non-discounted term loan is accrued monthly as earned, except in the case of non-accruing loans.

Unearned discounts are recognized as income over the period for which such discount has been collected using the effective interest method. In accordance with the existing BSP regulations no interest income is accrued on accounts classified as past due.

Under existing BSP regulations, non-accruing loans are those that have been defined as being past due and items in litigations, or those for which, in the opinion of management, collection of interest or principal is doubtful. Interest income on these loans is recognized only to the extent of amount collected. Loans are not classified as accruing until interest and/or principal due are collected and the loans are brought to current or are restructured in accordance with existing

BSP regulations and future payments appear assured. Collaterals of restructured loans exceeding ₱ 1 million shall be revalued by an independent appraiser acceptable to BSP.

Sales Contract Receivable
Sales Contract Receivable (SCR) shall be recorded based on the present value of the installments receivables discounted at the imputed rate of interest. Discount shall be accrued over the life of the SCR by crediting interest income using the effective interest method. Any difference between the present value of the SCR and the derecognized assets shall be recognized in profit or loss at the date of sale in accordance with the provisions of PFRS 15 "Revenue". Provided, that SCR shall be subject to impairment provisions of PFRS 9.

SCRs that meet all the requirements or conditions enumerated below are considered performing assets

1. That there has been a down payment of at least twenty percent (20%) of the agreed selling price or in the absence thereof, the installment payments on the principal had already amounted to at least twenty percent (20%) of the agreed selling price;
2. That payment of the principal must be in equal installments or in diminishing amounts and with maximum intervals of one (1) year;
3. That any grace period in the payment of principal shall not be more than two (2) years and;
4. That there is no installment payment in arrear either on principal or interest: Provided, That an SCR account shall be automatically classified "Substandard" and considered non-performing in case of non-payment of any amortization due: Provided, further, That an SCR which has been classified "Substandard" and considered non-performing due to non-payment of any amortization due may only be upgraded restored to unclassified and/or performing status after a satisfactory track record of at least three (3) consecutive payments of the required amortization of principal and/or interest has been established

Debt Securities Measured at Amortized Cost
These are non-derivative financial assets with fixed determinable payments and fixed maturities. The Bank classifies its debt securities measured at amortized cost as a financial instrument at amortized cost where it has the positive intention and ability to hold up to maturity and to collect contractual cash flows that are solely payments of principal and interest.

Debt securities measured at amortized cost is measured upon recognition at its fair value plus transaction costs that are directly attributable to the acquisition of the security. After initial measurement, debt securities measured at amortized cost is measured at amortized cost using effective interest method, less any impairment losses. The EIR amortization is included in finance income in the Statement of Comprehensive Income. The losses arising from impairment are recognized in the Statement of Comprehensive Income in finance cost.

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

The carrying amount of these assets is adjusted by any expected credit loss allowance recognized and measured as described in accordance with PFRS 9 and BSP Circular 1011, as shown in Note 6. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

Financial assets at fair value through OCI with recycling of cumulative gains or losses

The Bank measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

For debt instruments at fair value through OCI, interest income, foreign exchange re-valuation and impairment losses or reversals are recognized in the statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon de-recognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

As of December 31, 2021 and 2020, the Bank does not have financial assets that are classified under this category.

Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon de-recognition (equity instruments)

Upon initial recognition, the Bank can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the statement of profit or loss when the right of payment has been established, except when the Bank benefits from such proceeds as a recovery of part of the cost of the financial assets, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

As of December 31, 2021 and 2020, the Bank does not have financial assets that are classified under this category.

Financial Assets at fair value through profit or loss

Financial assets that are held within a different business model other than 'to hold the financial assets to collect contractual cash flows' are categorized at FVTPL. Further, irrespective of business model, financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

As of December 31, 2021 and 2020, the Bank does not have financial assets that are classified as FVTPL

Reclassification

When, and only when, the Bank changes its business model for managing financial assets, it shall reclassify all affected financial assets prospectively from reclassification date. The Bank shall not restate any previously recognized gains, losses or interest.

If the Bank reclassifies a financial asset from amortized cost into FVTPL, its fair value is measured at the reclassification date. Any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in profit or loss.

If the Bank reclassifies a financial asset from amortized cost into FVOCI, its fair value is measured at the reclassification date. Any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in other comprehensive income. The EIR and the measurement of expected credit losses are not adjusted as a result of reclassification.

If the Bank reclassifies a financial asset from FVTPL into amortized cost, its fair value at the reclassification date becomes its new gross carrying amount.

If the Bank reclassifies from FVTPL into FVOCI, the financial asset continues to be measured at fair value.

If the Bank reclassifies a financial asset from FVOCI into amortized cost, the financial asset is reclassified at its fair value at the reclassification date. However, the cumulative gain or loss previously recognized in other comprehensive income is removed from equity and adjusted against the fair value of the financial asset at the reclassification date. As a result, the financial asset is measured at the reclassification date as if it had always been measured at amortized cost. This adjustment affects other comprehensive income but does not affect profit or loss and therefore is not a reclassification adjustment. The EIR and the measurement of expected credit losses are not adjusted as a result of reclassification.

If the Bank reclassifies as financial assets from FVOCI into FVTPL, the financial asset continues to be measured at fair value. The cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as reclassification adjustment at the reclassification date.

Financial Liabilities

Classification and Measurement

A financial liability is any liability that is:

a. A contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the entity; or
b. Contract that will or may be settled in the entity's own equity instruments and is:
    i. A non-derivative for which the entity is or may be obliged to deliver a favorable number of the entity's own equity instruments;
    ii. A derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

Initially, financial liabilities are measure at fair value, and, where applicable, adjusted for transaction costs unless the Bank designated financial liability at fair value through profit or loss.

In both the current and prior period, financial liabilities subsequently measured at amortized cost using effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognized in the Statement of Comprehensive Income (other than derivative financial instruments that are designated and effective as hedging instruments). No reclassification shall be made to financial liabilities.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in the Statement of Comprehensive Income are included within finance cost or finance income

The Bank's financial liabilities include deposit liabilities and other payables arising from contractual obligations (except for tax-related liabilities and retirement benefit obligations).

Deposit Liabilities
The deposit liability account includes savings deposits and term deposits. Savings deposits are interest bearing or non-interest bearing and are withdraw-able upon presentation of properly accomplished withdrawal slip and passbook. Term deposits refer to interest-bearing deposits with specific maturity dates and evidenced by certificate issued by the Bank.

Accrued Expenses and Other Liabilities
These refer to obligations already incurred by the Bank which are not yet paid as of the balance sheet date. These are normally measured at actual costs.

Dividends distributions to shareholders are recognized as financial liabilities when the dividends are declared by the Bank's Board of Directors and subject to the requirements of Section 124 of the Manual Regulations for Banks (MORB) December 2018 Edition.

As of December 31, 2021 and 2020, the Bank has not designated any financial liabilities upon initial recognition as at FVTPL.

Classification as Debt or Equity Instruments
Debt and equity instruments issued by the Bank are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instruments.

Equity Instruments
An equity instruments is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Bank are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Bank's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Bank's own equity instruments.

Compound Instruments
The component parts of compound instruments (convertible notes) issued by the Bank are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Bank's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net income tax effects, and is not subsequently re-measured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognized in equity will be transferred to share premium or other equity. Where the conversion option remains unexercised at the maturity date of the convertible note, the balance recognized in equity will be transferred to retained earnings or other equity. No gain or loss is recognized in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortized over the lives of the convertible notes using the EIR method.

Other Payables arising from contractual obligations
Other Payables arising from contractual obligations include accounts payable, lease liabilities and other accrued payables excluding those pertaining to obligations as mandated by law such as taxes payable, SSS payables and the like. These other payables qualifying into the definition of financial liabilities under PFRS 9 are subsequently measured at the expected settlement amounts. The short-term nature of such payables renders the effect of discounting to be immaterial

Borrowing Cost
General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period or time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in the Statement of Comprehensive Income in the period in which they are incurred.

Derecognition of Financial Instruments

Financial Assets
The financial assets (or where applicable, a part of a financial asset or part of a group of financial assets) are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party and meets the qualification parameters for derecognition.

The Banks had transferred a financial asset if, and only if, it either transfers the contractual rights to receive the cash flows of the financial asset, or retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients. When the Bank retains the contractual rights to receive the cash flows of a financial assets but assumes a contractual obligation to pay those cash flows, the Bank treats the transaction as a transfer of financial asset if the following conditions are met:

a. The Bank has no obligation to pay amounts to the eventual recipients unless it collects equivalent amounts from original asset;
b. The Bank is prohibited by the terms of the transfer contract from selling or pledging the original asset other than as security as security to the eventual recipients for the obligation to pay them cash flows; and
c. The Bank has no obligation to remit any cash flows it collects on behalf of the eventual recipients without material delay

Where the Bank has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred the control of the asset, the asset is recognized to the extent of the Bank's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could require to repay.

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

Impairment of Financial Instruments
At each reporting date, the Bank measures the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instruments has increased significantly since initial recognition.

If at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, the Bank measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

The Bank recognizes in the Statement of Comprehensive Income the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date. Loss allowance for financial assets at FVOCI is recognized in other comprehensive income and does not reduce the carrying amount of the financial asset in the Statement of Financial Position.

The Bank shall measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables or contract assets that result from transactions that are within the scope of PFRS 15.

The Bank measures expected credit losses of a financial instrument in a way that reflects:

a. An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
b. The time value of money; and
c. Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Bank considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect expected collectability of the future cash flows of the instruments.

In applying this forward-looking approach, a distinction is made between:

i. financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1'); and
ii. financial instruments that have not deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

12-month expected credit losses' are recognized for the first category while 'lifetime expected credit losses' are recognized for the second category. Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

The Bank shall directly reduce the gross carrying amount of a financial asset when the Bank has no reasonable expectations of recovering a financial asset on its entirety or a portion thereof. A write-off constitutes a derecognition event.

Restructured Loans

Pursuant to the section 304 of the MORB (Past Due Accounts and Non-Performing Loans), restructured loans are defined as loans and other credit accommodations the original contractual terms and conditions of which have been modified in accordance with a formal restructuring agreement that sets forth a revised schedule of payments for the purpose of lessening the financial difficulty of the borrower and maximizing collection and realizable economic value on an obligation within a reasonable period of time. The modification may include, but is not limited to, change in principal due, maturity, interest rate and other charges, collateral, or other terms and conditions. These restructured loans are considered as past due and non-performing except if prior to restructuring, the loans were categorized as performing, such classification shall be retained. Management continuously reviews restructured loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loans' original effective interest rate. The difference between the recorded value of the original loan and the present value of the restructured cash flows, discounted at the original effective interest rate, is recognized in Statement of Income.

Offsetting of Financial Instruments

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

In accounting for a transfer of a financial asset that does not qualify for derecognition, the Bank shall not offset the transferred asset and the associated liability.

Other Assets

Other assets represent residual accounts which were not classified as a separate line item in the Financial Reporting Package (FRP) - Manual of Accounts issued by the Bangko Sentral ng Pilipinas.

Premises, Furniture, Fixtures and Equipment's

Premises, furniture, fixtures, and equipment except land, are carried at cost less accumulated depreciation and amortization and any impairment value. Land is stated at cost less any impairment value.

The initial cost of premises, furniture, fixtures, and equipment except land, comprises its purchase price including import duties, borrowing costs (during the construction period), and any directly attributable costs in bringing the asset to its working condition and location for its intended use. Cost also includes the cost of replacing the part of such asset when the recognition criteria are met and the estimated cost of dismantling and removing the asset and restoring the site.

Expenditures incurred after the premises, furniture, fixtures, and equipment have been put into operation, such as repairs and maintenance, are normally charged to operations in the period the costs are incurred. In situations where it can be clearly determined that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of the asset beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs.

When major improvement is performed, its cost is recognized in the carrying amount of the premises, furniture, fixtures, and equipment as a replacement if the recognition criteria are satisfied.

For financial reporting purposes, depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets.

Depreciation is computed on the straight-line basis over the estimated useful lives of the assets. Amortization of leasehold improvements is recognized over the estimated useful lives of improvements or the term of the lease, whichever is shorter. Land is not depreciated.

The estimated useful lives of Bank Premises, Furniture, Fixtures and Equipment are as follows:

Building	20 – 30 years
Appraisal Increment	5-10 years
Leasehold Improvements	5 years or the term of the lease
Transportation Equipment	5 years
Furniture, Fixtures and Equipment	3 years

The useful lives and depreciation or amortization method are being reviewed by the Bank periodically to ensure that the periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from the items of premises, furniture, fixtures, and equipment. The residual value, if any, is also reviewed and adjusted if appropriate, at each balance sheet date.

Fully depreciated assets are retained in the accounts at ₱ 1 net value until they are no longer in use and no further charge for depreciation is made with respect to those assets. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the account and any resulting gain or loss are reflected in the income for the period. Any disposal or deletion of property and equipment from the Bank's book of accounts should be approved by the management.

Building under construction

Assets under construction are capitalized as construction-in-progress. The cost comprises of purchase price and any costs directly attributable to bringing it into working condition for its intended use. Construction-in-progress is not depreciated. Once the asset is complete and available for use, depreciation is commenced.

Investment Properties

The Bank's investment properties comprise of acquired assets in settlement of loans, land and building leased out under an operating lease. Investment properties held either to earn rental income or for capital appreciation or both, but not for sale in the ordinary course of business or for administrative purposes.

In accounting for investment properties, the Bank considers the provision under Section 382 of the MORB (December 2018 Edition). Real and Other Properties Acquired (ROPA) in settlement of loans through foreclosure or dation in payment are booked under investment properties:

a. Upon entry of judgement in case of judicial foreclosure;
b. Upon execution of the Sheriff's Certificate of Sales in case extrajudicial foreclosure; and
c. Upon notarization of the Deed of Dacion in case of dation in payment (dacion en pago).

ROPA are booked initially at the carrying amount of the loan (i.e. outstanding loan balance adjusted for any unamortized premium discount less allowance for credit losses computed based on PFRS 9 provisioning requirements, which take into account the fair value of the collateral) plus booked accrued interest less allowance for credit losses (computed based on PFRS 9 provisioning requirements) plus transaction cost incurred upon acquisition (such as non-refundable capital gains tax and documentary stamp tax paid in connection with the foreclosure/purchase of the acquired real estate property: Provided, that the carrying amount of ROPA exceed P5,000,000, the appraisal of the foreclosed/purchased asset shall be conducted by an independent appraiser acceptable to the BSP.

Subsequent to initial recognition, depreciable items of ROPA are carried at cost less accumulated depreciation and any impairment losses.

ROPA are derecognized when it has either been disposed of or permanently withdrawn from use and no future benefit is expected from its disposal. Any gain or loss on the retirement or disposal of ROPA is recognized in the Statement of Comprehensive Income in the year of retirement or disposal.

Transfers are made to ROPA when there is a change in use evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending construction or development. Transfers are made from ROPA when, and only when, there is a change in use evidenced by commencement of owner-occupation or commencement of development with view sell.

Depreciation and amortization are calculated on a straight-line basis over the estimated useful lives of the assets.

The Bank assesses impairment on assets whenever events changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Bank considers important which could trigger an impairment review include the following:

a. Significant underperformance relative to expected historical or projected future operating results;
b. Significant changes in the manner of use of the acquired assets or the strategy for overall business; and
c. Significant negative industry or economic trends.

The Bank recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is computed using the value in use approach. Recoverable amounts are estimated for individual assets.

The Bank discloses the fair values of its investment properties in accordance with PAS 40.

Up to the date when an owner-occupied property becomes an investment property carried at fair value, the Bank depreciates the property and recognizes any impairment losses that have occurred. The Bank treats any difference at the date between the carrying amount of property as follows:

a. Any resulting decrease in the carrying amount of the property is recognized in the Statement of Comprehensive Income. However, to the extent that an amount is included in revaluation surplus for that property, the decrease is recognized in other comprehensive income and reduces revaluation surplus within equity.
b. Any resulting increase in the carrying amount is treated as follows:
    i. To the extent that the increase reverses a previous impairment loss for that property, the increase is recognized in Statement of Comprehensive Income. The amount recognized in Statement of Comprehensive Income does not exceed the amount needed to restore the carrying amount that would have been determined (net depreciation) had no impairment loss been recognized.
    ii. Any remaining part of the increase is recognized in other comprehensive income and increases the revaluation surplus within equity. On subsequent disposal of the

investment property, the revaluation surplus included in equity may be transferred to general fund. The transfer from revaluation surplus to general fund is not made through profit or loss.

Intangible Assets

An intangible asset pertains to acquired information technology software capitalized on the basis of the cost incurred to acquire and bring to use the specific software. This asset is stated at historical cost less amortization. However, costs for licenses incurred for maintaining the software are charged to operations. Costs that are directly attributable to the development phase of new customized software for information technology and telecommunications systems are recognized as intangible assets provided they meet the following recognition requirements:

- Demonstration of technological feasibility of the prospective product for internal use or sale;
- The intangible asset will generate probable economic benefits through internal use or sale;
- Sufficient technical, financial and other resources are available for completion; and
- The intangible asset can be reliably measured.

Intangible assets are subject to impairment testing. Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and install specific software.

Amortization on other computer software is provided on a straight-line method over the estimated useful lives of 5 years.

Right-of-use Assets

The Banks recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term, as follows:

	Years
Buildings and improvements	2 to 50

Impairment of Non-Financial Assets

The Bank assesses at each reporting date if there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Bank makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and value in use. When the carrying value of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments and time value of money and the risks specific to the asset. Impairment losses on continuing operations are recognized in the Income Statement in the expense categories.

The assessment is made at each reporting date. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount net of depreciation that would have been determined, had no impairment loss have been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Equity

Share Capital

Share Capital is measured at par value for all shares issued and outstanding. When the Bank issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued. Incremental costs incurred directly attributable to the issuance of new shares are

shown in equity as deduction from proceeds, net of tax. The subscribed capital stock is reported in equity less the related subscription receivable not currently collectible. Common stock consists of common and preferred. Preferred stocks are (a) cumulative, (b) non-voting, and (c) non-redeemable.

