ANNUAL REPORT
2019

Rang-ay Bank
Since 1956

www.rangaybank.com
facebook.com/rangaybank
(072) 242-5661 to 63
Fax (072) 242-5660
Nisce-Querol Bldg., #67 Gov. Luna St.,
Brgy IV, San Fernando City, La Union

Our VISION and MISSION

Our Vision

Empowering North Luzon with globally competitive banking services.

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

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

Our Mission

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

Papardasen ti panagdur-as dagiti komunidad iti Kailokuan ken Cordillera babaen kadagiti nadaras a sagrapen ken nalaka a magtengan a serbisio ti panagibanko.

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

TABLE OF CONTENTS

I. CORPORATE POLICY
- Vision & Mission
- About Rang-ay Bank 01

II. FINANCIAL HIGHLIGHTS
- A two (2) year comparative presentation 03

III. FINANCIAL CONDITION AND RESULTS OF OPERATION
- Statement of Condition 04
- Chairman's Report 06

IV. RISK MANAGEMENT FRAMEWORK
- Risk Management General Policy 19
- Anti-Money Laundering Governance & Culture 19

V. CORPORATE GOVERNANCE
- Corporate Governance Structure 21
- Board of Directors 22
- Education Program for Directors & Senior Management 26
- Performance Assessment Program 29
- Trainings & Seminars for Officers & Staff 30
- Retirement Policy 32
- Succession Policy 33
- Renumeration Policy 34
- Related Party Transactions Policy 34
- Dividends Policy 35
- Self-Assessment Function 36
- Consumer Protection Practices 38
- Consumer Assistance Report 39
- Client Complaint Process 41

VI. CORPORATE INFORMATION
- Organizational Structure 42
- Products & Services Offered 43
- List of Banking Units 44
- Branch Network 49

VII. LIST OF STOCKHOLDERS
- Common Stockholders 50
- Preferred Stockholders 52

VIII. AUDITED FINANCIAL STATEMENT (AFS) WITH AUDITORS OPINION
- Statement of Financial Position 54
- Statement of Income & Expense 55
- Capital Structure & Adequacy 56
- Complete 2019 Audited Financial Statements

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 sector, MSMEs and consumer loans. 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, purchase of vehicle, 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 loans for lending on 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 salary, teachers, pensioners, micro-finance and micro-agriculture loan programs 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, 2019

	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	0.96%	0.89%	9.92%	11.51%
Compliance with AGRI (15% of Loanable Funds Generated)				
Percentage of Compliance vs. Required 15% for AGRI	10.80%	6.77%	22.62%	26.49%
TOTAL AGRI AGRA 25%	***11.76%***	***7.66%***	***32.54%***	***38.00%***

Source: Department of Supervisory Analytics, Financial Supervision Sector, BSP
Updated as of 02 April 2020

Compliance with Magna Carta for Micro, Small and Medium Enterprises under R.A No. 6977 as of December 31, 2019

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	2.27%	4.54%	24.26%	58.74%
B. Medium Enterprises (2% of total loan portfolio net of exclusion)				
Percentage of Compliance for MSMES	4.11%	4.94%	12.02%	11.75%
TOTAL MSME: 10%	***6.38%***	***9.48%***	***36.28%***	***70.49%***

Source: Supervisory Data Center, Financial Supervision Sector
Updated as of 27 March 2020

FINANCIAL HIGHLIGHTS

(Audited Financial Statements)

		2019	2018
Profitability			
	Total Net Interest Income	P 171,029,286	P 141,849,254
	Total Non-Interest Income	53,227,479	46,058,880
	Total Non-Interest Expenses	174,119,436	136,592,737
	Pre-provision profit	50,137,329	51,315,397
	Allowance for Credit Losses	3,488,340	5,133,815
	Net Income Before Income Tax	46,648,989	46,181,582
	Income Tax	5,210,449	3,536,631
	Net Income After Income Tax	41,438,540	42,644,951
Selected Balance Sheet Data			
	Liquid Assets	P 3,034,668,794	P 2,920,191,170
	Gross Loans	2,146,132,935	2,030,028,992
	Total Assets	3,184,947,120	3,035,162,344
	Deposits	2,485,341,109	2,313,406,139
	Total Equity	551,045,219	516,553,161
Selected Ratios			
	Return on average equity	P 7.76%	P 8.85%
	Return on average assets	1.33%	1.62%
	Capital Adequacy Ratio	19.77%	19.47%
Per common share data			
	Book Value	86.42	101.16
Others			
	Cash dividends declared	P 9,658,530	P 7,771,659
	Headcount	243	241
	Officers	37	36
	Staff	206	205

June 21, 2020

OUR DEAR STOCKHOLDERS,

We take pleasure in reporting the bank's performance and results of operation during the calendar year ended 31 December 2019.

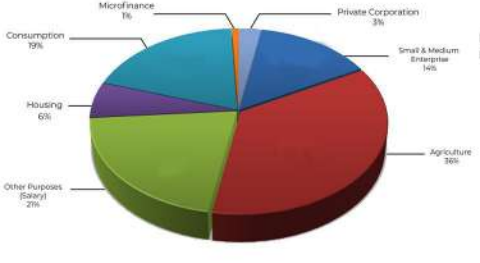
STATEMENT OF CONDITION

Rang-ay Bank's total resources reached P3,184,947,120 by yearend. Rang-ay Bank continues to be the biggest bank in its class in the Ilocos, Cordillera and Pangasinan provinces with more than 45,000 clients in twenty nine (29) banking offices. This year the bank's capital accounts reached P561,633,938. Total deposits increased by P170,810,925 and now stand at P2,485,341,109 from more than 38,000 depositors.

The hard work and dedication of the staff under the leadership of its officers, contributed to the bank's continued growth and the increase of its total assets by P149,784,776 in 2019. The bank's outstanding loan portfolio which stands at a gross of P2,146,132,935 is a concrete manifestation of the bank's fulfillment of its mission to make credit readily accessible to the countryside.

Total loans extended to 6,913 borrowers for the year aggregated more than P2,603,949,852. These were granted to the following projects:

Purpose	Number of Accounts	Amount of Loans Granted	%
Agriculture	2,471	P 976,615,002	37.51%
Small & Medium Enterprises	988	816,284,002	31.35%
Housing	431	379,568,498	14.58%
Other Purposes (Salary)	1,451	177,259,650	6.81%
Consumption	1,326	166,428,550	6.39%
Private Corporations	185	85,440,150	3.28%
Microfinance	61	2,354,000	0.09%
TOTAL	**6,913**	**P 2,603,949,852**	**100%**



Pie Chart as to number of accounts:

DIVIDENDS

The Board of Directors in Resolution 2020-29 declared cash dividends to stockholders on record as of December 31, 2019. The following is a summary of the said declaration:

a. 3% cash dividends to common stockholders (P314,480,700.00 X .03)	P 9,434,421.00
b. 3% cash dividends to private preferred stockholders (P7,470,300.00 X .03)	224,109.00
TOTAL Cash Dividends to Private Stockholders	**P 9,658,530.00**

The stockholders in the April 28, 2019 annual stockholders meeting approved 25% stock dividends to common stockholders on record as of December 31, 2018. The stock dividend declaration resulted to the issuance of 1,257,914 common shares with a par value of P62,895,700. The subscribed and paid-up capital of the bank therefore rose from P259,055,300 to P321,951,000 as shown below:

		Amount	No. of Shares
I.	Authorized Capital (December 31, 2018)		
	A. Common Stock	P 460,000,000	9,200,00
	B. Private Preferred Stock	20,000,000	400,000
	C. Government Preferred Stock	20,000,000	400,000
	TOTAL	P 500,000,000	6,000,000
II.	Subscribed & Paid-up Capital (December 31, 2018)		
	A. Common Stock	P 251,585,000	5,031,700
	B. Private Preferred Stock	7,470,300	149,406
	C. Government Preferred Stock	-	-
	TOTAL	P 259,055,300	5,181,106
III.	Common Stock Dividends (2019)	P 62,895,700	1,257,914
IV.	Subscribed & Paid-up Capital (December 31, 2019)		
	A. Common Stock	P 314,480,700	6,289,614
	B. Private Preferred Stock	7,470,300	149,406
	C. Government Preferred Stock	-	-
	TOTAL	P 321,951,000	6,439,020

OPERATIONAL HIGHLIGHTS

ACCREDITATION OF RANG-AY BANK AS RFI

The Bangko Sentral ng Pilipinas (BSP) has reaccredited ten (10) banks as rural financial institutions (RFIs). These ten banks were accredited for the purpose of implementing the Agri-Agra Reform Credit Act of 2009 (RA 10000) which is contained in BSP Circular Letter No. 11 dated February 26, 2019.

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 for agri-agra credit compliance. The banks are RANG-AY BANK, Producers Bank, Rural Bank of Sta. Catalina, Common Wealth Rural Bank, Rural Bank of Bay, Rural Bank of Angeles, New Rural Bank of San Leonardo (Nueva Ecija), First Isabela Cooperative Bank, Rural Bank of San Mateo (Isabela) and Cavite United Rural Bank.

Rang-ay Bank is the only bank based in Region I and CAR among the accredited banks. Rang-ay finances agri-businesses such as rice-millers, vegetable haulers, contract growers, warehousers, agri-suppliers and bamboo growers all over the region. Agri-entrepreneurs may apply for start-up capital, additional working capital or expansion of existing agri-business. The bank also provides collateral-free farmer's loans to small-scale cultivators, farmers, tenants & lease holders. The program also covers backyard & cottage poultry projects and livestock raisers. Together with the Philippine Crop Insurance Corporation (PCIC), the bank is able to provide insurance coverage for agricultural projects such as planting of rice, corn, vegetables and other food crops.

CORE BANKING SYSTEM : NEXT BANK

The banking industry is now going through a major shift. More and more banks are starting to see digitalization as the future of banking. Rang-ay Bank understands that technology will be a key success factor to stay competitive and provide quality services to its clients in an accessible and efficient manner.

Rang-ay Bank is now undertaking the parallel run of a new Core Banking System (CBS) provided by Nextbank Software. Rang-ay is improving its system for financial inclusion. The new CBS will enable the bank to offer additional services such as mobile & internet banking among others. This decision positions Rang-ay Bank as one of the technology leaders in the countryside.

DEPLOYMENT OF ATMs

Automated Teller Machines (ATMs) are one of the most important key touch-points to reach the customers and two (2) branches of Rang-ay Bank launched Electronic Network Cash Tellers (ENCASH) ATMs. Luna, La Union Branch started operating its ATM on December 03, 2019 while Sta. Cruz, Ilocos Sur Branch on March 10, 2020. The ATMs are operating 24/7. These two (2) newly installed ATMs are in addition to the existing three (3) ATM units located at Sta. Lucia (Ilocos Sur), Bangar (La Union) & Bacnotan (La Union) branches.

RANG-AY BANK PARTNERS WITH DBP

Rang-ay Bank and the Development Bank of the Philippines (DBP) strengthened their partnership with the signing on October 14, 2019 of a P500 Million Credit Line Agreement at Rang-ay's Head Office in San Fernando City, La Union. The agreement allows Rang-ay Bank to access funds for relending to farmers and fisher folk, contract and salaried workers, land owners, rural entrepreneurs, real estate developers and OFWs in the region.

25 YEARS OF PARTNERSHIP WITH LANDBANK OF THE PHILIPPINES

Rang-ay Bank and the Landbank of the Philippines (LBP) strengthened decades of partnership last October 17, 2019 at the bank's Head Office in San Fernando City, La Union.Rang-ay Bank received the Gawad Pilak Award from LBP in recognition of 25 years of continued partnership. "PILAK" stands for "Pagkilala sa mga Institusyon at Indibidwal na Lumingap sa mga Adhikain para sa Kaunlaran".

In addition to the award, the bank signed an enhanced Rediscounting Line Agreement with Landbank last December 7, 2019 amounting to P500 million. The improved rediscounting line enhances Rang-ay Bank ability to extend affordable credit facilities and financial services to farmers and fisher folks, public and private workers, land owners, rural entrepreneurs, real estate developers and OFWs. With the bank's low-interest rate on loans coupled with longer terms, home owners looking for credit can avail Rang-ay Pabahay Loan Program either for purchase of house & lot and construction or renovation of their existing house. Additionally, mSMEs and agri-entrepreneurs can avail of Rang-ay Bank flexible mSME business loans.

IMPROVEMENT OF PHYSICAL FACILITIES

HEAD OFFICE 4TH FLOOR EXPANSION

Rang-ay Bank inaugurated and blessed the expansion of its Head Office at the 4th floor of the Nisce-Querol Building located at #67 Gov. Luna St., Brgy. IV, San Fernando City, La Union on June 22, 2019.

Conference Room

Head Office 4th Floor

The Bank purchased and renovated the building's entire 4th floor to accommodate its ever expanding number of personnel. The new floor is the home of the Information Technology (IT), Security, Admin, Accounting and Compliance Departments. New facilities include two (2) conference rooms, an enlarged computer server room, and bigger office spaces for the bank's other support units. The new conference rooms will also serve as venue of in-house seminars, trainings and other programs to help improve the bank's operations.

ROSALES (PANGASINAN) BRANCH NEW SITE

Rang-ay Bank formally opened the new site of Rosales (Pangasinan) Branch located at Gen. Luna St., Brgy. Zone III, Rosales, Pangasinan. The inauguration was held on July 17, 2019 followed by a reception at Cozy Place Resort, Rosales, Pangasinan. The inauguration started with prayers in front of the new branch premises officiated by Rev. Father Crisanto Draculan of Saint Anthony de Padua Parish Church followed by the cutting of the ceremonial ribbon by Rosales Mayor Susan Casareno & Vice-Mayor Enrique Cosue, Jr. together with stakeholders, business partners and Rang-ay Bank Officers and staff.

Rosales (Pangasinan) Branch, formerly located at Petron Square, Carmen Complex McArthur Highway, moved to its new location at Gen. Luna St., Brgy. Zone III to provide more accessible and convenient banking services to the people of Rosales. The relocation of the branch is a manifestation of Rang-ay Bank's commitment to bring modern financial services to the countryside in support of the government's call for financial inclusion.

STRATEGIC PLANNING 2020

Rang-ay Bank conducted its 2020 Strategic Planning during a three (3) day workshop at Sunset View Ridge Residences in the cool weather of Baguio City on August 24 to 26, 2019. The workshop was attended by the members of the bank's Board of Directors, consultant, Head Office Managers and Senior Officers from the twenty nine branches of the bank in the provinces of Ilocos Norte, Ilocos Sur, Abra, Benguet, La Union and Pangasinan.

The event served as an activity to set priorities, focus energy & resources, strengthen operations, ensure that employees & other stakeholders are working toward common goals, establish agreement around intended outcomes/results and assess and adjust the organization's objectives for 2020 and beyond.

EMPLOYEE ENGAGEMENT

SUMMER OUTING AND TEAM BUILDING

In the Philippines, summer adventure means surfing, snorkeling and swimming. These are activities that Filipinos look forward to every summer. Summer can be the time of the year when people get away from the grind of daily life and just unwind. To welcome the summer season, Rang-ay bankers from Head Office, North, South and Central Branches organized three (3) separate team building events with exciting games and activities on February 24, 2019.

Officers and staff from Head Office and Central Branches had the chance to relax, unwind and have fun at the biggest floating playground in Asia with inflatable slides, towers, bridges, human launchers, swings and the world's first unicorn island- the Inflatable Island, located at Subic Bay Waters, Olongapo City, Zambales.

A total of fifty six (56) bankers were divided into four teams: Red, Pink, Yellow and Green who competed with each other through team building activities such as Amazing Race, "tubig-dagat" relay and Tug of War. The outing develops good bonding among the team members along with some fun activities resulting to great camaraderie that translate to better performance at work.

Bankers from North Branches enjoyed the warm sun and cold water as they visited local sceneries of the far north. Employees travelled to Sta. Ana, Praxedes, Cagayan for a day of splashing in the cold fresh water of Portabaga Falls. Along the way, they had stops at Aplaya Beach Resort in Pasaleng where they shared breakfast potluck, enjoyed the morning sea breeze and watched the sunrise. They also visited Hannah's Resort in Pagudpud where they enjoyed the beautiful amenities of the resort as they explored the area and took photos as their momentos. As the trip ended, bankers passed along Bangui Windmills made special by the lovely setting sun.

A total of sixty six (66) bankers from South Branches invaded Batangas, particularly the town of Lemery where you can find one of the most viral theme parks shared on social media nowadays, the so-called "Disneyland of the Philippines".The Fantasy World Theme Park is one of the most magical and fantastic experiences tours around the view and scenery of the Fantasy World.

After taking a lot of photos at the theme park, bankers moved to the CML Water Park and Beach Resort where they had their team building with exciting games such as Water Relay, Tug of War and Kalamansi Relay. The employees also enjoyed the breathtaking water slides, swimming pools and other water facilities in the resort.

RANG-AY BANKERS VISIT THAILAND

A three day adventure to Thailand, which started on August 24 and ended August 26, 2019 was awarded to the two best performing departments in the Head Office together with Rosales Branch, the top performing branch in 2018.

The first spot upon arrival was the Gems Factory which showcased the various gems and minerals of Thailand. Then in the evening, they enjoyed the Siam Niramit Theater where they experienced the theatrical cultural presentation of the history of Thailand. On the second day, the team enjoyed the Chang Puak Elephant Camp and a sampan tour around the popular Damnoen Saduak Floating Market. They were also entertained by a magic, crocodile and elephant show at the Samphran Elephant Ground and Zoo.

ENGAGING LOCAL COMMUNITIES

LUNA (LA UNION) BRANCH

Rang ay Bank hosted the monthly meeting of Luna (La Union) Central School on February 15, 2019. The Rang-ay Bank team discussed the Salary Loan Program for DepED teaching and non-teaching staff. In addition, other services of the bank such as deposit products as well as the FREE Depositors Personal Accident Insurance were discussed.

BANGAR (LA UNION) BRANCH

Bangar, La Union Branch marked its 7th Anniversary by donating high visibility vests to tricycle drivers of Bangar Tricycle Operators and Drivers' Association (TODA) at Hall of Liga ng mga Barangay, Bangar on March 8, 2019. The objective of the project is to ensure the safety of the tricycle drivers. The Financial Literacy briefing followed impressed on the TODA members an awareness on the importance of financial management and savings. TODA President Edward Fiocca, expressed his appreciation to Rang-ay Bank in behalf of the tricycle drivers.

BANGUED (ABRA) BRANCH

In Bangued (Abra), Rang-ay Bank conducted a product presentation to the members of Jesus is Lord-Bangued, a religious organization headed by Mr. Robert Lemi on April 1, 2019. The team led by Area Manager, Rowena Rosales together with Bangued Senior Branch Manager Rolly Rabanal and Marketing Team introduced Rang-ay Bank and discussed the different products and services offered by the bank.

SAN JUAN (LA UNION) BRANCH

San Juan (La Union) Branch marked its 6th anniversary by participating in Team Surf 2019 held at Urbiztondo beach on May 4, 2019. Seventy five (75) children with special needs participated in the event and were given the chance to experience surfing with the help of volunteers from La Union Surfers Club (LUSC). The team led by San Juan Manager Novelyn Luebben together with HO Marketing Team turned over large garbage drums to help maintain the cleanliness of La Union's beloved surf area, which is known as the "Surfing Capital of the North". LUSC President, Ian Sagun expressed his appreciation to Rang-ay Bank for being a part of their annual Team Surf.

NAGUILIAN (LA UNION) BRANCH

Naguilian (La Union) Branch celebrated its 13th Anniversary by donating monoblock chairs to the Municipality of Bagulin, La Union on October 16, 2019. Area Manager for Central Branches Thelma Tabafunda together with Naguilian Branch Manager Karen Valdez turned over the chairs to LGU-Bagulin headed by Hon. Mayor Virgilio Flor. Naguilian Branch is a full service branch with a complete line of banking services.

PARTICIPATING IN LOCAL ACTIVITIES

Local fiestas and festivals are integral parts of Filipino culture. Each city and municipality has its own local festival which usually focuses on religious traditions such as feast of their patron saint while the other festivals are integrated with significant historical events of the area or their local products. Rang-ay Bank welcomed the fiesta season in the Philippines by supporting and participating in local festivals and joining scheduled activities.

Officers & staff of Bangued Branch led by Senior Branch Manager Rolly Rabanal joined the annual Dapil Festival of the capital town of Bangued, Abra on February 23, 2019. The **Dapil Festival** signifies the process of "panagdapil" which turns sugarcane into different end-products such as vinegar, basi, 'balikutsa' and muscovado (an ingredient in making Bangued's famous 'cascaron'). Rang-ay Bank Bangued participated in the fun run with all seven (7) branch employees finishing the race.

On March 18, 2019, Rang-ay Bank La Trinidad Branch participated in the annual celebration of the strawberry festival of the **"Strawberry Fields of the Philippines"** in La Trinidad, Benguet. The branch led by Branch Manager Marlon Flores, together with the Head Office Marketing Team participated in the parade together with the people of La Trinidad and other sectors of the community. The Strawberry Festival is a long-standing event that fuses delicious snacks with long-standing traditions for an amazing holiday experience where locals and foreigners get to savor the culture in Benguet while having fun.

Officers and staff from the Head Office and San Fernando Main Branch led by Senior IT Manager Francis Delos Santos participated in the 8th **Sillag Festival** on April 5, 2019 held at Poro Point Freeport Zone, San Fernando City, La Union. The event kicked off with exciting activities such as Zumba (Dance by the Bay), Sunset Run for Hope 2k19 and the opening of the Sillag Village. Rang-ay Bankers participated in the Sillag Fun Run with ten (10) bankers who finished the race. Sillag is the brain child of Rang-ay Bank Chairman and former PPMC Chairman Ives Nisce which started in 2011.

On April 30, 2019, Dagupan City (Pangasinan) celebrated its Annual Bangus Festival where people grilled hundreds of bangus along the De Venecia Road. Bankers of Dagupan Branch participated in the main highlight of the festival which is the **Kalutan ed Dalan** (Bangusan Street Party) where the bankers manned a booth and grilled bangus as part of the celebration. The staff also distributed giveaways and flyers to the locals and visitors.

Officers and staff of Agoo (La Union) branch participated in the 15th **Dinengdeng Festival** by joining the grand civic parade on May 1, 2019. Dinengdeng which is also called "Abraw", is a regional Ilocano dish composed of different vegetables with grilled fish. The staff distributed flyers, newsletters, giveaways and candies to the people who watched the parade.

Bacnotan (La Union) celebrated its 11th **Diro Festival** on May 2, 2019. "Diro" is an Ilocano term for honey which symbolizes unity and oneness for the Bacnoteñans. It is also the Bacnotan's "One Town, One Product" under the program of the DTI. Officers and staff from Head Office and Bacnotan Branch joined the float parade and distributed giveaways to the townspeople.

SUPPORTING AGRICULTURE

CROP INSURANCE FOR FARMERS

Rang-ay Bank, through its partnership with the Philippine Crop Insurance Corporation awarded indemnity crop insurance claims to various farmers of the Ilocos Region whose crops were severely damaged by pest and Typhoon Ompong during the 4th quarter of 2018.