Subscribed common stock is recognized at subscribed amount net of subscription receivable.

Subscriptions receivable pertains to uncollected portion of subscribed stocks. The Bank accounted for the subscription receivable as a contra equity account.

Retained Earning
Retained earnings represents the cumulative balance of periodic net income or loss, dividend contributions, prior period adjustments, effect of changes in accounting policy and other capital adjustments.

Dividends
Cash dividends are recognized as liability and deducted from the equity when approved by the Board of Directors (BOD) while stock dividends are deducted from equity when approved by BOD and stockholders. Dividends for the year that are approved after the reporting date are dealt with as subsequent events. Stock issuance costs are accounted for as deduction from equity.

Earnings per Share
Earnings per share (EPS) is computed by dividing net income by the weighted average number of ordinary shares outstanding during the year with retroactive adjustments applicable, if any, to preference shares.

Book Value per Share
The book value per common share is derived from the total stockholders' equity net of preferred shares and dividends (for cumulative shares) divided by the total number of ordinary shares outstanding during the year.

Deposit for Stock Subscription
Deposit for stock subscription (DSS) represents payments made on subscription of shares which cannot be directly credited to 'Preferred stock' or 'Common stock' pending registration with the SEC of the amendment to the Articles of Incorporation increasing capital stock. In accordance with SEC Financial Reporting Bulletin No. 006 issued in 2012 and Section 123 of the MORB, the Bank does consider a deposit for future subscription as an equity instrument unless all of the following elements are present.

(a). the deposit for stock subscription meets the definition of an equity instrument under Philippine Accounting Standards (PAS) 32 Financial Instruments: Presentation such that the deposit for stock subscription shall not be interest-bearing nor withdrawable by the subscribe; (b). The unissued authorized capital stocks of the Bank are insufficient to cover the amount of shares classified as deposits for future shares subscriptions; (c). the entity's BOD and shareholders have approved an increase in capital stock to cover the shares corresponding to the amount of the deposit; (d). an application for the approval of the increase in capital stock has been presented for filing or filed with the SEC and BSP and (e). the bank must have obtained approval of the Monetary Board on transactions involving significant ownership of voting shares of stock by any person, natural or juridical, or by one Bank of persons as provided in Sec. 122 (Transactions involving voting shares of stocks, Item "b"), if applicable

DFS that does not meet the foregoing provisions is treated as a financial liability.

As of December 31, 2021 and 2020, the Bank has no DSS recorded under liabilities and equity.

Revenue Recognition
The Bank derives revenue from interest income, loan fees and service charges, interest income from bank deposits, and other income over time and at a point in time.

The Bank primarily derives its revenue from interest income on loans. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for those goods or services. The Bank assesses its revenue arrangements against specific criteria in order to

determine whether it is acting as principal or as an agent. The Bank is acting principal in its revenue arrangements to its customers, revenue is recognized on a gross basis. However, if the Bank is acting as an agent to its customers, only the amount of net commission retained is recognized as revenue.

The following specific recognition criteria must also be met before revenue is recognized:

Revenue within the scope of PFRS 15:

Loan Fees and Service Charges
Loan fees directly related to acquisition and origination of loans are included in the cost of receivables and are amortized using the effective interest rate method over the term of the loan. Loan commitment fees are recognized as earned over the term of the credit lines granted to each borrower.

Service charges are recognized earned or accrued where there is reasonable degree as to its collectability

Revenue outside the scope of PFRS 15:

Interest Income

Interest on Loans
Interest Income on loans and discount with advanced interest are recognized periodically using the effective interest method of amortization. On the other hand, interest income on loans and discount with no advanced interest are recognized on accrual basis. The accrual basis of recognition of interest income, however, ceases when the loans and discount is already past due.

The Bank shall only charge interest based in the outstanding balance of a loan at the beginning of an interest period. For a loan where the principal is payable in installments, interest per installment period shall be calculated based on the outstanding balance of the loan at the beginning of each installment period.

Interest Income on Bank deposits and Debt Securities measured at Amortized Cost
Interest on bank deposits and debt securities measured at amortized cost are recognized using the accrual method.

Rental Income
Rental income arising on leased premises is accounted for on a straight-line basis over the lease terms on ongoing leases.

Other Income
Other income arising from litigation, service charges, membership fee, and others. Income from sale of services is recognized upon rendition of the service. Income from sale of properties is recognized upon completion of the earning process and the collectability of the sales price is reasonably assured.

Cost and Expense Recognition
Cost and expense are decrease in economic benefits in the form of decreases in assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants. Expenses are generally recognized when the services are received or when the expense is incurred.

Interest Expense
Interest expense for financial liabilities is recognized in profit or loss on accrual basis using EIR of the financial liabilities to which they relate.

Other Expense
Other expenses encompass losses as well as expenses that arise in ordinary course of business of the Bank. Other expenses are recognized when incurred.

Leases

Lease Recognition

Lessee Accounting
Finance Lease - PFRS 16 provides that at the commencement date, a lessee shall recognize a right of use asset and a lease liability. This simply means that a lessee is required to initially recognize a right of use asset for the right to use the underlying asset over the lease term and a lease liability for the obligation to make payments. All leases shall be accounted for by the lessee as finance lease under the new lease standard.

Initial Measurement of right of use asset
A right of use asset is defined as an asset that represents the right of a lessee to use an underlying asset over the lease term in a finance lease.

The cost of right of use asset comprises:
a. The present value of lease payments
b. Lease payments made to lessor such as lease bonus, less any lease incentive received
c. Initial direct costs incurred by the lessee
d. Estimate of cost of dismantling and restoring the underlying asset for which the lessee has a present obligation.

Subsequent measurement if right of use asset
The lessee shall measure the right of use asset applying the **cost model.** To apply the cost model, the lessee shall measure the right of use asset at cost less any accumulated depreciation and impairment loss.

Presentation of right of use asset
The bank presented the right of use asset as separate line item as noncurrent asset in the statement of financial position.
(As an alternative, the lessee may include the right of use asset in the appropriate line item within which the corresponding underlying asset would be presented if owned.)

Depreciation of right of use asset
The lessee shall apply normal depreciation policy for right of use asset.
PFRS 16 provides that the lessee shall depreciate the right of use asset over the useful life of the underlying asset under the following conditions:
a. The lease transfers ownership of the underlying asset to the lessee at the end of the lease term.
b. The lessee is reasonably certain to exercise a purchase option.

If there is no transfer of ownership to the lessee or if the purchase option is not reasonably certain to exercised, the lessee shall depreciate the right of use asset over the shorter between the useful life of the asset and the lease term.

Measurement of Lease Liability
The lessee shall measure the lease liability at the present value of lease payments.
The lease payments shall be discounted using the interest rate implicit in the lease desired by the lessor. If the implicit interest rate cannot be readily determined, the incremental borrowing rate of the lessee is used.

Components of lease payments
a. Fixed lease payments or periodic rental.
b. Variable lease payments.
c. Exercise price of a purchase option if the lessee is reasonably certain to exercise the option.
d. Amount expected to be payable by the lessee under a residual value guarantee.
e. Termination penalties if the lease term reflects the exercise of a termination option.

Operating lease model for lessee
PFRS 16 provides that a lessee is permitted to make an accounting policy election to apply the operating lease accounting and not recognize an asset and lease liability in two optional exemptions.
a. Short-term lease
b. Low value lease

Lessor Accounting
PFRS 16 provides that a lessor shall classify leases as either an operating lease or a finance lease.

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract.

Under PFRS 16, any of the following situations would normally lead to a lease being classified as a finance lease:

a. The lease transfers ownership of the underlying asset to the lessee at the end of the lease term.
b. The lessee has an option to purchase the asset at a price which is expected to be sufficiently lower than the fair value at the date the option becomes exercisable. At the inception of the lease, it is reasonably certain that the option will be exercised.
c. The lease term is for the major part of the economic life of the underlying asset even if title is not transferred. Under GAAP, a "major part" means at least 75% of the economic life of an asset.
d. The present value of the lease payments amounts to substantially all of the fair value of the underlying asset at the inception of the lease. Under GAAP, "substantially all" means at least 90% of the fair value of the underlying asset.

Employee Benefits
a. Short term benefits
The Bank provides short term benefits to its employees in the form of salaries and wages, 13th month pay, contributions to SSS/PHIC/HDMF and other short term employee benefits and are presented as part of the operating expenses as compensation and fringe benefits -employees.

(b) Post-employment benefits
Benefits that are payable after the completion of employment.

(c) *Termination Benefits*
Payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Bank recognizes termination benefits when it is demonstrably committed to either; terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting date are discounted to present value.

(d) *Retirement*
The Bank has a funded, non-contributory retirement benefit plan covering all of its regular employees. Retirement benefit costs is determined using the projected unit actual actuarial valuation method as determined by an independent actuary taking into account the factors of investments, mortality, disability and salary projection rates on actuarial basis.

The cost of providing benefits should be determined using projected Unit Credit Method which reflects services rendered by the employees to the date of valuation and incorporates the assumptions concerning employees' projected salaries. Post-employment expenses include current service cost plus amortization of past service cost, experience adjustments and changed in actuarial assumptions over the expected average remaining working lives of the covered employees. Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight-line basis over the average period until the benefits become vested.

The funding of the plan is determined by an actuarial advisor and payment of the benefits there under is provided for through the medium of a fund held by a Board of Trustees under an appropriate trust agreement.

The plan is administered by a Board of Trustees appointed by the Bank and is responsible for the general administration of the plan and the management of the fund.

The determination of the obligation and cost of pension and other employee benefits is dependent on the selection of certain assumptions used in calculating such amounts. While the bank believes that the assumptions are reasonable and appropriate, significant differences between actual experiences and assumptions may materially affect the cost of employee benefits and related obligations.

The bank also estimates other employee benefits obligation and expense, including cost of paid leaves based on historical leave availments of employees, subject to the bank's policy. These estimates may vary depending on the future changes in salaries and actual experiences during the year.

Income Taxes

Income tax expense includes current tax expense and deferred tax expense. The current tax expense is based on taxable profit for the year. Deferred tax is recognized on the differences between the carrying amounts of assets and liabilities in the financial statements and their corresponding tax bases.

Current Income Tax

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

Deferred tax

Deferred tax Deferred tax is provided on all temporary differences at the statements of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income; and
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that future taxable income will be available against which the deductible temporary differences and carryforward of unused MCIT and unused NOLCO can be utilized except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income; and
- In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable income will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient future taxable income will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each statement of financial position date and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are applicable to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

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

On March 26, 2021, President Rodrigo Roa Duterte signed into law Republic Act No. 11534 which is now known as the CREATE Act wherein CREATE stands for Corporate Recovery and Tax Incentive for Enterprises.

The CREATE Act is the second package in the Comprehensive Tax Reform Program (CTRP) of the Duterte Administration with the TRAIN Law (Tax Reform for Acceleration and Inclusion) under Republic Act No. 10963 taking effect last January 1, 2018 as the initial package.

The CREATE Act provides tax reduction and relief measures to corporations and also provides for the modernization and rationalization of fiscal incentives granted to investors thereby making the country more competitive in attracting investors and stimulating economic recovery in the face of the COVID pandemic.

Among the salient features of the CREATE Act are the following:
1. Reduction of Corporate Income Tax rate from 30% to 20% for domestic corporations with taxable income not exceeding ₱5M and total assets not exceeding ₱100M excluding land on which the entity's office, plant and equipment are situated effective July 1, 2020 to June 30, 2023
2. Reduction of Corporate Income Tax rate of domestic corporations from 30% to 25% if the above mentioned threshold is not met effective July 1, 2020 to June 30, 2023
3. Reduction of Minimum Corporate Income Tax (MCIT) rate from 2% to 1% effective July 1, 2020 to June 30, 2023
4. Repeal of Improperly Accumulated Earnings Tax (IAET)
5. Clarification on types of reorganizations covered by tax free exchanges

With the above provisions of the CREATE Act, the Income Tax Rate (ITR) and Minimum Corporate Income Tax (MCIT) of the Company are reduced to 25% and 1% respectively from January 1, 2021 to December 31, 2021.

There is no other material financial impact to the Company arising from the provisions of the CREATE Act as of December 31, 2021.

Related Party Relationships and Transactions
Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. Transactions between related parties are based on terms similar to those offered to non-related parties.

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

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available on balance sheet date, including the risks and uncertainties associated with the present obligation. Any reimbursement expected to be received in the course of settlement of the present obligation is recognized, if virtually certain, as a separate asset at an amount not exceeding the balance of the related provision. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. In addition, long-term provisions are discounted to their present values, where time value of money is material.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

In those cases, where the possible outflow of economic resources as a result of present obligation is considered improbable or remote, or the amount to be provided cannot be measured reliably, no liability

is recognized in the financial statements. Probable inflows of economic benefits that do not yet meet the recognition criteria of an asset are considered contingent assets, hence not recognized in the financial assets.

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

Events after Reporting Date
Post-year-end events up to the date of approval of the BOD of the financial statements that provide additional information about the Bank's position at the reporting date (adjusting events) are reflected in the financial statements. Post-year-end events that are not adjusting events, if any, are disclosed in the notes when material to the financial statements.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND POLICIES

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

Judgments are made by management in the development, selection and disclosure of the Bank's significant accounting policies and estimates and the application of these policies and estimates.

The estimates and assumptions are reviewed on an on-going basis. These are based on management's evaluation of relevant facts and circumstances as of the reporting date. Actual results could differ from such estimates.

Revisions to accounting estimates are recognized in the period in which the estimate is revisited if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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

a. Leases

Determination of the lease term for lease contracts with renewal and termination options (Bank as a lessee)
The Bank determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Bank has several lease contracts that include extension and termination options. The Bank applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Bank reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization of the leased asset).

Estimating the incremental borrowing rate
The Bank cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ('IBR') to measure lease liabilities. The IBR is the rate of interest that the Bank would have to pay to borrow over a similar term, and with a similar security, the funds necessary

to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Bank 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Bank estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific adjustments (such as the stand-alone credit rating, or to reflect the terms and conditions of the lease).

b. Classification of financial instruments

The Bank exercises judgment in classifying a financial instrument, or its component parts, on initial recognition as either a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the statements of financial position.

c. Determination of Functional currency

PAS 21, the effects of Changes in Foreign Exchange Rates requires management to use its judgment to determine the entity's functional currency such that it most faithfully represents the economic effects of the underlying transactions, events and conditions that are relevant to the entity. In making this judgment, The Bank considers the following:

b.1. The currency that mainly influences sales prices for financial instruments and services (this will often be the currency in which sales prices for its financial instruments and services are denominated and settled);
b.2. The currency in which funds from financing activities are generated; and
b.3. The currency in which receipts from operating activities are usually retained.

The bank has determined that its functional currency is the Philippine Peso which is the currency of the primary environment in which the Bank operates.

d. Recognition of Provision and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition and disclosure of provision and disclosure of contingencies are presented in the Notes to the Financial Statements.

e. Classification of Acquired Properties and Investment Property

At initial recognition, the Bank determines the fair value of acquired properties through internally and externally generated appraisal. The appraised value is determined based on the current economic and market conditions as well as the physical condition of the property.

Estimates

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

a. Determination of Fair Values of Financial Assets and Liabilities

PFRS requires certain financial assets and liabilities to be carried and disclosed at fair value, which requires extensive use of accounting estimates and judgments. While significant components of fair value measurement were determined using verifiable objective evidence (i.e. foreign exchange rates and interest rates), the amount of changes in fair value would differ if the Bank utilized a different valuation methodology. Any changes in fair value of these financial assets and liabilities would directly affect the Bank's statement of comprehensive income and statement of changes in equity.

b. Allowance for Credit Losses

The allowance for credit losses, which includes both specific and general loan loss reserve represents management's estimate of probable losses inherent in the portfolio, after considering the prevailing and anticipated economic conditions, prior loss experience, estimated recoverable value based on fair market values of underlying collaterals and prospect of support from guarantors, subsequent collections and evaluations made by the BSP. The BSP observes certain criteria and guidelines in establishing specific loan loss reserves for classified loans and other risk assets a provided under Sec. 143 and Appendix 15 of the Manual of Regulations for Banks.

Individually assessed loans and other credit accommodations (which include other credits such as accounts receivables, sales contract receivables, accrued interest receivables and advances):

Loans and other credit accommodation with unpaid principal and/or interest is being classified and provided with allowance for credit losses (ACL) based on the number of days missed payments as follows:

For unsecured loans and credit accommodations:

Number of days Unpaid/with missed payments	Classification	Minimum ACL	Stage
31 - 90 days	Substandard	10%	2
91 - 120 days	Substandard (Non Performing)	25%	3
121 - 180- days	Doubtful	50%	3
181 days and over	Loss	100%	3

For secured loans and other credit accommodations:

Number of days Unpaid/with missed payments	Classification	Minimum ACL	Stage
31 - 90 days*	Substandard	10%	2
91 - 180 days	Substandard (Non-Performing)	10%	3
181 - 365- days	Substandard (Non-Performing)	25%	3
Over 1 year – 5 years	Doubtful	50%	3
Over 5 years	Loss	100%	3
*When there is imminent possibility of foreclosure and expectation of loss, ACL shall be increased to 25%			

Provided that where the quality of physical collateral or financial guarantees securing the loans and advances are determined to be insufficient, weak or without recoverable values, such loans and advances are treated as if unsecured.

Loans and other credit accommodations that exhibit the characteristics for classified account is being provided with allowance for credit losses as follows: Classified Loans

Classification	Minimum ACL	Stage
Especially Mentioned	5%	2
Substandard – Secured	10%	2 or 3*
Substandard – Unsecured	25%	2 or 3*
Doubtful	50%	3
Loss	100%	3

**The stage depends on whether the accounts are classified as non-performing (Stage 3) or underperforming (Stage 2).*

Unsecured loans and other credit accommodations classified as "substandard" in the last two (2) internal credit reviews which have been continuously renewed or extended without reduction in principal and is not in process of collection, is downgraded to "doubtful" classification and provided with 50% allowance for credit losses.

Loans and other credit accommodations under litigation which have been classified as "pass" prior to litigation process is classified as 'substandard" and provided with 25% ACL.