In 2016, the bank partnered with PCIC, which is the sole provider of crop insurance, to provide our farmer loan clients with insurance coverage for their crops. The insurance program aims to provide protection against losses arising from natural calamities, plant diseases and pest infestations of their palay and corn crops as well as other crops, considering that they only have small parcels of land thus needing help for initial capital and crop protection. The PCIC paid indemnity claims totaling to more than P500 thousand to 46 enrolled farmers for the year. The amount of indemnification given to farmers depended on the actual damages in their farms based on the inspection and validation conducted by the PCIC.

LA TRINIDAD (BENGUET) BRANCH

La Trinidad, Benguet Branch celebrated its 11th anniversary by donating aprons to the farmers of the Benguet Agri-Pinoy Trading Center (BAPTC) and conducting a Financial Literacy program at the BAPTC Hall, La Trinidad, Benguet on January 30, 2019. Area Manager Winnie Mingaracal, La Trinidad Branch Manager Marlon Flores and Marketing Officer Florence Joy Licudine introduced Rang-ay Bank and oriented the participants on the proper use of credit and the importance of saving part of their income.

MAIN BRANCH

Rang-ay Bank Main Branch marked its 63rd Anniversary by donating irrigation hoses to the farmers of Brgy. Bato, San Fernando City, La Union on February 7, 2019. Bank staff conducted a Financial Literacy program to educate the farmers on how to manage their income properly and the importance of savings. President Josefina Ducusin of Brgy. Bato Farmers Association expressed her appreciation to Rang-ay Bank for reaching their remote mountainous barangay.

ROSARIO (LA UNION) BRANCH

Rosario (La Union) Branch commemorated its 1st anniversary by giving "Camisa de Chino" to farmers of Barangay Tay-ac, Rosario, La Union on May 16, 2019. The team led by Area Manager Winnie Mingaracal and Bank Consultant Ernesto Casison together with Rosario Branch Manager Marichu Pasag, and HO Marketing Team introduced Rang-ay Bank and presented the different products and services offered by the bank especially the Small Farmers Loan Program. Farmers Association President Victoriano Petina Jr. expressed his gratitude to Rang-ay Bank in behalf of Tay-ac, Rosario La Union Farmers Association.

BAGUIO (BENGUET) BRANCH

Baguio Branch commemorated its 27th Anniversary by donating disinfectants to livestock farmers of Baguio City on November 15, 2019 at the Department of Agriculture. Office, Baguio City. The team led by Area Manager Winnie Mingaracal together with Baguio Senior Branch Manager Milagros Aida Guanzo turned over the disinfectants to selected farmers of Baguio City. Due to the reported cases about the African Swine Fever (ASF) in the Philippines, Rang-ay Bank Baguio Branch donated disinfectants to help prevent the virus from spreading in the Cordillera Region.

PARTNERSHIP IN EDUCATION

BRIGADA ESKWELA 2019

DepEd conducted the 2019 Brigada Eskwela on May 20 to 25, 2019 with the theme "Matatag na Bayan para sa Maunlad na Paaralan". Education for the youth is one of the advocacies of Rang-ay Bank. An encouraging learning environment is essential to good education. The bank supports schools through direct involvement in DepEd community programs and also aims to provide affordable credit to public school teachers.

Rang-ay Bank supported the 2019 Brigada Eskwela through financial assistance to several schools in La Union (Bangar, Balaoan, Bacnotan and San Fernando City), Ilocos Sur (Candon City, Narvacan and Vigan City) and Abra (San Juan and Bucay) towards the preparation of school facilities in time for the opening of the school year in June.

BALAOAN (LA UNION) BRANCH

In observance of Balaoan, La Union Branch 13th Anniversary, the branch donated medals as incentive to the graduates and awardees of Masupe, Balaoan Elementary School on April 2, 2019. The bank team introduced Rang-ay Bank and discussed the offered products and services of the bank. The team also conducted a Financial Literacy briefing for the parents, teachers and non-teaching Staff of the said school led by School Principal Connie Orfiano.

FINANCIAL LITERACY FOR SANTOL AND BALAOAN SCHOOLS

Balaoan Branch conducted four (4) separate Financial Literacy briefings and product presentations in schools in Santol & Balaoan, La Union namely:- Balaoan Central School, Bulbulala Elementary School, Guinaburan Elementary School and Corro-oy Elementary School during the month of June 2019.

Area Manager Winnie Mingaracal together with Balaoan Branch Senior Manager Leah Mantilla and HO Marketing Team introduced the bank's products and services as well as the importance of saving, budgeting, financial planning, the responsible use of credit, banking, entrepreneurship and avoiding scams. Through the Financial Literacy program, the teachers, non-teaching staff, parents and pupils learn the value of money and acquire knowledge and skills on handling their personal resources effectively.

PARTNERSHIP IN EDUCATION

Rang-ay Bank Director Flora Ignacio and Area Manager for Central Branches Thelma Evelyn Tabafunda received a plaque of recognition from the Schools Division Office-City of San Fernando, La Union headed by CESO V Rowena Banzon as a partner in the improvement and delivery of education in the city on November 8, 2019 at San Fernando South Central Integrated School, Tanqui, City of San Fernando, La Union. The plaque of recognition was awarded to institutions who contribute and participate in the different programs, projects and activities of the Department of Education.

Part of the Corporate Social Responsibility (CSR) projects of Rang-ay Bank, is active involvement in the annual Brigada Eskwela of various public schools in the different provinces where its 29 branches are located: Ilocos Norte, Ilocos Sur, Abra, La Union, Benguet and Pangasinan. The bank also conducts financial literacy briefings for students, teachers and non-teaching staff of the schools.

LUNA (LA UNION) BRANCH

Luna (La Union) Branch celebrated its 7th Anniversary by donating cleaning materials and teaching tools to Luna National Vocational High School (LNVHS) in Brgy. Alcala, Luna on the occasion of their Parents and Teachers Association (PTA) meeting on June 28, 2019. The bank team turned over the donations to the teachers of the said school and introduced the bank and its products and services. LNVHS Principal Perpetua Eslava expressed her thanks to Rang-ay Bank in behalf of the parents and teachers for choosing them as beneficiary for this project.

SINAIT (ILOCOS SUR) BRANCH

Rang-ay Bank continues to give back to the community, as its Sinait Branch in Ilocos Sur celebrated its 2nd Anniversary by donating a flatscreen LED TV to Sinait National High School on December 6, 2019. Rang-ay Bank team led by Area Manager for North branches Rowena Rosales and Sinait Branch Manager Cecile Pacis turned over the TV to the teachers of Sinait National High School headed by Assistant Principal Rosemelinda Baclig at Basic Education Information System Center. Sinait Branch is the 9th branch of Rang-ay Bank in the province of Ilocos Sur and 26th overall. The branch is located at G/F Public Market of Sinait.

NURTURING SENIOR CITIZENS

STA. LUCIA (ILOCOS SUR) BRANCH

Sta Lucia Branch celebrated its 7th Anniversary by donating monoblock chairs to the Senior Citizens Association of Sta Lucia on May 31, 2019. Senior Citizen Presidents and Federation Officers from different Barangays of Sta Lucia attended the event. The team led by Area Manager Rowena Rosales together with Candon Branch Senior Manager Rosemarie Rigos, Sta Lucia Branch Manager Ma. Rubelyn Hadoc and Marketing Team turned over the monoblock chairs and discussed the bank's products and services especially the SSS Pensioner Loan Program for the senior citizens. Office of the Senior Citizens Association (OSCA) President Jose Marquez expressed his thanks to Rang-ay Bank for choosing them as their beneficiary for this project.

STA. CRUZ (ILOCOS SUR) BRANCH

Sta. Cruz Branch marked its 16th Anniversary by donating a 24-inch flat screen TV to the Senior Citizens Association of Sta Cruz, Ilocos Sur on August 14, 2019. Area Manager for North Branches Rowena Rosales together with Sta Cruz Branch Manager Jane Castillo and Marketing Team turned over the flatscreen TV to the Officers of the association. The team also introduced Rang-ay Bank and discussed its product and services to the senior citizens especially the SSS Pensioners Loan Program and Kiddie Savers for their grandchildren ages 7 to 12 years old. Senior Citizens Association President Maximo Cabalbag expressed his gratitude to Rang-ay Bank in behalf of the association.

VIGAN (ILOCOS SUR) BRANCH

Vigan Branch commemorated its 15th anniversary by spending it with the senior citizens of Bantay, Ilocos Sur on September 5, 2019. The team donated bookshelf for the use of the Senior Citizens Association of Bantay. The bank serves senior citizens thru its SSS pensioner deposit and loan programs. The bank is accredited by Social Security System (SSS) as collecting and paying agent since 1996.

BURGOS (ILOCOS SUR) BRANCH

Burgos Branch marked its 15th Anniversary by hosting the Association of Retirees of Burgos (ARB) at the Municipal Civic Center in Burgos, Ilocos Sur on September 27, 2019. Community project was the donation of large plastic bottle bin for the ARB's material recovery facility. The team led by Area Manager Rowena Rosales together with Burgos Branch Manager Grace Cayan turned over the donation to the retirees headed by Retired Ambassador Catalino Dilem. The project aims to spread awareness on the importance of plastic recycling to protect the environment and encourage people to develop innovative products made from it.

TUBAO (LA UNION) BRANCH

For more than 30 years of serving the local community, Tubao Branch celebrated its Anniversary with a community project in its hometown on November 6, 2019. The team donated monoblock chairs and tables to the Senior Citizens Association. OSCA President Romeo Milo Sr. received the donations from Rang-ay Bank. Rang-ay Bank Tubao is the first branch of the bank outside San Fernando and it is located at Poblacion, Tubao, La Union near the Municipal Hall.

CORPORATE SOCIAL RESPONSIBILITY

(Community projects mark branch anniversaries)

AGOO (LA UNION) BRANCH

Agoo Branch celebrated its 19th Anniversary by opening free kiddie savers deposit accounts for thirty (30) pupils of Sacred Heart Learning Center (Sto.Tomas, La Union) during their Parents and Teachers Association (PTA) meeting on January 26, 2019. The bank aims to teach the kids the importance of saving and help inculcate in them the habit of thrift at a young age. Marketing Officer Florence Joy Licudine conducted Financial Literacy program for the kids and their parents while branch Officer In-Charge Aldyne Dela Cruz discussed various bank products and services.

GOITER AWARENESS WEEK

Rang-ay Bank supported the Philippine Society of Endocrinology, Diabetes and Metabolism in marking the 2019 Goiter Awareness Week (GAW) on January 28, 2019 at Bethany Hospital, San Fernando City, La Union and at Burgos La Union Municipal Function Hall. Goiter Awareness Week is observed every fourth week of January by virtue of Presidential Proclamation No. 1188 signed on Dec. 11, 2006. Goiter, the abnormal enlargement of the thyroid gland, and other signs of iodine deficiency are deemed a matter of national concern that needed public awareness.

Rang-ay Bank Director Dr. Ivy Rose Nisce-Martinez, an endocrinologist, conducted lectures on thyroid diseases to the nurses and staff of Bethany Hospital and to the Barangay Health Workers of Burgos, La Union. The lectures aim to further public awareness on the prevention and control of goiter and other related Iodine Deficiency Disorders (IDD).

BATANG LINGKOD PROGRAM

Rang-ay Bank participated in the Batang Lingkod Program in coordination with Junior Chamber International (JCI) Saluyot San Fernando City, La Union Chapter on February 8, 2019 at Santiago Elementary School, San Fernando City. The Jaycees led the activity with a story telling activity for the children. The group also donated coloring books and toys to the kids bringing excitement to all.

BACNOTAN (LA UNION) BRANCH

As part of the celebration of Rang-ay Bank Bacnotan Branch 13th Anniversary, the team donated trash bins to the vendors of Bacnotan Market Association on September 11, 2019 at the Banotan's Public Market Hall. Area Manager for South Branches Winnie Mingaracal together with Bacnotan Branch Manager Joanna Timichan turned over the trash bins to the vendors led by Bacnotan Market Vendors Association President Lorenzo Cariño. Rang-ay Bacnotan has called the town's Public Market as home for 13 years.

PROMOTING SMALL AND MEDIUM ENTERPRISES (MSMEs)

Rang-ay Bank continues to support programs of the Department of Trade and Industry (DTI) as active participant in financing fora for Micro, Small & Medium Enterprises (mSMEs) organized by DTI all over the region.

DTI-La Union conducted a Serbisyo sa Barangay Seminar for the local micro and small enterprises at Brgy. Cuenca, Pugo, La Union. The seminar was held at the barangay's covered court on September 20, 2019. The bank also joined in the Negosyo Center Seminar for local mSMEs held at the Municipal Hall of Caoayan, Ilocos Sur on September 5, 2019. The team introduced Rang-ay Bank and presented the bank's financial services to the participants giving emphasis to the business loan programs that support local entrepreneurs and barangay enterprises to grow their business.

For more than six (6) decades of countryside banking, Rang-ay Bank continues to support mSMEs by extending affordable small business loans and Agri-business loans to local businessmen and budding entrepreneurs. The bank continously develops new loan programs for mSMEs to promote growth and development in the communities of the Ilocos and Cordilleras.

BANGUI (ILOCOS NORTE) BRANCH

Bangui Branch celebrated its 1st Anniversary by donating wheelchair, walkers and canes to twelve (12) Special Education (SPED) Children and Persons with Disability of Bangui, Ilocos Norte on December 28, 2018 at the Municipal Social Welfare Development (MSWD) Hall. The "Give the Gift of Mobility" project, in coordination with the Municipal Social Welfare & Development (MSWD) aims to provide for the special needs of the SPED & PWDs of Bangui. MSWD Officer Rhealou Dela Cruz expressed her gratitude in behalf of the municipality of Bangui.

ROTARY PDG RUDY NISCE FOUNDATION

The Board of Trustees of the Rotary PDG (Past District Governor) Rudy Nisce Foundation Inc. hosted the Rotary Club of SFLU meeting held on May 28, 2019 at Oasis Country Resort, San Fernando City, La Union. Some scholars of the foundation were invited to talk namely: Christian Derylle Villanueva, Erica Ballesterol and Chelsea Chan, who expressed their thanks for the financial aid which helped them reach their goals in life, providing them a brighter future. Renelyn Estrada, one of the first graduates of the Foundation and now a DepEd Teacher 3, was represented by her husband Harold, likewise a DepEd teacher. She shared her life experiences and how her college scholarship eased their financial burden which inspired her to help others and give back to the community.

The foundation, which the bank supports financially, is a tribute to the civic-consciousness and professional excellence of the late Rotary PDG Atty. Rodolfo "Rudy" M. Nisce. As a further tribute, the Rotary Club of San Fernando, La Union dedicates the week of his birthday (May 23) as PDG Rudy Nisce Week.

CONCLUSION

"Rang-ay" is the Ilocano word for progress – not just for the bank but more importantly, for the people in the communities we serve. When the bank was established in 1956, its pioneering incorporators were imbued with a deep sense of mission which was to put up a private bank where no other bank would dare locate at that time – in the countryside. The founders of Rang-ay wanted to serve people belonging to the sectors that were considered "unbankable" by most financial institutions. These are the farmers, the fisherfolk, even microentrepreneurs. Up to this day, the mission of our pioneers continue to inspire us.

We are in banking because we play a vital role in the local economy. We help spur progress in the communities we serve by empowering farmers, local entrepreneurs and all those who seek to improve their lives by engaging in productive endeavors, no matter how small they are! And every peso deposited in Rang-ay Bank is plowed back to the community, keeping the lifeblood of the local economy flowing thus enabling rural entrepreneurs to achieve their aspirations.

Our success is not measured in terms of the assets we have amassed nor the profits we have gained. Our success is measured by how far our satisfied clients have grown with us.

IVES Q. NISCE
Chairman

RISK MANAGEMENT FRAMEWORK

RISK MANAGEMENT - GENERAL POLICY

It is the thrust of the Rang-ay Bank (A Rural Bank), Inc. 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.

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, Eighth Edition approved under Board Resolution No. 44 dated March 30, 2019. 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 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 2019.

DATE	SEMINAR/ORIENTATION	CONDUCTED BY	ATTENDEES
08 June 2019	AML-CFT Regulatory Framework BSP Circular No. 706 as Amended)	La Union Chamber of Rural Banks	7
13 July 2019	AMLA Orientation	Rang-ay Bank Compliance Department	22
19 October 2019	GCash Refresher Course and AMLA Seminar	GCash Training and Development	17
26 October 2019	GCash Refresher Course and AMLA Seminar	GCash Training and Development	20
11 December 2019	AMLA Seminar	Rural Bankers Research and Development Foundation, Inc.	2

To ensure 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 2019.

COMPLIANCE MEMO	DESCRIPTION	DATE
2019-01	Discontinuance in the posting of PDIC Regulatory Issuance No. 2011-04	22 January 2019
2019-02	List of Local Government Officers and Legislators Involved in Illegal drug Trade	01 February 2019
2019-03	Risk Ranking of Branches	18 February 2019
2019-04	Annual Examination for Officers	20 July 2019
2019-05	AMLC Advisory for designated Non-Financial Businesses and Professions (DNFBP)	02 August 2019
2019-06	Policy on Capturing Valid Identifications of Customers	23 October 2019

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 used 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. Risk ranking of branches was prepared under Compliance Memo No. 2019-03 to determine the frequency of Compliance testing visits. Part of the testing program is AMLA as to compliance to KYC requirement and reporting of CTRs. AMLA exceptions are given weight in the risk ranking of branches.
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 and to the Board of Directors.

The AMLA Manual, Eighth Edition was approved by the Board of Directors under Board Resolution No. 44 dated March 30, 2019.

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. The Senior Management includes the President and CEO, the Vice President for Admin and Accounting, the Vice President/Chief 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.

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.

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 are 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

Standing Left to Right: Director Ives Jesus C. Nisce II, Director Jose Z. Osias, Director Mario P. Galvez and Director Reynaldo Q. Nisce
Standing Left to Right: Director Flora M. Ignacio, Chairman Ives Q. Nisce and Director Ivy Rose N. Martinez

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

No. & Percentage of Shares:
Common: 1,830,947 (29.1106%)
Preferred: 52,460 (35.1124%)

Board Committee: Chairman of the Credit Committee

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.

Age & Nationality: 66 years old; Filipino

MARIO P. GALVEZ
Director (Independent)

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

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

Board Committee: Member of the Audit Committee

Past Positions: Consultant of Rang-ay Bank (Agoo Branch) from August 2016 to December 2016, 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: 63 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: 3,705 (0.0589%)
Preferred: 125 (0.0837%)

Board Committee: Member of the Audit Committee

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), Past President of PICPA, La Union Chapter (1996).

Age & Nationality: 70 years old, Filipino

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

Board Position: Non-Executive Director since 2014

No. & Percentage of Shares:
Common: 318,256 (5.0600%)
Preferred: 2,744 (1.8366%)

Board Committee: Member of the Audit Committee

Current Positions: Active Medical Staff of Lorma Medical Center & Bethany Hospital and Director of Niscan Development Corporation, One Nisce Foods Corp and Nisce Northern Ventures Inc.

Age & Nationality: 39 years old, Filipino

IVES JESUS C. NISCE II
Director (Executive) | President & CEO

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: 320,517 (5.0960%)
Preferred: 2,739 (1.8333%)

Board Committee: Member of the Credit Committee

Past Positions: Director of Niscan Development Corporation and One Nisce Foods Corp.; President of La Union Chamber of Rural Banks, 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, Treasurer of Chamber of Real Estate Builders Associations (CREBA) and Licensed Real Estate Appraiser (PRC License No. 0007104) & Licensed Real Estate Broker (PRC License No. 0025366)

Age & Nationality: 37 years old, Filipino

REYNALDO Q. NISCE
Director (Non-Executive)

Board Position: Non-Executive Director since March 2009

No. & Percentage of Shares:
Common: 320,176 (5.0906%)
Preferred: 8,732 (5.8445%)

Board Committee: 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, National Director of CREBA Philippines, Licensed Real Estate Appraiser (PRC License No. 00071901), Licensed Real Estate Broker (PRC License No. 0007720), Vice President of Rotary Club of San Fernando City, La Union (RY 2019-2020), 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 Treasurer of La Union Coalition of Civil Society.

Age & Nationality: 62 years old, Filipino

JOSE Z. OSIAS, MBA
Director (Independent)

Board Position: Independent Director since March 24, 1977

No. & Percentage of Shares:
Common: 72 (0.0011%)

Board Committee: Chairman of the Audit Committee

Current Positions: President of Gising Barangay Movement Volunteers, Inc.; Convenor of Balik Probinsya Inc., Director of Philippine Craft Distillers, Inc., Nayon1 Automation, Inc. and Isonym Philippines, Inc., Member of Corinthian Coffee Clutch, Philippine Venture Capital Investment Group and God's Little Instruments ME Foundation, Inc.

Age & Nationality: 73 years old, Filipino

BOARD-LEVEL COMMITTEES INCLUDING MEMBERSHIP & FUNCTION

CREDIT COMMITTEE	POSITION	FUNCTION
IVES Q. NISCE	Chair	The members of the credit committee 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 and rejection of application for loan to the Board of Directors.
IVES JESUS C. NISCE II	Member	
WINNIE A. MINGARACAL	Non-BOD Member	
ROWENA L. ROSALES	Non-BOD Member	
THELMA EVELYN A. TABAFUNDA	Non-BOD Member	

AUDIT COMMITTEE	POSITION	FUNCTION
JOSE Z. OSIAS	Chair	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.
MARIO P. GALVEZ	Member	
FLORA M. IGNACIO	Member	
IVY ROSE N. MARTINEZ	Member	
REYNALDO Q. NISCE	Member	

BOARD & COMMITTEE ATTENDANCE
For the One (1) Year Period: January 01, 2019 to December 31, 2019

NAME OF DIRECTORS	BOARD NUMBER OF MEETINGS		AUDIT COMMITTEE MEETINGS		CREDIT COMMITTEE MEETINGS	
	ATTENDED	%	ATTENDED	%	ATTENDED	%
IVES Q. NISCE	24	100.00%			24	100.00%
MARIO P. GALVEZ	13*	100.00%	7*	100.00%		
FLORA M. IGNACIO	24	100.00%	12	100.00%		
IVY ROSE N. MARTINEZ	24	100.00%	12	100.00%		
IVES JESUS C. NISCE II	24	100.00%			24	100.00%
REYNALDO Q. NISCE	22	91.66%	10	83.33%		
JOSE Z. OSIAS	23	95.83%	11	91.66%		
Total Number of Meetings Held During the Year	24		12		24	

**Joined the BoD on June 22, 2019.*

EDUCATION PROGRAM FOR DIRECTORS AND SENIOR MANAGEMENT

	BOARD OF DIRECTORS	MOST RECENT RELEVANT SEMINARS ATTENDED
IVES Q. NISCE	Chairman of the Board Filipino, 66 years old Bachelor of Arts - Economics Management Development Program	2019 RBAP Annual National Convention Advanced Corporate Governance Course Enterprise Risk Management Corporate Governance and Risk Management Workshop on Rural Financial Markets
MARIO P. GALVEZ	Independent Director Filipino, 63 years old B.S Commerce/Accounting	Strategic Planning Session for 2019 Corporate Governance and Risk Management for Rural Bank Directors Briefing on Treasury Operations Management Advisory Service Program for Rural Banks Funds Management Seminar
FLORA M. IGNACIO	Director Filipino, 70 years old B.S. in Business Administration Master in Business Administration	Corporate Governance and Credit Risk Management for Microfinance Institutions Customer Service Excellence Program Orientation on Anti-Money Laundering Act Corporate Governance & Risk Management Training on Financial Consumer Protection
IVY ROSE N. MARTINEZ	Director Filipino, 39 years old B.S. Biology Doctor of Medicine	Strategic Planning Session 2019 Internal Audit & Compliance Training: Moving Forward Basic Course on Corporate Governance for Bank Directors AMLA Law Updated, UARR and AML Risk Rating System Accounting for Non-Accountants
IVES JESUS C. NISCE II	Director Filipino, 37 years old Bachelor of Arts - Social Sciences Diploma Course in Banking	Workshop of TransUnion (TU) Comprehensive Credit Information Solutions Focused Group Discussion (FGD) - RBAP Updates & Best Practices: Credit Operations Continuing Professional Development (CPD) Seminar Regional Workshop on Risk Management of Small and Medum Enterprise Lending Advanced Corporate Governance Course (Condensed Professional Directors Program for Rural Banks)
REYNALDO Q. NISCE	Director Filipino, 61 years old B.S. Business Management	Strategic Planning Session for 2019 North Luzon Housing Summit Seminar on Implementing Rules & Guidelines Governing REM/TPZ Projects & Registration of Brokers/ Salesman/Dealers CPE, Real Estate Broker Corporate Governance and Risk Management for Rural Bank Directors
JOSE Z. OSIAS	Independent Director Filipino, 72 years old Bachelor of Arts - Economics Master in Business Management	Strategic Planning Session for 2019 Advanced Corporate Governance Course (Condensed Professional Directors Program for Rural Banks) Corporate Governance and Risk Management Seminars on Bamboo Production & Processing Seminars on Fintech

EDUCATION PROGRAM FOR DIRECTORS AND SENIOR MANAGEMENT

	SENIOR MANAGEMENT	MOST RECENT RELEVANT SEMINARS ATTENDED
 FRANCIS MICHAEL A. DE LOS SANTOS	Vice President for IT & Security Filipino, 46 years old Bachelor of Laws B.S. Computer Science	Cyber Safety and Data Privacy Compliance Forum GCash Refresher Course with Anti-Money Laundering Act 1st Information Technology Summit Bank Security and Protection Seminar 2nd Data Privacy Compliance Seminar
 NINA FRANCISCA T. PALABAY	Vice President for Remedial & Credit Management Filipino, 61 years old B.S. Commerce - Accounting	Risk Management Basic Course Effective Public Communication and Business Presentation Workshop RMU Collection Updates and Roundtable Discussion Corporate Governance and Credit Risk Management for Microfinance Institutions LRA Title Upgrade Program: implementation of MOA-Based Conversion Symposium
 WINNIE A. MINGARACAL	Area Manager, South Branches Filipino, 57 years old B.S. Commerce - Accounting	GCash Refresher Course with Anti-Money Laundering Act Effective Public Communication and Business Presentation Workshop Financial Education Training of Trainers RMU Collection Updates and Roundtable Discussion PetNet Western Union Refresher Course/Briefing
 ROWENA L. ROSALES	Area Manager, North Branches Filipino, 43 years old B.S. Accountancy	Strengthening Internal Control System in Rural Banks Seminar Effective Public Communication and Business Presentation Workshop GCash Refresher Course with Anti-Money Laundering Act RMU Collection Updates and Roundtable Discussion Personality Development and Professionalism in the Workplace Workshop

EDUCATION PROGRAM FOR DIRECTORS AND SENIOR MANAGEMENT

	SENIOR MANAGEMENT	MOST RECENT RELEVANT SEMINARS ATTENDED
THELMA EVELYN A. TABAFUNDA	Area Manager, Central Branches Filipino, 58 years old Diploma in Secretarial Science II	Financial Education Training of Trainers RMU Collection Updates and Roundtable Discussion PetNet Western Union Refresher Course/Briefing Personality Development and Professionalism in the Workplace Workshop GCash Refresher Course with Anti-Money Laundering Act
JANET B. ZAMORANOS	Senior Audit Manager Filipino, 45 years old B.S. Accountancy	Guidelines on the Adoption of PFRS9-Financial Instruments (BSP Circular 1011) & How to Properly Respond to BSP & Internal Audit Findings Focused Group Discussion (FGD) - Best Practices: Audit and Compliance Seminar Workshop on the conduct of Internal Audit Engagement In-House Training in Collection Strategies and Briefing in Process of Foreclosure Fundamentals of Information Systems Audit
GLORIA M. ALCANTARA	Compliance Officer Filipino, 54 years old B.S. Commerce - Accounting	AML-CFT Regulatory Framework (BSP Circular 706 as Amended) Seminar Focused Group Discussion (FGD) - Best Practices: Audit and Compliance Guidelines on the Adoption of PFRS9-Financial Instruments (BSP Circular 1011) & How to Properly Respond to BSP & Internal Audit Findings Seminar on Risk Based Compliance Program Compliance Management System Assessment
MELANIE O. DE LOS SANTOS	Senior Manager for People & Organization Filipino, 45 years old B.S. Commerce - Banking & Finance	Effective Public Communication and Business Presentation Workshop Seminar Workshop on Total Rewards 101 (Formerly: Compensation and Benefits Management 101) Basic Labor Standards and Employment Relations Hiring the Right People: Recruitment and Selection Strategies and Smart and Cares Interview: Essential Interviewing Skills Seminar Orientation on the Promotion of Occupational Safety and Health (OSH) in the Workplace and Pursuant to Republic 11508

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. An employee to become an officer of the bank, is assessed through his/her performance. A Performance Evaluation Report is accomplished annually considering the following performance factors:

a. Job Knowledge	20%
b. Job Output	30%
c. Audit/Compliance Rating	20%
d. Work Attitude	15%
e. Disciplinary Record	15%
Total	**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 President 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 AND SEMINARS

The bank continues to upgrade the skills of its officers and staff not only by conducting in-house seminars and trainings but also by sponsoring their participation in seminars and workshops outside the province and in Manila.

		No. of Seminars/ Trainings	No. of Officers Attended	No. of Employees Attended	Total
I.	Seminars/Trainings within La Union				
	a. Conducted by RBI (in-house)	11	143	119	262
	b. Training on Nextbank	5	28	99	127
	c. Conducted by other agencies	16	24	8	32
II.	Seminars/Trainings outside La Union	14	11	9	20
III.	Seminars/Trainings in Manila	30	39	15	54
	TOTAL	**76**	**245**	**250**	**495**

INTERNAL CREDIT RISK RATING WORKSHOP

The Rural Bankers Research and Development Foundation in coordination with the Rural Bankers Association of the Philippines conducted a seminar "Internal Credit Risk Rating System Workshop" on February 1 – 2, 2019 at Gov. Licaros Hall, RBAP, Intramuros, Manila. The two (2) day training was attended by Main Branch Loan Officer Dulce Gonzalo, Mary Grace Galvez of Credit Management Unit and Laoag Branch Management Trainee Jeselle Palma. The training was conducted by Ms. Ma. Cristina Farol who discussed the importance of having an Internal Credit Risk Rating System (ICRRS) to help mitigate inherent credit risks that the bank is exposed to from its lending activities, ICRRS can identify and assess the risk profile of each borrowing account and help monitor these loans.

SYSTEM INTEGRATION TRAINING

Rang-ay Bank's I.T & Security Staff Daryl Labsan and Charles Daryl Ducusin attended the Technical and Hands-On Systems Integration Training on February 8-10, 2019 at Bitstop, Saint Michael Subd., Bonuan, Dagupan City, Pangasinan. The three-day training led by Danby Perez and Richard Tumambac shared their knowledge and skills in advanced approach in setting up and configuring router boards networks, Ubiquiti Networks, Internet Protocol (IP) surveillance system, basic networking and troubleshooting. They also discussed the importance of IP surveillance system which focuses on security and safety, and automate the process by transmitting surveillance data through Mikrotik router board. Rang-ay Bank continues to send officers and staff to seminars like this not only to improve employees' knowledge in security and safety but also the importance of ensuring the bank's protection from the increasing threat of cyber security and cyber-attack.

AMLA SEMINAR 2019

The Anti Money Laundering Act (AMLA) Seminar for the new Rang-ay Bankers was held at Rang-ay Bank Head Office Training Room in San Fernando City, La Union on July 13, 2019.

The event attended by twenty two (22) new hirees from the Head Office and branches, was conducted by Compliance Officer Gloria Alcantara and assisted by HR Department.

BSP FINANCIAL LITERACY TRAINING OF TRAINERS

Bangko Sentral ng Pilipinas Financial Consumer Protection Department conducted a Financial Literacy Training of Trainers for the members of La Union Chamber of Rural Bankers (LUCRUB) headed by President Ives Jesus Nisce II on August 28 and 29, 2019 at Bangko Sentral ng Pilipinas-La Union Regional Office (BSP-LURO), San Fernando City, La Union. Winnie Miningaracal (Area Manager, South Branches), Thelma Evelyn Tabafunda (Area Manager, Central Branches) & Florence Joy Licudine (Marketing Officer) were the Rang-ay Bank participants to the training.

The training consisted of basic principles of adult learning, facilitation tips, qualities and skills necessary for trainers to tacquire and use when facilitating Financial Literacy Training. The two day training course tackles modules on Financial Planning, Saving and Budgeting, Borrowing/Debt Management, Investing, Fraud and Scam Prevention and Consumer Protection. As part of its financial inclusion initiative, Rang-ay Bank conducts Financial Literacy Trainings and presentations to local communities and organizations in Region I and CAR.

KNOW YOUR MONEY

La Union Chamber of Rural Bankers led by its President Ives Jesus Nisce II, organized a seminar "Know Your Money" with the help of Bangko Sentral ng Pilipinas (BSP). The seminar was held on September 19, 2018 at the 3rd floor of BSP La Union Regional Office, City of San Fernando La Union.

The briefing was attended by twenty seven (27) participants from various banks in La Union of whom 9 were Rang-ay Bankers.

FINANCIAL LITERACY TRAININGS

Rang-ay Bank conducted two (2) separate Financial Literacy Trainings in two (2) municipalities of La Union on October and November 2019.

In Santol (La Union), Rang-ay Bank Balaoan Branch conducted a Financial Literacy Training for the senior citizens of Brgy. Corro-oy on October 9, 2019 at their barangay multipurpose hall. A similar program was held on October 30, 2019 in Bangar Central School for the parents and teachers at the school's covered court. The team discussed modules on Financial Planning, Saving & Budgeting, Borrowing/Debt Management, Investing, Fraud & Scam Prevention and Consumer Protection. The training aims to promote not only better understanding of the financial cycle but also teaches the participants how financial planning can help to protect them from risks.

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.

POLICY GUIDELINES

I. Eligibility for Membership

All Officers and employees of Rang-ay Bank who are considered having regular employment status shall be automatically be a member of the retirement Plan.

II.Qualifications

a. The retiring employee should give management at least ninety (90) days advance notice in writing and during the said ninety (90) day period, employee should serve in full and without absence.

b. Failure to meet the required ninety (90) days notice automatically nullifies any application for retirement benefits.

III.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.

IV. 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.

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:

Years of Service	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%

V. Late Retirement

a. An employee who is allowed by the management to continue to work on a case to case basis and yearly extension basis beyond his/her normal retirement date up to age of 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.

VI. 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 bank's physician, his/her disability retirement benefit shall be a single sum equal to 100% of employees' salary for every year of credited service.

VII. 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.

VIII. 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.

IX. 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.

SUCCESSION POLICY

Rang-ay Bank's 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 can no longer fulfill his role as employee. This is designed as a guidelines to pinpoint potential promotions and review the bank's organizational structure.

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 clear guidelines of the existing policy of growth.

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 compensation policy that takes into consideration the relative importance of the employee's job in the organization, contributions to bank goals and the prevailing rates of comparable jobs in other similarly situated organizations in the region. Remuneration is provided monetarily to employees for their work performance. The bank has a fair salary structure using an approved salary scale.

The management gives more than the mandated minimum wage and additional benefits than those required by the Department of Labor and the National Wages and Productivity Board. The bank also gives system-wide increases to employees whenever there are minimum wage adjustments, especially when the management sees that economic conditions have increased cost-of-living. This is especially true for employees who receive lower salaries because they are most affected by economic changes.

Officers and staff of Rang-ay Bank are annually assessed through a 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, through an annual increase. The annual increase is based on the result of each employee's evaluation.

In addition, Service Achievement Awards are also in place to recognize the employees and 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. In addition to these awards are monetary incentives given monthly/quarterly or semestrally 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 arms 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.

DIVIDENDS POLICY

Rang-ay Bank recognizes the importance of providing a stable and sustainable dividend stream consistent with its commitment to stockholders. The bank has been paying regular cash dividends and will endeavor to do so while maintaining financial stability.

The Board of Directors may, after careful consideration and depending on the business results for the year and capital needs of the business, declare and approve the distribution of dividends to all stockholders.

Pursuant to Monetary Board Resolution No. 1516 dated 17 September 2015, Rang-ay Bank adopts these rules and regulation 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.

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 the Financial Supervision Department II (FSD) 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

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.

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 follows up strictly to ensure that the appropriate corrective actions 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.

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 five (5) members of the Board of Directors, at least one (1) of whom is an independent director and also acts as the Audit Committee Chairman.

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.

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.

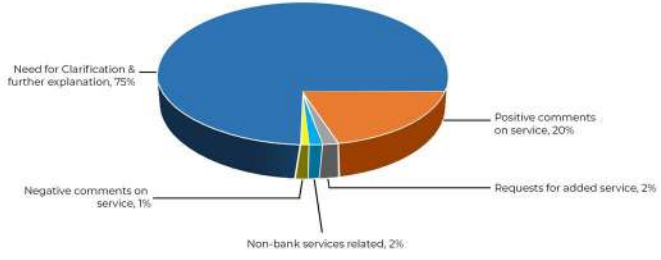
- An independent audit program with written scope of audit that ensures the completeness and accuracy of the information given to clients, and the records retained in compliance with Consumer Protection standards as well as adequacy and effectiveness of training program to protect client's right.

- 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, 2019



Nature of Feedback	
Need for Clarification & further explanation	75%
Positive comments on service	20%
Requests for added service	2%
Non-bank services related	2%
Negative comments on service	1%
	100%

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

b) Complete details of the complaint shall be provided.

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.
b) Complete details of the complaint shall be provided.

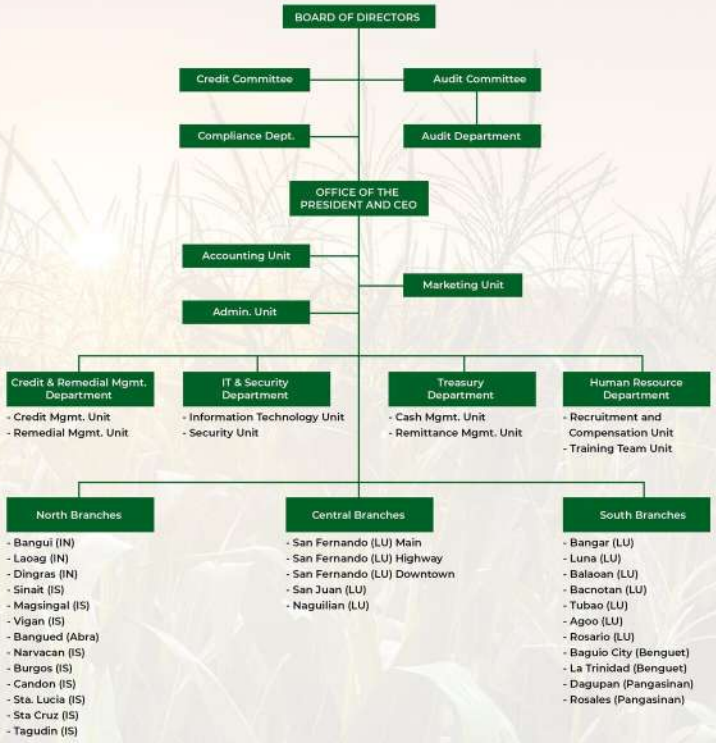
3.2 Consumer Assistance Group

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.

ORGANIZATIONAL STRUCTURE



PRODUCTS AND SERVICES

DEPOSIT SERVICES

- SAVINGS DEPOSIT
  - Regular
  - Microfinance
  - SSS Pensioner
  - Kiddie Savers
- TIME DEPOSIT
  - Regular Time Deposit
  - Special Savings Deposit
  - Gold Saver 5
- CHECKING ACCOUNT
  - Premium

LOAN PRODUCTS

- SMALL & MEDIUM ENTERPRISE
- PABAHAY & HOME RENOVATION
- MOTOR VEHICLE ACQUISITION
- INSTANT SALARY LOANS
- DepEd TEACHERS LOANS
- BARANGAY & MICRO-BUSINESS ENTERPRISE PROGRAM
- SSS PENSIONER LOANS
- OFW PROGRAMS
- AGRICULTURE & FISHERIES
- SMALL FARMERS PROGRAM
- MICROFINANCE

REMITTANCES

- WESTERN UNION
  - Foreign
  - Domestic
- BDO REMIT

ATM

- DBP
  - Sta Lucia (IS) Branch
  - Bangar (LU) Branch
  - Bacnotan (LU) Branch
- ENCASH
  - Luna (LU) Branch
  - Sta Cruz (IS) Branch

OTHER SERVICES

- CB KALINGA MICROINSURANCE
- BILLS PAYMENT SERVICES
- SSS COLLECTING AND PAYING AGENT

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. PREMIUM 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.

LOANS DESCRIPTION

1. mSME (micro Small and Medium Enterprise) Business Loan - This loan program is available to businessmen 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.

FOREIGN AND DOMESTIC REMITTANCES DESCRIPTION

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.

BILLS PAYMENT DESCRIPTION

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
   h. Professional Regulatory Commission (PRC)

4. Cable & Internet

5. Airline Tickets

OTHER BANKING SERVICES DESCRIPTION

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 & DIRECTORY

JEANETTE A. RACOMA
Senior Branch Manager
LAOAG BRANCH
2/F Laoag Commercial Complex, Cor Avadilla, Laoag City Ilocos Norte
(77) 770-3808
(0917) 500 7309

CHERRY B. RABANAL
Branch Manager
BANGUI BRANCH
Tiendaan ti Bangui, San Lorenzo, Bangui Ilocos Norte
(77) 600-2591
(0917) 703 2627

FERDINAND P. CADAY
Branch Manager
DINGRAS BRANCH
Old Public Market, National Highway, Albano, Dingras Ilocos Norte
(77) 600-0001
(0917) 505 4069

BRENDA FRANCE R. GONZALES
Branch Manager
BANGUED BRANCH
Rang-ay Bank Bldg., Taft Ave. cor. Manzano St. Zone 5 Bangued, Abra
(74) 752-7554
(0917) 702 8596

ROLLY L. RABANAL
Senior Branch Manager
VIGAN BRANCH
Galleria de Vigan, Florentino St., Plaza Burgos Vigan City, Ilocos Sur
(77) 674-2509
(0917) 505 0378

CECILE G. PACIS
Branch Manager

SINAIT BRANCH

G/F Public Market National Highway, Macabiag Sinait, Ilocos Sur
(77) 674-1965
(0917) 700 7690

JOY S. MANAOIS
Branch Manager

MACSINGAL BRANCH

New Magsingal Market, San Lucas, Magsingal Ilocos Sur
(77) 674-1994
N/A

DENNIS O. DOSONO
Senior Branch Manager

NARVACAN BRANCH

G/F Narvacan Commercial Complex Brgy., Margaay Narvacan, Ilocos Sur
(77) 732-5869
(0917) 506 7408

GRACE V. CAYAN
Branch Manager

BURGOS BRANCH

Municipal Bldg., Poblacion Norte, Burgos Ilocos Sur
(77) 673-0150
(0917) 703 4976

ROSEMARIE Q. RIGOS
Senior Branch Manager

CANDON BRANCH

Rang-ay Bank Bldg., National Highway Cor. Pascua St. Candon City, Ilocos Sur
(77) 644-0400
(0917) 700 7181

MA. RUBELYN R. HADOC
Branch Manager

STA LUCIA BRANCH

ER Moreno Bldg., National Highway, Barangabong Sta Lucia, Ilocos Sur
(77) 644-0022
(0917) 501-6391

JANE S. CASTILLO
Branch Manager

STA CRUZ BRANCH

JJEROME Bldg. National Highway, Poblacion Este, Sta. Cruz, Ilocos Sur
(77) 674-7227
(0917) 705 3184

JANICE H. PERALTA
Branch Manager

TAGUDIN BRANCH

Rang-ay Bank Bldg., National Highway, Cor. San Jose St. Magsaysay, Tagudin, Ilocos Sur
(77) 652-2080
(0917) 500 7430

South Branches Officers and Staff

JOEY B. DINGLE
Senior Branch Manager

DAGUPAN BRANCH

G/F TN Bldg., Burgos St., Dagupan City Pangasinan
(75) 202-6003
(0918) 350 2545

ALSANDY C. GALVAN
Senior Branch Manager

ROSALES BRANCH

Gen. Luna St., Brgy. Zone III, Rosales Pangasinan
(75) 202-2407 / (75) 632-1304
(0936) 914 2748

MILAGROS AIDA G. GUANZO
Senior Branch Manager

BAGUIO BRANCH

G/F Maharlika Livelihood Center, Magsaysay Ave., Azcko Baguio City, Benguet
(74) 442-8142 / (74) 248-1338
(0915) 447 5263 / (099) 884 1905

MARLON F. FLORES
Branch Manager

LA TRINIDAD BRANCH

Pineshill Business Center, KM 5, Balili, La Trinidad Benguet
(74) 422-5536 / (74) 248-3045
(0917) 897 6099 / (0923) 665 9534

AGOO BRANCH

JOANNA A. TIMICHAN
Senior Branch Manager

Rang-ay Bank Bldg., National Highway, Consolacion
Agoo, La Union
(72) 206-2790
N/A

ROSARIO BRANCH

MARICHU A. PASAG
Branch Manager

Rang-ay Bank Bldg., National Highway, Poblacion East
Rosario, La Union
(72) 687-2507
(0917) 509 7813

TUBAO BRANCH

SHIERREFIE O. BRAGADO
Branch Manager

No. 1 Verceles St., Poblacion, Tubao
La Union
(72) 687-0077
(0917) 705 4310

BACNOTAN BRANCH

EDEN PRIME O. BALONGCAS
Branch Manager

New Public Market, National Highway, Poblacion
Bacnotan, La Union
(72) 607-4179
(0917) 500 4627

BALAOAN BRANCH

MARIA DULCE G. GONZALO
Senior Branch Manager

G/F Luna Bldg., National Highway, Antonino, Balaoan
La Union
(72) 607-0017
(0917) 506 7595

LUNA BRANCH

DOMINIE B. LEDDA
Branch Manager

Luna Commercial Center, Alcala, Luna
La Union
(72) 607-3508
(0917) 501 6399

BANGAR BRANCH

CHARMAIGNE F. ORDILLO
Officer-In-Charge

Balay ti Umili Annex Bldg., National Highway, Cor.
Central East No. 1, Bangar, La Union
(72) 607-0006
(0917) 505 9498

Central Branches Officers and Staff

SFLU MAIN BRANCH

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

Nisce-Querol Bldg., #67 Gov. Luna St., Brgy. IV,
City of San Fernando, La Union
(72) 242-5661 to 63
(0917) 259 8085