Loans and other credit accommodations that were previously classified as "pass" but were subsequently restructured shall have a minimum classification of "especially mentioned" and provided with a 5% ACL, except for loans which are considered non-risk under existing laws, rules and regulations.

Classified loans and other credit accommodations that were subsequently restructured shall retain their classification and provisioning until the borrower has sufficiently exhibited that the loan will be repaid.

Collectively Assessed Loans and Other Credit Accommodations which includes microfinance loans, micro enterprises and small business loans and consumer loans such as salary loans, credit card receivables, auto loans, housing loans and other consumption loans, and other types of loan which fall below the Bank's materiality threshold for individual assessment:

Current "pass" loans and other credit accommodations is provided with ACL based on the number of days of missed payments as follows:

For unsecured loans and other credit accommodations:

Number of days Unpaid/with missed payments	Classification	Minimum ACL	Stage
1-30 days	Especially Mentioned	2%	2
31-60 days/1st restructuring	Substandard	25%	2 or 3
61-90 days	Doubtful	50%	3
91 days and over/ 2nd restructuring	Loss	100%	3

For secured loans and other credit accommodations:

No. of Days Unpaid/With Missed Payments	Classification	Allowance for Credit Losses (ACL)		STAGE
		Other types of collateral	Secured by real estate	
31 - 90 days	Substandard	10%	10%	2
91 - 120 days	Substandard (Non-performing)	25%	15%	3
121 - 360 days	Doubtful	50%	25%	3
361 days - 5 years	Loss	100%	50%	3
Over 5 years	Loss	100%	100%	3

Provided, that where the quality of physical collaterals or financial guarantees securing the loans and advances are determined to be insufficient, weak or without recoverable values, such loans and advances is treated as if these are unsecured. Unclassified loans and receivables - General loan loss provision

For unclassified loans:	
Unclassified restructured loans	5% of the borrower's outstanding loan
Unclassified other than restructured	1% of the borrower's outstanding loan

Outstanding loans that were already subjected to specific provisioning were no longer included in the general loan loss provisioning as shown above.

Other Risk Assets

Other risk assets such as accounts receivable are also given allowance after considering the nature of the transaction and the degree of collectibles of the accounts.

Provisions for losses (expense account) on the above cited risk assets are determined by the required allowance at the end of the year less the beginning allowance for a particular year adjusted by write-off and recovery, if any.

c. Useful lives of Bank Premises, Furniture, Fixtures & Equipment

The useful lives of Bank Premises, Furniture, Fixtures and Equipment are estimated based on the period over which these assets are expected to be available for use and on the collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful lives of Bank Premises, Furniture, Fixtures and Equipment are reviewed periodically and are updated if expectations differ materially from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limitations on the use of the Bank Premises, Furniture, Fixtures and Equipment. It is possible, however, that future financial performance could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

There were no changes in the estimated useful lives of Bank Premises, Furniture, Fixtures and Equipment.

d. Useful life of Depreciable Investment Property

The assumptions and estimates used by the Bank in the useful life of Investment Property are made to objectively determine the productivity or use of the assets. The BSP however in its Circular 494 provided that Investment Property -building and Investment Property -Other Non-Financial Assets specifically those that were accounted for as Investment Property under PAS 40 shall be depreciated only for a period of not more than 10 and 3 years respectively reckoning from the date of foreclosure. Thus, the lower between the estimate of the Bank and BSP regulation shall prevail.

e. Determination of Impairment of Nonfinancial Assets

An impairment review should be performed when certain impairment indicators are present.
Determining the value in use of Bank Premises, Furniture, Fixtures and Equipment which requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Bank to make estimates and assumptions that can materially affect the financial statements. Future events could cause the Bank to conclude that Bank Premises, Furniture, Fixtures and Equipment are impaired.

Any resulting impairment loss could have a material adverse impact on the Bank's financial position and financial performance.

f. Recognition of Retirement Costs.

The determination of the obligation and cost for pension and other retirement benefits is dependent on the selection of certain assumptions used by an actuary in calculating such amounts. Those assumptions include among others, discount rates and salary rate increase. Actual results that differ from the assumptions generally affect the recognized expense and recorded obligation in such future periods. While the Bank believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the pension and other retirement obligations.

g. Recognition of Deferred Tax Assets

Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that future taxable income will be available against which the deferred tax assets can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized based upon the likely timing and level of future taxable income together with future tax planning strategies.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Bank's principal financial instruments consist of cash and cash equivalents, receivables and payables which arise from operations, and long term investments. The Bank's activities are principally related to the profitable use of financial instruments. Risks are inherent in these activities but are managed by the Bank through a rigorous, comprehensive and continuous process of identification

measurement, monitoring and mitigation of these risks, partly through the effective use of risk and authority limits, process controls and monitoring, and independent controls. The Bank has placed due importance to expanding and strengthening its risk management process and considers it as a vital component to the Bank's continuing profitability and financial stability. Central to the Bank's risk management process is its adoption of a risk management program intended to avoid unnecessary risks, manage and mitigate unavoidable risks and maximize returns from taking acceptable risks necessary to sustain its business validity and good financial position in the market.

The inherent risks which can arise from the Bank's financial instruments are credit risk, market risk (i. e. interest rate risk, currency risk and price risk) and liquidity risk. The Bank's risk management objective is primarily focused on controlling and mitigating these risks. The Board of Directors reviews and agrees on policies for managing each of these risks and are summarized as follows:

Credit Risk
Credit risk is the risk of financial loss due to the other party's failure to discharge an obligation cited in a binding financial instrument. The Bank faces potential credit risks every time it extends funds to borrowers, commits funds to counterparties, guarantees the paying performance of its clients, invests funds to issuers and enters into either market-traded or over-the-counter derivatives, through implied or actual contractual agreements.

The Bank enforces credit risk management fundamentally via its Credit Policy Manual (CPM), the provisions of which are regularly reviewed and updated to reflect changing risk conditions. The CPM defined, among others, the following:

- the Bank's credit structure
- target market;
- credit evaluation, administration, monitoring, and collection guidelines; and
- Remedial management.

The Bank likewise manages risk by setting limits such as:

- approving authority limits;
- individuals and borrower group limits; and
- Concentration limit as to facility and industry segments.

Moreover, the Bank monitors credit exposures, and continually assesses the creditworthiness of counterparties. It is also obtaining security where appropriate, enters into collateral arrangement with counterparties, and limits the duration exposure.

The Bank has an internal credit risk rating system for the purpose of measuring, in a consistent manner, credit risk for every exposure. The risk information derived is then used for business and financial decision making.

Additionally, the tables on the page show the distribution of maximum credit exposure by industry sector of the Bank as at December 31, 2021 and 2020:

	2021			
	**Loans and Receivables	Due from BSP and Other Banks	**Debt Securities Measure at Amortized Cost	Total
Wholesale and retail trade, repair of motor vehicles, motorcycles and personal and household goods	₱ 167,025,680	₱ -	₱ -	₱ 167,025,680
Agriculture, hunting and forestry	667,497,279	-	-	667,497,279
Financial institutions	-	404,846,381	155,000,000	559,846,381
Government	-	765,967,709	155,921,344	921,889,053
Construction	177,503,928	-	-	177,503,928
Manufacturing	12,623,700	-	-	12,623,700
Accommodation and food service activities	210,755,316	-	-	210,755,316
Education	69,399,147	-	-	69,399,147
Transportation and storage	23,208,562	-	-	23,208,562
Real estate activities	371,768,757	-	-	371,768,757
*Activity of households as employers and undifferentiated goods-and-services-producing activities of households for own use	145,715,453	-	-	145,715,453
Electricity, gas and water supply	23,255,873	-	-	23,255,873
Mining and quarrying	7,025,085	-	-	7,025,085

Water supply, Sewerage, Waste management and Remediation Activities	**365,989**	**-**	**-**	**365,989**
Human health and social work activities	**15,226,608**	**-**	**-**	**15,226,608**
Financial and Insurance Activities	**483,958**	**-**	**-**	**483,958**
Other service activities	**29,466,544**	**-**	**-**	**29,466,544**
Loans to Individuals Primarily for Personal Use Purposes	**22,684,287**	**-**	**-**	**22,684,287**
Less: Allowance for Credit Losses	**(66,494,852)**	**-**	**-**	**(66,494,852)**
Total	**₱ 1,877,511,314**	**₱ 1,170,814,090**	**₱310,921,344**	**₱ 3,359,246,748**

**Amount is net of Unamortized Discount and excludes Sales Contract Receivables*
***Amount is net of unamortized Premium/Discount*

	2020			
	*Loans and Receivables	Due from BSP and Other Banks	**Debt Securities Measure at Amortized Cost	Total
Wholesale and retail trade, repair of motor vehicles, motorcycles and personal and household goods	₱ 97,425,688	₱ -	₱ -	₱ 97,425,688
Agriculture, hunting and forestry	681,399,432	-	-	681,399,432
Financial institutions	-	673,054,430	132,000,000	807,329,430
Government	-	409,877,553	60,161,900	470,039,453
Construction	164,488,058	-	-	164,488,058
Manufacturing	15,990,083	-	-	15,990,083
Accommodation and food service activities	241,740,015	-	-	241,740,015
Education	63,873,826	-	-	63,873,826
Transportation and storage	29,156,653	-	-	29,156,653
Real estate activities	370,064,267	-	-	370,064,267
Human health and social work activities	15,369,369			15,369,369
*Activity of households as employers and undifferentiated goods-and-services-producing activities of households for own use	197,080,037	-	-	197,080,037
Water supply, Sewerage, Waste management and Remediation Activities	1,057,330	-	-	1,057,330
Electricity, gas and water supply	79,366,277	-	-	79,366,277
Mining and quarrying	8,392,132	-	-	8,392,132
Loans to Individuals Primarily for Personal Use Purposes	27,910,484			27,910,484
Financial and Insurance Activities	34,533			34,533
Arts, Entertainment and Recreation	3,294,870			3,294,870
Other service activities	39,070,645	-	-	39,070,645
Less: Allowance for Credit Losses	(54,432,375)	-		(56,707,375)
Total	₱1,981,281,325	₱1,082,931,983	₱192,161,900	₱3,256,375,209

**Amount is net of Unamortized Discount and excludes Sales Contract Receivables*
***Amount is net of unamortized Premium/Discount*

Credit quality per class of financial assets

The tables below show the credit quality per class of financial assets (net of unamortized discounts) as at December 31, 2021 and 2020:

	2021				
	High grade	**Standard grade**	**Past due but not impaired**	**Impaired**	**Total**
Due from BSP	**₱ 96,826,870**	**₱ -**	**₱ -**	**₱ -**	**₱ 96,826,870**
Due from other banks	**1,073,987,219**	**-**	**-**	**-**	**1,073,987,219**
Debt Securities Measured At Amortized Cost	**310,921,344**	**-**	**-**	**-**	**310,921,344**
Receivable from customers:					
Microfinance loans	**3,618,325**	**-**	**331,579**	**118,356**	**4,068,259**
Other loans	**1,772,360,047**	**59,684,568**	**92,136,383**	**15,756,909**	**1,939,937,907**
Other receivables:					
Sales Contract Receivable	**4,525,254**	**293,696**	**-**	**-**	**4,818,950**
Accounts receivable	**13,402,331**		**-**	**652,186**	**14,054,518**
	₱ 3,296,088,476	**₱ 59,978,264**	**92,467,961**	**16,527,452**	**3,444,615,069**

	2020				
	High grade	Standard grade	Past due but not impaired	Impaired	Total
Due from BSP	₱ 92,541,999	₱ -	₱ -	₱ -	₱ 92,541,999
Due from other banks	990,389,985	-	-	-	990,389,985
Receivable from customers:					
Microfinance loans	1,472,900	-	313,301	-	1,786,201
Other loans	1,941,391,709	671,691	57,455,941	34,408,158	2,033,927,499
Other receivables:					
Sales Contract Receivable	8,796,948		-	-	8,796,948
Accounts receivable	10,304,256		-	652,186	10,956,443
Debt Securities Measured At Amortized Cost	192,161,900		-	2,275,000	194,436,900
	₱3,237,059,696	₱671,691	₱57,769,242	₱37,335,345	₱3,332,835,974

Past due but not impaired loans and receivable and investment securities
Loans and receivables and investment securities where contractual interest or principal payments are past due but the Bank believes that impairment is not appropriate on the basis of the level of collateral available or status of collection of amounts owed to the Bank.

Loans with renegotiated terms
Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position. In respect of some of these loans the Bank has made concessions that it would not otherwise consider. Once the loan is restructured it remains in this category independent of satisfactory performance after restructuring.

As of December 31, 2021 and 2020, the Bank has no financial assets whose terms have been renegotiated.

Impaired Loans and receivable and investment securities
Impaired loans and receivables and investment securities are which the Bank determines that is probable that it will be unable to collect all principal and interest due based on the contractual terms of the promissory note and securities agreements.

The Bank holds collateral against loans and receivables in the form of real estate and chattel mortgages, and deposit hold outs over asset. Estimates of fair value are based on the value of collateral assessed at the time of borrowing and generally are not updated except when a loan is assessed to be impaired or during reloan of the borrower. Collateral usually is not held against investment securities and no such collateral was held as of December 31, 2021 and 2020.

It is the Bank's policy to dispose foreclosed properties acquired in an orderly fashion. The proceed of the sale of the foreclosed asset classified as either "Investment properties" or "Asset held for sale" are used to reduce or repay the outstanding claim.

Aging analysis of past due but not impaired loans and receivables
The following tables show the total aggregate amount of loans and receivables that are contractually past due but not considered as impaired per delinquency bucket as at December 31, 2021 and 2020.

	2021			
	Less than 30 Days	**31 to 60 Days**	**61 to 90 Days**	**Total**
Receivable from customers:				
Microfinance loans	**₱ -**	**₱ -**	**₱ 331,579**	**₱ 331,579**
Other loans	**-**	**-**	**92,136,383**	**92,136,383**
	₱ -	**₱ -**	**₱ 92,467,961**	**₱92,467,961**

	2020			
	Less than 30 Days	31 to 60 Days	61 to 90 Days	Total
Receivable from customers:				
Microfinance loans	₱ -	₱ -	₱ 313,301	₱ 313,301
Other loans	-	-	57,455,941	57,455,941
	₱ -	₱ -	₱57,769,242	₱57,769,242

Market Risk
Market risk is the risk of loss that may result from the changes in price of a financial product. The value of a financial product may change as a result of changes in interest rates (currency risk) and market prices (price risk). Interest rate risk is the risk that the value of financial instrument will fluctuate because of changes in market interest rates. Currency risk on the other hand is the risk that the value of instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

The Bank structures levels of market risk it accept through a market risk policy such as (a) determining what constitutes market risk for the Bank; (b) establishing basis to be used to fairly value financial assets and liabilities; (c) asset allocation and portfolio limit structure; (d) diversification benchmarks by type of instrument; (e) setting out the exposure limits by each counterparty or group of counterparties; (f) reporting of market risk exposures, (g) monitoring compliance with market risk policy and (h) reviewing of market risk policy for pertinence and changing environment.

Foreign Currency Risk
The Bank's foreign exchange risk results primarily from movement of the Philippine peso against the US dollar with respect to US dollar-denominated financial assets and liabilities.

The Bank's exposure to currency exchange rates may arise from deposits with other banks denominated in currency other than Philippine Peso. As at December 31, 2021 and 2020, the Bank's exposure to foreign exchange risk is not significant as it arises mainly from deposit accounts in local banks that are denominated in foreign currency. However, the Bank has no significant foreign currency-denominated deposits with other banks.

The Bank periodically reviews the trend of the foreign exchange rates and, as a practical move, increases its US dollar-denominated time deposits in times when the Philippine is depreciating or decreases its US dollar-denominated time deposits in times when the Philippine peso is appreciating. ₱50.77 and ₱47.41 per US$1, respectively.

Interest rate risk
Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial statements. The Bank follows a prudent policy on managing its assets and liabilities so as to ensure that exposure to fluctuations in interest rates are kept within acceptable limits. Also, in order to manage its net interest margin, the Bank places its excess funds in high yield investments and other short-term time deposits. The Bank is not exposed to interest rate risk since its financial assets and financial liabilities are subject to repricing. As of December 31. 2021 and 2020, the Bank's exposure to interest rate risk is minimal.

The Bank's receivables earn interest rates ranging from 6% to 13% in 2021 and 2020. The shortest term of loan is one month while the longest term is ten years.

For the year 2021 and 2020, demand deposit carries interest rates ranging from 0.10% to 0.15% and 0.10% to 0.20%, respectively, while savings deposit carries an interest rate ranging from 0.10% to 0.20% and 0.10% to 0.30%, respectively. The Bank's special savings or time deposit carries interest rate ranging from 0.25% to 1.20% and 0.60% to 1.80%, for the year 2021 and 2020, respectively, while its gold saver 5 carries interest rate ranging from 1.50% to 2.00% and 2.20% to 2.50%, respectively.

Bills payable pays fixed interest rates to the Bank's creditors from 4.00% to 5.00% and 2.00% to 5.00% per annum in 2021 and 2020, respectively. In order to manage its net interest margin, the Bank places its excess funds in high yield investments and other short-term time deposits.

Fair Value Interest Rate Risk
Fair value interest rate risk is the risk that the value of the financial instruments will fluctuate because of changes in interest rates. The Bank's cash equivalents are mostly invested in fixed interest rates on its duration and therefore exposed to fair value interest rate risk but not to cash flow interest rate risk. Loan Receivables and interest bearing liabilities are sized as to interest rate and maturity to make a reasonable analysis of the degree of risk associated with lending and borrowings.

Cash Flow Interest Rate Risk
This is the risk that future cash flows of the financial instrument will fluctuate because of changes in market interest rates. In the case of a floating rate debt instrument. Fluctuation results in a change in effective interest rate of a financial instrument usually without a corresponding change in its fair value.

Liquidity Risk
Liquidity risk is the risk of not being able to meet funding obligations such as the repayment of liabilities or payment for asset purchases. To ensure sufficient liquidity, the Bank analyzes its net funding requirements under alternative scenarios, diversification of funding sources and contingency planning.

It has a set of internal limits which allocates a portion of liabilities into cash, marketable securities and other liquid assets. A balance loan portfolio that is repriced on a regular basis is maintained. Deposits with banks are made on a short-term basis.

Liquidity risk also arises from the failure to recognize or address changes in market conditions that affect the ability to liquidate assets quickly and with minimal loss in value. In this regard, Rang-ay Bank adopted measures to limit, determine, and control its liquidity risks. These liquidity risk measures will be categorized into two:

a. Funding Liquidity Risk
b. Market Liquidity Risk

The tables below summarize the maturity profile based on contractual undiscounted cash flows of the Bank's financial liabilities and related financial assets used for liquidity purposes:

	2021				
	0 - 3 mos	3 - 6 mos	6 - 12 mos	Beyond 1 year	Total
Financial Liabilities					
Deposit liabilities	**₱2,425,384,977**	**₱ 173,407,604**	**₱ 104,509,537**	**₱ 195,216,525**	**₱ 2,898,518,643**
Other liabilities:					
Accrued interest payable	**2,152,518**	**796,335**	**563,295**	**2,140,084**	**5,652,232**
Accounts payable	**32,377,775**	**-**	**-**	**-**	**32,377,775**
Lease Liabilities	**-**	**-**	**385,761**	**34,779,994**	**35,165,755**
Total Financial Liabilities	**₱2,459,915,270**	**₱ 174,203,939**	**₱ 105,458,593**	**₱ 232,136,603**	**₱ 2,971,714,405**
Financial Assets					
Cash and other cash items	**₱ 29,379,783**	**₱ -**	**₱ -**	**₱ -**	**₱ 29,379,783**
Due from BSP	**96,826,870**	**-**	**-**	**-**	**96,826,870**
Due from other banks	**583,487,219**	**455,000,000**	**35,500,000**	**0**	**1,073,987,219**
***Debt Securities At Amortized Cost**	**44,624,707**	**54,432,351**	**101,597,096**	**110,267,190**	**310,921,344**
***Loans and receivable**	**638,806,451**	**266,687,236**	**248,687,522**	**739,956,168**	**1,894,137,377**
Sales Contract Receivable	**293,696**	**42,820**	**712,980**	**3,769,454**	**4,818,950**
Accounts receivable	**14,054,518**				**14,054,518**
Total Financial Assets	**₱1,407,473,245**	**₱ 776,162,407**	**₱ 386,497,598**	**₱ 853,992,812**	**₱ 3,424,126,061**
Liquidity Position (Gap)	**₱1,052,442,025**	**₱(601,958,468)**	**₱(281,039,004)**	**₱ (825,309,478)**	**₱ (452,411,656)**

**Amount is net of Unamortized Discount and Unearned Income*

	2020				
	0 - 3 Months	3 - 6 Months	6 - 12 Months	Beyond 1 year	Total
Financial Liabilities					
Deposit liabilities	₱2,293,581,560	₱ 137,328,531	₱ 84,304,587	₱ 254,535,565	₱2,769,750,243
Bills payable	-	-	10,070,000	-	10,070,000
Other liabilities:					
Accrued expenses	205,000	-	-	-	205,000
Accrued interest payable	2,212,214	544,718	767,243	3,343,057	6,867,231
Accounts payable	32,026,386	-	-	-	32,026,386
Total Financial Liabilities	₱2,328,025,159	₱ 137,873,249	₱ 95,141,830	₱ 257,878,622	₱2,818,918,860
Financial Assets					
Cash and other cash items	₱ 34,249,118	₱ -	₱ -	₱ -	₱ 34,249,118
Due from BSP	92,541,999	-	-	-	92,541,999
Due from other banks	654,775,340	330,000,000	5,500,000	0	990,275,340
*Loans and receivable	552,379,211	285,174,485	350,103,097	813,648,749	2,001,305,542
*Sales Contract Receivable	51,223	-	123,293.91	8,622,431	8,796,948
Accounts receivable	10,956,443				10,956,443
*Debt Securities At Amortized Cost	30,161,900	25,000,000	50,000,000	87,000,000	192,161,900
Total Financial Assets	₱1,375,115,234	₱ 640,174,485	₱ 405,726,391	₱ 909,271,180	₱3,330,287,289
Liquidity Position (Gap)	₱ 952,909,926	₱(502,301,236)	₱(310,584,560)	₱(651,392,558)	₱(511,368,429)

**Amount is net of Unamortized Discount and Unearned Income*

Operational Risks

Operational risk is the risk of direct and indirect loss arising from a wide variety of causes associated with the Bank's involvement in financial instruments, personnel, technology and infrastructure and external factors other than market and liquidity risk such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. The Bank's objective is to manage operational risks so as to balance the avoidance of financial losses and damage to the Bank's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

Risk Management Plan

Governance Framework

The primary objective of governance framework is to establish a risk management function with clear terms of reference and with the responsibility of developing policies on risk management. It also supports the effective implementation of the policies. The policies define the Bank's identification of

risks and its interpretation, limit structure to ensure the appropriate quality and diversification of assets to the corporate goals and specify reporting requirements.

Minimum Liquidity Ratio (MLR)

Minimum Liquidity Ratio (MLR) for Stand-Alone TBs, RBs and Coop Banks. To promote short-term resilience to liquidity shocks, banks shall maintain a stock of liquid assets proportionate to their on- and off-balance sheet liabilities. The prudential MLR requirement applies to all TBs, RBs and Coop Banks and QBs that are not subsidiaries of UBs/KBs.

A prudential MLR Minimum requirement of twenty percent (20%) shall apply to banks on an ongoing basis absent a period of financial stress. The liquidity ratio is expressed as a percentage of a bank's eligible stock of liquid assets to its total qualifying liabilities in accordance with MORB Section 145.

Due to current pandemic the BSP issued on March 26, 2020, the Monetary Board in its Resolution No. 427.B issues the Memorandum No. M-2020-020 reducing the MLR from twenty percent (20%) to sixteen percent (16%) to address the increasing liquidity risk exposure of the Banks arising from higher demands for funds by depositors, borrowers or both brought by the COVID-19 outbreak the implementation of community quarantine until December 31, 2020. On January 13, 2022, the Monetary Board in its Resolution No. 65 issues the Memorandum No. M-2022-004 to prolonged or extend the reducing of MLR of stand-alone thrift, rural, and cooperative banks until the end of December 31, 2022.

LIQUIDITY RATIO as of December 31, 2021

Part 1. Minimum Liquidity Ratio (MLR)	
A. Stock of Liquid Assets	**₱1,501,243,926**
B. Qualifying Liabilities	**2,204,723,038**
Liquidity Ratio	**68.09%**

	Amount
Part II. Stock of Liquid Assets	
Cash on Hand	₱ 19,508,492
Bank Reserves in the BSP	96,826,870
Debt Securities representing claims on or guaranteed by the Philippine National Government and the BSP	310,921,344
Deposits in Other Banks	1,073,987,219
	₱ 1,501,243,926

	Amount	**Converted Amount**
Part III. Qualifying Liabilities		
A. Qualifying Liabilities		
1 Retail current and regular savings deposits with outstanding balance per account of ₱500,000 and below (50%)	₱ 1,554,145,542	₱ 777,072,771
2. Borrowings that are non-callable in, or have contractual maturity dates beyond, the next 30 calendar days (0%)	-	-
2. Obligations arising from operational expenses	-	-
3. Total on Balance Sheet Liabilities	2,981,795,809	
4. Deduct: (Sum of A1 to A2)	1,427,650,267	
B. Other non-balance sheet liabilities (Item A.3 less A.4)		1,427,650,267
C. Irrevocable obligations under off-balance sheet items		
D. Total (Sum of Adjusted Amount of Item A(1),A(2),B and C)		₱ 2,204,723,038

6. FAIR VALUE MEASUREMENT

The following table presents a comparison by category of carrying amounts and estimated fair value of the Bank's financial instruments as of December 31, 2021 and 2020:

	2021		2020	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial Assets:				
Cash and Cash Equivalents	**₱1,200,193,873**	**₱1,200,193,873**	₱1,117,181,101	₱1,117,181,101
Debt Securities Measured at Amortized Cost, net	**310,921,344**	**310,921,344**	192,161,900	192,161,900

Loans and Receivable, net	**1,882,330,265**	**1,882,330,265**	1,990,078,273	1,990,078,273
Accounts Receivable	**13,402,331**	**13,402,331**	10,304,256	10,304,256
Total Financial Assets	**₱3,406,847,813**	**₱3,406,847,813**	₱3,309,725,530	₱3,309,725,530
Financial Liabilities:				
Deposit Liabilities	**₱2,898,518,643**	**₱2,898,518,643**	₱2,769,750,243	₱2,769,750,243
Accrued interest & other expense	**5,652,232**	**5,652,232**	7,072,231	7,072,231
Bills Payable	**-**	**-**	10,070,000	10,070,000
Other Liabilities*	**32,377,775**	**32,377,775**	32,026,386	32,026,386
Total	**₱2,936,548,650**	**₱2,936,548,650**	₱2,818,918,860	₱2,818,918,860

The fair value for financial instruments traded active markets at the statement of financial position date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and ask prices are not available, the price of the most recent transaction is used since it provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models, and other relevant valuation models.

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

Cash and other cash items, due from BSP and other banks – carrying amount approximates fair value due to either the demand nature or the relatively short-term nature of the accounts.

Debt Securities Measured at Amortized Cost – fair values are generally based on quoted market prices. Where the debt securities are not quoted or the market prices are not readily available, the bank obtained valuations from independent parties offering pricing services, used adjusted quoted market prices of comparable investments, or applied discounted cash flow methodologies. As of December 31, 2021 and 2020, the bank has no investment in available-for-sale securities.

Loans and receivables – fair values of loans and receivables are estimated using the discounted cash flow methodology, using the Bank's current incremental lending rates for similar types of loans and receivables.

Other receivables - Accounts receivable and accrued interest receivable
Carrying amounts approximate fair values given their short-term nature.

Investment properties
Fair value of investment properties is determined by independent or in-house appraisers using the market data approach. Valuations were derived on the basis of recent sales of similar properties in the same area as the investment properties and taking into account the economic conditions prevailing at the time the valuations were made and comparability of similar properties sold with the property being valued.

Deposits, accounts payable and accrued expenses – carrying amounts approximate fair values due to either the demand nature or the relatively short-term nature of the accounts.

The following table shows the analysis of financial instruments of the Bank recorded at fair value by level of the fair value hierarchy:

	2021			
	Carrying Value	**Level 1**	**Level 2**	**Level 3**
Financial Assets:				
Cash and Cash Equivalents	**₱1,200,193,873**	**₱ -**	**₱ -**	**₱ 1,200,193,873**
Debt Securities Measured at Amortized Cost, net	**310,921,344**	**-**	**310,921,344**	**-**
Loans and Receivable, net	**1,882,330,265**	**-**	**-**	**1,882,330,265**
Accounts Receivable, net	**13,402,331**	**-**	**-**	**13,402,331**
Total	**₱3,406,847,813**	**₱ -**	**₱ 310,921,344**	**₱ 3,095,926,469**
Financial Liabilities:				
Deposit Liabilities	**₱2,898,518,643**	**₱ -**	**₱ -**	**₱ 2,898,518,643**

Accrued interest & other expense	**5,652,232**	**-**	**-**	**5,652,232**
Other Liabilities*	**32,377,775**	**-**	**-**	**32,377,775**
Total	**₱2,936,548,650**	**₱ -**	**₱ -**	**₱ 2,936,548,650**

	2020			
	Carrying Value	Level 1	Level 2	Level 3
Financial Assets:				
Cash and Cash Equivalents	₱1,117,181,101	₱ -	₱ -	₱1,117,181,101
Debt Securities Measured at Amortized Cost, net	192,161,900	-	192,161,900	-
Loans and Receivable, net	1,990,078,273	-	-	1,990,078,273
Accounts Receivable, net	10,304,256	-	-	10,304,256
Total	₱3,309,725,530	₱ -	₱192,161,900	₱3,117,563,630
Financial Liabilities:				
Deposit Liabilities	₱2,769,750,243	₱ -	-	₱2,769,750,243
Bills Payable	10,070,000	-	-	10,070,000
Accrued interest & other expense	7,072,231	-	-	7,072,231
Other Liabilities*	32,026,386	-	-	32,026,386
Total	2,818,918,860	₱ -	-	₱2,818,918,860

7. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at the end of the reporting period as shown in the statements of cash flows can be reconciled to the related items in the statements of financial position as follows:

	2021	2020
7.1. Cash and Other Cash items		
Cash on Hand and in Vault	**₱ 19,508,492**	₱ 25,928,441
Cash and Other Cash Items	**9,871,290**	8,320,677
Total cash and other cash items	**₱ 29,379,783**	₱ 34,249,118
7.2. Due from BSP and other Banks		
Due from Bangko Sentral ng Pilipinas	**₱ 96,826,870**	₱ 92,541,999
Due from Other Banks	**1,073,987,219**	990,389,985
Total due from BSP and other banks	**₱1,170,814,090**	₱1,082,931,983
Total Cash and Cash Equivalent	**₱1,200,193,873**	₱1,117,181,101

Cash consists primarily of funds in the form of Philippine currency notes and coins in the Bank's vault and those in the possession of tellers. Checks and other cash items include cash items (other than currency and coins on hand) such as checks drawn on the other banks or other branches after the Bank's clearing cut-off time until the close of the regular banking hours. For the purpose of the statements of cash flows, cash and cash equivalents include cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with maturities of three months or less from the date of acquisition and that are subject to an insignificant risk of change in value.

The balance of Due from BSP account serves as the Bank's reserve for its deposit liabilities. Under the Manual of Regulations for Banks, a Bank is required to maintain its reserve requirements for its deposit liabilities in the form of deposits with the BSP Section 252 of MORB further provides that such deposit account with the BSP is not considered as a regular current account. Drawings against such deposits shall be limited to: (a) settlement of obligations with the BSP; and, (b) withdrawals to meet cash requirements.

Due from other banks represent funds deposited with domestic banks which are used by the Bank as part of its operating funds. Breakdown of this account follows:

Name of Banks	**2021**	**%**	2020	%
Land Bank of the Philippines	**₱ 134,201,622**	12.50%	₱ 151,058,947	15.25%
Banco De Oro	**118,918,042**	11.07%	111,439,440	11.25%
Philippine National Bank	**70,000,000**	6.52%	60,050,020	6.06%
China Banking Corporation	**75,035,031**	6.99%	60,024,895	6.06%

Bank of Commerce	**25,000,000**	2.33%	30,000,000	3.03%
Bank of the Philippine Islands	**85,000,000**	7.91%	75,000,000	7.57%
BPI Family Savings Bank	**50,000,000**	4.66%	40,000,000	4.04%
Development Bank of the Philippines	**148,817,889**	13.86%	146,276,608	14.77%
Asia United Bank	**25,000,000**	2.33%	10,000,000	1.01%
May Bank	**-**	0.00%	10,000,000	1.01%
PBCOM	**10,000,000**	0.93%	10,000,000	1.01%
Eastwest Bank	**50,000,000**	4.66%	40,000,000	4.04%
Philtrust Bank	**25,000,000**	2.33%	40,000,000	4.04%
PS BANK	**75,000,000**	6.98%	60,000,000	6.06%
Security Bank Corporation	**75,000,000**	6.98%	60,000,000	6.06%
United Coconut Planters Bank	**25,000,000**	2.33%	20,000,000	2.02%
Unionbank of the Philippines	**79,982,615**	7.45%	65,833,761	6.65%
Metro Bank	**10,004**	0.00%	186,314	0.02%
Malayan Bank	**500,000**	0.05%	500,000	0.05%
Philippine Business Bank - La Trinidad	**1,001,517**	0.09%	-	0.00%
Malayan Bank Head Office	**500,000**	0.05%	-	0.00%
Rizal Commercial Banking Corporation	**20,500**	0.00%	20,000	0.00%
Total	**₱ 1,073,987,219**	100.00%	₱ 990,389,985	100.00%

Under Sec.x303g of the Manual of Regulations for Banks, loans and other credit accommodations as well as deposits and usual guarantees by a bank to any other bank whether locally or abroad shall be subject to the Single Borrower's Limit of 25% of the Net worth as herein prescribed or P100 Million whichever is higher. Provided that the lending bank shall exercise proper due diligence in selecting a depository bank and shall formulate appropriate policies to address the corresponding risks involved in the transactions. Deposits of RBs/Coop Banks with government owned or controlled financial institutions like the LBP and DBP shall not be covered by the SBL imposed under RA 8791. In municipalities and cities where there are no government banks, the deposits of RBs/Coop Banks in private banks in said areas shall not be subject to SBL. Moreover, demand deposit of RBs/Coop Banks/TBs in private banks are also exempted from SBL if the accounts are used for clearing operation through the said private depository bank

On March 19, 2020, the Monetary Board, on its Resolution issued the Memorandum No. M-2020-011 increasing the single borrower's limit (SBL) from 25% to 30% for a period of six (6) months from March 19, 2020. On January 13, 2022, the Monetary Board in its Resolution No. 65 issues the Memorandum No. M-2022-004 to prolonged or extend the effectivity of the single borrower's limit for Philippine banks and foreign bank branches until end of December 31, 2022.

As of December 31, 2021, the Bank's SBL was registered at P 155,617,513.

As at December 31, 2021 and 2020, due from other banks includes dollar-denominated deposits amounting to $7,509 and $13,157, respectively.

Cash in bank represents current account in local bank, savings account, and time deposits. Current account and savings account earn interest at 0.01% to 0.25%. Also, time deposits earn interest at 0.30% to 2.50% in 2021 and 0.375% to 4.00% in 2020.

Interest income from bank accounts and short-term cash deposits amounted ₱55,672,606 and ₱ 43,853,306 in 2021 and 2020, respectively.

The Bank reconciles the books and bank balances regularly as part of its cash monitoring and internal control measures.

The Bank holds no cash and cash equivalents in 2021 and 2020 which are not available for use by Bank.