SFLU HIGHWAY BRANCH

ELIZA P. PALABAY
Branch Manager

North National Highway, Brgy. II, City of San Fernando
La Union
(72) 205-0185
(0945) 483 5351

SFLU DOWNTOWN BRANCH

MONIQUE B. GAERLAN
Branch Manager

Rang-ay Bank Bldg., #61 Ortega St., Brgy III
City of San Fernando, La Union
(72) 607-8392 / (72) 205-9104
(0956) 513 7092 / (0907) 826 3767

NAGUILIAN BRANCH

KAREN F. VALDEZ
Branch Manager

Rang-ay Bldg., #29 Naguilian Road, Ortiz, Naguilian
La Union
(72) 609-1199
(0917) 716 6936

SAN JUAN BRANCH

NOVELYN G. LUEBBEN
Branch Manager

G/F Public Market III Sur, San Juan
La Union
(72) 607-4196
(0917) 504 2234

HEAD OFFICE

ERNESTO B. CASISON
Loans Consultant

Nisce-Querol Bldg., #67 Gov. Luna St., Brgy. IV, City of San Fernando, La Union
(72) 242-5661 to 63
(0917) 490 5013

BRANCH NETWORK

Unopened branches with approved BSP license

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, Terisita N.	Filipino
17. LIGOT, Ma. Rosario K.	Filipino
18. MACEDA, Manuel F. II	Filipino
19. MARQUEZ, Terisita F.	Filipino
20. MARTINEZ, Ivy Rose N.	Filipino
21. Niscan Dev. Corp.	Filipino owned
22. Nisce Northern Ventures Corp.	Filipino owned
23. NISCE, Anna Maria Z.	Filipino
24. NISCE, Augusto Q.	Filipino
25. NISCE, Ives Jesus C. II	Filipino
26. NISCE, Ives Q.	Filipino
27. NISCE, Michael Ross C.	Filipino

COMMON STOCKHOLDERS

Name of Stockholders	Nationality
28. NISCE, Mikael Querol C.	Filipino
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

STOCKHOLDERS OF THE BANK
OWNING MORE THAN FOURTEEN PERCENT 14%

Stockholders	Percent of Shares
Ives Q. Nisce, Filipino	29%
Niscan Development Corp., 100% Filipino owned Domestic Corporation	22%

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, Terisita N.	Filipino
17. LIGOT, Ma. Rosario K.	Filipino
18. MACEDA, Manuel F. II	Filipino
19. MARQUEZ, Terisita F.	Filipino
20. MARTINEZ, Ivy Rose N.	Filipino
21. Niscan Dev. Corp.	Filipino owned
22. Nisce Northern Ventures Corp.	Filipino owned
23. NISCE, Anna Maria Z.	Filipino
24. NISCE, Augusto Q.	Filipino
25. NISCE, Ives Jesus C. II	Filipino
26. NISCE, Ives Q.	Filipino
27. NISCE, Jose Ma. Q.	Filipino

PREFERRED STOCKHOLDERS

Name of Stockholders	Nationality
28. NISCE, Michael Ross C.	Filipino
29. NISCE, Mikael Querol C.	Filipino
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

STATEMENT OF FINANCIAL POSITION

	December 31		Increase/ Decrease	Percentage
	2019	2018		
ASSETS				
Cash and Other Cash Items	28,162,873	30,630,066	-2,467,193	-8%
Due from BSP and Other Banks	815,575,936	780,160,645	35,415,291	5%
Loans and Receivables, Net	2,076,845,354	1,970,096,123	106,749,231	5%
Held to Maturity Investment	114,084,631	139,314,336	-25,229,705	-18%
Bank Premises, Furniture, Fixtures and Equipment (Net)	85,284,152	81,246,631	4,037,521	5%
Investment Property (Net)	16,711,139	24,464,930	-7,753,791	-32%
Right of Use Assets	37,941,882		37,941,882	
Deferred Tax Assets	49,785		49,785	
Other Assets	10,091,368	9,259,612	831,756	9%
TOTAL ASSETS	₱ 3,184,747,120	₱ 3,035,162,344	149,584,777	5%
LIABILITIES & SHAREHOLDERS' EQUITY				
LIABILITIES				
Deposit Liabilities	2,485,341,109	2,313,406,139	171,934,970	7%
Bills Payable	34,527,937	140,495,874	-105,967,937	-75%
Accrued Interest, Taxes and Other Expenses Payable	9,744,455	8,431,094	1,313,361	16%
Income Tax Payable	3,150,892	1,574,161	1,576,731	100%
Treasurer's/Cashier's/Manager's and Gift Checks	32,637	32,637	-	-
Other Liabilities	101,104,872	54,669,278	46,435,594	85%
TOTAL LIABILITIES	₱ 2,633,901,902	₱ 2,518,609,183	115,292,720	5%
SHAREHOLDERS' EQUITY				
Share Capital				
Common	314,480,700	251,585,000	62,895,700	25%
Preferred	7,470,300	7,470,300	-	0%
Additional Paid-in Capital	85,146,459	85,146,459	-	0%
Surplus				
Reserve	20,000,000	20,000,000	-	0%
Free	97,274,781	125,678,424	-28,403,643	-23%
Appraisal Increment Reserve	26,672,978	26,672,978	-	0%
TOTAL SHAREHOLDERS' EQUITY	551,045,218	516,553,161	34,492,057	7%
TOTAL LIABILITIES & EQUITY ACCOUNTS	₱ 3,184,947,120	₱ 3,035,162,344	149,784,777	5%
BOOK VALUE PER SHARE	86.42	101.16	-14.74	-15%

Financial Statements audited by: Romeo C. Torno & Co. CPAs
CPA Reg. Cert. No.0043083, PTR No. 5F3579957, issued at San Fernando City, Pampanga on January 15, 2020, TIN 107-071-246
BOA Cert. of Accreditation No. 4618 Until June 15, 2020, BIR Accreditation No. 04-003375-001-2018, March 5, 2018 to March 5, 2021
CDA Accreditation No. 046-AF until October 16, 2020

STATEMENT OF INCOME AND EXPENSE

	Year Ended December 31 2019	2018	Increase/ Decrease	Percentage
INTEREST INCOME				
Loans & Receivables	**141,201,254**	101,295,431	39,905,823	39%
Due from Other Banks	**51,551,600**	55,883,210	-4,331,610	-8%
Investments	**11,552,536**	11,840,724	-288,188	-2%
TOTAL INTEREST INCOME	**P 204,305,390**	P 169,019,365	35,286,025	21%
INTEREST EXPENSE				
Savings Deposits	**16,744,478**	9,739,738	7,004,740	72%
Time Deposits	**13,625,475**	14,839,391	-1,213,916	-8%
Demand Deposits	**482,128**	519,429	-37,301	-7%
Bills Payable	**2,424,023**	2,071,554	352,469	17%
TOTAL INTEREST EXPENSE	**33,276,104**	27,170,112	6,105,992	22%
NET INTEREST INCOME	**P 171,029,286**	P 141,849,254	29,180,032	21%
PROVISION FOR CREDIT LOSSES	**3,488,339**	5,133,815	-1,645,476	-32%
NET INTEREST INCOME AFTER PROVISION	**167,540,947**	136,715,439	30,825,508	23%
OTHER INCOME	**53,227,479**	46,058,800	7,168,679	16%
TOTAL INCOME BEFORE OPERATING EXPENSES	**P 220,768,426**	P 182,774,239	37,994,187	21%
OTHER OPERATING EXPENSE				
Compensation & Fringe Benefits	**65,938,225**	61,823,572	4,114,653	7%
Other Operating Expenses	**51,269,061**	51,053,645	215,416	0%
Taxes & Licenses	**5,128,587**	2,553,656	2,574,931	101%
Depreciation & Amortization	**15,846,966**	9,603,177	6,243,789	65%
Impairment Losses	**6,059,749**	1,617,804	4,441,945	275%
Bad Debts Written-Off	**29,876,848**	9,940,883	19,935,965	201%
	174,119,435	136,592,736	37,526,699	27%
NET INCOME BEFORE INCOME TAX	**46,648,991**	46,181,503	467,488	1%
INCOME TAX EXPENSE	**P 5,210,449**	P 3,536,631	1,673,818	47%
NET INCOME AFTER INCOME TAX	**P 41,438,542**	P 42,644,872	-1,206,330	-3%
EARNINGS PER SHARE	**6.59**	8.49	-1.90	-22%

Financial Statements audited by: Romeo G. Torno & Co., CPAs
CPA Reg. Cert. No.0043083, PTR No. SF3579557, Issued at San Fernando City, Pampanga on January 15, 2020, TIN 107-071-246
BOA Cert of Accreditation No. 4618 Until June 15, 2020, BIR Accreditation No. 04-002375-001-2018, March 5, 2018 to March 5, 2021
CDA Accreditation No. 046-AF until October 16, 2020

CAPITAL STRUCTURE AND ADEQUACY

PART 1 CALCULATION OF RISK-BASED CAPITAL ADEQUACY RATIO (in absolute amounts)

ITEM	NATURE OF ITEM	AMOUNT
A.	**Calculation of Qualifying Capital**	
A.1	Net Tier 1 Capital	Php 516,652,155
A.2	Net Tier 2 Capital	53,642,790
A.3	Total Qualifying Capital [Sum of A.1 and A.2]	570,294,945
B.	**Calculation of Risk-Weighted Assets**	
B.1	Total Credit Risk-Weighted Assets	2,645,258,560
B.2	Total Operational Risk-Weighted Assets	238,766,690
B.4	Total Risk-Weighted Assets	2,884,025,250
C.	**RISK-BASED CAPITAL ADEQUACY RATIO**	19.77%

- *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 CAR is **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 314,480,700
[2]	Additional paid-in capital		85,146,459
[3]	Retained earnings		75,836,241
[4]	Undivided profits		41,438,540
[5]	Sub-total		516,901,940
A.2	**Deductions from Core Tier 1 Capital**		
[1]	Total outstanding unsecured credit accommodations, both direct and indirect, to DOSRI, net of allowance		
[2]	Deferred tax asset, net of deferred tax liability	249,785	
A.3	Total Deductions		249,785
	Total Core Tier 1 Capital		516,652,155
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]		19,499,512
	Sub-Total		53,642,790
	Gross Qualifying Capital		570,294,945
C.	Total Tier 1 Capital	516,652,155	
[1]	Total Tier 2 Capital	53,642,790	
	Total Qualifying Capital		Php 570,294,945

RGT & Co., Certified Public Accountants

Romeo G. Torno & Co., CPA's

4th Blk. DoloresHomesite, Dolores, City of San Fernando, Pampanga
Tel. No. (045)626-5581 Email add: rgt_ops@yahoo.com

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

Nisce - Querol Building, 67 Gov. Luna St., City of San Fernando, La Union

Audited Financial Statement

December 31, 2019 and 2018

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

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 fiscal year ended December 31, 2019 and 2018, 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 or members.

ROMEO G. TORNO & CO., 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
Corporate Treasurer

Signed this 6th day of June, 2020

Romeo G. Torno & Co.
Certified Public Accountants

4th Block Dolores Homesite
City of San Fernando, Pampanga
Tel No. (045) 626-5581
email add: rgt_ops@yahoo.com

BOA Accreditation No. 4618
SEC Accreditation Number: 0278-FR-1
February 6, 2017 to February 6, 2020
Section 9 of MC No. 20 Series of 2019

CERTIFICATION

In compliance with Bangko Sentral ng Pilipinas Circular No. 1074, Series of 2020, We, **Romeo G. Torno & Co.**, with office address at 4th Block Dolores Homesite, City of San Fernando, Pampanga, after having been sworn on oath in accordance with law voluntarily depose and say: That,

1. Our Firm, Romeo G. Torno & Co. is included in the list of BSP (Bangko Sentral ng Pilipinas) Selected External Auditors for institutions under Category B, with accreditation valid until September 3, 2019, (Based on Circular 1040 series of 2019 on Revised Framework on the Selection of External Auditor whose inclusion in the List of Selected Auditors for BSFIs is valid to cover the audit of 2018 financial statements are hereby given one (1) year extension on their inclusion in the List of Selected External Auditors for BSFIs allowing them to engage in the audit of the 2019 financial statements) a professional accounting firm duly registered with the Board of Accountancy of the Professional Regulation Commission to conduct audit services, entitled to practice under laws governing the practice of public accounting in the Philippines;

2. Our Firm is in good standing as an Audit Firm registered with the Professional Regulation Commission (PRC) and Board of Accountancy (BOA), and entitled to practice as such under the laws governing the practice of public accounting in the Philippines;

3. That we possess the Independence as defined in the Code of Professional Ethics for Certified Public Accountants as promulgated by the Board of Accountancy and approved by the Professional Regulation Commission;;That we complied with all the required disclosure in the audited financial statements provided under the provisions of the Manual of Regulations for Banks (MORB)

4. That no termination or resignation of the external auditor in the course of the audit that may warrant explanation

5. That we have performed external audit of the financial statements of **RANG -AY BANK (A RURAL BANK), INC.** with principal office address at Nisce - Querol Building, 67 Gov. Luna St., City of San Fernando, La Union for the year ended December 31, 2019;

6. Our audit commenced on January 22, 2020 until June 6, 2020;

7. That we have submitted the Audited Financial Statements of **RANG -AY BANK (A RURAL BANK), INC.** with my audit report dated June 6, 2020;

8. That we have complied with the provisions of the Bangko Sentral ng Pilipinas (BSP) Appendix to Section 174 on Financial Audit stating that confidentiality clause pertinent to read-only access to the BSPs Report of Examination;

9. In the course of our audit of the bank, there was no material weakness or breach in the internal control and risk management systems noted during our audit;

10. That there is no significant doubt as to the ability of the **RANG -AY BANK (A RURAL BANK), INC.** to continue as a going concern;

11. That we, the audit team, auditor-in-charge of the engagement and members of our immediate family do not have any direct or indirect financial interest with the Bank and our independence is not considered impaired under the circumstances specified in the Code of Professional Ethics for Certified Public Accountants;

12. That, there are no actual or potential losses the aggregate of which amounts to at least ten percent (10%) of the consolidated total assets of the **RANG -AY BANK (A RURAL BANK), INC.**

Romeo G. Torno & Co.
Certified Public Accountants

4th Block Dolores Homesite
City of San Fernando, Pampanga
Tel No. (045) 626-5581
email add: rgt_ops@yahoo.com

BOA Accreditation No. 4618
SEC Accreditation Number: 0278-FR-1
February 6, 2017 to February 6, 2020
Section 9 of MC No. 20 Series of 2019

13. That, there are no matters to report on corporate governance that may require urgent action by the Bangko Sentral ng Pilipinas (BSP); and
14. That, there are no matters to report with regard to any material findings involving fraud, dishonesty, breach of laws or any potential or contingent losses.

15. That there are no matters to report regarding fraud, dishonesty, breach of laws, etc.

16. That there are no matters to report regarding material breach of laws or BSP Rules and regulation such as but not limited (a) Capital Adequacy Ratio (b) Loans and Other Risk Assets Review and Classification

17. That the Financial Audit Report (FAR) together with the Letter of Comments (LOC) was submitted to the Board of Directors addressed to the Chairman on June 6, 2020.

18. That the submitted LOC discloses our findings, comments and recommendation
19. That, there are no any findings to the effect that the consolidated assets of the Bank, on a going concern basis, are no longer adequate to cover the total claims of creditors.

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

In truth whereof, I hereunto set my hand this 06 JUN 2020 day of _____ 2020 at City of San Fernando, Pampanga

ROMEO G. TORNO

Affiant

Subscribed and sworn to before me this JUN 30 2020 day of _____ 2020 by affiant who exhibited to me his Community Tax Certificate No. _____ issued in _____ on _____

Doc. No. 478
Page No. 97
Book No. CL
Series of 2020

ATTY. APOLLO J. UMADHAY
Notary Public
Until December 31, 2021
Notarial Comm. No. 68-20
Roll No. 55391
IBP No. 095607, 2020CC2019
PTR No. 6562285, 02/AM/2020
City of San Fernando, Pampanga
MCLE No. VI-0025377 21/30/19

Romeo G. Torno & Co.
Certified Public Accountants

4th Block Dolores Homesite
City of San Fernando, Pampanga
Tel No. (045) 626-5581
email add: rgt_ops@yahoo,com

BOA Accreditation No. 4618
SEC Accreditation Number: 0278-FR-1
February 6, 2017 to February 6, 2020
Section 9 of MC No. 20 Series of 2019

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **RANG- AY BANK (A RURAL BANK), INC.** which comprise the statement of financial position as at December 31, 2019 and 2018, 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 our opinion, the accompanying financial statement present fairly, in all material respects, the financial position of the **RANG- AY BANK (A RURAL BANK), INC.** as at December 31, 2019 and 2018, and its financial performance and its cash flows for the year then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements Section in the report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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 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 as no realistic alternative but to do so.
Those charged with governance are responsible for overseeing the Company's financial reporting process.

Romeo G. Torno & Co.
Certified Public Accountants

4th Block Dolores Homesite
City of San Fernando, Pampanga
Tel No. (045) 626-5581
email add: rgt_ops@yahoo,com

BOA Accreditation No. 4618
SEC Accreditation Number: 0278-FR-1
February 6, 2017 to February 6, 2020
Section 9 of MC No. 20 Series of 2019

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. This 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 Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

Romeo G. Torno & Co.
Certified Public Accountants

4th Block Dolores Homesite
City of San Fernando, Pampanga
Tel No. (045) 626-5581
email add: rgt_ops@yahoo.com

BOA Accreditation No. 4618
SEC Accreditation Number: 0278-FR-1
February 6, 2017 to February 6, 2020
Section 9 of MC No. 20 Series of 2019

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

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

Our audit was conducted for the purpose of forming an opinion on the basic (separate) financial statements taken as a whole. The supplementary information on taxes, duties and license fees in Note 29 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as whole.

Statements Required by Rule 68, Part I Section 4 Securities Regulation Code (SRC), as Amended on October 20, 2011

We have audited the financial statements of **RANG- AY BANK (A RURAL BANK), INC.** as at and for the period ended December 31, 2019, on which we have rendered the attached report dated June 6, 2020. The supplementary information shown in Note 31 the Schedule of Philippine Financial Reporting Standards effective as at December 31, 2019, as required by Part I, Section 4 of Rule 68 of the Securities Regulation Code is presented for the purpose of filing with the Securities and Exchange Commission and is not a required part of the basic statements. Such supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in the audits of the basic financial statements. In our opinion, the supplementary information has been prepared in accordance with Part I, Section 4 of Rule 68 of the Securities Regulation Code.

The engagement partner on the audit resulting in this independent auditor's report is **ROMEO G. TORNO.**

Romeo G. Torno & Co.
Certified Public Accountants

4th Block Dolores Homesite
City of San Fernando, Pampanga
Tel No. (045) 626-5581
email add: rgt_ops@yahoo.com

BOA Accreditation No. 4618
SEC Accreditation Number: 0278-FR-1
February 6, 2017 to February 6, 2020
Section 9 of MC No. 20 Series of 2019

BY:

ROMEO G. TORNO &CO.,CPAs
BOA Accreditation No. 4618
September 18, 2017 valid until June 15, 2020
SEC No. 0278 – FR – 1 (Group C)
February 2, 2017 valid until February 6, 2020
Section 9 of MC No. 20 Series of 2019
BIR Accreditation No. 04-002375-000-2018
March 5, 2018 valid until March 4, 2021
CDA Accreditation No. 046-AF
October 17, 2017 valid until October 16, 2020

ROMEO G. TORNO, CPA
Managing Partner
CPA Certificate No. 0043083
Tax Identification No. 107-071-246
BIR Accreditation No. 04-002375-001-2018
March 5, 2018, valid until March 5, 2021
SEC No. 1678 – A
May 3, 2018 valid until March 5, 2021
PTR No. SF3579557
January 15, 2020
City of San Fernando, Pampanga

June 6, 2020

City of San Fernando, Pampanga

RECEIVED
DATE:
BY:
COOPERATIVE DEVELOPMENT
RDO3-SAN FERNANDO CITY, L.U.

Romeo G. Torno & Co.
Certified Public Accountants

4th Block Dolores Homesite
City of San Fernando, Pampanga
Tel No. (045) 626-5581
email add: rgt_ops@yahoo.com

BOA Accreditation No. 4618
SEC Accreditation Number: 0278-FR-1
February 6, 2017 to February 6, 2020
Section 9 of MC No. 20 Series of 2019

STATEMENT OF REPRESENTATION

TO THE SECURITIES AND EXCHANGE COMMISSION:

In connection with our examinations of the financial statements of the **RANG- AY BANK (A RURAL BANK), INC.** which are to be submitted to the Commission, we hereby represent the following:

1. That, our Firm is in the active practice of the accounting profession and duly registered with the Board of Accountancy (BOA) and Bangko Sentral ng Pilipinas (BSP) as accredited external auditor.

2. That the financial statements are presented in conformity with generally accepted accounting principles in the Philippines in all cases where we shall express an unqualified opinion; Except that in case of any departure from such principles, we shall indicate the nature of the departure, the effects thereof, and the reasons why compliance with the principles would result in a misleading statement, if such is a fact;

3. That our Firm shall fully meet the requirements of independence as provided under the Code of Professional Ethics for CPAs;

4. That in the conduct of the audit, we shall comply with the generally accepted auditing standards promulgated by the Board of Accountancy; in case of any departure from such standards or any limitation in the scope of our examination, we shall indicate the nature of the departure and the extent of the limitation, the reasons therefore and the effects thereof on the expression of our opinion or which may necessitate the negation of the expression of an opinion;

5. That we shall comply with the applicable rules and regulations of the Securities and Exchange Commission in the preparation and submission of financial statements; and

6. That relative to the expression of our opinion on the said financial statements, we shall not commit any acts discreditable to the profession as provided under Code of Professional Ethics for CPAs.

We make these representations as a CPA engaged in public practice and our individual capacity in the auditing Firm of **Romeo G. Torno and Co.**

Romeo G. Torno & Co.
Certified Public Accountants

4th Block Dolores Homesite
City of San Fernando, Pampanga
Tel No. (045) 626-5581
email add: rgt_ops@yahoo.com

BOA Accreditation No. 4618
SEC Accreditation Number: 0278-FR-1
February 6, 2017 to February 6, 2020
Section 9 of MC No. 20 Series of 2019

BY:

ROMEO G. TORNO &CO.,CPAs
BOA Accreditation No. 4618
September 18, 2017 valid until June 15, 2020
SEC No. 0278 – FR – 1 (Group C)
February 2, 2017 valid until February 6, 2020
Section 9 of MC No. 20 Series of 2019
BIR Accreditation No. 04-002375-000-2018
March 5, 2018 valid until March 4, 2021
CDA Accreditation No. 046-AF
October 17, 2017 valid until October 16, 2020

ROMEO G. TORNO, CPA
Managing Partner
CPA Certificate No. 0043083
Tax Identification No. 107-071-246
BIR Accreditation No. 04-002375-001-2018
March 5, 2018, valid until March 5, 2021
SEC No. 1678 – A
May 3, 2018 valid until March 5, 2021
PTR No. SF3579557
January 15, 2020
City of San Fernando, Pampanga

June 6, 2020

City of San Fernando, Pampanga

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

FINANCIAL HIGHLIGHTS

As at December 31, 2019 and 2018

(Amount in Philippine Peso)

	2019	2018	Increase (Decrease)
FOR THE YEAR			
TOTAL INCOME	**257,532,869**	215,078,246	42,454,623
TOTAL EXPENSES	**216,094,329**	172,433,295	43,661,034
NET INCOME	**41,438,540**	42,644,951	(1,206,411)
EARNINGS PER SHARE Ordinary Shares	**6.59**	8.48	(1.89)
RETURN ON AVERAGE EQUITY	**7.76%**	8.58%	(0.82%)
RETURN ON AVERAGE ASSETS	**1.33%**	1.51%	(0.18%)
NET INTEREST MARGIN	**5.96%**	5.44%	0.52%
AT YEAR END			
TOTAL ASSETS	**3,184,947,120**	3,035,162,344	149,784,776
LOANS AND RECEIVABLES (NET)	**2,076,845,354**	1,970,096,123	106,749,232
LIQUID ASSETS	**3,034,668,794**	2,920,191,170	114,477,624
FIXED ASSETS, Net	**85,284,152**	81,246,631	4,037,521
DEPOSIT LIABILITIES	**2,485,341,109**	2,313,406,139	171,934,969
EQUITY ACCOUNTS	**551,045,218**	516,478,161	34,492,057
BOOK VALUE PER SHARE Ordinary Shares	**86.42**	101.18	(14.76)
CAPITAL ADEQUACY RATIO	**19.77%**	19.47%	0.30%
PAST DUE RATIO	**7.62%**	5.16%	2.46%
RATIO OF LIQUID ASSETS TO DEPOSITS	**122.10%**	126.23%	(4.13%)
DEBT TO EQUITY RATIO	**4.78:1**	4.88:1	(0.10)
RATIO OF TOTAL FIXED ASSETS OVER EQUITY ACCOUNTS	**15.48%**	15.73%	(0.25%)

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

	December 31	
	2019	2018
ASSETS		
Cash and Other Cash Items (Note 7.1)	₱ 28,162,873	₱ 30,620,066
Due from BSP and Other Banks (Note 7.2)	815,575,936	780,160,645
Debt Securities Measure at Amortized Cost (Note 8)	114,084,631	139,314,336
Loans and Receivable, Net (Note 9)	2,076,845,354	1,970,096,123
Bank Premises, Furniture, Fixtures and Equipment, Net (Note 10)	85,284,152	81,246,631
Investment Property, Net (Note 11)	16,711,139	24,464,930
Other Assets (Note 12)	10,091,368	9,259,612
Right of Used Assets (Note 13)	37,941,882	-
Deferred Tax Assets (Note 27)	249,785	-
TOTAL ASSETS	₱3,184,947,120	₱3,035,162,344
LIABILITIES & SHAREHOLDERS' EQUITY		
LIABILITIES		
Deposit Liabilities (Note 14)	₱2,485,341,109	₱2,313,406,139
Bills Payable (Note 15)	34,527,937	140,495,873
Accrued Interest, Taxes and Other Expenses Payable (Note 16)	9,744,455	8,431,094
Income Tax Payable (Note 27)	3,150,892	1,574,161
Treasurer's/Cashier's/Manager's and Gift Checks	32,637	32,637
Other Liabilities (Note 17)	101,104,872	54,669,278
TOTAL LIABILITIES	2,633,901,902	2,518,609,183
SHAREHOLDERS' EQUITY		
Share Capital (Note 18)		
Common	314,480,700	251,585,000
Preferred	7,470,300	7,470,300
Additional Paid-in Capital	85,146,459	85,146,459
Surplus (Note 18)		
Reserve	20,000,000	20,000,000
Free	97,274,781	125,678,424
Appraisal Increment Reserve	26,672,978	26,672,978
TOTAL SHAREHOLDERS' EQUITY	551,045,218	516,553,161
TOTAL LIABILITIES & EQUITY ACCOUNTS	₱3,184,947,120	₱3,035,162,344
BOOK VALUE PER SHARE	86.42	101.16

See accompanying Notes to Financial Statements.

RECEIVED
DATE:
BY:
COLLECTION CLERK
BSP - SAN FERNANDO CITY FO

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

	Years Ended December 31	
	2019	2018
INTEREST INCOME (Note 19)		
Loans & Receivables	₱141,201,254	₱101,295,431
Due from Other Banks	51,551,600	55,883,210
Investments	11,552,536	11,840,724
TOTAL INTEREST INCOME	204,305,390	169,019,366
INTEREST EXPENSE (Note 14 & 15)		
Savings Deposits	16,744,478	9,739,738
Time Deposits	13,625,476	14,839,391
Demand Deposit	482,128	519,429
Bills Payable	2,424,023	2,071,554
TOTAL INTEREST EXPENSE	33,276,105	27,170,113
NET INTEREST INCOME	171,029,285	141,849,254
PROVISION FOR CREDIT LOSSES (Note 9)	3,488,339	5,133,815
NET INTEREST INCOME AFTER PROVISION	167,540,946	136,715,439
OTHER INCOME (Note 20)	53,227,479	46,058,800
TOTAL INCOME BEFORE OPERATING EXPENSES	220,768,425	182,774,319
OTHER OPERATING EXPENSE		
Compensation & Fringe Benefits (Note 21)	65,938,225	61,823,572
Other Operating Expenses (Note 23)	51,269,061	51,053,645
Taxes & Licenses (Note 29)	5,128,587	2,553,656
Depreciation & Amortization (Note 24)	15,846,966	9,603,177
Impairment Losses	6,059,749	1,617,804
Bad Debts Written-Off	29,876,848	9,940,883
	174,119,436	136,592,737
NET INCOME BEFORE INCOME TAX	46,648,989	46,181,582
INCOME TAX EXPENSE (BENEFIT) (Note 27)	5,210,449	3,536,631
NET INCOME AFTER INCOME TAX	₱ 41,438,540	₱ 42,644,951
EARNINGS PER SHARE	6.59	8.48

See accompanying Notes to Financial Statements.

RECEIVED
DATE:
BY:
SAN FERNANDO CITY FO

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

	For the Years Ended December 31	
	2019	2018
PROFIT FOR THE YEAR	₱41,438,540	₱42,644,951
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	₱41,438,540	₱42,644,951

See accompanying Notes to Financial Statements.

RECEIVED
DATE
BY
2023 SAN FERNANDO CITY, LA

RANG-AY BANK (A RURAL BANK), INC.
STATEMENTS OF CHANGES IN EQUITY
For the Years Ended December 31, 2019 and 2018

	SHARE CAPITAL - COMMON (Note 18)	SHARE CAPITAL - PREFERRED (Note 18)	ADDITIONAL PAID IN CAPITAL	SURPLUS RESERVE	SURPLUS FREE (Note 18)	APPRAISAL INCREMENT RESERVE	Total
Balance at January 1, 2018	₱251,585,000	₱7,470,300	₱85,146,459	₱20,000,000	₱125,678,424	₱26,672,978	₱516,553,161
Total comprehensive income for the year					41,438,540		41,438,540
Declaration of dividends					(70,667,909)		(7,772,209)
Net charges/Prior period adjustments	62,895,700				825,726		825,726
Balance at December 31, 2018	₱ 314,480,700	₱7,470,300	₱85,146,459	₱20,000,000	₱ 97,274,781	₱26,672,978	₱551,045,218
Balance at January 1, 2018	₱201,268,000	₱7,470,300	₱85,146,459	₱20,000,000	₱136,598,144	₱26,672,978	₱477,155,881
Total comprehensive income for the year					42,644,951		42,644,951
Declaration of dividends	50,317,000				(56,579,149)		(6,262,149)
Net charges/Prior period adjustments					3,014,478		3,014,478
Balance at December 31, 2018	₱251,585,000	₱7,470,300	₱85,146,459	₱20,000,000	₱125,678,424	₱26,672,978	₱516,553,161

See accompanying Notes to Financial Statements.

RECEIVED
JUN
2023 SAN FERNANDO CITY, L

RANG-AY BANK (A RURAL BANK), INC.
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2019 and 2018

	2019	2018
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	₱ 46,648,990	₱ 46,181,582
Adjustment to reconcile Net Income to		
Net cash provided by operating activities:		
Depreciation/Amortization (Note 10 & 24)	15,846,966	9,603,177
Gain from Sale of Non-Financial Assets (Note 20)	(6,616,321)	(3,071,257)
Provisions (Note 9)	3,488,339	5,133,815
Interest Income (Note 7,8, 9 and 19)	(204,305,390)	(169,019,366)
Interest Expense (Note 14 & 15)	33,276,105	27,170,1135
Operating income before working capital adjustments	(111,661,311)	(84,001,937)
Decrease/(Increase) in:		
Loans & Receivables (Note 9)	(110,237,571)	(369,076,196
Other Assets (Note 12)	(921,706)	1,700,529
Increase / (Decrease) in current liabilities		
Deposit liabilities (Note 14)	171,934,969	291,525,227
Accrued other expense (Note 16)	32,307	(749,911)
Other liabilities (Note 17)	7,661,093	19,932,097
Income Taxes paid/withheld (Note 27)	(3,883,504)	(3,482,387)
Interest received (Note 7,8, 9 & 19)	204,305,390	169,019,366
Interest paid	(31,995,050)	(21,409,943)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	126,234,617	3,456,845
CASH FLOW FROM INVESTING ACTIVITIES		
Net (Additions) Disposals of Investments (Note 8)	25,229,706	7,170,875
Cash payments on Investment Properties (Note 11)	(5,458,056)	(30,007)
Cash receipts from Investment Properties (Note 11)	19,828,167	6,646,397
Cash payments on Premises, Furniture, & Equip (Note 10)	(14,633,184)	(14,309,934)
Cash receipts from disposals of Premises, Furn. and Equip (Note 10)	395,954	141,267
NET CASH PROVIDED (USED IN) BY INVESTING ACTIVITIES	25,362,587	(381,401)
CASH FLOW FROM FINANCING ACTIVITIES		
Cash Receipts from Bills Payable (Note 15)	(105,967,936)	77,779,168
Issuance of Shares (Note 18)	62,895,700	50,317,000
Net Charges to Surplus/Prior Period Adjustments (Note 18)	825,726	3,014,477
Cash Disbursements on Cash Dividends (Note 18)	(70,667,909)	(56,579,149)
Payment ion leasing liability	(4,724,687)	-
NET CASH PROVIDED (USED IN) BY FINANCING ACTIVITIES	(117,639,106)	74,531,496
NET (DECREASE) INCREASE IN CASH & CASH EQUIVALENTS	32,958,098	77,606,939
CASH & CASH EQUIVALENTS – BEGINNING	810,780,711	733,173,772
CASH & CASH EQUIVALENTS – ENDING (Note 7)	₱ 843,738,809	₱810,780,711

See accompanying Notes to Financial Statements

RECEIVED
DATE: JUN 29 2020
BY: COLLECTION
CITY I, ID

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) authorized the Bank 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 three (3) on-site automated teller machine in partnership with Development Bank of the Philippines (DBP) wherein one is located each at Sta. Lucia Branch, Bangar Branch and Bacnotan Branch and currently has twenty nine (29) 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
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; Two (2) of them is independent directors.

Approval of Financial Statements
The accompanying financial statements of the Bank for the year ended December 31, 2018 were authorized for issue by its Board of Directors on June 6, 2020.

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.

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) and relative laws, regulations and industry practices applicable to rural banks. 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 4.

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, 2019. 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

New Standards

- *PFRS 16, 'Leases'*
  The Bank applied PFRS 16 using the simplified approach, with an initial application date of January 1, 2019. The Company has not restated the comparative information, which continues to be reported under PAS 17.

  This standard replaces the current guidance in PAS 17 and is a far-reaching change in accounting by lessees in particular.

  Under PAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). PFRS 16 now requires lessees to recognize a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees.

  For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for leases is expected to impact negotiations between lessors and lessees.

  Under PFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

  The effect of adopting PFRS 16 as of January 1, 2019 follows:

  PFRS 16 will affect primarily the accounting by lessees and will result in the recognition of almost all leases on balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases.

  The statement of profit or loss will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense will be replaced with interest and depreciation, so key metrics like Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA) will change.

  Operating cash flows will be higher as cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of the payments that reflects interest can continue to be presented as operating cash flows.

  The accounting by lessors will not significantly change. Some differences may arise as a result of the new guidance on the definition of a lease. Under PFRS 16, a contract is, or contains, a lease of the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

- *IFRIC 23, 'Uncertainty over income tax treatments'*
  This IFRIC clarifies how the recognition and measurement requirements of PAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The PFRS IC had clarified previously that PAS 12, not PAS 37 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

  An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects

of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

Amendments

- *PFRS 2, 'Share based payments', on clarifying how to account for certain types of share-based payment transactions (effective 1 January 2018)*
- *PFRS 4, 'Insurance contracts' regarding the implementation of PFRS 9,* 'Financial instruments'
- PAS 28, 'Investments in associates and joint ventures' regarding measuring an associate or joint venture at fair value effective 1 July 2018.
- Amendments to PAS 40, Investment Property, Transfers of Investment Property
- *IFRIC 22, 'Foreign currency transactions and advance consideration'*
- *PFRS 3 and PFRS 11. The amendments to PFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it re-measures previously held interests in that business. The amendments to PFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not re-measure previously held interests in that business.*
- *PAS 12. The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognized in profit or loss, regardless of how the tax arises.*
- *PAS 23. The amendments clarify that if any specific borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.*

Pronouncement issued but not yet effective

The Bank will adopt the following pronouncement when these become effective except as otherwise indicated; the Bank does not expect that the future adoption of these pronouncements will have a significant impact on its financial statements.

Effective beginning on or after January 1, 2020

- Amendments to PFRS 3, *Definition of a Business*
- Amendments to PAS 1, *Presentation of Financial Statements, and PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

Effective beginning on or after January 1, 2021

- *PFRS 17, 'Insurance contracts'*
  This standard replaces PFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. PFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

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 Group 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 – Prior to effective January 1, 2018.

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 investments are under this category.

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.

The Bank has no financial assets 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.

The Bank has no financial assets under this category.

Financial Assets at fair value through profit or loss

This category includes financial assets that are either classified as held for trading or that meets certain conditions and are designated by the entity to be carried at fair value through profit or loss upon initial recognition. All derivatives fall into this category, except for those designated and effective as hedging instruments. Financial assets at FVTPL are measured at fair value, and changes therein are recognized in profit or loss. Financial assets (except derivatives and financial instruments originally designated as financial assets at fair value through profit or loss) may be reclassified out of FVTPL category if they are no longer held for the purpose of being sold or repurchased in the near term. Notwithstanding the criteria the debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

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.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if:

- The economic characteristics and risks are not closely related to the host
- A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- The hybrid contract is not measured at fair value through 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.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

The Bank has no financial assets under this category.

Impairment of Financial Assets

The bank recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Bank expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months. For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default.

For trade receivable and contract assets, the Bank applies a simplified approach in calculating ECLs. Therefore, the Bank does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime of ECLs at each reporting date. The Bank has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The bank considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Bank may also consider a financial asset to be in default when internal or external information indicates that the Bank is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Bank. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

The Bank assesses at the end of each reporting period whether there is objective evidence that a financial asset or Bank of financial assets is impaired. A financial asset or a Bank of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or Bank of financial assets that can be reliably estimated.

Objective evidence that a financial asset or Bank of assets is impaired includes observable data that comes to the attention of the Bank about certain loss events, including, among others:

(i) significant financial difficulty of the issuer or debtor;
(ii) a breach of contract, such as a default or delinquency in interest or principal payments;
(iii) it is probable that the borrower will enter bankruptcy or other financial reorganization;
(iv) the disappearance of an active market for that financial asset because of financial difficulties; or,
(v) observable data indicating that there is a measurable decrease in the estimated future cash flows from a Bank of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Bank.

Considering that the Bank is regulated by the Bangko Sentral ng Pilipinas (BSP) which requires a distinct provisioning as well as default provision pursuant to Circular 855, 941 and 1011, then in case of conflict between the standard (PFRS) and special law (which is enacted by BSP such as MORB), then the latter will prevail.

The Bank recognizes impairment loss based on the category of financial assets as follows:

Carried at Amortized Cost – Loans and Receivables and Debt Securities Measured at Amortized Cost (formerly Held-to-Maturity Financial Assets)

For assets carried at amortized cost, the Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and individually or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the Bank includes the asset in a Bank of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on loans and receivable or debt securities carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss. If a loan or debt securities has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. When practicable, the Bank may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are Banked on the basis of similar credit risk characteristics (i.e., on the basis of the Bank's grading process that considers asset type, industry, geographical location, collateral type, past due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for Banks of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a Bank of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets and historical loss experience for

assets with credit risk characteristics similar to those in the Bank. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Estimates of changes in future cash flows for Banks of assets should reflect and be consistent with changes in related observable data from period to period. The methodologies and assumptions used for estimating future cash flows are reviewed regularly by the Bank to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectible subject to BSP guidelines, it may be written off against the related allowance for loan impairment. Such loans are written off after all the necessary procedures, including approval from the management, the BOD and the BSP, have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are presented as part of Other Income in the statement of profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in profit or loss.

When possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. 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 sale of the original loan and the present value of the restructured cash flows, discounted at the original effective interest rate, is recognized in profit or loss as part of Impairment Losses.

Derecognition of Financial Assets

The financial assets (or where applicable, a part of a financial asset or part of a Bank 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. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

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

Financial Liabilities

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. A 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; or
   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.

Subsequent measurement

In both the current and prior period, financial liabilities are classified as subsequently measured at amortized cost, except for:

- ***Financial liabilities at fair value through profit or loss:*** this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in the trading booking) and other financial liabilities designated as such at initial recognition. Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable changes in market conditions that give rise to market risk) and partially profit or loss (the remaining amount of change in the fair value of the liability). This is unless such presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in profit or loss.

- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition or when the continuing involvement approach applies. When the transfer of the financial asset did not qualify for derecognition, a financial liability is recognized for the consideration received for the transfer. In subsequent period, the Bank recognizes any expense incurred on the financial liability, when continuing involvement approach applies, see note 5.

Derecognition

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 profit or loss.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Balance Sheet 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. This is not generally the case with master netting agreements, and the related assets and liabilities are presented at gross amount in the balance sheet.

Equity Instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

The Bank subsequently measures all equity instruments at fair value through profit or loss, except where the Bank's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Bank's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognized in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognized in profit or loss as other income when the Bank's right to receive payments is established.

Gains and losses on equity investments as FVPL are included in the 'Net trading income' line in the statement of profit or loss.

Financial Assets

This category includes cash and cash equivalents, loans receivable, investments and portion of other assets pertaining to rental deposits.

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 Due from Bangko Sentral ng Pilipinas
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.

Restructured Loans
Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment period and the arrangement of new loan terms and conditions. Once the terms renegotiated have been finalized, the loan is classified as restructured loan. Management continuously reviews restructured loans to ensure that all criteria are met and the future payments are likely to occur. The loan is continuously subject to an individual or collective impairment assessment calculated using the loan's 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 "Provision for Impairment and Credit Losses" in the Statement of Income & Expenses.

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.

Sec. 304 of the Manual of Regulations for Banks (MORB) states that past due accounts of a bank shall, as a general rule, refer to all accounts in its loan portfolio, all receivable components of trading account securities and other receivables, which are not paid at contractual due date.

Sec. 304 states that loans, investments, receivables or any financial asset shall be considered non performing even without any missed contractual payments, when it is considered impaired under existing accounting standards, classified as doubtful or loss, in litigation and/or there is evidence that full repayment of principal and interest is unlikely without foreclosure of collateral, if any. All other loans, even if not considered impaired shall be considered non-performing if any principal and/or interest are unpaid for more than 90 days from contractual due date or accrued interest for more than 90 days have been capitalized, refinanced or delayed by agreement. Restructured loans shall be considered performing only, if prior to restructuring, the loans were categorized as performing. Non-performing loans and other receivables shall remain classified as such until a) there is sufficient evidence to support that full collection of principal and interests is probable and payments of interest and/or principal are received for at least 6 months; or b) written off.

The allowance for credit losses is the estimated amount of losses in the Bank's portfolio, based on evaluation of the quality of loans and prior loan loss experience (Appendix 15 of the MORB). Any amount set aside with respect to losses on loans and advances in addition to those losses that have been specifically identified or potential losses are indicatively present in the portfolio of loans and advances, are accounted for as appropriations from retained earnings. Any credits resulting from the reduction of such amounts result in an increase in retained earnings and are not included in the determination of net profit or loss for the period. The allowance is increased by provisions charged to expense and reduced by reasonable write-offs and reversals as determined by the Bank.

The outstanding balance as of December 31, 2019 was tested for impairment. The result of the test is favorable since the allowance for probable losses booked by the Bank higher than the requirement of Attachment 3 of BSP Circular 1011 (Appendix 15 of MORB), "Guidelines for Adoption of PFRS 9".

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 (formerly Held-to-Maturity Financial Assets)
HTM Financial assets are renamed as 'Debt Securities at Amortized Cost' as required under Annex A of BSP Circular 1011. These are financial assets other than those that are designated at fair value through profit or loss, which meet both of the following conditions:

- 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.

Premises, Furniture, Fixtures and Equipment's
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. Land is stated at cost less any impairment value
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.

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.

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 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

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.

Impairment of Premises, Furniture, Fixtures & Equipment
An assessment is made at the balance sheet date to determine whether there is any indication that an asset may be impaired, or whether there is any indication that an impairment loss previously recognized for an asset in prior years may no longer exist or may have decreased. If any such indication exists and when the carrying value of an asset exceeds its estimated recoverable amount, the asset is written down to its recoverable amount.

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value of money and the

risk specific to the asset. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs. For impairment loss on specific assets or investments, the recoverable amount represents the net selling price.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged against operations in the year in which it arises. A previously recognized impairment loss is reversed only if there has been a change in estimate used to determine the recoverable amount of an asset, however, not to an amount higher than the carrying amount that would have been determined (net of any accumulated depreciation and amortization for premises, furniture, fixtures, and equipment) had no impairment loss was recognized for the asset in prior years. A reversal for impairment loss is credited to current operations.

Investment Properties
Initially, investment properties are measured at cost including certain transaction costs. Investment properties acquired through a nonmonetary asset exchange is measured initially at fair value unless (a) the exchange lacks commercial substance or (b) the fair value of neither the asset received nor the asset given up is reliably measured. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any accumulated impairment in value.
Investment properties are derecognized when they have either been disposed of or when the investment properties are permanently withdrawn from use and no future benefit is expected from their disposal. Any gain or loss on the derecognition shall be recorded as gain on sale of investment properties in the Statement of Income in the year of disposal.

Expenditures incurred after the investment properties have been put into operation, such as repairs and maintenance costs, are normally charged to income in the period when the costs are incurred.

Depreciation is computed using the straight-line method based on the estimated useful lives of the assets of 10 years or shorter from the date of acquisition. Land is not depreciated.

However, under Sec.382c of the BSP MORB, land and building classified as Real and Other Properties Acquired (ROPA) shall be accounted for as Investment Properties under PAS 40.

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.

Other Assets
Other assets account represents residual accounts which were not classified as a separate line item in the manual of accounts as provided in Circular 512 as amended by Circular 520 issued by the Bangko Sentral ng Pilipinas.