8. DEBT SECURITIES MEASURED AT AMORTIZED COST

This account is consisting of:

	2021	2020
Book Value	₱ 312,080,000	₱ 192,000,000
Less: Unamortized Discount/Premium	(1,158,656)	161,900
Total	₱ 310,921,344	₱ 192,161,900

The following are the breakdown of the debt securities measured at amortized cost:

2021					
Issuer/Obligor	Interest Rate	Date Issued	Maturity Date	Face Value	Book Value
LBP - RTB 5-11	2.050%	27/10/2020	04/12/2022	₱ 10,000,000	₱ 10,000,000
LBP - RTB 3-10	2.075%	27/10/2020	11/02/2023	10,000,000	10,000,000
LBP - RTB 3-11	2.375%	26/02/2021	09/03/2024	15,000,000	15,000,000
LBP - RTB 3-11	2.348%	01/07/2021	09/03/2024	10,000,000	10,000,000
LBP - TB	1.390%	17/08/2021	26/01/2022	10,000,000	10,000,000
LBP - TB	1.550%	17/08/2021	29/01/2022	10,000,000	10,000,000
LBP - TB	1.575%	18/08/2021	13/07/2022	10,000,000	10,000,000
LBP - TB	1.540%	01/09/2021	15/06/2022	10,000,000	10,000,000
LBP - TB	1.575%	01/09/2021	22/06/2022	10,000,000	10,000,000
LBP - TB	1.595%	01/09/2021	20/07/2022	10,000,000	10,000,000
LBP - FXTN 05-77	3.670%	26/10/2021	08/04/2026	10,000,000	10,000,000
LBP - FXTN 07-65	4.425%	26/10/2021	12/08/2028	10,000,000	10,000,000
LBP - RTB 5-14	4.625%	26/11/2021	02/06/2027	10,000,000	10,000,000
China Bank - RTB 3-10	4.375%	11/02/2020	11/02/2023	5,000,000	5,000,000
China Bank - RTB	1.600%	29/07/2020	04/12/2022	7,000,000	7,000,000
China Bank - FXTN 7-58	1.624%	29/07/2020	21/04/2023	10,000,000	10,000,000
China Bank - RTB 5-13	2.625%	13/08/2020	12/08/2025	5,000,000	5,000,000
China Bank - RTB 5-13	2.625%	13/08/2020	12/08/2025	5,000,000	5,000,000
China Bank - TB	1.590%	07/01/2021	05/01/2022	5,000,000	5,000,000
China Bank - TB	1.593%	14/01/2021	12/01/2022	5,000,000	5,000,000
China Bank - TB	1.490%	27/01/2021	26/01/2022	5,000,000	5,000,000
China Bank - TB	1.406%	17/02/2021	16/02/2022	5,000,000	5,000,000
China Bank - TB	1.825%	11/03/2021	09/03/2022	5,000,000	5,000,000
China Bank - TB	1.698%	08/04/2021	12/04/2022	5,000,000	5,000,000
China Bank - TB	1.875%	29/04/2021	22/04/2022	5,000,000	5,000,000
China Bank - TB	1.800%	17/05/2021	11/05/2022	5,000,000	5,000,000
China Bank - TB	1.590%	14/07/2021	13/07/2022	5,000,000	5,000,000
China Bank - TB	1.615%	05/08/2021	03/08/2022	5,000,000	5,000,000
China Bank - TB	1.400%	17/08/2021	09/02/2022	10,000,000	10,000,000
China Bank - TB	1.525%	17/08/2021	08/06/2022	10,000,000	10,000,000
China Bank - TB	1.615%	18/08/2021	03/08/2022	5,000,000	5,000,000
China Bank - TB	1.595%	01/09/2021	17/08/2022	5,000,000	5,000,000
China Bank - RDB$100K	1.375%	08/10/2021	08/10/2026	5,080,000	5,080,000
China Bank - TB	1.590%	21/10/2021	05/10/2022	5,000,000	5,000,000
China Bank - TB	1.605%	10/11/2021	02/11/2022	5,000,000	5,000,000
China Bank - TB	1.610%	10/11/2021	09/11/2022	10,000,000	10,000,000
China Bank - TB	1.615%	03/12/2021	29/11/2022	5,000,000	5,000,000
Metro Bank/ROP (RTB)	5.937%	06/01/2012	03/01/2032	15,000,000	15,000,000
Development Bank of the Phil.	4.625%	12/04/2017	12/04/2022	10,000,000	10,000,000
Development Bank of the Phil.	2.500%	12/21/2020	12/11/2022	10,000,000	10,000,000
Total					₱312,080,000

2020					
Issuer/Obligor	Interest Rate	Date Issued	Maturity Date	Face Value	Book Value
LBP (RTB 5-11)	2.050%	10/27/2020	12/04/2022	P10,000,000	P10,000,000
LBP (RTB3-8)	4.875%	06/13/2018	06/13/2021	10,000,000	10,000,000
LBP (RTB3-10)	3.825%	10/27/2020	02/11/2023	10,000,000	10,000,000
LBP (RTB)	5.750%	10/20/2011	10/20/2021	10,000,000	10,000,000
China Bank (RTB 5-13)	2.625%	08/13/2020	08/12/2025	5,000,000	5,000,000
China Bank (RTB 5-13)	2.625%	08/13/2020	08/12/2025	5,000,000	5,000,000
China Bank, TB - 209561	3.835%	01/08/2020	01/06/2021	5,000,000	5,000,000
China Bank, TB - 209648	3.835%	01/15/2020	01/13/2021	5,000,000	5,000,000
China Bank, TB - 209845	3.905%	01/30/2020	01/27/2021	5,000,000	5,000,000
China Bank, RTB - 211127	3.500%	02/11/2020	02/11/2023	5,000,000	5,000,000
China Bank, TB - 211844	3.800%	02/19/2020	02/17/2021	5,000,000	5,000,000
China Bank, TB – 216705	2.225%	05/26/2020	01/13/2021	5,000,000	5,000,000
China Bank, TB - 216706	2.475%	05/26/2020	03/10/2021	5,000,000	5,000,000
China Bank, TB - 216707	2.475%	05/26/2020	04/07/2021	5,000,000	5,000,000
China Bank, TB - 216708	2.525%	05/26/2020	04/28/2021	5,000,000	5,000,000
China Bank, TB - 216709	2.585%	05/26/2020	05/12/2021	5,000,000	5,000,000
China Bank, TB - 219278	1.775%	07/17/2020	07/14/2021	5,000,000	5,000,000
China Bank, RTB - 219577	2.000%	07/29/2020	12/04/2022	7,000,000	7,000,000
China Bank, FXTN 7-58 - 219576	2.030%	07/29/2020	04/21/2023	10,000,000	10,000,000
China Bank, TB - 220086	1.740%	08/07/2020	08/04/2021	5,000,000	5,000,000

China Bank, TB - 220728	1.735%	08/19/2020	08/18/2021	5,000,000	5,000,000
China Bank, TB - 222592	1.790%	09/02/2020	09/01/2021	5,000,000	5,000,000
China Bank, TB - 223796	1.788%	10/21/2020	10/20/2021	5,000,000	5,000,000
China Bank, TB - 225158	1.698%	12/10/2020	12/01/2021	5,000,000	5,000,000
BDO Unibank, Inc/ROP - (RTB)	5.750%	10/20/2011	10/20/2021	10,000,000	10,000,000
Metro Bank/ROP (RTB)	5.937%	06/01/2012	03/01/2032	15,000,000	15,000,000
Development Bank of the Phil.	4.625%	12/04/2017	12/04/2022	10,000,000	10,000,000
Development Bank of the Phil.	2.500%	12/21/2020	12/11/2022	10,000,000	10,000,000
Total					₱192,000,000

Debt Securities Measured at Amortized Cost earn interest income amounting to ₱ 13,052,133 and ₱10,563,167 for 2021 and 2020.

9. LOANS AND RECEIVABLES

The loan receivables are stated at outstanding balances, net of estimated allowance for credit losses and unearned income/discounts, broken down as follows:

	2021	%	2020	%
Current Loans	**₱1,796,425,457**	**91.45%**	₱1,969,462,619	95.45%
Past Due Loans - Performing	**59,684,568**	**3.04%**	671,691	0.03%
Past Due Loans - Non-Performing	**92,467,961**	**4.71%**	20,128,197	0.98%
Items in Litigation	**15,875,265**	**0.81%**	72,949,203	3.54%
Total	**1,964,453,251**	**100.00%**	2,063,211,711	100.00%
Less: Unamortized Discounts	**20,447,085**		27,498,010	
Total, net of discount	**1,944,006,166**		2,035,713,700	
Less: Allowance for Credit Losses				
Specific	**49,868,790**		34,408,158	
General	**16,626,062**		20,024,217	
Total Carrying Amount	**1,877,511,314**		1,981,281,325	
Add: Sales Contract Receivables, net	**4,818,951**		8,796,948	
Total Loans and Receivables-net	**₱1,882,330,265**		₱1,990,078,273	

The Bank's loan accounts are stated at the outstanding balance, reduce by estimated allowance for probable losses and unearned interest and discounts. These receivables can be received either by cash or check payments.

Loans and receivables earn interest income at interest rates ranging 6% to 13% in 2021 and 2020. Total earned interest amounts to ₱130,432,389 and ₱142,328,362 for 2021 and 2020.

The bank's loan accounts are stated at the outstanding balance, reduce by estimated allowance for probable losses and unearned interest and discounts.

The Bank holds collateral against loans and receivables in the form of real estate and chattel mortgages, and deposit hold outs over assets.

As at December 31, 2021 the no receivables were used as collateral. For the year 2020, receivables amounting ₱11,128,000 were used as collateral for the Bank's bills payable of ₱10,070,000.

Movements in the allowance for credit losses related to receivables follow:

	2021	2020
Balance at beginning of year	**₱ 54,432,375**	₱51,829,011
Provision for credit losses	**17,098,650**	2,603,363
Other Credits	**(5,036,173)**	-
Balance at end of year	**₱ 66,494,852**	₱54,432,375

The total Allowance for Credit Losses of ₱66,494,852 which composed of specific loan loss provisions and general loan loss provision as stated above is in compliance with the BSP Memorandum Circular 1011.

Classification of loans:

As to Maturity:

	2021	%	2020	%
Due within one (1) year	**₱1,145,117,952**	**59%**	₱1,165,957,831	57%
Due beyond one (1) year to five (5) years	**681,046,079**	**35%**	293,980,172	14%
Due beyond five (5) years	**117,842,135**	**6%**	575,775,697	28%
Total Loan Portfolio	**₱1,944,006,166**	**100%**	₱2,035,713,700	100%

Sales Contract Receivable

This account consists of:

	2021	2020
Performing	**₱ 8,163,962**	**₱12,506,852**
Non- performing	**293,696**	**32,914**
Total	**8,457,658**	**12,539,766**
Less: Allowance for Credit Losses	**-**	**-**
Unearned Income	**3,638,708**	**3,742,818**
Sales Contract Receivable-net	**₱ 4,818,950**	**₱ 8,796,948**

10. Bank Premises, Furniture, Fixtures and Equipment

This account consists of:

	Land	Building	Building Under Construction	Furniture, Fixtures	Appraisal Increment	Transportation Equipment	Leasehold Improvements	Total
December 31, 2021								
Cost	**₱17,181,230**	**₱35,860,134**	**₱ -**	**₱50,198,902**	**₱26,672,978**	**₱29,237,548**	**₱21,370,094**	**₱180,520,886**
Accumulated Depreciation and Amortization		**20,051,004**		**46,208,113**	**11,824,177**	**23,895,567**	**17,264,858**	**119,243,719**
Net carrying amount	**₱17,181,230**	**₱15,809,130**	**₱ -**	**₱ 3,990,789**	**₱14,848,801**	**₱ 5,341,982**	**₱ 4,105,236**	**₱ 61,277,168**
December 31, 2020								
Cost	₱17,181,230	₱35,860,134	₱ -	₱49,390,115	₱26,672,978	₱29,758,048	₱21,370,094	₱180,232,599
Accumulated Depreciation and Amortization		18,862,639		43,840,060	11,824,177	23,189,833	15,842,586	113,559,295
Net carrying amount	₱17,181,230	₱16,997,495	₱ -	₱ 5,550,055	₱14,848,801	₱ 6,568,215	₱ 5,527,508	₱ 66,673,305

A reconciliation of the carrying amounts of bank premises, furniture, fixtures and equipment at the beginning and end of 2021 and 2020 is shown below:

	2020						
	Land	**Building**	**Furniture, Fixtures and Equipment**	**Appraisal Increment**	**Transportation Equipment**	**Leasehold Improvements**	**Total**
Cost							
Balance at beginning of year	**₱ 17,181,230**	**₱ 36,460,134**	**₱ 49,390,115**	**₱26,672,978**	**₱ 29,758,048**	**₱ 21,370,094**	**₱ 180,232,599**
Additions	**-**	**-**	**1,540,376**	**-**	**1,160,000**	**-**	**2,700,376**
Disposals	**-**	**-**	**(731,590)**	**-**	**(1,680,500)**	**-**	**(2,412,090)**
Balance at end of year	**₱ 17,181,230**	**₱ 36,460,134**	**₱ 50,198,902**	**₱26,672,978**	**₱ 29,237,548**	**₱ 21,370,094**	**₱ 180,520,886**
Accumulated Depreciation and Amortization							
Balance at beginning of year	**₱ -**	**₱ 19,462,639**	**₱ 43,840,060**	**₱11,824,177**	**₱ 23,189,833**	**₱ 15,842,586**	**₱ 113,559,295**
Depreciation and amortization		**1,188,365**	**3,000,688**		**2,386,230**	**1,422,272**	**7,997,555**
Disposals			**(632,635)**		**(1,680,496)**	**-**	**(2,313,131)**
Reclassification					**-**		
Balance at end of year	**₱ -**	**₱ 20,051,004**	**₱ 46,208,113**	**₱11,824,177**	**₱ 23,895,567**	**₱ 17,264,858**	**₱ 119,243,719**
Net Book Value	**₱ 17,181,230**	**₱ 15,809,130**	**₱ 3,990,789**	**₱14,848,801**	**₱ 5,341,982**	**₱ 4,105,236**	**₱ 61,277,167**

	2020							
	Land	Building	Building under Construction	Furniture, Fixtures and Equipment	Appraisal Increment	Transportation Equipment	Leasehold Improvements	Total
Cost								
Balance at beginning of year	₱ 35,077,230	₱ 36,460,134	₱300,000	₱45,475,027	₱26,672,978	₱29,149,964	₱19,089,482	₱ 192,224,815
Additions	-	-	-	4,072,964		2,551,000	1,980,612	8,604,576
Disposals	-	-	-	(173,625)		(1,942,916)		(2,116,541)
Reclassification/Adjustments	(17,896,000)		(300,000)	15,750			300,000	(17,880,250)
Balance at end of year	₱ 17,181,230	₱ 36,460,134	₱ -	₱ 49,390,115	₱26,672,978	₱29,758,048	₱21,370,094	₱ 180,232,599
Accumulated Depreciation and Amortization								
Balance at beginning of year	₱ -	₱ 18,541,952	₱ -	₱40,330,924	₱11,824,177	₱22,066,598	₱14,177,012	₱ 106,940,663
Depreciation and amortization	-	1,205,031	-	3,682,759		2,819,148	1,665,574	9,372,513
Disposals	-	-	-	(173,623)		(1,942,914)		(2,116,537)
Reclassification	-	(284,345)	-	-		247,000	(4,000)	(37,345)
Balance at end of year	₱ -	₱ 19,462,638	₱ -	₱43,840,060	₱11,824,177	₱23,189,833	₱15,842,586	₱ 114,159,294
Net Book Value	₱ 17,181,230	₱ 16,997,496	₱ -	₱ 5,550,055	₱14,848,801	₱ 6,568,215	₱ 5,527,508	₱ 66,673,305

**The amortization of appraisal increment is charged to Surplus, not in the current operations.*

The Bangko ng Sentral ng Pilipinas approved the revaluation of the constituent banks' premises from ₱5,517,000 to ₱32,290,000 as a result of the appraisal conducted by Land Bank of the Philippines and Equitable PCI Bank in accordance with IFRS No. 3 as an incentive for consolidation under Monetary Board Resolution No.1142 dated August 26, 2005. Revaluation of assets was one of the incentives on consolidation in 2006.

The appraisal increment except on land, is amortized on a straight-line basis over a period of 10 years.

The appraisal increment is accounted for separately from the corresponding appraised assets. The properties and equipment appraised are carried at cost net of accumulated depreciation, and is classified under which the said properties and equipment belong to.

Depreciation amounting to ₱7,997,555 and ₱9,372,513 in 2021 and 2020, respectively, are shown as separate components of operating expenses in the statements of income.

No additions to property and equipment during the year are treated as non-cash transactions for cash flows. The Bank resulted to a gain on sale of property and equipment in the amount of ₱416,281 and ₱345,996 during the year 2021 and 2020, respectively.

The value of the Bank premises, furniture, fixtures and equipment of ₱61,277167, net of accumulated depreciation, as of December 31, 2021 is 9.84% of the Bank's total net worth. This is lower than the 50% maximum ratio required under BSP regulation (MORB Subsec.109).

The Bank, after due consideration of the assessment of its impairment, believes that there are no indications that the property and equipment as of December 31, 2021 and 2020 are impaired or its carrying amount cannot be recovered.

11. INVESTMENT PROPERTY

This account is consisting of real estate properties acquired by the Bank in settlement of loans which were recognized as ROPA and accounted for as investment properties to conform with PAS 40. Under Sec.x394.2, ROPA shall be booked initially at the carrying amount of the loan plus booked accrued interest less allowance for credit losses plus transaction costs such as capital gains tax and documentary stamp tax. Breakdown of this account follows:

	2021	2020
Land	**₱ 78,419,569**	₱ 16,593,839
Other Properties Acquired	**1,484,883**	-
Less: Accumulated Depreciation	**-**	-
Net Amount	**79,904,452**	16,593,839
Less: Allowance for Credit Losses	**960,922**	960,922
Net Carrying Amount	**₱ 78,943,528**	₱ 15,632,917

A reconciliation of the carrying amounts of the Bank's investment property at the beginning and end of 2021 and 2020 is shown in below:

	2021	2020
Balance at beginning of year net of accumulated depreciation and Impairment loss	**₱ 15,632,917**	**₱ 16,711,138**
Additions	**66,890,540**	**6,138,213**
Disposal	**(3,579,929)**	**(3,632,820)**
Write-down	**-**	**(26)**
Impairment	**-**	**(3,651,028)**
Adjustments	**-**	**67,439**
Balance at end of year net of accumulated depreciation and Impairment loss	**₱ 78,943,528**	**₱ 15,632,917**

There is no movement of allowance for credit losses for the December 31, 2021.