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.

Financial Liabilities

Financial liabilities include deposit liabilities, bills payable and other accrued expenses and are recognized when the Bank becomes party to the contractual agreement of the instrument. Financial liabilities are initially recognized at their fair value and subsequently measured at amortized cost less settlement payments. The following compose the financial liabilities of the Bank.

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.

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 outflow of economic benefit is probable.

Revenue Recognition
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.

A contract liability is the obligation to transfer goods or services to a customer for which The Bank has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before The Bank transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when The Bank performs its obligations under the contract.

Contract liabilities also include payments received by The Bank from the customers for which revenue recognition has not yet commenced.

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

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.

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.

Leases

Lease Recognition – January 1, 2019

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.

Lease Recognition – Prior to January 1, 2019

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other lease are classified as operating leases.

i. Operating Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at the inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A re-assessment is made after the inception of the lease only if one of the following applies:

a. There is a change in contractual terms, other than a renewal or extension of the arrangement;
b. A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
c. There is a change in the determination of whether the fulfillment is dependent on specified asset; or
d. There is a substantial change to the asset.

Where re-assessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the re-assessment for scenarios a, c or d and at the date of renewal or extension period for scenario b.

- The Bank as a Lessor. Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases is recognized as income in the statement of comprehensive income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.
- The Bank as a Lessee. Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expense in the statement of comprehensive income on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where there another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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 company 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

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.

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, 2019 and 2018, the Bank has no DSS recorded under liabilities and equity.

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.

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
Effective on or after January 1, 2019

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).

Effective before January 1, 2019

Operating lease

Bank as lessor
The Bank has entered into commercial property leases on its investment property portfolio. The Bank has determined based on the evaluation of the terms and conditions of the arrangements (i.e., the lease does not transfer the ownership of the asset to the lessee by the end of the lease term, the lessee has no option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option is exercisable and the lease term is not for the major part of the asset's economic life), that it retains all the significant risks and rewards of ownership of these properties which are leased and so accounts for the contracts as operating leases.

Bank as lessee
The Bank has entered into leases on premises it uses for its operations. The Bank has determined, based on the evaluation of the terms and conditions of the lease agreements (i.e. the lease does not transfer ownership of the asset to the lessee by the end of the lease term and the lease term is not for the major part of the asset's economic life), that the lessor retains all significant risks and rewards of the ownership of these properties and so accounts for these contracts as operating leases.

b. Business model test
The Bank manages its financial assets based on business models that maintain adequate level of financial assets to match expected cash outflows and maintain adequate level of high quality liquid assets while maintaining a strategic portfolio of financial assets for trading activities.
The Bank's business model can be to hold financial assets to collect contractual cash flows even when sales of certain financial assets occur. PFRS 9, however, emphasizes that if more than an infrequent number of sales are made out of a portfolio of financial assets carried at amortized cost and those sales are more than insignificant in value (either individually or in aggregate), the entity should assess whether and how such sales are consistent with the objective of collecting contractual cash flows.

In making this judgment, the Bank considers the circumstances surrounding the disposal as well as the requirements of BSP Circular No. 1011, Guidelines on the adoption of PFRS 9.

c. Cash flow characteristics test
In determining the classification of financial assets under PFRS 9, the Bank assesses whether the contractual terms of these financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, with interest representing time value of money and credit risk associated with the principal amount outstanding. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual term that changes the timing or amount of cash flows (unless it is a variable interest rate that represents time value of money and credit risk) does not meet the amortized cost criteria.

d. 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.

e. 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.

f. 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 (Underperforming)	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 (Underperforming)	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 (Underperforming)	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 obtains 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, 2019 and 2018:

	2019			
	**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	₱ 141,799,274	₱ -	₱ -	₱ 141,799,274
Agriculture, hunting and forestry	699,069,010	-	-	699,069,010
Financial institutions	-	815,575,936	116,359,631	931,935,567
Construction	140,714,466	-	-	140,714,466
Manufacturing	16,112,623	-	-	16,112,623
Information and communication	854,025	-	-	854,025
Accommodation and food service activities	236,786,171	-	-	236,786,171
Education	82,934,472	-	-	82,934,472
Transportation and storage	24,394,866	-	-	24,394,866
Real estate activities	381,889,610	-	-	381,889,610
Human health and social work activities	9,141,661	-	-	9,141,661
*Activity of households as employers and undifferentiated goods-and-services-producing activities of households for own use	248,584,686	-	-	248,584,686
Water supply, Sewerage, Waste management and Remediation Activities	941,125	-	-	941,125
Electricity, gas and water supply	65,220,274	-	-	65,220,274
Mining and quarrying	24,534,390	-	-	24,534,390
Other service activities	46,510,074	-	-	46,510,074
Less: Allowance for Credit Losses	51,829,012	-	2,275,000	54,104,012
Total	₱2,067,457,716	₱815,575,936	₱ 114,084,631	₱2,997,118,282

*Includes loans to individual primarily for personal use purposes
**Amount is net of Unamortized Discount

	2018			
	***Loans and Receivables	Due from BSP and Other Banks	**Debt Securities Measured At Amortized Cost	Total
Wholesale and retail trade, repair of motor vehicles, motorcycles and personal	₱ 581,631,863	₱ -	₱ -	₱ 581,631,863
Agriculture, forestry and fishing	541,458,341			541,458,341
Financial institutions	-	780,160,645	141,589,336	921,749,981
Construction	125,921,636			125,921,636
Manufacturing	6,656,392			6,656,392
Accommodation and food service activities	53,287,153			53,287,153
Education	90,142,847			90,142,847
Transportation and storage	26,854,638			26,854,638
Real estate activities	299,154,653			299,154,653
*Activities of households as employers and undifferentiated goods-and-services-producing activities of households for own use	217,472,546			217,472,546
Electricity, gas, stream and air-conditioning supply	30,870,677			30,870,677

Other service activities	30,796,619			30,796,619
Less: Allowance for Credit Losses	48,340,672		2,275,000	50,615,672
Total	₱1,955,906,893	₱780,160,645	₱139,314,336	₱2,875,381,874

*Includes loans to individual primarily for personal use purposes
** Under column for HTM, it composes HTM and UDS at net of amortization.
***Amount is net of Unamortized Discount

- *High grade* – These are financial assets which have a high probability of collection or are invested or deposited with reputable financial institutions. The counterparty has the apparent ability to satisfy its obligation and the securities on the receivables are readily enforceable.
- *Standard grade* –These are financial assets where collections are probable due to the reputation and the financial ability of the counterparty to pay but with experience of default.

The tables below show the credit quality per class of financial assets (gross of allowance for credit and impairment losses) as at December 31, 2019 and 2018:

	2019				
	High grade	Standard grade	Past due but not impaired	Impaired	Total
Due from BSP	₱ 76,845,455	₱ -	₱ -	₱ -	₱ 76,845,455
Due from other banks	738,730,481	-	-	-	738,730,481
Receivable from customers:					
Microfinance loans	1,527,494	-	351,763	-	1,879,257
Other loans	1,954,282,904	5,689,317	157,435,249	-	2,117,407,470
Other receivables:					
Sales Contract Receivable	10,441,216	2,724,815	-	-	13,166,031
Accounts receivable	5,588,587	-	-	-	5,588,587
Debt Securities Measured At Amortized Cost	115,000,000	2,275,000	-	-	117,275,000
	₱2,902,416,137	₱10,689,132	₱157,787,012	₱ -	₱ 3,070,892,281

*Amount is net of Unamortized Discount

	2018				
	High grade	Standard grade	Past due but not impaired	Impaired	Total
Due from BSP	₱ 75,832,938	₱ -	₱ -	₱ -	₱ 75,832,938
Due from other banks	704,327,707				704,327,707
*Receivable from customers:					
Microfinance loans	1,594,853	23,956	345,341		1,964,151
Other loans	1,892,745,192	13,875,964	95,662,258		2,002,283,414
Other receivables:					-
Sales Contract Receivable	14,357,664	5,100,776			19,458,440
Accounts receivable	2,773,944				2,773,944
Debt Securities Measured at Amortized Cost	140,559,054	2,275,000			142,834,054
	₱2,481,554,460	₱6,003,855	₱96,007,599	₱5,096	₱2,954,008,759

*Amount is net of Unamortized Discount

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, 2019 and 2018, 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, 2019 and 2018.

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.

With BSP approval, the Bank transferred to Schuykill Asset Strategists, Inc. (A special Purpose Vehicle or PSAV) Real and Other Properties Acquired (ROPA) and non-performing loans in the amount of ₱11,099,813.18. The BIR allowed the Bank to amortize the amount for a period of 10 years starting April 1, 2009.

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, 2019 and 2018.

	2019			
	Less than 30 Days	31 to 60 Days	61 to 90 Days	Total
Receivable from customers:				
Microfinance loans	₱ -	₱ -	₱ 351,763	₱ 351,763
Other loans	-	3,422,322	154,012,927	157,435,249
	₱ -	₱3,422,322	₱154,364,690	₱157,787,012

	2018			
	Less than 30 Days	31 to 60 Days	61 to 90 Days*	Total
Receivable from customers:				
Microfinance loans	₱ -	₱ -	₱ 345,341	₱ 345,341
Other loans	132,323	127,720	95,401,615	95,661,658
	₱ 132,323	₱127,720	₱95,746,956	₱96,006,999

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, 2019 and 2018, 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. ₱52.46 and ₱50.70 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. 2019 and 2018, the Bank's exposure to interest rate risk is minimal.

The Bank's receivables earn interest rates ranging from 6% to 15% and 6% to 13% in 2019 and 2018, respectively. The shortest term of loan is one month while the longest term is ten years.

For the year 2019 and 2018, demand deposit carries interest rates ranging from 0.20% to 0.30% and 0.20% to 0.30%, respectively, while savings deposit carries an interest rate ranging from 0.20% to 0.50% and 0.20% to 0.50%, respectively. The Bank's special savings or time deposit carries interest rate ranging from 1.60% to 4.10% and 0.70% to 3.75%, for the year 2019 and 2018, respectively, while its gold saver 5 carries interest rate ranging from 4.30% to 4.80% and 3.50% to 4.75%, respectively.

Bills payable pays fixed interest rates to the Bank's creditors from 2.00% to 5.50% and 3.00% to 4.00% per annum in 2019 and 2018, 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:

	2019					
	On demand	Due within 1 month	1 to 3 months	3 to 12 months	Beyond 1 year	Total
Financial Liabilities						
Deposit liabilities	₱1,738,649,236	₱ 280,270,144	₱ 124,964,575	₱ 66,129,081	₱ 275,328,072	₱2,485,341,109
Bills payable	-	-	-	32,003,000	2,524,937	34,527,937
Other liabilities:						
Accrued expenses	1,152,307	-	-	-	-	1,152,307
Accrued interest payable	1,138,030	2,174,638	710,103	347,353	4,222,024	8,592,148
Accounts payable	55,210,933	-	-	-	-	55,210,933
Total Financial Liabilities	₱1,796,150,506	₱ 282,444,782	₱ 125,674,678	₱ 98,479,434	₱ 282,075,033	₱2,584,824,434
Financial Assets						
Cash and other cash items	₱ 28,162,873	₱ -	₱ -	₱ -	₱ -	₱ 28,162,873
Due from BSP	76,845,455	-	-	-	-	76,845,455
Due from other banks	323,736,481	265,000,000	110,000,000	20,000,000	-	738,736,481
*Loans and receivable	323,617,208	264,382,027	206,211,078	385,423,375	939,673,040	2,119,286,728
*Sales Contract Receivable	842,336	3,524,511	-	-	8,799,183	13,166,031
Accounts receivable	5,588,857	-	-	-	-	5,588,857
*Debt Securities At Amortized Cost	7,123,018	4,775,786	24,802,358	24,636,992	55,021,477	116,359,631
Total Financial Assets	₱ 765,916,228	₱ 557,682,324	₱ 341,013,437	₱ 430,060,366	₱1,003,493,700	₱3,098,140,056
Liquidity Position (Gap)	₱1,030,240,278	₱(275,217,542)	₱(215,338,759)	₱(331,580,932)	₱(721,418,667)	₱(513,315,622)

Amount is net of Unamortized Discount and Unearned Income

	2018					
	On demand	Due within 1 month	1 to 3 months	3 to 12 months	Beyond 1 year	Total
Financial Liabilities						
Deposit liabilities	₱ -	₱1,622,405,067	₱218,108,435	₱189,338,867	₱283,553,770	₱2,313,406,139
Bills payable			22,612,000	103,554,200	14,329,673	140,495,873
Other Liabilities:						
Accrued expenses	1,120,000					1,120,000
Accrued interest payable		426,775	1,244,018	1,395,166	4,245,135	7,311,094
Accounts payable	50,905,514					50,905,514
Total Financial Liabilities	₱ 52,025,514	₱1,622,831,842	₱241,964,453	₱294,288,233	₱302,128,578	₱2,513,238,620
Financial Assets						
Cash and other cash items	₱ 30,620,066	₱ -	₱ -	₱ -	₱ -	₱ 30,620,066
Due from BSP	75,832,938					75,832,938
Due from other banks	334,327,707		195,000,000	175,000,000		704,327,707
*Loans and receivable	20,286,325	357,212,561	340,251,488	532,061,803	754,445,388	2,004,247,565
Sales Contract Receivable		980,849		2,020,061	16,467,530	19,468,440
Accounts receivable	2,967,592					2,967,592
Debt Securities Measured At Amortized Cost		9,815,857	4,948,310	39,406,001	85,144,168	139,314,336
Total Financial Assets	₱ 464,034,628	₱ 368,009,267	₱540,199,798	₱748,477,865	₱856,057,086	₱2,976,778,644
Liquidity Position (Gap)	₱(412,009,114)	₱1,254,822,575	₱(298,235,345)	₱(454,188,632)	₱(553,928,508)	₱ 463,540,024)

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.

MINIMUM LIQUIDITY RATIO (MLR) as of December 31, 2019

Part 1. Minimum Liquidity Ratio (MLR)	
A. Stock of Liquid Assets	**₱ 948,771,277**
B. Qualifying Liabilities	**1,940,421,912**
Minimum Liquidity Ratio	**48.90%**

	Amount
Part II. Stock of Liquid Assets	
Cash on Hand	₱19,110,710
Bank Reserves in the BSP	76,845,455
Debt Securities representing claims on or guaranteed by the Philippine National Government and the BSP	114,084,631
Deposits in Other Banks	738,730,481
	₱948,771,277

	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%)	₱1,315,599,592	₱657,799,846
2. Borrowings that are non-callable in, or have contractual maturity dates beyond, the next 30 calendar days (0%)	34,527,937	-
2. Obligations arising from operational expenses	1,152,307	-
3. Total on Balance Sheet Liabilities	2,633,901,902	
4. Deduct: (Sum of A1 to A2)	1,351,279,836	
B. Other non-balance sheet liabilities (Item A.3 less A.4)		1,282,622,066
C. Irrevocable obligations under off-balance sheet items		
D. Total (Sum of Adjusted Amount of Item A(1),A(2),B and C)		₱1,940,421,912

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, 2019 and 2018:

	2019		2018	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets:				
Cash and Cash Equivalents	**₱ 843,738,809**	**₱ 843,738,809**	₱ 810,780,711	₱ 810,780,711
Debt Securities Measured at Amortized Cost	**114,084,631**	**114,084,631**	139,314,336	139,314,336
Loans and Receivable, net	**2,076,845,354**	**2,076,845,354**	1,970,096,123	1,970,096,123
Accounts Receivable	**4,936,670**	**4,936,670**	2,967,592	2,967,592
Total Financial Assets	**₱3,039,605,464**	**₱3,039,605,464**	₱2,923,158,762	₱2,923,158,762
Non-Financial Assets:				
Investment Properties, net	**16,711,139**	**16,711,139**	24,464,931	24,464,931
Total	**₱3,056,316,603**	**₱3,056,316,603**	₱2,947,623,693	₱2,947,623,693
Financial Liabilities:				
Deposit Liabilities	**₱2,485,341,109**	**₱2,485,341,109**	₱2,313,406,139	₱2,313,406,139
Accrued interest & other expense	**9,744,455**	**9,744,455**	8,431,094	8,431,094
Bills Payable	**34,527,937**	**34,527,937**	140,495,873	140,495,873
Other Liabilities*	**55,210,933**	**55,210,933**	50,905,514	50,905,514
Total	**₱2,584,824,434**	**₱2,584,824,434**	₱2,513,238,620	₱2,513,238,620

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 – 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, 2019 and 2018, 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 are 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:

	2019			
	Carrying Value	Level 1	Level 2	Level 3
Financial Assets:				
Cash and Cash Equivalents	₱ 843,738,809	₱ -	₱ -	₱ 843,738,809
HTM investment, net	114,084,631		114,084,631	
Loans and Receivable, net	2,076,845,354			2,076,845,354
Accounts Receivable, net	4,936,670			4,936,670
Total	₱3,039,605,464	₱ -	₱114,084,631	₱2,925,520,883
Non-Financial Assets				
Investment Properties, net	16,711,139			16,711,139
	₱3,056,316,603	₱ -	₱114,084,631	₱2,942,231,972
Financial Liabilities:				
Deposit Liabilities	₱2,485,341,109	₱ -	₱ -	₱2,485,341,109
Bills Payable	34,527,937	-	-	34,527,937
Accrued Expenses	9,744,455	-	-	9,744,455
Other Liabilities*	55,210,933	-	-	55,210,933
Total	₱2,584,824,434	₱ -	₱ -	₱2,584,824,434

	2018			
	Carrying Value	Level 1	Level 2	Level 3
Financial Assets:				
Cash and Cash Equivalents	₱ 810,780,711	₱ -	₱ -	₱ 810,780,711
HTM investment, net	139,314,336		139,314,336	
Loans and Receivable, net	1,970,096,123			1,970,096,123
Accounts Receivable, net	2,967,592			2,967,592
Total	₱2,923,158,762	₱ -	₱139,314,336	₱2,783,844,426
Financial Liabilities:				
Deposit Liabilities	₱2,313,406,139	₱ -	₱ -	₱2,313,406,139
Bills Payable	140,495,873			140,495,873
Accrued Expenses	8,431,094			8,431,094
Other Liabilities*	50,905,514			50,905,514
Total	₱2,513,238,620	₱ -	₱ -	₱2,513,238,620

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:

	2019	2018
7.1. Cash and Other Cash Items		
Cash on Hand and in Vault	**₱ 19,110,710**	₱ 18,504,507
Cash and Other Cash Items	**9,052,163**	12,115,559
Total cash and other cash items	**₱ 28,162,873**	₱ 30,620,066
7.2. Due from BSP and other Banks		
Due from Bangko Sentral ng Pilipinas	**₱ 76,845,455**	₱ 75,832,938
Due from Other Banks	**738,730,481**	704,327,707
Total due from BSP and other banks	**₱815,575,936**	₱780,160,645
Total Cash and Cash Equivalent	**₱843,738,809**	₱810,780,711

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	2019	%	2018	%
Metrobank & Trust Company	**₱ 10,009**	**0.00%**	₱ 10,008	0.00%
Banco De Oro	**140,490,964**	**19.02%**	86,032,693	12.21%
Philippine National Bank	**60,871,645**	**8.24%**	60,153,155	8.54%
China Banking Corporation	**60,010,050**	**8.12%**	40,010,145	5.68%
Land Bank of the Philippines	**40,830,979**	**5.53%**	56,201,354	7.98%

Bank of Commerce	40,000,000	5.41%	35,000,000	4.97%
Bank of the Philippine Islands	65,000,000	8.80%	65,000,000	9.23%
BPI Family Savings Bank	40,000,000	5.68%	40,000,000	5.68%
Development Bank of the Philippines	36,516,834	4.94%	86,920,352	12.34%
Asia United Bank	20,000,000	2.71%	20,000,000	2.84%
May Bank	-	0.00%	-	0.00%
PBCOM	10,000,000	1.35%	10,000,000	1.42%
Philippine Business Bank				
Philtrust Bank	40,000,000	5.41%	40,000,000	5.68%
PS BANK	55,000,000	7.45%	45,000,000	6.39%
Security Bank Corporation	60,000,000	8.12%	60,000,000	8.52%
United Coconut Planters Bank	20,000,000	2.71%	20,000,000	2.84%
Unionbank of the Philippines	30,000,000	4.06%	20,000,000	2.84%
Eastwest Bank	20,000,000	2.71%	20,000,000	2.84%
Total	**₱738,730,481**	**100.00%**	**₱704,327,707**	**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

As of December 31, 2018, the Bank's SBL was registered at P 129,947,564

As at December 31, 2019 and 2018, due from other banks includes dollar-denominated deposits amounting to $15,264 and $10,017, respectively.

Cash in bank represents current account in local bank, savings account, and time deposits. Current account and savings account earn interest at 0.0125% to 0.25%. Also, time deposits earn interest at 1.75% to 5.00% in 2019 and 1.50% to 4.50% in 2018.

Interest income from bank accounts and short-term cash deposits amounted ₱51,551,600 and ₱55,883,210 in 2019 and 2018, 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 2018 and 2017 which are not available for use by Bank.

8. DEBT SECURITIES MEASURED AT AMORTIZED COST

This account is consisting of:

	2019	2018
Book Value	**₱ 117,275,000**	₱142,834,054
Less: Unamortized Discount/Premium	**(915,369)**	(1,244,718)
Allowance for Credit Losses	**(2,275,000)**	(2,275,000)
Total	**₱ 114,084,631**	₱139,314,336

The following are the breakdown of the held-to-maturity investment:

2019

Issuer/Obligor	Interest Rate	Date Issued	Maturity Date	Face Value	Book Value
LBP (RTB3-8)	**4.25%**	**11/04/2017**	**11/04/2020**	**P 10,000,000**	**P 10,000,000**
LBP (RTB3-8)	**4.88%**	**13/06/2018**	**13/06/2021**	**10,000,000**	**10,000,000**
LBP (RTB3-8)	**3.83%**	**22/08/2017**	**11/04/2020**	**10,000,000**	**10,000,000**
LBP (RTB)	**5.75%**	**20/10/2011**	**20/10/2021**	**10,000,000**	**10,000,000**
China Bank (FXTN5-73-92518)	**2.71%**	**06/06/2016**	**20/08/2020**	**5,000,000**	**5,000,000**
China Bank (FXTN5-73-92370)	**2.65%**	**20/06/2016**	**20/08/2020**	**5,000,000**	**5,000,000**
China Bank, TB - 188608	**6.05%**	**22/02/2019**	**19/02/2020**	**5,000,000**	**5,000,000**
China Bank, TB - 193960	**5.83%**	**23/05/2018**	**20/05/2020**	**5,000,000**	**5,000,000**
China Bank, TB - 193961	**5.80%**	**23/05/2018**	**29/01/2020**	**5,000,000**	**5,000,000**
China Bank, TB - 199181	**3.65%**	**20/08/2019**	**19/08/2020**	**5,000,000**	**5,000,000**
China Bank, TB - 200712	**3.63%**	**10/03/2019**	**16/09/2020**	**5,000,000**	**5,000,000**
China Bank, TB - 203089	**3.50%**	**14/11/2019**	**21/10/2020**	**5,000,000**	**5,000,000**
BDO Unibank, Inc/ROP - (RTB)	**5.75%**	**20/10/2011**	**20/10/2021**	**10,000,000**	**10,000,000**
Metro Bank/ROP (RTB)	**5.94%**	**01/06/2012**	**01/03/2032**	**15,000,000**	**15,000,000**
Development Bank of the Phil.	**4.63%**	**12/04/2017**	**12/04/2022**	**10,000,000**	**10,000,000**
Schuykill Asset Strategies (SPV-AMC), Inc.		**24/12/2008**	**24/12/2018**	**2,275,000**	**2,275,000**
Total					**P117,275,000**
Less: Unamortized Discounts					**915,369**
Total Held to Maturity Investments					**P116,359,631**

2018

Issuer/Obligor	Interest Rate	Date Issued	Maturity Date	Face Value	Book Value
LBP (ARB)	Rate of interest based on the average 91 T-Bills rates subject to 20% withholding Tax	09/10/2009	10/09/2019	₱ 5,590,544	₱ 559,054
LBP (RTB3-8)	4.25%	04/11/2017	04/11/2020	10,000,000	10,000,000
LBP, TB	3.93%	05/23/2018	05/22/2019	10,000,000	10,000,000
LBP (RTB3-9)	4.88%	06/13/2018	06/13/2021	10,000,000	10,000,000
LBP (RTB3-8)	3.83%	08/22/2017	04/11/2020	10,000,000	10,000,000
LBP (RTB)	5.75%	10/20/2011	10/20/2021	10,000,000	10,000,000
China Bank (FXTN5-73-92518)	2.71%	06/06/2016	08/20/2020	₱ 5,000,000	₱ 5,000,000
China Bank (FXTN5-73-92370)	2.65%	06/20/2016	08/20/2020	5,000,000	5,000,000
China Bank, TB - 473410	3.58%	05/25/2018	01/16/2019	10,000,000	10,000,000
China Bank, TB - 473412	3.64%	05/25/2018	04/17/2019	10,000,000	10,000,000
China Bank, TB - 482552	3.47%	12/05/2018	12/04/2019	5,000,000	5,000,000
China Bank, TB - 184080	5.22%	11/21/2018	02/20/2019	5,000,000	5,000,000
China Bank, TB – 184082	6.18%	11/21/2018	04/24/2019	5,000,000	5,000,000
China Bank, TB – 184081	6.04%	11/21/2018	05/15/2019	5,000,000	5,000,000
China Bank, TB – 184083	6.12%	11/21/2018	05/22/2019	5,000,000	5,000,000
BDO Unibank, Inc/ROP - (RTB)	5.75%	10/20/2011	10/20/2021	₱10,000,000	₱ 10,000,000
Metro Bank/ROP (RTB)	5.94%	01/06/2012	01/03/2032	₱15,000,000	₱ 15,000,000
Development Bank of the Phil. (RTB)	4.63%	12/04/2017	12/04/2022	₱10,000,000	₱ 10,000,000
Schuykill Asset Strategies (SPV-AMC), Inc.				2,275,000	2,275,000
Total					₱142,834,054
Less: Unamortized Discounts					1,244,718
Total Held to Maturity Investments					₱141,589,336

**Unquoted Debt Securities Classified as Loans with gross amount of ₱3,952,162.28 and allowance for credit losses of ₱2,275,000 for the year ended 2017.*

Held to maturity investments earn interest income amounting to ₱11,552,536 and ₱11,840,724 for 2019 and 2018.

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:

	2019	%	2018	%
Current Loans	**₱1,982,656,605**	**92.38%**	₱1,920,121,472	94.59%
Past Due Loans - Performing	**5,689,317**	**0.27%**	13,900,522	0.68%
Past Due Loans - Non-Performing	**106,019,395**	**4.94%**	90,879,664	4.48%
Items in Litigation	**51,767,617**	**2.41%**	5,127,335	0.25%
Total	**2,146,132,935**	**100.00%**	2,030,028,992	100.00%
Less: Unamortized Discounts	**26,846,207**		25,781,427	
Total, net of discount	**2,119,286,728**		2,004,247,565	
Less: Allowance for Credit Losses				
Specific	**32,329,499**		30,227,209	
General	**19,499,512**		18,113,464	
Total Carrying Amount	**2,067,457,716**		1,955,906,893	
Add: Sales Contract Receivables, net	**9,387,638**		14,189,230	
Total Loans and Receivables-net	**₱2,076,845,354**		₱1,970,096,123	

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 7% to 15% and 6% to 15% in 2019 and 2018, respectively. Total earned interest amounts to ₱151,148,732 and ₱101,295,431 for 2019 and 2018.

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.

Current banking regulations allow banks that have no un-booked valuation reserves and capital adjustments to exclude from nonperforming classification receivables classified as loss in the latest examination of the BSP which are fully covered by allowance for losses, provided that interest on said receivables shall not be accrued for regulatory accounting purposes.

As at December 31, 2019 and 2018, receivables amounting to ₱20,007,764 and ₱143,725,050, respectively, were used as collateral for the Bank's bills payable of ₱34,527,937 and ₱140,495,873, respectively.

Movements in the allowance for credit losses related to receivables follow:

	2019	2018
Balance at beginning of year	**₱48,340,672**	₱43,206,858
Provision for credit losses	**3,488,339**	5,133,815
Other Credits	**-**	-
Balance at end of year	**₱51,829,011**	₱48,340,672

The total Allowance for Credit Losses of ₱51,829,011 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*(2017 amount is net of unamortized discounts)*:

	2019	%	2018	%
Due within one (1) year	**₱1,135,776,370**	**53%**	₱1,227,089,179	61%
Due beyond one (1) year	**1,010,356,565**	**47%**	802,939,813	39%
Total Loan Portfolio	**₱2,146,132,935**	**100%**	₱2,034,553,103	100%

As to Security:

	2019	%	2018	%
Real Estate Mortgage	**₱1,795,399,130**	**83.66%**	₱1,724,135,113	84.93%
Other Collateral	**47,551,752**	**2.22%**	59,771,546	2.94%
*Unsecured	**303,182,052**	**14.13%**	246,122,334	12.12%
Total Loan Portfolio	**₱2,146,132,935**	**100.00%**	₱2,030,028,992	100.00%

**Unsecured small farmers loans amounting to P41,452,976 (13.67% of total unsecured loans) are guaranteed by Agricultural Guarantee Fund Pool (AGFP)*

The BSP considers that loan concentration exists when total loan exposure to a particular economic sector exceeds 30% of the total loan portfolio except for the real estate loans. As at December 31, 2019 and 2018, the Bank does not exceed the limit on any industry.

Sales Contract Receivable

This account consists of:

	2019	2018
Performing	**₱10,441,216**	P14,367,664
Non- performing	**2,724,815**	5,100,776
Total	**13,166,031**	19,468,440
Less: Allowance for Credit Losses	**-**	-
Unearned Income	**3,778,392**	5,279,210
Sales Contract Receivable-net	**₱ 9,387,638**	P14,189,230

10. Bank Premises, Furniture, Fixtures and Equipment

This account is consists of:

	Land	Building	Building Under Construction	Furniture, Fixtures	Appraisal Increment	Transportation Equipment	Leasehold Improvements	Total
December 31, 2019								
Cost	**₱35,077,230**	**₱36,460,134**	**₱300,000**	**₱45,475,027**	**₱26,672,978**	**₱29,149,964**	**₱19,089,482**	**₱192,224,815**
Accumulated Depreciation and Amortization		**18,541,952**		**40,330,924**	**11,824,177**	**22,066,598**	**14,177,012**	**106,940,663**
Net carrying amount	**₱35,077,230**	**₱17,918,182**	**₱300,000**	**₱ 5,144,103**	**₱14,848,801**	**₱ 7,083,366**	**₱ 4,912,470**	**₱ 85,284,152**
December 31, 2018								
Cost	35,077,230	31,460,134	-	43,424,432	26,672,978	24,288,964	17,309,482	178,233,219
Accumulated Depreciation and Amortization	-	17,574,144	-	35,675,816	11,824,177	19,187,514	12,724,938	96,986,588
Net carrying amount	35,077,230	13,885,990	-	7,748,616	14,848,801	5,101,450	4,584,543	81,246,631

A reconciliation of the carrying amounts of bank premises, furniture, fixtures and equipment at the beginning and end of 2018 and 2017 is shown below:

	2019							
	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**	**₱31,460,134**	**₱ -**	**₱43,424,432**	**₱26,672,978**	**₱24,288,964**	**₱17,309,482**	**₱ 178,233,220**
Additions		**5,000,000**	**300,000**	**2,692,184**		**4,861,000**	**1,780,000**	**14,633,184**
Disposals				**(641,589)**				**(641,589)**
Balance at end 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**
Accumulated Depreciation and Amortization								
Balance at beginning of year	**₱ -**	**₱17,574,144**	**₱ -**	**₱35,675,816**	**₱11,824,177**	**₱19,187,514**	**₱12,724,939**	**₱ 96,986,590**
Depreciation and amortization		**967,808**		**4,902,713**		**2,873,115**	**1,456,073**	**10,199,709**
Disposals				**(247,605)**				**(247,605)**
Reclassification						**5,969**	**(4,000)**	**1,969**
Balance at end of year	**₱ -**	**₱18,541,952**	**₱ -**	**₱40,330,924**	**₱11,824,177**	**₱22,066,598**	**₱14,177,012**	**₱106,940,663**
Net Book Value	**₱35,077,230**	**₱17,918,182**	**₱300,000**	**₱ 5,144,103**	**₱14,848,801**	**₱ 7,083,366**	**₱ 4,912,470**	**₱ 85,284,152**

	2018							
	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	₱21,570,134	₱ 2,020,000	₱40,210,613	₱26,672,978	₱23,739,964	₱16,319,482	₱165,610,400
Additions	-	7,870,000	-	4,900,934	-	549,000	990,000	14,309,934
Disposals	-	-	-	(1,687,115)	-	-	-	(1,687,115)
Reclassification		2,020,000	(2,020,000)	-	-	-	-	-
Balance at end of year	₱35,077,230	₱31,460,134	₱ -	₱43,424,433	₱26,672,978	₱24,288,964	₱17,309,482	₱178,233,219
Accumulated Depreciation and Amortization								
Balance at beginning of year	₱ -	₱16,871,106	₱ -	₱32,519,313	₱11,824,177	₱16,731,152	₱11,435,253	₱89,381,002

Depreciation and amortization	-	693,277	-	4,761,074	-	2,449,463	1,312,079	9,215,892
Disposals	-	-	-	(1,580,857)	-	-	(22,394)	(1,613,251)
Reclassification	-	9,761	-	(13,714)	-	6,898	-	2,945
Write-off	-	-	-	-	-	-	-	-
Balance at end of year	₱ -	₱17,574,144	₱ -	₱35,675,816	₱11,824,177	₱19,187,514	₱12,724,938	₱96,986,588
Net Book Value	₱35,077,230	₱13,885,991	₱ -	₱ 7,748,616	₱14,848,801	₱ 5,101,450	₱ 4,584,543	₱81,246,631

*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. As of December 31, 2019, some of land and building on property and equipment were used as collateral for bills payable to Development Bank of the Philippines (DBP).

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 ₱10,199,710 and ₱9,215,893 in 2019 and 2018, 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 ₱18,264. and ₱64,457.91 during the year 2019 and 2018, respectively.

The value of the Bank premises, furniture, fixtures and equipment of ₱85,284,152, net of accumulated depreciation, as of December 31, 2019 is 15.38% 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, 2019 and 2018 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:

	2019	2018
Land	**₱ 17,672,034**	₱25,425,826
Building	-	-
Other Properties Acquired	**38**	38
Less: Accumulated Depreciation	-	-
Net Amount	**17,672,072**	25,425,864
Less: Allowance for Credit Losses	**960,934**	960,934
Net Carrying Amount	**₱16,711,139**	₱24,464,931

A reconciliation of the carrying amounts of the Bank's investment property at the beginning and end of 2019 and 2018 is shown in below:

	2019	2018
Balance at beginning of year net of accumulated depreciation and Impairment loss	**₱24,464,930**	₱28,074,521
Additions	**5,458,056**	30,007
Disposal	**(3,989,121)**	(3,639,598)
Write-down	**(3,500,000)**	-
Impairment	**(5,655,298)**	-
Adjustments	**(67,427)**	-
Balance at end of year net of accumulated depreciation and Impairment loss	**₱ 16,711,138**	₱24,464,930

There is no movement of allowance for credit losses for the December 31, 2019.

The aggregate fair value of the investment property amounted to ₱22,433,864 and ₱24,464,930 as of December 31, 2019 and 2018, respectively.

With BSP approval, the Bank transferred to Schuykill Asset Strategists, Inc. (A special Purpose Vehicle or PSAV) Real and Other Properties Acquired (ROPA) and No-performing loans in the amount of ₱11,099,813.18. The BIR allowed the Bank to amortize the amount for a period of 10 years starting April 1, 2009. Annual amortization amounts to ₱404,451.

As of December 31, 2019 and 2018, 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 ₱3,989,121 which resulted to gain on sale of ₱6,616,321 for the year ended December 31, 2018. During 2018, the Bank sold investment property (ROPA) with cost of ₱3,639,598 which resulted to gain on sale of ₱ 3,071,257.

12. OTHER ASSETS

This account is consists of:

	2019	2018
Financial Assets		
Accounts Receivables	₱ 5,588,857	₱ 3,619,778
Non-Financial Assets		
Deferred Charges	-	404,451
Petty Cash Fund	85,000	85,000
Stationery and Supplies on Hand	1,570,277	2,380,597
Miscellaneous Assets	3,238,293	3,187,843
Documentary Stamps	261,127	234,130
Total	10,743,554	9,911,799
Less: Allowance for Probable Losses	652,186	652,186
Net Other Assets	₱ 10,091,368	₱9,259,612

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.

The movements in allowance for credit losses on receivable from customers follow:

	2019	2018
Balance at beginning of year	₱652,186	₱568,458
Reversal	-	
Adjustments	-	83,729
Balance at end of year	₱652,186	₱652,186

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.

	Building	Total
Cost		
Balance at beginning of year	-	-
Additions	₱43,499,188	₱43,499,188
Balance at end of year	₱43,499,188	₱43,499,188
Accumulated Amortization		
Balance at beginning of year		-
Amortization	₱ 5,557,306	₱ 5,557,306
Balance at end of year	₱ 5,557,306	₱ 5,557,306
Net Book Value	₱37,941,882	₱37,941,882

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 is consists of:

	2019	%	2018	%
Saving Deposit	₱1,895,249,767	76.26%	₱1,721,221,175	74.42%
Demand Deposit	185,934,722	7.48%	203,907,112	8.80%
Time Deposit	404,156,620	16.26%	388,277,853	16.78%
Total Deposit Liabilities	₱2,485,341,109	100.00%	₱2,313,406,139	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 ₱171,934,969 or 7.43% over the figures of 2018.

For the year 2019 and 2018, demand deposit carries interest rates ranging from 0.20% to 0.30% and 0.20% to 0.30%, respectively, while a savings deposit carries an interest rate ranging from 0.20% to 0.50% and 0.20% to 0.50%, respectively. The bank's special savings or time deposit carries interest rate ranging from 1.60% to 4.00% and 0.70% to 3.75%, for the years 2019 and 2018 respectively, while its gold saver 5 carries interest rate ranging from 4.35% to 4.80% and 3.50% to 4.75%, respectively.

Interest expense on deposit liabilities charged to profit or loss in 2019 and 2018 amounted to ₱30,852,081 and ₱25,098,559, respectively.

Under existing BSP regulations, demand deposits, savings deposits, and time deposits of the Bank are subject to statutory reserve equivalent to 3.0%, 3.0%, and 3.0% respectively. In October 2019, BSP issued a Circular 1056 effective November 1, 2019 which increased the reserved requirements of 5% for demand and 3% for savings, with cash in vault no longer eligible as reserve. The required reserve as of December 31, 2019 amounting to ₱74,526,229 is in the form deposit with Bangko Sentral ng Pilipinas which has a balance of P 76,845,455 at year ending 2019.

15. BILLS PAYABLE

This account is consists of:

	2019	%	2018	%
Land Bank of the Philippines	₱ -	0.00%	₱73,180,673	52.09%
Development Bank of the Philippines	34,527,937	100.00%	30,000,000	21.35%

Small Business Corporation		-	0.00%	5,000,000	3.56%
Bangko Sentral ng Pilipinas		-	0.00%	32,315,200	23.00%
Total Bills Payable		**₱34,527,937**	**100.00%**	**₱140,495,873**	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:

	2019					
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	**₱17,003,000**	**₱ -**	**₱17,003,000**	**₱20,007,764**	**₱ -**	**₱(3,004,764)**
DBP	**15,000,000**	**-**	**15,000,000**	**-**	**-**	**15,000,000**
SBC	**2,542,937**	**-**	**2,542,937**	**-**	**-**	**2,542,937**
	₱34,527,937	**₱ -**	**₱34,527,937**	**₱20,007,764**	**₱ -**	**₱14,520,173**

	2018					
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	₱73,180,673	₱ -	₱73,180,673	₱ 98,331,050	₱ -	₱(25,150,377)
DBP	30,000,000		30,000,000	-		30,000,000
SBC	5,000,000		5,000,000	5,000,000		-
BSP	32,315,200		32,315,200	40,394,000		(8,078,800)
	₱140,495,873	₱ -	₱140,495,873	₱143,725,050	₱ -	₱(3,229,177)

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 ₱2,424,023 and ₱2,071,554 in 2019 and 2018, respectively.

The term of the bills payable ranges from one (1) year or less (short-term) subject to interest rate of 2.50% to 6.50%.

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 is consists of:

	2019	2018
Accrued Interest Payable	**₱6,592,148**	₱7,311,094
Accrued Other Expenses Payable	**1,152,307**	1,120,000
Total	**₱9,744,455**	₱8,431,094

Accrued interest payable represents the recognition of interest expense already due on financial liabilities such as deposit liabilities as of December 31,2019 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 is consists of:

	2019	2018
Accounts Payable	**₱ 55,834,461**	₱50,905,514
Withholding Tax Payable	**582,419**	457,548
SSS, Medicare and Pag-ibig Contribution Payable	**2,148,443**	1,602,629
Stock Dividends Payable	**550**	
Overages	**63,920**	53,087
Lease Liability	**38,774,500**	
Other Liabilities*	**4,324,107**	1,650,500
Total	**₱101,104,872**	₱54,669,278

**Other liabilities includes the following*

	2019	2018
GRT Payable	**₱1,504,292**	₱17,508
Loans Payable – Others	**2,754,363**	1,579,706
Special Liability Account	**38,915**	38,915
Due to the Treasurer of the Philippines	**11,757**	11,757
Due to Philippine Crop Insurance Corporation	**14,781**	2,614
Total	**₱4,324,107**	₱1,650,500

The above liabilities are settled either by cash or check payments. As December 31, 2019 and 2018, 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, 2020.

Other surplus reserves	**10,000,000**	10,000,000
Total Surplus Reserves	**₱20,000,000**	₱20,000,000

Provision and Adjustments
The following is the components of the provision and adjustments for the year ended December 31, 2019 and 2018

	2019	2018
Prior Period Income	**₱ 976,499**	₱2,856,054
Compromise payment of Mendoza Case	**84,204**	117,000
Adjustments in UID	**(387,331)**	
Partial payment of Breach of Contract of Employees	**158,222**	41,423
Others	**(5,868)**	
	₱ 825,726	₱3,014,477

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.

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.

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;

18. EQUITY

Ordinary Shares

The 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 share capital of 10,000,000 shares, composed of 9,200,000 shares of ordinary shares, 400,000 shares of private preferred stock and 400,000 shares of government preferred shares, all with par value of P 50.00 each share. Total subscribed ordinary shares and preferred shares amounting to P314,480,700 or 6,289,614 shares and P7,470,300 or 149,406 shares with a par value of P50, respectively. As of December 31, 2018, total paid up ordinary shares and preferred shares amounting to P314,480,700 or 6,289,614 shares and P7,470,300 or 149,406 shares, respectively.

The reconciliation of ordinary shares outstanding during the period is as follows:

	2019		2018	
	Shares	**Amount**	Shares	Amount
Common stock – P50 par value, 5,200,00 authorized shares				
Common stock at the beginning of the year	**5,181,106**	**₱259,055,300**	4,025,360	₱201,268,000
Issuance of shares of stocks from settlement of subscriptions receivable	**1,108,508**	**55,425,400**	1,006,340	50,317,000
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	**6,439,020**	**₱321,951,000**	5,181,106	₱259,055,300
Subscribed				
Subscription receivable				
	6,439,020	**₱321,951,000**	5,181,106	₱259,055,300

The reconciliation of surplus during the period is as follows:

Surplus Free

	2019	2018
Balance, Beginning	**₱125,678,424**	₱136,598,145
Net Income	**41,438,540**	42,644,951
Provision and Adjustments	**825,726**	3,014,477
Dividend Declared during the year	**(70,667,359)**	(56,579,149)
Balance, Ending	**₱ 97,275,331**	₱125,678,424

Surplus Reserve

	2019	2018
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

- 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, 2019 and 2018, the Bank is in compliant with the minimum capitalization requirement set by the BSP.

The CAR of the Bank as at December 31, 2019 and 2018, as reported to the BSP, is shown in the table below:

	2019	2018
Tier 1 capital	₱ 516,652,155	₱ 482,343,883
Tier 2 capital	53,642,790	52,256,742
Total qualifying capital	**₱ 570,294,945**	**₱ 534,600,625**
Risk weighted assets	**₱ 2,884,025,250**	**₱2,745,126,260**
Tier 1 capital ratio	17.91%	17.57%
Tier 2 capital ratio	1.86%	1.90%
Total CAR	**19.77%**	**19.47%**

The Bank's Total Qualifying Capital as at December 31, 2019 and 2018 was computed as follows:

	2019	2018
A. Calculation of Qualifying Capital		
A.1 Tier 1 Capital		
Core Tier 1 Capital		
Paid-Up Capital – Common	**₱314,480,700**	**₱251,585,000**
Paid-Up Capital – Preferred	**85,146,459**	85,146,459
Retained Earnings	**117,274,781**	145,678,424
Deductions from Core Tier 1 Capital		
Deferred Tax Asset, Net of Deferred Tax Liability	**(249,785)**	(1,613,194)
Total Outstanding Unsecured Credit Accommodations		90,315
Total Tier 1 Capital	**₱516,652,155**	**₱482,319,568**
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	**19,499,512**	18,113,464
Total Upper Tier 2 Capital	**₱ 53,642,790**	₱ 52,256,742
TOTAL QUALIFYING CAPITAL	**₱570,294,945**	**₱534,576,310**

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, 2019 and 2018, the Bank was in compliance with CAR requirement.