The aggregate fair value of the investment property amounted to ₱96,839,529 and ₱33,528,918 as of December 31, 2021 and 2020, respectively.

As of December 31, 2021 and 2020, no amount of invest in property was used as collateral for liabilities.

Additions to investment property during the year are through transfer of loans receivables to ROPA account.

The Bank sold an item of investment property (ROPA) with cost of ₱3,579,929 which resulted to gain on sale of ₱ 4,850,803 for the year ended December 31, 2021. During 2020, the Bank sold investment property (ROPA) with cost of ₱3,632,820 which resulted to gain on sale of ₱ 6,861,461.

12. OTHER ASSETS

This account consists of:

	2021	2020
Financial Assets		
Accounts Receivables	**₱ 14,054,518**	₱ 10,956,443
Non-Financial Assets		
Prepaid Expense	**240,000**	-
Petty Cash Fund	**90,500**	92,500
Stationery and Supplies on Hand	**1,906,256**	1,218,199
Miscellaneous Assets	**21,293,256**	21,072,008
Documentary Stamps	**347,895**	283,162
Total	**37,932,425**	33,622,312
Less: Allowance for Probable Losses	**652,186**	652,186
Net Other Assets	**₱ 37,280,238**	₱ 32,970,125

Accounts receivable consists of receivable from TPL insurance, Western Union, employee advances, ECPay, E-wallet, and others. The receivables can be received either by cash or check payments.

Miscellaneous assets include advance deposits on rent, membership fees, leasehold/stall rights and other miscellaneous assets.

There are no movements on allowance for credit losses on receivable from customers for the year 2020.

13. RIGHT OF USED ASSETS

The Bank leases the premises occupied by some of its branches for 1 to 50 years and renewable under certain terms and condition. With the exception of short term leases and leases of low-value underlying assets, the lease is reflected on the balance sheet as a right-of-use asset and a lease liability. The bank classifies its right-of-use assets in a consistent manner as Bank Premises, Furniture, Fixtures and Equipment.

2021

	Building	Total
Cost		
Balance at beginning of year	**₱46,319,028**	**₱46,319,027**
Additions	**3,429,973**	**3,429,973**
Balance at end of year	**₱49,749,000**	**₱49,749,000**
Accumulated Amortization		
Balance at beginning of year	**₱11,310,952**	**₱11,310,952**
Amortization	**5,734,041**	**5,734,041**
Balance at end of year	**17,044,993**	**17,044,993**
Net Book Value	**₱32,704,007**	**₱32,704,007**

2020

	Building	Total
Cost		
Balance at beginning of year	**₱43,499,188**	**₱43,499,188**
Additions	**2,819,840**	**2,819,840**
Balance at end of year	**₱46,319,028**	**₱46,319,028**
Accumulated Amortization		
Balance at beginning of year	**₱ 5,557,306**	**₱ 5,557,306**
Amortization	**5,753,646**	**5,753,646**
Balance at end of year	**11,310,952**	**11,310,952**
Net Book Value	**₱35,008,076**	**₱35,008,076**

Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

14. DEPOSITS LIABILITIES

This account consists of:

	2020	%	2020	%
Saving Deposit	**₱2,325,809,241**	**80.24%**	₱2,174,004,374	78.49%
Demand Deposit	**160,445,292**	**5.54%**	170,060,432	6.14%
Time Deposit	**412,264,110**	**14.22%**	425,685,436	15.37%
Total Deposit Liabilities	**₱2,898,518,643**	**100.00%**	₱2,769,750,243	100.00%

Savings Deposits are composed of regular savings accounts which are withdrawable upon demand and those with special terms and withdrawable at certain period of time. Time Deposits have different maturity dates maximum of which is five (5) years term/maturity and bear different interest rates based on the amount of deposits and term of placements. Time deposits with term of five (5) years or more are exempt from tax in accordance with BIR regulation. Total deposits for the year increased by ₱128,768,400 or 4.65% over the figures of 2020.

For the year 2021 and 2020, demand deposit carries interest rates ranging from 0.10% to 0.15% and 0.10% to 0.20%, respectively, while a savings deposit carries an interest rate ranging from 0.10% to 0.20% and 0.10% to 0.30%, respectively. The bank's special savings or time deposit carries interest rate ranging from 0.25% to 1.20% and 1.60% to 4.00%, for the years 2021 and 2021 respectively, while its gold saver 5 carries interest rate ranging from 1.50% to 2.00% and 2.20% to 2.50%, respectively.

Interest expense on deposit liabilities charged to profit or loss in 2021 and 2020 amounted to ₱20,075,698 and ₱29,132,089, respectively.

On March 23, 2020, the Monetary Board in its Resolution No. 423 approved a reduction of 100 basis points in the reserve requirement (RR) ratios of deposits and deposit substitute liabilities of thrift banks (TBs), rural banks (RBs) and cooperative banks (Coop Banks) decreasing the reserve requirement to two percent (2%). The required reserve as of December 31, 2020 amounted to ₱ 57,970,373 or 2% of the total deposit liabilities. This amount is in the form of deposit with Bangko Sentral ng Pilipinas which has a balance of ₱ 96,826,870 as at December 31, 2021 which is higher than the required reserves for rural banks.

15. BILLS PAYABLE

This account consists of:

	2021		%	2020	%
Land Bank of the Philippines	**₱**	-	**0.00%**	₱10,070,000	100.00%
Total Bills Payable	**₱**	-	**0.00%**	₱10,070,000	100.00%

The amendments to PFRS 7, requires the Bank to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreements or similar arrangements. The effects arrangements are disclosed in the succeeding tables:

	2020					
Financial Assets recognized at end of reporting period by type	Gross carrying amounts (before offsetting) (a)	Gross amounts offset in accordance with offsetting criteria (b)	Net amount presented in statement of financial position [a-b](c)	Effect of remaining rights to set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		Net Exposure (c - d)
				Financial Instrument (d)	Fair Value of Financial Collateral (e)	
Financial Liabilities:						
Bills Payable						
LBP	₱10,070,000	₱ -	₱10,070,000	₱11,128,000	₱ -	₱(1,058,000)
	₱10,070,000	₱ -	₱10,070,000	₱11,128,000	₱ -	₱(1,058,000)

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

Interest expense on bills payable amounted to ₱34,686 and ₱531,035 in 2021 and 2020, respectively.

The term of the bills payable ranges from one (1) year or less (short-term) subject to interest rate of 4.00% to 5.00%.

Borrowings are secured by the loans receivable of certain clients of the Bank, wherein these loans are secured by real estate mortgage. These are settled either by cash or check payments

16. ACCRUED INTEREST, TAXES AND OTHER EXPENSES PAYABLE

This account consists of:

	2021	2020
Accrued Interest Payable	₱ 5,652,232	₱ 6,867,231
Accrued Other Expenses Payable	-	205,000
Total	₱ 5,652,232	₱ 7,072,231

Accrued interest payable represents the recognition of interest expense already due on financial liabilities such as deposit liabilities as of December 31,2021 but subsequently paid in the next accounting period. Accrued other expenses payable are year-end expenses payable on the following year.

17. OTHER LIABILITIES

This account consists of:

	2021	2020
Accounts Payable	**₱ 32,377,775**	₱32,026,386
Withholding Tax Payable	**380,150**	405,686
SSS, Medicare and Pag-ibig Contribution Payable	**2,195,295**	2,148,877
Stock Dividends Payable	**440**	-
Overages	**70,010**	67,097
Lease Liability	**35,165,755**	36,847,686
Other Liabilities*	**4,961,161**	3,953,223
Total	**₱ 75,150,586**	₱75,448,955

**Other liabilities includes the following*

	2021	2020
GRT Payable	**₱ 2,315,425**	₱2,019,530
Loans Payable – Others	**2,595,064**	1,878,544
Special Liability Account	**38,915**	38,915
Due to the Treasurer of the Philippines	**11,757**	11,757
Due to Philippine Crop Insurance Corporation	-	4,478
Total	**₱ 4,961,161**	₱3,953,223

The above liabilities are settled either by cash or check payments. As December 31, 2021 and 2020, no amount of assets was used as collateral, security or guarantee for the above liabilities.

Accounts Payable represents various liabilities incurred by the Bank for its own account and the third parties arising from short term indebtedness/obligations still outstanding at the cut-off/ reporting date. Withholding tax payable represents tax withheld on interest expense on deposits, on compensation and other transactions on which the bank is obliged to withhold as a withholding agent of the government. SSS, Medicare and Pag-ibig Contribution are employees' contribution which are to be remitted by the Bank on January, 2022.

18. EQUITY

18.1 - Ordinary Shares

Ordinary shareholders of the bank are given less priority as to assets liquidation compared to outside creditors and preferred shareholders. Ordinary shares are given equal rights and preference as among ordinary shareholders. The availability of dividends shall be determined by the net income after deducting any restriction for reserve requirements and preferred dividends, if any.

Authorized ordinary share capital as of December 31, 2021 amounted to ₱460,000,000 or 9,200,000 ordinary shares with a par value of ₱50 each. The total subscribed and paid up ordinary shares amounted to ₱377,376,400or 7,547,528 shares as of December 31, 2021.

18.2 Preference Shares

The preference shareholders of the Bank are given priority in the distribution of the assets of the corporation in case of liquidation. As to dividends, entitled to receive a dividend during dividends distribution equally to common shares without preference. The amount of any dividends payable to any holder of stock may be applied to the repayment of stockholder's indebtedness to the Bank. Also, shall be cumulative and shall be given preference over common stocks. The preferred stock shall be non-participating and not entitled to participate in any other dividend save those specifically due to these shares. As to voting rights, preference shareholders are not entitled to vote in the normal course of business and decision making of the bank except as those provided in Sec X of the Corporation Code

of the Philippines. In the event of any liquidation, dissolution, winding-up or sale or merger of the Company, whether voluntarily or involuntarily, each holder of Preferred Share - Private is entitled to receive, in preference to the holders of common stock, to the full par value or ratably insofar as the assets of the Bank will permit.

Authorized preference share capital as of December 31, 2021 amounted to ₱40,000,000 or 800,000 preference shares which divided into 400,000 shares of private preferred stock and 400,000 shares of government preferred shares and with par value of ₱50 each. The total subscribed and paid up preference shares amounted to ₱7,470,300 or 149,406 shares as of December 31, 2021.

The reconciliation of ordinary shares outstanding during the period is as follows:

	2021		2020	
	Shares	**Amount**	Shares	Amount
Common stock – P50 par value, 9,200,000 authorized shares				
Common stock at the beginning of the year	**6,289,614**	**₱ 314,480,700**	6,289,614	₱ 314,480,700
Issuance of shares of stocks thru stock dividends declaration	**1,257,914**	**62,895,700**	-	-
Preferred stock – P50 par value, 400,000 authorized shares				
Preferred stock at the beginning of the year	**149,406**	**₱ 7,470,300**	149,406	₱ 7,470,300
Common stock and Preferred stocks at the end of the year	**7,696,934**	**₱ 384,846,700**	6,439,020	₱321,951,000
Subscribed				
Subscription receivable				
	7,696,934	**₱ 384,846,700**	6,439,020	₱321,951,000

18.3. - Surplus Free

The Bank previously declared a cash dividend amounting to ₱8,049,215 and ₱9,658,530, for years 2021 and 2020, respectively. As at December 31, 2021, the Bank issued stock dividend amounting to ₱62,895,700 or 1,257,914 shares. The declaration was made under the Bank's Board Resolution No. 2021-30 and 2021-04 for the year 2021 and Bank's Board Resolution No. 2020-29 for the year 2020, respectively.

The declaration of cash and stock dividend is summarized below:

Type of Dividend	Date of Declaration	Date of Record	Date of Distribution	Amount
Cash	03/15/2021	12/31/2020	04/23/2021	**₱ 8,049,215**
Stock	04/25/2021	12/31/2020	06/17/2021	**₱ 62,895,700**
Cash	02/15/2020	12/31/2019	04/25/2020	**9,658,530**
Total				**₱ 3,348,282**

The reconciliation of surplus during the period is as follows:

	2021	2020
Balance, Beginning	**₱ 132,040,134**	₱ 97,275,331
Net Income	**42,724,547**	44,008,703
Provision and Adjustments (Note 18.5.)	**1,984,697**	414,630
Dividend Declared during the year	**(70,944,915)**	(9,658,530)
Balance, Ending	**₱ 105,804,463**	₱132,040,134

18.4. - Surplus Reserve

	2021	2020
Balance, Beginning	**₱20,000,000**	₱20,000,000
Additions (Usage)		
Adjustments		
Balance, Ending	**₱20,000,000**	₱20,000,000
Reserves for contingencies	**₱10,000,000**	₱10,000,000
Other surplus reserves	**10,000,000**	10,000,000
Total Surplus Reserves	**₱20,000,000**	₱20,000,000

18.5. - Provision and Adjustments

The following is the components of the provision and adjustments for the year ended December 31, 2021 and 2020

	2021	2020
Prior Period Income	₱ -	₱ 294,345
Adjustments on prior years income tax expense due to transitory effect of Create Law	**1,847,846**	-
Partial payment of Breach of Contract of Employees	**20,100**	120,285
Rebate from PLDT	**116,751**	-
	₱1,984,697	₱414,630

Capital Management

The primary objectives of the Bank's capital management are to ensure that it complies with externally imposed capital requirements and that it maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholders' value. The Bank maintains sufficient capital necessary to support its primary purpose and/or undertakings which it has initiated and promoted. The Bank management involves maintaining funding capacity to accommodate fluctuations in asset and liability levels due to changes in the Bank's business operations of unanticipated events created by consumer behavior or capital market conditions.

The Bank manages its capital structure and makes adjustment to it in light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities.

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Regulatory Qualifying Capital

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

BSP Circular No. 688, Revised Risk-Based Capital Adequacy Framework for stand-alone thrift banks, rural banks and cooperative banks which took effect on January 1, 2012 represents BSP's commitment

to align existing prudential regulations with international standards, which is consistent with the BSP's goal of promoting the soundness and stability of individual banks and of the banking system as a whole BSP Circular No. 688 replaced BSP Circular No. 280 which is primarily based on Basel 1.

Under current banking regulations, the combined capital accounts of each bank should not be less than an amount equal to ten percent (10.00%) of its risk assets. The qualifying capital of the Bank for purposes of determining the capital-to-risk assets ratio to total equity excludes:

- unbooked valuation reserves and other capital adjustments as may be required by the BSP;
- total outstanding unsecured credit accommodations to directors, officers, stakeholders and related interests (DOSRI);
- deferred tax asset or liability; and
- other regulatory deductions.

Risk assets consist of total assets after exclusion of cash on hand, due from BSP, loans covered by hold-out or assignment of deposits, loans or acceptances under letters of credit to the extent covered by margin deposits, and other non-risk items as determined by the Monetary Board of the BSP.

Under BSP Circular No. 360, effective July 1, 2003, the risk-based capital adequacy ratio (CAR) is to be inclusive of a market risk charge. BSP Circular No. 560 dated January 31, 2007, which took effect on February 22, 2007, requires the deduction of unsecured loans, other credit accommodations and guarantees granted to subsidiaries and affiliates from capital accounts for purposes of computing CAR.

On October 9, 2014, BSP issued the Circular No. 854, which states that rural banks with head offices in areas outside the National Capital Region and with 11 to 50 branches are required to comply with the minimum capital requirement of P 40.00 million. As at December 31, 2021 and 2020, the Bank is in compliant with the minimum capitalization requirement set by the BSP.

The CAR of the Bank as at December 31, 2021 and 2020, as reported to the BSP, is shown in the table below:

	2021	2020
Tier 1 capital	**₱ 587,711,336**	₱ 551,114,860
Tier 2 capital	**50,769,340**	54,167,495
Total qualifying capital	**₱ 638,480,676**	₱ 605,282,355
Risk weighted assets	**₱ 3,159,377,645**	₱ 2,812,241,428
Tier 1 capital ratio	**18.60%**	19.60%
Tier 2 capital ratio	**1.61%**	1.93%
Total CAR	**20.21%**	21.53%

The Bank's Total Qualifying Capital as at December 31, 2021 and 2020 was computed as follows:

	2021	**2020**
A. Calculation of Qualifying Capital		
A.1 Tier 1 Capital		
Core Tier 1 Capital		
Paid-Up Capital – Common	**₱ 377,376,400**	**₱314,480,700**
Paid-Up Capital – Preferred	**85,146,459**	85,146,459
Retained Earnings	**125,803,914**	**152,039,585**
Deductions from Core Tier 1 Capital		
Deferred Tax Asset, Net of Deferred Tax Liability	**615,437**	**551,883**
Total Outstanding Unsecured Credit Accommodations		
Total Tier 1 Capital	**₱ 587,711,336**	**₱551,114,860**

A.2 Tier 2 Capital		
General Loan Loss Provisions	**₱ 7,470,300**	₱ 7,470,300
Appraisal Increment Reserve	**26,672,978**	26,672,978
General Loan Loss Provisions	**16,626,062**	20,024,217
Total Upper Tier 2 Capital	**₱ 50,769,340**	**₱ 54,167,495**
TOTAL QUALIFYING CAPITAL	**₱ 638,480,676**	**₱605,282,355**

The Bank maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios adopted by the BSP in supervising the Bank.

The amount of surplus funds available for dividend declaration is determined also on the basis of regulatory net worth after considering certain adjustments. As at December 31, 2021 and 2020, the Bank was in compliance with CAR requirement.