Financial Performance

The following basic ratios measure the financial performance of the Bank:

	2019	2018
A. Return on average equity	**7.76%**	8.48%
B. Return on average assets	**1.33%**	1.51%
C. Net interest margin	**5.96%**	5.44%
D. Debt Equity Ratio	**4.78:1**	4.88:1

The Bank's ROE, ROA and Net Interest Margin Ratio as at December 31, 2019 and 2018 was computed as follows:

Return on average equity (ROE)

Formula: ROE = Net Income after Tax / Average Capital

	2019	2018
Net Income	**₱ 41,438,540**	₱ 42,644,951
Shareholders' Equity		
2019	**₱ 551,045,218**	
2018	**516,553,161**	
2018		₱516,553,161
2017		477,155,882
Total	**₱1,067,598,380**	₱993,709,044
Average Equity	**₱ 533,799,190**	₱496,854,522
Return on Average Equity	**7.76%**	8.58%

Return on average assets (ROA)

Formula: ROA = Net Income after Tax / Average of Total Assets

	2019	2018
Net Income	**₱ 41,438,540**	₱ 42,644,951
Assets		
2019	**₱3,184,947,120**	
2018	**3,035,162,344**	
2018		₱3,035,162,344
2017		2,601,464,071
Total	**₱6,220,109,465**	₱5,636,626,416
Average Assets	**₱3,110,054,732**	₱2,818,313,208
Return on Average Assets	**1.33%**	1.51%

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

	2019	2018
Net Interest Income	₱ 171,029,286	₱ 141,849,254
Interest Earnings Assets		
2019	₱2,929,660,466	
2018	2,813,738,166	
2018		₱2,813,738,166
2017		2,404,297,320
Total	₱5,743,398,632	₱5,218,035,485
Average Interest Earning Assets	₱2,871,699,316	₱2,609,017,743
Net Interest Margin	**5.96%**	5.44%

19. INTEREST INCOME

This account consists of:

	2019	2018
Income from Loans and Other Receivables (Note8)	₱141,201,254	₱101,295,431
Income from Due from Other Banks (Note 7)	51,551,600	55,883,210
Income from Investments (Note 9)	11,552,536	11,840,724
Total	₱204,305,390	₱169,019,366

20. OTHER INCOME

This account consists of:

	2019	2018
Fees and Commission	₱32,555,075	₱29,356,557
Gains/(Losses) from Sale/Derecognition of Non-Financial Assets	6,616,321	3,071,257
Others- Other Income	3,440,010	2,371,839
Fx Profit (Loss)	382,834	617,735
Recovery on Charged-off Assets	10,233,240	10,641,492
Total	₱53,227,479	₱46,058,880

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:

	2019	2018
Salaries and Wages	₱47,278,281	₱44,243,112
Fringe Benefits-Officers and Employees	9,780,874	9,566,498
Director's Fee	1,180,875	927,500
SSS, Philhealth and Employees Compensation Premium and PAGIBIG Fund Contribution	4,458,196	3,906,462
Contribution to Retirement Fund (Note 21)	3,240,000	3,180,000
Total	₱65,938,225	₱61,823,572

22. RETIREMENT BENEFITS

This account is consists of:

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 company 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 21,638,047 as of the year ended December 31, 2019.

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 Company 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 P3,180,000 was recognized as contribution to retirement fund for the years 2019 and 2018, respectively. Contributions to the plan were treated as outright expense.

23. OTHER OPERATING EXPENSE

This account is consists of:

	2019	2018
Rent (Note 24)	₱ 1,305,775	₱7,451,226
Advertising & Publicity	5,080,244	5,502,274
Repairs and Maintenance	3,956,914	4,636,973
Security, Clerical, Messengerial & Janitorial Services	3,950,612	4,449,372
Insurance Expenses	5,733,157	5,308,265
Power, Light & Water	5,106,131	4,704,518
Litigation Expenses	7,019,777	2,133,538
Stationeries & Supplies Used	3,668,772	3,022,099
Traveling Expenses	3,014,090	2,752,943
Postage, Telephone, Cables & Telegram	2,497,859	1,956,819
Information Technology Expense	1,050,323	710,172
Representation and Entertainment	1,986,410	930,336
Fuel & Lubricants	1,843,653	1,960,107
Management and Other Professional Fees	1,084,438	1,356,386
Supervision Fees	543,128	429,152
Donations and Charitable Contributions	65,452	84,042
Documentary Stamp Used	596,054	1,822,761

Membership Fees & Dues	113,790	120,819
Periodicals and Magazines	3,550	5,564
Fines and Penalties	19,703	461
Other Expense*	1,215,506	1,715,819
Interest Expense from Leasing Agreement	1,413,724	
Total	**₱51,269,061**	₱51,503,645

Other expenses include messenger expense, inquiry fees and other minor expenses.

24. DEPRECIATION AND AMORTIZATION EXPENSE

This account consists of:

	2019	2018
Depreciation Expense – Buildings	₱ 967,808	₱ 693,277
Depreciation Expense - Furniture and Fixtures	4,902,713	4,761,074
Depreciation Expense - Transportation Equipment	2,873,115	2,449,463
Depreciation Expense - Leasehold Rights and Improvements	1,456,073	1,312,079
Depreciation Expense – Right of Used Assets	5,557,306	-
Amortization of Other Intangible Assets	89,950	387,285
Total	₱15,846,966	₱9,603,177

25. LEASES

Bank as Lessee

a. Short Term and Low- value Lease

As of December 31, 2019, the Banks has short-term lease on its branch offices and parking lot, amounting to ₱ 820,975. Also, the Bank has low-value lease on printer amounting to ₱484,800.

b. Long-term Lease

The undiscounted maturity analysis of lease liabilities at December 31, 2019 is as follows:

	Minimum Lease Payments			
	Within 1 Year	2-5 Years	6-10 Years	Total
Lease Payments	₱4,663,729	₱13,096,840	₱21,755,589	₱39,516,158
Finance Charges	1,271,250	3,684,263	4,217,989	9,173,502
	₱5,934,979	₱16,781,103	₱25,973,578	₱48,689,660

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 ₱914,642 and ₱1,431,567 in 2019 and 2018, respectively.

As of December 31, 2019 and 2018, the future minimum rentals payable under the operating lease as a lessor are as follows:

	2019	2018
Within one year	₱ 786,150	₱124,838
Beyond one year but not beyond five years	2,441,951	275,170
More than five years	30,388	103,318
	₱3,258,488	₱503,326

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 ₱51,767,617 as at December 31, 2019.

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.

d.) As of December 31, 2019 and 2018, The Bank has a total of ₱925,389.41 in 2019 and ₱39,092 in 2018 for its contingent accounts. This account pertains to bills for collection.

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.

Republic Act No. 9337, An Act Amending National Internal Revenue Code, 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 ₱1,986,410 and ₱930,336 in 2019 and 2018, respectively.

Provision for income tax consists of:

	2019	2018
Current	₱ 5,460,234	₱3,536,631
Deferred	(249,785)	-
	₱ 5,210,449	₱3,536,631

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

	2019	2018
Statutory income tax	₱ 13,994,697	₱ 13,854,474
Income tax effects of:		
Interest income subject to final tax	(18,931,241)	(20,242,180)
Provision for Credit Losses on Loans and receivables	1,046,502	1,540,144
Payment for Deficiency Tax	950,938	233,158
Depreciation Expense – Right of Used Assets	1,667,192	
Interest Expense from Leasing Arrangements	424,117	
Income Reported in Retained Earnings	340,416	
Non-deductible expenses (Interest Arbitrage - 33%)	7,809,137	8,151,034
Payment of Lease Liability	(1,841,524)	
Provision for income tax	₱ 5,460,234	₱ 3,536,631

Computation of Income Tax:

	2019	2018
Net Income per books	₱46,648,990	₱46,181,582
Add: Non-deductible Expenses/Taxable Other Income		
Provision for Credit Losses on Loans and Receivables	3,488,339	5,133,815
Taxes and Licenses – Tax Deficiency	3,169,795	777,195
Depreciation Expense - Right of Used Assets	5,557,306	-
Interest Expense for Leasing Arrangements	1,413,724	
Income Reported in Retained Earnings	1,134,721	
Insurance Expense – Others	58,723	
Interest expense reduced by 33% income subject to final tax	26,030,456	27,170,113
Total	87,443,330	79,262,703
Less: Income Subjected to Final Tax and Deductible Expense		
Interest Income Subject to Final Tax	63,104,137	67,473,935
Payment of Lease Liability	6,138,411	
Total	69,242,548	67,473,935
Net Taxable Income (Loss)	18,200,782	11,788,769
Tax Rate	30%	30%
Normal Corporate Income Tax	5,460,235	3,536,631
Minimum Corporate Income Tax**	1,757,418	1,080,586
Income Tax Due	5,460,235	3,536,631
Less: Payments/Tax Credits	2,309,343	1,962,469
Income Tax Still Due/(Overpayment)	₱ 3,150,892	₱ 1,574,161

***Below is the computation of Minimum Corporate Income Tax (MCIT) for the year ended December 31, 2019.*

	2019	2018
Revenue	₱204,305,390	₱169,019,366
Cost of Revenue (Note 27)	106,557,822	93,575,024
Gross Income	97,747,568	75,444,342
Add: Other Income(Note 21)	53,227,479	46,058,880
Less: Interest Income Subjected to Final Tax	(63,104,137)	(67,473,935)

Total Gross Income	87,870,910	54,029,287
MCIT Rate	2%	2%
Minimum Corporate Income Tax**	₱ 1,757,418	₱ 1,080,586

Deferred Tax

	2019
Deferred tax assets	
Beginning Balance	₱ -
Lease liability	11,632,350
	₱11,632,350
Deferred tax liabilities	
Beginning Balance	₱ -
Right of Used Asset	11,382,565
	₱11,382,565
Net Deferred Tax Assets	₱ 249,785

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:

	2019	2018
Short-term employee benefits	₱2,441,945	₱3,020,947
	₱2,441,945	₱3,020,947

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.

Regulatory Repotting

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, 2019 and 2018, the Bank is in compliance with the regulatory requirements.

BSP Circular No. 423 dated March 15, 2004 amended the definition of DOSRI accounts. On October 8, 2010, BSP Circular No. 695 is issued to provide guidance on the definition of Related Interest.

Below are the selected ratios relative to the Banks' DOSRI loan accounts.

	2019	2018
A. Aggregate Ceiling		
1. Total Loan Portfolio	₱2,119,286,728	₱2,004,247,565
2. 15% of #1	317,893,009	300,637,135
3. Adjusted Capital per FRP	554,442,197	516,553,161
4. Item A.2 or A.3 whichever is lower	₱ 317,893,009	₱ 300,637,135
B. Ceiling on Unsecured Loans		
1. Secured DOSRI loans	₱ 54,162,657	₱ 30,186,859
2. Unsecured DOSRI loans	-	153,842
3. Total	₱ 54,162,657	₱ 30,340,701
4. 30% of Item A.4	95,367,903	90,191,140
5. 30% of B.3	16,248,797	9,102,210
6. Item B.4 or B.5 whichever is lower	₱ 16,248,797	₱ 9,102,210
C. Compliance with Aggregate Ceiling (Item A.4 -B.3)	₱ 263,730,352	₱ 270,296,434
D. Compliance with Ceiling on Outstanding Unsecured Loans (Item B.6-B.2)	₱ 16,248,797	₱ 8,948,368
E. Percent of DOSRI loan to total loan portfolio		
DOSRI loan	₱ 54,162,657	₱ 30,340,701
Total loan portfolio	2,119,286,728	2,004,247,565
	2.56%	1.51%
F. Percent of unsecured DOSRI loans to total DOSRI loans		
Unsecured DOSRI loan	₱ -	₱ 153,842
Total DOSRI loan	54,162,657	30,340,701
	0.00%	0.51%
G. Percent of past due DOSRI loans to total DOSRI loans		
Past Due DOSRI loan	₱ -	₱ -
Total DOSRI loan	54,162,657	30,340,701
	0.00%	0.00%
H. Percent of non-performing DOSRI loans to total DOSRI		
Non-performing DOSRI loan	₱ -	₱ -
Total DOSRI loan	54,162,657	30,340,701
	0.00%	0.00%

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, 2019, follow:
GRT in 2019 consists of taxes on:

Interest income on loans and other related income from lending operations	₱ 3,560,102
Other income	3,190,168
	₱6,750,270

Taxes and Licenses

a. Local		
Business Permit	₱ 970,090	
Real Property Tax	244,016	
Others	11,000	₱1,131,160
b. National		
Fringe Benefit Tax	₱ 129,230	
Tax Payment on Deficiency	3,701,408	
LTO Registration	56,313	
SEC Certification Fee	530	
Annual Registration-BIR	16,000	3,903,481
Total-Taxes and Licenses		₱5,128,587

Withholding taxes in 2019 are categorized into:

Paid:	
Final withholding tax on interest expense	₱3,321,008
Final withholding tax on dividends	586,144
Withholding taxes on compensation and benefits	229,710
Fringe benefit tax paid	129,237
Expanded withholding tax	866,429
	₱5,132,528

Tax Assessments and Cases
As at December 31, 2019, the Company 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 2019:

Sale of Services
The Bank's taxable sale of services amounted to ₱151,148,732 and income subject to final income tax and are exempt from tax amounted to ₱53,104,137 for the year ended December 31, 2019.

Cost of Services

	2019	2018
Details of the Bank's tax deductible cost of services accounts are as follows:		
Direct Charges - Salaries and wages	₱ 65,938,225	₱ 61,823,572
Direct Charges - materials, supplies and facilities	11,272,762	9,683,437
Direct Charges - Insurance (PDIC)	4,730,742	4,303,441
Direct Charges – depreciation	10,289,660	9,603,177

Direct Charges - rent expense	7,444,186	7,451,226
Direct Charges - information technology expense	1,050,323	710,172
Direct Charges - others (interest expense net of 33% limit)		
Interest expense	33,276,105	27,170,113
Less: Limit (33% of interest income subj. to final tax)	(26,030,456)	(27,170,113)
Total	**₱107,971,546**	**₱ 93,575,024**

Itemized Deductions

	2019	2018
Details of the Bank's itemized deductions are as follows:		
Security, Clerical, Messengerial and Janitorial Services	₱ 3,950,612	₱ 4,449,372
Repairs and Maintenance	3,956,914	4,636,973
Insurance Expense	1,002,415	1,004,824
Advertising and Publicity	5,080,244	5,502,274
Litigation Expenses	7,019,777	2,133,538
Traveling Expense	3,014,090	2,752,943
Representation and Entertainment	1,986,410	930,336
Fuel and Lubricants	1,843,653	1,960,107
Bad Debts Written-off	29,876,848	9,940,883
Taxes and Licenses	1,958,792	1,776,462
Impairment Losses	6,059,749	1,617,804
Management and Other Professional Fees	1,084,438	1,356,386
Supervision Fees	543,128	429,152
Membership Fees and Dues	113,790	120,819
Donations and Charitable Contributions	65,452	84,042
Periodical and Magazines	3,550	5,564
Fines, Penalties and Other Charges	19,703	461
Other Expenses	1,215,506	1,715,819
Documentary Stamp Used	596,054	1,822,761
Total	₱ 61,812,477	₱ 42,240,519

Total Deductible Expense	₱ 177,362,671	₱135,815,543
Expense Reported in Audited Financial Statements	210,883,880	168,896,664
Difference*	₱ (33,521,208)	₱ (33,081,122)
*Reconciliation of Difference:		
Interest Limit	₱ 26,030,456	₱ 27,170,113
Payment of Deficiency Tax	3,169,795	777,195
Provision for Credit losses	3,488,339	5,133,815
Depreciation Expense - Right of Used Assets	5,557,306	
Rent Expense	(6,138,411)	
Interest Expense for Leasing Arrangements	1,413,724	
	₱ 33,521,208	₱ 33,081,122

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, 2019, all of the bank's directors had undergone the requirements for corporate governance as confirmed by the Monetary Board as mandated by MORB Subsection. 911.

31. LIST OF EFFECTIVE STANDARDS AND INTERPRETATION

In compliance with the requirements of Part 1 Section 4(J) of SRC Rule 68, as amended, as of December 31, 2019 and 2018, below is the list of all the effective standards and interpretations under PFRS that are either "Adopted", "Not Adopted" or "Not Applicable".

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2019		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✔		
PFRSs Practice Statement Management Commentary				✔
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✔		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✔		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters	✔		
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters	✔		
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✔
	Amendments to PFRS 1: Government Loans			✔
PFRS 2	Share-based Payment	✔		
	Amendments to PFRS 2: Vesting Conditions and Cancellations	✔		
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions	✔		
PFRS 3 (Revised)	Business Combinations			✔
PFRS 4	Insurance Contracts			✔
	Amendments to PFRS 9 and PFRS 4: Financial Guarantee Contracts			✔
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✔
PFRS 6	Exploration for and Evaluation of Mineral Resources			✔
PFRS 7	Financial Instruments: Disclosures	✔		
	Amendments to PFRS 7: Transition	✔		
	Amendments to PFRS 9 and PFRS 7: Reclassification of Financial Assets	✔		
	Amendments to PFRS 9 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✔		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2019		Adopted	Not Adopted	Not Applicable
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✔		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✔		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✔		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures		✔	
PFRS 8	Operating Segments			✔
PFRS 9*	Financial Instruments	✔		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✔		
	Amendments to PFRS 9: Hedge Accounting and Amendments to PFRS 7 and PFRS 9	✔		
PFRS 10*	Consolidated Financial Statements			✔
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture		✔	
	Amendments to PFRS 10: Investment Entities: Applying the Consolidation Exception		✔	
PFRS 11*	Joint Arrangements			✔
	Amendments to PFRS 11: Accounting for Acquisition of Interests in Joint Operations		✔	
PFRS 12*	Disclosure of Interests in Other Entities			✔
PFRS 13*	Fair Value Measurement	✔		
PFRS 14*	Regulatory Deferral Accounts		✔	
PFRS 15*	Revenue from Contracts with Customers		✔	
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✔		
	Amendment to PAS 1: Capital Disclosures	✔		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✔		
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✔		
	Amendments to PAS 1: Disclosure Initiative		✔	
PAS 2	Inventories			✔
PAS 7	Statement of Cash Flows	✔		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✔		
PAS 10	Events after the Balance Sheet Date	✔		
PAS 11	Construction Contracts			✔
PAS 12	Income Taxes	✔		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2019		Adopted	Not Adopted	Not Applicable
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✔		
PAS 16	Property, Plant and Equipment	✔		
PAS 17	Leases	✔		
PAS 18	Revenue	✔		
PAS 19	Employee Benefits	✔		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	✔		
PAS 19 (Amended)	Employee Benefits	✔		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✔
PAS 21	The Effects of Changes in Foreign Exchange Rates	✔		
	Amendment: Net Investment in a Foreign Operation			✔
PAS 23 (Revised)	Borrowing Costs	✔		
PAS 24 (Revised)	Related Party Disclosures	✔		
PAS 26	Accounting and Reporting by Retirement Benefit Plans	✔		
PAS 27 (Amended)	Consolidated and Separate Financial Statements	✔		
	Separate Financial Statements	✔		
	Amendments to PAS 27: Equity Method on Separate Financial Statements		✔	
PAS 28	Investment in Associates	✔		
PAS 28 (Amended)*	Investments in Associates and Joint Ventures	✔		
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures		✔	
	Amendments to PFRS 10: Investment Entities: Applying the Consolidation exception		✔	
PAS 29	Financial Reporting in Hyperinflationary Economies			✔
PAS 31	Interests in Joint Ventures			✔
PAS 32	Financial Instruments: Disclosure and Presentation	✔		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✔		
	Amendment to PAS 32: Classification of Rights Issues	✔		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✔		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2019		Adopted	Not Adopted	Not Applicable
PAS 33	Earnings per Share	✔		
PAS 34	Interim Financial Reporting	✔		
PAS 36	Impairment of Assets	✔		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✔		
PAS 38	Intangible Assets	✔		
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization		✔	
PFRS 9	Financial Instruments: Recognition and Measurement	✔		
	Amendments to PFRS 9: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✔		
	Amendments to PFRS 9: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✔
	Amendments to PFRS 9: The Fair Value Option	✔		
	Amendments to PFRS 9 and PFRS 4: Financial Guarantee Contracts	✔		
	Amendments to PFRS 9 and PFRS 7: Reclassification of Financial Assets	✔		
	Amendments to PFRS 9 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	✔		
	Amendments to Philippine Interpretation IFRIC–9 and PFRS 9: Embedded Derivatives	✔		
	Amendment to PFRS 9: Eligible Hedged Items	✔		
PAS 40	Investment Property	✔		
PAS 41	Agriculture			✔
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	✔		
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✔
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✔		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✔
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✔
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✔
IFRIC 8	*Scope of PFRS 2*	✔		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2019		Adopted	Not Adopted	Not Applicable
IFRIC 9	Reassessment of Embedded Derivatives			✔
	Amendments to Philippine Interpretation IFRIC–9 and PFRS 9: Embedded Derivatives			✔
IFRIC 10	*Interim Financial Reporting and Impairment*	✔		
IFRIC 11	PFRS 2- Group and Treasury Share Transactions	✔		
IFRIC 12	Service Concession Arrangements			✔
IFRIC 13	Customer Loyalty Programmes			✔
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✔		
	Amendments to Philippine Interpretations IFRIC-14, Prepayments of a Minimum Funding Requirement	✔		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✔
IFRIC 17	Distributions of Non-cash Assets to Owners			✔
IFRIC 18	Transfers of Assets from Customers			✔
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✔
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✔
SIC-7	Introduction of the Euro			✔
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✔
SIC-12	Consolidation - Special Purpose Entities			✔
	Amendment to SIC - 12: Scope of SIC 12			✔
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✔
SIC-15	Operating Leases - Incentives			✔
SIC-21	Income Taxes – Recovery of Revalued Non-Depreciable Assets			✔
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✔
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✔
SIC-29	Service Concession Arrangements: Disclosures.			✔
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✔
SIC-32	Intangible Assets - Web Site Costs			✔

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 2019 and 2018, the Bank does not have assets and liabilities nor had transactions that would result in other comprehensive income.

-END OF REPORT-

Romeo G. Torno & Co.
Certified Public Accountants

4th Block Dolores Homesite
City of San Fernando, Pampanga
Tel No. (045) 626-5581
email add: rgt_aps@yahoo.com

BOA Accreditation No. 4618
SEC Accreditation Number: 0278-FR-1
February 6, 2017 to February 6, 2020
Section 9 of MC No. 20 Series of 2019

SUPPLEMENTAL STATEMENT

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

We have examined the financial statements of **RANG- AY BANK (A RURAL BANK), INC.** for the year ended December 31, 2019 on which we have rendered the attached report dated June 6, 2020.

In connection with our audit, we obtained a certification from the Company's corporate secretary as to the number of stockholders and their corresponding shareholdings as at December 31, 2019 and conducted certain tests necessary to validate the related Company's entries and balances.

In compliance with SRC Rule 68, we are stating that said company has a total number of Thirty Five (35) stockholders owning one hundred (100) or more shares each.

BY:

ROMEO G. TORNO &CO.,CPAs
BOA Accreditation No. 4618
September 18, 2017 valid until June 15, 2020
SEC No. 0278 – FR – 1 (Group C)
February 2, 2017 valid until February 6, 2020
Section 9 of MC No. 20 Series of 2019
BIR Accreditation No. 04-002375-000-2018
March 5, 2018 valid until March 4, 2021
CDA Accreditation No. 046-AF
October 17, 2017 valid until October 16, 2020

ROMEO G. TORNO, CPA
Managing Partner
CPA Certificate No. 0043083
Tax Identification No. 107-071-246
BIR Accreditation No. 04-002375-001-2018
March 5, 2018, valid until March 5, 2021
SEC No. 1678 – A
May 3, 2018 valid until March 5, 2021
PTR No. SF3579557
January 15, 2020
City of San Fernando, Pampanga

June 6, 2020

City of San Fernando, Pampanga