Financial Performance

The following basic ratios measure the financial performance of the Bank:

	2021	2020
A. Return on average equity	**7.07%**	7.74%
B. Return on average assets	**1.21%**	1.33%
C. Net interest margin	**5.19%**	5.86%
D. Debt Equity Ratio	**4.79:1**	4.89:1

19. INTEREST INCOME

This account consists of:

	2021	2020
Income from Loans and Other Receivables (Note8)	**₱130,432,389**	₱142,328,362
Income from Due from Other Banks (Note 7)	**43,853,306**	55,672,606
Income from DSMAC (Note 9)	**13,052,133**	10,563,167
Total	**₱187,337,827**	₱208,564,135

20. OTHER INCOME

This account consists of:

	2021	2020
Fees and Commission	**₱ 28,886,155**	₱27,097,984
Gains/(Losses) from Sale/Derecognition of Non-Financial Assets	**5,266,884**	6,861,461
Others- Other Income	**2,299,139**	2,051,789
Fx Profit (Loss)	**389,798**	241,716
Recovery on Charged-off Assets	**11,306,802**	15,838,502
Total	**₱ 48,148,778**	₱52,091,451

Other income consists of bank commissions, rent income, income from sale of acquired assets and miscellaneous income. Miscellaneous income mostly composed of service fees and income from returned items.

21. COMPENSATION AND BENEFITS

This account consists of:

	2021	2020
Salaries and Wages	**₱ 43,996,830**	₱44,809,604
Fringe Benefits-Officers and Employees	**7,805,274**	7,631,089
Director's Fee	**1,402,500**	1,172,500
SSS, Philhealth and Employees Compensation Premium and PAGIBIG Fund Contribution	**4,289,623**	3,958,707
Contribution to Retirement Fund (Note 21)	**3,240,000**	3,240,000
Total	**₱ 60,734,227**	₱60,811,899

22. RETIREMENT BENEFITS

The Bank adopted a retirement plan in recognition of the contribution of employees to the success of its operations, and to reward their loyalty and long years of service rendered. This retirement plan was established and was effective on July 1, 2007. The plan shall be noncontributory. The Bank shall contribute on behalf of each participant an amount actuarially determined to provide his benefits under the plan.

The funding of the plan is determined by an actuarial advisor and payment of the benefits there under is provided for through the medium of a fund held by a Board of Trustees under an appropriate trust agreement. The plan was computed under the Accrued Benefit Valuation Method- Projected Unit Credit Method, the current service cost is the present value of retirement benefits payable in the future in respect of services in the current period. The past service cost is the present value of the units of benefits payable in the future in respect of services rendered prior to valuation date.

The plan is administered by a Board of Trustees appointed by the Bank and is responsible for the general administration of the plan and the management of the fund.

The balance of the retirement fund amounted to P 28,017,190 as of the year ended December 31, 2021. The latest actuarial valuation of the Bank is last July 2007, so the Bank's movement of present value of obligation and fair value of plan assets is not disclosed.

The Bank's retirement plan provides for the basis of the retirement benefits. The projected retirement date shall be at the participants 60th birthday. A participant will receive, at retirement, an amount, in lump sum, equal to one hundred percent (100%) of his latest participant's length of service, certain percentages shall be used in computing a participant's retirement benefit.

The Bank's retirement plan provides that the Bank shall have no right, or interest in the contributions made by them to the Trust and no part of the Fund shall revert to the Bank except after satisfaction of all liabilities of the Plan; however, such contributions as may have been made by the Bank as a result of overpayment may revert to the Bank.

A total amount of P3,240,000 and P3,240,000 was recognized as contribution to retirement fund for the years 2021 and 2020, respectively. Contributions to the plan were treated as outright expense.

23. OTHER OPERATING EXPENSE

This account consists of:

	2021	2020
Rent (Note 24)	**₱ 2,293,172**	₱ 702,000
Advertising & Publicity	**5,768,168**	4,511,433

Repairs and Maintenance	**3,695,214**	3,411,068
Security, Clerical, Messengerial & Janitorial Services	**4,800,435**	4,415,791
Insurance Expenses	**6,796,241**	6,287,559
Power, Light & Water	**4,741,316**	4,329,629
Litigation Expenses	**5,579,295**	3,131,017
Stationeries & Supplies Used	**2,401,625**	3,813,020
Traveling Expenses	**1,635,709**	1,401,591
Postage, Telephone, Cables & Telegram	**3,698,235**	3,016,537
Information Technology Expense	**1,730,400**	1,271,461
Representation and Entertainment	**2,224,568**	2,028,541
Fuel & Lubricants	**1,669,087**	2,012,303
Management and Other Professional Fees	**1,194,060**	965,280
Supervision Fees	**578,928**	571,300
Donations and Charitable Contributions	**36,850**	41,550
Documentary Stamp Used	**99,604**	93,675
Membership Fees & Dues	**188,461**	295,904
Periodicals and Magazines	**2,925**	1,512
Fines and Penalties	**1,650**	500
Other Expense*	**960,204**	1,361,663
Interest Expense from Leasing Agreement	**1,390,013**	1,362,895
Total	**₱ 51,486,161**	₱45,026,228

**Other expenses include messenger expense, inquiry fees and other minor expenses.*

24. DEPRECIATION AND AMORTIZATION EXPENSE

This account consists of:

	2021	2020
Depreciation Expense – Buildings	**₱ 1,188,365**	₱ 1,205,031
Depreciation Expense - Furniture and Fixtures	**3,000,688**	3,682,759
Depreciation Expense - Transportation Equipment	**2,386,230**	2,819,148
Depreciation Expense - Leasehold Rights and Improvements	**1,422,272**	1,665,574
Depreciation Expense – Right of Used Assets	**5,734,041**	5,753,646
Amortization of Other Intangible Assets	**73,952**	67,285
Total	**₱ 13,805,548**	₱15,193,444

25. LEASES

Bank as Lessee

a. Short Term and Low- value Lease

As of December 31, 2021, the Banks has short-term lease on its branch offices rental of printer, amounting to ₱ 1,071,900.

b. Long-term Lease

The undiscounted maturity analysis of lease liabilities at December 31, 2021 is as follows:

	Minimum Lease Payments			
	Within 1 Year	2-5 Years	6-10 Years	Total
Lease Payments	**₱ 5,684,668**	**₱ 17,556,205**	**₱ 20,128,821**	**₱ 43,369,694**
Finance Charges	**1,159,470**	**3,569,181**	**3,475,287**	**8,203,938**
	₱ 4,525,198	**₱ 13,987,024**	**₱ 16,348,115**	**₱ 35,165,756**

Bank as a lessor

The Bank's premises are being held for lease by other leases for 1 to 10 years and renewable under certain terms and condition. The rent income amounted to ₱1,859,532 and ₱1,602,780 in 2021 and 2020, respectively.

As of December 31, 2021 and 2020, the future minimum rentals payable under the operating lease as a lessor are as follows:

	2021	2020
Within one year	**₱ 789,458**	₱ 720,000
Beyond one year but not beyond five years	**894,801**	1,440,000
	₱ 1,684,259	₱2,160,000

Lease agreements with the leases are generally accepted as follows: in case the leases are in default of payment they will be subject to penalty of 10% of rent due plus interest at 2% per month until paid. All bills and charges for electricity telephone, water and other utilities shall be for the account of the Lessee up to the date. When Lessee vacates the leased premises in accordance with the covenants. Should the lessee undertake to construct partitions and dividers floors, walls and ceiling improvements; electrical fixtures and similar improvements to ensure privacy and/or enhance the beauty, of the leased premises, same shall be done only, upon written consent of the lessor and some shall be at the exclusive expense of the lessee. Any and all such improvements made on the premises shall be automatically become the property of the lessor and shall remain and be surrendered with the premises at the termination of the lease within any right or reimbursement on the part of the lessee.

The lessee is prohibited to do any of the following acts and deeds, without written consent of the lessor: bring into or store in the leased premises anything of inflammable or explosive nature or any other article which the lessor may personally prohibit nor, nor, shall install therein apparatus or equipment which may cause obnoxious tremors or noise, it being understood that should the lessee do so, he be responsible for all the damages and other liabilities which such violation may cause the lessor under this contract; drive nails, screws or abutments on the walls or frame or make alterations, improvements or change's in any part of the premises including electrical installation other fixtures. Any injury or damages caused or done by the lessee may be repaired by the lessor for the account of the lessee; directly or indirectly, sublease, sell, assign. transfer, convey, mortgage or in any way dispose of or encumber his right under the contract in whole or in part and no right, or interest thereto shall be preferred or vested in anyone other than the lessee. the lessee is furthermore, prohibited from entering into any contract or agreement with any person, association or corporation in joint venture or partnership or any other agreement of any nature whatsoever whereby said third party will be allowed to occupy and transact business in the leased premises. D. Install any sign-board of any size in whatever location

26. COMMITMENT AND CONTINGENCIES

a.) The bank is a plaintiff to various cases arising from the collection suits pending in courts for claims against delinquent borrowers of the bank. The final decision of which cannot be determined at present. The amount of loans and receivables under litigation amounted to ₱ 15,875,265 as at December 31, 2021.

b.) The bank has no pending legal cases arising from its normal operation that will put the bank as defendant as a result of violation of transactions against its clients/ depositors.
c.) The bank had no outstanding issuances of bank guarantee and other similar credit instruments that will put the bank into obligation in case of non-compliance by the buyer.

27. INCOME TAXES

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

For the year 2020, the Bank used Republic Act No. 9337, An Act Amending National Internal Revenue Code, in computing their income tax which provides that the RCIT rate shall be 30.00%, and deductible interest expense shall be reduced by 33.00% of interest income subjected to final tax. Current tax regulations also provide for MCIT of 2.00% on modified gross income and allow a NOLCO. The MCIT and NOLCO may be applied against the Bank's income tax liability and taxable income, respectively, over a three-year period from the year of inception. Further, current tax regulations set a limit for entertainment, amusement and recreation (EAR) expenses that can be deducted for income tax purposes. EAR expenses are limited to 1.00% of net revenue for sellers of services. The Bank recorded EAR expenses amounted to ₱ 2,224,568 and P2,028,541 in 2021 and 2020, respectively.

Provision for income tax consists of:

	2021	2020
Current	**₱ 5,361,583**	₱4,414,677
Deferred	**(63,554)**	(302,098)
	₱ 5,298,029	₱4,112,579

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

	2021	2020
Statutory income tax	**₱ 12,005,644**	₱ 14,436,385
Income tax effects of:		
Interest income subject to final tax	**(14,226,360)**	(19,870,732)
Provision for Credit Losses on Loans and receivables	**4,274,662**	781,009
Payment for Deficiency Tax	**-**	480,377
Depreciation Expense – Right of Used Assets	**1,433,510**	1,726,094
Interest Expense from Leasing Arrangements	**347,503**	408,869
Income Reported in Retained Earnings	**34,213**	124,389
Non-deductible expenses (Interest Arbitrage – 20% and 33%)	**3,556,590**	8,196,677
Payment of Lease Liability	**(767,986)**	(1,832,865)
Interest Income from Housing Loan under HGC	**(37,151)**	(35,526)
Accounts Written-Off	**(1,259,043)**	
Provision for income tax	**₱ 5,361,583**	₱ 4,414,677

Computation of Income Tax Payable:

	2021	2020
Net Income per books	**₱ 48,022,576**	₱48,150,034
Add: Non-deductible Expenses/Taxable Other Income		
Provision for Credit Losses on Loans and Receivables	**17,098,650**	2,603,363
Taxes and Licenses – Tax Deficiency	**-**	1,601,258
Depreciation Expense - Right of Used Assets	**5,734,041**	5,753,646
Interest Expense for Leasing Arrangements	**1,390,013**	1,362,895
Income Reported in Retained Earnings	**136,852**	414,630
Insurance Expense – Others	**-**	-
Interest expense reduced by 33% income subject to final tax	**14,226,360**	27,322,256
Total	**86,608,492**	87,179,331

Less: Income Subjected to Final Tax and Deductible Expense		
Interest Income Subject to Final Tax	**56,905,438**	66,235,773
Interest Income from Housing Loan under HGC	**148,605**	118,421
Payment of Lease Liability	**3,071,944**	6,109,548
Accounts Written Off	**5,036,173**	-
Total	**65,162,160**	72,463,743
Net Taxable Income (Loss)	**21,446,332**	14,715,589
Tax Rate	**25%**	30%
Normal Corporate Income Tax	**5,361,583**	4,414,677
Minimum Corporate Income Tax**	**802,169**	1,947,464
Income Tax Due	**5,361,583**	4,414,677
Less: Payments/Tax Credits	**2,921,851**	2,341,183
Income Tax Still Due/(Overpayment)	**₱ 2,439,732**	₱ 2,073,493

***Below is the computation of Minimum Corporate Income Tax (MCIT) for the year ended December 31, 2021.*

	2021	2020
Revenue	**₱ 187,337,827**	₱208,564,135
Cost of Revenue (Note 27)	**98,215,650**	96,928,210
Gross Income	**89,122,178**	111,635,925
Add: Other Income(Note 21)	**48,148,778**	52,091,451
Less: Interest Income Subjected to Final and Exempt from Tax	**(57,054,043)**	(66,354,194)
Total Gross Income	**80,216,912**	97,373,182
MCIT Rate	**1%**	2%
Minimum Corporate Income Tax**	**₱ 802,169**	₱ 1,947,464

Deferred Tax

	2021	2020
Deferred tax assets		
Beginning Balance	**₱ 11,054,306**	₱ 11,632,350
Additions on Lease liability	**857,493**	845,952
Movement on Lease liability	**(1,277,976)**	(1,423,996)
Re-measurement of deferred tax due to Create Law	**(1,842,384)**	
	₱ 8,791,439	₱ 11,054,306
Deferred tax liabilities		
Beginning Balance	**₱ 10,502,423**	₱ 11,382,565
Additions on Right of Used Asset	**857,493**	845,952
Depreciation of RoUA	**(1,433,510)**	(1,726,094)
Re-measurement of deferred tax due to Create Law	**(1,750,404)**	
	₱ 8,176,002	₱ 10,502,423
Net Deferred Tax Assets	**₱ 615,437**	₱ 551,883

28. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Entities are considered to be related if they are subjected under common control or significant influence. The Bank's related parties include:

- key management personnel, close family members of key management personnel and entities
- which are controlled, significantly influenced by or for which significant voting power is held
- by key management personnel or their close family members,
- post-employment benefit plans for the benefit of the Bank's employees, and

The Bank has several business relationships with related parties. Transactions with such parties are made in the ordinary course of business and on substantially same terms, including interest and collateral, as those prevailing at the time for comparable transactions with other parties. These transactions also did not involve more than the normal risk of collectability or present other unfavorable conditions.

Remunerations of Key Management Personnel
Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Bank, directly or indirectly. The Bank considers the members of the senior management to constitute key management personnel for purposes of PAS 24.

The compensation of key management personnel included under 'Compensation and benefits' in the statement of income are as follows:

	2021	2020
Short-term employee benefits	₱2,785,500	₱2,765,318
	₱2,785,500	₱2,765,318

The Bank also provides banking services to directors and other key management personnel and persons connected to them. These transactions are presented in the tables that follow.

29. SUPPLEMENTARY INFORMATION REQUIRED UNDER RR 15 2010 and RR 19-2011

Revenue Regulation (RR) No 15-2010
On November 25, 2010, the BIR issued RR 15-2010 prescribing the manner of compliance in connection with the preparation and submission of financial statements accompanying the tax returns. It includes provisions for additional disclosure requirements in the notes to the financial statements, particularly on taxes and licenses paid or accrued during the year. The components of 'Taxes and licenses' recognized in the statement of income for the year ended December 31, 2021, follow:

GRT in 2021 consists of taxes on:

Interest income on loans and other related income from lending operations	₱ 5,059,434
Other income	1,558,863
	₱ 6,618,298

Taxes and Licenses

a. Local		
Business Permit	₱ 1,054,418	
Real Property Tax	192,784	
Others	10,500	₱ 1,257,702
b. National		
Fringe Benefit Tax	₱ 126,738	
Tax Payment on Deficiency	-	
LTO Registration	53,558	
Percentage Tax	1,594,714	
Annual Registration-BIR	16,000	
Others	7,720	1,798,730
Total-Taxes and Licenses		₱ 3,056,433

Withholding taxes in 2021 are categorized into:

Paid:	
Final withholding tax on interest expense	₱ 1,937,460
Final withholding tax on dividends	606,960
Withholding taxes on compensation and benefits	234,096

Fringe benefit tax paid	**126,738**
Expanded withholding tax	**774,614**
	₱ 3,679,869

Tax Assessments and Cases
As at December 31, 2021, the Bank has no outstanding assessment notice from the BIR or cases in court or bodies outside the BIR.

Revenue Regulation (RR) No 19-2011
The Bank reported the following schedules and information on taxable income and deductible expenses to be taken in 2021:

Sale of Services
The Bank's taxable sale of services amounted to ₱ 178,581,166 and income subject to final income tax and are exempt from tax amounted to ₱ 56,905,439 for the year ended December 31, 2021.

Cost of Services

	2021	2020
Details of the Bank's tax deductible cost of services accounts are as follows:		
Direct Charges - Salaries and wages	**₱ 60,734,227**	₱ 60,811,899
Direct Charges - materials, supplies and facilities	**10,841,177**	11,159,185
Direct Charges - Insurance (PDIC)	**5,589,199**	5,093,450
Direct Charges – depreciation	**8,071,507**	9,439,798
Direct Charges - rent expense	**5,365,116**	6,811,548
Direct Charges - information technology expense	**1,730,400**	1,271,461
Direct Charges - others (interest expense net of 33% limit)		
Interest expense	**20,110,384**	29,663,125
Less: Limit (20% and 33% of interest income subj. to final tax)	**(14,226,360)**	(27,322,256)
Total	**₱ 98,215,650**	₱ 96,928,210

Itemized Deductions

	2021	2020
Details of the Bank's itemized deductions are as follows:		
Security, Clerical, Messengerial and Janitorial Services	**₱ 4,800,435**	₱ 4,415,791
Repairs and Maintenance	**3,695,214**	3,411,068
Insurance Expense	**1,207,042**	1,194,109
Advertising and Publicity	**5,768,168**	4,511,433
Litigation Expenses	**5,579,295**	3,131,017
Traveling Expense	**1,635,709**	1,401,591
Representation and Entertainment	**2,224,568**	2,028,541
Fuel and Lubricants	**1,669,087**	2,012,303
Bad Debts Written-off	**26,208,799**	50,452,942
Taxes and Licenses	**3,056,433**	3,531,017
Impairment Losses	**3,651,028**	3,651,028
Management and Other Professional Fees	**1,194,060**	965,280
Supervision Fees	**578,928**	571,300
Membership Fees and Dues	**188,461**	295,904
Donations and Charitable Contributions	**36,850**	41,550
Periodical and Magazines	**2,925**	1,512
Fines, Penalties and Other Charges	**1,650**	500
Other Expenses	**960,204**	1,361,663
Documentary Stamp Used	**99,604**	93,675
Total	**₱ 58,907,432**	₱ 83,072,223

Total Deductible Expense	**₱157,123,082**	₱180,000,433
Expense Reported in Audited Financial Statements	**187,464,029**	212,534,304
Difference*	**₱ (32,533,871)**	₱ (32,533,871)
*Reconciliation of Difference:		
Interest Limit	**₱ 14,226,360**	₱ 27,322,256
Payment of Deficiency Tax	**-**	1,601,258
Provision for Credit losses	**17,098,650**	2,603,363
Depreciation Expense - Right of Used Assets	**5,734,041**	5,753,646
Rent Expense	**(3,071,944)**	(6,109,548)
Interest Expense for Leasing Arrangements	**1,390,013**	1,362,895
Accounts Written Off	**(5,036,173)**	
	₱ 30,340,947	₱ 32,533,871

30. OTHER MATTERS

1. Anti-Money Laundering Act (AMLA)

   The Bank had completely satisfied the reporting requirements as required by the Bangko Sentral ng Pilipinas (BSP) and RA 9160 as amended by RA 9194 otherwise known as the Anti-Money Laundering Act.

2. As of December 31, 2021, all of the bank's directors had undergone the requirements for corporate government as confirmed by the Monetary Board as mandated by Section 132 of the MORB.

31. RECLASSIFICATION OF ACCOUNTS

Accounts	As previously reported	Adjustments	Adjusted December 31, 2020
Bank Premises, Furniture, Fixtures and Equipment, Net	**₱84,569,306**	**₱(17,896,000)**	**₱66,673,306**
Land	35,077,230	(17,896,000)	17,181,230
Other Asset, net	**₱15,074,125**	**₱ 17,896,000**	**₱32,970,125**
Miscellaneous Assets	3,176,008	17,896,000	21,072,008

Certain prior year amounts have been reclassified to align with the current year's presentation. These reclassifications had no effect on the reported results of operations. Adjustments have been made to the Statements of Financial Position and Statements of Cash Flows for the fiscal year ended December 31, 2020. These changes in classification do not affect previously reported financial statements

32. FINANCIAL STATEMENT PRESENTATION

Due to adoption of PAS 1 Presentation of financial statement (revised 2007) that became effective on January 1, 2009, the Bank is required to present a statement of comprehensive income showing the total comprehensive income. Other comprehensive income comprises items of income and expense, including reclassification adjustments, which are not recognized in profit or loss as required or permitted by other PFRSs. As of 2021 and 2020, the Bank does not have assets and liabilities nor had transactions that would result in other comprehensive income.

33. SUPPLEMENTARY INFORMATION REQUIRED BY APPENDIX 55 OF BSP CIRCULAR NO. 1074 series of 2020.

1. The Bank's ROE, ROA and Net Interest Margin Ratio as at December 31, 2021 and 2020 was computed as follows:

Return on average equity (ROE)

Formula: ROE = Net Income after Tax / Average Capital

	2021	2020
Net Income	**₱ 42,724,547**	₱ 44,008,703
Shareholders' Equity		
2021	**₱ 622,470,051**	
2020	**585,810,022**	
2020		585,810,022
2019		551,045,218
Total	**₱1,208,280,072**	₱1,136,855,240
Average Equity	**₱ 604,140,036**	₱ 568,427,620
Return on Average Equity	**7.07%**	7.74%

Return on average assets (ROA)

Formula: ROA = Net Income after Tax / Average of Total Assets

	2021	2020
Net Income	**₱ 42,724,547**	₱ 44,008,703
Assets		
2021	**₱3,604,265,860**	
2020	**3,450,257,581**	
2020		₱3,450,257,581
2019		3,184,947,120
Total	**₱7,054,523,441**	₱6,635,204,701
Average Assets	**₱3,527,261,721**	₱3,317,602,350
Return on Average Assets	**1.21%**	1.33%

Net Interest Margin Ratio

Formula: Net Interest Margin Ratio = Net Interest Income/ Average Earning Assets

Formula: Average Earning Assets = Due from BSP + Due From Other Banks+ Loans + Debt Securities Measured at Amortized Cost

	2021	2020
Net Interest Income	**₱ 167,227,444**	₱ 178,901,010
Interest Earnings Assets		
2021	**₱3,267,238,828**	
2020	**3,172,630,158**	
2020		₱3,172,630,158
2019		2,929,660,466
Total	**₱6,439,868,986**	₱6,102,290,624
Average Interest Earning Assets	**₱3,219,934,493**	₱2,609,017,743
Net Interest Margin	**5.19%**	5.86%

2. Capital Instrument Issued

As at December 31, 2021, the Bank share capital consist of:

	Shares*	Amount
Ordinary Share - ₱50 par value		
Authorized	9,200,000	₱ 460,000,000
Issued and outstanding		
Balance at the beginning of the year	6,289,614	₱ 314,480,700
Issuances of shares thru Stock Dividend	1,257,914	62,895,700
Balance at the ending of the year	**7,547,528**	**₱ 377,376,400**

**Absolute number of shares*

	Shares*	Amount
Preference Share - ₱50 par value		
Authorized	800,000	₱ 40,000,000
Issued and outstanding		
Balance at the beginning and end of the year	149,406	₱ 7,470,300

**Absolute number of shares*

As at December 31, 2021 and 2020 the company issued ordinary shares by way of stock dividend amounting to ₱ 62,895,700.

3. Significant Credit Exposure

As to Concentration of Credits to Certain Industry/Economic Sector:

Percentage per total loan portfolio

	2021	**%**	2020	%
Wholesale and retail trade, repair of motor vehicles, motorcycles and personal	**₱ 167,025,680**	**9%**	₱ 97,425,688	5%
Agriculture, forestry and fishing	**667,497,279**	**34%**	681,399,432	33%
Construction	**177,503,928**	**9%**	164,488,058	8%
Manufacturing	**12,623,700**	**1%**	15,990,083	1%
Accommodation and food service activities	**210,755,316**	**11%**	241,740,015	12%
Education	**69,399,147**	**4%**	63,873,826	3%
Transportation and storage	**23,208,562**	**1%**	29,156,653	1%
Real estate activities	**371,768,757**	**19%**	370,064,267	18%
Activities of households as employers and undifferentiated goods-and-services-producing activities of households for own use	**145,715,453**	**7%**	197,080,037	10%
Electricity, gas, stream and air-conditioning supply	**23,255,873**	**1%**	79,366,277	4%
Mining and quarrying	**7,025,085**	**0%**	8,392,132	0%
Water supply, Sewerage, Waste Management and Remediation Activities	**365,989**	**0%**	1,057,330	0%
Human Health and Social Work Activities	**15,226,608**	**1%**	15,369,369	1%
Financial and Insurance Activities	**483,958**	**0%**	34,533	0%
Arts, Entertainment and Recreation	-	**0%**	3,294,870	0%
Other service activities	**29,466,544**	**2%**	39,070,645	2%
Loans to Individuals Primarily for Personal Use Purposes	**22,684,287**	**1%**	27,910,484	1%
Total Loan Portfolio	**₱1,944,006,166**	**100%**	₱2,035,713,700	100%

Percentage per tier 1 capital

	2021	**%**	2020	%
Wholesale and retail trade, repair of motor vehicles, motorcycles and personal	**₱ 167,025,680**	28%	₱97,425,688	18%
Agriculture, forestry and fishing	**667,497,279**	114 %	681,399,432	124 %
Construction	**177,503,928**	30%	164,488,058	30%
Manufacturing	**12,623,700**	2%	15,990,083	3%
Accommodation and food service activities	**210,755,316**	36%	241,740,015	44%
Education	**69,399,147**	12%	63,873,826	12%
Transportation and storage	**23,208,562**	4%	29,156,653	5%
Real estate activities	**371,768,757**	63%	370,064,267	67%
Activities of households as employers and undifferentiated goods-and-services-producing activities of households for own use	**145,715,453**	25%	197,080,037	36%
Electricity, gas, stream and air-conditioning supply	**23,255,873**	4%	79,366,277	14%
Mining and quarrying	**7,025,085**	1%	8,392,132	2%

Water supply; Sewerage, Waste Management and Remediation Activities	**365,989**	0%	1,057,330	0%
Human Health and Social Work Activities	**15,226,608**	3%	15,369,369	3%
Financial and Insurance Activities	**483,958**	0%	34,533	0%
Arts, Entertainment and Recreation	**-**	0%	3,294,870	1%
Other service activities	**29,466,544**	5%	39,070,645	7%
Loans to Individuals Primarily for Personal Use Purposes	**22,684,287**	4%	27,910,484	5%
Total Loan Portfolio	**₱1,944,006,166**	**331 %**	₱2,035,713,700	356 %

The BSP considers that significant credit exposures exist when total loan to a particular economic sector exceeds 30% of the total loan portfolio or 10% of Tier 1 Capital. As at December 31, 2021, one (1) industry exceeding 30.0 percent of the total loan portfolio and six (6) industries exceeding 10.0 percent of the Bank's Tier 1 Capital.

4. Breakdown of Total Loans

As to Security:

	2021	**%**	2020	%
Real Estate Mortgage	**₱1,686,358,577**	**86.49%**	₱1,726,340,767	84.80%
Other Collateral	**37,755,902**	**1.93%**	38,326,580	1.88%
*Unsecured	**219,891,686**	**11.57%**	271,046,353	13.31%
Total Loan Portfolio	**₱1,944,006,166**	**100.00%**	₱2,035,713,700	100.00%

**Unsecured small farmer's loans amounting to P57,540,183 (26.17% of total unsecured loans) are guaranteed by Agricultural Guarantee Fund Pool (AGFP)*

As to Status:

Product Line	**2021**		
	Performing	**Non-Performing**	**Total**
Agrarian Reform loans	**₱ 233,185,097**	**₱ 24,020,037**	**₱ 257,205,133**
Other Agricultural Credit Loans	**355,745,432**	**54,546,714**	**410,292,146**
Microfinance Loans	**3,618,325**	**449,935**	**4,068,259**
Small Scale Enterprise Loans	**723,564,149**	**18,225,491**	**741,789,641**
Medium Scale Enterprise Loans	**223,381,664**	**-**	**223,381,664**
Loans to Individual for Housing	**136,891,288**	**1,978,295**	**138,869,584**
Salary-Based General-Purpose Consumption Loans	**13,242,208**	**289,131**	**13,531,339**
Loans to Individual for Primarily for Personal use purposes - Others	**9,152,948**	**-**	**9,152,948**
Loans to Individuals for Other Purposes	**131,845,655**	**13,869,798**	**145,715,453**
Total	**₱ 1,830,626,765**	**₱ 113,379,401**	**₱ 1,944,006,166**

Product Line	2020		
	Performing	Non-Performing	Total
Agrarian Reform loans	₱236,147,185	₱14,806,986	₱250,954,171
Other Agricultural Credit Loans	430,283,587	161,674	430,445,262
Microfinance Loans	1,472,900	313,301	1,786,201
Small Scale Enterprise Loans	694,068,993	65,657,402	759,726,395
Medium Scale Enterprise Loans	212,909,861	-	212,909,861
Loans to private corporations	4,928,289	-	4,928,289
Loans to Individual for Housing	149,972,995	6	149,973,001
Salary-Based General-Purpose Consumption Loans	18,583,074	187,669	18,770,743
Loans to Individual for Primarily for Personal use purposes - Others	9,139,741	-	9,139,741
Loans to Individuals for Other Purposes	186,029,675	11,050,362	197,080,037
Total	₱1,943,536,300	₱92,177,400	₱2,035,713,700

5. Information on related party loans

Regulatory Reporting

As required by BSP, the Bank discloses loan transactions with investees and with certain directors, officers, stockholders and related interests (DOSRI). Existing banking regulations limit the amount of individual loans to DOSRI, 70.00% of which must be secured, to the total of their respective deposits and book value of their respective investments in the lending company within the Bank.

In the aggregate, loans to DOSRI generally should not exceed total equity or 15.00% of total loan portfolio, whichever is lower. As at December 31, 2021 and 2020, the Bank is in compliance with the regulatory requirements.

Below are the selected ratios relative to the Banks' DOSRI loan accounts.

2021

Particulars	DOSRI Loans	Related Party Loans (inclusive of DOSRI Loans)
Outstanding Loans	**₱ 59,453,782**	**₱ 59,453,782**
Percent of DOSRI/Related Party loans to total loan portfolio	**3.06%**	**3.06%**
Percent of unsecured DOSRI/Related Party loans to total DOSRI/Related Party loans	**0%**	**0%**
Percent of past due DOSRI/ Related Party loans to total DOSRI/Related Party loans	**0%**	**0%**
Percent of non-performing DOSRI/Related Party loans to total DOSRI/Related Party loans	**0%**	**0%**

2020

Particulars	DOSRI Loans	Related Party Loans (inclusive of DOSRI Loans)
Outstanding Loans	₱60,501,800	₱60,501,800
Percent of DOSRI/Related Party loans to total loan portfolio	2.97%	2.97%
Percent of unsecured DOSRI/Related Party loans to total DOSRI/Related Party loans	0%	0%
Percent of past due DOSRI/ Related Party loans to total DOSRI/Related Party loans	0%	0%
Percent of non-performing DOSRI/Related Party loans to total DOSRI/Related Party loans	0%	0%

6. Aggregate amount of secured liabilities and asset pledged as security

   As of December 31, 2021, the bank has no secured liabilities. Some of the bank premises are used as pledged as security but no availment as of the reporting period.

7. Off-Balance Sheet Contingencies and Commitments

   As of December 31, 2021 and 2020, The Bank has a total of ₱4,486,923 in 2021 and ₱4,088,573 in 2020 for its contingent accounts. This account pertains to bills for collection.

THE IMPACT OF CORONAVIRUS DISEASE 2019 (COVID-19) ON THE FINANCIAL STATEMENTS

The outlook on the COVID-19 situation in the country is generally optimistic at the end of 2021 as daily new cases of COVID-19 infection have been brought down to hundreds coming from tens of thousands in the earlier part of the year. Moreover, the government has intensified and expanded the rollout of its vaccination program after it began to stabilize its supply of vaccines in October with total vaccines received reaching around 200 million doses in December.

Vaccination Czar Carlito Galvez, Jr. admitted that the government fell short of its 54 million vaccination target by around 4 million as of yearend but he is also quick to assert that this deficit can be addressed within the first two weeks of January 2022 and that by end of Quarter 1 of 2022, a total of 77 million Filipinos would have been vaccinated.

Another enhancement in the government's COVID-19 response is the implementation of the new Alert Level System by the COVID-19 Inter Agency Task Force (IATF) in December. Under this system, quarantine and health protocols are implemented not only based on number of cases but also on hospital and Intensive Care Unit (ICU) utilization rates. With these factors being considered, there is more relaxation on quarantine and health protocols and thus, paving the way for much needed economic activities.

The most critical part of the year was during the surge of the feared Delta variant which was first detected in July and which caused surges in positive cases in August and September with new cases going as high as 20,000 on a daily basis. By October, cases of the Delta variant began to slow down and accordingly, the IATF started lowering alert levels in majority of areas in the country.

While the DOH announced that it has detected the presence of 7 imported and 3 local cases of the new OMICRON variant in the country in December, there is no foreseen significant and long-term impact on the health and economic situation in the country since studies suggest that this variant is much less severe in terms of manifestation of symptoms and need for hospitalization as compared to other preceding variants.

The country's looming recovery from COVID-19 is also expected to further boost the country's economic recovery given that the government has been infusing financial recovery programs like the Bayanihan To Heal as One Act and the CREATE Act which was passed into law last March 26, 2021 wherein corporate income tax rates are reduced from 30% to 25% or 20% starting July 1, 2020 to June 30, 2023.

The impact of COVID-19 on the Company's business and operations in 2021 has been insignificant but the Company recognizes that the COVID-19 situation is dynamic and that it continues to evolve. Thus, the Company will continue to closely monitor the situation and assess any potential impact on its business and operations.

-END OF REPORT-

EDGARDO M. MOLINA, CPA

Blk 10, Lot 26, Kroner Street, Villa Carolina I
Tunasan, Muntinlupa City
Email: emmolinaconsultancy@gmail.com

SUPPLEMENTAL WRITTEN STATEMENT OF AUDITOR AND REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT TO ACCOMPANY INCOME TAX RETURN

To the Stockholders and Board of Directors
RANG-AY BANK (A RURAL BANK), INC.
Nisce-Querol Building, 67 Gov. Luna St.
City of San Fernando, La Union

I have audited the accompanying financial statements of **RANG-AY BANK (A RURAL BANK), INC.** as of and for the year ended December 31, 2021, on which I have rendered the attached report dated April 12, 2022.

In compliance with Revised Securities Regulation Code (SRC) Rule 68, I am stating that said Bank has a total number of thirty-seven (37) stockholders owning one hundred (100) or more shares.

In compliance with Revenue Regulations V-20, I am stating that no member of the Bank is related by consanguinity or affinity to the president, manager or principal stockholders of the Bank.

EDGARDO M. MOLINA
TIN No. 123-467-133-000
CPA Certificate No. 39419
BOA/PRC Certificate No. 2577, valid until September 1, 2024
BIR Accreditation No. 08-005012-001-2020, valid until January 23, 2023
BSP Accreditation No. 39419-BSP (Category C), issued March 26, 2020,
valid for a period of five (5) years to engage in the audit of 2019 to 2023 financial statements
CDA Accreditation No. AN-CEA-04-05, valid until April 7, 2024
PTR No. 4148225, Issued January 7, 2022 at Muntinlupa City

April 12, 2022